



MAKHADO LOCAL MUNICIPALITY

DRAFT ANNUAL REPORT

2017/2018

***'A DELIVERY, ACCOUNTABLE AND SERVICE DELIVERY ORIENTATED
MUNICIPALITY COMMITTED TO GOOD GOVERNANCE AND SOCIO-
ECONOMIC DEVELOPMENT OF ITS COMMUNITY'***



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VISION

"A democratic, accountable and service delivery orientated municipality committed to good governance and socio-economic development of its community"

MISSION

"We will use available resources effectively in order to address socio-economic imbalances through infrastructure and local economic development opportunities"

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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

Introduction and Overview

**Draft Annual Report
2017/2018**

CHAPTER 1 – INTRODUCTION AND OVERVIEW

COMPONENT A: MAYOR'S FOREWORD

1.1 MAYOR'S FOREWORD



His Worship Mayor
Cllr Munyai N

Allow me of behalf of the Council, to present the community and all stakeholders of Makhado Municipality, with the 2017/2018 Annual Performance Report, which captures the recorded achievements and challenges experienced in implementing the Integrated Development Plan (IDP) and the Service Delivery and Budget Implementation Plans (SDBIP) for the year under review.

The Provincial Government of Limpopo, through the Office of the Premier and the Limpopo Economic Development, Environment and Tourism (LEDET) continues to provide strategic guidance in the roll out of the Musina/Makhado Special Economic Zone (SEZ) initiative and directing international investment to our areas to ensure coordinated support and inclusive growth for job creation and skills development.

The gloomy global economic outlook continues to impact negatively on our capacity to eradicate poverty, unemployment and to create opportunities for the residents of our Municipality.

The high levels of unemployment and poverty undermines our efforts to provide sustainable services in disadvantaged communities. We are equally concerned by the rate of crime, HIV and AIDS, alcohol and substance abuse, ritual murders, women and children abuse within our Municipality. We shall continue to partner with sector departments and civil society organisations to respond to cross cutting social issues affecting our communities.

The report reflects the strategic path we have taken as the Council and the people of Makhado, moving towards a dynamic hub for socio economic development by 2015.

These annual report also helps us to assess our actions, identify gaps and opportunities that will enhance our institutional capacity to deliver on our key strategic thrusts of local government.

During the year under review, our Municipality improved its audit results from and adverse audit opinion to qualified audit opinion. We thank the management for implementing the Audit Action Plan as advised by the Auditor General and we are confident that we shall achieve a Clean Audit in the coming financial year.

We have demonstrated that it is possible to collectively multiply our efforts for the realisation of service delivery and improved accountability, sound financial management, safeguarding of public assets, and the effective, efficient and economical use of public resources.

During the year under review, we have been able to spend 100% of our Municipal Infra Structure Grant (MIG).

The Municipality in partnership with District, Provincial and national government, including parastatals like Eskom has successfully implemented capital and operational projects in our communities including electrification of households, upgrading of the Waterval Sports facility, parks and recreational facilities upgrading and rehabilitation of roads, housing, refuse removals, grading of internal streets in villages, erection and maintenance of fences in graveyards.

We have noted with interest the progress made in the roll out of the Nandoni Bulk Water Supply project, which shall be a major source for our residential and industrial growth as the town and the municipality as a whole. The Municipality must continue to invest resources in the development of new service delivery infra-structure, but most importantly invest in the maintenance of the current infra-structure, that is in a state of collapse.

The Municipality organised and hosted public participation programmes with the main aim of engaging our communities on cardinal service delivery priorities and to ensure that our stakeholders remain at the centre of democratic local government.

Through our 38 fully functional Ward Committees, Dzikhoro, Imbizos, and feedback sessions, MPAC outreach programmes, we have made sure that our Ward and PR Councillors interact with communities and listened to their urgent priorities for improved planning and governance.

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

During 2019, our nation will once again go to the national and provincial elections to vote for the political parties of their choice, thus consolidating our constitutional and democratic state. We trust that the national elections will be peaceful and continue to be the bedrock of a democratic and responsive local government. Let me also extend sincere appreciation to members of the Executive Committee, the Risk and Audit Committee, MPAC, Section 79 Committees, labour unions, business community, media houses, sector departments, traditional leaders and all Ward Committee members for continuing to serve the people of Makhado Municipality with diligence and skill.

I also want to thank the Office of the Speaker, Chief Whip, for their solid and unshaken support that has immensely contributed and increased our capacity to lead and govern.

The Municipal Manager, Directors and his staff must also be commended for their continued efforts to turn around our institution so that it is responsive, focused and committed to creating a better life for all.

Our goal for this coming year is to achieve a clean audit for improved service delivery and to maximise service delivery for the benefit of 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

It is a pleasure and honour to present to you Makhado Local Municipality 2017/2018 Financial Annual Performance Report. After joining the team on 1 December 2017 (end of second quarter), the Municipality managed to render quality services to its community without fail.

When I joined the Municipality I was baptized by 2016/2017 audit outcome which saw Municipality regressing from qualified audit opinion to adverse opinion. It therefore became clear that for the Municipality to improve, extra effort and dedication from the entire leadership and staff were needed.

Guided by municipality strategic instruments, which included the Integrated Development Plan(IDP), Service Delivery and Budget Implementation Plan(SDBIP), Municipality staff commitment and efforts, we achieved by 2017/18 qualified audit opinion which saw Municipality bouncing back to its good performance.

It is worth to report that during the year under review Municipality managed to reduce unauthorised, irregular and fruitless expenditure which is a testimony for good governance in supply chain management as compared to the past financial years. Municipality is still experiencing challenges with regard to performance information; however this area will be attended to in the current year so to reduce the repeat findings and outcomes.

During the year under review Municipality was able to spend 100% of municipal infrastructure grant, and Integrated National Electrification Programme (INEP), however was unable to spend the **Municipal Demarcation Transition Grant (MDGT)**. Through INEP Grant and own funding, Municipality was able to connect 1695 households with electricity. Municipality electrified 1035 households whilst ESKOM electrified a total of 660 households. By end of June 2018, municipality had a total of 109,186 households with access to basic electricity. The following villages benefitted from 2017/18 electrification program:

Table 1: Villages electrified in 2017/2018

PROJECT	CONNECTIONS	FUNDING	BUDGET SPENT
Rathidi Phase 2 (construction phase)	290	INEP	R 8.2m
		OWN FUNDING	R 177 000.00
Madabani Phase 2 (Construction Phase)	101	INEP	R 2.4m
		OWN FUNDING	R274 000.00

Maname phase 2 (construction phase)	57	INEP	R1.3m
		OWN FUNDING	R208 000.00
Mavhunga phase 2 (construction phase)	246	INEP	R2.8m
		OWN FUNDING	R2m
Post connection MLM	341	OWN FUNDING	R2.7m
TOTAL	1035	INEP	R 14 700 000.00
		OWN FUNDING	R 5 359 000.00

With regard to refuse removal services, a total of 17,285 households were serviced during the year. This includes 4,105 business premises. In order to keep the town clean, Municipality focus mostly on R293 towns and public space or parks of which 41 parks were kept clean during the year under review.

With regards to powers and functions, Makhado Local Municipality still derives its mandates or powers and functions in terms of Schedule 4(B) and 5(B) of the Constitution of the Republic of South Africa and Structures Act. Powers and functions are detailed in the table below:

Table 2: 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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*Note must be taken that the Vhembe District Municipality has powers and functions over the provision of water and sewer (VDM is the water service authority).

In discharging its mandate, Makhado Local Municipality believe in investing in its staff members through structured training and development. This training is designed to capacitate employees and Councillors in performing their tasks.

During the year under review, we have continued to report on back to basics, with specific focus on putting people first, delivery of basic services, good governance, sound financial management and building capacity.

On the financial front, the financial revenue trend for 2017/18 was an increase in the debt book to R204,515,733. With improved communication with National and Provincial Government as stakeholders through IGR forums, we enabled a simplified manner of debt collection for government accounts and since then enjoyed an overall debt collection rate of 92% in the 2017/18 financial year. The amount owed as at the end of the current year was R70,4 million for electricity and R66,3 million for Rates.

At this point in time of the 2018/19 financial year, actual revenue received to date is R549,575,852 and outstanding debtors amount to R236,107,971.

As part of water service delivery mechanism, Municipality continued to act as Water Services Provider (WSP) during the year under view while the District acted as Water Services Authority (WSA). It should be noted that by end of financial year total transfer of water service function to the District was completed. This resulted in the transfer of 62 employees to the District.

Municipality in 2017/2018 still performed a function of Public Library Service on behalf of Department of Arts and Culture. This function is only compensated through membership fees. Again Municipality act as an agent of Limpopo Department of Transport for licensing. This function is compensated at a ratio of 80/20 where Municipality receives only 20% of income derived.

In pursuit to improve audit opinion, municipality engaged in an intensive programme of monitoring and evaluating all Audit General's findings and root causes. Through OPCA Steering Committee meetings, which I chaired, Municipality was able to resolve 97.22 % of all previous findings.

Mr L S Mofokeng was appointed as Chairperson of the Risk Management Committee by Council Resolution on 29 June 2015 and he also reported to the Audit Committee on Risk Management matters. The Risk Management unit worked closely with the Committee with all policies and frameworks in place. A Risk Register was aligned to the IDP objectives and approved by Council. The risk management strategy ensured that the municipality received early warning signs on service delivery issues. Municipality has zero tolerance to corrupt or fraudulent activities, whether internal or external would vigorously be pursued and prosecution preferred when identified or established.

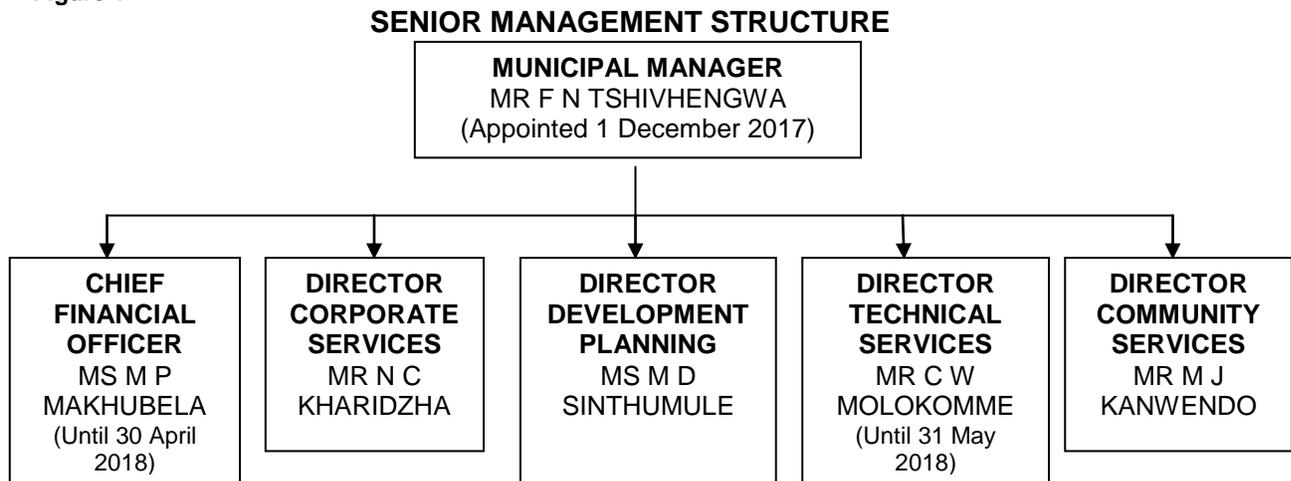
As a result of good performance on infrastructure spending, Municipality was allocated additional R15 million of MIG during the year. It is worth to report that by end June 2018, Municipality was able to spend 100% of MIG amounted to R106 million. This performance cannot be attributed to only one department, but the entire staff complement of the Municipality, including the leadership of the two Unions, including political leadership from Council.

Whilst some of the Directors left the Municipality during the year, their contribution during the year is appreciated. The Municipality saw the resignation of Director Technical Services and Chief Financial Officer on the 28th May and 30th April 2018 respectively.

However, much appreciation goes to the entire management, whilst special appreciation is extended to Mr Godfrey Raliphada and Mr M G Ralishuku for their willingness and eagerness to serve the community of Makhado during their acting period. Your commitment and sacrifices have been noticed by the entire leadership of the Municipality, staff and community at large.

Below depicts the status of Section 56/57 Managers by end of June 2018:

Figure 1



The Staff Establishment review is still on-going and it is anticipated that by next financial year 2018/2019, this process would be completed.

In conclusion, Municipality would like to thank the sector departments for support and partnership in service delivery; especially the Department of Energy and the Department of Transport, Eskom, Provincial Treasury and COGHSTA.

I would also like to send my sincere appreciation to Her Worship Mayor, Cllr S M Sinyosi for support and leadership during the year under review; and the entire Council led by Speaker, Cllr L B Mogale, Executive Committee and all Council Committees, including Council's Audit Performance and Audit Committee for guidance and robust discussion on service delivery; and the entire staff of Makhado Municipality and leadership of the Unions for allowing me to lead. We are all volunteers of our community; therefore we shall serve them 100%.

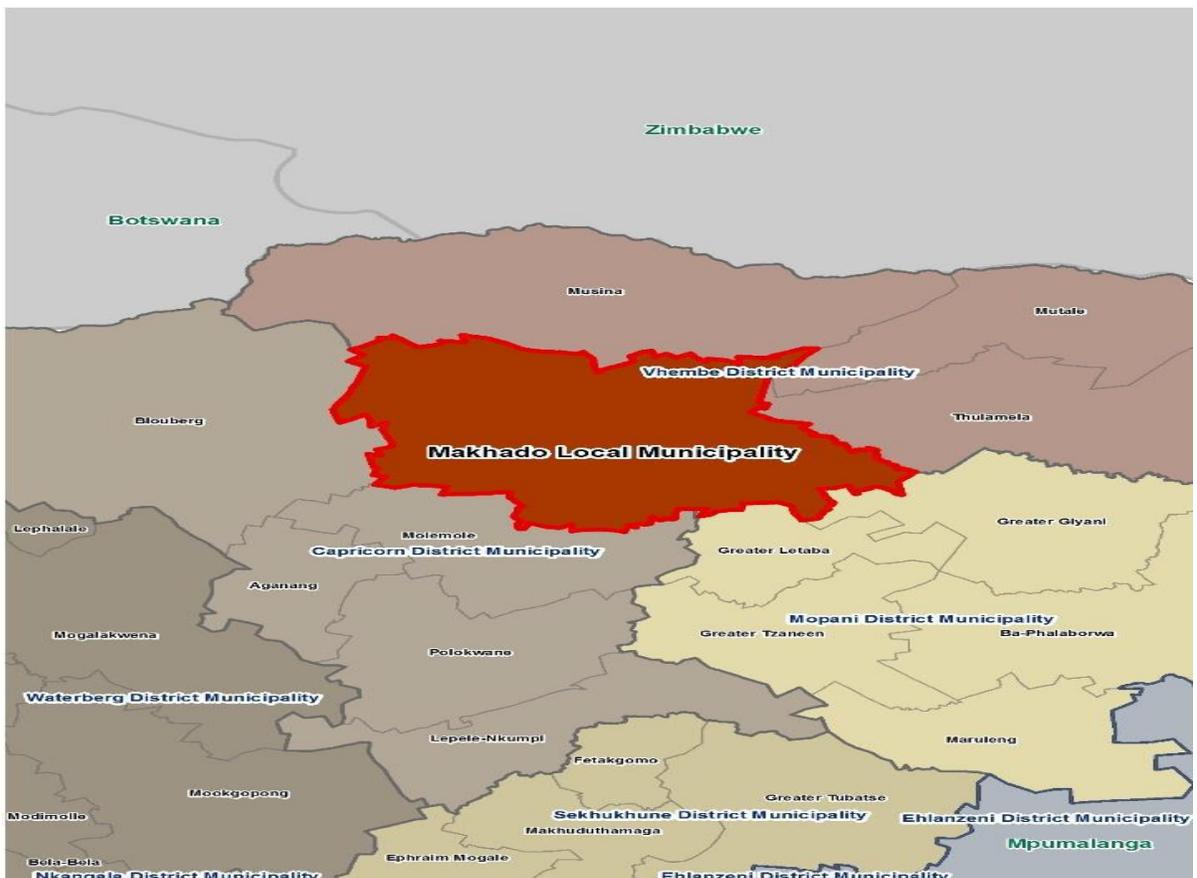
Mr N F Tshivhengwa
Municipal Manager

COMPONENT C: MUNICIPAL OVERVIEW

MUNICIPAL OVERVIEW

The Makhado Municipality is a local municipality, within the Vhembe District, Limpopo Province in the Republic of South Africa. The main town Makhado is strategically located on N1 and is an important bypass for people travelling to Southern African Developing Countries, and that provides the Municipality with the following opportunities: i) Tourism and (ii) Stimulation of Economic Activities. Other local municipalities bordering the municipality are the Molemole and Blouberg Local Municipalities forming part of the Capricorn District Municipality, whilst the Greater Giyani and Greater Letaba Municipalities also border the municipality from the South East and form part of the Mopani District Municipality. Makhado Local Municipality is situated under Vhembe District and its municipal area is 8310,586 km² (or 831 058, 64 Hectares) in size strategically located on a macro scale along a major passage between South Africa and the rest of the African continent. A total of 416 728 population reside within the municipality and majority can be classified as predominately rural.

