



MAKHADO LOCAL MUNICIPALITY

ANNUAL REPORT

2018/2019

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



VISION

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

MISSION

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

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GLOSSARY

- ACDP - African Christian Democratic Party
- ADMD - After Diversity Maximum Demand
- AFS - Annual Financial Statements

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

SDBIP	-	Service Delivery and Budget Implementation Plan
SDP	-	Skills Development Plan
SITA	-	State Information Technology Agency
SLA	-	Service Level Agreement
SMME	-	Small, Medium and Micro Enterprise
VDM	-	Vhembe District Municipality
WSA	-	Water Services Authority
WSP	-	Water Services Provider
WPSP	-	Work Place Skills Plan

Chapter 1

Mayor's Foreword and Executive Summary

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

1.1 MAYOR’S FOREWORD



His Worship Mayor
Cllr Munyai N

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cllr Munyai N
Mayor: Makhado Municipality

COMPONENT B: EXECUTIVE SUMMARY

1.2 MUNICIPAL MANAGER'S FOREWORD



Mr N F Tshivhengwa
Municipal Manager

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

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

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

Table : Powers and Functions

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

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

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

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

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

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

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

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

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

Mr N F Tshivhengwa
Municipal Manager

COMPONENT C: MUNICIPAL OVERVIEW

1.3. MUNICIPAL OVERVIEW

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

Figure 2: Location Of Makhado Municipality



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

Table 2 : Services Backlog

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

Source: Council's approved IDP 2018/2019

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

Table 3 : Free Basic Services

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

Source: Council's approved IDP 2018/2019

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

Chapter 2

Governance

COMPONENT A: GOVERNANCE STRUCTURES

2.POLITICAL GOVERNANCE STRUCTURE

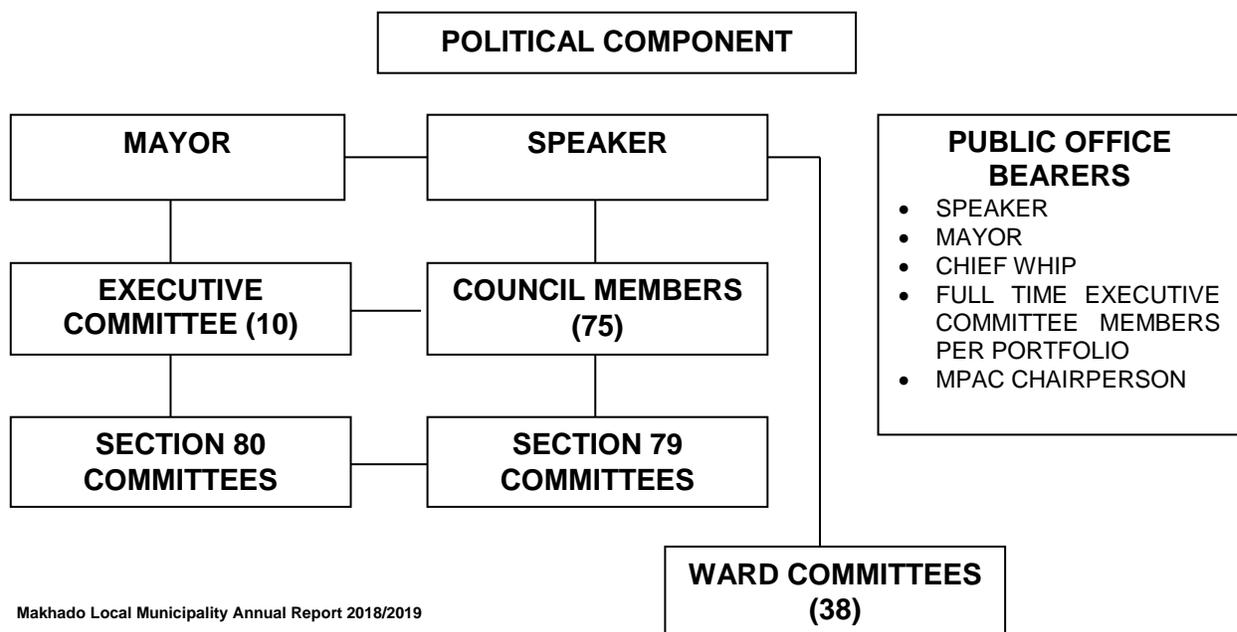
Chapter 7 of the Constitution of the Republic of South Africa, 1996 provides for the establishment of local government as an independent sphere of government. Section 151 of the Constitution states the following:

