



MAKHADO LOCAL MUNICIPALITY

ANNUAL REPORT

2019/2020

"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"

GLOSSARY	10
<u>CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY</u>	13
COMPONENT A: MAYOR’S FOREWORD	13
1.1 MAYOR’S FOREWORD.....	13
<u>COMPONENT B: EXECUTIVE SUMMARY</u>	15
1.2 MUNICIPAL MANAGER’S FOREWORD	15
COMPONENT C: MUNICIPAL OVERVIEW	17
1.3. MUNICIPAL OVERVIEW	17
Figure 2: Location Of Makhado Municipality	17
Table 2 : Services Backlog.....	18
Table 3 : Free Basic Services	18
COMPONENT A: GOVERNANCE STRUCTURES	20
2.POLITICAL GOVERNANCE STRUCTURE.....	20
2.1. STATUS OF MUNICIPALITIES:.....	20
Figure 3 : Political Structures	20
2.2.Governance Activities	20
2.3. Council and Committees	21
Table 4 : Representation In Council – Political Parties	21
2.3.1. COUNCIL.....	22
Table 5 : Names Of Councilors	23
2.3.2.Council Meetings.....	25
Table 7 : Senior Traditional Leaders In Council:.....	22
2.4 EXECUTIVE COMMITTEE	26
Figure 4 Executive Committee Members:.....	26
Table 8: Executive Committee	27

Table 9: Executive Committee Meetings held	27
2.4.1. SECTION 79 OVERSIGHT COMMITTEES	27
Table 10: Section 79 Oversight Committee.....	27
Table 11: Oversight Committee Meetings Held	29
2.4.2. SECTION 79 STANDING COMMITTEES.....	29
Table 12: Section 79 Standing Committees	29
Table 13: Section 79 Standing Committee Meetings held	31
2.4.3. SECTION 80 COMMITTEES	31
Table 14: Section 80 Committees	31
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	33
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	35
Table 16. Meetings Attended By Audit Committee Members.....	36
2.11.4. INTERNAL AUDIT.....	37
2.11.6. MATTERS OF CONCERN	38
2.11.7. PERFORMANCE MANAGEMENT	38

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	39
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
2.14.5. Evaluation of Internal Audit.....	46
2.14.6. INTERNAL AUDIT HIGHLIGHTS AND SUCCESSES FOR 2019/20	47
CHAPTER 3 – SERVICE DELIVERY PERFORMANCE	50
3.OVERVIEW OF SERVICE DELIVERY	50
Table: 17 Backlogs.....	50
3.1.OVERVIEW OF CAPITAL PROJECTS IMPLEMENTED	Error! Bookmark not defined.
3.1.1. ROAD INFRASTRUCTURE.....	Error! Bookmark not defined.
3.1.2. ELECTRICITY CONNECTIONS.....	Error! Bookmark not defined.
3.1.3. ROADS UPGRADING AND REHABILITATION	Error! Bookmark not defined.
Table 18: Roads Completed	Error! Bookmark not defined.
3.2. BASIC SERVICES.....	Error! Bookmark not defined.
3.2.1 PROVISION OF ELECTRICITY SERVICES	Error! Bookmark not defined.
Table 19 Electricity Connections	Error! Bookmark not defined.
3.2.2. Faults Reported And Attended.....	Error! Bookmark not defined.
Table 20: Electricity Faults	Error! Bookmark not defined.
Table 21: Call Centre Statistics – Electricity.....	Error! Bookmark not defined.
Table 22: Electricity Losses	54

3.2.4. PROVISION OF REFUSE REMOVAL SERVICES (WASTE MANAGEMENT)	55
Table 23: Increase Of Cleaning Programs	Error! Bookmark not defined.
Table 24: Solid Waste Service Delivery Levels:	Error! Bookmark not defined.
3.2.5. COMMUNITY & SOCIAL SERVICES	Error! Bookmark not defined.
3.2.6. MUNICIPAL PUBLIC LIBRARIES	Error! Bookmark not defined.
Table 25: Public Library – Books Issued And Members	Error! Bookmark not defined.
3.2.7. MUNICIPAL PARKS AND CEMETERIES	Error! Bookmark not defined.
3.2.8. MUNICIPAL CREMATORIA AND HERITAGE	Error! Bookmark not defined.
3.2.9. DISASTER MANAGEMENT SERVICES	Error! Bookmark not defined.
Table 26: Disaster Incidents	Error! Bookmark not defined.
3.2.10. Environmental Health	Error! Bookmark not defined.
Table 27: Environmental Health Activities	Error! Bookmark not defined.
3.2.11. PROTECTION SERVICES	Error! Bookmark not defined.
3.2.12. TRANSPORT: VEHICLE LICENSING & TRAFFIC SERVICES	Error! Bookmark not defined.
3.2.13. SPECIAL PROGRAMMES	58
Table 29: Child Care; Aged Care; Social Programmes	59
3.2.14. HOUSING FOR THE POOR	59
Table 30 Housing Projects	59
3.3. DELIVERY OF FREE BASIC SERVICES	59
Table 31: Support: Low Income Households	60
3.4. OTHER MUNICIPAL SERVICES	Error! Bookmark not defined.
3.4.1. ROADS AND STORM WATER DRAINAGE	Error! Bookmark not defined.
Table 32: Gravel Road Infrastructure	Error! Bookmark not defined.
3.4.2 ROAD MAINTENANCE PROGRAMME	Error! Bookmark not defined.
Table 33: Capital Expenditure 2018/19: Road Services	Error! Bookmark not defined.
3.5. MUNICIPAL INFRASTRUCTURE GRANT (MIG) EXPENDITURE	62
DEPARTMENT OF DEVELOPMENT PLANNING	63

Table 34. Building And Zoning Plans (2019/2020)	64
Table 35: Led Projects	65
Table 36: EPWP Jobs Created	65
4.3. SDBIP PERFORMANCE	66
CHAPTER 4	107
COMPONENT A: INTRODUCTION TO THE MUNICIPAL WORKFORCE	107
Table 38. Turnover Rate	108
COMPONENT B: MANAGING MUNICIPAL WORKFORCE	108
Table 39. Human Resources Policies	108
4.HEALTH AND SAFETY MATTERS	109
4.1.OCCUPATIONAL INJURY	109
Table 40 : All The Injuries Recorded On A Year Under Review:	109
4.2.ABSENCE DUE TO ILL HEALTH	110
4.2.1.Sick Leave	111
Table 41. Sick Leave Statistic	111
SUSPENSIONS	111
Table 42. SUSPENSIONS	112
COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE	112
4.3.SKILLS DEVELOPMENT AND TRAINING	112
4.3.1.TRAINING	112
Table 43 :Training Provided For 51 Councilors:	112
Table 44 : Training Provided For 80 Learners (Learnership)	113
Table 45 : Training Provided For 200 Skill Program:	113
4.2.2.BURSARIES AND INTERNSHIP	114
Table 47 : Bursaries For Full Time Study Per Population Group And Gender	114
Table 48 : Interns By Population Group And Gender	115
Table 49. Capacity Building – Work Force (to be discussed)	115

COMPONENT D: MANAGING MUNICIPAL WORKFORCE EXPENDITURE:	116
CHAPTER 5: FINANCIAL PERFORMANCE	118
5.1.1. Introduction to financial performance.....	118
COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE	119
5.2.FINANCIAL SUMMARY OF THE MUNICIPALITY AS AUDITED.....	120
Table 52: Financial Summary	120
Table 53: Capital Grants Received And Spent.....	120
Table 54: Budget Related Policies	121
5.2.4.THE ASSESSMENT OF ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES	121
5.2.5.ASSETS MANAGEMENT	122
Table 55: Three Largest Assets.....	123
Table 56: Capital Expenditure Of 5 Largest Projects	127
Table 57: Capital Expenditure	127
COMPONENT C: CASHFLOW MANAGEMENT AND INVESTMENTS.....	129
5.4.CASH MANAGEMENT	129
Table 58: Borrowings	129
5.4.4.CASH AND CASH EQUIVALENTS.....	130
Table 59: Statement Of Cash Flow.....	130
5.4.5.COMMENT ON CASH FLOW	130
COMPONENT D: OTHER FINANCIAL MATTERS.....	131
5.5.SUPPLY CHAIN AND EXPENDITURE MANAGEMENT	131
5.5.1.PROCUREMENT STATISTICS	131
5.5.2.SUMMARY OF PROCUREMENT STATISTICS FOR THE YEAR 2018-2019	131
5.5.3.EXPENDITURE	132
5.5.4.GRAP COMPLIANCE	132

5.5.5.MSCOA IMPLEMENTATION	132
COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS	134
6.1. AUDITOR-GENERAL REPORTS PREVIOUS YEAR	134
Table 61. AG Report 2018/2019	134
Table 62. Audit Findings 2018/2019	134
6.2. AUDITOR-GENERAL REPORT – CURRENT YEAR.....	134
Table 63. AG Opinion 2019/2020	134

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

COMPONENT A: MAYOR’S FOREWORD

1.1 MAYOR’S FOREWORD



His Worship Mayor
Cllr Mnyyal N

Let me take this opportunity to present the 2019/20 Draft Annual Report to all members of the community of Makhado Municipality, our partners, district, provincial and national government of the Republic of South Africa. The year under review has been a hallenging one, owing to the new normal we hvd to work uder due to the advent of Covid-19.

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 2019/2020 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 2050, 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.

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 continously impacted positively on our communities, restoring their hope that Makhado Municipality will never be the same again.

Our Ward Committees are fully 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 2019/2020 financial our Municipality received and spent 100% of the Integrated National Electricity Program (INEP), and only managed to spend R79 000 000 of the allocated R88 000 000 of the Municipal Infrastructure Grant due to Covid-19. A roll-over was requested and accordingly granted.

Despite all challenges during the year under review, our Municipality achieved a unqualified audit opinion. We thank the management under the leadership of the accounting officer, for implementing the Audit Action Plan as advised by the Auditor General and I have no doubt that 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 continue to work closely and tirelessly 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 a clean 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

The year 2019/2020 was a challenging year for local government; given that the municipality had to continue discharging its responsibility amid untenable condition dawned on us through the advent of Covid-19. During the year under review, the country witnessed the new normal, both in terms of how institution should carry out their work and the scarcity of resources owing to also, the inability to collect revenue under the circumstances.

Municipal powers and functions for the year 2019/20 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
---	--	--	---

As of the 30 June 2020, the municipality managed to achieve 61% municipal performance, notwithstanding Covid-19 challenges.

With regard to provision of basic services, municipality managed to provide a total of 1583 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 R63 000 000 that is being owed to date, for water service function rendered.

Electricity remains the main revenue contributor, which amount to 65% of the total municipal budget, whilst property rates contribute 15.9% of the total budget.

The municipality managed to close the 2019/20 financial year with a total of R143 million cash in the bank. This is a huge improvement when compared to just R90 million during the 2018/19 financial year.

Mr K. M Nemaname
Acting 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	6756 Households	16 207 RDP Housing

Source: Council's approved IDP 2019/2020

According to the approved 2019/20 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
6556	6556	101,132	R155,820,960

Source: Council's approved IDP 2019/2020

According to the approved 2019/20 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:

Section 151(1)The local sphere of government consists of municipalities, which must be established for the whole of the territory of the Republic.

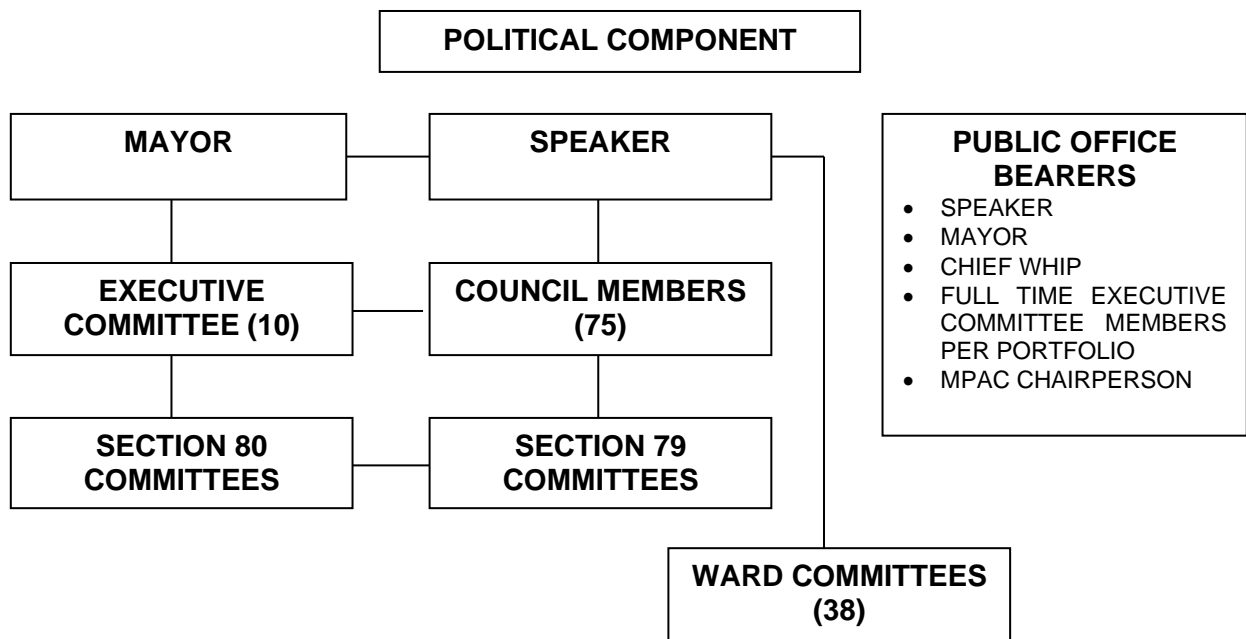
(2) The executive and legislative authority of a municipality is vested in its Municipal Council.

(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:

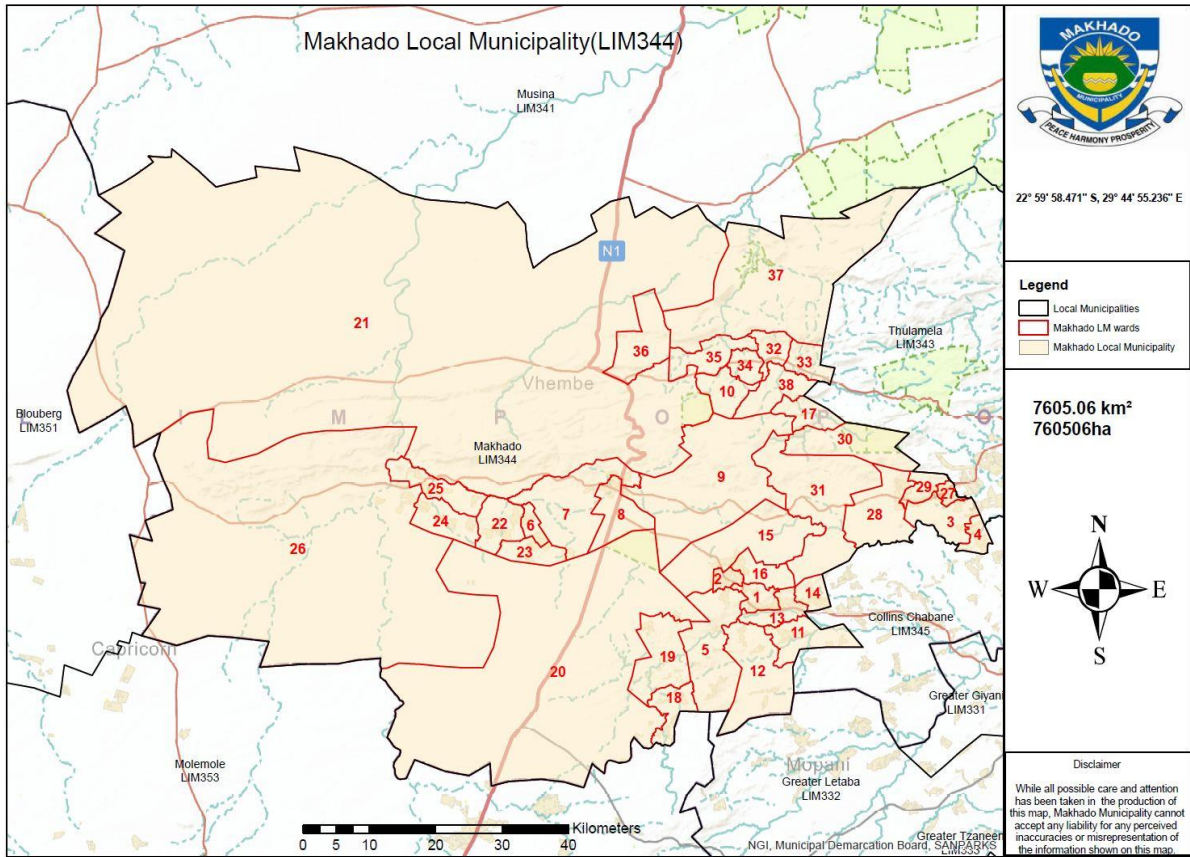
Table 4 : Representation In Council – Political Parties

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)

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



2.3.1. 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 2019/2020
1.	BABADU, T M	10
2.	BALIBALI, T	11
3.	BALOYI, R S	08
4.	BULALA, S I	08
5.	CHILILO, N F	07
6.	DAVHANA, N D	10
7.	DU PLOOY, A	02
8.	DZIVHANI, T E	07
9.	FURUMELE, M G	09
10.	GABARA, M J	10
11.	HLONGWANE, F B	05
12.	JONES, K B	07
13.	JONES, N B	07
14.	KUTAMA, N	09
15.	KUTAMA, T	10
16.	LUDUVHUNGU, V S	08
17.	LUKHELI, J	10
18.	MACHETHE, M S	07
19.	MADULA, S	11
20.	MADUWA, E	10
21.	MADUWA, L G	11
22.	MADZHIGA, F N	10
23.	MAFHALA, N A(passed on on the 12 April 2020) and was replaced by KHODOGA	03
24.	MAGADA, M R	06
25.	MAINGO, R T	09
26.	MALANGE, T M	10
27.	MALIMA, M E	10
28.	MALIVHA, N V	09
29.	MALULEKE, K M	10
30.	MAMAFHA T C	08
31.	MAMAFHA, T J	10
32.	MAMOROBELA, T P	05
33.	MAPHUBU, K	10
34.	MARAGA, T A	08
35.	MASHAMBA, M A	10
36.	MASIPA, M L	05
37.	MASUKA, S	07

NO.	NAMES OF COUNCILLORS	NUMBER OF COUNCIL MEETINGS ATTENDED 2019/2020
38.	MASUTHA, L G	11
39.	MATHALISE, L M	08
40.	MATUMBA, A	10
41.	MBOYI, M D	09
42.	MOGALE, L B	09
43.	MOHLABA, T J	08
44.	MOKGOADI, M R	05
45.	MPASHE, M J	06
46.	MTHOMBENI, S Z	09
47.	MUKHARI, M F	11
48.	MUKWEVHO, G T	04
49.	MUKWEVHO, T D	08
50.	MULEFU, M E	14
51.	MUNYAI, N	09
52.	MUNYAI, N S	10
53.	MUSANDIWA, P N	09
54.	NDOU, M D	08
55.	NDOU, M N	11
56.	NEMATANDANI, M C	06
57.	NEMUDZIVHADI, N S	08
58.	NETHULWE, M F	11
59.	NYELISANI, S S	11
60.	PHOSHOKO, M G	06
61.	RALIPHADA, R	07
62.	RAMAVHOYA, K S	10
63.	RAMUSHAVHA, G M	07
64.	RASHAMUSE, A G	09
65.	RATSHIKUNI, D	09
66.	SELAPYANA, M A	08
67.	SESHOKI, T	08
68.	SIMANGWE, N J	09
69.	SINYOSI, S M	06
70.	SITHI, E T	05
71.	TAMBANI, T E	11
72.	TSHIAMBWA, L R	08
73.	TSHIBVUMO, G	05
74.	TSHIFURA, S S	06
75.	TSHILAMBYANA, M S	09

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 2019/2020	03	08	11

A total of eleven (11) Council meetings were held during the year under review. A total of eight (08) meetings were special council meetings, whilst three (03) were ordinary council meetings.

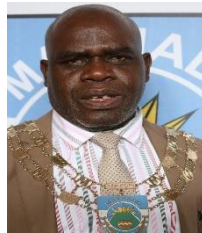
The table below reflects a list and numbers of traditional authorities and councils that that are part of the municipal council.

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.

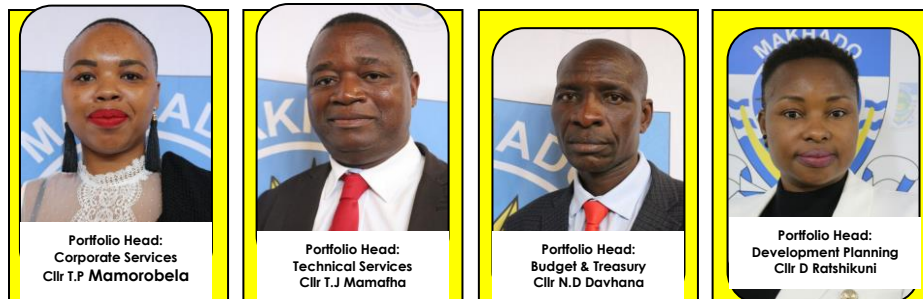
The designation of full-time councilors in terms of the provisions of section 18(4) of the Local Government: Municipal Structures Act, 117 of 1998 read with Part 14 of the General Notice No. 94 of 2016 published in the Provincial Gazette no. 2735 dated 22 July 2016 was resolved by Council on 17 August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

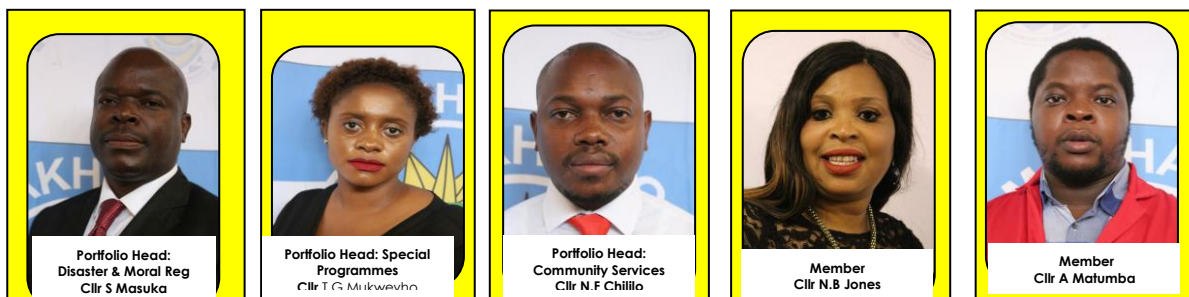


Table 8: Executive Committee

COMMITTEE	NAMES OF COUNCILLORS 2019/20	NUMBER OF MEETINGS ATTENDED
EXECUTIVE COMMITTEE	1. MUNYAI, N S (Chairperson)	21
	2. CHILILO N F	16
	3. DAVHANA N D	22
	4. JONES N B	10
	5. MAMAFHA T J	21
	6. MAMOROBELA T P	12
	7. MASUKA S	19
	8. MATUMBA A	17
	9. MUKWEVHO G	13
	10. RATSHIKUNI D	19

The number of meetings held by the Executive Committee were as follows:

Table 9: Executive Committee Meetings held

2019/2020 FINANCIAL YEAR	NUMBER OF MEETINGS HELD
EXECUTIVE COMMITTEE	23

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)	09
		2. MASUTHA L G	05
		3. SITHI E T	04
		4. SIMANGWE N J	06
		5. NETHULWE M F	09
		6. MUKHARI M F	09
		7. MAPHUBU K	07
		8. LUKHELI J	06
		9. NEMATANDANI M C	04
2.	CORPORATE SERVICES	1. MADZHIGA N F (CHAIRPERSON)	11
		2. MALULEKE K M	13
		3. NYELISANI S S	12

NO.	PORTFOLIO COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
		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	09 10 08 12 01 09
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	08 08 06 09 09 06 08 10 09 06
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	05 04 05 04 05 05 03 05 03 03
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	09 10 08 09 10 09 10 05
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	01 01 01 01 01 01 00 01
7.	SPECIAL PROGRAMMES	1. MATHALISE L M (CHAIRPERSON) 2. MUKHARI M F 3. MASUTHA L G	01 01 01

NO.	PORTFOLIO COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
		4. NYELISANI S S	01
		5. MADUWA L G	01
		6. FURUMELA G	00
		7. PHOSHOKO M G	00

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

Table 11: Oversight Committee Meetings Held

2019/2020 FINANCIAL YEAR COMMITTEE	NUMBER OF MEETINGS HELD
1. TECHNICAL SERVICES	10
2. CORPORATE SERVICES	13
3. FINANCES	11
4. COMMUNITY SERVICES	05
5. DEVELOPMENT PLANNING	10
6. DISASTER MANAGEMENT, MORAL REGENERATION AND SPORTS, ARTS AND CULTURE	01
7. SPECIAL PROGRAMS	01

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	1. MALANGE T M (CHAIRPERSON)	12
		2. MALIVHA N V	10
		3. MASHAMBA M A	10
		4. NDOU M D	11
		5. MAKGOADI M R	07
		6. RALIPHADA R	10
		7. HLONGWANE B F	08
		8. MPASHE M J	10
		9. SELAPYANE M A	09
2.	ETHICS	1. MUNYAI N (CHAIRPERSON)	01
		2. MADUWA E	00
		3. SITHI E T	01
		4. MUKWEVHO T D	01
		5. GABARA M J	00

NO.	STANDING COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
		6. KUTAMA T 7. NEMUDZIVHADI N S 8. MASHAMBA M A 9. DZIVHANI T E 10. MAFHALA N A	01 00 00 00 00
3.	RULES	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	00 00 00 00 00 00 00 00 00 00
4.	WOMEN CAUCUS	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 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	00 00

NO.	STANDING COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
		30. PHOSHOKO M G	00
		31. FURUMULE M G	00
		32. MOKGOADI M R	00
		33. MUKWEVHO T D	00

THE NUMBER OF MEETINGS CONDUCTED BY THE SECTION 79 STANDING COMMITTEES WERE AS FOLLOWS:

Table 13: Section 79 Standing Committee Meetings held

2019/20 FINANCIAL YEAR COMMITTEE	NUMBER OF MEETINGS HELD
1. MPAC	09
2. ETHICS	01
3. RULES	00
4. WOMEN CAUCUS	00

Rules committee and did not hold meetings in the year under review because this committee meets when specific matters are referred to it for consideration, and no matter was referred to it whilst Women caucus's term of references are still under review.

2.4.3. SECTION 80 COMMITTEES

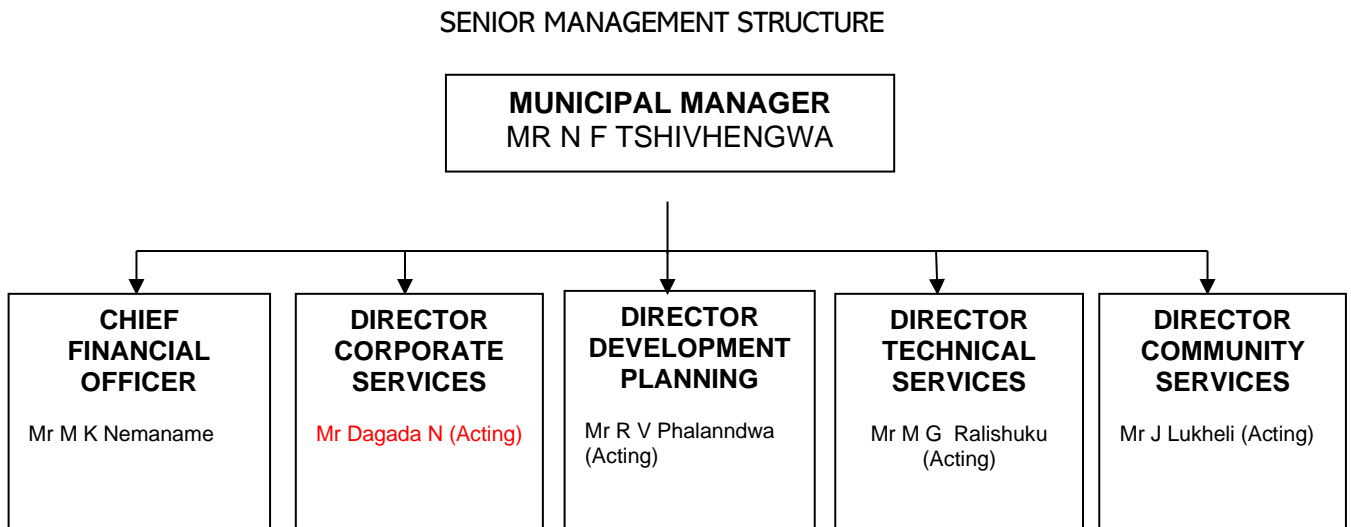
Table 14: Section 80 Committees

NO.	COMMITTEE	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	00 00 00 00
2	PUBLIC SAFETY AND SOCIAL DEVELOPMENT	1. CHILILO N F (CHAIRPERSON) 2. MASUKA S 3. MUKWEVHO G T 4. JONES B	00 00 00 00
3	DEVELOPMENT PLANNING AND MUNICIPAL INFRASTRUCTURE	1. RATSHIKUNI D (CHAIRPERSON) 2. MAMAFHA T J 3. DAVHANA N D 4. JONES B	00 00 00 00

Note: There were no Section 80 Committee meetings held. Section 80 Committees meets as and when the Executive Committee refers matters for consideration and no matters were referred to Section 80 committee in the year under review.