Figure 2: Location of Makhado Municipality



The total population of Makhado has decreased from 516 031 in 2011 (based on the 2011 Census outcome) to 416 728 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 31: Services Backlog

Population	Households	Water	Sanitation	Waste management	Electricity	Housing
416 728	116 371	33 623 Households	35 210 Households	104 681 Households	8 880 Households	16 207 RDP Housing

Source: Council's approved IDP 2017/2018

Table 4: 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 2017/2018

Chapter 2

Governance

Draft Annual Report
2017/2018

CHAPTER 2 – GOVERNANCE

COMPONENT A: GOVERNANCE STRUCTURES

POLITICAL GOVERNANCE

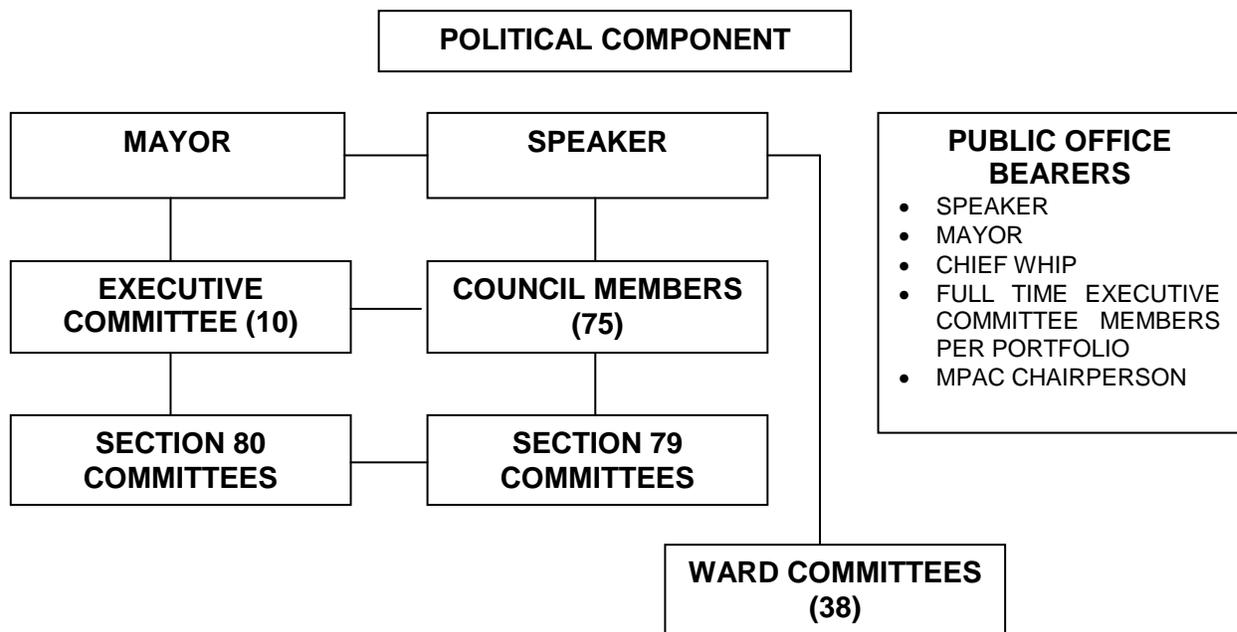
Chapter 7 of the Constitution of the Republic of South Africa, 1996 provides for the establishment of local government as an independent sphere of government,

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



Governance Activities

Makhado municipality has governance structures in place which are 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 and Bids Committees. The municipality make use of these structures to improve service delivery to the communities, and to promote public accountability and institutional performance.

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 5: Representation in Council – Political Parties

PARTY	NUMBER OF WARD COUNCILLORS	NUMBER OF PROPORTIONAL REPRESENTATIVE CLLRS	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)

2.1 COUNCIL

The following were Councilors of Makhado Municipality:

Table 6: Names of Councilors

NO.	NAMES OF COUNCILLORS	NUMBER OF COUNCIL MEETINGS ATTENDED
1.	BABADU, T M	16
2.	BALIBALI, T	17
3.	BALOYI, R S (elected 19 July 2017)	14
4.	BULALA, S I	11
5.	CHILILO, N F	16
6.	DAVHANA, N D	14
7.	DU PLOOY, A	8
8.	DZIVHANI, T E	11
9.	FURUMELE, M G	11
10.	GABARA, M J	12
11.	HLONGWANE, F B	8
12.	JONES, N B	9
13.	KUTAMA, N	10
14.	KUTAMA, T	17
15.	LUDUVHUNGU, V S	12
16.	LUKHELI, J	15
17.	MACHETHE, M S	14
18.	MADULA, S	16
19.	MADUWA, E	17
20.	MADUWA, L G	16
21.	MADZHIGA, F N	17
22.	MAFHALA, N A	9
23.	MAGADA, M R	12
24.	MAINGO, R T	10
25.	MALANGE, T M	13
26.	MALIMA, M E	12
27.	MALIVHA, N V	15
28.	MALULEKE, K M	17
29.	MAMAFHA T C	11
30.	MAMAFHA, T J	12
31.	MAMOROBELA, T P	16
32.	MAPHUBU, K	15
33.	MARAGA, T A	13
34.	MASHAMBA, M A	16
35.	MASIPA, M L (elected 8 February 2017)	15

NO.	NAMES OF COUNCILLORS	NUMBER OF COUNCIL MEETINGS ATTENDED
36.	MASUKA, S	15
37.	MASUTHA, L G	16
38.	MATHALISE, L M	10
39.	MATUMBA, A	11
40.	MBOYI, M D	14
41.	MOGALE, L B	16
42.	MOHLABA, T J	15
43.	MOKGOADI, M R	9
44.	MPASHE, M J	11
45.	MTHOMBENI, S Z	15
46.	MUKHARI, M F	15
47.	MUKWEVHO, G T	13
48.	MUKWEVHO, T D	15
49.	MULEFU, M E	17
50.	MUNYAI, N	12
51.	MUNYAI, N S	15
52.	MUSANDIWA, P N	16
53.	NDOU, M D	15
54.	NDOU, M N	17
55.	NEMATANDANI, M C	12
56.	NEMUDZIVHADI, N S	14
57.	NETHULWE, M F	15
58.	NYELISANI, S S	16
59.	PHOSHOKO, M G	12
60.	RALIPHADA, R	11
61.	RAMAVHOYA, K S	15
62.	RAMUSHAVHA, G M	13
63.	RAPHALALANI, A A	12
64.	RASHAMUSE, A G	13
65.	RATSHIKUNI, D	14
66.	SELAPYANA, M A	11
67.	SESHOKO, T (elected 21 July 2017)	13
68.	SIMANGWE, N J	16
69.	SINYOSI, S M	16
70.	SITHI, E T	14
71.	TAMBANI, T E	16
72.	TSHIAMBWA, L R	16
73.	TSHIBVUMO, G	2
74.	TSHIFURA, S S	11
75.	TSHILAMBYANA, M S	13

Council Meetings

Council is effective and functional and continues to discharge its responsibility as expected. Meetings are held as scheduled. Council held the following meetings:

Table 7 Council meetings held

	Ordinary Council Meetings	Urgent Council Meetings	Special	Total Meetings
Number of meetings 2017/2018	4	13		17

Table 8: 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

2.2 EXECUTIVE COMMITTEE

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:

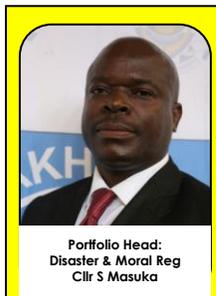
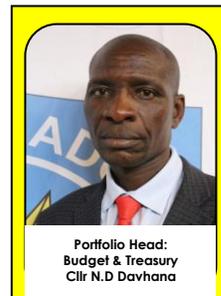
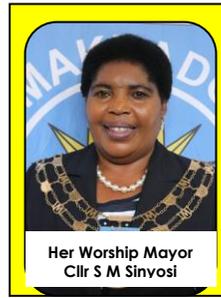


Table 9: Executive Committee

NO		NAMES OF COUNCILLORS	NUMBER OF MEETINGS ATTENDED
1	EXECUTIVE COMMITTEE	1. SINYOSI S M (Chairperson)	27
		2. CHILOLO N F	24
		3. DAVHANA N D	24
		4. JONES N B	14
		5. MAMAFHA T J	19
		6. MAMOROBELA T P	29
		7. MASUKA S	29
		8. MATUMBA A	21
		9. MUKWEVHO G	23
		10. RATSHIKUNI D	24

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

Table 10: Executive Committee meetings held

2017/2018 FINANCIAL YEAR	NUMBER OF MEETINGS HELD
EXECUTIVE COMMITTEE	30

2.3 SECTION 79 OVERSIGHT COMMITTEES

Table 11: 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	6 5 3 6 5 6 6 3 3
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	23 23 24 22 22 22 23 19 7 16
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	16 12 7 16 13 11 16 17 14 13
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	6 3 6 6 6 2 5 6

NO.	PORTFOLIO COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
		9. FURUMELE M G	5
		10. MALIMA M E	6
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	9 11 9 9 10 10 11 5 5
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	6 4 6 3 3 3 0 3
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	4 4 4 6 6 2 2

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

Table 12: Oversight Committee meetings held

2017/2018 FINANCIAL YEAR COMMITTEE	NUMBER OF MEETINGS HELD
1. TECHNICAL SERVICES	8
2. CORPORATE SERVICES	24
3. FINANCES	17
4. COMMUNITY SERVICES	6
5. DEVELOPMENT PLANNING	12
6. DISASTER MANAGEMENT, MORAL REGENERATION AND SPORTS, ARTS AND CULTURE	6
7. SPECIAL PROGRAMS	6

2.4 SECTION 79 STANDING COMMITTEES

Table 13: Section 79 Standing Committees

NO.	STANDING COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
1	MPAC	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	11 9 9 7 7 4 9 7 8
2	ETHICS	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	0 0 0 0 0 0 0 0 0 0
3	RULES	1. MUNYAI N S (CHAIRPERSON) 2. RAMAVHOYA K S 3. HLONGWANE B F 4. MAPHUBU K 5. RASHAMUSE A G 6. SIMANGWE J N 7. BALIBALI T 8. BULALA S I 9. MAFHALA N A 10. MADULA S	1 0 0 1 1 1 1 0 0 1
4	WOMEN CAUCUS	1. MOGALE L B (CHAIRPERSON) 2. MOHLABA T J 3. TAMBANI T E 4. BABADU T M 5. LUDUVHUNGU V S 6. SIMANGWE J N 7. MACHETE M S 8. RAMUSHAVHA G M 9. GABARA M R 10. MADULA S 11. MATHALISE L M 12. RASHAMUSE G R 13. RALIPHADA R 14. MBOYI M D 15. MALANGE T M 16. NDOU M N	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0

NO.	STANDING COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
		17. NETHULWE M F	0
		18. RATSHIKUNI D	0
		19. SINYOSI S M	0
		20. MAMOROBELA T P	0
		21. MAINGO R T	0
		22. MUKHARI M F	0
		23. UNDERWOOD J P	0
		24. TSHILAMBYANA M S	0
		25. MUKWEVHO G T	0
		26. MADUWA L G	0
		27. JONES N B	0
		28. NEMATANDANI M C	0
		29. MARAGA T A	0
		30. DZIVHANI T E	0
		31. PHOSHOKO M G	0
		32. FURUMULE M G	0
		33. MOKGOADI M R	0
		34. MUKWEVHO T D	0

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

Table 14: Section 79 Standing Committee meetings held

2017/2018 FINANCIAL YEAR COMMITTEE	NUMBER OF MEETINGS HELD
1. MPAC	13
2. ETHICS	0
3. RULES	1
4. WOMEN CAUCUS	0

2.5 SECTION 80 COMMITTEES

Table 15: Section 80 Committees

NO.	COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
1	GOVERNANCE AND FINANCIAL VIABILITY	1. DAVHANA N D (CHAIRPERSON) 2. MAMOROBELA T P 3. MAMAFHA T J 4. MATUMBA A	0 0 0 0
2	PUBLIC SAFETY AND SOCIAL DEVELOPMENT	1. CHILOLO N F (CHAIRPERSON) 2. MASUKA S 3. MUKWEVHO G T 4. JONES B	0 0 0 0

NO.	COMMITTEE	CHAIRPERSON AND MEMBERS	NUMBER OF MEETINGS ATTENDED
3	DEVELOPMENT PLANNING AND MUNICIPAL INFRASTRUCTURE	1. RATSHIKUNI D (CHAIRPERSON) 2. MAMAFHA T J 3. DAVHANA N D 4. JONES B	0 0 0 0

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.

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 Constitution section 41.

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 continues to hold its IDP Steering Committee meetings with the IDP Representative Forum which served as a platform for the public to make their contributions and hold the municipality accountable on issues of service delivery. 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.

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 Municip1) messages
- Instagram (makhadomunicipality) postings
- Website(www.makhado.gov.za) uploads
- Press/Media Statement broadcasts and publications
- Media Interviews reports and broadcasts

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 with nine (9) members for a the term of the Municipal Council. MPAC was able to conduct thirteen (13) meetings and submitted twelve (12) reports to Council for approval. The MPAC conducted annual report public hearings and compiled MPAC oversight and submit its recommendation to Council for approval within regulated timeframes on 27 March 2018.

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 has a functional website which was revamped during 2017 in partnership with the Provincial SITA.

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.

The IDP Steering Committee held three (3) meetings. Four (4) IDP Representative Forum meetings were held.

2.11 Audit and Performance Audit Committee (APAC):

Internal Audit

The municipality has a functional Internal Audit unit in place. Internal Audit effectively implemented its activities as planned in the IDP and translated in the SDBIP. Internal Audit successfully implemented seventeen (17) Audit projects and produced seventeen (17) reports in this regards. Monthly meetings to track the resolution of internal audit findings have been instituted. The Municipality developed an Audit Action Plan in order to resolve Auditor General's Audit findings. Seventy six (76) out of hundred and eight (108) AG's finding in the previous financial year have so far been resolved with only thirty two (32) of them still outstanding.