2.1. STATUS OF MUNICIPALITIES:

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

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

Figure 3 : Political Structures



2.2.GOVERNANCE ACTIVITIES

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

2.3. COUNCIL AND COMMITTEES

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

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

Table 4 : Representation In Council – Political Parties

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

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

2.3.1. COUNCIL

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

Table 5 : Names Of Councilors

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

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

2.3.2.COUNCIL MEETINGS

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

TABLE 6 : COUNCIL MEETINGS HELD

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

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

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

Table 7 : Senior Traditional Leaders In Council:

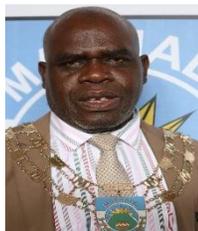
NO.	NAME OF TRADITIONAL LEADER	TRADITIONAL COUNCIL
1.	MUILA T G	MUILA
2.	MUKHARI S T	NKHENSANI
3.	RAMABULANA V C	NTHABALALA
4.	MASHAMBA N T L	MASHAMBA
5.	MUKHARI H S	ELIM-SHIRLEY
6.	KUTAMA P V	KUTAMA
7.	SINTHUMULE R H	SINTHUMULE
8.	MPHEPHU M M	MPHEPHU
9.	MOLEMA F	MULIMA
10.	NETSIANDA P	TSIANDA

2.4 EXECUTIVE COMMITTEE

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

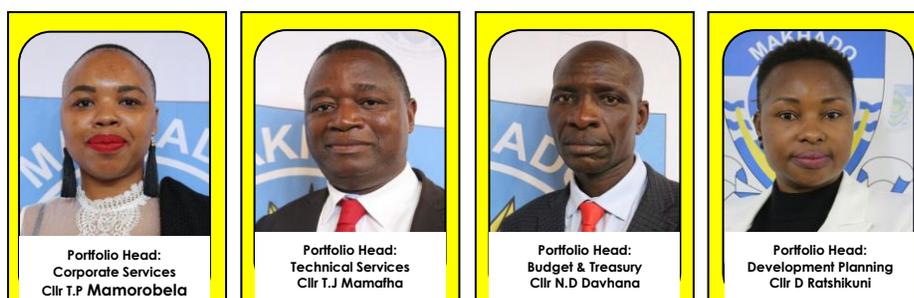
The designation of full-time councilors in terms of the provisions of section 18(4) of the Local Government: Municipal Structures Act, 117 of 1998 read with Part 14 of the General Notice No. 94 of 2016 published in the Provincial Gazette no. 2735 dated 22 July 2016 was resolved by Council on 17 August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

Figure 4 Executive Committee Members:



His Worship Mayor
Cllr N S Munyai

FULL- TIME EXECUTIVE COMMITTEE MEMBERS



PART-TIME EXECUTIVE COMMITTEE MEMBERS



Table 8: Executive Committee

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

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

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

Table 9: Executive Committee Meetings Held

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

2.4.1. SECTION 79 OVERSIGHT COMMITTEES

Table 10: Section 79 Oversight Committee

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

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

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

Table 11: Oversight Committee Meetings Held

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

2.4.2. SECTION 79 STANDING COMMITTEES

Table 12: Section 79 Standing Committees

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

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

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

Table 13: Section 79 Standing Committee Meetings held

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

2.4.3. SECTION 80 COMMITTEES

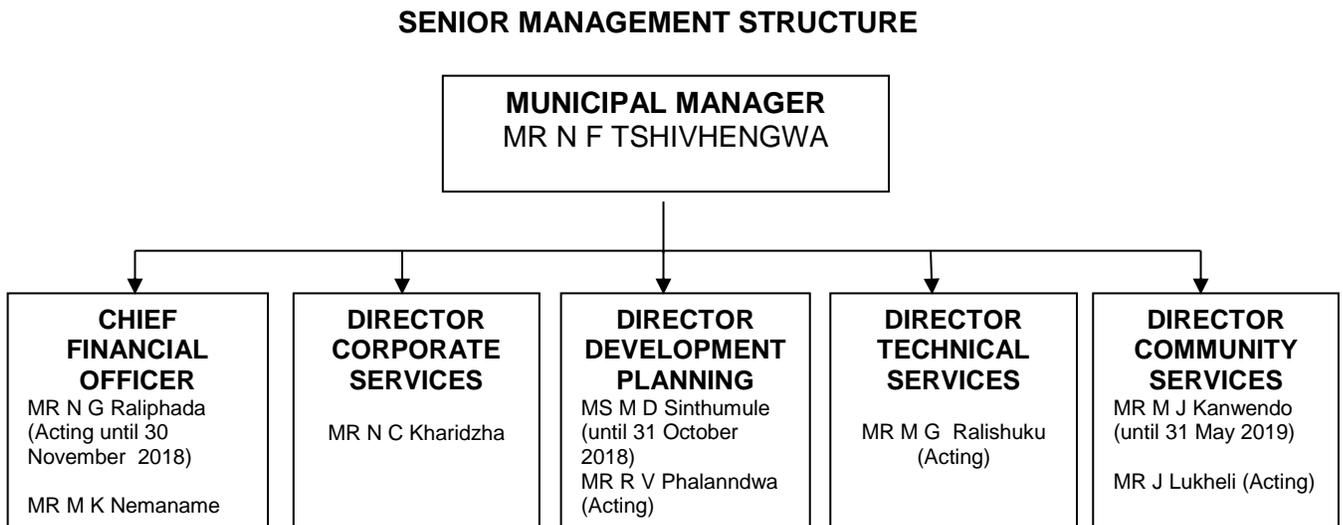
Table 14: Section 80 Committees

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

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

2.5. ADMINISTRATIVE GOVERNANCE STRUCTURE

Figure 5: Senior Management Structure



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

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.6. INTERGOVERNMENTAL RELATIONS:

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

The Municipality participates in the following IGR forums:

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

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

The municipality continued to hold its IDP Steering Committee meetings during the year under review with the IDP Representative Forum forming a base or platform for the public to make their contributions and hold the municipality accountable. An Imbizo is an initiative of the municipality where questions are answered; concerns are heard and 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 2018/19

Table 15. Imbizo's Held

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

2.7. COMMUNICATION, PUBLIC PARTICIPATION AND FORUMS

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

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

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

2.8. MUNICIPAL PUBLIC ACCOUNT COMMITTEE (MPAC)

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

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

COMPONENT D: CORPORATE GOVERNANCE

2.9. GENERAL COMMUNICATION

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

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

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

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

2.10. INTEGRATED DEVELOPMENT PLANNING STEERING COMMITTEE

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

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

2.11. AUDIT AND PERFORMANCE AUDIT COMMITTEE (APAC):

2.11.1. Legal framework governing the Audit Committee

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

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

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

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

2.11.2. GOVERNANCE OF THE COMMITTEE

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

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

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

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

Table 16. Meetings Attended By Audit Committee Members

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

	Attendance
	Non-attendance

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

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

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

2.11.4. INTERNAL AUDIT

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

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

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

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

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

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

2.11.6. MATTERS OF CONCERN

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

2.11.7. PERFORMANCE MANAGEMENT

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

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

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

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

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

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

2.11.9. REVIEW AND EVALUATION OF QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

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

2.11.10. AUDIT OPINION

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

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

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

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

2.12. RISK MANAGEMENT

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

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

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

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

2.12.1. TOP TEN STRATEGIC RISKS ARE AS FOLLOWS:

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

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

2.12.3. FRAUD AND CORRUPTION MANAGEMENT

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

2.13. EFFECTIVENESS OF INTERNAL CONTROL

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

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

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

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

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

2.14. INTERNAL AUDIT DIVISION

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

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

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

2.14.1 INTERNAL AUDIT OUTCOMES FOR 2018/19

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

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

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

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

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

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

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

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

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

2.14.2. ANNUAL ASSESMENT OF INTERNAL CONTROLS

The figure below depicts municipal internal control assessment.