2.5. ADMINISTRATIVE GOVERNANCE STRUCTURE

Figure 5: Senior Management Structure



During the year under review the contract of Director Corporate Services expired and Mr Dagada N was appointed to act in the position of Director:Corporate Services.

The positions of Directorship in Development Planning, Technical Services and Community Services could not be filled in the year under review and the following Managers were appointed

by Council to act on those positions,(section 56 posts) Development planning Mr R V Phalanndwa, Technical Mr M.G Ralishuku and Community Services Mr Lukheli J.

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 envisage 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
- Provincial Back to Basic Forum
- District Command Council
- District AIDS Council

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 advices are 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 2019/20 financial year-

Table 15. Imbizo's held:

DATE	TOWN/VILLAGE	NUMBER ATTENDEES	ISSUES RAISED
30/08/2019	Hamutsha	986	<ul style="list-style-type: none"> • Water, • Roads/streets, • Housing, • Electricity, • Unemployment, • Crime
15/10/2019	Muananzhele	769	
21/02/2020	Dzanani	720	

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 twelve (12) meetings and submitted fourty six (46) 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, Sekgose FM, Munghana Ionene FM, Mala FM, Vuwani 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 35 109 followers on Facebook, 30 000 on Instagram and 30 000 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. 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						
		20 August 2019	28 August 2019	19 September 2019	23 October 2019	28 November 2019	23 January 2020	19 June 2020
Ms. Jane Masite	Chairperson							
Mr. Denga Ramuedzisi	Member							
Mr. Ntsieni Matenzhe	Member							
Mr. Sidwell Mofokeng	Member							

	Attendance
	Non-attendance

2.11.3 Information Technology Services

ICT Steering Committee is a Council appointed Committee consisting of senior management as members and support staff, which guide and advise Council 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:

- Leave application automation were implemented and in use by on average 74% of applications; completing roll out and 100% use by also remote municipal sites pends for 2020/21 financial year awaiting enhanced network connectivity;
- Provision of computer equipment for all critical staff members and all municipal councilors; this was a first time that all municipal councilors was issued with municipal computer equipment listed in the Register for return upon end of term of office;

- Wi-Fi / wireless connection project in Civic Centre, Phase 1 – this enables wireless connection to the internet by authorized municipal computer users at certain pockets in the Civic Centre building;
- Cyber security enhancement enjoyed attention when we upgraded the Firewall hardware and software system to an advanced level in order to manage network traffic in and out of the municipal computer system; we also upgraded the Anti-virus package to enhance information systems security which makes us cyber security competent;
- Municipal computer software is now up to date when the Microsoft Office 2010 suite of software was upgraded to MS Office 365 Apps for Business Standard; municipal users now operates on the latest technology platform such as on line virtual meetings, sharing of large files through the internet, etcetera
- The domain and email licenses and systems were expanded to cater for all municipal councilors to have access to municipal email facility; all municipal councilors are now users and can access the email facility function; this is the first time all municipal councilors enjoy this facility since MLM was established on 4 December 2000.
- The Collaborator platform was expanded to fully computerize the Council's committee system and it is now a paperless agenda and minutes environment
- Continuous work was performed on governance level as required by the ICT Governance Policies and Charter
- Waterval Regional Office's telephone system was upgraded with a switchboard and auto attendance facility, for the first time since MLM was established on 4 December 2000
- Dzanani Regional Office's telephone system was upgraded to a switchboard and auto attendance facility for the first time since MLM was established on 4 December 2000

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 2019/20 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 2019/20, 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 managed to review and discuss 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 (Unqualified).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 EIGHT STRATEGIC RISKS ARE AS FOLLOWS:

No.	Strategic Risk	Risk Movement	Level of satisfaction (Internal Control)	Risk Status
1	Inadequate Services Delivery Imperatives and Maintenance	 LEGEND	 Weak STATUS	 EXPLANATION
2	Financial Sustainability		 Satisfactory Efficient	 Risk managed above expectations
3	Inadequate ICT governance & ICT Delivery risk		 Acceptable Satisfactory	 Risk managed to the required level
4	Fraud, Theft and Corruption		 Satisfactory Moderate Concerning	 Risk managed adequately- more than required  Risk managed below standard
5	Inadequate skill set due to inability to attract & manage talent		 Satisfactory	
6	Health, Safety & Security risks and Environmental welfare		 Satisfactory	
7	Non Compliance with Legislation		 Satisfactory	
8	Ineffective Spatial Planning		 Weak	

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@kpmg.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 2019/20

The Aggregate Rating of the Audit and Performance Audit Committees' performances on a 1-5 scale during 2019/20 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	
2019/20	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 2019/20	92.8%

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 2019/20 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.

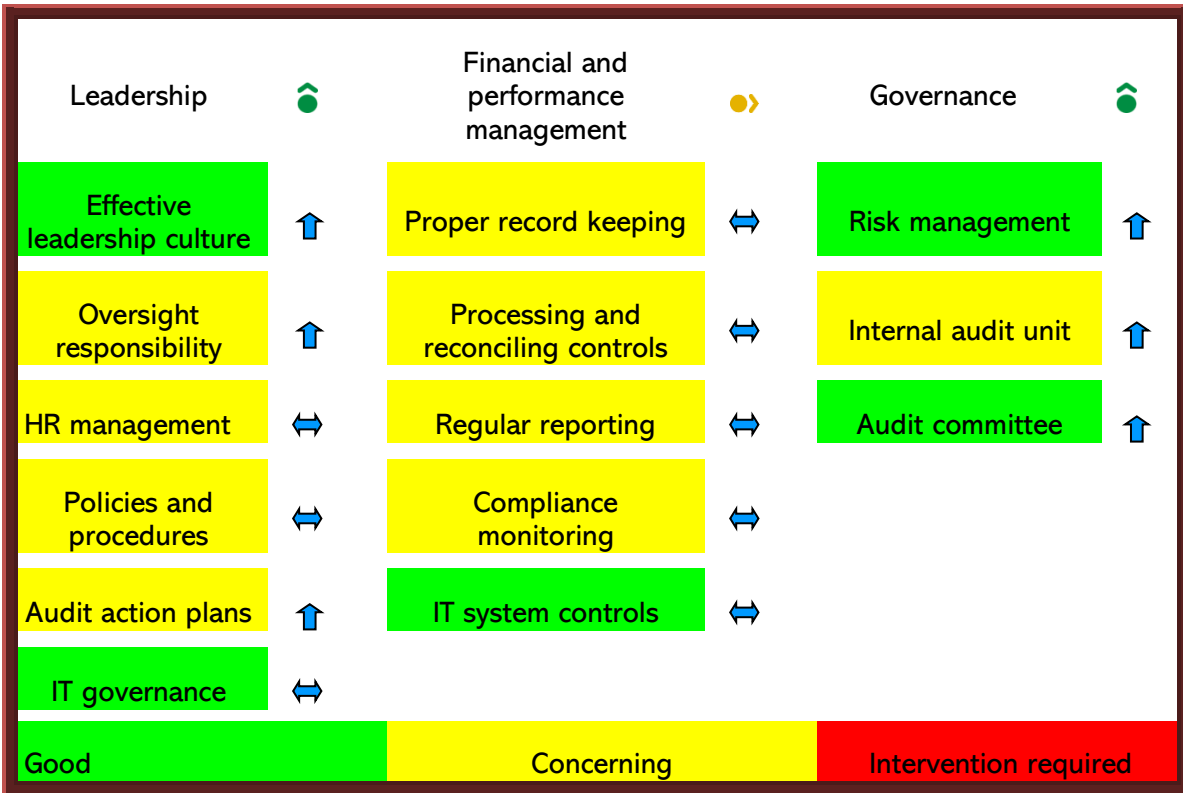


Figure 3.1 Summary of the status on driver of internal controls for Annual AG Dashboard 2019/20

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 improvement on Leadership, Financial and Performance Management and improvement on Governance processes

Internal audit facilitated and followed up on key commitments and initiatives for 2019/20 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 2019/20 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 Some 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
-------------------	------------------------	------------------------------

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 Muniicpal 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 2018/19 AG findings as at 30 June 2020:

Category of finding	Number of findings	Verified by Internal audit as resolved	Not resolved	Work in progress
BUDGET AND TREASURY DEPARTMENT				
Petty Cash	1	1	0	0
Expenditure	1	0	0	1
Revenue from exchange	3	3	0	0
Consultants	1	1	0	0
SCM	2	2	0	0
TOTAL	8	7	0	1
MUNICIPAL MANAGER'S OFFICE				
PMS	8	8	0	0
TOTAL	8	8	0	0
CORPORATE SERVICES DEPARTMENT				
ICT	7	7	0	0
TOTAL	7	7	0	0
OVERALL TOTAL FINDINGS				
	23	22	0	1

Resolved	95,65%
Not resolved	0,00%
Work in progress	4,35%

The municipality managed to resolve 95,65% of the 2018/19 financial year AG findings. The 4.35% of work in progress findings is processing of payment within 30 days.

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 2019/20 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 2019/20 reporting period:

<i>Performance Evaluation of Internal Audit Activity</i>		
<i>Self-Evaluation and Audit Committee 2019/20</i>		
<i>CRITERIA</i>	Audit Committee	Self-evaluation
	Rating	Rating
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 2019/20	91.4%	92.7%
Overall Percentage	92.05%	

2.14.6. INTERNAL AUDIT HIGHLIGHTS AND SUCCESSES FOR 2019/20

- 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

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 OTHER INFRASTRUCTURE PROJECTS

During the year (2019/2020) under review, the Municipality implemented a total of eight (8) MIG funded projects which includes six (6) upgrading of gravel to surfaced roads, one (1) sports facility and also one Additional one Cell at Makhado Landfill site. Out of six (6) roads projects implemented during the year, two (2) were completed which makes a total of 4.4 kilometres of new surfaced road, and the roads are **Piesanghoek to Khunda Access road Phase 4, Valdezia Xitacini to Jiweni access road phase 2**, whilst four (4) projects are still continuing to 2020/2021 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 2019/20, a total of 1555 households were connected with electricity which represent an increase of 24% as compared to 1257 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
2019/2020	1555		647	2202
TOTAL	4788		2574	7362

Municipality electrified 1555 households, whilst Eskom electrified 647 households. 2202 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 2019/2020 financial year, municipality has implemented a total of eight (8) projects which included upgrading of roads from gravel to tar (surface) throughout the regions. By end of June 2020, the following two (2) projects were completed and roads were opened for traffic;

Table 18: Roads Completed

No.	Project Description	Kilometres surfaced
1	Piesanghoek to Khunda Access road Phase 4	1.1
2	Valdezia Xitacini to Jiweni access road phase 2	2.3
TOTAL		4.4

Table 19 : Incomplete projects carried to 2020/2021

No.	Project Description
1	Tshikwarani to Zamkomste Road Phase 3
2	Landfill site makhado + recycling centre
3	Waternal Sports Facility Phase 2 & 3
4	Tshedza to Vuvha Access road Phase 3
5	Gombiti, Tshivhuyuni to Mamphagi Road Phase 3
6	Makhado 8 High Masts Lights in All Regions

3.1.4. CHALLENGES

The major challenge experienced during the year was suspension of work due to National Lockdown which was as a result of Covid-19 pandemic, some projects were not completed and this has led to roll-over application of grant funding.

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 a total of 2095 household were electrified within the municipality. Makhado Local Municipality electrified 1555 households whilst ESKOM electrified a total of 647 households.

By end of June 2020, municipality had a total of 116 568 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

No	PROJECT	ACHIEVEMENT	FUNDING	BUDGET SPENT
1	MUANANZHELE PHASE2	122	INEP	1,565,216.88
2	SMOKEY & KHOMELE SECTIONS	84	INEP	2,185,422.75
3	RAMANTSHA & RIVERSIDE	265	INEP	5,957,425.50
4	KHUNDA & MATSHAVHAWA	68	INEP	1,487,632.78
5	MANAVHELA VILLAGE	25	INEP	489,841.31
6	DOLI-DOLI/NDOUVHADA	20	INEP	315,600.97
7	MADODONGA VILLAGE	196	INEP	2,717,457.65
8	MARANIKWE VILLAGE	19	INEP	104,269.18
9	MUDILMELI VILLAGE PH2	149	INEP	754,717.67
10	SANE/NATALIE VILLAGES	62	INEP	535,542.37
12	MAGAU VILLAGE	80	INEP	781,925.67
13	MAKHITHA VILLAGE	68	INEP	1,026,881.52
14	MAKUSHU VILLAGE	36	INEP	397,418.53
15	MASHAU/TSHILAPHALA Phase2	50	INEP	108,729.14
16	PFUMEMBE	52	INEP	651,145.02
17	MAANGANI	60	INEP	920,773.06
TOTAL			-	20,000,000.00
	PROJECT	ACHIEVEMENT	FUNDING	BUDGET SPENT
1	TSHIKODOBO VILLAGE	19	INCOME	358,576.79
TOTAL			-	358,576.79
	PROJECT	ACHIEVEMENT	FUNDING	BUDGET SPENT
1	POST CONNECTIONS	180	INCOME	1,522,617.08
TOTAL CONNECTIONS FOR 2019/2020		1,555	-	1,522,617.08

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 12119 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	2016/2017	2017/2018	2018/19	2019/20
Reported and attended	7283	5326	11,117	12,119

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

Table 21: Call Centre Statistics – Electricity

MONTH	ELECTRICITY COMPLAINTS NUMBER OF CALLS	TOTAL NUMBER OF CALLS FOR SERVICE COMPLAINTS
JULY 2019	582	634
AUGUST 2019	658	740
SEPTEMBER 2019	833	893
OCTOBER 2019	1031	1085
NOVEMBER 2019	1418	1462
DECEMBER 2019	1451	1489
JANUARY 2020	1080	1121
FEBRUARY 2020	1330	1371
MARCH 2020	1200	1248
APRIL 2020	1054	1102
MAY 2020	793	851
JUNE 2020	689	732
TOTAL	12119	12728

On average, 95% 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	2017/2018	2018/19	2019/20
LOSSES	8.7%	13.62%	10%

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.	2017/18	2018/19	2019/2020
Nakisani Vhupo Hashu program	211 workers	250 workers	260 workers
Cleaning of public open spaces	519 m ²	519 m ²	519 M ²

The municipality had procured additional 2 waste removal trucks to service household and business premises in urban and rural areas. The municipality appointed the service provider for operation and maintenance of Makhado New Landfill site for a period of three years.

Table 24: Solid Waste Service Delivery Levels:

SOLID WASTE SERVICE DELIVERY LEVELS				
DESCRIPTION	HOUSEHOLDS			
	2017/2018	2018/2019	2019/2020	
	ACTUAL	ACTUAL	ACTUAL	REMEDIAL ACTION
<i>Solid Waste Removal:</i> (Minimum level)				
Removed at least once a week	17267	17285	17455	Increase collection points by 0.98%
<i>Minimum Service Level and Above sub-total</i>	17267	17285	17455	None
<i>Minimum Service Level and Above percentage</i>	14%	15%	15%	None
<i>Solid Waste Removal: (Below minimum level)</i>				

SOLID WASTE SERVICE DELIVERY LEVELS				
DESCRIPTION	HOUSEHOLDS			
	2017/2018	2018/2019	2019/2020	
	ACTUAL	ACTUAL	ACTUAL	REMEDIAL ACTION
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	116371	116371	116371	None
<i>Below Minimum Service Level sub-total</i>	99104	99086	98916	None
<i>Below Minimum Service Level percentage</i>	85%	85%	85%	None
Total number of households	17267	17285	17455	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	2017/18	2018/19	2019/20
Books issued	3198	2659	2260
Satellite Libraries	4	4	9
New Members	194	159	175

The Municipality is having one (01) main Library and nine (09) satellite libraries. Currently we are busy establishing another satellite library at Luvuvhu Region, Hamutsha area. The Musekwa satellite library is fully functioning. A total number of 2260 books were issued to library users and the number of new members increased by 175, during the year under review.

3.2.7. MUNICIPAL PARKS AND CEMETERIES

During the year under review, the Municipality managed to operate and maintain 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	2017/18	2018/19	2019/2020
Fire Incidence	50	50	33
Storm/floods Incidence	714	72	4
Death Incidences	1	0	0
Burned Incident	1	0	0
Disaster relieve programs	74	27	37

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	2017/18	2018/19	2019/2020
Business premises inspected	297	183	153
Certificates of acceptability issued	68	45	75
Water samples performed	21	3	3
School inspection performed	03	12	34
Building plan scrutinized	165	115	91

The service provider for the servicing 53 Health Care Risk Waste (HCRW) has been appointed for a period of three years. The section is also monitoring and supervising the collection and disposal of Health Care Risk Waste 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	2017/18		2018/19		2019/2020	
	No.	Value	No.	Value	No.	Value
Written notices issued	10688	R5590950	10382	7992100	7304	4441790
	Actual		Actual		Actual	
Department of transport 80%	R 13 987 719.26		R14 462 300.04		R 14 448 799.80	
	Actual		Actual		Actual	
Municipality 20%	R 3 721 929.81		R3 615 575.00		R 3 592 169.95	

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	2017/2018		2018/2019		2019/2020	
SERVICE TARGETS	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
Women's Forum	4	4	4	4	4	0
Senior Citizen Forum	4	4	4	4	4	0
Youth Programmes	4	4	4	4	4	0
Moral Re generation	4	4	4	4	4	0

N.B. Special programme could not conduct required meetings due to Covid-19 restrictions

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 could not be built in the 2019/2020 financial year due to Covid-19.

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	2017/2018		2018/2019		2019/2020	
SERVICE TARGETS	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
Service Objectives	800	725	300	300	300	0

N.B. CoGHSTA is still addressing 2015/16 housing backlogs and the 300 houses could not not be built owing to budget cut due to Covid-19.

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		2017/2018		2018/2019		2019/2020	
SERVICE TARGETS		TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
<i>Provision of Free Basic Services</i>	Electricity	5430	5430	8000	7105	7522	7 560
	Refuse Removal	119 809	119 809	17285	17285	9889	9889

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 two hundred and eighty two (4,282) 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 2019/2020 financial year the following roads were upgraded which contributed on the slight reduction of the backlog: Valdezia 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
2019/20	4282	0	4.4km	4282km

A total number of 4.4 kilometres of gravel roads has been upgraded to asphalt during the year under review, as compared to only 11.6 kilometres during the 2018/19 financial year.

3.4.2 ROAD MAINTENANCE PROGRAMME

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

A total number of 4282 kilometres of gravel roads has been maintained during the year under review.

3.5. MUNICIPAL INFRASTRUCTURE GRANT (MIG) EXPENDITURE

Makhado Local Municipality receives MIG funding for development of its infrastructure. In 2019/2020 financial year a total of R89 577 000 million was allocated in this regard. Municipality was able to spend 88.5% MIG expenditure, roll-over for unspent money was submitted to Treasury and approval was granted. The approved roll-over is R9 583 566,53.

Table 33: Capital Expenditure 2019/20: Road Services

PROJECT NAME	MIG FUNDING	OWN FUNDING	ACTUAL EXPENDITURE
Piesanghoek to Khunda Access road Phase 4	R 5 269 958,15	R 0.00	R 6 098 973,02
Landfill site makhado + recycling centre	R 1 047 648,38	R 0.00	R 1 047 648,38

PROJECT NAME	MIG FUNDING	OWN FUNDING	ACTUAL EXPENDITURE
Tshikwarani to Zamkomste Road Phase 3	R 25 730 528,10	R 0.00	R 23 134 454,19
Waterval Sports Facility Phase 2 & 3	R 13 831 329,21	R 0.00	R 10 987 700,24
Tshedza to Vuvha Access road Phase 3	R 17 631 590,11	R 0.00	R 13 883 399,89
Gombiti, Tshivhuyuni to Mamphagi Road Phase 3	R 12 078 490,94	R 0.00	R 13 396 276,01
Valdezia Xitacini to Jiweni access road phase 2 & 3	R 8 818 490,46	R 0.00	R 6 263 213,53
Makhado 8 High Mast Lights in all regions	R 1 156 360,00	R 0.00	R 1 156 360,00
Chavani to Bungeni Access road Phase 2	R 1 671 010,40	R 0.00	R 1 671 010,40
PMU Management Fees	R 2 341 594,25	R 0.00	R 2 354 397,81
TOTAL	R 89 577 000,00	R 0.00	R 79 993 433,47

Chavani to Bungeni Access Road Phase 2 was adjusted due to lack of sufficient funding for construction.

3.5. MUNICIPAL INFRASTRUCTURE GRANT (MIG) EXPENDITURE

Makhado Local Municipality receives MIG funding for development of its infrastructure. In 2019/2020 financial year a total of R87 732 000 million was allocated in this regard. Municipality was able to spent 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.

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. It was reported during 2018/2019 financial year that the draft application in relation to SEZ will be submitted for Municipality comments during 2019/2020 financial year. The draft application was submitted and the Municipality and comments were made.

3.6.2. AUTHORISED OFFICIAL, MUNICIPAL PLANNING TRIBUNAL AND APPEAL AUTHORITY

3.6.2.1 Authorised Official

In compliance with the Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013) and the Municipality Spatial Planning, Land Development and Land Use Management By-Law, 2016, it was reported during 2018/2019 annual report that the Municipality has since appointed authorised official to consider land development and land use applications.

During 2019/2020 financial year, the authorised official considered 389 applications compared to 136 applications considered during 2018/2019 financial year.

3.6.2.2 Municipal Planning Tribunal and Appeal Authority

It was reported during 2018/2019 that 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 and that the appointment was done in August 2019. It was also reported that the report will be given in the next annual report referring to this year annual report.

During 2019/2020 financial year the Municipal Planning Tribunal considered 4 land development and land use applications.

3.6.2.3 Appeal Authority

There are no applications considered by the Appeal Authority during 2019/2020 financial year

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 AND TOWNSHIP ESTABLISHMENT

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 and Municipal owned land. This is also aimed at proper implementation of SPLUMA, Spatial Development Framework, Land Use Scheme and By-Law.

3.6.4.1 Demarcation of Residential Sites

The municipality also demarcated 900 sites. During the year under review sites were demarcated in the following areas: Valdesia, Tsianda and Dovheni. Due to National Lockdown all these projects are not yet completed.

3.6.4.1 Township Establishment

During the 2019/2020 financial year the municipality embarked on establishing townships to expand the town. The following townships are being establish: Louis Trichardt Extension 13 and Tshikota extension 2. All these projects combined have 901 erven and they are not yet completed.

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 (2019/2020)

Category	Number of new applications received
Building Control	367
Rezoning	28
Consolidation	09
Erven alienated	8
Subdivision	07
Consent	198
TOTAL	617

During the year under review a total of 617 applications were received and attended to. This included 367 building control, 28 rezoning, 09 consolidation, 08 erven alienated, 07 subdivision and 198 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 2019/2020 financial year continued to support Tshakhuma Community Fruit Market. Feasibility studies for Erf 210 Burgher stalls, Rathidili Incubation Centre, Arts and Craft Centre and N1 Tourism center has been completed.

The Municipality has during 2019/2020 financial year funded and supported four cooperatives namely Vuyeriwani-Agricultural Cooperative, Vhutuwa –Luvhola Poultry Cooperative, Sala o Nabe Poultry Primary Cooperative, Zwanda Zwia Tanzwana, Madonara Se [plaas and Vhumatshelo Cooperative. The projects that were supported by the Municipality from own income, during 2019/2020 financial year are the following:

Table 35: Led Projects

No	Name of Project	Kind of Support	Number of beneficiaries
1	Vuyeriwani-Agricultural Cooperative	Agricultural implements	14
2	Vhutuwa –Luvhola Poultry Cooperative	Poultry farming feeds and equipments.	16
3	Sala O Nabe Poultry Primary Cooperative	Poultry farming feeds and equipment's.	12
4	Vhumatshelo Cooperative	Bore-hole	12
5	Madonara Se plaas	Agricultural Implements	14
6	Zwanda Zwia tanzwana		10

Table 36: EPWP Jobs Created

YEAR	JOBS CREATED THROUGH EPWP PROJECTS
2015/2016	453
2016/2017	351
2017/2018	684
2018/2019	250
2019/2020	850
TOTAL	2588

4.3. SDBIP PERFORMANCE

1. LEGISLATIVE BACKGROUND

Section 121 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (the “MFMA”) mandates the municipality to prepare an Annual Report indicative of records of activities of the municipality during the 2019/20 reporting period. The report must also give an account on performance against the budget of the municipality, and promote accountability to the local community for the decisions made by the municipality.

According to the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), *Section 46(1)* of as well as MFMA *Circular 11* on reporting annual performance of the municipality, the compilation of the annual performance report must include an assessment of external providers, a comparison of the performance with targets set for and performance in the previous financial year and measures taken to improve unacceptable performance.

2. PERFORMANCE MEASUREMENT AT MAKHADO LOCAL MUNICIPALITY

Performance measurement of the municipality deals with collection, analyzing and/or reporting information regarding the performance of an individual, group, organization. During the reporting the municipality used the manual system to monitor its performance and manage its performance information. This manual system was guided by the Performance Management Framework, Policy and Procedure Manual.

The basic functioning of the performance monitoring system is to compare actual performance achievements with quarterly performance projections; to determine the deviations of the actuals against the projections; to express those deviations.

The system also provides management information in the form of graphical representations when the actual achievements are compared against the quarterly projections.

These graphical representations are used for performance and trend analyses to reflect on progress meeting predetermined objectives and targets; and for the purposes of early warning indicators of where corrective actions are required. The system also provides for accounts in the form of explanations for actual achievements, putting these achievements into context; and proposed actions for improvement where performance targets and projections were not achieved.

3. 2019/2020 ANNUAL ORGANIZATIONAL PERFORMANCE

The 2019/2020 Service Delivery and Budget Implementation Plan on which this Performance Report is based, comprises **49 key** performance indicators with its concomitant performance targets. As an organisation, Makhado Local Municipality in the 2019/2020 reporting period achieved **30** of the performance indicators set and **19** were not achieved. This accounts for **61%** target achievement, translating to a negative variance of **39%**.

