

# 2014 | 2015



## MAKANA MUNICIPALITY ANNUAL REPORT

PREPARED BY THE MAKANA MUNICIPALITY

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# Chapter **one**

## Introduction







## Foreword by Executive Mayor

It is my great pleasure to introduce the Annual Report of the Makana Municipality for the year 2014/15 as per the regulations in Section 46 of the Municipal Systems Act 32 of 2000 and Sections 121 plus 127(2) of the Municipal Finance Management Act 56 of 2003.

Some of the highlights of the year was the establishment of 8 Wind mills by Innowind Wind farm in Makana and the proposed development of the Airport by Messrs Cemair.

The placement under administration of the Makana Municipality as per Section 139(b) of the Constitution gave rise to the arrival of the Administrator, Ms Pam Yako whose task it was to develop a Municipal Financial Recovery Plan and to stabilise the institution through the employment of the an Accounting Officer and a Chief Financial Officer.



In the year under review, the Makana Municipality experienced:

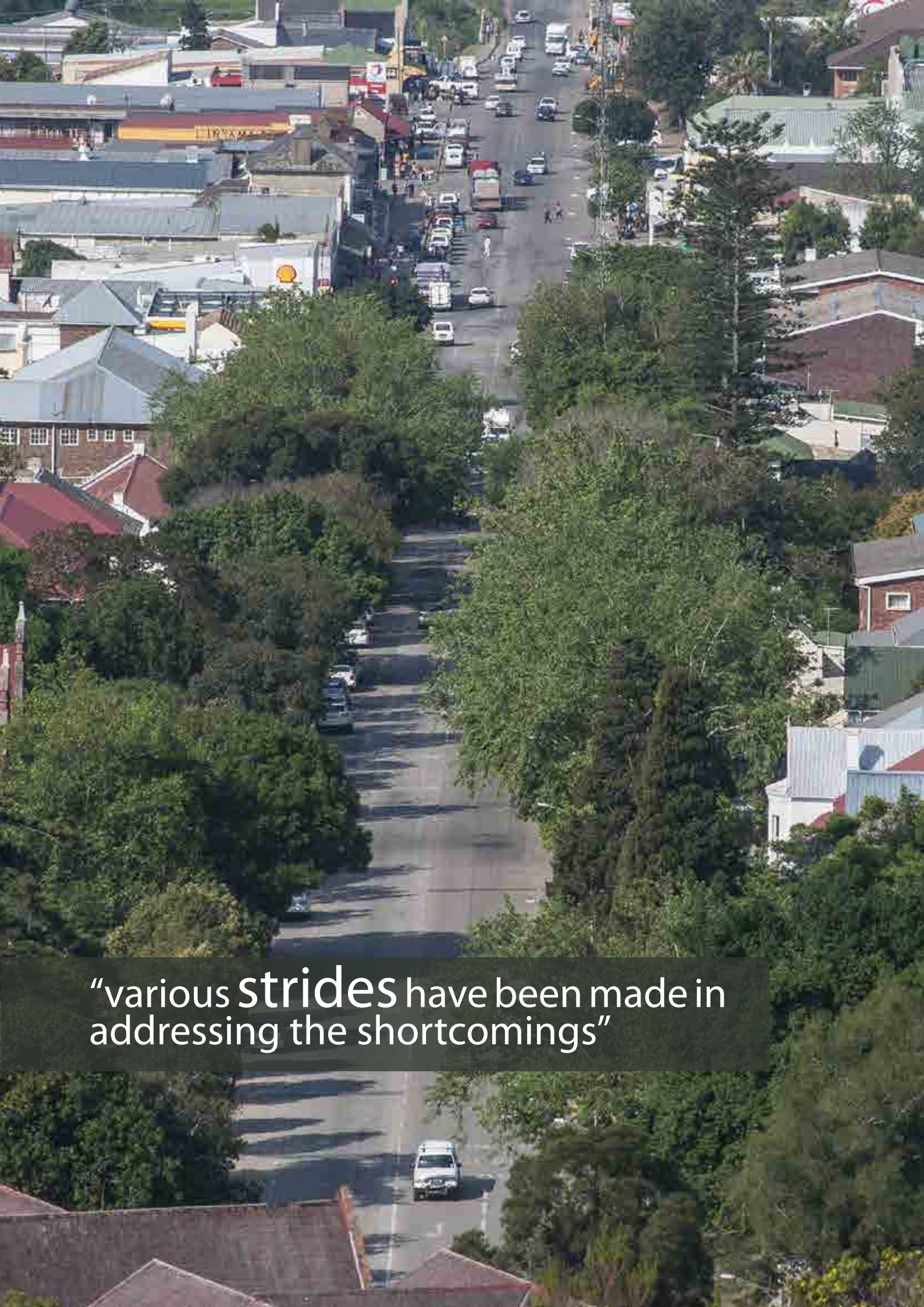
1. The Appointment of an Administrator, Ms P Yako.- Makana voluntarily went under administration as per section 139(b) of the Constitution and an Administrator was appointed to develop a Financial Recovery Plan and stabilise the Municipality through the filling of critical posts such as the MM.
2. The aging infrastructure continued to lead to water outages being experienced during the year under review.
3. Makana also experienced Load shedding, as initiated by Eskom.

In closing, it must be stated that with the assistance being provided by the Provincial and National Government various strides have been made in addressing the shortcomings of the Municipality.

A handwritten signature in black ink, appearing to be 'Z Peter', written over a light blue grid background.

Clr Z Peter  
Executive Mayor  
Makana Municipality





“various **strides** have been made in addressing the shortcomings”



## **Foreword by Acting Municipal Manager**



The year under review was a tough year for the Makana Municipality as it was placed under Administration in terms of section 139(b) of the Constitution because it was unable to address all of its creditor liabilities.

The appointed Administrator, Ms P Yako, instituted several Work Streams including community members, that were tasked to assist the Municipality in finding solutions to its problems.

The Municipality followed a developmental approach in respect of the "Back to Basics" concept by focusing on the fixing of potholes, leaking taps and sanitation provision.



The following five (5) Key Performance Areas also received attention, during the year under review:

- KPA 1 – Organizational Transformation and Institutional Development
- KPA 2 – Basic Service Delivery
- KPA 3 – Local Economic Development
- KPA 4 – Financial Viability and Management
- KPA 5 – Good Governance and Public Participation .