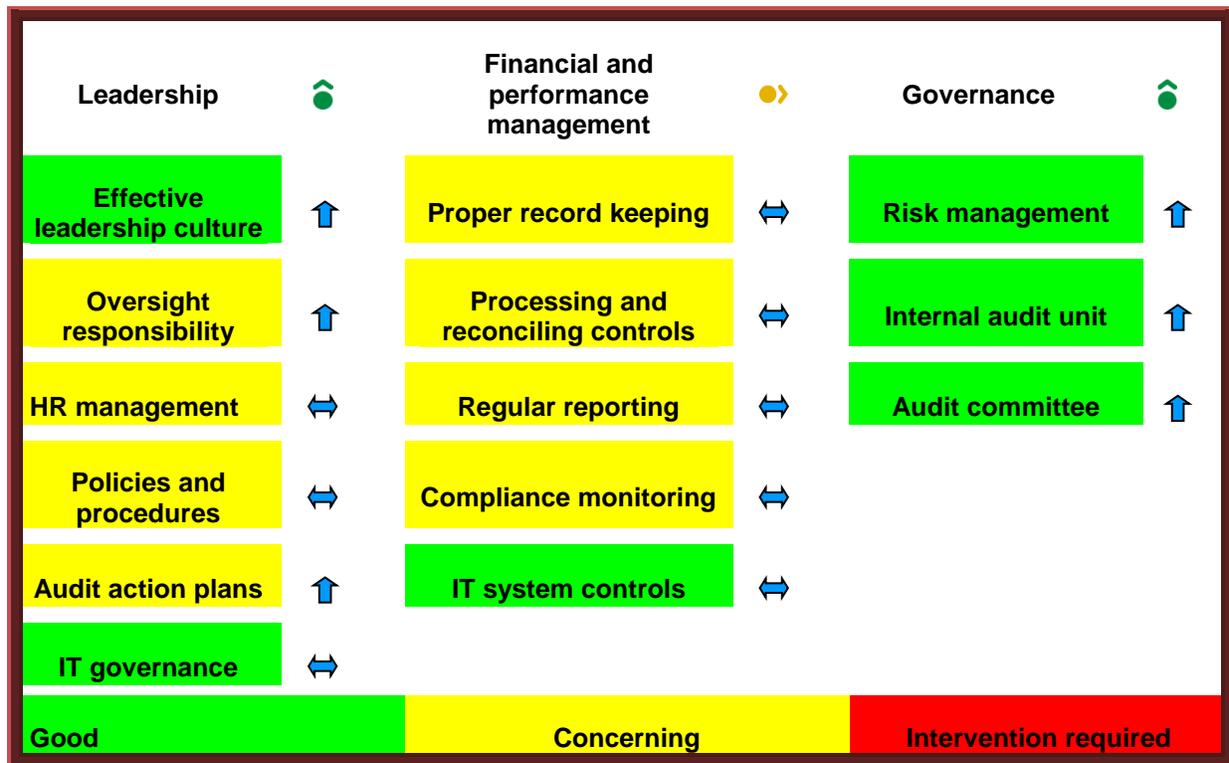


Figure 3.1 Summary of the status on driver of internal controls for Annual AG Dashboard 2018/19

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

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

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

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

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

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

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

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

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

2.14.3. OPCA EXTERNAL AUDIT FOLLOW-UP

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

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

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

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

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

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

2.14.4. OPCA - INTERNAL AUDIT

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

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

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

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

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

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

2.14.5. EVALUATION OF INTERNAL AUDIT

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

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

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

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

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

2.14.6. INTERNAL AUDIT HIGHLIGHTS AND SUCCESSES FOR 2018/19

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

Chapter 3

Service Delivery Performance

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

3.OVERVIEW OF SERVICE DELIVERY

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

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

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

Table: 17 Backlogs

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

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

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

3.1.OVERVIEW OF CAPITAL PROJECTS IMPLEMENTED

3.1.1. ROAD INFRASTRUCTURE

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

3.1.2. ELECTRICITY CONNECTIONS

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

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

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

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

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

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

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

3.1.3. ROADS UPGRADING AND REHABILITATION

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

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

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

Table 18: Roads Completed

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

3.2. BASIC SERVICES

3.2.1 PROVISION OF ELECTRICITY SERVICES

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

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

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

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

Table 19 Electricity Connections

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

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

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

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

3.2.2. FAULTS REPORTED AND ATTENDED

Table 20: Electricity Faults

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

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

Table 21: Call Centre Statistics – Electricity

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

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

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

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

Table 22: Electricity Losses

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

3.2.4. PROVISION OF REFUSE REMOVAL SERVICES (WASTE MANAGEMENT)

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

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

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

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

Table 23: Increase Of Cleaning Programs

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

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

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

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

Table 24: Solid Waste Service Delivery Levels:

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

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

3.2.5. COMMUNITY & SOCIAL SERVICES

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

3.2.6. MUNICIPAL PUBLIC LIBRARIES

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

Table 25: Public Library – Books Issued And Members

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

The municipality satellite libraries have increased from four (04) in the previous financial year, to eight(08) during the year under review. A total number of 2659 books were issued to library users and the number of new members increased by 159, during the year under review.