The table below reflect the actual performance per key performance area

CRITERIA	KPA 1	KPA 2	KPA 3	KPA 4	KPA 5	TOTAL
Number of Key Indicators	7	16	12	4	10	49
Number of Targets Achieved	7	8	8	1	7	30
Number of targets Not Achieved	0	8	4	3	3	19

4. COMPARATIVE ANALYSIS OF ORGANIZATIONAL PERFORMANCE INDICATORS 2018/2019 AND 2019/2020

The following table compares the Organizational Performance of 2018/2019 with 2019/2020

Activity	Number of indicators planned	Number of indicators achieved
2018/2019	69	48
2019/2020	49	30

Priority Issue/Programme	Development Objectives	Key Performance Indicators	Baseline (2018/19)	Annual Targets	Performance Remarks	Actual Performance	Challenges	Measures taken to Improve/Propose intervention	Project Name	Location	Funding Source	Adjustment Budget 19/20	Portfolio Of Evidence	Dept	Id No.
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION															
Integrated Development Planning	Good governance and administrative excellence	Reviewed Integrated Development Plan (Annual)	Approved 2017/18-2021/22 IDP	Reviewed Integrated Development Plan by 31 May 2020	Target Achieved	2019/20 IDP reviewed and approved 2020/21 IDP	None	None	IDP Review	All Wards	Income (Own Funding)	Operational	Council resolutions, Final IDP, Invitations and attendance register for IDP consultation	MM	1
Performance Management	Good governance and administrative excellence	Approved 2020/2021 SDBIP	Approved 2019/2020 SDBIP	Approved 2020/2021 SDBIP by 30 June 2020	Target Achieved	2020/21 SDBIP Approved by the Mayor	None	None	SDBIP Development	All Wards	Income (Own Funding)	Operational	Approved 2020/21 SDBIP	MM	2
Performance Management	Good governance and administrative excellence	Adjusted 2019/20 SDBIP	Adjusted 2018/19 SDBIP	Adjusted 2019/20 SDBIP by 31 March 2020	Target Achieved	2019/20 SDBIP Adjusted by 31 st March 2020	None	None	SDBIP Review	All Wards	Income (Own Funding)	Operational	Approved Adjusted 2019/20 SDBIP	MM	3

Performance Management	Good governance and administrative excellence	Approved 2019/20 Mid-Year Report	Approved 2018/19 Mid-Year Report	Approved 2019/20 Mid-Year Report by 30 January 2020	Target Achieved	2019/20 Mid-Year Report Approved by 30 January 2020	None	None	Mid-Year Report	All Wards	Income (Own Funding)	Operational	N/A	MM	4
Performance Management	Good governance and administrative excellence	Approved 2018/19 Annual Report	Approved 2017/18 Annual Report	Approved 2018/19 Annual Report by 31 March 2020	Target Achieved	Final 2018/19 Annual Report Approved	None	None	Annual Report	All Wards	Income (Own Funding)	Operational	N/A	MM	5
Human Resources and Organizational Development	Invest in human capital	Number of employees trained through Workplace Skills Plan	Thirty two (32) employees trained	120 employees trained through Workplace Skills Plan by 30 June 2020	Target achieved	132 employees trained through Workplace Skills Plan	None	None	Employees Training	All Wards	Income (Own Funding)	Operational	Attendance Registers	CORP	6
		Number of councilors trained through Workplace Skills Plan	Fifty (50) Councilors Trained	20 councilors trained through Workplace Skills Plan (WSP) by 30 June 2020	Target achieved	51 Councilors trained through Workplace Skills Plan (WSP)	None	None	Councillors Training	All Wards	Income (Own Funding)	Operational	Attendance Registers	CORP	7

BASIC SERVICE DELIVERY

Electricity Provision	Accessible basic and infrastructure services	Number of households electrified	1251 Households	930 Households electrified by 30 June 2020	Target not achieved	283 Households electrified	Project delayed due to Covid 19	Extension of time to be granted	Electrification of households	Makha do Municipality	INEP	20 000 000	Completion Certificate	TECH	8
Electricity Provision	Accessible basic and infrastructure services	Number of Households serviced with electricity postconnections	218 Households	150 Households serviced with electricity (postconnections) by 30 June 2020	Target achieved	240 Households serviced with electricity (postconnections)	None	None	Electricity Post-Connections	All Wards	Income (Own Funding)	5 000 000	Completion Certificates	TECH	9
Electricity Provision	Accessible basic and infrastructure services	Number of High-Mast Lights installed and commissioned	0	Eight(08) High-Mast Lights installed and commissioned by 30 June 2020	Target not achieved	Eight (08) High-Mast Lights installed and Three (3) commissioned	Delay in Eskom connection	Follow up with Eskom	High-Mast Lights	10,34,25,02,15,04,27	MIG	1 156 360	Completion Certificates	TECH	10

Cemetry Fencing	Accessible basic and infrastructure services	Fenced Maelula, Gogobole, and Muhovhoya cementries	N/A	Fenced Dzumbatho ho (Phadzima), Gogobole, Vleifontein and Tshivhade cementries fenced by 30 June 2020	Target Not achieved	Dzumbatho ho (Phadzima), Gogobole, Vleifontein and Tshivhade cementries not completed	Delay due to National Lockdown caused by COVID-19 pandemic	To adjust project completion schedule	Fencing of Cementries	Ward 20, 17, 14,24	MIG	1 800 000	Completion Certificate	TECH	11
Sports Facilities	Accessible basic and infrastructure services	Constructed Waterval Sports facility (Phase 2)	Waterval Sports Facility (Phase 1)	Completed Waterval Sports facility by 30 June 2020 (Phase 2)	Target not achieved	Waterval Sports facility not completed	The surfacing of the running track has been suspended due to limited space for construction of Pavilion for Phase 3	Extension of time will be granted immediately when the pavilion is completed.	Waterval Sports Facility	Ward 16	MIG	10 119 951	Completion Certificate	TECH	12
Sports Facilities	Accessible basic and infrastructure services	Constructed Waterval Sports facility (Phase 3)	Waterval Sports Facility (Phase 2)	Constructed Waterval Sports facility by 30 June	Target Not achieved	Construction not completed	Advertisement and appointment of service provider	Extension of time granted	Waterval Sports Facility	Ward 02	MIG	900 000	Advert, Appointment letter and site handover	TECH	13

				2020 (Phase 3)											
Waste Management	Promote community and environmental welfare	Number of households in urban areas with access to refuse removal	9889 Households	9889 Households accessing refuse removals by 30 June 2020	Target achieved	9889 Households accessed to refuse removals	None	None	Waste Management	Ward 7, 8, 10,16, 20	Income (Own Funding)	Operational	Signed Collection slips	COMM	14
Waste Management	Promote community and environmental welfare	Number of villages with access to skip bins (refuse removal)	New	28 Villages by 30 June 2020	Target achieved	28 Villages were serviced	None	None	Waste Management	Makhado Villages	Income (Own Funding)	Operational	Signed Collection slips	COMM	15
Waste Management	Promote community and environmental welfare	Constructed Makhado landfill site additional cell	Makhado Landfill Site	Completed additional cell by 30 June 2020	Target achieved	Additional waste disposal cell completed	None	None	Landfill Site	Ward 08	MIG	1 134 378.00	Completion Certificate	TECH	16
Free Basic Services Access	Accessible basic and infrastructure services	Number of Indigents with access to free electricity	1451	7522 Indigents by 30 June 2020	Target achieved	7 560 Indigents	None	None	Free Basic Services	All Wards	Income (Own Funding)	Operational	Updated Indigent Register	B&T	17

Roads, Bridges and Storm water	Accessible basic and infrastructure services	Average Percentage progress on surfaced Access Roads	Tshedza to Vuvha surfaced Access Road (Phase 2)	20% Physical progress on Tshedza to Vuvha surfaced Access Road (Phase 3) by 30 June 2020	Target achieved	35% Physical progress on Tshedza to Vuvha surfaced Access Road (Phase 3)	None	None	Tshedza to Vuvha Access Road	25 and 26	MIG	15 773 326	Site visit reports	TECH	18
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Average Percentage progress on surfaced Access Roads	Gombita, Tshivhuyuni to Mphagi surfaced Access Road (Phase 2)	20% Physical progress on Gombita, Tshivhuyuni to Mphagi surfaced Access Road (Phase 3) by 30 June 2020	Target achieved	63% Physical progress on Gombita, Tshivhuyuni to Mphagi surfaced Access Road (Phase 3)	None	None	Gombita, Tshivhuyuni to Mphagi Access Road	01, 12, 18	MIG	15 773 326	Site visit reports	TECH	19
Roads, Bridges and Storm water	Accessible basic and infrastructure services	Surfaced Access Roads	New	Surfaced 8.9 kilometres by 30 June 2020	Target Not Achieved	3,4km surfaced roads	Delay due to National Lockdown caused by Covid-19 pandemic	Extension of time granted	Surfaced Roads	Wards	MIG INCOME	394724 06 9 000 183	Completion Certificates	TECH	20

Roads, Bridges and Storm water	Accessible basic and infrastructure services	Average Percentage progress on surfaced Access Road	Valdezia ,Xitacini to Jiweni Access Road (Phase 2)	10% Physical progress on Valdezia ,Xitacini to Jiweni Access Road (Phase 3) by 30 June 2020	Target achieved	19,8% Physical progress on Valdezia ,Xitacini to Jiweni Access Road (Phase 3)	None	None	Valdezia ,Xitacini to Jiweni Access Road (Phase 3)	Ward 31	MIG	5 818 042	Advert, Appointment letter and site handover	TECH	21
Spatial Planning and Land Use Management	Advance Spatial Planning	Reviewed Spatial Development Framework	Adopted Spatial Development Framework	Reviewed Spatial Development Framework by 30 June 2020	Target not achieved	Spatial Development Framework not reviewed	Stakeholders consultation was not done because of COVID 19	Electronic Stakeholder consultation to be conducted	Spatial Development Framework	All Wards	Income (Own Funding)	Operational	Adopted Spatial Development Framework	PD	22
Spatial Planning and Land Use Management	Advance Spatial Planning	Reviewed Land Use Scheme	Approved Land Use Scheme	Reviewed Land Use Scheme by 30 June 2020	Target Not Achieved	Land Use Scheme not reviewed	Stakeholders consultation was not done because of COVID 19	Electronic Stakeholder consultation to be conducted	Land Use Scheme	All Wards	Income (Own Funding)	Operational	Adopted Land Use Scheme	PD	23

MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

Financial Statements	Sound Financial Management and viability	Improved Audit opinion for the previous year	Qualified audit opinion (2017/18)	Unqualified Audit Opinion on previous financial year (2018/19) by 30 November 2019	Target not achieved	Qualified Audit Opinion on previous financial year	Incorrect billing on property rates	Reculcations done during preparation of Interim Financial Statements	Audit Opinion	All Wards	Income (Own Funding)	Operational	AG Report and Management Letter	B&T	24
Financial Statements	Sound Financial Management and viability	Prepared Interim Financial Statement (FS)	Developed and submitted 2018/19 Interim Financial Statements	Developed and Submitted 2019/20 Interim Financial Statement by 30 April 2020	Target achieved	Interim Financial Statements developed and submitted by end of April 2020	None	None	Interim Financial Statements	All Wards	Income (Own Funding)	Operational	2019/20 Interim Financial Statements	B&T	25
Financial Statements	Sound Financial Management and viability	Prepared and Submitted Annual FS for 2018/19 Financial Year	Developed and submitted 2017/18 AFS	Developed and submitted 2018/19 AFS by 31 August 2019	Target achieved	AFS developed and submitted	None	None	Annual Financial Statements	All Wards	Income (Own Funding)	Operational	Annual Financial Statements	B&T	26
Expenditure management	Sound Financial Management and viability	Percentage Expenditure on MIG	100% 2018/19 MIG spent	100% MIG Expenditure by 30 June 2020	Target Not Achieved	88,5% MIG Expenditure	Due to Covid 19 pandemic	None	MIG	All Wards	MIG	89 577 000.00	Section 71 and Quarterly Financial Reports	TECH	27

Expenditure management	Sound Financial Management and viability	Percentage Expenditure on INEP Grant	100% 2018/19 INEP Spent	100% INEP Expenditure by 30 June 2020	Target achieved	100% INEP Expenditure	None	None	INEP	All Wards	INEP	20 000 000.00	Section 71 and Quarterly Financial Reports	TECH	28
Budget and Reporting	Sound financial management and viability	Approved 2020/21 budget	Approved 2019/20 Budget	Approved 2020/21 budget by 31 May 2020	Target Not achieved	Final budget was approved by council on 26 June 2020	Covid-19 Pandemic delayed public participation compliance with 21 days.	None	Approved Budget	All Wards	Income (Own Funding)	Operational	Approved budget and Council Resolution	B&T	29
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	12 Reports Submitted during 2018/19	12 Section 71 Reports submitted by 30 June 2020	Target achieved	12 Section 71 Reports submitted by 30 June 2020	None	None	Section 71 Reports	All Wards	Income (Own Funding)	Operational	Copy of acknowledgement of receipt by Treasury and COGHSTA	B&T	30
Expenditure management	Sound Financial Management and viability	Percentage Expenditure of Financial Management Grant	100% of 2018/19 Financial Management Grant Spent	100% of 2019/20 Financial Management Grant spent by 30 June 2020	Target achieved	100% of 2019/20 Financial Management Grant spent by 30 June 2020	None	None	FMG Expenditure	All Wards	FMG Funding	1 700 000.00	Approved and Submitted Expenditure Report	B&T	31

Expenditure Management	Sound Financial Management and viability	Percentage of Electricity distribution loss	13%	10% of Electricity Distribution loss (As per Treasury Regulations) by 30 June 2020	Target achieved	10%	None	None	Electricity Distribution Loss	All Wards	Income (Own Funding)	Operational	Monthly Expenditure and Revenue Reports	B&T	32
Supply Chain Management	Sound financial management and viability	Percentage of Tenders processed within 90 days (From closing date in the advert)	New	95% of Tenders Processed within 90 Days after bid closure by 30 June 2020	Target not achieved	81% of Tenders Processed within 90 Days	Covid-19 Pandemic	None	Tender Processing	All Wards	Income (Own Funding)	Operational	Advertisements, Minutes of Adjudication Committee	B&T	33
Supply Chain Management	Sound financial management and viability	Percentage of Invoices Paid within 30 days of receipt	New	100% of Invoices paid within 30 days of receipt by 30 June 2020	Target Achieved	100%	None	None	Invoices Payment	All wards	Income (Own Funding)	Operational	Monthly Expenditure Reports	B&T	34
Revenue Management	Sound financial management and viability	Revenue collection rate	87% of Revenue collected during 2018/19 Financial Year	90% of Revenue Collected during 2019/20 Financial Year	Target not Achieved	89% of Revenue Collected	Covid-19 Pandemic	None	Revenue Collection	All Wards	Income (Own Funding)	Operational	Collection Rate reports	B&T	35

LOCAL ECONOMIC DEVELOPMENT

Local Economic Development	Invest in local economy	Number of LED projects supported	Four (04) Projects supported during 2018/19 Financial Year	Six (06) Projects Supported by 30 June 2020	Target not Achieved	0 Projects supported	Due to COVID 19 the project could not be completed	Goods to be supplied to beneficiaries during 2nd Quarter of 2020/21	LED Projects	All Wards	Income (Own Funding)	Operational	Service Level Agreement (SLA)	DEVP	36
Local Economic Development	Invest in local economy	Reviewed Local Economic Development Strategy	Local Economic Development Strategy	Reviewed Local Economic Development Strategy by 30 June 2020	Target achieved	Local Economic Development Strategy reviewed	None	None	LED Strategy	All Wards	Income (Own Funding)	Operational	Reviewed Local Economic Development Strategy	DEVP	37
Local Economic Development	Invest in local economy	Constructed Incubation Centre at Rathidili	New	Appointment of service provider and site hand-over by 30 June 2020	Target not achieved	None	Delay to reviewed Incubation Centre designs	Reviewed designs completed	Incubation Centre	Ward 23	Income (Own Funding)	Operational	Advert, Appointment letter and site handover	TECH	38
Local Economic Development	Invest in local economy	Number of job opportunities created	850 Job opportunities	800 job opportunities created by 30 June 2020	Target not achieved	654 jobs opportunities created	Covid-19 Pandemic	None	Employment Opportunities	All Wards	Income (Own Funding)	Operational	EPWP, CWP , and Community Projects	DEVP	39

													employment register		
GOOD GOVERNANCE AND PUBLIC PARTICIPATION															
Risk Management	Good governance and Administrative Excellence	Reviewed and Developed of Strategic and Operational Risk Assessment Register	Reviewed and Developed 2018/19 Strategic and Operational Risk Assessment Register	Reviewed and Developed 2019/20 Strategic and Operational Risk Assessment Register by 30 June 2020	Target Achieved	Reviewed and Developed 2019/20 Strategic and Operational Risk Assessment Register by 30 June 2020	N/A	N/A	Strategic and Operational Risk Register	All Wards	Income (Own Funding)	Operational	Approved Strategic and Operational risk register	MM	40

Risk Management	Good governance and Administrative Excellence	Coordinate risk management activities	100% of Fraud and Anti-Corruption cases attended	100% of Fraud and Anti-Corruption cases attended by 30 June 2020	Target Achieved	100% of Fraud and Anti-Corruption cases attended by 30 June 2020	N/A	N/A	Fraud and Anti-Corruption	All Wards	Income (Own Funding)	Operational	Investigation Reports	MM	41
Internal Audit	Good governance and Administrative Excellence	Percentage Resolution of External Audit findings	80%	90% of External Audit Findings resolved by 30 June 2020	Target Achieved	91% of External Audit Findings resolved by 30 June 2020	N/A	N/A	External Audit Findings	All Wards	Income (Own Funding)	Operational	External Audit Reports	MM	42
Internal Audit	Good governance and Administrative Excellence	Percentage Resolution of Internal Audit findings	80%	90% of Internal Audit Findings resolved by 30 June 2020	Target not achieved	37%	COVID-19 pandemic	Internal Audit Action Plan to be a standing item at Management meetings	Internal Audit Findings	All Wards	Income (Own Funding)	Operational	Internal Audit Reports	MM	43
Internal Audit	Good governance and Administrative Excellence	Percentage implementation of approved Internal Audit Plan	100%	100% of Internal Audit Plan Implemented by 30 June 2020	Target Achieved	100%	N/A	N/A	Internal Audit Plan	All Wards	Income (Own Funding)	Operational	Internal Audit Plan	MM	44

Internal Audit	Good governance and Administrative Excellence	Developed and approved three(03) year internal Audit rolling plan	New	Approved three(03) year internal Audit rolling plan by 30 June 2020	Target Achieved	The Risk based Three Internal Audit Rolling Plan was approved by the APAC on 19 June 2020.	N/A	N/A	Internal Audit rolling plan	All Wards	Income (Own Funding)	Operational	Internal audit rolling plan	MM	45
Information Technology	Good governance and Administrative Excellence	Number of IT projects completed	09 IT Projects Implemented during in 2018/19 Financial Year	Five (05) Information Technology Projects completed by 30 June 2020	Target not Achieved	03 Projects completed	COVID-19 pandemic	Projects rolled-over to the 2020/21 financial year	IT Projects	All Wards	Income (Own Funding)	1 644 000.00	Appointment letters and Close-out report	CORP	46
Council Services	Good governance and Administrative Excellence	Percentage Implementation of Council Resolutions	88.89% Council Resolutions Implemented	90% of Council Resolutions Implemented by 30 June 2020	Target Achieved	98% of Council Resolutions Implemented	None	None	Council Resolutions	All Wards	Income (Own Funding)	Operational	Resolutions Register	CORP	47
Council Services	Good governance and Administrative Excellence	Number of Council meetings convened	Four(4) Council Meetings held during 2018/19 FY	Seven (7) Council Meetings held by 30 June 2020	Target Achieved	Eleven (11) Council Meetings held by 30 June 2020	None	None	Council Meetings	All Wards	Income (Own Funding)	Operational	Minutes, Attendance register, notice of invitations.	CORP	48

Public Participation	Good governance and Administrative Excellence	Number of Imbizos convened	For Imbizos held during 2018/19 Financial Year	Four (4) Imbizos held by 30 June 2020	Target not Achieved	3	One Imbizo not held due to Covid 19.	To explore the use of virtual imbizos	Public Participation	All Wards	Income (Own Funding)	Operational	Invitations, Attendance Registers	CORP	49
-----------------------------	---	----------------------------	--	---------------------------------------	---------------------	---	--------------------------------------	---------------------------------------	----------------------	-----------	-----------------------------	-------------	-----------------------------------	-------------	-----------

7. SUMMARY: MUNICIPAL PERFORMANCE

A total number of 49 performance targets were due for review at the end of the financial year under review. Out of these 49, 30 were achieved, while 19 were not achieved. This accounts for 61% target achievement, whilst the 19 that is not achieved, is translating to a negative variance of 39%.

Some of the major causes that gave rise to the under-performance included among others, but not limited to the emergence of COVID-19 pandemic. Out of the total number of 19 key performance indicators not achieved, 14 of which is attributable to COVID-19. This would have made a huge difference on the overall organisational municipal performance.

8. CONCLUSION

Tangible improvement in performance management and service delivery can be realized if there are clearly defined targets to be achieved by using a service delivery budget implementation plan aligned to the municipality's annual budget .

SERVICE PROVIDERS PERFORMANCE REPORT

Dep	Tender number	Project name	Name of Service provider	Starting date	Completion date	Challenges and interventions	Assessment of service provider			
							(Scale 1-5) 1 - Poor 2 - Fair 3 -Average 4 - Good 5 - Excellent			
							Quarter 1	Quarter 2	Quarter 3	Quarter 4
DCOMS	06/2017	Security Services : Municipal properties for the period of three (03) years	Ditirotsaka Trading and Projects	24/05/2017	23/05/2020		5	5	5	5
			Landmark Security and Supply and services	24/05/2017	23/05/2020		5	5	5	5
			Jackcliffy Trading CC	24/05/2017	23/05/2020		5	5	5	5
			Tshakhwilo Trading Enterprise	24/05/2017	23/05/2020		5	5	5	5
			Tshedza Protective Services	24/05/2017	23/05/2020		5	5	5	5
DFS	03/2018		Londola Traders (Pty)Ltd	22/11/2018	21/11/2021		-	-	5	-

		Supply and Delivery of Protective clothing for makhado local municipal employees for the period of three (03) years	Mirants	22/11/2018	21/11/2021					2	2
			Silaye General Trading	22/11/2018	21/11/2021					1	
			Ludricks Constructions and Projects (Pty)Ltd	22/11/2018	21/11/2021			5		5	
			Muspat Trading	22/11/2018	21/11/2021					5	
			Michael Makhado and Associates	22/11/2018	21/11/2021						
			Nesben Trading	22/11/2018	21/11/2021					5	
			Shamiso trading	22/11/2018	21/11/2021					1	
			Vhahandivhu Business Trading	22/11/2018	21/11/2021						
			Culis Tent Chairs and Tables Hire	22/11/2018	21/11/2021						
DFS	06/2018	Printing and posting of consumer and sundry debtors statements for the period of three (03) years	Obvuledzaho general trading	07/12/2018	06/12/2021			5	5	5	5
DFS	07/2017	Air travel and accomodation for the period of three years	Exila Travel Centre	17/05/2017	16/05/2020			5	5	5	5

			Besty Travel Agency	17/05/2017	16/05/2020	Terminate the contract with Municipality				
DCOMS	33/2017	Supply and delivery of refuse plastic bag for the period of three years	Livro holding (pty)ltd	28/08/2017	27/08/2020		5	5	5	5
			Moleke Projects	28/08/2017	27/08/2020		5	5	5	5
			Wanga Muano General Dealer	28/08/2017	27/08/2020		5	5	5	5
			TWL civil and building construction	28/08/2017	27/08/2020					
DFS	10/2018	Publishing notices and adverts on different Newspaper for three (03) years	Mungona Holdings	19/11/2018	18/11/2021		5	5	5	5
			Lady Kasisi Supply and Constructions	19/11/2018	18/11/2022	Terminate the contract with Municipality	1			
DDP	51/2017	Compilation of General Valuation Roll for the period five years	Geospatial Valuation Technologies	01/07/2018	30/06/2023		5	5	5	5

DCS	12/2018	Supply and Delivery of ICT End user Equipment for the period of three (03) years	Yello Solution Technology CC	07/01/2019	06/01/2022		5	5	5	
			Best Enough Trading and Projects 415 CC	07/01/2019	06/01/2022		5	5	5	
DCS	13/2018	Appointment as Services Provider for Maintenance and Repairs of laptops, desktops, printers and Scanners for the period three (03) years	Nambiti Technologies	31/12/2018	30/12/2021					
DTS	21/2018	Appointment of contractor for construction of Piesanghoek to Khunda Road Phase 4	T and C Civils (Pty)Ltd	19/11/2018	28/02/2020		4	5	4	3
DTS	23/2018	Construction of Waterval Sports Facility	Diges Group CC	19/11/2018	28/02/2020		-	5	3	3
DTS	24/2018	Maintenance and Operation of all council air conditioner for the period of three (03) years	Belta Services	20/12/2018	19/12/2021		4	4	5	-
			Magekha Electrical JV Mudzusi wa vhutali	20/12/2018	19/12/2021		3	3	5	-
			Masgac Trading Enterprise JV MLK Engineering and Consultant	20/12/2018	19/12/2021		-	-	-	-
DCS	26/2018	Occupational Medical Services for Makhado local municipality employees for the period of three (03) years	Afrimed Business Solution	19/11/2018	18/11/2021		5	5	5	5
DFS	27/2018	Supply and Delivery of Fuel Lubricants for Small Equipment	Class A Trading 514	19/11/2018	18/11/2021		5	5	5	5

			Northbulk Petroleum Wholesalers	19/11/2018	18/11/2021		-	5	-	-
DCS	28/2018	Clinical Psychologist medical services for the period of three (03) years	Afrimed Business Solution	19/11/2018	18/11/2021		5	5	5	5
DTS	31/2018	Construction of Tshikwarani/ Manavhela and Zamenkomste Road	Moda Women Projects	06/12/2018	26/02/2020		4	4	5	5
DTS	39/2018	Repair of Heavy Machinery and Trucks and Supply of Hydraulic for the Period of Two (02) years	Neo Toris	31/12/2018	30/12/2020		-	5	-	-
DTS	40/2018	Repairs of Light Vehicles for the Period of Two (02) years	Mamosholagae Trading and Projects 30	30/01/2019	29/01/2021		3	-	-	-
DTS	42/2018	Supply and Delivery of Batteries for the period of Two (02) years	Cesor (Pty)Ltd	31/12/2018	30/12/2020		5	5	5	-
DTS	43/2018	Welding of Light Vehicles, Trucks, Heavy Machinery and Tractor for the period of Two (02)years	Mamosholagae Trading and Projects 30	31/12/2018	30/12/2020		-	5	-	-
DTS	44/2018	Appointment of a Professional Engineer: Additional incomer intake points for Makhado local municipality Main Substation for the period of Two (02) years	NSK Electrical and Construction Managers (Pty)Ltd	30/01/2019	29/01/2021		3	4	4	4
DTS	46/2018	Supply, Delivery, Install and Commissioning of 1 x 5MVA Transformer at Cricket Club Substation for Makhado Local Municipality	Conan- Consulting and Projects JV Noyaba Electrical Engineering (Pty)Ltd	31/12/2018	ONCE OFF		1	3	3	3

DTS	47/2018	Appointment of panel of Consultants for Professional Civil Engineering Related Services for the Period of Three (03) years which shall be as and when required	Infraburo Civil and Engineering	30/01/2019	29/01/2022		4	5	5	5
			Voningela Consulting and Projects	30/01/2019	29/01/2022		-	-	-	-
			Diges Group CC	30/01/2019	29/01/2022		3	5	4	4
			Victory Development Projects	30/01/2019	29/01/2022		-	5	5	5
			Shumba Engineering Services	30/01/2019	29/01/2022		-	-	-	-
			Ntsako Tiyani and Associates	30/01/2019	29/01/2022		-	5	5	5
			MVE Consulting Engineers	30/01/2019	29/01/2022		5	5	5	5
			Nemorango Consulting Engineers	30/01/2019	29/01/2022		5	5	5	5
			TM Africa Engineering Services	30/01/2019	29/01/2022		5	5	5	5
			Dane Projects (Pty) Ltd	30/01/2019	29/01/2022		-	5	5	5
			Mamadi and Company	30/01/2019	29/01/2022		-	5	5	5

			Tshino Consulting Engineers	30/01/2019	29/01/2022		5	5	5	5
			Botshabelo Consulting and Projects	30/01/2019	29/01/2022		-	5	4	4
			SA Quest	30/01/2019	29/01/2022		-	-	-	-
			Tshashu Consulting and Projects Managers	30/01/2019	29/01/2022		5	5	4	4
			Sizeya Consulting engineers	30/01/2019	29/01/2022		5	5	5	5
			MJT Consulting Engineers O1 (Pty) Ltd	30/01/2019	29/01/2022		-	5	5	5
			Samtak Consulting Services	30/01/2019	29/01/2022		-	-	-	-
			Mulalo Consulting Engineers	30/01/2019	29/01/2022		-	-	-	-
			AES Consulting	30/01/2019	29/01/2022		-	-	-	-
			Morula Consulting Engineers and Project Managers	30/01/2019	29/01/2022		4	5	5	5
			Mont Consulting Engineers	30/01/2019	29/01/2022		5	5	5	5

			Xilalelo Project Managers	30/01/2019	29/01/2022		-	-	-	-
			T2-Tech Engineering (Pty) Ltd	30/01/2019	29/01/2022		4	4	4	4
			Tshedza Consulting Engineers	30/01/2019	29/01/2022		-	5	5	5
			Ralema Consulting Engineers (Pty)Ltd	30/01/2019	29/01/2022		-	5	5	5
			Muteo Consulting	30/01/2019	29/01/2022		5	5	5	5
			TMS Consulting Engineers and Projects Management	30/01/2019	29/01/2022		-	5	5	5
			Dikgabo Consulting Engineers	30/01/2019	29/01/2022	Failure to met deadline	-	5	3	3
			Phamela Engineering Services	30/01/2019	29/01/2022		-	-	-	-
			EKS Consulting Engineers	30/01/2019	29/01/2022		5	5	5	5
DTS	56/2018	Appointment of turnkey services for the design and upgrading of Tshakhuma Market	Tshashu Consulting and Projects Managers	31/12/2018			-	-	-	4

MM'S OFFICE	54/2018	Appointment of a services provider/consultants to render assignment for internal audit unit makhado municipality for the period of three years	Jofani Accounting Consulting	07/03/2019	06/03/2022		-	-	4	4
			Shumba Inc	07/03/2019	06/03/2022		4	4	5	4
			TNK Business solutions cc	07/03/2019	06/03/2022		4	4	4	-
			Victorious Chartered Accaountants Inc	07/03/2019	06/03/2022		-	-	-	-
			MNB Chartered Acoountants	07/03/2019	06/03/2022		4	4	5	-
			Eave Solution jv Differentia Chartered Account (pty)ltd	07/03/2019	06/03/2022		4	-	3	-
			ARMS Audit and Risk Management solutions (Pty)Ltd	07/03/2019	06/03/2022		4	-	-	-
			Morar Incorporated	07/03/2019	06/03/2022		4	5	5	5
			Thuso financial consultants (Pty)Ltd	07/03/2019	06/03/2022		4	-	-	-
DFS	76/2018	Provision of data cleansing services	Aligned concepts risk and adversory services	06/06/2019	30/06/2020	Status quo Analysis	-	-	-	-

			Data space Technology	06/06/2019	30/06/2020	Status quo Analysis	-	-	-	-
			ipes-utility management services	06/06/2019	30/06/2020	Status quo Analysis	-	-	-	-
DDP	20/2019	Appointment for development of makhado municipality land use scheme for a period of two years	Matete and associates consultants	26/06/2019	25/06/2020		5	5	5	5
DDP	22/2019	Preparation of Makhado Local Municipality spatial development	Indalo and development consultant	26/06/2019	25/06/2020		5	5	5	5
DCORP	11/2019	Appointment of panel of service provider for skills development provider for the period of three years	Abakholwe community developers cc	24/06/2019	23/06/2022		-	-	-	-
			Arehone consulting	24/06/2019	23/06/2022		-	5	5	5
			Regenesys management (pty)ltd	24/06/2019	23/06/2022		-	-	-	-
			South african institute of learning	24/06/2019	23/06/2022		-	-	-	-
			Masana Social consulting	24/06/2019	23/06/2022		-	5	5	5

			Excellent Minds Institute (Pty)ltd	24/06/2019	23/06/2022		-	-	-	-
DTS	68/2018	Supply, fitting and repair of tyres for the period of two years	Temitope and Tshilidzi Trading	28/06/2019	27/06/2021		-	-	-	-
			Du toit's Bande	28/06/2019	27/06/2021		-	-	-	5
			Lugani Trading Enterprise t/c Tiger Wheel and Tyre	28/06/2019	27/06/2021		-	-	3	-
DDP	19/2018	Development of Makhado Local municipality Land scheme for the period of two years	Matete and associates consultants	26/06/2019	25/06/2021		5	5	5	5
DFS	16/2019	Cellphone and Tablet contract package for the period of three years	Tawau Trading cc	03/06/2019	03/06/2022		5	5	2	3
DTS	65/2019	Supply and delivery of petrol engine oils for two years	Chose trading	28/06/2019	27/06/2021		-	-	-	-
			Etrotax (Pty) Ltd	28/06/2020	27/06/2022		-	-	-	-
			Goldiflo (pty)ltd	28/06/2021	27/06/2023		-	-	-	-
			Exilite 349 cc	28/06/2022	27/06/2024		-	-	-	-