The **Audit and Performance Audit Committee (APAC)** is the committee of Council appointed for a period of three years. The primary purpose of a municipality's audit committee is to provide oversight of the financial reporting process, the audit process, the municipality's system of internal controls and compliance with laws and regulations.

Seven (7) meetings were held as scheduled during the year under review.

2.12 Risk Management Committee

Section 62 (i) (c) of the Municipal Finance Management Act (MFMA), requires a municipality to have and maintain an effective, efficient and transparent system of risk management. Risk Management has continued to discharge its mandate despite the human resource challenge. The Risk Officer had not been replaced and the Manager: Internal Audit is currently seized with the responsibility.

Council appointed a **Risk Management Committee** with an external specialized person as Chairperson; three (3) Risk Management Committee meetings were held during the year. Risk strategy and plan was in place and implemented. Risk Management, Lost Control, Whistle Blowing and Fraud Management policies were approved by Council.

RISK MANAGEMENT FUNCTION

The Accounting Officer/Municipal Manager has committed Municipality to a process of 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 recognised as an integral part of responsible management and therefore, Makhado Municipality has adopted a comprehensive approach to management of risk. The flawless process is clearly outlined in the Risk Management Strategy of the Municipality.

A lot of progress has been done in respect of enterprise risk management, for example, the establishment of a Risk Management Office, Risk and Anti-fraud & Corruption Committee which is chaired by an independent external person to ensure transparency. Mr L S Mofokeng was appointed as Chairperson of the Risk Management Committee by Council Resolution on 29 June 2015 and he also reports to the Audit Committee on Risk Management matters. It is evident that the Committee is working efficiently, e.g. the risk management strategy/risk register of the municipality which is aligned to the IDP objectives was presented and noted by Council. The risk management strategy ensured that the municipality receive early warning signs on service delivery issues. It was also evident that this progress was aligned to the SDBIP and performance agreements and plans of senior management to close any service delivery gaps that could emerge. Municipality has achieved level 4, which is 96% on assessment scale of 1 to 6, compared with the previous 4.7 rating, indicating continuous improvement in our governance processes.

The top ten strategy risks are as follows:

Table 16: Top Ten Strategy Risks

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		Weak		
7	Health, Safety & Security risks and Environmental welfare		Satisfactory		
8	Non Compliance with Legislation		Satisfactory		
9	Contracting & Contract Risk		Weak		
10	Ineffective Spatial Planning		Satisfactory		

FRAUD AND CORRUPTION MANAGEMENT

Fraud and Corruption represent a significant potential risk to the Municipality's' assets, service delivery efficiency and reputation. The Municipality will not tolerate corrupt or fraudulent activities, whether internal or external to the institution and will vigorously pursue and prosecute any parties which engage in such practices or attempt to do so by all legal means available. Communities are also encouraged to report all incidents relating to fraud and corruption to the district shared hotline. As the Municipality we will ensure that all incidents reported are followed up and investigated. The hotline number is **0800 66 85 38** or **fraud@makhado.gov.za** or fraud@kpmg.co.za

EFFECTIVENESS OF INTERNAL CONTROL

The Accounting Officer/Municipal Manager committed Municipality to a dynamic integral process that is continuously adapting to the changes the Municipality is facing as it 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). Internal control is recognised as an integral process that is affected by the Municipal 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 in pursuit of the Municipality's mission and vision. Based on the above-mentioned, the following general objectives of Internal Controls are being achieved:

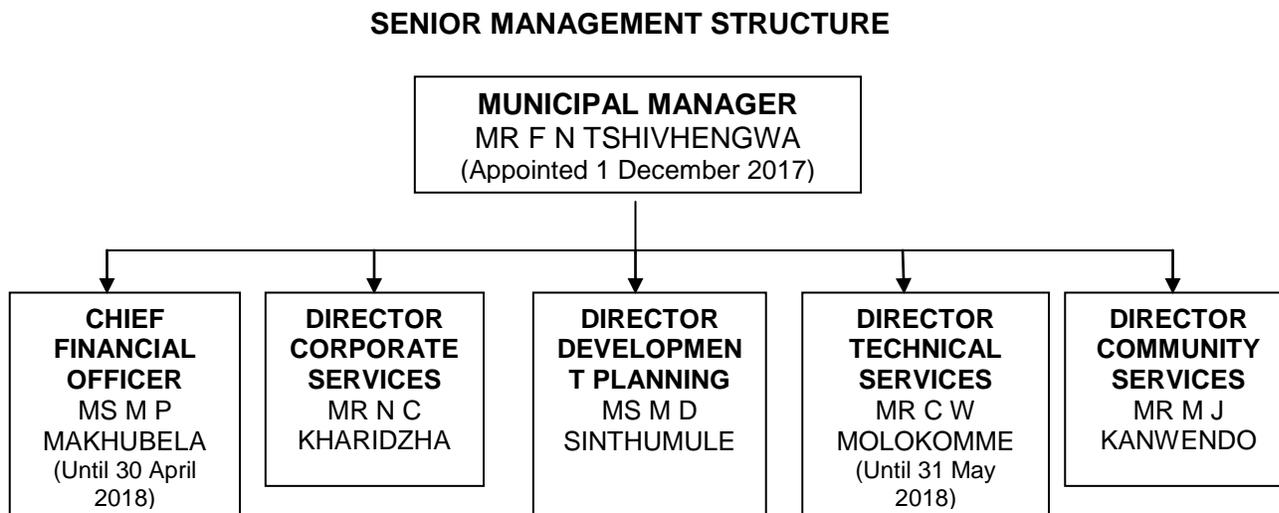
- Executing orderly, Ethical, Economical, Efficient and Effective Operations
- Fulfilling Accountability obligation
- Complying with applicable laws and regulations
- Safeguarding of Resources against loss, misuse and damages

The Municipality has done much 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

2.13 ADMINISTRATIVE GOVERNANCE

Figure 5: Senior Management Structure



Section 56 Managers (Directors) who report to the Municipal Manager, who is the head of administration.

During the first six (6) months of the financial year from 1 July 2017 to 31 December 2017 the Municipality did not have a Municipal Manager. Mr M J Kanwendo was appointed by Council to act as the Municipal Manager until the current Municipal Manager filled the vacancy on 1 December 2017.

During the year under review the Chief Financial Officer resigned and the Director Technical Services resigned to take employment opportunities elsewhere. Council respectively appointed Mr N G Raliphada and Mr M G Ralishuku on acting capacity for the vacant Section 56 positions.

Managers

The Municipality has managers at post level 1 in the approved institutional staff establishment who manages line functions within departments. The Managers report directly to their respective Directors, except for managers in the Office of Municipal Manager, who report directly to the Municipal Manager.

Chapter 3

Service Delivery Performance

**Draft Annual Report
2017/2018**

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

3.1. 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 amounts to eight thousand eight hundred and eighty (8880) households which include Eskom distribution area within the municipal jurisdiction and it is predominantly comprised of new developments and extensions. By end June 2018, a total of 1695 households were provided with basic electricity which represent 1.5% of the total households in the municipality. Therefore the Municipality still had a backlog of 7185 households which is 6.2%.

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.

Provision of **housing** is still the function of Provincial Government, however, Municipality was granted level 1 during the year under review. It is Municipality's intention to be granted full license, and plans are in place in the coming financial years to ensure that full license is granted.

Stated above, **water and sanitation** services are functions of the Water Service Authority, which is Vhembe District Municipality.

Overview of Capital Projects Implemented

During the year (2017/2018) under review, the Municipality implemented a total of twelve (12) various Capital projects which includes upgrading of gravel to tar roads, construction of bridge and sports facility. Municipality receives the Municipal Infrastructure Grant (MIG) funding on an annual basis from the Cooperative Governance & Traditional Affairs which is meant for basic service delivery. Out of the projects implemented during the year, five (5) roads projects completed which makes a total of 7,8 kilometres of new surfaced road, Waterval sports facility Phase 1 and Mudimeli bridge also completed, whilst five (5) projects were rolled-over to 2018/2019 financial year. It is also important to note that, amongst the completed roads, **Gombita, Tshivhuyuni to Mamphagi Road Phase 1** project was 100% completed and opened for traffic during 2017/2018, however, the handing-over was delayed and never done within the year under review.

Municipality electrified 1035 households, whilst Eskom electrified 660 households, which bring us to the total of 6695 electrified households during the year under review.

Bulk Water and Sanitation Projects

Makhado Local Municipality is not mandated to provide water and sanitation services, however Vhembe District Municipality as Water Service Authority are solely provider of this services in the municipality. Currently, there are three (3) bulk water projects that are being implemented by the District within Makhado Local Municipality. All projects are currently on construction and are as follows:

1. Tshirolwe Extension 3 bulk and reticulation (Mutshedzi): water source is Mutshedzi Water Treatment Works
2. Valdezia to Mowkop bulk water supply: water source is Nandoni Water Treatment Works
3. Mashau bulk water supply and regional reservoir: water source is Nandoni Water Treatment Works

Electricity Connections Performed

Makhado Local Municipality has two licensed distributors of electricity within its jurisdiction, namely Eskom and the Makhado Local Municipality.

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, 36 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.

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)

Roads Upgrading and Rehabilitation

The Makhado Local Municipality primary responsibility is to provide road infrastructure that is of an acceptable level of service. Upgrading and maintenance of roads and storm-water adds value to accessibility in Makhado Local Municipality through the provision of sustainable roads and storm water services. The roads infrastructure networks and storm-water systems must be reliable, accessible and affordable.

The major success was to meet the requirements of the principle and simultaneously meet the requirements of the public that use the roads. This was achieved through effective spending, high quality maintenance. The major challenge for this department, 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 2017/2018 financial year, municipality has implemented ten (10) roads projects, which included upgrading of roads from gravel to tar (surface) throughout the regions. By end of June 2018, the following five (5) projects were completed and roads were opened for traffic;

Table 18: Roads Completed

No.	Project Description	Kilometres surfaced
1	Valdezia Xitacini to Jiweni Access Road Phase 1	2
2	Tshikwarani to Zamkomste Road Phase 1	1.5
3	Tshirolwe, Matsa/Manyii Road Phase 1	1
4	Gombita, Tshivhuyuni to Mamphagi Road Phase 1	1.4
5	Piesanghoek to Khunda road (Phase 3)	1.9
TOTAL		7.8

There was also one project which was an upgrading of a bridge which included upgrading of an earth road to gravel and the project name was **Mudimeli Bridge and Access Road Phase 1**.

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 has 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. The Solar System as source of energy were given on average to 809/h/m. Songozwi and Buysdorp areas are part of municipality electrification projects, of which Songozwi will be electrified in 2018/2019 financial year. With regard to Buysdorp, 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 1695 household were electrified within the municipality. Makhado Local Municipality electrified 1035 households whilst ESKOM electrified a total of 660 households. By end of June 2018, municipality had a total of 109 186 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	CONNECTIONS	FUNDING	BUDGET SPENT
Rathidi Phase 2 (construction phase)	290	INEP	R 8.2m
		OWN FUNDING	R 177 000.00
Madabani Phase 2 (Construction Phase)	101	INEP	R 2.4m
		OWN FUNDING	R274 000.00
Maname phase 2 (construction phase)	57	INEP	R1.3m
		OWN FUNDING	R208 000.00
Mavhunga phase 2 (construction phase)	246	INEP	R2.8m
		OWN FUNDING	R2m
Post connection MLM	341	OWN FUNDING	R2.7m
TOTAL	1035	INEP	R 14 700 000.00
		OWN FUNDING	R 5 359 000.00

It should be noted that, whilst municipality is doing well with regards to electrification, the municipality is experiencing huge challenge with regard to operation and maintenance of the current electrical infrastructure. A Lack of funding and none availability of infrastructure maintenance plan 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 the Lack 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 SEZ expectation. 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 (Quality of Service). Of the total of 5326 faults attended to during the year under review, a total of 5326 overall calls were lodged with the call centre. A total of 2863 complaints were lodged and attended to **after hours** and 2463 were reported and responded to during normal/working hours. Table below represents the last three (3) years stats of fault attended.

FAULTS REPORTED AND ATTENDED

Table 20: Electricity Faults

Unplanned outages	2015/2016	2016/2017	2017/2018
Reported and attended	6528	7283	5326

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 2017/2018 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 2017	387	489
AUGUST 2017	486	551
SEPTEMBER 2017	574	676
OCTOBER 2017	1048	1128
NOVEMBER 2017	828	900
DECEMBER 2017	715	826
JANUARY 2018	1122	1273
FEBRUARY 2018	486	551
MARCH 2018	851	946
APRIL 2018	618	725
MAY 2018	614	714
JUNE 2018	419	505
TOTAL	8148	9285

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

ELECTRICITY LOSSES

There are two areas of electrical distribution losses:

1. Technical losses and
2. Non-technical losses

Due to the municipality's vast electrical network the determination of the losses are challenges. The NERSA / Treasury norm is 10%. Losses are due to overhead power lines, wind, heat, copper, iron and aluminum losses that are inherent in any electrical distribution system. To be able to determine technical losses it should be measured or calculated. None of the two can be done due to financial capacity and equipment constraints.

Non-technical losses have to do with billing, readings, tampering, theft, and tariffs exact. Records of all tampering are kept and customers are disconnected and fined as and when detected.

In order to address the above the Municipality has appointed a service provider that is busy to investigate the losses and to propose a new cost reflective tariff structure. The service provider will come with recommendations in this regard to be considered for implementation. Table below is the last 3 years distribution (energy) loss.

Table 22: Electricity Losses

YEAR	2015/2016	2016/2017	2017/2018
LOSSES	14.78%	10.75%	8.7%

3.2.2 Provision of Refuse Removal Services (Waste Management)

Makhado Local Municipality (MLM) has two (2) permitted landfill sites being Vondeling and New Makhado landfill site. Vondeling landfill site was officially closed down on 30 June 2017. The closure posed a challenge to the municipality, hence the development of the new landfill site which started to be operational on 1 July 2017.

The Municipality has 2 licenses/permits for waste transfer stations in two regions being Waterval and Dzanani. Dzanani Transfer Station is operational whilst Waterval is not. The Municipality is currently experiencing land availability challenge to develop new transfer site at Waterval. However, plans are that in the coming two years, this matter will have been resolved.

With regard to waste drop off facilities, the Municipality has six developed drop off sites during the year under review a total number of 19 waste still bins were placed within all regions, whilst 16 skip bins were 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 211 unemployed workers were appointed as part of Expanded Public Works Program (EPWP).

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, 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 2018 a total number of 519044.5 m² has been cleaned.

The Municipality purchased 1 x new skip loader truck which has been utilized to deliver and service 19 skips to increase waste removal services in rural areas. During the year under review 17,267 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.	2015/16	2016/17	2017/18
Nakisani Vhupo Hashu program	95 workers	120 workers	211 workers
Cleaning of public open spaces	519044.5 m ²	519044.5 m ²	519044.5 M ²

Capital projects for 2017/18

During the year under review, the municipality had planned to develop additional waste disposal cell 2 and budgeted a total of R 2.1 Million by end of financial year. The set target was not achieved as there was a delay in the procurement process.

The municipality had planned to procure 25 waste skip bins, however by the end of financial year no skip bins were procured due to delay in procurement. However, the municipality has managed to procure one (1) refuse skip bin loader truck.