3.2.7. MUNICIPAL PARKS AND CEMETERIES

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

3.2.8. MUNICIPAL CREMATORIA AND HERITAGE

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

3.2.9. DISASTER MANAGEMENT SERVICES

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

Table 26: Disaster Incidents

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

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

3.2.10. Environmental Health

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

Table 27: Environmental Health Activities

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

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

3.2.11. PROTECTION SERVICES

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

3.2.12. TRANSPORT: VEHICLE LICENSING & TRAFFIC SERVICES

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

TABLE 28: TRAFFIC & LICENSING ACTIVITIES:

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

3.2.13. SPECIAL PROGRAMMES

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

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

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

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

Table 29: Child Care; Aged Care; Social Programmes

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

3.2.14. HOUSING FOR THE POOR

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

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

Table 30 Housing Projects

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

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

3.3. DELIVERY OF FREE BASIC SERVICES

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

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

Services Subsidised:

Electricity

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

Refuse Removal

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

Table 31: Support: Low Income Households

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

3.4. OTHER MUNICIPAL SERVICES

3.4.1. ROADS AND STORM WATER DRAINAGE

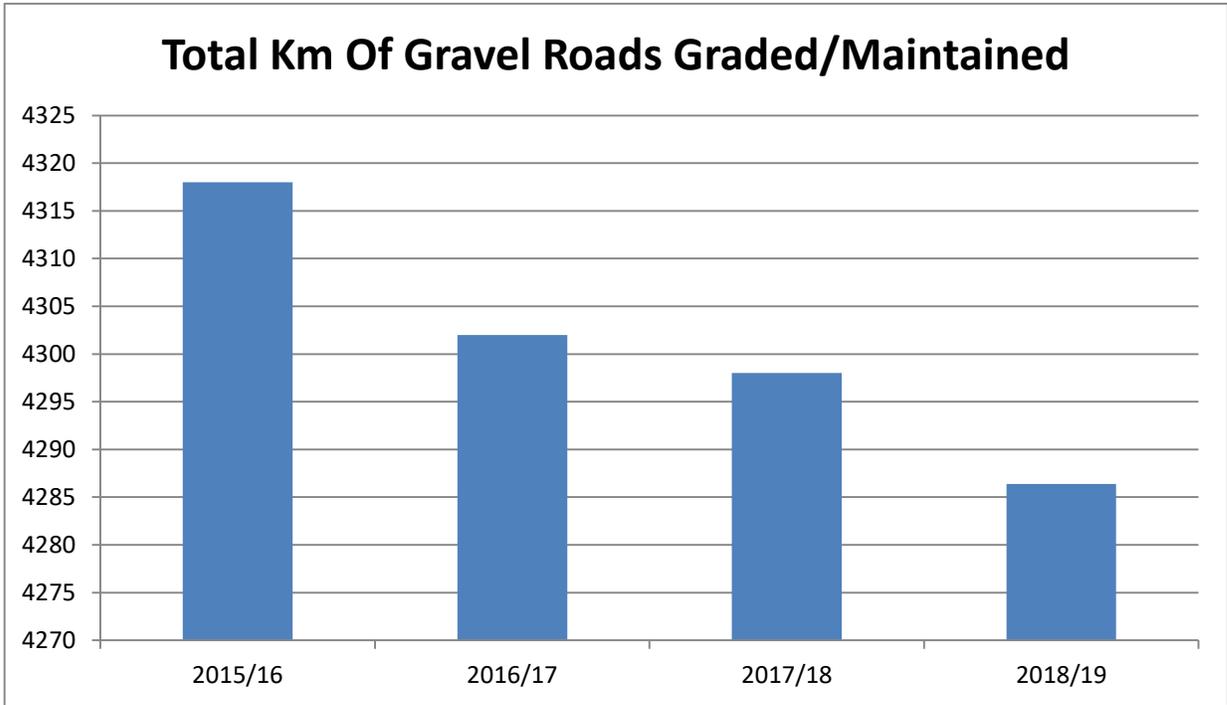
The internal street networks in the rural areas are predominantly gravel and are generally in a bad state. Most of these villages are located in a predominantly clay and mountainous areas which hamper proper access to the communities particularly during the rainy season. There are either inadequate or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