			Wama business Enterprise (pty)ltd	28/06/2023	27/06/2025		-	-	-	-
			Talifhani holdings (pty)ltd	28/06/2024	27/06/2026		-	-	-	-
			Reckson Solution (pty)ltd	28/06/2025	27/06/2027		-	-	5	-
DFS	75/2018	Provision of Banking Services for a period of five years	First Rand bank limited	24/06/2019	23/06/2024		-	5	5	5
DDP	21/2019	Panel of demarcation of sites and township establishment for a period of three years	Ngoto Development Consultants	19/06/2019	18/06/2022		-	-	-	5
			Mahlori Development Consultants	19/06/2019	18/06/2022		-	-	-	-
			Acute Inovation	19/06/2019	18/06/2022		-	-	-	5
			Matete and associates consultants	19/06/2019	18/06/2022		-	-	-	5
DDP	23/2019	Panel of professional surveyors for a period of three years	Rolous Geomatics Solutions	19/06/2019	18/06/2022		-	-	-	5
			N Khoza Land Suveryors	19/06/2019	18/06/2022		-	-	-	5
			MM Geomatics (pty)ltd	19/06/2019	18/06/2022		-	-	-	5

DTS	64/2018	Supply and delivery of diesel engine oils for the period of two years	Exilite 349 cc	30/06/2019	29/06/2021		-	-	-	-
			Safe keepers Security	30/06/2019	29/06/2021		-	-	5	-
			Siyanincenga Construction and Projects	30/06/2019	29/06/2021		-	-	-	-
			Lucy general Suppliers	30/06/2019	29/06/2021		-	-	5	-
			N and C Civils	30/06/2019	29/06/2021		-	-	-	-
			Zwashu Trading and Projects	30/06/2019	29/06/2021		-	-	-	-
			I Daisy general	30/06/2019	29/06/2021		-	-	-	-
			TMJ Construction	30/06/2019	29/06/2021		-	-	-	-
			Wama Business Enterprise	30/06/2019	29/06/2021		-	-	-	-
			Teleside Technologies	30/06/2019	29/06/2021		-	-	-	-
			Rasoka (pty)ltd	30/06/2019	29/06/2021		-	-	-	-
Wakhuliso investment (Pty)ltd	30/06/2019	29/06/2021		-	5	5	-			

			Northbulk Petroleum	30/06/2019	29/06/2021		-	-	-	-
			C Matodzi projects	30/06/2019	29/06/2021		-	-	-	-
			Mungona Holdings (Pty)ltd	30/06/2019	29/06/2021		-	-	-	-
			Wauluga (Pty)ltd	30/06/2019	29/06/2021		-	-	-	-
			Reckson Solution (Pty)ltd	30/06/2019	29/06/2021		-	-	-	-
			Mudai petrolium	30/06/2019	29/06/2021		-	-	-	-
			Ntwani Funi Trading and projects (Pty)Ltd	30/06/2019	29/06/2021		-	-	-	-
			Mudani Petroleum	30/06/2019	29/06/2021		-	-	-	-
			Ntwani Funi Trading and projects (Pty)ltd	30/06/2019	29/06/2021		-	-	-	-
			Mavenas (Pty)ltd	30/06/2019	29/06/2021		-	-	-	-
DTS	35/2019	Supply and delivery of Electrical Materials for a period of three years	Luraps Trading (Pty)Ltd	26/06/2019	25/06/2022		-	5	5	-
			Mafunzwani Construction and General Supply	26/06/2019	25/06/2022		-	-	-	-

			Bics engineering and Supply (Pty)ltd	26/06/2019	25/06/2022		-	-	-	-
			Tsuamo Civils	26/06/2019	25/06/2022		3	5	-	-
			Madeph Technical Services	26/06/2019	25/06/2022		-	-	-	-
			HTE Construction	26/06/2019	25/06/2022		-	-	-	-
			Magekha Electrical	26/06/2019	25/06/2022		-	-	2	-
			Free Horrizon (Pty)ltd	26/06/2019	25/06/2022		3	5	2	5
			Labstyre (Pty)ltd	26/06/2019	25/06/2022		-	-	-	-
			angoni capital	26/06/2019	25/06/2022		-	5	5	5
			Murangu Muvuledzi Trading and Projects	26/06/2019	25/06/2022		-	-	-	-
			Gerson Matamela Holdings	26/06/2019	25/06/2022		-	-	-	-
			Firm Supply Trading (Pty)ltd	26/06/2019	25/06/2022		-	-	-	-
			Team Lutosh Trading Enterprise	26/06/2019	25/06/2022		-	-	5	-

			Ludricks Constructions	26/06/2019	25/06/2022		4	-	5	5
			Goldiflo (Pty)ltd	26/06/2019	25/06/2022		5	5	5	-
			1 Daisy General	26/06/2019	25/06/2022		-	-		-
			Wauluga (pty)ltd	26/06/2019	25/06/2022		-	-	-	-
			Mudumela trading and general projects	26/06/2019	25/06/2022		-	1	-	-
			Binofusion (Pty) ltd	26/06/2019	25/06/2022		5	5	2	-
			Naps fire service and supply (Pty)ltd	26/06/2019	25/06/2022		5	5	5	-
			Dreamfinders and projects 133	26/06/2019	25/06/2022		4	5	5	-
			MLTS Consultant	26/06/2019	25/06/2022		-	-	-	-
			Phenium Trading and projects	26/06/2019	25/06/2022		-	-	-	-
			Nergy construction	26/06/2019	25/06/2022		4	3	-	-

			Vhangwena Business Enterprise	26/06/2019	25/06/2022		2	3	3	3
DCOMS	10 /2019	Panel of service providers for supply and delivery of library books for a period of three (03) years	Quarts Trading	10/06/2019	09/06/2022		-	-	-	-
			BKS Educational Supplies T/A Best book	10/06/2019	09/06/2022		-	-	5	-
			Shutter and Shooter Publishers	10/06/2019	09/06/2022		-	-	-	-
DFS	24/2019	Auctioneering services on municipal assets for the period of three years	Tirhani auctionners	19/08/2019	18/08/2022		-	-	-	-
			Root -X Auctioneers	19/08/2019	18/08/2022		-	5	-	-
DCOMS	35/2019	Provision of Healthcare risk, Waste collection and treatment services for the period of three years	Gonyanie Trading and Technology	19/08/2019	18/08/2022		5	5	5	5
DTS	30 / 2019	Supply and delivery of SS60 and CAT 65 Bituminous Emulsions for the period of two years	Nrath (Pty)Ltd	10/09/2019	09/09/2021			5	-	-
			Shumela Phanda Investment	10/09/2019	09/09/2021			-	-	-
			Vunakum	10/09/2019	09/09/2021			-	-	-
			Maano Promotions and projects	10/09/2019	09/09/2021			5	5	-

			Point on Services	10/09/2019	09/09/2021			-	-	-
			Mushavo Trading Enterprise	10/09/2019	09/09/2021			-	-	-
			Vaal Water pipe and pumps supply	10/09/2019	09/09/2021			5	-	5
			Gerson Matamela Holdings	10/09/2019	09/09/2021			-	-	-
			Pthem Consulting and projects managers	10/09/2019	09/09/2021			-	-	5
DTS	31 /2019	Supply and delivery of cold mix asphalt and LBS Filler for the period of two years	Goldiflo (pty)ltd	10/09/2019	09/09/2021			5	5	-
			Gadabi Holdings	10/09/2019	09/09/2021			-	-	-
			Mushavo Trading Enterprise	10/09/2019	09/09/2021			5	-	-
			Ronewa Vhutali	10/09/2019	09/09/2021			-	-	-
			Nrath (Pty)Ltd	10/09/2019	09/09/2021			5	5	5
			MDK Zamafuku Construction	10/09/2019	09/09/2021			-	-	5
			N and C Civils	10/09/2019	09/09/2021			5	-	-

			HMH Construction and general supply	10/09/2019	09/09/2021			5	-	-
			V Mat Trading Enterprise	10/09/2019	09/09/2021			-	-	-
			Gerson Matamela Holdings	10/09/2019	09/09/2021			5	-	-
			Shumela Phanda Investment	10/09/2019	09/09/2021			-	-	-
			Point on Services	10/09/2019	09/09/2021			5	-	-
			Water of africa	10/09/2019	09/09/2021			5	-	-
DTS	26 /2019	Appointment of contractor to upgrading the 2.5km gravel to tar road from Gombita , Tshivhuyuni to Mamphagi phase 3	Moswobi Building Construction and Property (Pty)ltd	27/09/2019	26/02/2021			5	4	4
DCOMS	36 /2019	Appointment of service provider for Operation and maintenance of Makhado new landfill site for the period of three (03) years	Mascon Trading Cc	30/11/2019	29/11/2022			5	5	5
DTS	38/2019	Refill, service, Supply and Delivery of Council fire extinguishers for the period of three (03) years	Quick Fire Services and General Trading	20/11/2019	19/11/2022			-	5	-
DTS	39/2019	Rehabilitation of fourway at corner commercial and main street (eltivillas) from tar road to paved road	Mulaifa Development Projects	20/11/2019	ONCE OFF			-	1	-

DTS	33 /2019	Consturion of Tshedza to Vuvha access road	Tainama Civils (Pty)Ltd	27/09/2019	26/07/2021			5	4	5
DTS	27 /2019	Appointment of contractor to upgrading of Mara Line	Kingki Electrical	06/09/2019	05/06/2020			5	5	5
DFS	37 /2019	Supply and delivery of Office Furniture for the Makhado local municipality	Mahish Trading Enterprise	26/11/2019	ONCE OFF			-	4	5
DFS	28 / 2019	Panel of service provider for sourcing of grants and implementation of programmes on a risk based for a period of three (03) years	Pholisani Capital Advisory and Investment	25/11/2019	24/11/2022			-	-	-
			Mafumu Consulting (Pty)Ltd	25/11/2019	24/11/2022			-	-	-
			Masala Ramabulana Holdings	25/11/2019	24/11/2022			-	-	-
			Pfani IT Services	25/11/2019	24/11/2022			-	-	-
			Melokuhle Management	25/11/2019	24/11/2022			-	-	-
			Afrikon Investment	25/11/2019	24/11/2022			-	-	-
DTS	46 /2019	Supply,delivery of materials,labour and construction of pavement at Machanical workshop phase 2	Mvuno geo-environmental civil and construction	26/11/2019	ONCE OFF			-	4	5
DTS	54 / 2019	Refurbishment of male and female ablutions at civil workshop	Mvuno geo-environmental civil and construction	25/11/2019	ONCE OFF	Completed		-	5	5

DFS	55/2019	Provision of meter reading for electrical consumption for the period of three years	KMA Consulting CC	19/12/2019	18/12/2022			-	5	5
DFS	56 /2019	Provision of Value added tax (VAT) recovery for the period of three years	PF Financial Consulting CC	25/11/2019	24/11/2022			-	3	5
DTS	57/2019	Supply, Delivery of Material and Labour for Fencing of Dzanani Regional Office	Wanga Muano General Dealer pty ltd	27/12/2019	ONCE OFF				4	4
DTS	64/2019	Supply and delivery of 11kv ring main units to Makhado Local Municipality –electrical stores	Madz Electrical	08/01/2020	ONCE OFF				2	2
DTS	53/2019	Construction of exhibiting store at showground	Mvuno Geo-Env civil and Construction	27/12/2019	ONCE OFF				5	5
DTS	48/2019	Supply and Installation of manual boom gates	Zwivhuya Group	08/01/2020	ONCE OFF	Completed			4	4
DTS	65 /2019	Construction of Xitacini to Jiweni Access road	PGN pty Ltd	08/01/2020					5	5
DTS	44/ 2019	Supply and delivery of culverts pipes and round pipes	MWA Infrastructure Developers (pty)ltd	07/02/2020	ONCE OFF				2	-
DTS	66/ 2019	Waterval sport facility phase 3	Valcross	07/02/2020					-	5

Effective and efficient in-year performance reporting, will continue to assist the municipality in accurately tracking progress thereby identifying early warnings and activities that are lagging behind, thereby determine the intervention required and corrective action to be implemented.

The improvements in performance management will improve service delivery, and enable a better audit outcomes.

SERVICE PROVIDERS PERFORMANCE REPORT

As provided for in Section 76(b) of the Municipal System Act, 32 of 2000, municipal services can be rendered by entering into a Service Delivery Arrangement with an external service provider. The Municipality is responsible for monitoring and evaluating the execution of the agreement, including the performance of the service provider in compliance with Section 41 of the Municipal Systems Act, 32 of 2000.

The performance of service providers that have been selected to provide assistance in the provision of a municipal service, otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies, is required, by section 116 of the Municipal Finance Management Act, to be monitored and reported on.

N.B Kindly note that in a case were a service provider hasn't rendered any services during the quarter of the financial year under review(2019-20), no rating is effected.

Chapter 4

Organisational Development Performance

CHAPTER 4

COMPONENT A: INTRODUCTION TO THE MUNICIPAL WORKFORCE

As at 30 June 2020, Makhado Municipality had a total workforce of five hundred and fifty three (553) employees, distributed to departments. The Table below depicts the number of employees and vacancies.

Table 38 Employee Numbers and Vacancies

Description	Employees Numbers and Vacancies				
	2017/18	2018/19	2019/20		
	Employees numbers	Employees numbers	Approved Posts No.	Employees No.	Vacancies No.
Office of the Mayor	6	6	12	5	7
Office of the Speaker	5	5	11	7	4
Office of the Chief Whip	-	-	1	1	0
Municipal Manager's	8	10	16	11	05
Corporate Services	41	39	77	46	31
Community Services	167	160	177	140	37
Technical Services	180	137	234	131	103
Development Planning	29	27	49	28	21
Budget & Treasury	74	72	110	62	48
Dzanani Regional Office	65	60	86	60	26
Waterval Regional Office	71	67	77	62	15
Luvuvu Regional Office	-	-	66	-	66
TOTAL	646	583	916	553	363

Organizational performance rate of 60% has been acceptable in the Municipality and this should be followed by an equivalent human capital investment. Therefore the vacancy rate at 40% and more should be regarded as disproportionate. The root cause of having high vacancy rate is mainly due to not filling terminated positions as and when they become vacant and to this end an annual recruitment plan must be developed.

AGE PROFILE

AGE PROFILE	MALE	FEMALE	Total
61-65 Years	18	10	28
51-60 Years	124	82	206
41-50 Years	112	63	175
31-40 Years	79	44	123
21-30 Years	13	14	27
18-20 Years	0	0	0
TOTAL	346	213	559 - 6 Interns =553

A total number of 391 employees, comprising of 175 and 206 employees were between the ages of 41-50 and 51-60 respectively. This represented a high number of the municipality ageing 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 No.	Terminations during the financial year No.	Turn-Over Rate %
2017/18	646	33	4.9%
2018/19	583	25	4.3%
2019/20	553	25	4.5%

The Municipality had a staff turnover of 4.5%, which is 0.2% higher than the previous financial year.

COMPONENT B: MANAGING MUNICIPAL WORKFORCE

The following policies amongst others guide the managing of the municipal workforce.

Table 39. Human Resources Policies

	Name of Policies	Completed %	Reviewed
1	HR Strategy	100%	28 /05/2015
2	Leave Policy	100%	14/07/2016
3	Retention Strategy Policy,	100%	15/12/2014
4	Training and Development Policy,	100%	15/12/2014
5	Overtime Policy,	100%	11/05/2018
6	Employment Practices Policy,	100%	15/12/2014
7	HIV Policy	100%	27/10/2005
8	Placement Policy,	100%	27/10/2011
9	Funeral Policy,	100%	08/10/2015
10	Employee Assistance Program Policy,	100%	29/08/2006
11	Transfer of Staff Policy,	100%	30/05/2017
12	Housing Allowances Policy,	100%	29/08/2006

	Name of Policies	Completed %	Reviewed
13	Pension Fund and Medical Aid Policy,	100%	29/08/2006
14	Travel and Subsistence Allowance Policy	100%	29/08/2006
15	Standby Policy,	100%	30/05/2017
16	Cellular Phone Policy,	100%	30/05/2017
17	Local Government Service Charter,	100%	26/10/2017
18	Sports Team Policy,	100%	27/03/2018
19	Tobacco Control Policy,	100%	14/07/2016
20	Occupational Health and Safety Policy,	100%	14/07/2016
21	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 the review of Council policies which were recently adopted by Council was set at 3 years or earlier and 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 **05** injuries in the current year, **04** being **disabling injuries** resulting in a Disabling Injuries Frequency Rate (DIFR) of 0.4% which is 0.1% lower than that of F/Y 2018/19. The DIFR of the 2019/2020 F/Y year (0.4%) has shown a significant reduction compared to the 2018/2019 result of (0,5%) and this is attributed to effective incident investigations and intensive induction program. However, EPWP employees were the most affected with a high injury rate due to delay in the provision of PPE in time.

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	17/07/2019	L107219	E Mbubana	Male	Back injury	22/07/2019- 24/07/2019	02
02	17/09/2019	S003406	NJ Mdhuli	Male	Left eye injury	19/09/2019- 25/09/2019	06
03	29/10/2019	S008074	N Mundalamo	Male	Right arm and shoulder injury	01/10/2019- 07/10/2019	06

04	03/10/2019	L101313	D Netshirondoni	Male	Swollen left eye	N/A	None
05	23/10/2019	S003170	L Matshikiri	Male	Left palm Injury	23/10/2019- 28/11/2019	05

NUMBER AND COST OF INJURIES ON DUTY				
Type of Injury	Injury Leave Taken	Employees Using Injury Leave	Average Injury Leave Taken Per Employee	Total Estimated Cost
	Days	No	%	R,000
Required Basic Medical Attention Only	19	5	0.9 %	R 10 368.55
Temporary Total Disablement	None	None	None	None
Permanent Disablement	None	None	None	None
Fatal	None	None	None	None
TOTAL	19	05	0,9 %	R 10 368,55

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.

PUBLIC INCIDENTS

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 further information on sick leave.

Table 41. Sick Leave Statistic

How is sick leave controlled NB

Salary Band	No of sick days taken	No of Sick Leave without medical certificate	No of Employees granted sick leave	Average Scale	Total Employees in posts	Estimated Cost R
MM and Section 57	8	0	2	R 816 155.70	4	R26 116.98
Management 1 = 7 3 = 18	25	0	12	R 653 943.32	32	R 65 394.33
Highly Skilled Supervision 4 = 33 5 = 88 6 = 139	447	4	46	R 385 321.17	126	R 688 954.26
Highly Skilled Production 7 = 187 8 = 85	272	0	23	R 241 247.31	98	R 262 477.07
Skilled 9 = 65 10 = 197 11 = 115 12 = 49	426	0	62	R 179 389.35	131	R 305 679.46
Lower Skilled 13 = 1216 14 = 65 15 = 849	2130	0	84	R 138 929.91	162	R 1 183 682.87
Total	3308	04	229	R2 414 986.77	553	R 2 532 304.97

Estimated cost is calculated as follows

Average scale / 250 (no of working days per annum) * number of sick days leave taken.

SUSPENSIONS

In terms of the Employees Disciplinary Code, in a case of alleged misconduct, an employee may be suspended. No employees were suspended during the year under review .

Table 42. SUSPENSIONS

Position	Nature of alleged misconduct	Date of Suspension	Details of Disciplinary Action Taken or Status of the Case	Date Finalised
NONE	NONE	NONE	NONE	NONE

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 51 Councilors:

Demographic	Male	Field of Study	Female
African	24	<ul style="list-style-type: none"> Integrated Councilors Induction Program (ICIP) Phase II PoE building session (45) Limpopo IT audit & AOPO workshop (1) Inhouse Training for PMT & EXCO Members (5) 	25
White	0		1
Coloured	1		
Indian	0		
Total	25		26

In financial year 2019/20, the training of Councilors was overachieved by 30% same as in 2018/19

Table 44 : Training Provided For 80 Learners (Learnership)

Demographic	Male	Field of Study	Female
African	30	<ul style="list-style-type: none"> Road Construction (80) 	50
White			
Coloured			
Indian			
Total	30		

In financial year 2018/19, 200 learners were allocated to learnership training while in 2019/20 only 80 were catered, a reduction of 120 learners.

Table 45 : Training Provided For 200 Skill Program:

Demographic	Male	Field of Study	Female
African	120	<ul style="list-style-type: none"> Field Ranger – Protected Areas (100) Building & Civil Construction Tilling (100) 	80
White			
Coloured			
Indian			
Total	120		

In financial year 2018/19, 102 learners were allocated to skills programs training whilst in 2019/20, 200 were allocated, an increase of 98 learners.

TABLE 46 : TRAINING PROVIDED FOR 82 OFFICIALS:

Demographic	Male	Field of Study	Female
African	77	<ul style="list-style-type: none"> Innovative building technology & Home skills inspectorate training (04) Limpopo IT audit & AOPO workshop (08) Operating Regulation High Voltage Systems (ORHVS) (03) Employment Equity (06) 	54
White	0		1
Coloured	0		
Indian	1		

		<ul style="list-style-type: none"> • Municipal Policy & legal framework (06) • NERSA D- form workshop (02) • Road maintenance & repairs (34) • HRD Good governance (01) • Public participation & stakeholder management course (02) • First Aid L3 (13) • Arc GIS training (01) • Adjustment budget & Case ware skills transfer workshop (01) • Examiner of Motor vehicle Course Grade A • Truck Crane Operator (02) • Managing Disciplinary case & Grievance Procedures (01) • Office Cleaning & hygiene (25) • Backhoe (TLB) (06) 	
TOTAL	78		54

A total number of 132 officials were trained during the year under review as compared to 82 of the previous financial year.

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 of 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 	7
White	0	<ul style="list-style-type: none"> • Bcom Accounting 	0

Coloured	0	<ul style="list-style-type: none"> • IT • Built Environment 	0
Indian	0		0
Total	9		7

Table 48 : Interns By Population Group And Gender

Demographic	Male	Area of Studies	Female	
African	30	<ul style="list-style-type: none"> • Human Resource Management • Public Management • Financial Management • Mechanical Engineering • Civil Engineering • Electrical Engineering • Financial Accounting 	41	
White				
Coloured				
Indian				
Total	30			41

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 (to be discussed)

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	
			Target	Actual	Target	Actual
Legislators including traditional leaders	Males	53	8	25	8	0
	Females	32	8	26	8	0
MM and Directors	Males	3	1	1	1	0
	Females	0	0	0	0	0
	Males	23	8	7	8	0

Managers & Assistant Managers	Females	9	3	3	3	0
Professionals	Males	96	15	9	15	0
	Females	30	15	2	15	0
Administrators	Males	97	19	16	19	0
	Females	66	19	17	19	0
Elementary	Males	127	20	55	20	0
	Females	102	20	42	20	0
TOTAL		638	136	183	136	00

The target for legislators (councillors) was 16 and for officials was 120 for the year under review. there was an overachievement by 35 for legislators and 32 for officialson skills development programs.

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.

The chapter comprises three 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 profit of R27.77 million compared to a budgeted surplus of R 108.74 million as well as the 2018/19 loss of R5.74 million, representing more than 100% improvement from previous financial year. Operating revenue for the year was R1.008 billion (2019: R912.6 million), which reflects an increase of 10%. The operating expenditure for the year is R980.1 million (2019: R 918.3 million), which indicates a 7% increase.

The total capital expenditure capitalized for the year in respect of property, plant, and equipment amounted to R170.4 million. This includes R102.6 million from government grants, and R67.8 million from own cash resources.

Cash and cash equivalents increased by 56% to R143.652 million (2019: R91.835 million).

5.1.1. INTRODUCTION TO FINANCIAL PERFORMANCE

Operating revenue excluding capital grants and subsidies for the year was R905.3 million (2019: R806.7 million), which shows an increase of 12%. Included in the above figure are operating government grants to the amount of R363.2 million, which constitute 36% of total revenue as shown in the table below:

NAME OF GRANT	R
Equitable Share	357 528 000
Financial Management Grant	1 700 000
Disaster Management Grant	149 000
Expanded Public Works	1 863 000
LGSETA	1 957 000
TOTAL	363 197 000

Service charges jointly comprise 36% of total revenue and increased by R17.6 million from (2019: R 345.0 million) to R362.6 million in the current financial year. Electricity remains the

largest source of income and contributes 65.0% to municipal revenue excluding capital & operational grants. Furthermore, electricity revenue increased by 5% from R333.6 million in the previous financial year to R350.5 million in the current year.

Property rates constitute 15.9% of municipal revenue and increased by 12.0% from R72.8 million in the previous financial year to R81.3 million in the 2019/20 financial year.

Interest received from financial institutions has increased by 15% from R6.0 million (2018/19) to R6.9 million in the current year, which can mainly be attributed to sound cash management practices.

The operating expenditure for the year was R980.1 million (2019: R918.3 million), which indicates an increase of 5.0% from the previous financial year. This was mainly due to increases in the following expenses:

- Employee costs increased by 5% from R255.2 million [2018/19] to R268.2 million.
- Depreciation increased by 4% from R116.4 million [2018/19] to R120.9 million.
- Bulk purchases increased by 14% from R235.3 million [2018/19] to R268.2 million.
- General expenses increased by 39% from R70 million [2018/19] to R97.0 million.

The major expenditure items during the financial year ended 30 June 2020 were as stated above.

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	2018/19	Current Year 2019/20				
	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustment Budget %
R thousands						
Financial Performance						
Property rates	72 824	70 363	79 417	81 250	115%	102%
Service charges	345 006	383 042	353 979	362 565	95%	102%
Investment revenue	6 061	54	6 475	6 981	12899%	108%
Transfers recognised - operational	321 083	361 091	412 192	363 197	101%	88%
Other own revenue	72 233	146 344	62 500	91 320	62%	146%
Total Revenue (excluding capital transfers and contributions)	817 207	960 894	914 563	905 313	94%	99%
Employee costs	255 157	284 371	269 015	268 232	94%	100%
Remuneration of councillors	26 316	28 554	27 554	26 436	93%	96%
Depreciation & asset impairment	131 467	99 572	75 746	123 037	124%	162%
Finance charges	10 692	6 752	9 978	9 836	146%	99%
Debt impairment	46 868	45 000	30 335	61 164	136%	202%
Materials and bulk purchases	235 313	242 406	269 244	268 244	111%	100%
Contracted services	138 187	68 183	124 993	122 955	180%	98%
Other expenditure	84 781	184 136	102 615	100 198	54%	98%
Total Expenditure	928 781	958 974	909 480	980 102	102%	108%
Surplus/(Deficit)	(111 574)	1 920	5 083	(74 789)	-3896%	-1471%
Transfers recognised - capital	105 833	109 577	58 625	102 563	94%	175%
Surplus/(Deficit) after capital transfers & contributions	(5 741)	111 497	63 708	27 773	25%	44%
Share of surplus/ (deficit) of associate	–	–	–	–	0%	0%
Surplus/(Deficit) for the year	(5 741)	111 497	63 708	27 773	25%	44%

5.2.2.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 for the year ended 30 June 2020.

Table 53: Capital Grants Received And Spent

GRAND TYPE	OPENING BAL	RECEIPTS	EXPENDITURE	CLOSING BAL:30/06/2020
MIG	-	89 577 000.00	-79 993 433.45	9 583 566.55
INEP	-	20 000 000.00	- 20 000 000.00	-
LED	3 473 128.45	-	-2 569 261.00	903 867.45
GRAND TOTAL	3 473 128.45	109 577 000.00	- 102 562 694.45	10 487 434.00

5.2.3.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 budget related policies in respect of the 2019/20 financial year. The following are the policies:

Table 54: 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	

5.2.4.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 debtors' 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 3 036 and 4 524 respectively and the total cost incurred was R 2 474 595.00. The breakdown of the municipality indigents are as follows, old age 1 765, below threshold 228, child headed family 111, unemployed 2 320 and disability 100.

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 difficulty in paying for services in the Township due to the effects of National Lockdown due to Corona Virus.

As at the end of the financial year the debt book amounted to R 301.5 million. The debt has increased from R 249.4 million to 301.5 million. The increase in debtors during the financial year was R 52.5 million, representing a 21% increase from previous year. Below is the detail for the current financial year debt book per area,

AREA	2018/19 AMOUNT(R)	2019/20 AMOUNT(R)	%
Louis Trichardt	108.5 million	111.2 million	2.0
Dzanani	11.8 million	23.4 million	98.3
Vleifontein	17.3 million	34 million	96.5
Waterval	54.3 million	69.7 million	28.0
Tshikota	4.7 million	9.3 million	97.9
Farms	52.5 million	54.4 million	4.0
TOTAL	249 million	302 Million	

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 2020.

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.

The municipality had an overall debt collection rate of 87% for the 2019/20 financial year.

5.2.5.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 833 382 816 as at 30 June 2020 as compared to the previous financial year balance of R2 724 211 884, which reflected 4% increase, this was due to capitalization during the year of R170 365 064 (2019: R162 680 499). The capitalization increased by 4.72% from the previous financial year.

Major asset categories such as Infrastructure assets constituted a greater portion of the total cost with an amount of R2 241 745 004, representing 79.12% of the total asset cost, Land cost of R233 769 833 was 8.25% of total assets value, Work in progress of R92 437 494 was 3.26% of total assets value and Community assets of R76 964 484 was 2.72% of the total assets value at the end of the financial reporting period.