Table 24: Solid Waste Service Delivery Levels:

SOLID WASTE SERVICE DELIVERY LEVELS				
DESCRIPTION	HOUSEHOLDS			
	2015/2016	2016/2017	2017/2018	
	ACTUAL	ACTUAL	ACTUAL	REMEDIAL ACTION
<i>Solid Waste Removal:</i> (Minimum level)				
Removed at least once a week	19149	15481	17267	Increase collection points by 10%
<i>Minimum Service Level and Above sub-total</i>	19149	15481	17267	None
<i>Minimum Service Level and Above percentage</i>	14,8%	13,3%	15%	None
<i>Solid Waste Removal:</i> (Below minimum level)				
Removed less frequently than once a week	N/A	N/A	N/A	None
Using communal refuse dump	N/A	N/A	N/A	None
Using own refuse dump	N/A	N/A	N/A	None
Other rubbish disposal	N/A	N/A	N/A	None
No rubbish disposal	110516	100890	116371	None
<i>Below Minimum Service Level sub-total</i>	110516	100890	99104	None
<i>Below Minimum Service Level percentage</i>	85.2%	86,7%	85%	None
Total number of households	19149	15481	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.

3.2.3 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.

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	2015/16	2016/17	2017/18
Books issued	6004	4675	3198
Satellite Libraries	4	4	4
New Members	168	223	194

During the year 2017/18, the library was closed for four months due to rehabilitation of its roof. In 2017/18 the number of book issued drastically decreased due to emergence/introduction of new technological system ("Wi-Fi").

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 Municipality had planned to finish some of the municipal parks during year under review; however, procurement process delayed the appointment of service provviders, which resulted in set target not being achieved.

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.

Disaster Management Services

With regard to Disaster Management Services, Makhado municipality has performed the following functions as indicated in the table below:

Table 26: Disaster Incidents

Incidences	2015/16	2016/17	2017/18
Fire Incidence	34	21	50
Storm/floods Incidence	282	188	714
Death Incidences	03	02	1
Burned Incident	29	23	1
Disaster relieve programs	120	150	74

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.

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	2015/16	2016/17	2017/18
Business premises inspected	273	305	297
Certificates of acceptability issued	56	86	68
Water samples performed	17	19	21
School inspection performed	10	09	03
Building plan scrutinized	135	158	165

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.

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:

Table 28: Traffic & Licensing Activities:

Activities	2015/16		2016/17		2017/18	
	No.	Value	No.	Value	No.	Value
Written notices issued	15374	R 7576520	12128	R6359180	10688	R5590950
	Actual	Actual	Actual	Actual	Actual	Actual
Department of transport 80%	R 5 298 720.66		R 17 155 457.76		R 13 987 719.26	
Municipality 20%	R 1 890 220.34		R 4 288 864.34		R 3 721 929.81	

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.

Special Programmes

Special programmes are located in the Office of the Mayor and they include programs to promote the interest of youth, women, the aged, HIV/AIDS campaigns, Arts and Culture activities, Sports and Recreation activities, Moral Regeneration activities, 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	2015/2016		2016/2017		2017/2018		
SERVICE TARGETS	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	REMEDIAL ACTION
Women's Forum	4	4	4	4	4	4	None
Senior Citizen Forum	4	4	4	4	4	4	None
Youth Programmes	4	4	4	4	4	4	None
Moral Re generation	4	4	4	4	4	4	None

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 725 houses were built in the 2017/2018 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	2015/2016		2016/2017		2017/2018		
SERVICE TARGETS	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	REMEDIAL ACTION
Service Objectives	600	596	400	396	800	725	N/A

CoGHSTA is currently, still busy addressing 2015/16 housing backlogs

DELIVERY OF FREE BASIC SERVICES

Council adopted a Tariff and Free Basic Services Policy for the 2017/18 financial year clearly outlining its relief in the form of free basic services as well as a Policy of a Subsidy Scheme for Indigent Households which in conjunction forms the rules for delivering free basic services. An extract from the Tariff policy reads as follows- “Free basic municipal services refer to those municipal services necessary to ensure an acceptable and reasonable quality of life and which service, if not provided, could endanger public health or safety or the environment.

In terms of the South African Constitution all consumers should have access to basic services. Currently, the free basic services provided to the domestic consumers within the Makhado Local Municipality are as follows:

- *Free minimum water (6 kiloliters per month) for all household consumers whereof the extent is annually determined during the adoption of the operational budget;*
- *Free distribution of electricity (30 units per month) for all household consumers whereof the extent is annually determined during the adoption of the operational budget; and*
- *Full subsidy for Sanitation and Refuse Removal Services to all indigent households that qualify in terms of the Council’s current indigent policy.”*

Table 31: Support: Low Income Households

FINANCIAL YEAR		2015/2016		2016/2017		2017/2018	
SERVICE TARGETS		TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
<i>Provision of alternative support to low income households that do not receive all Free Basic Services</i>	Electricity	6 822	6 822	34 693	34693	5430	5430
	Refuse Removal	119 809	119 809	119 809	119809	17285	17285
	Housing	17 754	17 754	17 754	17754	800	725

Free Basic Service Targets

Free Basic Sanitation (FBS): Free Basic Sanitation service is targeted to all poor households receiving an indigent subsidy monthly. For this purpose an indigent register is kept and updated annually. Council also adopted a Policy of a Subsidy Scheme for Indigent Households for the 2017/18 financial year

Free Basic Electricity (FBE): The first 50 Kilowatts units of electricity per month are given to the indigent households free of charge. For this purpose an indigent register of households earning less than R1, 880 per month and /or are unemployed is kept and updated annually. Approximately nineteen thousand three hundred and forty (19 340) indigent households in both Eskom and the Municipal distribution licensed areas are receiving FBE. A further number of one thousand one hundred (1,146) households are using the Solar Energy system in areas where there is no electrical grid and they also receive the FBE subsidy. The Municipality annually concludes a formal Agreement with Eskom in respect of FBE clients located in their distribution area who are entitled to FEB to arrange for the necessary payments.

3.2.4 OTHER MUNICIPAL SERVICES

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 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 2017/18 financial year the following roads were upgraded: Gombita, Tshirolwe, Mudimeli, Tshedza, Tshilaphala, Zamekomste, 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

Table 33: Surfaced Road Infrastructure

SURFACED ROAD INFRASTRUCTURE						
KILOMETERS						
YEAR	TOTAL SURFACED ROADS	NEW SURFACED ROADS	EXISTING SURFACED ROADS REHABILITATED	EXISTING SURFACED ROADS SEALED	RE-	SURFACED ROADS MAINTAINED
2015/16	16km	16km	0km	0km		3461km
2016/17	4km	4km	1.7km	0km		3465km
2017/18	7.8 km	7.8km	1.7km	0km		3660km

Road Maintenance Programme

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

Table 34: Capital Expenditure 2017/18: Road Services

PROJECT NAME	BUDGET	ACTUAL EXPENDITURE	VARIANCE
Sereni Themba to Mashamba post office access road	R11 800 000.00	R 8 696 018.75	R 3 103 981.25
Chavani to Bungeni access road	R13 254 837.11	R 13 375 237.98	R -120 400.87
Tshikwarani to Zamkomste Road	R9 291 162.89	R 5 367 106.08	R 3 924 056.81
Tshiolwe,Matsa to Manyii road	R11 300 000.00	R 9 240 254.55	R 2 059 745.45
Tshedza to Vuvha road.	R11 800 000.00	R 6 858 750.36	R 4 941 249.64
Gombiti,Tshivhuyuni to Mamphagi	R 9 428 286.31	R 3 843 039.98	R 5 585 246.33
Valdezia Xitacini to Jiweni access road	R11 300 000.00	R 12 123 472.16	R - 823 472.16
Piesanghoek to Khunda Road Phase II	R15 000 000.00	R 6 917 766.34	R 8 082 233.66
Mudimeli Bridge and Access Road	R12 239 127.72	R 11 357 181.10	R 881 946.62
Tshivhulana to Tshilaphala Ring Road Phase II	R13 132 436.73	R 8 457 683.63	R 4 674 753.10
TOTAL	R118 545 850.00	R77 540 492.18	R29 205 358.58

3.3. MUNICIPAL INFRASTRUCTURE GRANT (MIG) EXPENDITURE

The Municipality's actual spending is highlighted under "Actual Expenditure", whereas the difference in actual spending and final approved budget is highlighted under "Variance Adjustment Budget". Makhado municipality has spent 100% of MIG.

Makhado Local Municipality do receive MIG funding for development of its infrastructure. In 2017/2018 financial year a total of R91 million was allocated in this regard. Municipality received additional R15 million for good performance during the year under review which resulted in the allocation of R106 million by end of financial year, Municipality was able to achieve 11% MIG expenditure. It should be noted that Municipality has maintained 100% expenditure performance for the past 5 years.

3.4 PLANNING AND DEVELOPMENT

INTRODUCTION

Through the Department of Development Planning, the Municipality is a step ahead in the implementation of Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013). In compliance with the Act, the Municipality has since gazette its By-Law (Makhado Municipality Spatial Planning, Land Development and Land Use Management By-Law, 2016). The Municipal Planning Tribunal considered eight (8) land development applications during 2017/2018 financial year.

The Municipality has also appointed Authorised Official to consider applications as categorized and a total of one hundred and twenty two (122) were considered by Authorised Official during 2017/2018 financial year.

The Municipality is also responsible to drive the development through the alienation of Council land and future township developments. The Municipality has during 2017/2018 alienated twenty (20) business sites at Waterval Township by means of auction and a total of seven (7) business sites were alienated by means of private sale. A total of five (5) and twelve (12) applications for lease and residential were also considered respectively. The Municipality is faced with a serious challenge in terms of growth due to the land claims within the urban edge. It should be taken into consideration that the Municipality is a Provincial Growth Point and the Municipality will continue to engage the office of the land claim commissioner in relation to the claims within the urban edge.

In terms of the spatial plans and land use management, the Municipality will start with the process of reviewing its Spatial Development Framework and Land Use Scheme during 2018/2019 financial year. The review will be in accordance with the Act and Municipality By-Law. As like the Spatial Development Framework, the Land Use Scheme will cover the entire area within the Municipality.

The Municipality is also taking full advantage of the Special Economic Zone and the area affected will be included on the Spatial Development Framework. Thorough own income, the Municipality is also assisting our traditional council with demarcation of residential sites and five villages (Kutama Tshikwarani, Zamenkomste, Lufuko and two areas in Mashamba) are being assisted and the projects will be completed during 2018/2019 financial year.

The Municipality would to have well-planned human settlements in rural areas but financial constraints remain a challenge.

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 and financial constraints remain a challenge. In order to be more effective while taking into consideration of the Special Economic Zone, the Municipality will start with the process of reviewing its Local Economic Development Strategy during 2018/2019 financial year.

Some of the achievements by the Municipality as per target set are indicated on the table below:

Table 35 Building and zoning plans (2017/18)

Category	Number of new applications received
Building Control	244
Rezoning	31
Demarcation of sites	69
Erven alienated	24
Permission to occupy	49
Approved Zoning & Building Plans	178
TOTAL	595

Local Economic Development

The Municipality had a Local Economic Development Strategy in place. The Municipality is also responsible for Local Economic Development and in partnership with the National Department of Small Business Development Municipality will during 2018/2019 financial year continue to support Tshakhuma Community Fruit Market. Dzanani and Town traders market will also be considered for assistance. The Municipality has during 2017/2018 financial year funded and supported six cooperatives namely Zamenkomste poultry farm, Vhumatshelo agricultural cooperative, Mbofhamo brick making, Nthabalala agricultural cooperative, Phaphama agricultural cooperative and Zwidonaka brick making.

The projects that were supported by the Municipality from own income, during 2017/18 financial year are the following:

Table 36: LED Projects

No.	Name of Project	Kind of Support	Number of beneficiaries	Amount Funded
1	Mulima Pfananani Cooperative	Agricultural implements	15	R25 525.00
2	Phaphama Agricultural Cooperative	Agricultural implements	6	R31 449.95

3	Nthabalala Agriculture Cooperative	Poultry farming feeds and equipments.	5	R52 879.80
4	Vhumatshelo Crop Farming	Bore hole	5	R61 250.00
5	Zamekomste Poultry Cooperative	Poultry farming feeds and equipments.	5	R25 006.00
TOTAL			36	R196 110.75

Comment on local job opportunities:

Employment in the Municipality across the economic sector classification mirrors that of the province and the district. The main labour-absorbing sectors are the agriculture sector; community services sector; and the trade sector. Community service and trade sectors are the predominant employers within the study area, responsible for just over 27% and 19% of the active work force respectively. Agriculture is the third largest employer absorbing around 17% followed by the construction sector (8%), finance (5%), transport (5%), manufacturing (5%), and mining (1%).

Job gains were mostly in the community services sector (1493) and trade (646) in 2011. Even though the agricultural sector is the third largest in terms of labour absorption, it has been shedding jobs since 2001 and a total of 2396 jobs were lost between 2001 and 2011. During the same period 21,262 jobs were lost in the same sector in the Province.

The decline in jobs in this sector could be attributed to the trend of shifting away from employment of regular, permanent workers, and a simultaneous (though not commensurate) increase in the use of casual workers, meaning jobs of less security and consistency. (Extracted from the Reviewed LED Strategy: 2013)

Table 37: EPWP Jobs Created

YEAR	JOBS CREATED THROUGH EPWP PROJECTS
2015/2016	453
2016/2017	351
2017/2018	684
TOTAL	1488

Chapter 4

Municipal Personnel

Draft Annual Report

2017/2018

CHAPTER 4 – MUNICIPAL PERSONNEL

COMPONENT A: MUNICIPAL WORKFORCE

As at 30 June 2018, Makhado Municipality had a total workforce of six hundred and forty six (646) employees, allocated to six (6) respective municipal departments performing the different functions, some employees are also stationed in three respective regions which operate under the management of Regional Administrators including a satellite office in Vleifontein.

EMPLOYEE NUMBERS AND VACANCIES

Table 38 Employee Numbers

Description	Employees Numbers and Vacancies					
	2015/16	2016/17	2017/18			
	Employees numbers	Employees numbers	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Municipal Manager's	08	06	16	08	08	50
Corporate Services	49	46	58	52	06	10.3%
Community Services	168	161	192	167	25	13%
Technical Services	178	164	234	180	54	23%
Development Planning	24	24	34	29	05	14.7%
Budget & Treasury	75	73	94	74	19	20.2%
Dzanani Regional Office	58	55	76	65	11	14.5%
Waterval Regional Office	78	71	77	71	06	7.8%
TOTAL	814	600	776	646	134	2018

Organisational performance rate of 85% has been acceptable in the Municipality and this should be followed by an equivalent human capital investment. Therefore the vacancy rate at 15% and more should be regarded as disproportionate. The root cause of having high vacancy rate is mainly due to not filling terminated positions as and when they become vacant and to this end an annual recruitment plan must be developed.

TURN-OVER RATE

Table 39 Vacancy Rate

Details	Total appointments as of beginning of Financial Year No.	Terminations during the financial year No.	Turn-Over Rate %
2015/16	814	48	5,9
2016/17	620	45	7.25
2017/18	646	32	4.9

The Municipality do not have a norm on the employee turnover. However, it should be accepted that there will be terminations through attrition, resignations and retirement as well as internal migrations through promotions and transfers of employees.

COMPONENT B: MANAGING MUNICIPAL WORKFORCE LEVELS

Table 40 Human Resources Policies

	Name of Policies	Completed %	Reviewed
1	HR Strategy	100%	28 /05/2015
2	HR Plan	100%	30/06/2017
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
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

	Name of Policies	Completed %	Reviewed
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.