The Management of the Makana Municipality as led by myself hereby tables the Annual Report of 2014/15 to the Makana residents for information and further input.

A handwritten signature in black ink, appearing to be 'M Planga', written over a white background.

**Mr M Planga**  
**Acting Municipal Manager**  
**Makana Municipality**



## 1.2. Municipal Functions, Population and Environmental Overview

### 1.2.1 Municipal Overview

#### THE VISION STATEMENT OF MAKANA MUNICIPALITY

"Makana Municipality strives to ensure sustainable, affordable, equitable and quality services in a just, friendly, secure and healthy environment, which promotes social and economic growth for all."

In order to ensure that Makana Municipality prosper, it has aligned its basic service delivery processes, to the following key Development priorities.

NUMBER	DEVELOPMENT PRIORITY
Development Priority No. One:	BasicServiceDeliveryandInfrastructureDevelopment
Development Priority No. Two:	Community Development and Social Cohesion
Development Priority No. Three:	Local Economic Development
Development Priority No. Four:	InstitutionalTransformationandFinancialDevelopment
Development Priority No. Five:	Good Governance and Public Participation
Development Priority No. Six:	RuralDevelopmentandsupporttovulnerableGroups
Development Priority No. Seven:	Human Settlement

## 1.2.2 Powers and Functions

The Makana LM currently has 35 different functions, as set out in the Municipal Systems Act, 32 of 2000.

NO.	MUNICIPAL FUNCTIONS	NO.	MARKET
1.	Child care facilities	19.	Municipal roads
2.	Firefighting incl. DM function	20.	Noise pollution
3.	Municipal airports	21.	Pound
4.	Municipal Health services	22.	Public places
5.	Trading regulations	23.	Refuseremoval,refusedumpsandsolidwastedisposal
6.	Sanitation	24.	Control of undertakings that sell liquor to the public
7.	Building regulations	25.	Fencing and fences
8.	Electricity reticulation	26.	Street trading
9.	Local tourism	27.	Street lighting
10.	Municipal planning	28.	Traffic and parking
11.	Storm water	29.	Control of public nuisance
12.	Water (potable)	30.	Fencing and fences
13.	Cemeteries, funeral parlors and crematoria	31.	Licensing of dogs
14.	Billboardsandthedisplayofadvertisementsinpublic places	32.	Licensingandcontrolofundertakingsthat sell food to the public
15.	Facilitiesfortheaccommodation,careandburialof animals	33.	Cleansing
16.	Local sport facilities		
17.	Local amenities		
18.	Municipal parks and recreation		

## 1.2.3 Population and Population Density

Table 12: Population and extent of Area km<sup>2</sup> - EC, CDM and BLM

Stats SA 2011	Eastern Cape Province	Cacadu District Municipality	Makana Local Municipality
Total Population	6 562 053	450 584	80 390
Area km <sup>2</sup>	168 966 km <sup>2</sup>	58 243.3 km <sup>2</sup>	4375.62 km <sup>2</sup>

Source: Stats SA 2011

As indicated by the statistical information above, Makana accounts for 17.8% of the Sarah Baartman District and 1.2% of the Provincial population. Makana is the second largest population contributor in the District. Geographically Makana has a fairly large population living in a relatively small area with a population density of 18.4 per km<sup>2</sup>.

## 1.2.4 Population Distribution by Age, Gender, Grouping and Head of Households

Table 13: Source: Stats SA 2011

DEMOGRAPHICS	MAKANA AREA (STATS SA 2001)	MAKANA AREA (STATS SA 2011)	%	GROWTH % p.a
Makana Total Population	74 529	80 390		0.8
Age distribution	74 529	80 391		
0-14	19 439	19 611	24.4	0.1
15-64	50 521	55 777	69.4	1.0
65+	4569	5 003	6.2	0.9
Gender	74 529	80 390		
Male	34 946	38 175	47.5	0.9
Female	39 583	42 215	52.5	0.7
Population Grouping	74 529	80 390		
Black	57 571	62 702	78.0	0.89
Colored	9219	9 725	12.1	0.55
White	7278	6 974	8.7	-0.4
Indian/Asian	461	525	0.7	1.4
Other	0	464	0.6	
Head of Household: Gender	18 009	21 388		

By comparison the demographic information indicates an increase in the population figures and this is reflective in the population growth rate of 0.8% p.a. between the period of 2001 and 2011. The sex ratio is fairly even with 9 males for every 10 females. Stats SA 2011 reflects that 24.4% of the population is young and less than 15 years of age, which requires intergovernmental planning efforts to jointly focus on improved education and providing sport and recreation facilities.

## 1.3 Service Delivery Overview

The basic service delivery achievements and challenges of the Makana Municipality are addressed by the Technical & Infrastructure and the Community and Social Services Directorates. The Finance Directorate is responsible to ensure compliance and credible reporting on the budget. The Local Economic Development Directorate gives support for economic rejuvenation and the Corporate Services Directorate provides administrative support to the Council and the administrative structures.

## 1.4 Financial Health Overview

OPERATING RATIOS	
Detail	%
Employee Costs	33.77
Repairs & Maintenance	2.67
Finance charges & Depreciation	11.96

## **1.5 Organisational Development Overview**

### **1.5.1 Organisational Development Performance**

The Municipality through the services of PwC conducted a comprehensive Organizational Development (OD) diagnosis to effect holistic change throughout the institution. The then Municipal Manager; Dr. P. Naidoo developed a revised Macro Structure for the office of the Mayor, the Speaker and the Municipal Manager and vacant positions were filled accordingly. A process of alignment of the various Organograms will be undertaken in the new Financial year, with the assistance of the Department of Co-operative Governance and Traditional Affairs (COGTA).

## **1.6 Auditor-General Report**

### **1.6.1 Auditor-General Report 2014/15.**

The Auditor-General's Report will be addressed under the Auditor-Generals Opinion of Financial Statements.



# Chapter **two**

Good governance and public participation.







## Component A: Good governance and public participation.

### 2.1 Political Governance

The Council plays an oversight role in terms of the delegations, and the Mayor and Council provide political oversight over the financial matters of the Municipality. The Council, along with the Speaker as its Chairperson, is the highest decision-making structure and consists of 27 councillors.