The total carrying value of municipal assets was R1 598 726 937 split into immovable asset carrying value of R1 529 873 558 and movable asset carrying value of R68 853 379.

The municipal council approved the following disposals disclosed at net book value:

ASSET CLASS	(R)
Land	3 024 000
Work In Progresss	966 525
Transport assets	672 354
Machinery and equipment	468 996
Furniture and office equipment	120 495
Computer equipment	174 199
TOTAL	5 426 569

Treatment of the three largest assets acquired 2019/20

Table 55: Three Largest Assets

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2019/20			
Asset 1			
Name	Tshikwarani; Manavhele; Zamekomste Access Road Phase 3		
Description	Construction of access road :Tshikwarani; Manavhele; Zamekomste		
Asset Type	Roads and Storm Water Management		
Key Staff Involved	PMU Manager and Director Technical Services		
Staff Responsibilities	Project Manager and Civil Engineering Technician		
Cumulative Asset Value	2019/20		
	R 25 017 518.00		
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 Assets	Yes		
Asset 2			
Name	Tshedza to Vuvha Access road phase 3		
Description	Construction of Tshedza to Vuvha Access road Associated with stormwater		
Asset Type	Roads and Storm Water		
Key Staff Involved	PMU Manager and Director Technical Services		
Staff Responsibilities	Project Manager and Civil Engineering Technician		
Cumulative Asset Value	2019/20		
	R 15 773 326.11		
Capital Implications	Proper access and control of vehicles for the upgraded road and storm-water		
Future Purpose of Asset	Provision of access road to Community and Storm Water Management		
Describe Key Issues	Construction of road and associated storm-water management		
Policies in Place to Manage Assets	Yes		
Asset 3			
Name	Gombiti,Tshivhuyuni to Mamphagi Road phase 3		
Description	Construction of Tshedza to Vuvha Access road Associated with stormwater		
Asset Type	Roads and Stormwater		
Key Staff Involved	PMU Manager and Director Technical Services		
Staff Responsibilities	Project Manager and Civil Engineering Technician		
Cumulative Asset Value	2019/20		
	R 15 773 326.11		
Capital Implications	Infrastructure Development		
Future Purpose of Asset	Provision of access road to Community and Storm Water Management		
Describe Key Issues	Construction of sports facility such soccer field, Tennis court, Pavillion structure a		
Policies in Place to Manage Assets	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	980 102 426	
				Taxation Expense	-	
				Total Capital Expenditure	170 365 064	
Debtors Management						
1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	95%		87%	The municipality's collection rate is 87% for the year under review. Collection efforts should be intensified in order to recover outstanding debt amounts.
				Gross Debtors closing balance	301 488 331	
				Gross Debtors opening balance	249 382 183	
				Bad debts written Off	-	
				Billed Revenue	443 815 890	
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		2 Month	The municipality had the ability to cover operational costs with the available cash resources during the financial year.
				Cash and cash equivalents	143 651 586	
				Unspent Conditional Grants	10 487 434	
				Overdraft	-	
				Short Term Investments	-	
				Total Annual Operational Expenditure	962 485 493	
2	Current Ratio	Current Assets / Current Liabilities	1.5 - 2:1		1.54	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	375 696 717	
				Current Liabilities	243 334 112	

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	183 118	
				Total Operating Revenue	1 007 875 557	
				Operational Conditional Grants	363 197 001	

Revenue Management

1	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue) / previous period's Total Revenue) x 100	= CPI		10%	Municipality achieved revenue increase of 10% from previous financial year. The growth was 5% more than the CPI norm of 5%. The growth is in the right direction.
				CPI	5%	
				Total Revenue (Previous)	912 603 787	
				Total Revenue (Current)	1 007 875 557	

Expenditure Management

1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) x 365	30 days		33 days	The creditors payment period was 33 days during the year under review. Suppliers were paid relatively in time in compliance with the legislative requirements.
				Trade Creditors	103 356 952	
				Contracted Services	75 390 472	
				Repairs and Maintenance	47 564 878	
				General expenses	571 286 251	
				Bulk Purchases	268 243 892	
				Capital Credit Purchases (Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment)	170 365 064	

2	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x100	25% - 40%		30%	Employee costs was 30% of the total expenditure. The ratio is favourable.
				Employee/personnel related cost	268 232 231	
				Councillors Remuneration	26 436 244	
				Total Operating Expenditure	980 102 426	
				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 56: Capital Expenditure Of 5 Largest Projects

Capital Expenditure of 5 largest projects*

R' 000

Name of Project	Current: Year 2019/20			Variance: Current Year 2019/20	
	Project Cost	Original Budget	Adjustment Budget	Actual Expenditure	Adjustment variance (%)
A - Tshikwarani; Manavhele; Zamekomste Access Road Phase 3	34 641 205	25 017 518	25 017 518.00	25 730 528	-3%
B - Tshedza to Vuvha Access Road Phase 3	83 707 876	15 773 326	15 773 326.11	13 883 400	12%
C - Gombiti, Tshivhuyuni to Mamphagi Road Phase 3	30 705 126	15 773 326	15 773 326.11	13 396 276	15%
D - Waterval Sports Facility Phase 3	28 436 038	10 119 951	10 119 951.00	7 383 801	27%
E - Valdezia Xitacini to Jiweni Access Road Phase 2	19 068 989	8 108 780	8 108 780.00	3 408 440	58%
Name of Project - A: Tshikwarani; Manavhele; Zamekomste Access Road Phase 3					
Objective of Project: To ensure easy access to public around municipality's nodal points					
Delays		COVID -19			
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: Tshedza to Vuvha Access Road Phase 3					
Objective of Project: To ensure access to business facilities is efficient and thus promoting business growth rapidly					
Delays		COVID -19			
Future Challenges:None					
Anticipated citizen benefits: Easy and comfortable access to and from areas within municipal areas					
Name of Project - C: Gombiti, Tshivhuyuni to Mamphagi Road Phase 3					
Objective of Project: To ensure access to business facilities is efficient and thus promoting business growth rapidly					
Delays		COVID -19			
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: Waterval Sports Facility Phase 3					
Objective of Project: To ensure access to business facilities is efficient and thus promoting business growth rapidly					
Delays		COVID -19			
Future Challenges: None					
Objective of Project: To ensure access to business facilities is efficient and thus promoting business growth rapidly					
Name of Project - Valdezia Xitacini to Jiweni Road Phase 2					
Objective of Project: To ensure access to sports & recreational facilities.					
Delays		COVID -19			
Future Challenges: None					
Objective of Project: To ensure access to business facilities is efficient and thus promoting business growth rapidly					

Table 57: Capital Expenditure

Capital Expenditure - Funding Sources: Year 2019/20						R' 000
Details	Year 2018/19	2019/20				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Actual to AB Variance (%)	
Source of finance						
Grants and subsidies	104 645	109 577	58 625	102 563	74.95%	
Internal	58 843	93 801	123 069	67 802	44.91%	
Total	163 488	203 378	181 694	170 365	6.24%	
Capital expenditure						
Governance and administration	43 180	24 500	57 566	96 584	67.78%	
Community and public safety	1 603	5 800	4 163	4 087	1.83%	
Economic and environmental services	1 845	159 675	58 751	57 067	2.87%	
Trading services	95 862	13 403	61 214	12 627	79.37%	
Other	20 998	-	-	-	0.00%	
Total	163 488	203 378	181 694	170 365	6.24%	

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.

With regards to municipality borrowings, the municipality had no significant borrowings during the financial year ended 30 June 2020.

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 2020, R 183 118 is outstanding.

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

Table 58: Borrowings

Actual Borrowings: Year -2017/18 to Year -2019/20			
	R' 000		
Instrument	2017/18	2018/19	2019/20
<u>Municipality</u>			
Financial Leases	3 743	697	183
Other Securities	-	-	-
Municipality Total	3 743	697	183

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 59: Statement Of Cash Flow

Statement of Cash flow				
R'000				
Description	20218/19	2019/20		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	49 376	(46 812)	29 439	55 623
Service charges	334 168	317 152	248 377	328 330
Grants	427 490	470 668	470 817	472 774
Other receipts	65 014	146 398	68 975	48 567
Payments				
Suppliers and employees	(637 062)	(957 965)	(751 775)	(685 443)
Finance charges	(67)	(6 752)	(7 861)	(38)
NET CASH FROM/(USED) OPERATING ACTIVITIES	238 918	(77 311)	57 972	219 814
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	1 455	(65 821)	(887)	2 929
Payments				
Capital assets	(163 488)	(203 378)	(181 694)	(170 365)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(162 033)	(269 199)	(182 581)	(167 436)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments				
Finance lease payments	(4 077)	–	15 804	(561)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(4 077)	–	15 804	(561)
NET INCREASE/ (DECREASE) IN CASH HELD	72 808	(346 511)	(108 804)	51 816
Cash/cash equivalents at the year begin:	19 027	–	–	91 835
Cash/cash equivalents at the year end:	91 835	(346 511)	(108 804)	143 651

5.4.5.COMMENT ON CASH FLOW

The cash flow from operating activities indicates a positive cash flow of R219.5 million. Further, R170.4 million was utilized on investment activities mainly to purchase property, plant, and equipment, whilst the disposal of land realized an amount of R2.9 million.

The cash flow from financing activities indicates an outflow of R0.271 million, which is mainly attributable to the repayments on finance leases (photocopiers).

Considering the above movements, the net cash position at financial year-end was R143.7 million, which indicates an increase of 56.5% from the previous year. This is mainly due to the municipality having a sound cash management policy.

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 49 successful bidders in the 2019/20 financial year. Of that number, 32 were male bidders representing 65%, while female were 17 in total representing 35% and there were no bidders of mixed gender (male and female).

An analysis based on age group showed that successful bidders who were among the youths were 13 in total, representing 27% and the remainder of 36 successful bidders were of the old age and represents 73% 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
32	17	0	49
65%	35%	0%	100%

AGE

YOUTH	OTHER	TOTAL
13	36	49
27%	73%	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 6.4.

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 2018/2019

Audit Report Status*:	Qualified Opinion
------------------------------	--------------------------

Table 62. Audit Findings 2018/2019

Financial Statement Area	Issues Raised	Remedial Action
Revenue	Incorrect billing on property rates.	The whole population of property rates for the 2018/19 will be investigated to establish the real impact of the under/over statement of property rates.

6.2. AUDITOR-GENERAL REPORT – CURRENT YEAR

Auditor-General Report on Financial Performance: 2019/20

Table 63. AG Opinion 2019/2020

Audit Report Status*:	Unqualified Opinion
------------------------------	----------------------------

ANNEXURES A1

2019/20 Audit Report



ANNEXURES A2

2019/20 Annual Performance Report



ANNEXURES A3

2019/20

Audited

Annual

Financial Statement



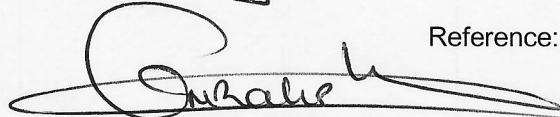
AUDITOR - GENERAL
SOUTH AFRICA

COVERING LETTER FOR SUBMISSION OF AUDIT REPORT TO THOSE CHARGED WITH GOVERNANCE

The Acting Municipal Manager
Makhado Municipality
83 Krogh Street
Limpopo
Louis Trichardt
0920
31 March 2021

Received by
Makhado M-G
Acting CFO

Reference: 02664REG19-20


2021/03/31

Dear Mr. K Nemaname

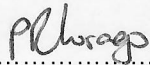
Report of the Auditor-General on the financial statements, annual performance report, compliance with legislation and other legal and regulatory requirements of Makhado Local Municipality for the year ended 30 June 2020.

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act No. 25 of 2004 (PAA) read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act 56 of 2003 (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and the annual performance report and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements, the annual performance report or our audit report on compliance with legislation. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
4. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements, annual performance report and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

5. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
6. The confidentiality of information obtained in an engagement must be observed at all times. In terms of section 50 of the Public Audit Act (PAA) and the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (*including International Independence Standards*), the AGSA, or an audit firm appointed in terms of section 25 of the PAA, may not disclose or make available any information obtained during an audit, other than the final auditor's report, to any third party unless this is to a legislature or internal committee of a legislature or a court in a criminal matter and the disclosure has been approved by the auditee and the Auditor-General.
7. Until the steps described in par. 2 and par. 4 of this document are completed and the annual report is tabled as required by section 127(2) of the MFMA, the audit report is not a final and public document and you are therefore requested to treat it as confidential.
8. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely



.....

Thosago Precious
Senior Manager: Limpopo

Enquiries: Shadrack Khoza
Telephone: (015) 283 9351
Email: ShadrackK@agsa.co.za

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

Report on the audit of the financial statements

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 2020, 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, the financial statements present fairly, in all material respects, the financial position of the Makhado Local Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa (Act No. 16 of 2019) (DoRA).

Basis for opinion

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

Emphasis of matters

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

Material impairments

7. As disclosed in note 29 to the financial statements, material losses of R61 163 641 was incurred as a result of an impairment of irrecoverable debtors.

Material losses - electricity

8. As disclosed in note 40 to the financial statements, material electricity losses of R26 933 169 (2019: R39 970 411) were incurred, which represent 10% (2019: 14.49%) of the total electricity purchased.

Events after the reporting date

9. I draw attention to note 41 in the financial statements, which deals with subsequent events and specifically possible effects of the future implications of Covid-19 on the municipality's future prospects, performance and cash flows. Management have also described how they planned to deal with these events and circumstances. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

10. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2019 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 2020.

An uncertainty relating to the future outcome of litigations

11. With reference to note 36 to the financial statements, the municipality is the defendant in various lawsuits. The municipality is opposing the claims, as it believes that the claims have no basis. The ultimate outcome of the matters could not be determined and no provision for any liability that may result was made in the financial statements.

Other matters

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

Unaudited supplementary schedules

13. 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

14. 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

15. 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.

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

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

17. 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.
18. 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

19. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected development priority presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
20. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
21. 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 priority presented in the municipality's annual performance report for the year ended 30 June 2020:

Development priority	Pages in the annual performance report
KPA 2 – Basic service delivery and infrastructure	x – x

22. 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.
23. The material findings in respect of the usefulness and reliability of the selected development priority are as follows:

KPA 2 – Basic service delivery and infrastructure

Fenced Maelula, Muhovhoya, and Gogobole cemeteries

24. The reported target of draft tender documents submitted for advertisement did not agree with the planned indicator and target of completed Dzumbathoho (Phadzima), Gogobole, Vleifontein and Tshivhase cemeteries fenced by 30 June 2020 as per the approved in the service delivery and budget implementation plan.

Number of indigents with access to free electricity

25. An achievement of 7 560 was reported against target 7 522 in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 6 720.

Other matters

26. I draw attention to the matters below.

Achievement of planned targets

27. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year and explanations provided for the achievement of a 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 paragraph(s) [x to x] of this report.

Adjustment of material misstatements

28. 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. 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

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

Annual financial statements, annual performance report and annual report

31. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Strategic planning and performance management

32. The performance management system and related controls were inadequate as they did not sufficiently 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

33. Reasonable steps were not taken to prevent irregular expenditure amounting to R6 333 963 as disclosed in note 42 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular was caused by non-compliance with applicable laws and regulations relating to bid and evaluation committees not properly constituted.
34. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R60 502 276 as disclosed in note 43 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by inappropriate budgeting of non-cash items during the financial year.
35. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R232 213, as disclosed in note 39 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by expenditures incurred as a result of misuse of fuel cards by officials.

Asset management

36. Capital assets were disposed of without the municipal council having considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by section 14(2)(b) of the MFMA.

Revenue management

37. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Procurement and contract management

38. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e).

Consequence management

39. Some of the irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
40. Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
41. 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 regulations on financial misconduct procedures and criminal proceedings 6(8).

Other information

42. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and the selected development priority 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 on it.
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 priority 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, 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 opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
47. Management did not exercise its oversight responsibility regarding financial and performance reporting and compliance and related internal controls.
48. Management did not implement controls over daily and monthly processing and reconciling of transactions.
49. Material misstatements were identified in the financial statements and the annual performance report. Although the material misstatements were corrected in the financial statements, the uncorrected material misstatements in the annual performance report resulted in material findings being reported on. This was also caused by capacity constraints in the municipality thus resulting in insufficient reviews performed.
50. 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.
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 and fruitless and wasteful expenditure.

Auditor - General

Polokwane

31 March 2021



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 priority and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, the actions taken to eliminate threats or the safeguards applied.



MAKHADO LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2020

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 2020

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 Luduvhangu 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 2020

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

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

General Information

Business address	Corner Krogh and Erasmus Street Makhado 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 2020

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 - 9
Statement of Financial Position	10
Statement of Financial Performance	11
Statement of Changes in Net Assets	12
Cash Flow Statement	13
Statement of Comparison of Budget and Actual Amounts	14 - 16
Accounting Policies	19 - 52
Notes to the Annual Financial Statements	53 - 100
The following appendixes does not form part of the annual financial statements and is unaudited:	
Appendix B: Analysis of Property, Plant and Equipment	101

Abbreviations

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
COVID-19	Corona Virus Disease

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

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.

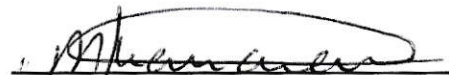
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable 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 expressing an opinion 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 100, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020.



K.M Nemaname
Acting Accounting Officer

31 October 2020

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

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 total income for the year ended 30 June 2020 increased to R1 007 875 557 compared R912 603 787 prior year being 7% increase. Below table analyses the total income of the municipality in a particular financial period as a proportion of the type of income of the municipality. For the year ended 30 June 2020, Grants and subsidies was the major contributor to total income of the municipality with a 46% [2019:47%] contributing factor followed by service charges contributed 36% [2019: 38%] of the total income, which was mainly sale of electricity as well as refuse collection.

Net surplus of the municipality was R 27 773 131 (2019: deficit R 5 740 907).

Proportion of income generated/raised

2020

Type of income	Proportion of contribution to income	Amount
Service charges	36 %	361 528 764
Property rates	8.1 %	81 250 406
Grants and subsidies	46.2 %	465 759 695
Traffic fines	0.4 %	4 507 613
Licence & permits	0.4 %	4 055 180
Other income	8.9 %	89 737 179

2019

Type of income	Proportion of contribution to income	Amount
Service charges	37.8 %	345 005 666
Property rates	8.0 %	72 824 076
Grants and subsidies	46.8 %	426 916 377
Traffic fines	0.8 %	7 742 040
Licence & permits	0.8 %	7 423 893
Other income	5.8 %	52 691 735

2. The effect of the COVID-19 pandemic

The economic climate in which South Africa currently finds itself in has seen the shrinking of National, Provincial and local budgets due to actions taken to implement measures to curb the COVID-19 pandemic and the accompanying nation-wide lockdown. The lockdown not only affected individuals negatively but also had a negative impact on the revenues of municipalities at a time that demands have increases.

The first task at hand after the announcement of the pandemic and nation-wide lockdown was the approval of an adjustment budget where our municipality had to align the resources at our disposal to meet the requirements of the COVID-19 pandemic. This had to be done to ensure that the fight against COVID-19 does not affect service delivery negatively.

The fact that the nation-wide lockdown was announced three months before year-end enabled the Municipality to accommodate the required resources through an adjustment budget. The Municipality therefore had no significant financial losses at 30 June 2020. Continued assessments will be performed to ensure that the COVID-19 demands are met with no or limited interruptions in service delivery.

The Municipality received an allocation of R 149 000 from National Treasury and R1.8 million from the municipality's own income to assist with the response to the COVID-19 pandemic.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Report

3. Going concern

The municipality had an accumulated surplus of R 1 586 607 464 (2019: R1 547 968 657) and that the municipality's total assets exceeded its liabilities by R 1 586 607 464 (2019: R1 547 968 657).

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.

Due to the provision on financial and other recourses on a special adjustment budget as well as in future budgets to contain the COVID-19 pandemic effectively our, Municipality had no significant financial loss at 30 June 2020.

Continued assessments will be performed to ensure that the COVID-19 pandemic demands are met without interruptions in service delivery.

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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Report

4. Subsequent events

The following events occurred between the end of the reporting period 30 June 2020 and the date that the financial statements are authorised for issue:

National Lockdown due to COVID-19 Pandemic

Since 30 June 2020, the spread of COVID-19 and subsequent implementation of the National Lockdown, in terms of section 27(2) of the Disaster Management Act of 2002, has severely impacted the South African economy. Businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses countrywide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Government and central bank have responded with monetary and fiscal interventions to stabilise economic conditions.

The municipality has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 30 June 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains in progress at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the municipality for future periods.

Resignation of the Accounting Officer

Mr N.F Tshivhengwa tendered his resignation as the Municipal Manager of Makhado Local Municipality with effect from 31 October 2020. His resignation was accepted by the Makhado Local Municipal Council in its 156th Special Council Meeting held on the 29th of October 2020.

5. 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.

6. 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.

7. Accounting Officer

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

Name	Nationality
N.F Tshivhengwa	South African

8. 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:

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Report

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 her by the Remuneration 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 an internal audit function, which is in compliance with the Municipal Finance Management Act, 2003 section 165.

9. Bankers

First National Bank is the municipality's bank. The municipality's bankers did not change during the current year.

10. 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 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	2	125 401 723	120 032 491
Sundry Debtors	3	21 551 671	122 190
Receivables from non-exchange transactions	4	302 800	17 445 033
Consumer debtors - Exchange transactions	5	49 523 617	41 636 170
Consumer debtors - Non- Exchange transactions	5	25 615 019	20 805 325
Cash and cash equivalents	6	143 651 586	91 835 178
		366 046 416	291 876 387
Non-Current Assets			
Investment property	7	15 965 284	16 347 062
Property, plant and equipment	8	1 578 483 665	1 579 866 551
Intangible assets	9	2 117 659	1 776 588
Heritage assets	10	2 160 329	2 160 329
		1 598 726 937	1 600 150 530
Total Assets		1 964 773 353	1 892 026 917
Liabilities			
Current Liabilities			
Finance lease obligation	12	183 118	513 414
Payables from exchange transactions	13	181 948 221	173 919 866
VAT payable	14	29 079 617	29 237 771
Unspent conditional grants and receipts	15	10 487 434	3 473 128
Consumer deposits	16	16 566 522	16 529 177
Deferred Income	17	147 200	105 741
Employee benefit obligation	18	4 922 000	4 203 547
Provisions	19	2 000 000	9 619 750
		245 334 112	237 602 394
Non-Current Liabilities			
Finance lease obligation	12	-	183 118
Employee benefit obligation	18	94 594 000	102 559 445
Provisions	19	38 237 777	3 713 303
		132 831 777	106 455 866
Total Liabilities		378 165 889	344 058 260
Net Assets		1 586 607 464	1 547 968 657
Accumulated surplus		1 586 607 464	1 547 968 657

* See Note 37

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	362 565 484	345 005 666
Other income	21	60 674 126	26 018 734
Rental of facilities and equipment	24	381 680	834 870
Licences and permits	24	4 055 180	7 423 893
Interest received from financial institutions	32	6 980 644	6 060 972
Interest earned -outstanding receivables	33	8 901 060	9 619 527
Total revenue from exchange transactions		443 558 174	394 963 662
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	81 250 406	72 824 076
Interest earned -outstanding receivables	33	12 799 669	10 157 632
Transfer revenue			
Government grants & subsidies	23	465 759 695	426 916 377
Fines, penalties and forfeits	24	4 507 613	7 742 040
Total revenue from non-exchange transactions		564 317 383	517 640 125
Total revenue	24	1 007 875 557	912 603 787
Expenditure			
Employee related costs	25	(268 232 231)	(255 156 547)
Remuneration of councillors	26	(26 436 244)	(26 316 164)
Depreciation and amortisation	27	(120 953 422)	(116 405 877)
Finance costs	28	(10 158 943)	(10 691 728)
Debt Impairment	29	(61 163 641)	(46 868 105)
Bulk purchases	30	(268 243 892)	(235 312 620)
General Expenses	31	(96 957 487)	(69 922 175)
Impairment of non cash generating assets	48	(2 083 146)	(15 061 438)
Contracted services	49	(122 955 350)	(138 186 937)
Loss on disposal of assets		(2 918 070)	(4 423 103)
Total expenditure		(980 102 426)	(918 344 694)
Surplus (deficit) for the year		27 773 131	(5 740 907)

* See Note 37

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 624 593 241	1 624 593 241
Adjustments		
Prior year adjustments [Note 37]	(59 337 129)	(59 337 129)
Balance at 01 July 2018 as restated*	1 565 256 112	1 565 256 112
Changes in net assets		
Loss for the year [Restated - Note 37]	(5 740 907)	(5 740 907)
Changes recognised directly in net assets	(12 290 393)	(12 290 393)
Total changes	(18 031 300)	(18 031 300)
Adjustments		
Prior year adjustments [Note 37]	743 845	743 845
Balance at 01 July 2019 as restated*	1 547 968 657	1 547 968 657
Changes in net assets		
Surplus for the year	27 773 131	27 773 131
Changes recognised directly in net assets	10 865 676	10 865 676
Total changes	38 638 807	38 638 807
Balance at 30 June 2020	1 586 607 464	1 586 607 464

* See Note 37

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Property rates		55 623 433	49 375 852
Service charges		328 329 996	334 168 497
Grants		472 774 000	427 489 505
Traffic Fines		1 788 285	1 695 214
Licence & permits		4 265 433	7 423 893
Other income		10 899 296	11 744 208
VAT Received		21 507 896	31 735 231
Interest Income		10 106 575	12 415 158
		<u>905 294 914</u>	<u>876 047 557</u>
Payments			
Employee costs		(257 584 688)	(245 873 085)
Remuneration of council		(26 436 244)	(26 316 164)
Payments to suppliers		(401 422 008)	(364 872 971)
Finance costs		(38 164)	(67 368)
		<u>(685 481 104)</u>	<u>(637 129 588)</u>
Net cash flows from operating activities	34	<u>219 813 810</u>	<u>238 917 969</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(169 279 064)	(162 680 500)
Proceeds from sale of property, plant and equipment	8	2 928 794	1 454 803
Purchase of other intangible assets	9	(1 086 000)	(807 180)
Net cash flows from investing activities		<u>(167 436 270)</u>	<u>(162 032 877)</u>
Cash flows from financing activities			
Finance lease payments		(561 132)	(4 076 806)
Net increase/(decrease) in cash and cash equivalents		<u>51 816 408</u>	<u>72 808 287</u>
Cash and cash equivalents at the beginning of the year		91 835 178	19 026 891
Cash and cash equivalents at the end of the year	6	<u>143 651 586</u>	<u>91 835 178</u>

* See Note 37

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

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	383 041 836	(29 062 639)	353 979 197	362 565 484	8 586 287	45
Rental of facilities and equipment	346 080	656 422	1 002 502	381 680	(620 822)	45
Interest income	20 345 256	486 287	20 831 543	8 901 060	(11 930 483)	45
Licences and permits	13 921 692	(10 097 677)	3 824 015	4 055 180	231 165	45
Other income	109 883 165	(78 168 855)	31 714 310	60 674 126	28 959 816	45
Interest received - investment	54 119	6 420 408	6 474 527	6 980 644	506 117	45
Total revenue from exchange transactions	527 592 148	(109 766 054)	417 826 094	443 558 174	25 732 080	

Revenue from non-exchange transactions

Taxation revenue

Property rates	70 362 504	9 054 622	79 417 126	81 250 406	1 833 280	45
Interest, Dividends and Rent on Land	-	-	-	12 799 669	12 799 669	

Transfer revenue

Government grants & subsidies	470 668 008	148 806	470 816 814	465 759 695	(5 057 119)	45
Fines, Penalties and Forfeits	1 848 072	3 279 957	5 128 029	4 507 613	(620 416)	45
Total revenue from non-exchange transactions	542 878 584	12 483 385	555 361 969	564 317 383	8 955 414	

Total revenue

1 070 470 732 (97 282 669) 973 188 063 1 007 875 557 34 687 494

Expenditure

Personnel	(284 371 000)	15 356 000	(269 015 000)	(268 232 231)	782 769	45
Remuneration of councillors	(28 554 000)	1 000 000	(27 554 000)	(26 436 244)	1 117 756	45
Depreciation and amortisation	(99 572 000)	23 826 000	(75 746 000)	(120 953 422)	(45 207 422)	45
Impairment loss/ Reversal of impairments	-	-	-	(2 083 146)	(2 083 146)	45
Finance costs	(6 752 000)	(3 226 000)	(9 978 000)	(10 158 943)	(180 943)	45
Debt Impairment	(45 000 000)	14 665 000	(30 335 000)	(61 163 641)	(30 828 641)	45
Bulk purchases	(242 406 000)	(26 838 000)	(269 244 000)	(268 243 892)	1 000 108	
Contracted Services	(68 183 000)	(56 810 000)	(124 993 000)	(122 955 350)	2 037 650	
General Expenses	(184 136 000)	81 521 000	(102 615 000)	(96 957 487)	5 657 513	

Total expenditure

(958 974 000) 49 494 000 (909 480 000) (977 184 356) (67 704 356)

Operating surplus

111 496 732 (47 788 669) 63 708 063 30 691 201 (33 016 862)

Loss on disposal of assets and liabilities

- - - (2 918 070) **(2 918 070)**

Surplus before taxation

111 496 732 (47 788 669) 63 708 063 27 773 131 (35 934 932)

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement

111 496 732 (47 788 669) 63 708 063 27 773 131 (35 934 932)