INJURIES, SICKNESS AND SUSPENSION

There are sporadic incidents of injury on duty. When such incidents do occur, the employee is reported to the Occupational Health Safety representatives or to the Employee Assistance Practitioner who would facilitate the referral of the employee to the Municipality's Medical Officer of Health for attention, at Council's cost. The employees are entitled to eighty days (80) sick leave in a three year leave cycle in terms of the SALGBC Main Collective Agreement.

Table 41 Suspensions

Position	Nature of alleged misconduct	Date of Suspension	Details of Disciplinary Action Taken or Status of the Case	Date Finalised
Manager PMU	Fraud	14 May 2018	Finalised	31/05/2018
Cashier	Misappropriation of funds	17 May 2018	Pending	N/A

The Manager: PMU resigned before the finalisation of the disciplinary hearing and the matter was regarded as closed and finalized. The outstanding disciplinary hearing against the Cashier at Budget and Treasury Office was finalised during December 2018/19 financial year.

Table 42 Injuries

Number and Cost of Injuries on Duty					
Type of Injury	Injury Leave Taken	Employees using injury Leave	Proportion of Employees using sick leave	Average Injury leave per employee	Total estimated Cost
	Days	No.	%	Days	R'000
Required Basic Medical Attention Only	96	10	1.5 %	None	R100 148.25
Temporary Total Disablement	None	None	None	None	None
Permanent Disablement	None	None	None	None	None
Fatal	None	None	None	None	None
Total	96	10	1.5 %	0%	R 100 148.25

INJURIES ON DUTY

An injury free workplace is the norm. In the event that injury on duty takes place the supervisor had to report the incident to the Departmental Health and Safety Committee for a recommendation to the Municipal Central Occupational Health and Safety Committee which shall, if reportable, refer the matter to the Department of Labour.

Table 43 Injury On Duty Leave

TOTAL NUMBER OF EMPLOYEES ON INJURY ON DUTY LEAVE					
No.	PERSAL NO	NAME AND SURNAME	NUMBER OF DAYS TAKEN	COST PER DAY	TOTAL COST
01	S007967	MACHOVHANI V	03	R 992.19	R 2 976.57
02	S001953	MASHAU T.P	05	R 1 126.23	R 5 631.15
03	L101224	MASIANUGA J	17	R 819.90	R 13 938.44
04	L009461	MURONGA K	03	R 449,39	R 1 348.10
05	S003710	PADIMA V	03	R 398.66	R 1 196.00
06	S009439	RADZILANI K	24	R 1 270.92	R 30 496.05
07	S008973	RAMOVHA T	27	R 1 270.92	R 34 314.93
08	S007012	SIKHAU O	05	R 1 270.99	R 6 354.62
09	S008300	THASANA M	06	R 449.39	R 2 696.39
10	S001448	THOBAKGALE R	03	R 398.66	R 1 196.00
TOTAL			96		R 100 ,148.25

SICK LEAVE

The Municipality's control system for sick leave does not accommodate sick leave without medical certification and will be upgraded to provide information.

Table 44 Sick Leave Statistics

Salary Band	Total sick leave days	Proportion of Sick Leave without medical certificate	Employees using sick leave	Total Employees in posts	Average Sick leave per employee Days	Estimated Cost R'000
MM and Section 57	14	0	3	6	2.3	2267.093
Management	154	0	54	32	5	1572.19
Highly Skilled Supervision	1080	0	146	86	12.5	1216.60
Highly Skilled Production	778	0	198	115	7	889.55
Skilled	1153	0	264	160	7.2	585.245
Lower Skilled	1186	0	375	247	5	376.26
Total	4365	0	1040	646	34	5,690.644

ORGANISATIONAL SDBIP PERFORMANCE

During the year under review, the municipality had nine (09) Key performance Indicators under Municipal Transformation and Organizational Development Key Performance Area. Of the nine KPI's, Seven (07) were achieved, whilst two (02) were not achieved.

Basic Service Delivery and Infrastructure Development key performance area had eleven (11) Key performance Indicators during the year under review. The municipality achieved seven (07) Key performance Indicators, whilst four (04) Key performance Indicators were not achieved.

The municipality had eleven (11) Key Performance Indicators under Municipal Finance and Management Viability key performance area. Ten (10) Key performance Indicators were achieved, whilst one (01) Key Performance Indicator could not be achieved.

Local Economic Development key performance area had three (03) Key Performance Indicators. Two (02) Key Performance Indicators were achieved whilst one (01) Key Performance Indicator 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.

This constitutes an overall municipality performance of 68%.

ANALYSIS OF MUNICIPAL SDBIP PERFORMANCE

Table 45: Municipal SDBIP Performance

ANALYSIS REPORT				
SDBIP ANALYSIS REPORT 2017/18				
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET NOT ACHIEVED	TARGET NOT APPLICABLE
MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT				
Integrated Development Planning	1	1	0	0
Performance Management	2	2	0	0
Human Resources and Organizational Development	5	3	2	0
Spatial and Town Planning	1	1	0	0
	9	7	2	0
		78%	22%	0%
TOTAL	78%			
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET NOT ACHIEVED	TARGET NOT APPLICABLE
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT				
Waste management	5	3	2	0
Parks and recreational	1	0	1	0
Electricity	4	1	3	0
Roads	1	0	1	0
	11	4	7	0
		36%	64%	0%
TOTAL	36%			
PROGRAMME	NO OF INDEX	TARGET ACHIEVED	TARGET NOT ACHIEVED	TARGET NOT APPLICABLE
MUNICIPAL FINANCE AND MANAGEMENT AND VIABILITY				
Revenue Management	2	2	0	0
Expenditure	1	1	0	0
Financial Statements	4	3	1	0
Budget and Reporting	2	2	0	0

Supply Chain Management	1	1	0	0
Asset Management	1	1	0	0
	11	10	1	0
		91%	9%	0%
TOTAL	91%			
PROGRAMME				
	NO OF INDEX	TARGET ACHIEVED	TARGET NOT ACHIEVED	TARGET NOT APPLICABLE
LOCAL ECONOMIC DEVELOPMENT				
Local Economic Development	3	2	1	0
		67%	33%	0%
TOTAL	67%			
PROGRAMME				
	NO OF INDEX	TARGET ACHIEVED	TARGET NOT ACHIEVED	TARGET NOT APPLICABLE
GOOD GOVERNANCE AND PUBLIC PARTICIPATION				
Risk Management	3	1	2	0
Public Participation	3	3	0	0
Internal Auditing	3	3	0	0
Information Technology	4	1	3	0
Council Services	1	1	0	0
Communication	1	1	0	0
	15	10	5	0
		67%	33%	0%
TOTAL	67%			
Summary of Annual Targets Achieved				
Key Performance Areas	Total KPI	Achieved KPI's	Percentage achievement	
MTOD	9	7	78%	
BSD	10	2	36%	
LED	3	2	67%	
MFMV	11	10	91%	
GGPP	15	10	67%	
OVERALL ACHIEVEMENT: 68%				

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

SKILLS DEVELOPMENT AND TRAINING

The municipality develops its human resources 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. Employees across all levels have been through the various capacity building programs.

Table 46 Capacity Building – Human Resources

COMPONENT D: WORKFORCE EXPENDITURE:

During the year 2017/2018, the salary bill of the Municipality was R282 583,766.66. The workforce expenditure per category is as follows:

Table 49: Total Salaries

Category	Total Salaries paid for 2015/2016	Total Salaries paid for 2016/17	Total Salaries paid for 2017/18
Employees	R212 743 322.00	R245 852 579.00	R256 675 130.13
Total	R212 743 322.00	R245 852 579.00	R256 675 130,10

The Municipality uses the People's Payroll System. All employees, including Councillors, receive printed payslips on a monthly basis. The pay day for the Municipality is the 25th of every month. The workforce expenditure of the Municipality is at 30% of the total Municipality budget which is less than the norm of 36% set out by the Treasury.

Chapter 5
**Statement of Financial
Performance**

**Draft Annual Report
2017/2018**

CHAPTER 5: FINANCIAL PERFORMANCE

The chapter comprises three components:

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

INTRODUCTION

The overall operating results achieved for the past financial year closed off with a loss of R73.7 million compared to a budgeted surplus of R 94.5 million. Operating revenue for the year is R871.6 million (2017: R861.3 million), which reflects an increase of 1.2%. The operating expenditure for the year is R945.4 million (2017: R927 million), which reveals an increase of 1.98%.

The total capital expenditure capitalized for the year in respect of property, plant, and equipment amounted to R168.8 million. This includes R139.6 million from government grants, and R29.2 million from own cash resources.

Cash and short-term investments decreased by 81.6% to R19.026 million (2017: R103.33 million). The cash balance at financial year end was R18.18 million.

Introduction to financial performance

Operating revenue excluding capital grants and subsidies for the year is R730.3 million (2017: R738.7 million), which shows a decrease of 1.14%. Included in the above figure are operating government grants to the amount of R301.6 million, which constitute 34.6% of total revenue.

Service charges jointly comprise 32.66% of total revenue and increased by R2.5 million from 2017 (R 282.2 million) to R284.7 million in the reporting financial year. Electricity remains the largest source of income and contributes 64.4% to municipal revenue.

Property rates constitute 7% of revenue and increased by 2.21% from the previous financial year.

Interest received from investments has decreased from R9.7 million to R9.3 million, which can mainly be attributed to the interest rate fluctuations during the year.

The operating expenditure for the year is R945.4 million (2017: R927 million), which indicates an increase of 1.98% from the previous financial year. The main expenditures are employee-related costs at R275.1 million (2017: 253.3 million), bulk purchases at R159.5 million (2017: 198.2), and Contracted Services at R227.1 million (2017: 194.8 million).

Contracted Services increased by 16.6% to R227.1 million (2017: R 194.8 million) and comprises 24% of total operating expenditure.

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

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

Table 0-1: Financial summary of the municipality as audited

Table 50: Financial Summary

LIM344: Makhado Local Municipality

Description	2016/17	Current Year 2017/18				
	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustment Budget %
R thousands						
Financial Performance						
Property rates	58 979	55 915	55 915	60 193	7%	7%
Service charges	282 170	327 451	327 451	284 717	-15%	-15%
Investment revenue	9 729	5 331	5 331	9 339	43%	43%
Transfers recognised - operational	304 301	300 109	301 654	301 636	1%	0%
Other own revenue	83 517	114 449	151 780	74 366	-54%	-104%
Total Revenue (excluding capital transfers and contributions)	738 697	803 254	842 130	730 250	-10%	-15%
Employee costs	230 313	282 794	267 794	249 835	-13%	-7%
Remuneration of councillors	23 076	25 958	25 958	25 307	-3%	-3%
Depreciation & asset impairment	83 996	95 872	75 872	82 967	-16%	9%
Finance charges	12 724	12 720	12 720	12 159	-5%	-5%
Debt impairment	73 353	10 000	64 139	133 905	93%	52%
Materials and bulk purchases	198 262	212 748	205 748	159 447	-33%	-29%
Contracted services	194 789	11 000	16 900	227 060	95%	93%
Other expenditure	110 494	190 408	219 949	54 679	-248%	-302%
Total Expenditure	927 008	841 501	889 081	945 360	11%	6%
Surplus/(Deficit)	(188 311)	(38 247)	(46 951)	(215 110)	-21%	-21%
Transfers recognised - capital	122 614	116 169	141 400	141 373	0%	0%
Contributions recognised - capital & contrib	-	-	-	-		0%
Surplus/(Deficit) after capital transfers & contributions	(65 698)	77 922	94 449	(73 737)	-21%	-21%
Share of surplus/ (deficit) of associate	-	-	-	-	0%	0%
Surplus/(Deficit) for the year	(65 698)	77 922	94 449	(73 737)	-21%	-21%

Table 0-2: Financial Performance (Revenue & Expenditure by municipal vote)

Table 51 Financial Performance

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

Vote Description	Ref	2016/17							
		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	1	306 306	544 458	598 207	481 950	598 207	(116 257)	-19.4%	598 207
Vote 2 - WASTE MANAGEMENT		4 305	7 573	-	-	-	-	-	-
Vote 3 - ROAD TRANSPORT		7 537	14 764	14 764	11 994	14 764	(2 770)	-18.8%	14 764
Vote 4 - WATER		-	-	-	-	-	-	-	-
Vote 5 - ELECTRICITY		164 390	340 842	340 842	278 913	340 842	(61 929)	-18.2%	340 842
Vote 6 - CORPORATE SERVICES		11 523	-	-	-	-	-	-	-
Vote 7 - PLANNING AND DEVELOPMENT		188	-	-	-	-	-	-	-
Vote 8 - COMMUNITY AND SOCIAL SERVICES		40	-	-	-	-	-	-	-
Vote 9 - HOUSING		21	19 282	19 282	605	17 675	(17 070)	-96.6%	19 282
Vote 10 - OTHER		-	-	-	-	-	-	-	-
Vote 11 - SPORTS AND RECREATION		-	-	-	-	-	-	-	-
Vote 12 - BUDGET AND TREASURY		17 353	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	104	104	-	-	-	-	104
Vote 14 - [Name of sub-vote]		-	-	-	-	-	-	-	-
Vote 15 - [Name of sub-vote]		-	-	-	-	-	-	-	-
Total Revenue by Vote	2	511 663	927 023	973 199	773 463	971 488	(198 026)	-20.4%	973 199
Expenditure by Vote									
Vote 1 - EXECUTIVE AND COUNCIL	1	18 594	794 640	816 220	640 268	816 220	(175 952)	-21.6%	816 220
Vote 2 - WASTE MANAGEMENT		3 126	25 673	25 673	2 618	23 534	(20 916)	-88.9%	25 673
Vote 3 - ROAD TRANSPORT		340	21 188	21 188	9 028	21 188	(12 160)	-57.4%	21 188
Vote 4 - WATER		1 175	-	-	-	-	-	-	-
Vote 5 - ELECTRICITY		132 540	-	-	-	-	-	-	-
Vote 6 - CORPORATE SERVICES		4 528	-	-	-	-	-	-	-
Vote 7 - PLANNING AND DEVELOPMENT		14 831	-	-	-	-	-	-	-
Vote 8 - COMMUNITY AND SOCIAL SERVICES		423	-	-	-	-	-	-	-
Vote 9 - HOUSING		-	-	-	-	-	-	-	-
Vote 10 - OTHER		12 354	-	-	-	-	-	-	-
Vote 11 - SPORTS AND RECREATION		403	-	-	-	-	-	-	-
Vote 12 - BUDGET AND TREASURY		205 254	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-
Vote 14 - [Name of sub-vote]		-	-	-	-	-	-	-	-
Vote 15 - [Name of sub-vote]		-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	393 568	841 501	863 081	651 914	860 942	(209 027)	-24.3%	863 081
Surplus/ (Deficit) for the year	2	118 095	85 522	110 118	121 548	110 547	11 002	10.0%	110 118

GOVERNMENT GRANTS RECEIVED

The municipality received capital and operational grants during the financial year, which normally have conditions attached. The following table shows the various grants received by the municipality.

Table 52: Grants Received

Grant Performance						
Description	R' 000					
	2016/17	2017/18			2017/18 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:	297 812	300 109	300 739	300 109	0%	0%
Equitable share	290 605	294 079	294 079	294 079	0%	0%
Municipal Systems Improvement	2 000	—	—	—	0%	0%
Financial Management Grant	1 625	1 700	1 700	1 700	0%	0%
Transitional Demarcation Grant	2 686	2 282	2 912	2 282	0%	-22%
EPWP Incentive	896	2 048	2 048	2 048	0%	0%
Levy replacement	—	—	—	—		
Other transfers/grants [insert description]	—	—	—	—	0%	0%
Provincial Government:	—	—	—	—		
Health subsidy	—	—	—	—		
Housing	—	—	—	—		
Ambulance subsidy	—	—	—	—		
Sports and Recreation	—	—	—	—	0%	0%
Other transfers/grants	—	—	—	—		
District Municipality: [insert description]	—	—	—	—		
Other grant providers: [insert description]	—	—	—	—		
Total Operating Transfers and Grants	297 812	300 109	300 739	300 109		
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published</i>						

COMMENT ON OPERATING TRANSFERS AND GRANTS

The equitable share is an unconditional grant, and the full gazetted amount of R292 million was received.