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

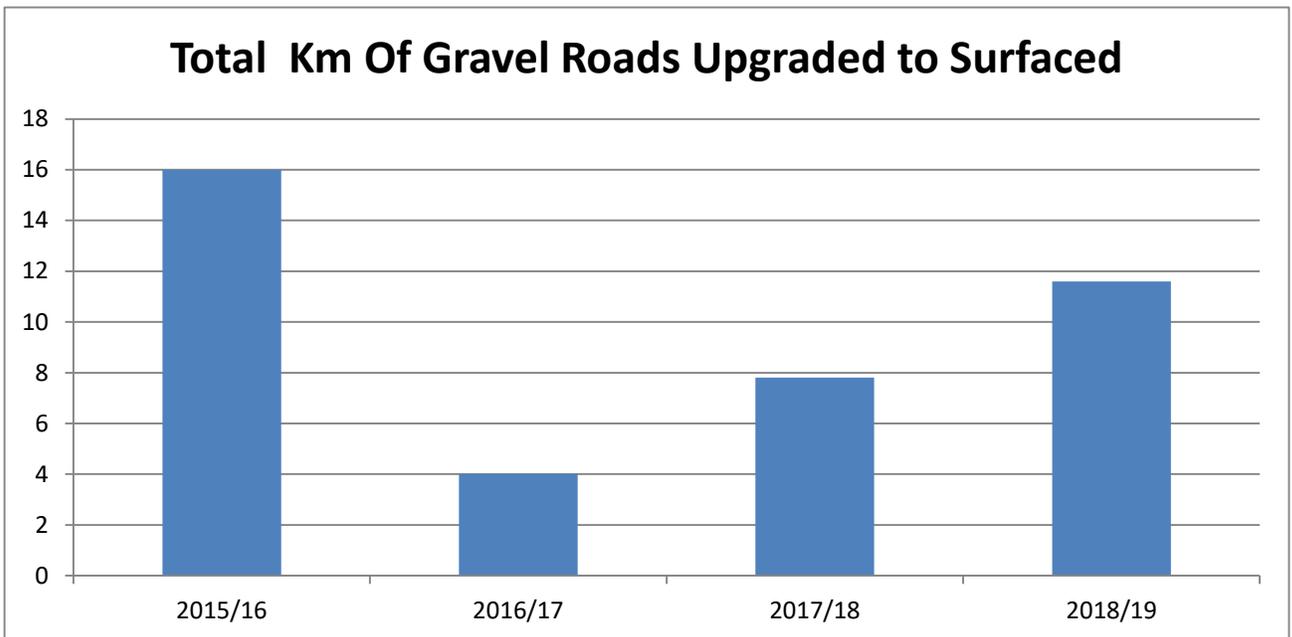
The total road and storm water management system backlog is estimated at approximately four thousand three hundred and four (4,304) km. The largest backlog is in Dzanani, Waterval and Levubu regions in which most of the villages are located in mountainous, rocky and clayish positions which aggravate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

Table 32: Gravel Road Infrastructure

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



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



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

3.4.2 ROAD MAINTENANCE PROGRAMME

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

Table 33: Capital Expenditure 2018/19: Road Services

PROJECT NAME	MIG FUNDING	OWN FUNDING	ACTUAL EXPENDITURE
Sereni Themba to Mashamba post office Access Road	R 0.00	R 2 310 000.00	R 2 310 000.00
Piesanghoek to Khunda Access road Phase 4	R 8 878 116.59	R 0.00	R 8 878 116.59
Landfill site makhado + recycling centre	R 1 565 622.37	R 0.00	R 1 565 622.37
Tshikwarani to Zamkomste Road Phase 2 & 3	R 20 454 143.58	R 0.00	R 20 454 143.58
Waterval Sports Facility Phase 2	R 8 707 729.59	R 0.00	R 8 707 729.59
Tshedza to Vuvha Access road Phase 2	R 6 307 527.35	R 0.00	R 6 307 527.35
Mudimeli bridge and Access road Phase 2	R 13 636 382.52	R 0.00	R 13 636 382.52
Gombiti, Tshivhuyuni to Mamphagi Road phase 2	R 11 428 658.87	R 0.00	R 11 428 658.87
Valdezia Xitacini to Jiweni access road phase 2	R 11 991 024,63	R 0.00	R 11 991 024,63
Makhado 8 High Mast Lights in all regions	R 843 640.00	R 0.00	R 843 640.00

PROJECT NAME	MIG FUNDING	OWN FUNDING	ACTUAL EXPENDITURE
Chavani to Bungeni Access road	R 2 568 066,00	R 0.00	R 2 568 066,00
TOTAL	R 87 747 488.32	R 2 310 000.00	R 90 057 488.32

3.5. MUNICIPAL INFRASTRUCTURE GRANT (MIG) EXPENDITURE

Makhado Local Municipality receives MIG funding for development of its infrastructure. In 2018/2019 financial year a total of R87 732 000 million was allocated in this regard. Municipality was able to 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.