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

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 Position						
Assets						
Current Assets						
Inventories	125 379 000	(1 842 392)	123 536 608	125 401 723	1 865 115	
Sundry Debtors	-	1 340 840	1 340 840	21 551 671	20 210 831	
Receivables from non-exchange transactions	-	-	-	302 800	302 800	
Consumer debtors	183 064 681	(27 484 450)	155 580 231	75 138 636	(80 441 595)	
Cash and cash equivalents	131 540 965	(78 309 389)	53 231 576	143 651 586	90 420 010	
	439 984 646	(106 295 391)	333 689 255	366 046 416	32 357 161	
Non-Current Assets						
Investment property	30 463 000	(15 959 005)	14 503 995	15 965 284	1 461 289	
Property, plant and equipment	2 386 978 990	(764 845 230)	1 622 133 760	1 578 483 665	(43 650 095)	
Intangible assets	1 290 000	1 410 576	2 700 576	2 117 659	(582 917)	
Heritage assets	-	-	-	2 160 329	2 160 329	
	2 418 731 990	(779 393 659)	1 639 338 331	1 598 726 937	(40 611 394)	
Total Assets	2 858 716 636	(885 689 050)	1 973 027 586	1 964 773 353	(8 254 233)	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	183 118	183 118	45
Payables from exchange transactions	20 000 000	34 200 000	54 200 000	181 948 221	127 748 221	
VAT payable	-	-	-	29 079 617	29 079 617	
Consumer deposits	-	15 803 896	15 803 896	16 566 522	762 626	
Unspent conditional grants and receipts	-	-	-	10 487 434	10 487 434	
Provisions	-	-	-	2 000 000	2 000 000	
Deferred Income	-	-	-	147 200	147 200	
	20 000 000	50 003 896	70 003 896	240 412 112	170 408 216	
Non-Current Liabilities						
Employee benefit obligation	64 000	106 209 000	106 273 000	99 516 000	(6 757 000)	
Provisions	-	30 569 133	30 569 133	38 237 777	7 668 644	
	64 000	136 778 133	136 842 133	137 753 777	911 644	
Total Liabilities	20 064 000	186 782 029	206 846 029	378 165 889	171 319 860	
Net Assets	2 838 652 636	(1 072 471 079)	1 766 181 557	1 586 607 464	(179 574 093)	
Reserves						
Accumulated surplus	2 838 652 636	(1 072 471 079)	1 766 181 557	1 586 607 464	(179 574 093)	

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

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	(46 812 177)	76 251 531	29 439 354	55 623 433	26 184 079	
Services Charges	317 151 836	(68 775 098)	248 376 738	328 329 996	79 953 258	
Grants	470 668 008	148 806	470 816 814	472 774 000	1 957 186	
Interest income	20 399 375	6 906 695	27 306 070	10 106 575	(17 199 495)	
Other receipts	125 999 009	(84 330 153)	41 668 856	38 460 910	(3 207 946)	
	887 406 051	(69 798 219)	817 607 832	905 294 914	87 687 082	
Payments						
Suppliers and employees	(957 965 283)	206 190 701	(751 774 582)	(685 442 940)	66 331 642	
Finance costs	(6 752 040)	(1 108 960)	(7 861 000)	(38 164)	7 822 836	
	(964 717 323)	205 081 741	(759 635 582)	(685 481 104)	74 154 478	
Net cash flows from operating activities	(77 311 272)	135 283 522	57 972 250	219 813 810	161 841 560	
Cash flows from investing activities						
Capital assets	(269 199 233)	86 618 604	(182 580 629)	(167 436 270)	15 144 359	
Cash flows from financing activities						
Movement in consumer deposits	-	15 803 896	15 803 896	-	(15 803 896)	
Finance lease payments	-	-	-	(561 132)	(561 132)	
Net cash flows from financing activities	-	15 803 896	15 803 896	(561 132)	(16 365 028)	
Net increase/(decrease) in cash and cash equivalents	(346 510 505)	237 706 022	(108 804 483)	51 816 408	160 620 891	
Cash and cash equivalents at the beginning of the year	-	-	-	91 835 178	91 835 178	
Cash and cash equivalents at the end of the year	(346 510 505)	237 706 022	(108 804 483)	143 651 586	252 456 069	

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM/344)

Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and 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
2020											
Financial Performance											
Property rates	70 362 504	9 054 622	79 417 126	-	-	79 417 126	81 250 406		1 833 280	102 %	115 %
Service charges	383 041 836	(29 062 639)	353 979 197	-	-	353 979 197	362 565 484		8 586 287	102 %	95 %
Investment revenue	54 119	6 420 408	6 474 527	-	-	6 474 527	6 980 644		506 117	108 %	12 899 %
Transfers recognised - operational	361 091 004	51 101 000	412 192 004	-	-	412 192 004	363 197 001		(48 995 003)	88 %	101 %
Other own revenue	146 344 265	(83 843 866)	62 500 399	-	-	62 500 399	91 319 328		28 818 929	146 %	62 %
Total revenue (excluding capital transfers and contributions)	960 893 728	(46 330 475)	914 563 253	-	-	914 563 253	905 312 863		(9 250 390)	99 %	94 %
Employee costs	(284 371 000)	15 356 000	(269 015 000)	-	-	(269 015 000)	(268 232 231)		782 769	100 %	94 %
Remuneration of councillors	(28 554 000)	1 000 000	(27 554 000)	-	-	(27 554 000)	(26 436 244)		1 117 756	96 %	93 %
Debt impairment	(45 000 000)	14 665 000	(30 335 000)	-	-	(30 335 000)	(61 163 641)		(30 828 641)	202 %	136 %
Depreciation and asset impairment	(99 572 000)	23 826 000	(75 746 000)	-	-	(75 746 000)	(123 036 568)		(47 290 568)	162 %	124 %
Finance charges	(6 752 000)	(3 226 000)	(9 978 000)	-	-	(9 978 000)	(10 158 943)		(180 943)	102 %	150 %
Materials and bulk purchases	(242 406 000)	(26 838 000)	(269 244 000)	-	-	(269 244 000)	(268 243 892)		1 000 108	100 %	111 %
Contracted services	(68 183 000)	(56 810 000)	(124 993 000)	-	-	(124 993 000)	(122 955 350)		2 037 650	98 %	180 %
Other expenditure	(184 136 000)	81 521 000	(102 615 000)	-	-	(102 615 000)	(100 198 243)		2 416 757	98 %	54 %
Total expenditure	(958 974 000)	49 494 000	(909 480 000)	-	-	(909 480 000)	(980 425 112)		(70 945 112)	108 %	102 %
Surplus/(Deficit)	1 919 728	3 163 525	5 083 253	-	-	5 083 253	(75 112 249)		(80 195 502)	(1 478)%	(3 913)%

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (i.t.o. s31 of the MFMA)	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	109 577 004	(50 952 194)	58 624 810	-	-	58 624 810	102 562 694		43 937 884	175 %	94 %
Surplus (Deficit) after capital transfers and contributions	111 496 732	(47 788 669)	63 708 063	-	-	63 708 063	27 450 445		(36 257 618)	43 %	25 %
Surplus/(Deficit) for the year	111 496 732	(47 788 669)	63 708 063	-	-	63 708 063	27 450 445		(36 257 618)	43 %	25 %

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

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.

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 2020 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 01 (amended): Presentation of Financial Statements [Effective for financial periods after 01/04/2020]
- IGRAP 1: (Revised): Applying the Probability Test on Initial Recognition of Revenue [Effective for financial periods after 01/04/2020]
- 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 for financial periods after 01/04/2020]
- Directive 7: (Revised): The Application of Deemed Cost. [Effective for financial periods after 01/04/2020]

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 2020 or later periods but are not relevant to its operations.

- GRAP 18: Segment Reporting. [Effective for financial periods after 01/04/2020]
- 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 110: Living and Non- living Resources. [Effective for financial periods after 01/04/2020]

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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

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:

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Property, plant and equipment (continued)

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
• 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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Intangible assets (continued)

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.

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 2020

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 2020

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 2020

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 2020

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 2020

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 2020

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 2020

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 Consumer deposits

Consumer deposits are paid by customers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding accounts.

Consumers are also allowed to provide guarantees on application for new electricity connections instead of deposits. In cases where consumers default on their accounts, the Municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

1.8 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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Significant judgements and sources of estimation uncertainty (continued)

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.

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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Significant judgements and sources of estimation uncertainty (continued)

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 2020 and 30 June 2021 based on the Contour Prepaid Electricity vending system.

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.

1.9 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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Investment property (continued)

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.

1.10 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.

1.11 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 2020

Accounting Policies

1.12 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 2019/07/01 to 2020/06/30.

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.

1.13 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.

1.14 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.

1.15 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 2020

Accounting Policies

1.16 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.

1.17 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 2020

Accounting Policies

1.18 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 2020

Accounting Policies

1.19 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.

1.20 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.

1.21 Statutory receivables

Identification

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

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

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.21 Statutory receivables (continued)

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.21 Statutory receivables (continued)

- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.22 Employee benefits

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

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

- a municipality'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 municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality 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 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 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 municipality 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 municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality 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 2020

Accounting Policies

1.22 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 entity, 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 2020

Accounting Policies

1.22 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 2020

Accounting Policies

1.22 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 2020

Accounting Policies

1.22 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.

1.23 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 2020

Accounting Policies

1.23 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 2020

Accounting Policies

1.24 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

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date. Prepaid electricity liability portion is estimated based on the average unit sales and rate per unit as at 30 June 2020 and 30 June 2021 based on the Contour Prepaid Electricity vending system.

Service charges relating to electricity

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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.24 Revenue from exchange transactions (continued)

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 2020

Accounting Policies

1.24 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

1.25 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 2020

Accounting Policies

1.25 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 2020

Accounting Policies

1.25 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.

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 constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

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

Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Government grants

Equitable Share: Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional Grants:

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.25 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.

1.26 Investment income

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

1.27 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.

1.28 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.

1.29 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 2020

Accounting Policies

1.29 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.

1.30 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.

1.31 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 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
2. Inventories		
Land inventory	101 314 200	102 814 200
Consumable stores	24 087 523	17 218 291
	125 401 723	120 032 491
Land inventory		
Land inventory		
Opening balance	102 814 200	103 665 200
Less: Sales	(1 500 000)	(851 000)
	101 314 200	102 814 200
Inventory consumables		
Inventory consumables		
Opening balance	17 218 291	15 533 178
Add: Purchases	20 134 458	13 331 356
Less: Issues	(15 420 119)	(11 578 614)
Inventory adjustment for the year	2 154 893	(67 629)
	24 087 523	17 218 291
Inventory pledged as security		
No inventory was pledged as security for the current and previous year.		
3. Sundry Debtors		
Other receivables	460 039	122 190
Vhembe District Municipality	21 091 632	-
	21 551 671	122 190
Vhembe District Municipality		
Opening Balance	96 881 800	93 862 504
Current Year Accrual	-	3 019 296
Settlements	(9 000 000)	-
Total	87 881 800	96 881 800
Less: Allowance for impairment	(66 790 168)	(96 881 800)
	21 091 632	-
Reconciliation of provision for doubtful debts		
Opening balance	(96 881 800)	(93 862 504)
Current Year Movement	-	(3 019 296)
Reversal of impairment	30 091 632	-
	(66 790 168)	(96 881 800)

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
4. Receivables from non-exchange transactions		
Traffic fines	302 800	17 445 033
Receivables from non-exchange transactions pledged as security		
No receivables from non-exchange transactions were pledged as security.		
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	32 701 236	29 085 416
Impairment	(32 398 436)	(11 640 383)
	302 800	17 445 033
Reconciliation of provision for impairment of traffic fines		
Opening Balance	11 640 383	9 297 483
Charge for the year	20 758 053	2 342 900
Closing Balance	32 398 436	11 640 383
5. Consumer debtors		
Gross balances		
Rates	103 806 045	83 608 414
Electricity	73 329 915	73 671 253
Interest	66 468 440	52 246 243
Refuse	19 605 916	15 979 303
Sundries	22 518 160	9 932 800
Vat	13 061 613	12 315 325
Other	2 698 242	1 628 845
	301 488 331	249 382 183
Less: Allowance for impairment		
Rates	(78 191 026)	(62 803 089)
Electricity	(54 959 212)	(55 167 790)
Interest	(49 816 682)	(39 123 941)
Refuse	(14 694 217)	(11 965 900)
Sundries	(16 876 882)	(7 438 052)
VAT	(9 789 401)	(9 222 176)
Other	(2 022 275)	(1 219 740)
	(226 349 695)	(186 940 688)

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
5. Consumer debtors (continued)		
Net balance		
Rates	25 615 019	20 805 325
Electricity	18 370 703	18 503 463
Interest	16 651 758	13 122 302
Refuse	4 911 699	4 013 403
Sundries	5 641 278	2 494 748
VAT	3 272 212	3 093 149
Other	675 967	409 105
	75 138 636	62 441 495
Included in above is receivables from exchange transactions		
Electricity	18 370 703	18 503 463
Interest	16 651 758	13 122 302
Refuse	4 911 699	4 013 403
Sundries	5 641 278	2 494 748
VAT	3 272 212	3 093 149
Other	675 967	409 105
	49 523 617	41 636 170
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Property Rates	25 615 019	20 805 325
	75 138 636	62 441 495
Property Rates		
Current (0 -30 days)	9 544 252	7 946 663
31 - 60 days	3 540 489	2 731 274
61 - 90 days	3 174 335	2 531 492
91 - 120 days	2 738 966	2 355 518
121 - 365 days	84 808 003	68 043 467
	103 806 045	83 608 414
Electricity		
Current (0 -30 days)	31 871 840	32 817 864
31 - 60 days	3 580 277	1 941 786
61 - 90 days	2 653 525	1 106 073
91 - 120 days	2 806 635	1 216 101
121 - 365 days	32 417 639	36 589 429
	73 329 916	73 671 253
Interest		
Current (0 -30 days)	4 017 832	3 381 920
31 - 60 days	1 878 162	1 621 624
61 - 90 days	1 806 379	1 590 758
91 - 120 days	1 732 516	1 516 058
121 - 365 days	57 033 552	44 135 885
	66 468 441	52 246 245

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
5. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	1 891 613	2 358 071
31 - 60 days	558 350	338 816
61 - 90 days	546 818	343 275
91 - 120 days	421 713	317 349
121 - 365 days	16 187 423	12 621 792
	19 605 917	15 979 303
Sundries		
Current (0 -30 days)	11 641 714	1 236 076
31 - 60 days	611 245	218 812
61 - 90 days	509 187	193 931
91 - 120 days	404 495	170 504
121 - 365 days	9 351 519	8 113 476
	22 518 160	9 932 799
VAT		
Current (0 -30 days)	3 761 850	3 960 575
31 - 60 days	665 912	373 859
61 - 90 days	516 704	235 723
91 - 120 days	537 946	229 535
121 - 365 days	7 579 201	7 515 632
	13 061 613	12 315 324
Other		
Current (0 -30 days)	115 152	100 622
31 - 60 days	90 842	28 330
61 - 90 days	118 176	24 866
91 - 120 days	140 342	27 049
121 - 365 days	2 233 730	1 447 978
	2 698 242	1 628 845

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
5. Consumer debtors (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	13 913 855	13 099 507
31 - 60 days	3 880 728	3 219 459
61 - 90 days	3 494 202	2 749 201
91 - 120 days	3 460 466	2 582 747
121 - 365 days	19 888 154	19 074 584
> 365 days	93 872 089	71 181 395
	<u>138 509 494</u>	<u>111 906 893</u>
Less: Allowance for impairment	(104 200 523)	(104 968 482)
	<u>34 308 971</u>	<u>6 938 411</u>
Industrial/ Commercial/Government/Churches/ Municipal		
Current (0 -30 days)	39 322 641	28 633 011
31 - 60 days	4 925 072	2 699 852
61 - 90 days	4 220 695	2 305 380
91 - 120 days	3 752 101	2 306 350
121 - 365 days	13 856 578	14 332 311
> 365 days	42 534 539	43 292 176
	<u>108 611 626</u>	<u>93 569 080</u>
Less: Allowance for impairment	(81 402 105)	(47 380 674)
	<u>27 209 521</u>	<u>46 188 406</u>
Agriculture		
Current (0 -30 days)	9 607 755	9 807 151
31 - 60 days	2 119 477	1 597 313
61 - 90 days	1 610 226	971 536
91 - 120 days	1 570 045	943 019
121 - 365 days	8 095 562	6 209 560
> 365 days	31 364 144	24 377 629
	<u>54 367 209</u>	<u>43 906 208</u>
Less: Allowance for impairment	(40 747 068)	(34 591 532)
	<u>13 620 141</u>	<u>9 314 676</u>
Total		
Current (0 -30 days)	62 844 251	51 548 078
31 - 60 days	10 925 277	7 516 623
61 - 90 days	9 325 123	6 026 117
91 - 120 days	8 782 613	5 832 115
121 - 365 days	41 840 295	39 616 456
> 365 days	167 770 772	138 842 793
	<u>301 488 331</u>	<u>249 382 182</u>
Less: Allowance for impairment	(226 349 695)	(186 940 687)
	<u>75 138 636</u>	<u>62 441 495</u>
Less: Allowance for impairment		
Current (0 -30 days)	(47 100 429)	(38 594 832)
31 - 60 days	(8 188 263)	(5 432 442)
61 - 90 days	(6 988 982)	(4 512 582)
91 - 120 days	(6 582 381)	(4 367 306)
121 - 365 days	(31 358 411)	(29 666 284)
> 365 days	(126 131 229)	(104 367 241)

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
5. Consumer debtors (continued)	(226 349 695)	(186 940 687)

Consumer debtors pledged as security

No portion of accounts receivables was pledged as security for any financial liabilities.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to consumer debtors are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of consumer debtors falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's consumer debtors.

Fair value of consumer debtors

The fair value of accounts receivable approximates their carrying amounts.

Consumer debtors impaired

As of 30 June 2020, consumer debtors of R 226 349 695 (2019: R 186 940 687) were impaired and provided for.

An estimate is made for doubtful receivables based on the review of all outstanding amounts at year end. The provision for doubtful debts is determined in line with the municipality's approved method and assumptions for calculating provision for bad debts. An amount for the current year R 996 596 as of 30 June 2020 (2019: R 5 307 439), was written off during the year as uncollectable.

The amounts best represent the maximum exposure to credit risk at the end of the reporting period without taking into account of any collateral held or other credit enhancements.

The impact of the COVID-19 pandemic on councils consumer debtors during the current financial year was assessed and no significant financial loss needs to be provided for. Continues assessments will be performed.

Reconciliation of provision for doubtful debts

Opening balance	186 940 687	150 742 217
Allowance for impairment	40 405 604	41 505 909
Amounts written off as uncollectible	(996 596)	(5 307 439)
	226 349 695	186 940 687

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Primary bank account	143 623 386	90 954 379
Short-term deposits	-	854 099
Cash Float	13 200	11 700
Petty Cash	15 000	15 000
	143 651 586	91 835 178

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
FNB BANK - Primary account - 623-0832-9988	146 102 026	87 201 409	20 191 898	143 623 386	90 954 379	18 178 125
FNB BANK - Investment account - 623-0833-0779	-	20 482	20 351	-	20 482	20 351
FNB BANK - Investment account - 624-0465-0435	-	730 945	703 738	-	730 945	703 738
FNB BANK - Call account - 624-8284-3408	-	102 671	99 477	-	102 671	99 477
Total	146 102 026	88 055 507	21 015 464	143 623 386	91 808 477	19 001 691

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

6. Cash and cash equivalents (continued)

Short Term Investments

There were no short term investments in the financial year ended 30 June 2020. In the previous year, the municipality's investments were held with FNB Bank, amounting to R Nil (2019: R 854,099). The interest earned as at 30 June 2020 amounted to R35 341 (2019: R 30 533) 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.

7. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	18 777 018	(2 811 734)	15 965 284	18 777 018	(2 429 956)	16 347 062

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	16 347 062	(381 778)	15 965 284

Reconciliation of investment property - 2019

	Opening balance	Impairments	Depreciation	Total
Investment property	16 796 723	(64 640)	(385 021)	16 347 062

Impairment

Investment property	-	64 640
---------------------	---	--------

Pledged as security

No investment property of the municipality was pledged as security.

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.

Details of valuation

The Makhado Municipal valuations are based on the valuation roll which is reviewed every 5 years. The last valuation roll came into effect on 1 July 2018. Supplementary valuations are issued and processed annually to take into account changes in individual property value due to alterations and subdivisions.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)
Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2020		2019			
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	233 769 833	-	233 769 833	236 793 833	-	236 793 833
Buildings	41 026 230	(16 810 259)	24 215 971	36 902 731	(15 427 219)	21 475 512
Machinery and equipments	46 157 173	(20 170 413)	25 986 760	34 986 121	(21 807 824)	13 178 297
Furniture and office equipments	13 001 340	(9 228 783)	3 772 557	12 846 600	(8 301 382)	4 545 218
Transport assets	49 915 369	(19 191 108)	30 724 261	38 016 200	(20 350 169)	17 666 031
Computer equipments	8 034 724	(4 338 820)	3 695 904	6 550 009	(4 234 523)	2 315 486
Infrastructure assets	2 241 745 004	(1 129 951 021)	1 111 793 983	2 210 341 972	(1 022 890 718)	1 187 451 254
Community assets	76 964 484	(25 273 491)	51 690 993	76 844 484	(22 505 386)	54 339 098
Library Books	2 470 476	(2 074 567)	395 909	2 422 330	(1 879 182)	543 148
Work In Progress	92 437 494	-	92 437 494	41 558 674	-	41 558 674
Total	2 805 522 127	(1 227 038 462)	1 578 483 665	2 697 262 954	(1 117 396 403)	1 579 866 551

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM/344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers to expenditure	Transfers to completed projects	Depreciation	Impairment loss	Total
Land	236 793 833	-	(3 024 000)	-	-	-	-	233 769 833
Buildings	21 475 512	4 123 499	-	-	-	(1 383 040)	-	24 215 971
Machinery and equipments	13 178 297	17 597 135	(468 996)	-	-	(4 264 121)	(55 555)	25 986 760
Furniture and office equipments	4 545 218	1 128 398	(120 495)	-	-	(1 717 503)	(63 061)	3 772 557
Transport assets	17 666 031	17 158 625	(672 354)	-	-	(3 389 621)	(38 420)	30 724 261
Library Books	543 148	48 146	-	-	-	(195 385)	-	395 909
Computer equipments	2 315 486	2 529 364	(174 199)	-	-	(953 281)	(21 466)	3 695 904
Infrastructure assets	1 187 451 254	31 403 032	-	-	-	(105 155 659)	(1 904 644)	1 111 793 983
Community assets	54 339 098	120 000	-	-	-	(2 768 105)	-	51 690 993
Work In Progress	41 558 674	95 170 865	(966 525)	(7 678 991)	(35 646 529)	-	-	92 437 494
	1 579 866 551	169 279 064	(5 426 569)	(7 678 991)	(35 646 529)	(119 826 715)	(2 083 146)	1 578 483 665

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM/344)
Annual Financial Statements for the year ended 30 June 2020

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 through transfer of functions / mergers	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	238 053 833	-	(1 260 000)	-	-	-	-	236 793 833
Buildings	36 915 572	373 083	(12 645 596)	-	-	(1 855 422)	(1 312 125)	21 475 512
Machinery and equipments	8 739 635	7 795 589	(498 095)	-	-	(2 444 589)	(414 243)	13 178 297
Furniture and office equipments	5 447 879	373 885	(78 840)	-	-	(900 722)	(296 984)	4 545 218
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)	(38 847)	2 315 486
Infrastructure assets	1 240 573 578	70 161 120	(6 440 308)	-	-	(104 325 379)	(12 517 757)	1 187 451 254
Community assets	57 522 137	-	-	-	-	(2 788 582)	(394 457)	54 339 098
Work In Progress	40 393 552	71 699 290	-	-	(70 534 168)	-	-	41 558 674
	1 640 652 388	162 680 534	(22 395 617)	(66 618)	(70 534 168)	(115 473 170)	(14 996 798)	1 579 866 551

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand 2020 2019

8. Property, plant and equipment (continued)

Disposal of Municipal Fixed Assets

During the current financial year, the municipality initiated the process of de-recognizing items of property, plant & equipment where future economic benefits are no longer expected to be derived from their continued use. The de-recognition process was in terms of the approved Asset Management Policy and GRAP 17. The Council of the municipality approved the disposal of the items of PPE under Council Resolution Number: A.100.29.09.20.

The municipality is still in control of the below listed assets as at financial year-end despite the fact that these assets are no longer usable in the day to day operations to achieve service delivery objectives. Due to the outbreak of COVID-19 and the subsequent National Lockdown through the Disaster Management Act, resulted in the municipality failing to conclude on the physical disposal process of the items of PPE before the financial year-end. The following categories of property, plant & equipment with the carrying values shown are still in the possession of the municipality as at year-end:

Machinery and equipments	468 996
Furniture and office equipments	120 495
Transport assets	672 354
Computer equipments	174 199
	1 436 044

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	28 233 071	10 527 602	2 798 000	41 558 674
Additions/capital expenditure	76 018 355	13 638 889	5 513 620	95 170 864
Transferred to completed items	(31 311 244)	(120 000)	(4 215 284)	(35 646 528)
Transferred to expenditure	(6 607 359)	-	(1 071 632)	(7 678 991)
Disposal	-	-	(966 525)	(966 525)
	66 332 823	24 046 491	2 058 179	92 437 494

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	10 657 752	2 299 408	71 699 290
Transferred to completed items	(69 936 086)	(130 150)	(467 932)	(70 534 168)
	28 233 071	10 527 602	2 798 000	41 558 674

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		
Infrastructure assets	1 904 644	12 517 757
Machinery and equipment	55 555	414 243
Furniture and fittings	63 061	296 984
Computer assets	21 466	38 847
Transport assets	38 420	22 366
Library books	-	19
Community assets	-	394 457
Buildings	-	1 312 125
	2 083 146	14 996 798

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

8. Property, plant and equipment (continued)

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 items of property, plant & equipment of the municipality was pledged as security.

9. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets (finite)	6 923 342	(4 805 683)	2 117 659	6 011 583	(4 234 995)	1 776 588

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Intangible assets (finite)	1 776 588	1 086 000	(744 929)	2 117 659

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Intangible assets (finite)	1 517 094	807 180	(547 686)	1 776 588

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 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

10. Heritage assets

	2020			2019		
	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 2020

Heritage assets	Opening balance	Total
	2 160 329	2 160 329

Reconciliation of heritage assets 2019

Heritage assets	Opening balance	Total
	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

Sundry Debtors:

The municipality re-assessed the impairment of Vhembe District Municipality at the end of the financial year. The effect of the re-assessment was a decrease in the impairment by R30 091 632 in the current financial year. The effect of the change on future periods could not be reasonably determined.

Property, plant & equipment:

The municipality has reassessed the useful lives of property, plant and equipment which resulted in certain assets remaining useful lives to change. Electricity infrastructure assets useful life changed from 15 years to 20 years on average, Community assets from an average of 15 years to 24 years and movable assets changed from average 5 years to 9 years. The effect of the change in accounting estimates has resulted in an decrease in depreciation amounting to R 358 984 for the current period. The effect on future periods will increase the depreciation by R 358 984.

The change in estimate affected the following classes of assets:

- Community assets
- Electricity infrastructure
- Machinery equipment
- Office equipment
- Computer equipment

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
12. Finance lease obligation		
Minimum lease payments due		
- within one year	183 118	561 134
- in second to fifth year inclusive	-	187 044
	<u>183 118</u>	<u>748 178</u>
less: future finance charges	-	(51 646)
Present value of minimum lease payments	<u>183 118</u>	<u>696 532</u>
Present value of minimum lease payments due		
- within one year	183 118	513 414
- in second to fifth year inclusive	-	183 118
	<u>183 118</u>	<u>696 532</u>
Non-current liabilities	-	183 118
Current liabilities	183 118	513 414
	<u>183 118</u>	<u>696 532</u>

It is municipality policy to lease certain equipment under finance leases, denominated in the presentation currency (Rand). The average lease term was 3 years, interest rates are fixed at the contract date and leases have fixed repayments. No arrangements have been entered into for contingent rent.

The carrying value of these leased assets are included under property, plant and equipment. The Municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The Municipality did not default on any of the interest or capital repayments of the finance leases. No terms and conditions of the finance leases were re-negotiated during the reporting period.

13. Payables from exchange transactions

Accrued operating creditors	103 356 952	95 941 647
Retentions	23 246 671	21 879 328
Debtors with credit balances	11 468 396	8 543 216
Other creditors	5 477 707	14 449 516
Provision for bonus: Section 57 Managers	346 235	1 377 900
Provision for leave pay	31 928 689	25 777 661
Provision for bonus: General Employees	6 123 571	5 950 598
	<u>181 948 221</u>	<u>173 919 866</u>

Fair value of payables from exchange transactions

Payables from exchange transactions	<u>181 865 176</u>	<u>173 919 866</u>
-------------------------------------	--------------------	--------------------

The carrying amount of payables from exchange transactions approximates their fair values. The fair value is determined after considering the standard terms and conditions of agreements entered into by the Municipality and the parties. The Municipality did not default on any accounts payable in respect of capital or interest portions. No terms attached to the accounts payable were re-negotiated.

Trade payables

The average credit period on purchases is 30 days from receipt of the invoice, as determined by Section 99 of the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with.

Included under payables are payments received in advance which are non-interest bearing and normally settled on 30 day terms.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
-----------------	------	------

13. Payables from exchange transactions (continued)

Staff leave

Annual leave accrues to employees on a monthly basis subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave.

Retention

Retention is non-interest bearing and settled in terms of the contract agreement.

13th Cheque

A 13th cheque or annual bonus accrues to staff on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff and is paid after the completion of twelve months. The Municipality has an obligation to pay a service bonus in terms of its conditions of employment.