Makana has an Executive Mayoral System with a full-time Mayoral Committee comprising of the Executive Mayor and the five Chairpersons of the Portfolio Committees. The Mayoral Committee reports to Council.

There is an Audit Committee established by the Municipality that provides opinions and recommendations on financial processes and performance, and provides comments to the Oversight Committee on the Annual Report.

The Municipal Public Accounts Committee (MPAC) is comprised of eight Councillors, with the specific purpose of providing Council with comments and recommendations on the Annual Report. The MPAC Report will be published separately in accordance with Municipal Finance Management Act (MFMA) guidance.

## Political Structure

<b>MAYOR</b> Cllr Zamuxolo Peter	<b>SPEAKER</b> Cllr Rachel Madinda-Isaac	<b>CHIEF WHIP</b> Cllr J C Wells
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### MAYORAL COMMITTEE MEMBERS

Cllr P Ranchhod  
Chairperson of Finance, Administration, Monitoring and Evaluation Portfolio Committee

Cllr M Matyumza  
Chairperson of Social Development Portfolio Committee

Cllr N Gaga  
Chairperson of Infrastructure Development Portfolio Committee

Cllr P Notyawa  
Chairperson of Local Economic Development Portfolio Committee

Cllr M Masoma  
Chairperson of Tourism and Creative Industries Portfolio Committee

## Councillors

The Makana Council consists of 27 councillors of which 14 are ward councillors and the rest are proportional representatives. Appendix A depicts a full list of Councillors and their Committee allocations.

Appendix B sets out committees and committee purposes. Below is a schedule detailing the number of meetings that were scheduled and actually took place:

	Name of Structure	Scheduled meetings	Convened Meetings
1	Council	6	6
2	Special Council (unscheduled)	0	9
3	Mayoral Committee	9	4
4	Special Mayoral Committee (unscheduled)	0	2
5	Tourism and Cultural Industries	9	9
6	Social Development	8	8
7	Infrastructural Development	9	8
8	Local Economic Development and Planning	9	9
9	Finance, Administration, Monitoring & Evaluation	9	8
10	Municipal Public Accounts Committee	4	3
11	Local Labour Forum	9	5
12	Audit Committee	6	3

## Political Decision-Taking

Political decisions are taken on the basis of reaching consensus and where the political parties that comprise Council cannot agree on a matter, they vote on it.

## 2.2 Administrative Governance

### 2.2.1 Introduction Administrative Governance

The Acting Municipal Manager, Mr M Planga, is the Accounting Officer of the Makana Municipality and he is assisted in the provision of administrative governance by five Section 57 Directors. The Directors have Assistant Directors who assist them in managing their Directorates.

#### Top Administrative Structure

Municipal Manager	Vacant (Mr M Planga)*	Director: Local Economic Development And Planning	Mr R Meiring*
Administrator	Ms P Yako	Manager Trade, Tourism and Heritage	Mr T Sindane
DepartmentDirector:Expenditure	Mr M Crouse	Manager: Agriculture	Ms P Gqweta
Assistant Director: Income	Mr L Sizani	Manager: SMME	Vacant
Manager: Supply Chain	Ms S Grobbelaar	Manager:LandUseandPlanning	Mr R Van der Merwe
Director Corporate Services	Mr M Madlavu*	Director: Technical & Infrastructural Services	Vacant (Mr D Mlenzana- Acting)*
AssistantDirector:HumanResources	Mr X Kalashe	Deputy Director: Technical & Infrastructural Services	Mr D Mlenzana
AssistantDirector:Administration	Mr E Mager	DeputyDirector:ElectricalServices	Mr J Siteto
Manager: Support Services	Mr E Ganza	Operations Manager	Mr G Goliath
Director: Community & Social Services	Mr M Planga*	Manager: Distribution	Mr M Radu
Operations Manager	Mr P Smile	AssistantDirector:Water&Sewer	Ms N Tshicilela
Assistant Director: Environmental Services	Mr J Esterhuizen	AssistantDirector:Roads&Works	Mr S Tutuse
Assistant Director: Fire Services	Mr W Welkom	Assistant Director: Housing	Vacant(MrKXamleko-Acting)
AssistantDirector:LibraryServices	Ms P Vubela	ProjectManagementUnitManager	Vacant
AssistantDirector:TrafficServices	Mr C Hanekom		
Assistant Director: Parks and Recreation	Mr K Bates		

NB \* denotes officials on fixed term performance contracts reporting to the Municipal Manager under the Municipal SystemsAct Section 57.

The Makana Municipality has experienced the following critical vacancies at Senior Management level and below are the reasons for the vacancies:

- |                                |   |
|--------------------------------|---|
| • Municipal Manager            | The post was vacant after the dismissal of the previous incumbent Chief Financial Officer |
| • Chief Financial Officer      | The post was vacant after the resignation of the previous incumbent                       |
| • Director: Technical Services | The post was vacant after the resignation of the previous incumbent                       |

## Component B

## 2.3 International and Inter-Governmental Relations

### 2.3.1 International Relations

The Makana Municipality has a co-operation agreement with the Raseborg Municipality in Finland that was extended to finalise at the end of 2014. As part of the cooperation agreement various projects were undertaken in furthering the goals of the partnership between the two entities.

The focus areas of the Cooperation Agreement are municipal services (component 1) and education and culture (component 2). The objective of component 1 is the creation of sustainable systems of sanitation, water collection and water purification in Makana townships and rural areas.

The objective of component 2 is to improve school administration and the local curriculum through the linking of 5 schools in Finland and Makana.

The Culture section of component 2 would look at the development of a CULTURE handbook that would foster participation of local communities in the organizing of culture initiatives by the government.

Here follows a detailed report on the status of the projects undertaken by the Coordinators in actioning the various components:

(COMPONENT 1)

IMPROVEMENT OF MUNICIPAL SERVICES

OBJECTIVE: CREATION OF SUSTAINABLE SYSTEMS OF SANITATION, WATER COLLECTION AND WATER PURIFICATION IN MAKANA TOWNSHIPS AND RURAL AREAS. DRY SANITATION

A feasibility study document was developed by the three Finland Students (Henna Timmonen, Dickson Etengeneng and Sofie Lundin) on sustainable sanitation systems for the rural areas and on waste disposal systems. The Makana Municipality then proceeded by implementing the Dry Sanitation project with Dry Sanitation Toilets being provided as follows:

1. Alice Dale- 23 Units
2. Seven Fountains – 14 Units
3. Rockhurst – 7 Units
4. Carlisle Bridge- 3 Units
5. Collingham- 18 Units.