The Finance Management Grant was utilised for the intern programme. An amount of R1.7 million was spent in the year under review.

The EPWP incentive grant is utilised for job creation projects. During the year, R2.048 million was spent to employ temporary workers for street cleaning and cleaning of overgrown main streets.

Municipal Demarcation Transitional Grant (MDTG) was used to subsidize the additional institutional and administrative costs arising from major boundary changes that came into effect after 2016 local government election. The grant only subsidizes the additional administrative posts related to mergers (such as merging and changing administrative systems and cost related to changing staff.

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 2015/16 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 53: Budget Related Policies

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

The assessment of Arrears on Municipal Taxes and service charges

The municipality considers effective revenue management to be the blood line of a financially sound institution. The municipality monitors its debt book on monthly bases 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 who benefited during the year from both Eskom and the municipality was 1 768 and 3 662 respectively and the total cost incurred was R 2 441 497.00. The braked down of the municipality indigent are as follows, Old age 2 620, below threshold 22, Child headed family 110, and unemployed 910.

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 204 515 733.00. The debt has increased from R 158 4million to 204 4million. The current debt at the end of the financial year was R 40.5 million. Below is the detail for the current financial year debt book per area,

- Louis Trichardt R 39 9million
- Dzanani R 9 6million
- Vleifontein R 13 6million
- Waterval R 29 3 million
- Tshikota R 4 2million
- Farms R 107,4million

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. As a result the municipality is enjoying an overall debt collection rate of 92% in the 2017/18 financial year.

The municipality has the opportunity to improve its collection if the credit control policy was to be employed more stringently. The expiring of the debt collector's contract during the 2017/18 financial contributed to the increase of the debtor's book.

The assessment rates and electricity affects just over 12 059 and 8 948 respectively. The amount owed as at the end of the current year was R 70,4 million for electricity and R 66, 3 million for Rates.

ASSETS MANAGEMENT

Overview of Asset Management

The Asset Management Policy is developed to comply with all relevant legislative requirements and complies with the standards specified by the Accounting Standards Board. Asset management within the municipality is overseen by the Chief Financial Officer.

Fixed Asset Register

The CFO established 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 key elements of asset management:

To ensure that the assets of the municipality are managed according to the asset management policy and the regulations.

To ensure the effective and efficient control, safeguarding, utilisation and management of the municipalities assets.

To ensure that the asset of the municipality are not misused and are safeguarded against inappropriate loss.

To ensure that proper management of PPE forms part of the financial management procedures of the municipality.

And also to ensure that the asset serve the purpose of assisting the municipality to fulfil its constitutional mandates of service delivery, social economic and development and fulfilling the basic needs to the community.

Organizing Asset Management, Staff Involved, and Delegations

The CFO is accountable to the Municipal Manager and needs to ensure that the financial investments in the municipality's assets is safeguarded and maintained.

The Asset Manager must ensure that appropriate physical management and control systems are established and maintained for all assets in their area of responsibility and that the municipal resources assigned to them are utilized effectively, efficiently, economically, and transparently.

The Asset Accountant must assist the Asset Manager in performing his/her functions and duties in terms of asset management.

Table 0-2: Treatment of the three largest assets acquired 2017/18

Table 54 Three Largest Assets

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2017/18				
Asset 1				
Name	Sereni Themba to Mashamba post office access road			
Description	Construction of access road between Sereni and Mashamba Villages for 4.2km			
Asset Type	Roads and Storm Water			
Key Staff Involved	PMU Manager and Director Technical Services			
Staff Responsibilities	Project Management and Service Provider Monitoring			
Asset Value	2017/18	2016/17		
	24 376 768.98	4 564 235.00		
Capital Implications	Development of road Infrastructure and side bridge (Roads and Storm Water)			
Future Purpose of Asset	Provision of access road to Community and Control of Storm Water			
Describe Key Issues	Construction of road and associated storm-water control system			
Policies in Place to Manage Asset	Yes			
Asset 2				
Name	Gombita Tshivuyuni To Mphagi Road Phase 1			
Description	Construction of access road			
Asset Type	Road and storm water			
Key Staff Involved	PMU Manager and Director Technical Services			
Staff Responsibilities	Project management and Co-ordinating			
Asset Value	2017/18	2016/17		
	11 825 076.00	2 914 360.00		
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	Xitacini To Jiweni Access Road (Valdezia) Phase 1			
Description	Construction of access road Xitacini To Jiweni Access Road			
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			
Asset Value	2017/18	2016/17		
	11 246 183.00	7 067 816.00		
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			

With reference to the three projects approved in the year, these projects were evaluated from a cost and revenue perspective, including municipal tax and tariff implications in accordance with Section 19(2)(a) and (b) and MSA Section 74(2)(d), (e) and (i).

The responsible implementing departments ensure that project files are maintained, and these files are readily accessible for audit inspection.