3.6. DEPARTMENT OF DEVELOPMENT PLANNING

Development Planning plays a critical role in ensuring that the municipal vision to be realised. The strategic objectives of this unit cannot be isolated from the municipal vision and mission. In order to achieve the Vision there must be planned projects each and every financial year. The spatial plans must be implemented while taking into cognisance provincial and national plans. The Department is consists of Local Economic Development Division, Town Planning, Building, Survey, Properties, Valuation, Environment ,Local Economic Development (LED) and Housing sections. The Department plays a pivotal role in terms of developing plans, policies, by-laws and strategies aimed at attracting developments, investors and job creation, and it is also the main driver to the success of the Municipality vision.

3.6.1. SPECIAL ECONOMIC ZONE

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

3.6.2. AUTHORISED OFFICIAL, MUNICIPAL PLANNING TRIBUNAL AND APPEAL AUTHORITY

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

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

3.6.3. LAND ALIENATION AND REVENUE COLLECTION

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

3.6.4. DEMARCATION OF RESIDENTIAL SITES

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

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

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

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

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

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

3.6.5. LOCAL ECONOMIC DEVELOPMENT

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

The Municipality has during 2018/2019 financial year funded and supported four cooperatives namely Vuyeriwani-Agricultural Cooperative, Vhutuwa –Luvhola Poultry Cooperative, Sala o Nabe Poultry Primary Cooperative and Mukondeni Pottery. The projects that were supported by the Municipality from own income, during 2018/19 financial year are the following:

Table 35: Led Projects

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

Table 36: EPWP Jobs Created

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

4.3.SDBIP PERFORMANCE

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

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

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

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

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

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

This constitutes an overall municipality performance of 77%.

4.3.1.ANALYSIS OF MUNICIPAL SDBIP PERFORMANCE

Table 51: Municipal SDBIP Performance

ANALYSIS REPORT				
SDBIP ANALYSIS REPORT 2018/19				
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET ACHIEVED	NOT ACHIEVED
MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT				
Integrated Development Planning	1	1	0	
Performance Management	4	4	0	
Human Resources and Organizational Development	2	1	1	
Spatial and Town Planning	2	1	1	
	7	6	1	
TOTAL	85%			
MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT				
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET ACHIEVED	NOT ACHIEVED
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT				
Sports	2	1	1	
Free Basic Services	1	0	1	
Waste management	4	3	1	
Parks and recreational	3	1	2	
Electricity	8	5	3	
Roads	14	9	5	
	32	19	13	
TOTAL	59%			
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET ACHIEVED	NOT ACHIEVED
MUNICIPAL FINANCE AND MANAGEMENT AND VIABILITY				
Revenue Management	1	1	0	
Expenditure	5	4	1	
Financial Statements	3	3	0	
Budget and Reporting	2	2	0	
Supply Chain Management	2	2	0	
	13	12	1	
TOTAL	92%			

PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET NOT ACHIEVED
LOCAL ECONOMIC DEVELOPMENT			
Local Economic Development	7	5	2
TOTAL	71%		
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET NOT ACHIEVED
GOOD GOVERNANCE AND PUBLIC PARTICIPATION			
Risk Management	3	3	0
Public Participation	1	1	0
Internal Auditing	3	2	1
Information Technology	1	0	1
Council Services	2	2	0
	10	8	2
TOTAL	80%		
Summary of Annual Targets Achieved			
Key Performance Areas	Total KPI	Achieved KPI's	Percentage achievement
MTOD	7	6	85%
BSD	32	19	59%
LED	7	5	71%
MFMV	13	12	92%
GGPP	10	8	80%
OVERALL ACHIEVEMENT: 77%			