A further Finland delegation consisting of 3 students from the Novia University (Mr Esseman Musa, Mr Javier Martin and Mr Riyale Abdhraman) visited Makana from 13 March 2014 and left on Friday 28 March 2014. The purpose of their visit was to “train local inhabitants” on how to maintain the above mentioned Dry toilets and to use the end-product to create compost for food production.

They made a presentation on their findings and recommendations to the Mayoral Committee members on Thursday, 27 March 2014. It was proposed that a “Maintenance team” be established at the areas where the toilets are built and they be paid a stipend from the Project. This would be the people that received training from the students and lived in the areas. It was also proposed that a better design of Toilet be introduced with the current ones being fixed by Council.



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## Outstanding Matters

### WATER COLLECTION AND WATER PURIFICATION

The creation of a plan for the harvesting of rain water, the re-use of grey water and water purification still needs to be attended.

### CREATION OF A WASTE MANAGEMENT STRATEGY

The Novia University students provided Makana with a research document on the development of a new landfill site and they also made recommendations on the sorting of waste which is currently done at the landfill site and not at the City areas as is done in Europe. The provision of Training for Waste Co-operatives and the development of a Waste sorting programme would also be a part of this process.

### DEVELOPMENT OF AN ENERGY PLAN FOR MAKANA MUNICIPALITY

Following the last visit of the Finland Coordinator, Mr B Mattson, it was agreed that an Energy Plan be developed for Makana by a group of Raseborg experts who would be visiting Makana and an energy saving awareness campaign should also be developed. Unfortunately this part of the Agreement had to be deferred as Ms Tina Haaspuro who was going to work on this project, became ill. Mr Mattson agreed to look for a replacement for Ms Haaspuro.

### MAKANA DELEGATION ON MUNICIPAL SERVICE IMPROVEMENT

As part of Makana's commitment to the Cooperation Agreement, it undertook to send over to Finland, a delegation consisting of Senior Politicians and Officials who would meet with their counterparts in Raseborg City and formulate future areas of cooperation on Municipal Service Improvement. The financial situation of the Municipality did not allow for this visit to take place.

### (COMPONENT 2) EDUCATION AND CULTURE

#### OBJECTIVE: TO IMPROVE SCHOOL ADMINISTRATION AND THE LOCAL CURRICULUM THROUGH THE LINKING OF FIVE SCHOOLS IN FINLAND AND MAKANA

The objectives of this component was to link five local schools with five schools from Raseborg Finland through internet and also to develop and pilot a new education curriculum in Makana. At a Technical meeting held with the Department of Education including Rev A Fetsha (the District Manager), the following five schools were identified to be part of the project,

1. DD Siwisa Primary School
2. Hendrik Kanise Combined school
3. Ntsika Secondary School
4. Samuel Ntsiko Primary School
5. Ikamvalesizwe Combined School (Kenton-on- Sea)

An Education delegation from Makana visited Raseborg from 24 to 29 November 2013 with the Education Department. A delegation from Makana consisting of the School Principals of the five schools also visited the City of Raseborg. The groups worked together on developing a revolutionary new approach to teaching and the concept document was sent to the Education Minister for approval. A further Education Delegation was hosted by the Education Department from 7 to 12 October 2014.

With respect to the linking of the abovementioned schools via IT with the schools in Raseborg, the following is reported:

- a.) The needed IT equipment like satellite dishes, computers and a service provider to install everything, was procured by Mr B Mattson from the Project funds and installed.
- b.) There is still a need for the provision of an Antenna towers so that the programme can be rolled out to other local schools in the Joza area as a second phase of the project.

### CULTURAL COMPONENT

The Culture component started in January 2014 with the sending of a delegation to Finland consisting of two representatives from the Department of Sport, Arts, Recreation and Culture, two local artists and the South Coordinator. The purpose of the component was to develop a format and contents of the CULTURE handbook that would be developed to foster participation of local communities in the organizing of culture initiatives by the local inhabitants. about the trip.

After the first Visit, a further delegation of Cultural actors from Raseborg visited Makana from 29 June to 6 July 2014. A further delegation consisting of Makana Cultural Actors led by Ms Khosi and C/r Ranchhod went over to Finland to partake in the Faces Festival and finalise the Cultural Handbook.

In conclusion it must be stated that the whole international relations programme has being put on hold, until the financial situation of the Makana Municipality has improved.

## 2.3.2 Inter-Governmental Relations

### 2.3.2.1 National Intergovernmental Structures

As an active member of the South African Local Government Association, the Makana Municipality plays an active role when National Planning Proposals are discussed.

### 2.3.2.2 Provincial Intergovernmental Structures

The Mayor, Speaker, Chief Whip and relevant Senior Officials attend the meetings of the Salga Working Groups and similar structures with all resolutions taken at that level being reported on. The value in this interaction is in ensuring that the Makana Municipality is knowledgeable when the implementation of Government Initiatives are discussed.

### 2.3.2.3 District Intergovernmental Structures

The Makana Municipality regularly interacts with the other Municipalities in the District as the Government has created platforms for such deliberations, such as the Cacadu District Municipal Managers Forum. This ensures that information related to new initiatives in the District is effectively relayed to the Makana Municipality's senior management.

## Component C: Public Participation

## 2.4. Communication, Participation and Forums

The Makana Municipality convened a series of Mayoral imbizos and established Ward Committees to ensure that consultation takes place throughout the year on various issues including matters raised by members of the community. With respect to the Integrated Development Plan (IDP) and the Budget, the IDP/PMS Manager

set up IDP/Budget and Performance Management Representative forums. The Municipality also uses its municipal website and a weekly slot on Radio Grahamstown to inform the public about municipal matters.

### 2.4.1. Comment on the Effectiveness of the Public Meetings Held.

The input derived from the Mayoral imbizos (general meetings in the wards chaired by the Mayor) is reflected in the planning documents of the Municipality.

### 2.4.2. Ward Committees

The key purpose of Ward Committees is to act as consultation vehicles for the Municipality. Refer to Appendix E (page no 59) which contains further detail on Ward Committee structures of the Makana Municipality.