14. VAT payable

VAT payables	<u>29 079 617</u>	<u>29 237 771</u>
--------------	-------------------	-------------------

The financial statements have been prepared on the accrual basis whilst VAT is payable to SARS on the payment's basis. Output VAT is only payable as and when the purchase consideration is received and input VAT can only be claimed as and when payments are made. Interest on late payment is charged according to SARS policies.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand 2020 2019

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 Infrastructure Grant	9 583 567	-
Local Economic Development Grant	903 867	3 473 128
	10 487 434	3 473 128

Movement during the year

Balance at the beginning of the year	3 473 128	2 900 000
Additions during the year	115 246 000	111 730 505
Income recognition during the year	(108 231 694)	(110 657 377)
	-	(500 000)
	10 487 434	3 473 128

The amount of unspent conditional grants and receipts is held in the operating bank account of the Municipality until utilized.

The total grants recognised in the statement of financial performance are disclosed in note 22.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
16. Consumer deposits		
Electricity	16 478 179	16 465 002
Housing rental	88 343	64 175
	16 566 522	16 529 177

During the financial period ended 30 June 2020, the municipality had guarantees in lieu of customers of R3 268 625 (2019: R1 723 787).

Consumer deposits are paid by customers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding accounts.

Business consumers are allowed to provide guarantees on application for new electricity connections instead of deposits. In cases where consumers default on their accounts, the Municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

17. Deferred Income

The deferred income was estimated based on the average unit sales and rate per unit as at 30 June 2020 and 30 June 2021 based on the Contour Prepaid Electricity vending system.

Deferred Income	147 200	105 741
-----------------	---------	---------

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand 2020 2019

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 6.92% (2019: 7.99%), Consumer Price Inflation of 3.71% (2019: 5.46%), Normal Salary Increase of 6.25% (2019: 6.5%) and Net Effective Discount Rate of 3.10% (2019: 2.4%), Mortality SA 85-90 (2019: SA 85-90)

	2020	2019
Total long service awards liability		
Opening balance	14 489 678	14 054 735
Current service cost	1 237 485	1 141 506
Interest cost	1 088 926	1 118 162
Actuarial gains/loss	(179 299)	(125 858)
Subtotal	<u>16 636 790</u>	<u>16 188 545</u>
Expected employer benefit vesting	(1 391 790)	(1 698 867)
	<u>15 245 000</u>	<u>14 489 678</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 R5,670 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 374 in service members, 176 in service non- members and 40 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 2020 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.

	2020	2019
Total post-retirement health care benefits liability		
Opening balance	92 273 314	94 131 000
Current service cost	4 117 722	4 803 327
Interest cost	8 661 448	9 029 349
Actuarial gains/loss	(18 342 100)	(13 695 249)
Subtotal	<u>86 710 384</u>	<u>94 268 427</u>
Expected contributions (benefits paid)	(2 439 384)	(1 995 113)
	<u>84 271 000</u>	<u>92 273 314</u>

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
18. Employee benefit obligations (continued)		
Reconciliation and projection of the unfunded accrued liability		
Carrying value		
Opening Balance	(106 762 992)	(108 185 735)
Current Service Costs	(5 355 207)	(5 944 833)
Interest Costs	(9 750 374)	(10 147 511)
Expected employee benefit vesting	3 831 174	3 693 980
Actuarial gain/(loss)	18 521 399	13 821 107
	(99 516 000)	(106 762 992)
Non-current liabilities	(94 594 000)	(102 559 445)
Current liabilities	(4 922 000)	(4 203 547)
	(99 516 000)	(106 762 992)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,57 %	9,51 %
Expected rate of return on reimbursement rights	3,72 %	2,38 %
Expected increase in salaries	6,25 %	6,50 %
Expected increase in healthcare costs	6,60 %	6,96 %

The salaries used in the valuation include an assumed increase on 01 July 2020 of 6.25% as per the SALGBC Circular No: 02/2020. The next salary increase was assumed to take place on 01 July 2021.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand 2020 2019

19. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Movement	Total
Old Landfill Site [Permit Number: 16/2/7/A 700/D1/Z1/P256]	9 619 750	29 095 014	38 714 764
New Landfill Site [Permit Number:12/9/11/L413/6]	3 713 303	(2 190 290)	1 523 013
	13 333 053	26 904 724	40 237 777

Reconciliation of provisions - 2019

	Opening Balance	Movement	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

Non-current liabilities	38 237 777	3 713 303
Current liabilities	2 000 000	9 619 750
	40 237 777	13 333 053

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 5.9% for the Vondeling Landfill and 7.4% for the Makhado Landfill.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
20. Service charges		
Sale of electricity	350 516 594	333 647 130
Refuse removal	12 048 890	11 358 536
	362 565 484	345 005 666

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. Other income

Burial fees	129 100	99 771
Advertising	22 317	30 173
Employee benefit vesting	3 831 174	3 693 980
Land sales	2 986 952	3 002 251
Sundries	4 672 759	4 014 866
Actuarial income	18 521 399	13 821 107
Sale of tender documents	284 134	1 210 768
Building plans	134 659	145 818
Reversal of impairment: VDM	30 091 632	-
	60 674 126	26 018 734

22. Property rates

Rates received

Residential	40 214 135	37 316 986
Commercial	26 973 763	22 833 956
State	14 062 508	12 673 134
	81 250 406	72 824 076

Valuations

Residential	5 095 568 441	6 087 847 516
Business	2 373 216 714	1 356 753 901
Agricultural	8 221 519 334	6 574 644 651
Municipal	291 091 855	118 673 157
Churches	134 120 270	56 255 400
Government	559 512 750	164 860 365
	16 675 029 364	14 359 034 990

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 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
23. Government grants and subsidies		
Operating grants		
Equitable share	357 528 000	316 259 000
Municipal System Improvement Grant	-	1 055 000
Expanded Public Works Programmes (EPWP)	1 863 000	1 240 000
Finance Management Grant (FMG)	1 700 000	1 700 000
Local Government Sector for Education and Training Authority	1 957 001	829 290
Disaster Management Grant	149 000	-
	<u>363 197 001</u>	<u>321 083 290</u>
Capital grants		
Municipal Infrastructure Grant (MIG)	79 993 433	87 732 000
Intergrated National Electrification Programme (INEP)	20 000 000	16 913 000
Local Economic Development	2 569 261	1 188 087
	<u>102 562 694</u>	<u>105 833 087</u>
	<u>465 759 695</u>	<u>426 916 377</u>

Capital and Operational Grants Received

Included in above are the following grants and subsidies received:

Capital grants received	109 577 000	106 906 215
Operational grants received	5 669 000	4 824 290
Equitable Share	357 528 000	315 759 000
	<u>472 774 000</u>	<u>427 489 505</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 2 474 595 (2019: R 1 809 488) which is funded from the grant during the year.

Current-year receipts	357 528 000	315 759 000
Roll-over amounts declined-Deducted from Equitable Share	-	500 000
Conditions met - transferred to revenue	<u>(357 528 000)</u>	<u>(316 259 000)</u>
	<u>-</u>	<u>-</u>

Municipal Infrastructure Grant (MIG)

Current-year receipts	89 577 000	87 732 000
Conditions met - transferred to revenue	<u>(79 993 433)</u>	<u>(87 732 000)</u>
	<u>9 583 567</u>	<u>-</u>

The conditions of the grant were partially met - (see note 15).

MIG Grant was used to accelerate the provision of basic service delivery through construction of capital projects.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
23. Government grants and subsidies (continued)		
Integrated National Electricity Programme (INEP)		
Current-year receipts	20 000 000	16 913 000
Conditions met - transferred to revenue	(20 000 000)	(16 913 000)
	<u>-</u>	<u>-</u>
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	1 863 000	1 240 000
Conditions met - transferred to revenue	(1 863 000)	(1 240 000)
	<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).		
The Finance Management Grant is paid by National Treasury to municipalities to help implement the finance reforms required by the Municipal Finance Management Act (MFMA), 2003. The Finance Management Grant also pays for the cost of the Financial Management Internship Programme (e.g. Salary cost of the financial management interns).		
Municipal Demarcation Transitional Grant (MDTG)		
Balance unspent at beginning of year	-	500 000
Amount Withheld	-	(500 000)
	<u>-</u>	<u>-</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	3 473 128	2 400 000
Current-year receipts	-	2 261 215
Conditions met - transferred to revenue	(2 569 261)	(1 188 087)
	<u>903 867</u>	<u>3 473 128</u>
The conditions of the grant were partially met - (see note 15).		

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand 2020 2019

23. Government grants and subsidies (continued)

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

Current-year receipts	1 957 000	829 290
Conditions met - transferred to revenue	(1 957 000)	(829 290)
	<u>-</u>	<u>-</u>

The conditions of the grant were fully met- (see note 15).

The grant is used to pay for training courses. It supplements / augments the funds on the training vote. It is used to fund the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

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.

Disaster Management Grant

Current-year receipts	149 000	-
Conditions met - transferred to revenue	(149 000)	-
	<u>-</u>	<u>-</u>

Conditions for this grant were fully met- (see note 15).

The grant was availed to assist the municipality with the procurement of sanitizers and masks during the Covid-19 pandemic.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
24. Revenue		
Fines, penalties and forfeits	4 507 613	7 742 040
Government grants & subsidies	465 759 695	426 916 377
Interest earned - outstanding receivables	8 901 060	9 619 527
Interest received from financial institutions	6 980 644	6 060 972
Licences and permits	4 055 180	7 423 893
Other income	60 674 126	26 018 734
Interest, Dividends and Rent on Land	12 799 669	10 157 632
Property rates	81 250 406	72 824 076
Rental of facilities and equipment	381 680	834 870
Service charges	362 565 484	345 005 666
	1 007 875 557	912 603 787
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	362 565 484	345 005 666
Rental of facilities and equipment	381 680	834 870
Interest earned- outstanding receivables	8 901 060	9 619 527
Licences and permits	4 055 180	7 423 893
Other income	60 674 126	26 018 734
Interest received from financial institutions	6 980 644	6 060 972
	443 558 174	394 963 662
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	81 250 406	72 824 076
Interest, Dividends and Rent on Land	12 799 669	10 157 632
Transfer revenue		
Government grants & subsidies	465 759 695	426 916 377
Fines, Penalties and Forfeits	4 507 613	7 742 040
	564 317 383	517 640 125

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
25. Employee related costs		
Basic	151 621 950	149 830 015
Bonus	13 419 927	13 157 891
Medical aid - company contributions	17 235 344	15 077 784
UIF	1 003 226	1 012 831
Other payroll levies	62 993	59 279
Leave pay provision charge	6 906 561	5 839 227
Post employment benefits	31 740 530	30 731 001
Travel, motor car, accommodation, subsistence and other allowances	13 003 441	10 330 946
Overtime payments	20 164 534	17 167 096
Employee benefits - Current service costs	6 746 997	5 944 833
Acting allowances	1 989 937	1 917 079
Housing benefits and allowances	422 191	442 462
Standby allowance	2 243 320	2 083 901
Group life insurance	1 671 280	1 562 202
	268 232 231	255 156 547
Remuneration of Municipal Manager		
Annual Remuneration	998 648	971 257
Car Allowance	300 389	297 854
Contributions to UIF, Medical and Pension Funds	221 297	210 196
Other	18 466	17 579
	1 538 800	1 496 886
Appointed 01 December 2017 and the employment is still subsisting.		
Remuneration of Chief Finance Officer		
Annual Remuneration	754 736	489 453
Acting Allowance	-	57 150
Car Allowance	314 354	203 829
Contributions to UIF, Medical and Pension Funds	188 804	122 472
	1 257 894	872 904
Appointed 01 November 2018 and the employment is still subsisting.		
Remuneration of Director Technical Services		
Acting Allowance	109 572	118 297
Appointed from 01 September 2015 until 31 May 2018. Currently position is on acting basis..		
Remuneration of Director Corporate Services		
Annual Remuneration	64 037	734 179
Acting allowance	94 961	-
Car Allowance	25 093	303 865
Contributions to UIF, Medical and Pension Funds	14 471	171 218
Other	1 224	14 370
	199 786	1 223 632

The Director Corporate services' contract ended on 31 July 2019. Currently position on acting basis.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

	2020	2019
--	------	------

25. Employee related costs (continued)

Remuneration of Director Planning and Development

Annual Remuneration	-	244 726
Acting Allowance	115 635	80 718
Car Allowance	-	125 697
Contributions to UIF, Medical and Pension Funds	-	37 454
	115 635	488 595

Appointed from 01 October 2014 until 31 October 2018. Currently position on acting basis.

Remuneration of Director Community Services

Annual Remuneration	-	672 998
Acting Allowance	114 717	70 326
Car Allowance	-	299 419
Contributions to UIF, Medical and Pension Funds	-	136 100
Other	-	13 146
	114 717	1 191 989

Appointed from 01 June 2014 until 31 May 2019. Currently position is on acting basis.

26. Remuneration of councillors

Mayor	913 771	868 133
Speaker	720 508	708 111
Councillors	24 801 965	24 739 920
	26 436 244	26 316 164

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

26. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Speaker have use of Council owned vehicles for official duties. The Mayor and Speaker have full-time secretary and manager.

The allowances and benefits of councillors of the Municipality, whether financial or in-kind, are within the upper limits of the framework envisaged in section 219 of the Constitution. Refer to Government Gazette nr 41335.

30 June 2020

Councillors	Emoluments	Travel	Cellphone - Allowance	Other Benefits	Total
Mr NS MUNYAI [Mayor]	670 389	223 462	19 920	-	913 771
Mrs LB MOGALE [Speaker]	536 308	178 770	5 430	-	720 508
Ms MD Mboyi [Chief Whip]	502 790	167 596	4 361	29 092	703 839
Mrs SM SINYOSI	212 152	70 717	10 398	2 213	295 480
Ms D RATSHIKUNI	502 790	167 596	21 459	17 429	709 274
Ms MS MACHETHE	272 262	90 754	13 253	-	376 269
Ms TP MAMOROBELA	502 790	167 596	11 469	19 389	701 244
Mr MR MAGADA	272 262	90 754	14 219	-	377 235
Mrs TM MALANGE	488 040	162 680	14 634	47 523	712 877
Mr ME MALIMA	212 152	70 717	11 313	-	294 182
Mr FN MADZHIGA	272 262	90 754	10 263	2 983	376 262
Ms MS TSHILAMBYANA	212 152	70 717	6 775	-	289 644
Mr NF CHILILO	280 491	93 496	11 310	14 540	399 837
Mr ND DAVHANA	502 790	167 596	10 203	7 007	687 596
Mr TC MAMAFHA	272 262	90 754	5 069	-	368 085
Mrs R RALIPHADA	212 152	70 717	12 930	5 817	301 616
Mr N KUTAMA	272 262	90 754	22 125	-	385 141
Mrs MJ GABARA	212 152	70 717	25 588	-	308 457
Mrs MF MUKHARI	212 152	70 717	6 044	-	288 913
Mr TJ MAMAFHA	502 790	167 596	9 200	21 901	701 487
Mr SZ MTHOMBENI	272 262	90 754	10 570	5 291	378 877
Mrs VS LUDUVHUNGU	212 152	70 717	10 868	-	293 737
Mr S MASUKA	280 491	93 496	13 596	913	388 496
Ms NB JONES	280 491	93 496	5 569	492	380 048
Mr MJ MPASHE	212 152	70 717	12 964	5 373	301 206
Mr NS NEMUDZIVHADI	212 152	70 717	8 778	-	291 647
Ms MG FURUMELE	212 152	70 717	14 414	-	297 283
Mrs MN NDOU	212 152	70 717	5 093	-	287 962
Ms S MADULA	212 152	70 717	11 524	-	294 393
Mr MA SELAPYANA	212 152	70 717	11 856	7 136	301 861
Mr J LUKHELI	212 152	70 717	16 866	-	299 735
Mrs TE DZIVHANI	212 152	70 717	6 494	-	289 363
Mr SI BULALA	212 152	70 717	6 460	-	289 329
Ms TE TAMBANI	212 152	70 717	8 419	-	291 288
Mr MA MASHAMBA	212 152	70 717	15 486	6 827	305 182
Mr A MATUMBA	280 491	93 496	11 753	888	386 628
Ms MF NETHULWE	212 152	70 717	23 576	-	306 445
Mr G TSHIBVUMO	212 152	70 717	5 430	-	288 299
Ms GT MUKWEVHO	280 491	93 496	3 247	4 920	382 154
Ms TD MUKWEVHO	212 152	70 717	9 596	-	292 465
Mrs LR TSHIAMBWA	212 152	70 717	16 127	-	298 996
Ms NJ SIMANGWE	212 152	70 717	12 162	-	295 031

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand			2020	2019	
26. Remuneration of councillors (continued)					
Mrs TJ MOHLABA	212 152	70 717	11 376	-	294 245
Mr MD NDOU	212 152	70 717	10 122	5 620	298 611
Mr KM MALULEKE	212 152	70 717	12 363	-	295 232
Mr T KUTAMA	212 152	70 717	12 444	594	295 907
Mr T BALIBALI	212 152	70 717	10 737	-	293 606
Mrs MC NEMATANDANI	212 152	70 717	14 226	-	297 095
Mr ME MULEFU	212 152	70 717	14 150	-	297 019
Mr NV MALIVHA	212 152	70 717	11 286	2 306	296 461
Mr SS TSHIFURA	212 152	70 717	12 572	-	295 441
Mrs MR MOKGOADI	212 152	70 717	4 672	1 894	289 435
Mrs TM BABADU	212 152	70 717	9 754	2 049	294 672
Mr ET SITHI	212 152	70 717	10 482	-	293 351
Ms MG PHOSHOKO	212 152	70 717	13 260	-	296 129
Mr KS RAMAVHOYA	212 152	70 717	14 434	-	297 303
Mr K MAPHUBU	212 152	70 717	10 741	-	293 610
Mr LG MASUTHA	212 152	70 717	5 968	-	288 837
Mrs LG MADUWA	212 152	70 717	4 516	-	287 385
Mr E MADUWA	212 152	70 717	6 402	-	289 271
Mr SS NYELISANI	212 152	70 717	12 433	-	295 302
Mr PN MUSANDIWA	212 152	70 717	10 643	3 383	296 895
Mr N MUNYAI	272 262	90 754	7 754	-	370 770
Ms GM RAMUSHAVHA	212 152	70 717	10 875	-	293 744
Ms TA MARAGA	212 152	70 717	13 213	-	296 082
Ms ML MASENGANA	212 152	70 717	3 680	-	286 549
Mr P NETSIANDA	12 000	-	-	-	12 000
Mr SR BALOYI	212 152	70 717	9 192	-	292 061
Mr T SESHOKI	212 152	70 717	17 170	-	300 039
Mr BK JONES	212 152	70 717	11 599	-	294 468
Mr J KHODOGA	212 152	70 717	10 078	2 938	295 885
Mr FB Hlongwani	212 152	70 717	10 078	2 938	295 885
Mrs RT MAINGO	212 152	70 717	5 543	-	288 412
Mr A DU PLOOY	212 152	70 717	7 504	-	290 373
Mr VC RAMABULANA	12 000	-	-	-	12 000
Mrs LM MATHALISE	272 262	90 754	7 011	-	370 027
	19 057 294	6 344 405	813 089	221 456	26 436 244

27. Depreciation and amortisation

Property, plant and equipment	119 826 715	115 473 170
Investment properties	381 778	385 021
Intangible assets	744 929	547 686
Total depreciation and amortisation	120 953 422	116 405 877

28. Finance costs

Interest cost: Actuarial valuation	9 750 374	10 147 511
Interest cost: Trade and other payables	38 164	67 368
Interest cost: Finance leases	47 719	179 962
Interest cost: Landfill site	322 686	296 887
	10 158 943	10 691 728

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
29. Debt impairment		
Consumer debtors	40 405 588	41 505 909
Traffic Fines	20 758 053	2 342 900
Vhembe debtor	-	3 019 296
	61 163 641	46 868 105
30. Bulk purchases		
Electricity - Eskom	268 243 892	235 312 620
<p>Included in the electricity bulk purchases is 10% R26 933 169 (2019: 15% R39 970 411) which relate to distribution losses. Makhado Municipality gets billed by Eskom on a monthly basis for electricity used/or given to the municipality based on readings.</p>		
31. General expenses		
Cost of sales: Land	1 500 000	851 000
Advertising & publications	8 853 571	6 565 885
Bank charges	1 411 486	927 697
Consumables	29 660 378	29 820 861
Insurance	1 500 523	2 322 923
Bursaries	2 361	482 317
IT expenses	314 185	301 729
Levies	1 902 697	2 940 374
Debt collectors commission	2 874 626	1 903 042
Ward committees allowances	4 496 748	4 442 294
Postage and courier	38 569	54 104
Royalties and license fees	414 235	411 878
Workmens compensation	1 984 722	1 984 722
Subscriptions and membership fees	2 798 580	2 948 491
Telephone and fax	4 554 927	4 688 735
Travel - local	3 195 733	4 476 775
Uniform expenses	1 853 198	1 722 646
Indigent policy	2 474 595	1 809 488
Special programmes	351 234	792 580
Other expenses	26 775 119	474 634
	96 957 487	69 922 175
32. Investment revenue		
Interest revenue		
Interest received from investments	35 341	30 533
Interest received from primary account	6 945 303	6 030 439
	6 980 644	6 060 972
33. Interest earned- outstanding receivables		
Interest receivable: Exchange transactions	8 901 060	9 619 527
Interest receivable: Non-exchange transactions	12 799 669	10 157 632
	21 700 729	19 777 159

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
34. Cash generated from operations		
Surplus (deficit)	27 773 131	(5 740 907)
Adjustments for:		
Depreciation and amortisation	120 953 422	116 405 877
Impairment of non-cash generating assets	2 083 146	15 061 438
Gains/(losses) on property, plant & equipment	2 918 070	14 859 251
Gains/(losses): Actuarial valuation	(18 521 399)	(13 821 107)
Expected employee benefit vesting	(3 831 174)	(3 693 980)
Interest on arrea accounts	(21 700 729)	(19 777 159)
Finance costs - Finance leases	47 719	179 962
Current Service Costs: Actuarial valuation	5 355 207	5 944 833
Interest Cost: Actuarial valuation	9 750 374	10 147 511
Interest Cost: Provision for rehabilitation	322 686	296 887
Reversal of impairment of receivables	(30 091 632)	-
Impairment of receivables	61 163 641	46 868 105
Increase/(decrease) in provision for employee costs	5 292 337	3 338 629
Increase/(decrease) in provision for landfill site	26 904 724	474 634
Other non-cash items	56 868 355	36 465 932
Changes in working capital:		
Inventories	(5 369 232)	(834 112)
Sundry Debtors	(13 462 849)	585 577
Receivables from non-exchange transactions	(3 615 820)	(5 804 650)
Consumer Debtors -Exchange transactions	(7 887 447)	241 442
Consumer Debtors -Non- Exchange transactions	(4 809 694)	(1 943 752)
Payables from exchange transactions	2 652 973	41 171 089
VAT	(158 154)	(2 755 558)
Unspent conditional grants and receipts	7 014 306	573 128
Consumer deposits	120 390	598 220
Deferred Income	41 459	76 679
	219 813 810	238 917 969

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
35. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	<u>138 857 342</u>	<u>76 389 612</u>
Total capital commitments		
Already contracted for but not provided for	<u>138 857 342</u>	<u>76 389 612</u>
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational costs	<u>14 854 983</u>	<u>45 904 719</u>
Total operational commitments		
Already contracted for but not provided for	<u>14 854 983</u>	<u>45 904 719</u>
Total commitments		
Total commitments		
Authorised capital expenditure	138 857 342	76 389 612
Authorised operational expenditure	14 854 983	45 904 719
	<u>153 712 325</u>	<u>122 294 331</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 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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. The potential extent of the liability cannot be determined, since it is subject to litigation. The provisional estimate based on management assessment is R 102 million (2019 : R60 million).The merits must still be determined and could result in a lesser or greater amount.		
Contingent Liabilities		
SGL Engineers CC Consulting: Outstanding payment for consultancy rendered during the construction of Mutsha Road [Case Number: 721/12 MAG. LTT]	136 463	136 463
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
Getrusburg CPA: Claim for compensation for extracting water without the consent of the land owner [Case Number: 55339/2011]	28 484 000	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]	2 000 000	1 493 856
Tshiamiso Trading: Claim for unpaid standing time invoices for Tender No:61 of 2016. [Case Number: 2628/18]	5 425 414	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]	60 000	32 490
Tshihatu Tryphinah: Claim for damages[Case Number: 01/2019]	120 000	84 613
Tshikhuthula Radebe Peter: Deed of Sale of ERF 1420, Dzanani Township	-	-
Valdezia Xitasini Investigation	-	-
Automotive Exports (Pty) LTD t/a BP Auto Bridge	-	-
Contour Technology (PTY) LTD	-	-
Mphephu Royal Council: Land dispute[Case Number: 635/2016]	600 000	800 000
Nengwekhulu Tshiwandalani Inc: Payment of outstanding amount. [Case Number: 1368/2018]	600 000	368 000
Tshifhiwa Jonathan Tambani: Plaintiff's child drowned in sewage drain[Case Number: 1305/2019]	1 950 000	-
Khulani Timber Industries: Plaintiff claiming settlement of amounts for service rendered. [Case Number: 970/2019]	400 000	-
MA Africa Party: Applicant filed an urgent application for council to be dissolved since it can not perform its service delivery functions. [Case Number: 742/2020]	1 200 000	-
Zoutnet CC And Anton Jacobus Van Zyl: Applicants seeking and order to compel the municipality to disclose information regarding the award of tender [Case Number: 152/2020]	600 000	-
Makhado Nancy and Estate Late Moses Makhado: Applicants seeking an order to reprimand the municipality with further construction at Tshakhuma market due to the alleged damage casued on the Applicant's billboard. [Case Number:542/2020]	1 000 000	-
Agnes Munzhedzi Shandukani & others: Plaintiff is suing for losses suffered as a result of drowning of three minor children. [Case Number:559/2020]	40 000 000	-
Pandelani Isaac Mutshinyali: Plaintiff is claiming for money which he believes was due and payable to him as per settlement agreement. [Case Number:466/2020]	300 000	-
	102 298 435	60 437 787

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

36. Contingencies (continued)

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:

Unlawful occupiers of portion 04 Makhado Farm	1 200 000	-
Land invasion at Vleifontein township	2 500 000	-
VBS Mutual Bank [Recovery of investment in VBS Bank]	62 734 416	-
	66 434 416	-

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	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	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)
		-	-	-	-

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

2019

	Note	As previously reported	Correction of error	Reclassification	Restated
Current Assets					
Inventories	2	119 300 491	732 000	-	120 032 491
Sundry debtors	3	122 189	1	-	122 190
Receivables from non-exchange transactions	4	17 445 033	-	-	17 445 033
Consumer debtors- Exchange transactions	5	41 636 170	-	-	41 636 170
Consumer debtors- Non- Exchange transactions	5	21 326 491	(521 166)	-	20 805 325
Cash and cash equivalents	6	91 835 178	-	-	91 835 178
Non-current Assets					
Investment property	7	16 347 062	-	-	16 347 062
Property, plant & equipment	8	1 579 721 774	144 777	-	1 579 866 551
Intangible assets	9	1 776 588	-	-	1 776 588
Heritage assets	10	2 160 329	-	-	2 160 329
Current Liabilities					
Finance lease obligation	12	(513 414)	-	-	(513 414)
Payables from exchange transactions	13	(173 919 866)	-	-	(173 919 866)
VAT payable	14	(29 237 771)	-	-	(29 237 771)
Consumer deposits	16	(16 529 177)	-	-	(16 529 177)
Employee benefit obligation	18	(4 203 547)	-	-	(4 203 547)
Unspent conditional grants	15	(3 473 128)	-	-	(3 473 128)
Deferred income	17	(105 741)	-	-	(105 741)
Provisions	19	(9 619 750)	-	9 619 750	-
Non-current liabilities					
Finance lease obligation	12	(183 118)	-	-	(183 118)
Employee benefit obligation	18	(102 559 445)	-	-	(102 559 445)
Provisions	19	(3 713 303)	-	(9 619 750)	(13 333 053)
Accumulated surplus		(1 547 613 045)	(355 612)	-	(1 547 968 657)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Statement of financial performance

2019

	Note	As previously reported	Correction of error	Restated
Revenue				
Service charges	20	345 005 666	-	345 005 666
Rental of facilities & equipment	24	834 870	-	834 870
Interest received- outstanding debtors	33	19 777 159	-	19 777 159
Licences & permits	24	7 423 893	-	7 423 893
Operational revenue	21	26 018 734	-	26 018 734
Interest received- financial institutions	32	6 060 972	-	6 060 972
Property rates	22	73 345 242	(521 166)	72 824 076
Government grants & subsidies	23	426 916 377	-	426 916 377
Fines, penalties & forfeits	24	7 742 040	-	7 742 040
Expenditure				
Employee related costs	25	(255 156 547)	-	(255 156 547)
Remuneration of councillors	26	(26 316 164)	-	(26 316 164)
Depreciation & amortisation	27	(116 404 835)	(1 042)	(116 405 877)
Impairment of non-cash generating assets	48	(15 195 412)	133 974	(15 061 438)
Finance costs	28	(10 691 728)	-	(10 691 728)
Provision for bad debts	29	(46 868 105)	-	(46 868 105)
Bulk purchases	30	(235 312 620)	-	(235 312 620)
Contracted services	49	(138 186 937)	-	(138 186 937)
General expenses	31	(69 922 175)	-	(69 922 175)
Loss on transfer of functions		(4 423 103)	-	(4 423 103)
Surplus/(Loss) for the year		(5 352 673)	(388 234)	(5 740 907)

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Errors

The following prior period errors adjustments occurred:

Error 1

Property rates:

In the previous financial year, there were certain properties that were incorrectly billed in the financial system. The error was identified during the previous audit process and subsequently corrected during the current financial year.