FINANCIAL RATIOS BASED ON KEY FINANCIAL INDICATORS

Figure 6 Liquidity Ratio

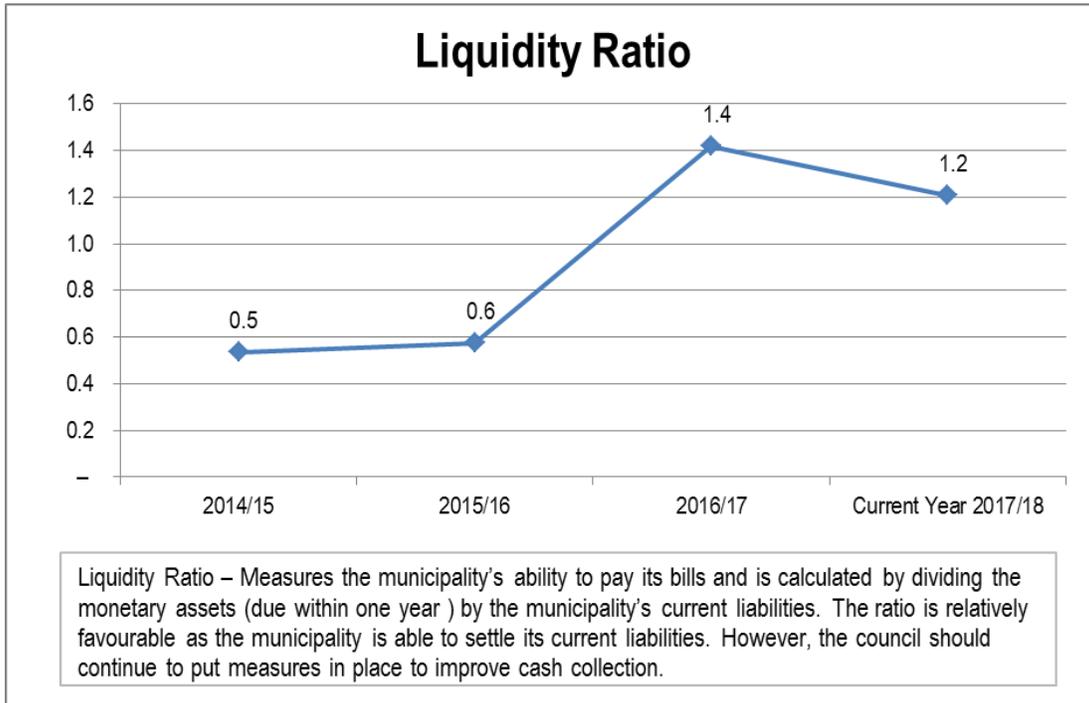


Figure 7 Cost Coverage

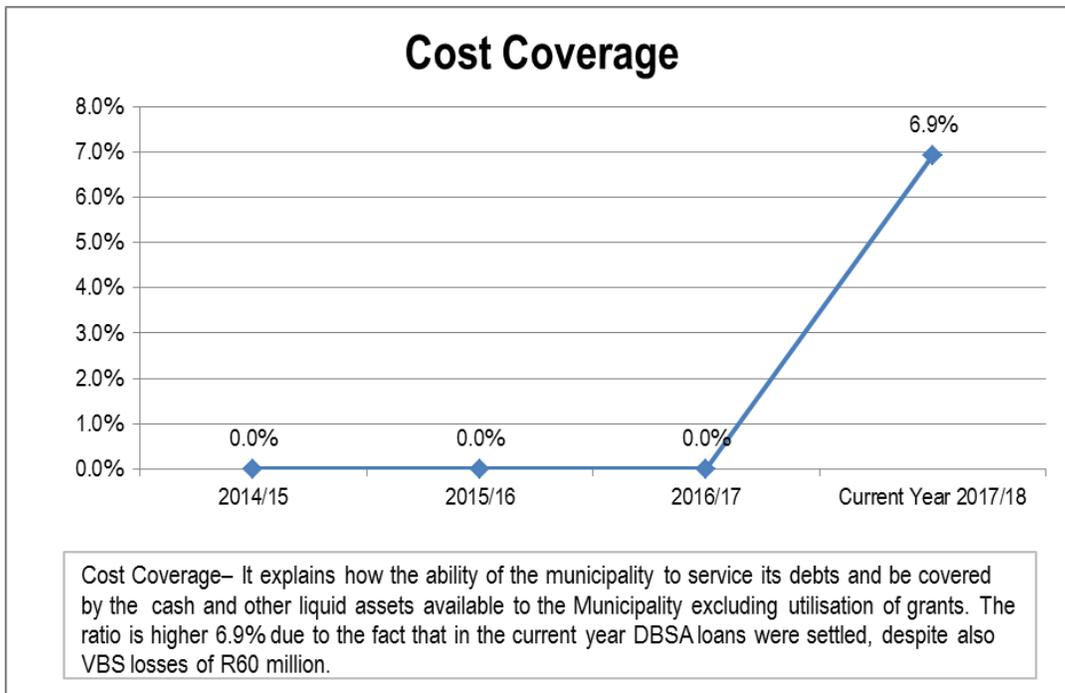


Figure 8 Outstanding Debtors

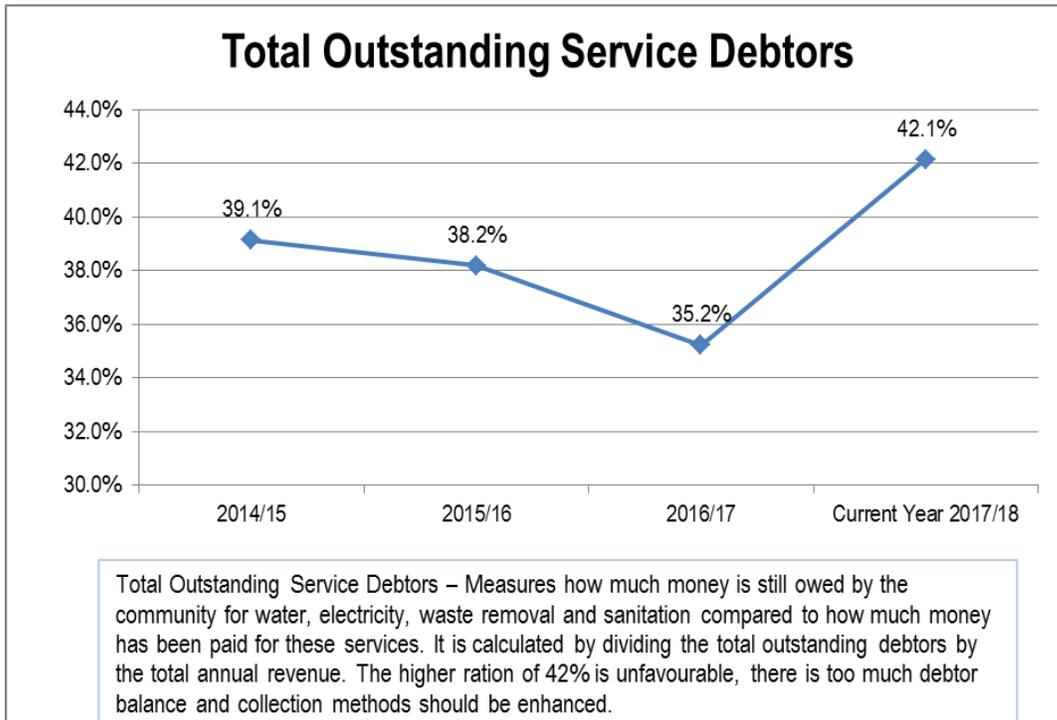


Figure 9 Debt Coverage

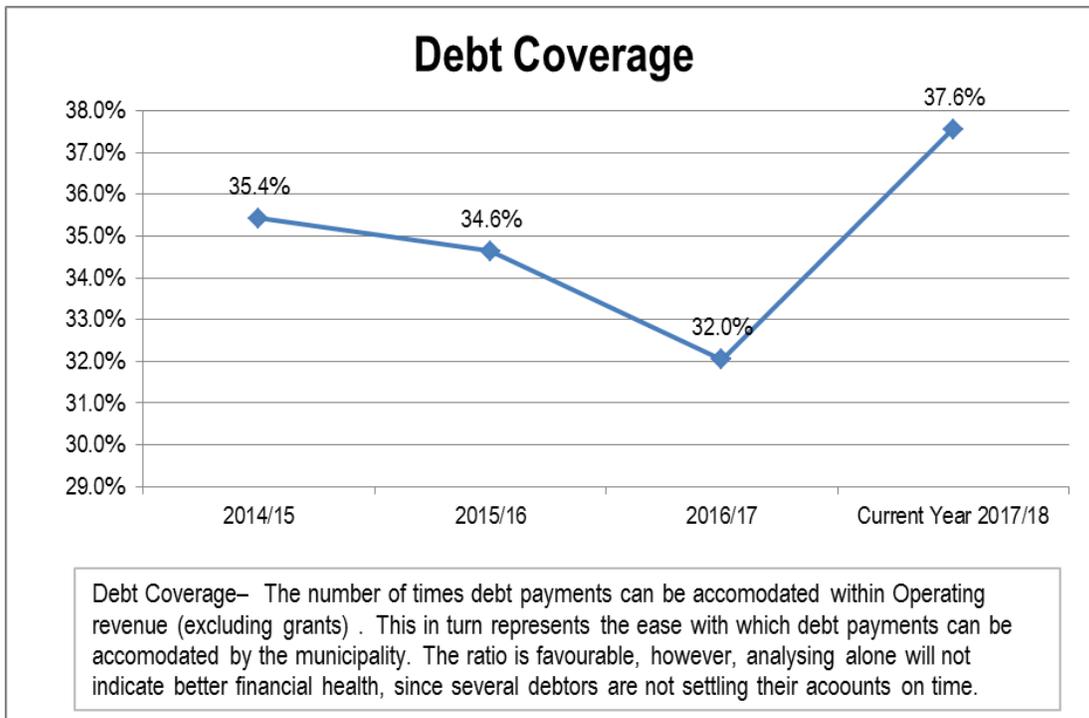


Figure 10 Creditors

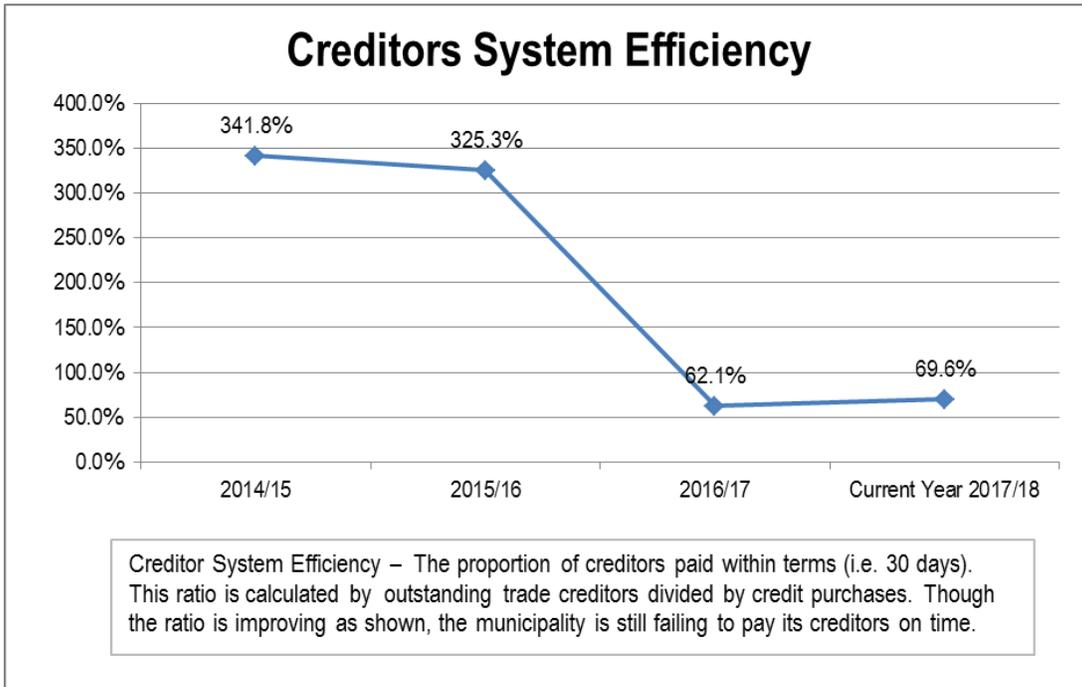


Figure 11 Capital Charges

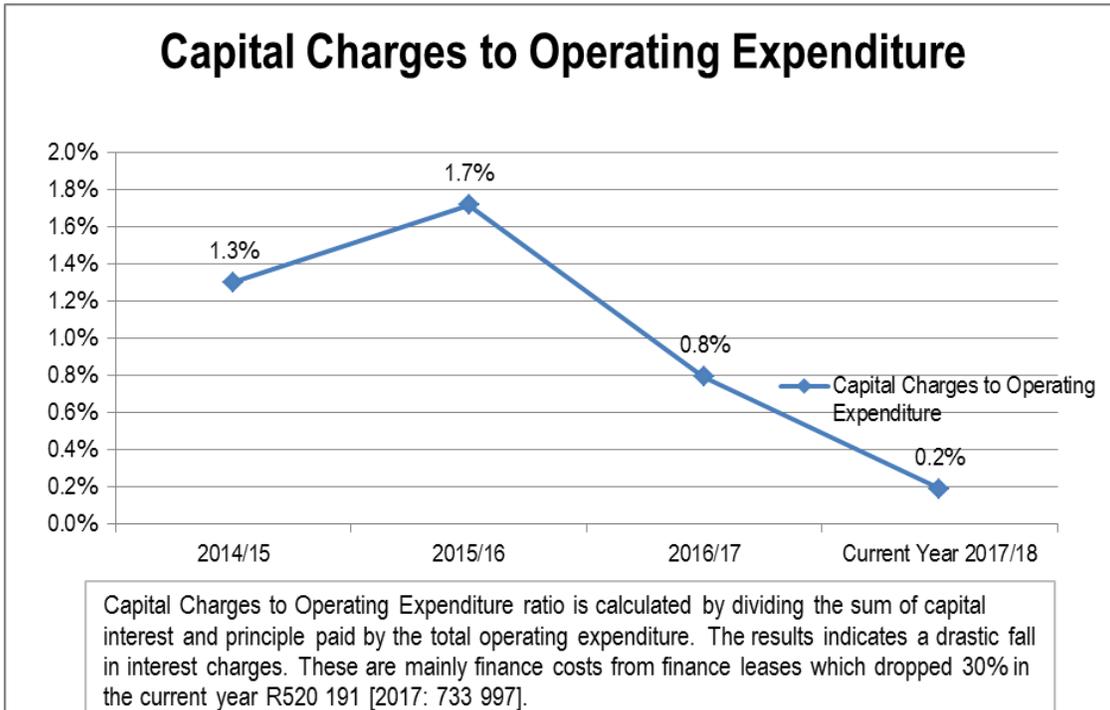
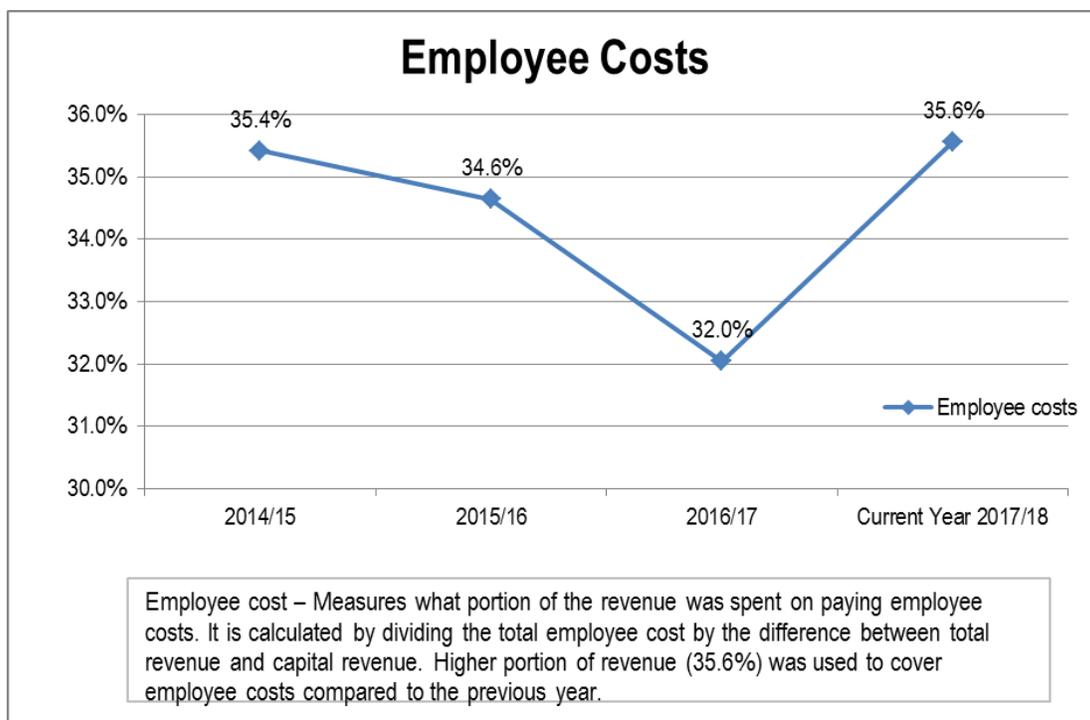


Figure 12 Employee Costs



COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

SPENDING ON 5 LARGEST PROJECTS

The following represent the capital spending against the capital budget:

Table 0-1: Capital Expenditure of 5 largest projects*

Table 55 Capital expenditure of 5 Largest Projects

Capital Expenditure of 5 largest projects*

R' 000

Name of Project	Current: Year 2017/18			Variance: Current Year 2017/18		
	Project Cost	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - Sereni Themba to Mashamba post office access road	25 550 505	11 800 000	11 800 000	8 696 019	26%	0%
B - Gombita Tshivuyuni To Mphagi Road Phase 1	13 545 366	11 800 000	11 300 000	12 123 472	-3%	4%
C - Xitacini To Jiweni Access Road (Valdezia) Phase 1	13 315 361	11 800 000	11 300 000	9 240 255	22%	4%
D - Piesanghoek To Khunda Access Road Phase 3	12 636 769	11 800 000	11 800 000	6 858 750	42%	0%
E - Tshirolwe/ Matsa /Manyii /Mamvuka Access Road Phase 1	9 221 384	9 246 000	13 254 837	6 037 890	7%	-43%
<i>* Projects with the highest capital expenditure in 2017/18</i>						
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: Gombita Tshivuyuni To Mphagi Road Phase 1						
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 - C: Xitacini To Jiweni Access Road (Valdezia) Phase 1						
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: 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 - E: Tshirolwe/ Matsa /Manyii /Mamvuka Access Road Phase 1						
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						

Table 0-2: Capital Expenditure – Funding Sources

Table 56 Capital Expenditure

Capital Expenditure - Funding Sources: Year 2016/17 to Year 2017/18						
R' 000						
Details	Year 2016/17	2017/18				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance						
External loans	0	0	0	0	0.00%	0.00%
donations	0	0	0	0	0.00%	0.00%
Grants and subsidies	42 108	114 390	139 594	139 594	22.03%	22.03%
Other	14 366	49 368	58 222	29 211	17.93%	-40.83%
Total	56 474	163 758	197 816	168 805	39.97%	-18.80%
<i>Percentage of finance</i>						
External loans		-	-	-	0.0%	0.0%
donations		-	-	-	0.0%	0.0%
Grants and subsidies		1	1	1	8.0%	-117.2%
Other		0	0	0	92.0%	217.2%
Capital expenditure						
Executive & council	28 512	88 890	130 067	114 607	46.32%	28.93%
Electricity	20 619	53 146	46 497	44 026	-12.51%	-17.16%
Corporate services	586	4 560	4 210	3 578	-7.68%	-21.54%
Planning & development	637	9 802	9 802	240	0.00%	-97.55%
Community & social services	2 988	2 380	2 380	1 493	0.00%	-37.27%
Sports & recreation	-	4 350	4 350	4 352	0.00%	0.00%
Budget & treasury	3 131	510	510	510	0.00%	0.00%
Total	56 473	163 638	197 816	168 806	26.14%	-144.58%
<i>Percentage of expenditure</i>						
Executive & council	50.5%	54.3%	65.8%	67.9%	177.2%	-20.0%
Electricity	36.5%	32.5%	23.5%	26.1%	-47.9%	11.9%
Corporate services	1.0%	2.8%	2.1%	2.1%	-29.4%	14.9%
Planning & development	1.1%	6.0%	5.0%	0.1%	0.0%	67.5%
Community & social services	5.3%	1.5%	1.2%	0.9%	0.0%	25.8%
Sports & recreation	0.0%	2.7%	2.2%	2.6%	0.0%	0.0%
Budget & treasury	5.5%	0.3%	0.3%	0.3%	0.0%	0.0%

COMPONENT C: CASHFLOW MANAGEMENT AND INVESTMENTS

CASH MANAGEMENT

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

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.

Municipality Investments

During the financial year, the municipality had insignificant investments in FNB of R 823 566. An amount of R62, 734,416 which was invested in VBS Mutual Bank could not be recovered after the bank collapsed. This has a negative impact on the cash flow management of the municipality.

Municipality Borrowings

The municipality had no borrowings during the financial year ended 30 June 2018. The whole amount of R1 677 214 from DBSA was settled during the year. The loans were taken to fund capital projects back then.

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 2018, R 3 742 704 is outstanding.

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

Table 57: Borrowings

Actual Borrowings: Year -2015/16 to Year -2017/18			
	R' 000		
Instrument	2015/16	2016/17	2017/18
Municipality			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)	3 218 000.00	1 677 000.00	-
Local registered stock			
Instalment Credit			
Financial Leases	13 492 335.00	6 151 066.00	3 742 704.00
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
Municipality Total	16 710 335	7 828 066	3 742 704

COMMENT ON EXTERNAL BORROWINGS

External borrowings are obtained to supplement the municipal capital programme. During the financial year under review, no new external loans were taken up, resulting in borrowings decreasing by R1.677 million.

The municipality is leasing photocopier machines, whereby it is paying monthly instalment for the use of the machines as well as monthly payment of water tankers. These transactions resulted in recognition of Finance Lease obligations in the books. As of the end of the financial year 30 June 2018, R 3 742 704 is outstanding.

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

Table 58: Cashflow

Statement of Cash flow				
R'000				
Description	2016/17	2017/18		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	60 272	55 915	55 915	59 977
Service charges	261 706	327 451	327 451	260 376
Grants	388 262	416 305	417 850	433 090
Other receipts	103 913	119 779	157 110	78 397
Payments				
Suppliers and employees	(747 723)	(722 909)	(709 468)	(694 179)
Finance charges	(12 724)	(12 720)	(12 720)	(12 159)
NET CASH FROM/(USED) OPERATING ACTIVITIES	53 706	183 821	236 138	125 502
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	209	-	-	2 783
Decrease (Increase) in non-current debtors	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-
Payments				
Capital assets	(192 612)	(160 758)	(160 758)	(206 725)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(192 403)	(160 758)	(160 758)	(203 942)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	-	-	-	-
Borrowing long term/refinancing	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-
Payments				
Finance lease payments	(3 744)	-	-	(4 186)
Repayment of borrowing	(1 540)	-	-	(1 677)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(5 285)	-	-	(5 863)
NET INCREASE/ (DECREASE) IN CASH HELD	(143 982)	23 063	75 380	(84 302)
Cash/cash equivalents at the year begin:	247 311	115 918	115 918	103 329
Cash/cash equivalents at the year end:	103 329	138 981	191 298	19 027

COMMENT ON CASH FLOW

The cash flow from operating activities indicates a positive cash flow of R125 million. Further, R207 million was utilized on investment activities mainly to purchase property, plant, and equipment to the value of R206.7 million. The cash flow from financing activities indicates an outflow of R5.8 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 R19 million, which indicates an increase of 81.6% from the previous year. This is mainly due to losses incurred in VBS investments.

COMPONENT D: OTHER FINANCIAL MATTERS

SUPPLY CHAIN MANAGEMENT AND EXPENDITURE MANAGEMENT

The Council has developed an SCM Policy and practices in compliance with the guidelines set out by the Supply Chain Management Regulations, 2005, which was approved with effect from 1 March 2006. The new Preferential Procurement Regulations, 2011, with effect from 7 December 2011, 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 councillors 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.