## 2.5. IDP Participation and Alignment

IDP Participation and Alignment	Yes / No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPI's, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPI's in the strategic plan?	Yes
Do the IDP and KPI's align to the Section 57 managers?	Yes
Do the IDP and KPI's lead to functional area KPI's as per the SDBIP?	Yes
Do the IDP and KPIS align with the provincial KPI's on the 12 Outcomes?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarterly aligned reports submitted within stipulated timeframes?	Yes

## Component D: Corporate Governance

### 2.6. Risk Management

The Makana Municipality has seen the need to address risk management as per MFMA Section 62 (1) (c) (i). The Audit Committee of Makana was designated as its Risk Management Committee which considers and approves the Risk Implementation Plan of the Municipality. Below are the top ten risks to the Makana Municipality as identified by Management:

No.	Risk Description
1	Inability to effectively utilise available resources (human and financial)
2	Non-achievement of revenue targets
3	Silo culture inhibits communication, information sharing and common vision (Lack of co-operation between directorates/departments)
4	Are the above aligned and can they calculate into a score?
5	Does the budget align directly to the KPI's in the strategic plan?
6	Do the IDP and KPI's align to the Section 57 managers?
7	Do the IDP and KPI's lead to functional area KPI's as per the SDBIP?
8	Do the IDP and KPI's align with the provincial KPI's on the 12 Outcomes?
9	Were the indicators communicated to the public?
10	Were the four quarter aligned reports submitted within stipulated time frames?

### 2.7. Anti-Corruption and Fraud

#### 2.7.1. Fraud and Anti-Corruption Strategy

The Makana Municipality had developed and adopted a Fraud Prevention Policy Framework and all members of the Bid Committees are required to disclose their interests before every meeting and the membership of all Bid Committees, is revised annually. No Councillors are allowed to be part of the Bid Committees.

### 2.8. Supply Chain Management

The Makana Municipal Council approved a Supply Chain Management Policy which directs how Supply Chain Management processes would be practiced in the Makana Municipality. The standards set out in Section 112 of the MFMA are rigorously adhered to and the Supply Chain Management has appointed the bid committees to ensure that the supply chain function facilitates service delivery. The Supply Chain Management Policy was reviewed in the 2014/15 financial year.

## 2.9. By-Laws and Policies

Nonewby-lawswereenactedduringtheperiodofreviewbutthefollowingpolicieswerereviewedandapprovedbytheMakanaCityCouncil:

- |   |  |
|---|--|
| 1. Telephone Use Policy                               | 18. Communication Policy   |
| 2. Policy relating to the use of Municipal Halls      | 19. Funding, Donation and Grants Policy                              |
| 3. Report writing Policy                              | 20. Fleet Management Policy  |
| 4. Records Management Policy                          | 21. Supply Chain Management Policy,                                  |
| 5. Retention Policy                                   | 22. Fruitless, Unauthorised, Wasteful Expenditure & Irregular Policy |
| 6. Recruitment and Selection Policy                   | 23. Code of Conduct for SCM Officials and other role player          |
| 7. Overtime Policy and Procedure                      | 24. Indigent and Credit Control Policy                               |
| 8. Study Assistance Policy                            | 25. Property Rates Policy  |
| 9. Training and Development Policy                    | 26. Tariff Policy  |
| 10. Transport Allowance Policy                        | 27. Budget Policy  |
| 11. Internship policy                                 | 28. Funding Reserves Policy  |
| 12. Leave of Absence Policy and Procedure             | 29. Cash Management and Investment Policy                            |
| 13. Subsistence and Travelling policy                 | 30. Expenditure Policy   |
| 14. Employee Wellness Policy                          | 31. Asset Management Policy  |
| 15. ICT Policy Framework                              | 32. Fraud Prevention Policy  |
| 16. Information & Technology Change Management Policy | 33. Virement Policy  |
| 17. IT Use Policy                                     | 34. Retention Policy   |

## 2.10. Website

During the year under review, the Makana Website was not regularly updated due to insufficient human resource capacity.

## 2.11. Public satisfaction on Municipal services

Nopublicsatisfactionsurveyswereconductedduringtheyearinreview.However,thereisaComplaintsManagementprocesswhichoperates from the Technical & Infrastructural Services and the Corporate Services Directorates for complaints related to basic service delivery whilst other general complaints are handled through the Customer Care Officer.



# Chapter **three**

Service Delivery Performance

# Performance Report

## Introduction

The Makana Municipality provides the following essential services in its area of jurisdiction:

- a) Electricity (It provides electricity through Eskom in the Grahamstown East area and certain rural areas, whilst the Grahamstown West and parts of Alicedale are supplied by the Municipality)
- b) Sanitation
- c) Water
- d) Refuse removal
- e) Roads
- f) Other services such as Libraries, Traffic Control and Environmental Management.

In an effort to market the Makana area, the Municipality has a long-standing arrangement with Makana Tourism where the Municipality makes an annual financial allocation to Makana Tourism in exchange for it to market the area and promote tourism. A Service Level Agreement was also completed by both parties to formalise the arrangement and the body provides the Municipality with monthly financial reports. The Makana Municipality does not have a "Municipal Entity" nor does it utilise external mechanisms for basic service delivery.

## Component A: Basic Services

This component includes:

Water; waste water (sanitation); electricity; waste management; housing services; and a summary of free basic services.

## 3.1. Water Provision

### 3.1.1. Introduction to Water Provision

In terms of the Water Services Act (Act no. 108 of 1997) and declaration of the powers and functions by the Minister of Water Affairs and Forestry in 2004, Makana Municipality is acting as both Water Services Authority and Water Services provider. The Authority function means that the Municipality is responsible for regulation, water quality, ensuring access and monitoring and evaluation. The Provider function means that the Municipality is responsible for access, provision, operations and maintenance of all water needs. The National Department of Water Affairs is

responsible for policy formulation, capacity building and support where it is needed, regulation and enforcement of legislation. The National Department of Corporate Governance and Traditional Affairs is responsible for funding of some water capital projects through Municipal Infrastructure Grant. The Municipality has the responsibility of implementing water services projects and maintenance thereof. Water deliveries were made by truck to rural areas on request by the Community and Social Services Directorate.