Chapter 4

Organisational Development Performance

CHAPTER 4 ORGANISATIONAL DEVELOPMENT PERFORMANCE

COMPONENT A: MUNICIPAL WORKFORCE

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

Table 37. Employee Numbers And Vacancies

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

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

AGE PROFILE

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

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

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

Table 38. Turnover Rate

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

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

COMPONENT B: MANAGING MUNICIPAL WORKFORCE

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

Table 39. Human Resources Policies

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

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

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

4.HEALTH AND SAFETY MATTERS

4.1.OCCUPATIONAL INJURY

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

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

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

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

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

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

4.2.ABSENCE DUE TO ILL HEALTH

4.2.1.SICK LEAVE

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

Table 41. Sick Leave Statistics

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

SUSPENSIONS

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

Table 42. Suspensions

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

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.3.SKILLS DEVELOPMENT AND TRAINING

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

4.3.1. TRAINING

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

Table 43 : Training Provided For 50 Councilors :

Demographic	Male	Field of Study	Female
African	22	<ul style="list-style-type: none"> Integrated Councilors Induction Program (ICIP) Phase II (49) Human Resource Development (HRD) Municipal Good Governance(01) 	26
White	0		
Coloured	1		1
Indian	0		
Total	23		27

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

Table 44 : Training Provided For 200 Learners:

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

Table 45 : Training Provided For 102 Skill Program:

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

TABLE 46 : TRAINING PROVIDED FOR 82 OFFICIALS:

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

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

4.2.2.BURSARIES AND INTERNSHIP

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

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

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

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

Table 48 : Interns By Population Group And Gender

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

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

Table 49. Capacity Building – Work Force

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

COMPONENT D: MANAGING MUNICIPAL WORKFORCE EXPENDITURE:

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

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

Chapter 5

Financial Performance

CHAPTER 5: FINANCIAL PERFORMANCE

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

This chapter comprises Four components:

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

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

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

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

5.1.1. INTRODUCTION TO FINANCIAL PERFORMANCE

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

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

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

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

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

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

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

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

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

5.2.FINANCIAL SUMMARY OF THE MUNICIPALITY AS AUDITED

Table 52: Financial Summary

LIM344: Makhado Local Municipality

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

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

Table 53. Financial Performance

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

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

5.2.3.GOVERNMENT CAPITAL GRANTS

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

Table 54: Capital Grants Received And Spent

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

5.2.4.MUNICIPALITY APPROVED POLICIES

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

Table 55: Budget Related Policies

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

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

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

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

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

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

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

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

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

5.2.6. ASSETS MANAGEMENT

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

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

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

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

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

The municipal council approved the following disposals:

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

Treatment of the three largest assets acquired 2018/19

Table 56. Three Largest Assets

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

FINANCIAL RATIOS BASED ON KEY FINANCIAL INDICATORS

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

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

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.3.SPENDING ON 5 LARGEST PROJECTS

The following represent the capital spending against the capital budget:

Table 57. Capital Expenditure Of 5 Largest Projects

Capital Expenditure of 5 largest projects*

R' 000

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

Table 58. Capital Expenditure

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

COMPONENT C: CASHFLOW MANAGEMENT AND INVESTMENTS

5.4.CASH MANAGEMENT

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

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

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

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

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

Table 59: Borrowings

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

5.4.4.CASH AND CASH EQUIVALENTS

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

Table 60: Statement Of Cash Flow

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

5.4.5.COMMENT ON CASH FLOW

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

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

COMPONENT D: OTHER FINANCIAL MATTERS

5.5.SUPPLY CHAIN AND EXPENDITURE MANAGEMENT

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

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

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

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

5.5.1.PROCUREMENT STATISTICS

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

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

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

GENDER

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

AGE

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

5.5.3.EXPENDITURE

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

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

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

5.5.4.GRAP COMPLIANCE

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

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

5.5.5.MSCOA IMPLEMENTATION

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

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

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

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

Chapter 6

Auditor-General Audit Findings

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS

6.1. AUDITOR-GENERAL REPORTS PREVIOUS YEAR

Table 61. AG Report 2017/2018

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

6.2. AUDITOR-GENERAL REPORT – CURRENT YEAR

Auditor-General Report on Financial Performance: 2018/19

Table 62. AG Opinion 2018/2019

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

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



ANNEXURES A1

2018/19 Audit Report



ANNEXURES A2

2018/19 Annual Performance Report



ANNEXURES A3

2018/19 Audited Annual Financial Statement