Table 59: Projects awarded during the financial year 2017/18

DESCRIPTION	TENDER (R)
PRE-PAID ELECTRICITY VENDING SYSTEM FOR 3 YEARS	COMMISSION OF 3,42%
PUBLICATION OF TENDERS AND POST	R1 833 162,00
SUPPLY AND DELIVERY DIARIES AND CALENDERS 2018	R473 540,00
PANEL OF PUBLIC TRANSPORT (15 SEATERS)	11,50 PER KM
PANEL OF PUBLIC TRANSPORT (22 SEATERS)	64,09 PER KM
PANEL OF PUBLIC TRANSPORT (35 SEATERS)	68,30 PER KM
PANEL OF PUBLIC TRANSPORT (64 SEATERS)	31,50 AND 36,00VPER KM
SUPPLY AND DELIVERY OF REFUSE PLASTIC BAGS	VARIOUS RATES
COMPILATION OF FIVE YEAR ITC STRATEGIC PLAN	R495 000.00
OPERATION AND MAINTENANCE OF LANDFILL SITE FOR TWO YEARS	R8 640 000.00
ELECTRIFICATION OF VILLAGES	VARIOUS RATES
POST CONNECTIONS FOR VILLAGES	VARIOUS RATES

DESCRIPTION	TENDER (R)
PANEL OF LEGAL SERVICES	VARIOUS RATES
CLOUD CALL CENTRE AND ONLINE HELPDESK FOR 3 USERS	R384 203,45
SUPPLY AND DELIVERY OF NEW REFUSE SKIP BIN LOADER	R1 259 744,00
CONSULTING ENGINEERS FOR ELECTRIFICATION OF VILLAGES 2017/2018 TO 2019/2020	VARIOUS RATES
FLEET MANAGEMENT FOR THE VEHICLES	R8 404 843,12
DEVELOPMENT AND REVIEW OF STAFF ESTABLISHMENT	R849 555,36
CONSTRUCTION OF TSHIKWARANI TO ZAMEKOMSTE ROAD PHASE 2	R16 805 009,81
CONSTRUCTION OF TSHEDZA TO VUVHA ROAD PHASE 2	R8 668 773,47
CONSTRUCTION OF MBHOKOTA, GOMBITA, TSHIVHUYNI TO MPHAGI ROAD PHASE 1	R15 429 317,14
SUPPLY AND INSTALLATION OF STREET NAMES FOR 3 YEARS	R940,00
CONSTRUCTION OF MUDIMELI BRIDGE AND ACCESS ROAD PHASE 2	R8 494 357,74
COMPILATION OF GENERAL VALUATION ROLL FOR PERIOD OF 1 JULY 2018 TO 30 JUNE 2022	R9 998 500,00
INSURANCE FOR MUNICIPAL ASSETS OR PROPERTIES	R1 235 297,00
RENTAL OF PHOTOCOPIERS FOR THREE YEARS	R1 668 762,20
VERIFICATION OF ASSETS	TO BE NEGOTIATED
CONSUMER DATA CLEANSING	TO BE NEGOTIATED

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).

GRAP COMPLIANCE

GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice. It provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative to the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The municipality prepares the annual financial statement that complies with the Standards of GRAP. 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.

MSCOA IMPLEMENTATION

Implementation of MSCOA:

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 6.2.

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.

Achievements made so far

The municipality has fully complied with MSCOA regulations and started transacting live on the 01st of July 2016. This is the second 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

The audited Annual Financial Statements for the 2017/2018 financial year is attached as Annexure A to this report.

Chapter 6

**Auditor General Opinion of
Financial Statements 2017/2018**

**Draft Annual Report
2017/2018**

CHAPTER 6 – AUDITOR-GENERAL AUDIT FINDINGS

INTRODUCTION

Note: The Constitution S188(1)(b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements, and financial management of all municipalities. Section 45 of the MSA further states that the results of performance measurement must also be audited annually by the Auditor-General. Section 121(3) of the MFMA required that the audit report be included in the annual report to be tabled.

Every municipality must for each financial year prepare annual financial statements which

1. Fairly present the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year; and
2. Disclose the information required in terms of Sections 123, 124 and 125 of the MFMA.

Annual financial statements must be prepared within two months after the end of the financial year to which those statements relate and submit the statements to the Auditor-General for auditing.

The accounting officer is responsible to at least once per year measure and review the performance of the municipality. The results of the performance measurement must be audited annually by the Auditor-General. Therefore, the performance results are submitted with the annual financial statements.

The Auditor-General must audit the financial statements and performance results and submit an audit report to the accounting officer within three months of receipt of the statements.

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS

6.1. AUDITOR-GENERAL REPORTS PREVIOUS YEAR

Table 60 AG Report 2016/2017

Auditor-General Report on Financial Performance: 2016/17		
Audit Report Status*:		Adverse of opinion
Financial Statement Area	Issues Raised	Status
Expenditure	The municipality did not classify transactions as general expenditure in the annual financial statements, as required by GRAP 1, Presentation of the Financial Statements. The credit balances were netted off against the debit balances. The effect on the financial statements was that general expenses disclosed in note 33 to the financial statements was understated by R18 285 356. Additionally, there was a resultant impact on the surplus for the period.	Resolved.
Licences and permits	I was unable to obtain sufficient appropriate audit evidence for revenue from licences as the municipality did not provide a detailed transaction listing. The municipality did not have adequate systems of internal control in place to reconcile the transactions and events to the financial statements. I could not confirm revenue from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment to revenue stated at R17 649 309 in the financial statements was necessary.	Resolved.
Other income	The municipality did not record transactions for Vhembe district municipality's water related services in accordance with GRAP 1, Presentation of the Financial Statements. The amounts disclosed in the underlying records did not agree with the amount recorded in the financial statements. The effect on the financial statements was that revenue from exchange transactions was overstated by R12 211 337. Additionally, there was a resultant impact on the surplus for the period. Furthermore, sufficient and appropriate audit evidence could not be provided for proceeds from the sale of land amounting to R6 509 127 as disclosed in note 22 to the financial statements.	Resolved.
Unauthorised expenditure	During 2016, I was unable to obtain sufficient appropriate audit evidence that unauthorised expenditure for the year had been properly disclosed and to confirm the unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to unauthorised expenditure stated at R0 (2015- 2016: R22 992 036) in note 44 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2016 was modified accordingly. My opinion on the current's period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figure.	Resolved
Debt impairment	The municipality did not have adequate systems to maintain records for debt impairment as required by, GRAP 1 Presentation of the Financial Statements. As described in note 40 to the financial statements, the restatement was made to rectify a previous year misstatement. The municipality did not submit sufficient and appropriate audit evidence in support of the journals passed regarding debt impairment amounting to R18 274 090. Consequently, I was not able to determine the impact on the accumulated surplus as it was impracticable to do so.	Resolved
<p><i>Note:*The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)</i></p>		

T 6.1.1

6.2. AUDITOR-GENERAL REPORT – CURRENT YEAR

Auditor-General Report on Financial Performance: 2017/18

Table 61 AG Opinion 2017/2018

Audit Report Status*:	Qualified Opinion
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Table 62 AG Findings 2017/2018

Financial Statement Area	Issues Raised	Remedial Action
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	Correction of prior year error identified in the 2017/18 audit by 31st march 2019. Preparation of interim financial statement by 31st march 2019. Activation of Munsoft asset management system. Sufficient review of the AFS by internal audit & audit committee. Development of assets management program by the 31 of January 2019 with key deadlines to avoid late submission of FAR.
	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.	Correction of prior year error identified in the 2017/18 audit by 31st March 2019. Preparation of interim financial statement by 31st March 2019. Activation of Munsoft asset management system. Sufficient review of the AFS by internal audit & audit committee. Development of assets management program by the 31 of January 2019 with key deadlines to avoid late submission of FAR. Monthly monitoring of the implementation of the program.
	The municipality did not recognise items of property, plant and equipment in accordance with GRAP 17, Property, plant and equipment. The municipality	Correction of prior year error identified in the 2017/18 audit by 31st march 2019 Preparation of interim financial statement by 31st march 2019.

Financial Statement Area	Issues Raised	Remedial Action
	<p>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.</p>	<p>Sufficient review of the financial statements by Internal audit, audit committee</p>
<p>Depreciation & amortisation</p>	<p>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.</p>	<p>Correction of prior year error identified in the 2017/18 audit by 31st march 2019 Preparation of interim financial statement by 31st march 2019. Activation of Munsoft asset management system. Sufficient review of the financial statements by Internal audit, audit committee Development of assets management program by the 31st of January 2019 with key deadline to avoid late submission of FAR. Monthly monitoring of the implementation of the program.</p>
<p>Cash flow statement</p>	<p>The financial statements were materially misstatements due to material uncorrected misstatements in the following items disclosed in the cash flow statements</p> <ul style="list-style-type: none"> • Net cash flow from operating activities were understated by R55 551 409 (2016-2017: R86 073 935) • Net cash flow from investing activities were overstated by R2 715 515 • Net cash flow from financing activities were overstated by R48 139 	<p>Sufficient review of the Debtors reconciliations and financial statements.</p>

REMARK:

The full Auditor-General Report, 2017/18 dated 30 November 2018 is attached.



AUDITOR - GENERAL
SOUTH AFRICA

The Municipal Manager
Makhado Municipality
83 Krough Street
Limpopo
Louis Trichardt
0920

30 November 2018

Reference: 02264REG1718

Dear Sir

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Makhado local municipality for the year ended 30 June 2018

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

Auditing to build public confidence

Auditor-General of South Africa

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6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.

7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed



Senior Manager: Limpopo

Enquiries: Molatelo Magongwa
Telephone: (015) 283 9300
Fax: (015) 283 9401

Report of the auditor-general to Provincial Legislature and the council on Makhado Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Makhado local municipality set out on pages xx to xx, which comprise the appropriation statement, the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in equity, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Makhado Local Municipality and Infrastructure as 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the applicable financial reporting framework and the requirements of the South African General reporting accounting practice (GRAP), Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (DoRA).

Basis for qualified opinion

Property plant and equipment

3. 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.
4. 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.
5. 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.

Depreciation and amortisation

6. 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.

Cash flow statement

7. The financial statements were materially misstatements due to material uncorrected misstatements in the following items disclosed in the cash flow statements
 - 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

Aggregation of immaterial uncorrected misstatements

8. Total revenue from exchange transactions were materially misstated by R13 140 680 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:
 - Rental of facilities stated at R7 400 236 was overstated by R7 584 160
 - Operational revenue stated at R59 741 650 was overstated by R5 556 520

Context for the opinion

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

Emphasis of matters

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

Material impairments

13. As disclosed in note 29 to the financial statements, material losses of R133 905 056 was incurred as a result of a write-off of irrecoverable trade debtors.

Restatement of corresponding figures

14. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of an error discovered in the financial statements of the municipality at, and for the year ended, 30 June 2017.

Irregular expenditure

15. As disclosed in note 42 to the financial statements, the municipality incurred irregular expenditure of R31 158 043 as it did not follow a proper tender process.

Unauthorised expenditure

16. As disclosed in note 43 to the financial statements, the municipality incurred unauthorised expenditure of R164 328 775 as result of investments made in VBS amounting to R62 734 416 and expenses incurred on roads belonging to another entity.

Fruitless and wasteful expenditure

17. As disclosed in note 39 to the financial statements, fruitless and wasteful expenditure to the amount of R606 305 was incurred as a result of payment of interest on overdue accounts from Eskom.

Other matters

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

Unaudited supplementary schedules

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

Unaudited disclosure notes

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

Responsibilities of the party responsible for the financial statements

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

25. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
26. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
27. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2018 :

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

28. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

29. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

Various indicators

30. The planned indicator and target were either a number/percentage, but the reported achievements referred to were either a percentage/number.

Key performance indicators/measurable objective	Annual targets	Actual annual performance
% of households in urban areas with access to refuse removal by 30 June 2018	100% (11 690 Households)	9 998
Kilometer of road surfaced by 30 June 2018	10,4 Kilometer surfaced road	All projects are not complete

Various indicators

31. The systems and processes that enable reliable reporting of achievement against the indicator were not adequately designed, as supporting evidence was not provided for the reported achievement

Key performance indicators/measurable objective	Annual targets	Actual annual performance
Upgrading of bulk capacity by 30 June 2018	Upgrading of substation	Eskom is busy processing long lead materials orders
Kilometer of road surfaced by 30 June 2018	10.4 Kilometer surfaced road	All projects are not complete

Various indicators

32. The method of calculation for the achievement of this indicator was not clearly defined. As a result, we were unable to obtain sufficient appropriate audit evidence for the reported achievement. Limitations were placed on the scope of our work as we were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the achievement of three villages provided with water as reported in the annual performance report.

Key performance indicators/measurable objective	Annual targets	Actual annual performance
Upgrading of bulk capacity by 30 June 2018	Upgrading of substation	Eskom is busy processing long lead materials orders
Kilometer of road surfaced by 30 June 2018	10.4 Kilometer surfaced road	All projects are not complete

% of households in urban areas with access to refuse removal by 30 June 2018

33. The achievement for target 100% (11 690 households) reported in the annual performance report was 9 998. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 5 499.

Kilometer of road surfaced by 30 June 2018

34. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target. This was due to limitations placed on the scope of our work. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement.

Development priority 4 – Local economic development

Percentage applications processed per quarter (Rezoning, subdivision, special consent and consolidation) assessed by 30 June 2018

35. The method of calculation for the achievement of this indicator was not clearly defined. Limitations were placed on the scope of our work as we were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the achievement of 100% of application processed as reported in the annual performance report.
36. I was unable to obtain sufficient appropriate audit evidence to validate the existence of systems and processes that enable reliable reporting of actual service delivery against the indicator. This was due to a lack of documented system descriptions. I was unable to validate the existence of systems and processes by alternative means.

Key performance indicators/measurable objective	Annual targets	Actual annual performance
Percentage applications processed per quarter (Rezoning, subdivision, special consent and consolidation) assessed by 30 June 2018	100% application processed	100% (147) application processed

No of LED projects supported by 30 June 2018

37. The achievement for target 5 (LED projects supported by 30 June 2018) reported in the annual performance report was 4. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 0.

Various indicators

38. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target below. This was due to limitations placed on the scope of our work. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement

Planned development objective per annual planning document	Planned targets per annual planning document	Reported actual achievement per annual performance report	Audited value
Number of LED Job opportunities created 30 June 2017	800	1 155	684
Percentage applications processed per quarter (Rezoning, subdivision, special consent and consolidation) assessed by 30 June 2018	100% application processed	100% (147) application processed	0

Other matters

39. I draw attention to the matters below.

Achievement of planned targets

40. Refer to the annual performance report on page(s) x to x for information on the achievement of planned targets for the year and explanations provided for the under and overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) x; x; x of this report.

Adjustment of material misstatements

41. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of development priority 2: basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

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

Annual financial statements, annual performance report and annual report

43. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

Material misstatements of non-current assets, current asset, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving an adverse audit opinion.

Expenditure management

44. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
45. Payments were made from the municipality's bank account without the approval of the properly authorised official, as required by section 11(1) of the MFMA.
46. Reasonable steps were not taken to prevent irregular expenditure amounting to R31 158 043 as disclosed in note 42 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with applicable laws and regulations relating to failure to obtain three quotations for the procurement of goods and services.
47. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R164 328 776, as disclosed in note 43 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The unauthorised expenditure included investments made in VBS amounting to R62 734 416 which was in contravention of municipal investment regulation 6.
48. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R606 305, as disclosed in note 39 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

Revenue management

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

Asset management

51. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
52. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
53. Funds were invested at Venda Building Society Mutual Bank, in contravention of municipal investment regulation 6.

Other information

54. The accounting officer is responsible for the other information. The other information comprises the information included in the annual. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
55. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
56. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

Internal control deficiencies

57. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the adverse opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
58. Reviews conducted on the annual financial statements and performance report did not detect or prevent the risks of material misstatements identified during the audit process. Management's slow response in resolving prior year findings and inability to follow a pro-active approach have resulted in material misstatements in the annual financial statements, performance reports and material non-compliance with laws and regulations.
59. Co-ordination between departments within the municipality is inadequate to resolve recurring findings.
60. The department developed a plan to address internal and external audit findings, but the plan was not adhered to and/or timeously implemented to address matters reported in the prior year.
61. Senior management did not adequately oversee the operations of the municipality, as the financial statements and annual performance report contained material misstatements not detected by the municipality's own system of internal control.
62. The implementation of the supply chain management processes and procedures were inadequate resulting in irregular expenditure.
63. The municipality did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
64. There was inadequate review and monitoring of compliance with applicable laws and regulations

65. Although risk management and governance activities took place within the municipality and the necessary policies and procedures have been formulated and documented, the municipality's reactive approach in addressing inadequate systems of internal controls indicates that there are inadequate mitigating processes in place to address the municipality's reliance on consultants.

Auditor-General

Polokwane

30 November 2018



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

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



ANNEXURES

ANNEXURES A1

DRAFT ANNUAL REPORT 2017/2018