Description	2014/15 Actual No of Households
Water: (above min level)	
Piped water inside dwelling	7309
Piped water inside yard (but not in dwelling)	9325
Using public taps (stand pipes )	819
Other water supply (within 200m)	
Minimum Service Level and Above sub-total	16481
Minimum Service Level and Above Percentage	98%
Water: (below min level)	
Using public tap (more than 200m from dwelling)	17 located at rural farms
Other water supply (more than 200m from dwelling)	0
No water supply	7 located at farms
Below Minimum Service Level sub-total	0
Total number of households	16481

Makana Municipality supplied the following farm communities with water using water carts:

- Salem Area (Salem Next To Shop, Salem Community, Salem School, Salem Squatter Camp, Avondale Community & Avondale School)
- Manley Flats Area (Aloeridge, Yendell, Upper Glentwyn Farm, Tuti Manley Flats School, Lower Glentwyn Farm)
- Seven Fountains (Lothians, Yarrow Farm, Clinic, Seven Fountain Community, Seven Fountains Cross Roads, School, Shortland, Torngrave, & Marlow/Sarifield)
- Highlands Road Area (Atherston Village, Rockhurstfarm, Shenstone, Wimbley Farm, Carlize Bridge School, Middleton Farm, Geelhout Boom 1)
- Fort Brown Area (Green Hills Peddie Road, Nonzwakazi Farm, Garden Project, Mahobeni, Koonap, Fura Farm, Community School, Inningskilling, Armstice)
- Salem Area (Thorn Park Farm, Don Bradfield, Ripley Farm, Hope Fountain, Mooreland, Narraway Farm, Masizame, Bevon Shire, Castle Farm)
- Garden Gate (Agrie Farm, Farmer Field School, Farmerfield Community, Southwell School/Community, New Rest, Homeleigh Thopson Farm)

### 3.1.2 Highlights and Challenges

The Municipality has met the target of providing households with quality water with the exception of farm areas and informal settlements. The Municipality supplies water to farm areas by carting water with water trucks and informal settlements receive their water through communal stand pipes. Makana is currently providing the basic level of services as per the RDP standards but most of our households have individual house connections..

The Municipality currently extract raw water from two sources, which are the Fish River through Glen Melville Dam and Howieson's Poort Dam. Capacity on human resources is still a challenge especially on technical expertise in order for Makana to respond effectively to water challenges and outages. To address this lack of capacity, Amatola Water was contracted to transfer skills to Makana's Staff on a 5-year contract.

## 3.2. Waste Water (sanitation) Provision

### 3.2.1 Introduction to Sanitation Provision

In terms of the Water Services Act (Act no. 108 of 1997) and declaration of the powers and Functions by the Minister of Water Affairs and Forestry in 2004 Makana Municipality is acting as both Water Services Authority and Water Service provider. The Authority function means that the Municipality is responsible for regulation, quality, ensuring access, monitoring and evaluation of basic sanitation. The provider function means that the Municipality

is responsible for access, provision operations and maintenance of all water provision mean The Department of Water Affairs is responsible for policy formulation, regulation and enforcement. The Department of Corporate Governance and Traditional Affairs is responsible for funding of some sanitation capital projects through MIG. The Municipality is having a responsibility of implementing sanitation projects and maintenance thereof.

### Level and standard of services

The Municipality has met the target of providing households with basic sanitation services for informal settlements. It is currently providing the basic level of services as per the RDP standards. The sewer infrastructure in the Grahamstown CBD is very old and makes use of asbestos pipes which are no longer manufactured in South Africa. This results in continuous sewer blockages and overflows. In the Grahamstown east, the capacity of these sewer pipes

is inadequate and needs to be upgraded as the current pipe sizes result in continuous blockages. The Belmont wastewater treatment plant is currently operating over capacity as the flow being treated far exceeds what the plant was designed to treat. Also, capacity on human resources, especially on technical expertise in order for the Municipality to respond effectively on issues of operations and maintenance, is still a big challenge.

#### Annual performance as per Key performance indicator in sanitation services

	Households with access to sanitation services	Indigent households with access to free basic sanitation services
Total number of household/customer expected to benefit	15495	8064
Estimated backlogs (actual numbers)	986	7930
Target set for the Financial Year under review (actual numbers)	1000	2000
Number of Households/customer reached during the Financial Year	1000	1340
Percentage of achievement during the year	100%	67%
Major challenges and remedial action	None	The number of indigent households registering is low (Only 1340) during the financial year. Remedial action: An awareness campaign will be undertaken in the next financial year.

All clinics and schools in Makana are provided with sanitation infrastructure in the form of a sewer connection to the municipality's reticulation, though in most of them you find that toilets are in a bad state where they can't be used by learners as they have been severely vandalized, etc. The responsibility of ensuring that toilets in schools are in a proper working condition lies with the Department of Education through the Department of Public Works.

## Challenges

Acquiring funding for the upgrade of the sewer reticulation network of Grahamstown as well as for the upgrading of the two main Waste Water Treatment Works (Mayfield & Belmont Valley WWTW) has been a major challenge for Makana Municipality. However, some funding had been promised by the different government levels (Provincial & National) and the matter is still pending.

## 3.3. Electricity

### 3.3.1 Introduction to Electricity

The Makana Municipality's Electricity Department ensures that its customers get good supply of quality service in compliance with the quality criteria prescribed by the national Electricity Regulator. The Department has the duty of refurbishing electrical infrastructure and the responsibility of connecting customers who are not on the grid. The Department is also responsible for project implementation as well as day-to-day operations and maintenance.

### Level and standard of services

Certain big user customers (Rhodes University, Military Base, Fort England Hospital, Settlers Hospital, Settlers 1820 Monument, and Correctional Services) are provided with a bulk supply fed of 11 kV power supply. Some geysers in and around Makana Municipality use solar energy so as to relieve the pressure on the grid. The Municipality provides streetlights in accordance to the standards as outlined in the National Energy Regulator of South Africa (Nersa) guidelines. It also provides high masts which are funded by the Municipal Infrastructure Grant (MIG). Medium and low voltage electricity is distributed according to consumer requirements.