Financial Statement Area

Decrease: Property rates[SCI]	521 166
Decrease: Consumer Debtors Non-Exchange transactions[SFP]	(521 166)
	<u>-</u>

Error 2

Impairment of Property, plant & equipment.

In the previous financial year, impairment of long-term assets was overstated due to some items of PPE erroneously impaired to a significantly lower value. The error was subsequently discovered and corrected in the current reporting period.

Financial Statement Area

Decrease: Accumulated impairment: Computer Equipment [SFP]	52 556
Decrease: Accumulated impairment: Furniture & Office Equipment [SFP]	28 617
Decrease: Accumulated impairment: Machinery & Equipment [SFP]	52 799
Decrease: Impairment: Computer Equipment [SCI]	(52 556)
Decrease: Impairment: Furniture & Office Equipment [SCI]	(28 617)
Decrease: Impairment: Machinery & Equipment [SCI]	(52 799)
	<u>-</u>

Error 3

Property, plant & equipment

In the previous financial year, useful lives of certain items of Property, plant & equipment were not reviewed in terms of GRAP17:56 at each reporting date. This resulted in the items of property, plant & equipment having zero carrying values despite the fact that the municipality is still realising economic benefits from the use of those assets. The error was subsequently identified through the asset management process and corrected.

Financial Statement Area

Decrease: Accumulated Depreciation: Community assets [SFP]	11 616
Decrease: Accumulated Depreciation: Buildings [SFP]	229
Increase: Opening Accumulated surplus [SCE]	(11 845)
Increase: Depreciation: Community assets [SCI]	1 023
Increase: Depreciation: Buildings [SCI]	18
Increase: Accumulated Depreciation: Community assets [SFP]	(1 023)
Increase: Accumulated Depreciation: Buildings [SFP]	(18)
	<u>-</u>

Error 4

Land inventory

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

In the previous financial years, management erroneously omitted certain piece of land in the land inventory register, with the effect of understating the inventory value in the annual financial statements of prior periods. Furthermore, certain properties that no longer belong to the municipality were included in the land inventory register. Both errors were subsequently corrected in the current reporting period.

Financial Statement Area

Increase: Land Inventory [SFP]	1 500 000
Increase: Accumulated surplus [SCE]	(1 500 000)
Decrease: Accumulated surplus [SCE]	768 000
Decrease: Land Inventory [SFP]	(768 000)
	<hr/>
	-
	<hr/>

Error 5

Sundry debtors

During the financial year ended 30 June 2019, sundry debtors was understated by R23 431.36. The error was subsequently identified and corrected in the current financial year. The effect of the correction is as follows:

Financial Statement Area

Increase: Sundry debtors [SFP]	23 431
Increase: Accumulated surplus [SCE]	(23 431)
Decrease: Accumulated surplus [SCE]	23 431
Increase: Allowance for credit losses [SFP]	(23 431)
	<hr/>
	-
	<hr/>

Reclassifications

The following reclassifications were made in terms of GRAP in the previous financial year:

Financial Statement Area

Decrease: Provision for rehabilitation costs -Current Liabilities	9 619 750
Increase: Provision for rehabilitation costs -Non-Current Liabilities	(9 619 750)
Interest earned - Exchange transactions [SCI]	10 157 632
Interest earned - Non-exchange transactions [SCI]	(10 157 632)
	<hr/>
	-
	<hr/>

Disclosures

The following Annual Financial Statements disclosures were incorrectly disclosed in the previous financial year and subsequently corrected in the current financial period:

- **Commitments:** The sale of land by the Municipality to Banyana Enterprises and Trendy Tiles to the value of R3 050 000 was erroneously included as part of commitments. The error was subsequently identified in the current financial year and corrected.
- **Contingent Liabilities:** Litigation against the Municipality by Nengwekhulu Tshiwandalani Inc under Case Number: 1368/2018 for an amount of R368 000 was erroneously excluded in the Contingent register in the previous financial year. Litigation against the Municipality by SGL Engineers CC Consulting under Case Number: 721/12 MAG. LTT, was incorrectly disclosed as R66 463 instead of R136 463 in the previous financial year. These errors were subsequently corrected in the current financial year.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

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.

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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
At 30 June 2020			
Finance lease liability	(183 118)	-	-
Payables from exchange transactions	(181 948 221)	-	-
Consumer deposits	(16 566 522)	-	-
Employee benefit obligation	(4 922 000)	-	(94 594 000)
Deferred Income	(147 200)	-	-
At 30 June 2019			
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)	-	-

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

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	2020	2019
Sundry Debtors	21 551 671	122 190
Receivables from non-exchange transactions	302 800	17 444 333
Consumer debtors -exchange transactions	49 523 617	41 636 170
Consumer debtors -Non-exchange transactions	25 615 019	20 805 325
Cash and cash equivalents	143 651 586	91 835 178

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	4 989
Add: Fruitless and wasteful expenditure - current year	232 213	67 368
Less: Amounts written off by council	(38 164)	(67 368)
	<u>199 038</u>	<u>4 989</u>

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

40. Additional disclosure in terms of Municipal Finance Management Act

Subscription fees

Subscriptions and membership fees	2 798 580	2 948 491
Amount paid - current year	(2 798 580)	(2 948 491)
	<u>-</u>	<u>-</u>

Distribution Losses

Kilowats Hours

Units Purchased	234 043 193	236 709 846
Units Sold	(210 543 963)	(201 742 559)
	<u>23 499 230</u>	<u>34 967 287</u>

Rand Values

Electricity	<u>26 933 169</u>	<u>39 970 411</u>
-------------	-------------------	-------------------

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 23 499 230 (2019: 34 967 287) kilowatts per hour were lost. This represented 10% (2019: 14.49%) of the electricity purchases for the year, which has been included in bulk purchases. An average price per kilowatt hour of R1.15 (2019: R1,143) was used.

Audit fees

Current year subscription / fee	5 319 540	5 882 305
Amount paid - current year	(5 319 540)	(5 882 305)
	<u>-</u>	<u>-</u>

PAYE and UIF

Current year amount - Employer	1 003 225	1 100 374
Current year amount - Employees	42 865 371	39 575 679
Amount paid - current year	(43 868 596)	(40 676 053)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year amount - Employer	48 975 876	45 577 257
Current year amount - Employees	21 322 457	23 916 481
Amount paid - current year	(70 298 333)	(69 493 738)
	<u>-</u>	<u>-</u>

VAT

VAT payable	<u>29 079 617</u>	<u>29 237 771</u>
-------------	-------------------	-------------------

VAT output payables and VAT input receivables are shown in note 14. All VAT returns have been submitted by the due date throughout the year.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

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 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Babadu T.M	350	5 673	6 023
Babadu T.M	1 163	772	1 935
Jones NB	81	1 596	1 677
Matumba A	270	2 950	3 220
Matumba A	416	7 924	8 340
Matumba A	801	10 704	11 505
Simangwe NJ	1 183	773	1 956
	4 264	30 392	34 656

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

During the year the following councillors had arrear accounts outstanding for more than 90 days.

30 June 2020	Highest outstanding amount	Aging (in days)
Babadu T.M	5 673	90
Babadu T.M	772	90
Jones NB	1 596	90
Matumba A	2 950	90
Matumba A	7 924	90
Matumba A	10 704	90
Simangwe NJ	773	-
	30 392	540

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

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

40. Additional disclosure in terms of Municipal Finance Management Act (continued)

44 256

630

41. Events after the reporting date

The following events occurred between the end of the reporting period 30 June 2020 and the date that the financial statements are authorised for issue:

Level 3 National Lockdown due to COVID-19 Pandemic:

Since 30 June 2020, the spread of COVID-19 and subsequent implementation of the National Lockdown, in terms of section 27(2) of the Disaster Management Act of 2002, has severely impacted the South African economy. Businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses countrywide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Government and central bank have responded with monetary and fiscal interventions to stabilise economic conditions.

The municipality has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 30 June 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains in progress at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the municipality for future periods.

Resignation of the Accounting Officer

Mr N.F Tshivhengwa tendered his resignation as the Municipal Manager of Makhado Local Municipality with effect from 31 October 2020. His resignation was accepted by the Makhado Local Municipal Council in its 156th Special Council Meeting held on the 29th of October 2020.

42. Irregular expenditure

Opening balance	666 299	3 171 685
Add: Irregular expenditure - current year	6 333 963	14 204 502
Less: Written-off by Council	(2 280 456)	(16 709 888)
	<u>4 719 806</u>	<u>666 299</u>

43. Unauthorised expenditure

Opening balance	84 406 344	199 230 626
Add: Unauthorised expenditure - current year	60 502 276	84 406 344
Less: Written-off by Council	(84 406 344)	(199 230 626)
	<u>60 502 276</u>	<u>84 406 344</u>

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

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 council 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 2019/2020 financial year in terms of the Supply Chain Management Regulations amounted to R 4 042 726.

Quarter	Amount
Quarter 1	622 961
Quarter 2	2 033 354
Quarter 3	1 078 889
Quarter 4	307 522
	<hr/>
	4 042 726

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

45. Detailed explanation of variances between actual and budgeted amounts 30 June 2020

The variance between the approved and final budget is due to adjustments approved on the adjustment budget and virements approved by directors.

Financial Statement Area	Approved Budget	Current year actuals	Variance	% variance	Explanations of material variances above 10%
Property rates	79 417 126	81 250 406	1 833 280	2 %	
Service charges	353 979 197	362 565 484	8 586 287	2 %	
Government grants and subsidies	470 816 814	465 759 695	(5 057 119)	(1)%	
Rental of facilities and equipments	1 002 502	381 680	(620 822)	-62 %	Collections from rental of facilities was less than budgeted by 62%. This was mainly due to less Hall bookings due to National Lockdown which limited the gathering of many people due to Corona Virus.
Interest received-outstanding receivables	20 831 543	21 700 729	869 186	4 %	
Licences and permits	3 824 015	4 055 180	231 165	6 %	
Other Income	31 714 310	60 674 126	28 959 816	91 %	
Interest earned-external investment	6 474 527	6 980 644	506 117	8 %	
Fines, Penalties and Forfeits	5 128 029	4 507 613	(62 041)	-12 %	Revenue from traffic fines was less than budgeted by 12%. This was mainly due to less traffic offenders, most of the road users were staying indoors due to National Lockdown regulations.
Total revenue	<u>973 188 063</u>	<u>1 007 875 557</u>	<u>35 245 869</u>		
Employee related costs	269 015 000	268 232 231	(782 769)	(1)%	
Remuneration of councillors	27 554 000	26 436 244	(1 117 756)	(4)%	
Depreciation & impairment	75 746 000	123 036 568	47 290 568	62 %	Physical damaged of electricity and roads infrastructure resulted in more depreciation charge than budgeted.
Finance costs	9 978 000	10 158 943	180 943	2 %	
Debt impairment	30 335 000	61 163 641	30 828 641	100 %	The amount was more than budgeted due to customers unable to settle their accounts on time resulting in higher assessment of the likelihood of customers not settling their accounts.
Bulk purchases	269 244 000	268 243 892	(1 000 108)	(1)%	

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

45. Detailed explanation of variances between actual and budgeted amounts 30 June 2020 (continued)

Contracted	124 994 000	122 955 350	(2 038 650)	(2)%
Services				
General	102 615 000	99 875 557	(2 739 443)	(3)%
expenses				
Total	909 480 000	980 102 426	70 621 426	- %
expenditure				

46. Related parties

Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee members, Municipal Manager and Directors reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Relationships

Municipal Manager	N.F Tshivhengwa
Chief Financial Officer	K.M Nemaname
Director Community services	Vacant
Director Corporate Services	Vacant
Director Technical Services	Vacant
Director Planning & Development	Vacant
Councillors	

No member of the Municipality's management has significant influence over the financial or operating policies of the Municipality. No business transactions took place between the Municipality and key management personnel.

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational decisions. Councillors are remunerated according to the Remuneration of Public Office Bearers Act 20 of 1998 and only have collective executive powers for planning, directing and controlling the activities of the Municipality.

Related party transactions

Section 57 Managers and Councillors:

Refer to note 25 for detail of remuneration paid to Section 57 Managers and to note 26 for remuneration paid to Councillors.

Loans granted to related parties:

In terms of the MFMA the Municipality may not grant loans to its councillors, management, staff and public with effect from 01 March 2004.

47. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 1 586 607 464 and that the municipality's total liabilities exceed its assets by R 1 586 607 464.

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.

Due to the provision on financial and other recourses on a special adjustment budget as well as in future budgets to contain the COVID-19 pandemic effectively our, Municipality had no significant financial loss at 30 June 2020..

Continued assessments will be performed to ensure that the COVID-19 pandemic demands are met without interruptions in service delivery.

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.

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

48. Impairment of non cash generating assets

Property, plant and equipment	2 083 146	14 996 798
Investment property	-	64 640
	2 083 146	15 061 438

In terms of GRAP21, "Impairment of non-cash generated assets", Municipalities are required to assess the impairment of its assets to comply with GRAP standards and assets management policy. Makhado Local Municipality has assessed the impairment of its assets for the financial year ended 30 June 2020.

49. Contracted services

Outsourced Services

Business and Advisory	8 800 911	8 825 274
Cleaning Services	815 000	978 000
Internal Auditors	4 982 563	6 226 605
Meter Management	1 951 843	1 840 980
Medical Services [Medical Health Services & Support	1 480 457	1 128 547
Security Services	15 515 768	16 020 113

Consultants and Professional Services

Business and Advisory	25 548 448	27 048 368
Infrastructure and Planning	1 238 873	-
Legal Cost	10 522 127	9 837 303

Contractors

Employee Wellness	4 534 482	4 374 627
Maintenance of Buildings and Facilities	980	385 209
Maintenance of Equipment	2 991 233	4 826 392
Maintenance of Unspecified Assets	44 572 665	56 695 519
	122 955 350	138 186 937

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 2020
Accumulated depreciation
Cost/Revaluation

	Opening Balance		Correction of prior year error		Transfer to PPE		Additions		Transfers to Expenditure		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	213 606 951	-	-	-	-	-	-	-	-	-	-	(3 024 000)	210 582 951	-	-	-	-	-	-	-	-	-	-	-	-	-	210 582 951	-		
Undeveloped land	23 186 881	-	-	-	-	-	-	-	-	-	-	-	23 186 881	-	-	-	-	-	-	-	-	-	-	-	-	-	23 186 881	-		
Dwellings	2 734 002	-	-	-	-	546 343	-	-	-	-	-	-	3 280 345	(289 340)	-	-	-	-	(103 271)	-	-	-	-	-	-	(392 611)	2 887 734	-		
Landfill site	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Non residential structures	34 168 728	-	-	-	-	3 577 155	-	-	-	-	-	-	37 745 883	(15 137 878)	-	-	-	-	(1 279 768)	-	-	-	-	-	-	(16 417 646)	21 328 237	-		
	273 696 562	-	-	-	-	4 123 498	-	-	-	-	-	(3 024 000)	274 796 060	(15 427 218)	-	-	-	-	(1 383 039)	-	-	-	-	-	-	(16 810 257)	257 985 803	-		
Infrastructure																														
Electricity	1 009 321 056	-	-	-	-	18 993 909	-	-	-	-	-	-	1 028 314 965	(551 892 661)	-	-	-	-	(45 881 326)	-	-	-	-	-	-	(597 868 914)	430 456 051	-		
Roads	1 176 004 602	-	-	-	-	9 514 549	-	-	-	-	-	-	1 185 519 151	(462 768 668)	-	-	-	-	(58 255 724)	-	-	-	-	-	-	(84 927)	662 675 042	-		
Solid waste disposal	25 016 312	-	-	-	-	2 894 571	-	-	-	-	-	-	27 910 883	(8 229 388)	-	-	-	-	(1 018 608)	-	-	-	-	-	-	(9 247 996)	18 662 887	-		
Transmission & Refecondation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	2 210 341 970	-	-	-	-	31 403 029	-	-	-	-	-	-	2 241 744 999	1 022 890 717	-	-	-	-	(105 155 658)	-	-	-	-	-	-	(1 904 644)	1 129 951 019	1 111 793 980	-	
Other																														
Machinery and equipment	34 986 120	-	-	-	-	17 597 134	-	-	-	-	-	(6 426 081)	46 157 173	(21 807 822)	-	-	-	-	(4 264 121)	-	-	-	-	-	(55 555)	(20 170 413)	25 986 760	-		
Furniture and office equipment	12 846 600	-	-	-	-	1 128 398	-	-	-	-	-	(973 657)	13 001 341	(8 301 381)	-	-	-	-	(1 717 502)	-	-	-	-	-	(63 060)	(9 228 781)	3 772 557	-		
Computer equipment	6 550 008	-	-	-	-	2 529 364	-	-	-	-	-	(1 044 648)	8 034 724	(4 234 522)	-	-	-	-	(953 281)	-	-	-	-	-	(21 465)	(4 338 819)	3 695 905	-		
Transport assets	38 016 199	-	-	-	-	17 158 625	-	-	-	-	-	(5 259 455)	49 915 369	(20 350 169)	-	-	-	-	(3 389 620)	-	-	-	-	-	(38 420)	(19 191 108)	30 724 261	-		
Library books	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	92 398 927	-	-	-	-	38 413 521	-	-	-	-	-	(13 703 841)	117 108 607	(54 693 894)	-	-	-	-	(10 324 524)	-	-	-	-	-	(178 500)	(52 929 121)	64 179 483	-		

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2020
Cost/Revaluation
Accumulated depreciation

	Opening Balance	Correction of prior year error	Transfer to PPE	Additions	Transfers to Expenditure	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	2 917 999	-	(4 215 284)	5 513 620	(1 071 632)	(966 525)	2 178 178	-	-	-	-	-	-	2 178 178
Infrastructure	28 233 071	-	(31 311 244)	75 913 315	(6 502 319)	-	66 332 823	-	-	-	-	-	-	66 332 823
Community	10 407 804	-	(120 000)	13 638 889	-	-	23 926 493	-	-	-	-	-	-	23 926 493
	41 558 874	-	(35 646 528)	95 065 824	(7 573 951)	(966 525)	92 437 494	-	-	-	-	-	-	92 437 494
Community assets														
Cemeteries	9 111 583	-	-	-	-	-	9 111 583	(3 650 920)	-	(380 789)	-	-	(4 031 709)	5 079 874
Cemeteries perimeter protection	4 197 489	-	-	-	-	-	4 197 489	(615 026)	-	(159 804)	-	-	(774 830)	3 422 659
Community center	47 155 076	-	-	120 000	-	-	47 275 076	(13 711 415)	-	(1 646 891)	-	-	(15 358 306)	31 916 770
Libraries	1 183 251	-	-	-	-	-	1 183 251	(670 343)	-	(39 412)	-	-	(709 755)	473 496
Sport and recreational facilities	15 197 082	-	-	-	-	-	15 197 082	(3 857 679)	-	(541 207)	-	-	(4 398 886)	10 798 196
Library books	2 422 329	-	-	48 146	-	-	2 470 475	(1 879 182)	-	(195 384)	-	-	(2 074 566)	395 909
Office Equipment – Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	79 266 810	-	-	168 146	-	-	79 434 956	(24 384 565)	-	(2 963 487)	-	-	(27 348 052)	52 086 904

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2020
Cost/Revaluation

Accumulated depreciation

	Opening Balance	Correction of prior year error	Transfer to PPE	Additions	Transfers to Expenditure	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	273 896 562	-	-	4 123 498	-	(3 024 000)	274 796 060	(15 427 218)	-	(1 383 039)	-	-	(16 810 257)	257 985 803
Infrastructure	2 210 341 970	-	-	31 403 029	-	-	2 241 744 999	1 022 890 717	-	(105 155 658)	-	(1 904 644)	1 129 951 019	1 111 793 980
Other	92 398 927	-	-	38 413 521	-	(13 703 841)	117 108 607	(54 693 894)	-	(10 324 524)	12 267 797	(178 500)	(52 929 121)	64 179 483
Work In Progress	41 558 674	-	(35 646 528)	95 065 824	(7 573 951)	(966 525)	92 437 494	-	-	-	-	-	-	92 437 494
Community assets	79 266 810	-	-	168 146	-	-	79 434 956	(24 384 565)	-	(2 963 487)	-	-	(27 348 052)	52 086 904
	2 697 262 943	-	(35 646 528)	169 174 018	(7 573 951)	(17 694 366)	2 805 522 116	1 117 396 394	-	(119 826 708)	12 267 797	(2 083 144)	1 227 038 449	1 578 483 664
Investment properties														
Developed land	4 297 250	-	-	-	-	-	4 297 250	-	-	-	-	-	-	4 297 250
Dwellings	6 372 121	-	-	-	-	-	6 372 121	(1 612 915)	-	(177 517)	-	-	(1 790 432)	4 581 689
Non residential structures	8 107 645	-	-	-	-	-	8 107 645	(817 040)	-	(204 260)	-	-	(1 021 300)	7 086 345
	18 777 016	-	-	-	-	-	18 777 016	(2 429 955)	-	(381 777)	-	-	(2 811 732)	15 965 284
Intangible assets														
Intangible Assets	6 011 582	-	-	1 086 000	-	(174 240)	6 923 342	(4 234 994)	-	(744 929)	174 240	-	(4 805 683)	2 117 659
	6 011 582	-	-	1 086 000	-	(174 240)	6 923 342	(4 234 994)	-	(744 929)	174 240	-	(4 805 683)	2 117 659
Heritage assets														
Heritage assets	2 160 328	-	-	-	-	-	2 160 328	-	-	-	-	-	-	2 160 328
	2 160 328	-	-	-	-	-	2 160 328	-	-	-	-	-	-	2 160 328
Total														
Land and buildings	273 896 562	-	-	4 123 498	-	(3 024 000)	274 796 060	(15 427 218)	-	(1 383 039)	-	-	(16 810 257)	257 985 803
Infrastructure	2 210 341 970	-	-	31 403 029	-	-	2 241 744 999	1 022 890 717	-	(105 155 658)	-	(1 904 644)	1 129 951 019	1 111 793 980
Other	92 398 927	-	-	38 413 521	-	(13 703 841)	117 108 607	(54 693 894)	-	(10 324 524)	12 267 797	(178 500)	(52 929 121)	64 179 483
Work In Progress	41 558 674	-	(35 646 528)	95 065 824	(7 573 951)	(966 525)	92 437 494	-	-	-	-	-	-	92 437 494
Community assets	79 266 810	-	-	168 146	-	-	79 434 956	(24 384 565)	-	(2 963 487)	-	-	(27 348 052)	52 086 904
	2 724 211 869	-	(35 646 528)	170 260 018	(7 573 951)	(17 868 606)	2 833 382 802	1 124 061 343	-	(120 953 414)	12 442 037	(2 083 144)	1 234 655 864	1 598 726 935

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2020
Accumulated depreciation

Opening Balance	Correction of prior year error	Transfer to PPE	Additions	Transfers to Expenditure	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

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2019
Accumulated depreciation
Cost/Revaluation

	Opening Balance Rand	Correction of errors Rand	Reclassification on Rand	Additions Rand	Transfer 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	-	-	-	-	(1 260 000)	213 606 951	-	-	-	-	-	-	213 606 951
Undeveloped land	23 186 861	-	-	-	-	-	23 186 861	-	-	-	-	-	-	23 186 861
Dwellings	19 613 873	-	-	130 150	-	(17 010 021)	2 734 002	(4 159 737)	-	(663 854)	4 534 251	-	(289 340)	2 444 662
Landfill site	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential structures	34 202 546	-	-	242 932	-	(276 749)	34 168 729	(12 741 338)	211	(1 191 549)	106 923	(1 312 124)	(15 137 878)	19 030 851
	291 870 251			373 082		(18 546 770)	273 696 563	(16 901 075)	211	(1 855 403)	4 641 174	(1 312 124)	(15 427 218)	258 269 345
Infrastructure														
Electricity	1 001 115 515	-	-	19 295 068	-	(11 089 527)	1 009 321 056	(509 869 268)	-	(45 928 348)	4 510 732	(785 349)	(551 892 661)	457 428 395
Roads	1 125 239 452	-	-	50 866 017	-	(100 867)	1 176 004 602	(393 716 561)	-	(57 379 480)	52 917	(11 732 408)	(462 768 668)	713 235 934
Solid waste disposal	25 016 312	-	-	-	-	-	25 016 312	(7 211 838)	-	(1 017 550)	-	-	(8 229 388)	16 786 924
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 151 371 279			70 161 085		(11 190 394)	2 210 341 970	(910 797 667)		(104 325 378)	4 563 649	(12 517 757)	1 022 890 717	1 187 451 253
Other														
Machinery and equipment	30 551 833	-	-	7 795 588	-	(3 361 301)	34 986 120	(21 812 199)	52 799	(2 444 588)	2 861 624	(465 458)	(21 807 822)	13 178 298
Furniture and office equipment	12 868 975	-	-	373 885	-	(396 260)	12 846 600	(7 421 096)	28 617	(900 721)	290 217	(695 696)	(8 301 381)	4 545 219
Computer equipment	5 748 310	-	-	1 038 552	-	(236 854)	6 550 008	(3 776 996)	52 556	(638 762)	215 616	(86 937)	(4 234 522)	2 315 486
Transport assets	47 928 233	-	-	11 238 725	(756 107)	(20 394 651)	38 016 200	(37 627 842)	-	(2 328 094)	19 628 133	(22 366)	(20 350 169)	17 666 031
Library books	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	97 087 351			20 446 750	(756 107)	(24 389 066)	92 398 928	(70 638 133)	133 972	(6 312 165)	22 995 590	(1 270 457)	(54 693 894)	37 705 034

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2019
Accumulated depreciation
Cost/Revaluation

	Opening Balance Rand	Correction of errors Rand	Reclassification on Rand	Additions Rand	Transfer 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
Work in Progress														
Land & 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
Investment property														
Undeveloped land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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
Community assets														
Cemeteries	9 111 583	-	-	-	-	-	9 111 583	(3 262 400)	7 644	(380 792)	-	(6 975)	(3 650 920)	5 460 663
Cemeteries perimeter protection	4 197 489	-	-	-	-	-	4 197 489	(443 730)	2 558	(160 045)	-	(11 013)	(615 026)	3 582 463
Civic theaters	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dwellings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community center	47 155 076	-	-	-	-	-	47 155 076	(11 743 626)	57	(1 659 109)	-	(308 674)	(13 711 415)	33 443 661
Libraries	1 183 251	-	-	-	-	-	1 183 251	(630 930)	-	(39 412)	-	-	(670 343)	512 908
Sport and recreational facilities	15 197 082	-	-	-	-	-	15 197 082	(3 241 658)	330	(548 197)	-	(67 794)	(3 857 679)	11 339 403
Library books	2 422 039	-	-	289	-	-	2 422 328	(1 687 543)	-	(191 620)	-	(19)	(1 879 182)	543 146
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	79 266 520	-	-	289	-	-	79 266 809	(21 009 887)	10 589	(2 979 175)	-	(394 475)	(24 384 565)	54 882 244

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2019 Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Correction of errors Rand	Reclassification on Rand	Additions Rand	Transfer 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
Total property plant and equipment														
Land and buildings	291 870 251	-	-	373 082	-	(18 546 770)	273 696 563	(16 901 075)	211	(1 855 403)	4 641 174	(1 312 124)	(15 427 217)	258 269 345
Infrastructure	2 151 371 279	-	-	70 161 085	-	(11 190 394)	2 210 341 970	(910 797 667)	-	(104 325 378)	4 563 649	-	(1 010 569 396)	-
Other	-	-	-	20 446 750	-	-	20 446 750	-	133 972	-	22 995 590	(1 270 457)	21 859 105	-
Work in Progress	40 393 552	-	-	71 699 290	(70 534 168)	-	41 558 674	(1 980 294)	-	(385 021)	-	(64 639)	(2 429 954)	16 347 062
Investment property	18 777 016	-	-	-	-	-	18 777 016	(21 009 887)	10 589	(2 979 175)	-	(394 475)	(24 372 948)	54 882 244
Community assets	79 266 520	-	-	289	-	-	79 266 809	(21 009 887)	10 589	(2 979 175)	-	-	(24 372 948)	54 882 244
	2 581 678 618	-	-	162 680 496	(70 534 168)	(29 737 164)	2 644 087 782	(950 688 923)	144 772	(109 544 977)	32 200 413	(3 041 695)	(1 030 930 410)	329 498 651
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Intangible Assets	5 204 402	-	-	807 180	-	-	6 011 582	(3 687 309)	-	(547 685)	-	-	(4 234 994)	1 776 588
	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														
Land and buildings	291 870 251	-	-	373 082	-	(18 546 770)	273 696 563	(16 901 075)	211	(1 855 403)	4 641 174	(1 312 124)	(15 427 218)	258 269 345
Infrastructure	2 151 371 279	-	-	70 161 085	-	(11 190 394)	2 210 341 970	(910 797 667)	-	(104 325 378)	4 563 649	-	(1 022 890 717)	-
Other	97 097 351	-	-	20 446 750	(756 107)	(24 389 066)	92 388 928	-	133 972	-	22 995 590	(1 270 457)	-	-
Work in Progress	40 393 552	-	-	71 699 290	(70 534 168)	-	41 558 674	(1 980 294)	-	(385 021)	-	(64 639)	(2 429 954)	16 347 062
Community assets	79 266 520	-	-	289	-	-	79 266 809	(21 009 887)	10 589	(2 979 175)	-	(394 475)	(24 384 565)	54 882 244
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
	2 686 140 699	-	-	163 487 676	(71 290 275)	(54 126 230)	2 724 211 870	(954 376 232)	144 772	(110 092 682)	32 200 413	(3 041 695)	(1 069 367 448)	333 435 567