## 3.4. Housing

### 3.4.1 Introduction to Housing

The Municipality fulfils the following roles in respect of the provision of housing:

Provision of serviced land for housing development as per the Housing Act;

- To compile Housing Sector plans for a period of five years.
- To compile housing needs surveys for housing delivery purposes.
- To facilitate the development of housing.
- To ensure that the houses that are built conform to the minimum building standards for residential houses.

**The following role players are involved in the housing delivery process:**

- Portfolio Committee: Considers housing inputs from the ward councillors, ward committees and housing officials.
- Ward Councillors: Support the Makana Municipality Housing Officials to determine housing needs and compile housing plans in respect of their constituencies.
- Ward Committees: Support the Makana Municipality Housing Officials by providing housing needs from their respective ward residents.
- Makana Housing Officials: Assist and guide the council in housing delivery to ensure that the end-user is satisfied with the product delivered. To ensure that serviced delivery does take place.
- Beneficiaries: Provide the municipality with their needs and what kind of output to be delivered by the municipality.
- Makana Municipal Council: Approves the housing delivery plans.
- National Housing Board Regulatory Council: Ensure that the minimum building standards are adhered to and the registration of all housing contractors.
- Provincial Department of Human Settlements: Provide the funding for housing development.

As far as Breaking New Ground (BNG) housing is concerned, it is the responsibility of the Eastern Cape Provincial Department of Human Settlements to provide housing, with the Makana Municipality serving as the facilitating agent for the Province. Makana only has the Mayfield Housing Project that is a BNG project. Makana has a backlog of 13 400 housing units and 1392 sites are serviced

for development of which for the financial year in question, 1000 units were completed as part of the Mayfield Housing Project. The following projects are being actioned i.e. Seven Fountain, Fort Brown, Alicedale, Ethembeni, Mayfield Phase II, Glebe Township, Transit Camp and Newtown. The challenges are rocky sites and bulk sewer concerns at Mayfield Housing Project.

## 3.5 Free Basic Services and Indigent Support

### 3.5.1 Introduction to Free Basic Services and Indigent Support

The Makana Municipality provides free basic services to registered indigent residents and also has a policy for indigent support that is implemented by the Finance Department. During the financial year in question, 1340 beneficiaries were registered to receive the benefits related to an indigent subsidy.

## Component B: Roads

### 3.6. Introduction to Roads

The maintenance of the Makana Road network involves 4 major role players:

a) The Provincial Road Construction Unit presently constructing a surfaced road between N10 and Alicedale. The road is situated partially within Makana and Sundays River jurisdiction.

b) The District Road Engineer (provincial maintenance unit) is responsible for 155,0 km surfaced trunk and main roads as well as 663,0km of gravel roads within the rural areas of Makana. The condition of these roads is presently poor.

c) The Makana Council is responsible for the maintenance of

175,0km of gravel and 164 km of surfaced roads within the urban areas. The roads are generally in a poor to fair condition owing to lack of financial resources.

d) A District Roads Forum has been established to address the problem of a lack of communication between the role-players.

The road network consists of a national road between Port Elizabeth and King William's Town consisting of  $\pm 45$  km surfaced road being maintained by the National Roads Agency. The road is in a fair to good condition. The Department is currently maintaining only Rural District Roads.

### Level and standard of road services

The 16503 erven within the urban areas of Makana have an acceptable surfaced or gravel access road to each erf. The 400 erven within the informal areas have no acceptable access. The quality of material used to maintain roads infrastructure in Makana is of a high standard as per requirements. However, the quality of the final product at times does not reflect that, due to lack of equipment by the workers as well as capacity constraints in some cases.

#### Annual performance as per Key performance indicator in electricity services

	Households w/o access to gravel or graded roads	Road infrastructure requiring upgrade	Planned new road infrastructure actually constructed	Capital budget reserved for road upgrading and maintenance effectively used.
Total number of household/customer expected to benefit	150	34km	1.5km	2,4%
Estimated backlogs (actual numbers)	250	0	174,5km	174,5Km
Target set for the Financial Year under review (actual numbers)	110	0	6.0km	6
Number of Households/customer reached during the Financial Year	2000	0	600	600
Percentage of achievement during the year	60%	0	40%	40%
Major challenges and remedial action	Insufficient funding	Insufficient funding	Insufficient funding	Insufficient funding

## Component C: Planning and Development

### 3.7. Local Economic Development (and Tourism)

Brief presentation of LED strategy/plan:

The Municipality's LED Strategy was approved in February 2010. The LED goals that were identified to stimulate economic growth and development in the Municipality are the following:

- a) Maintain employment at current levels from 2010 to 2011, with the view of increasing trade and service sector employment by 4% from 2012 to 2014
- b) Grow the tourism related component of the local economy by 10% by 2014
- c) Maintain sustainable levels of capital expenditure on key LED infrastructure from 2010 to 2014

d) Increase the role of formal and informal strategic partnerships in and between the public and private sectors of Makana as a catalyst for growth.

e) Reduce income leakage and support SMME activity through increased local procurement and labour force support measures.

These goals were translated in strategies and programmes and projects that are reflected in the 2013/14 IDP and SDBIP. A fully fledged LED Directorate, with the co-operation of all the other directorates in the Municipality is responsible for the implementation on the LED strategy and plan.

**The LED and Planning Directorate is constituted as follows:**

- Local Economic Development Section: responsible for agricultural development, tourism development and promotion; trade and investment promotion and SMME development.
- Town Planning Section: responsible for preparation and approval of Spatial Development Framework and land use management.
- Properties and Estates Division: responsible for the management of municipal properties, including land and estates.
- Building Inspectorate Section: responsible for the review and approval of building plans

Project	Funding Solicited
Tourism capacity building programme	R 200 000 secured from Cacadu District Municipality
Ceramic Demonstration Centre	R 2 500 000: secured from Small Enterprise Development Agency with the assistance of Zenzele Technological Demonstration Centre

#### 3.7.1 Interventions to achieve key LED strategic objectives

a) A spatial Development Framework was under review in the year in question. The draft document was finalised and it was circulating within the internal departments for comments and inputs after which, it will be presented to Council for approval.

b) The Council approved the lease of 435.1 square meter to Zenzele Technological Demonstration Centre for the purpose of establishing the Ceramic Incubator.

c) Egazini Memorial Site: landscaping and fencing of the site was done. The development of mosaic arts was also completed. The application to declare the space as a National Heritage Site was also approved by South African Heritage Resources Agency (SAHRA).

d) Fifty (50) SMMEs were registered with CIPRO (Companies and Intellectual Property Registration Office).

e) Exhibition spaces were allocated to 3 crafters to showcase their products during the National Arts Festival

f) The business plan and implementation framework for the Creative City project were formulated and endorsed by all partners.

g) Fiddlers Green was leased to the National Arts Festival for the management and development of an arts and crafts hub.

h) A Memorandum of Understanding was concluded with SEDA to establish an SMME information centre in Grahamstown

i) In partnership with ABSA 50 entrepreneurs were trained on marketing, tendering, BEE compliance, recording keeping and compilation of a business profile

j) One Thousand (1000) jobs were created through the Community Works Programme.

k) Seventy three (73) farmers were trained

l) Mentorship assistance was secured for three farms Koodovale Farm, Armistice and the Commonage.

m) A contractor was appointed to develop Farming tunnels at Yarrow Farm and Castle Farm

## 3.8. Planning

During this financial year the following land use applications were processed:

Type	Received & Processed	Approved
Rezoning	10	5
Subdivision	5	4
Consent Uses	2	2
Township Establishments	5	5
Various land applications	8	0*

\*No Land sales were processed due to the moratorium on the sale of land which was in place until a land audit was to be conducted. Due to cash flow problems, the land audit has not been conducted as of yet.

Town Planning includes two basic branches Forward Planning and Land Use Management. Forward planning as the name suggests is the preparation of documents that deal with the future development direction of the area concerned, in this case Makana Municipality. There are a number of formal documents that the Municipality is bound by legislation to prepare, including the Spatial Development Framework (SDF) that forms the basis of future planning within a Local Municipality. The Spatial Development Framework forms part of the Integrated Development Plan and a new SDF should be compiled for approval by the Municipality according to a five year cycle.

Land Use Management governs the detail of planning applications submitted to a Municipality on a day –to-day basis. These applications must be processed in a way laid down by legislation in such a way as to give the applicant and any other interested party the space to comment on the proposal so that a decision can be made on the application that does not prejudice the rights of any individual. This process is created and maintained by legislation that governs the processing of applications, and legislation that shapes the land uses allowed on any particular land parcel within the Municipal Area. The application and updating of this legislation is a function of Land Use Management.

During the 2014-2015 financial year the department has engaged with the process of preparing the amended Spatial Development Framework. The Spatial Development Framework Map was amended during 2013 in consultation with the Service Provider preparing the Framework. This amended framework plan has been circulated for comment and is in the process of being negotiated between the prominent actors in the process including the Makana Local Municipal Council, the public and the relevant provincial structures. One of the major challenges to the Planning and Land Usage Department has been that the SDF has not yet been approved by

the Municipal Council and therefore cannot be used as an approved Structure Plan in order to make forward planning decisions. It is the objective of this department to ensure that a full SDF is approved and can be brought on line by the Department as soon as possible. The Land Use Management process is the branch of Planning that has been most affected by the promulgation of the Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013) (SPLUMA). SPLUMA has meant a fundamental shift in the role of the Municipality in terms of Land Use Management, bringing decision making away from provincial structures and confirming the rights conferred by the Constitution of South Africa that land use decisions fall within the sphere of Local Municipalities. SPLUMA will be brought into effect on 1 July 2015. In order to prepare for the advent of SPLUMA, in line with the shift into the Local Government Sphere, the Department has begun to engage with the process of compiling Land Use By-Laws that will govern the processing of land use applications within the Makana Municipality. The by-laws remain in draft format and the Municipality has been assisted thus far by the Sarah Baartman District Municipality in fine-tuning them to fit the specific requirements of the Municipality. It is an objective of the department for the final draft By-Laws to be approved by Council and Gazetted as soon as possible in order to comply with SPLUMA. A Land Use scheme is the legislation that shapes the land uses allowed on any particular land parcel within the Municipality at any time. SPLUMA also dictates that a single land use scheme must be in operation within all Local Municipalities within five years of the adoption of SPLUMA. Makana Municipality currently has three land use schemes that legislate the land uses within distinct geographical areas within the municipality. A further objective of this department is to ensure that this deadline is met and a single land use scheme that is current and user friendly is in operation within Makana before 2020.

### 3.8.1 Annual performance as per Key Performance indicators in LED

	Indicator Name	Target Set for the Year	Achievement Level During the Year (absolute figure)	Achievement Percentage During the year
1	Percentage of LED budget spent on LED related activities	100%	R3,147,580	91%
2	Number of LED stakeholder forum meetings held	5	3	70%
3	Percentage of SMMEs that have benefited from a SMME support programme	50%	40	40%
4	Number of job opportunities created through PPP	155	155	100%

#### Challenges regarding LED Strategy Implementation

The Municipality has embarked on numerous programmes that require inter-directorate co-operation. Maximising inter-directorate co-operation within the Municipality remains a stumbling block however, strategies are being put into place to achieve maximum interdepartmental co-operation. This especially delays approvals of building plans and rezoning applications. The legislative and policy framework regarding alternative energy poses a threat to the alternative energy projects that the Municipality is implementing, especially in terms of power purchase agreements. Capacity building, buy-in and ownership by beneficiaries for projects that received

funding remain a challenge and the Municipality is in the process of drafting SMME agricultural and small scale mining strategies to address this. The organisation of the Business Sector proved to be challenging as the Mayoral Business Forum did not sit during the year. Unnecessary red tape was negatively impacting investment attraction and to resolve the problem, funding is being sought in order to draft a red tape reduction strategy. The Municipality has not been able to fund most of its budget projects during to cash flow challenges. The vacancy of the Director was also not filled for 8 months.

## 3.9. Agricultural Development

LED Agricultural sector in conjunction with Department of Rural Development and Agrarian Reform established and monitors household and community gardens on a continuous basis, assistance with regard to seedlings and garden tools was also provided to the beneficiaries. Government has for the past few years started land acquisition initiatives by buying farms to settle groups of farmers or communities to take over some of the white owned farms. The land acquisitions through the Land Reform Programme have not been a great success, in many instances farms bought on behalf of communities and/or farming groups started declining thus shedding more jobs with declining productivity. Government owned land and that owned by the municipality e.g. commonages is hardly commercialized or used productively to benefit local communities in a sustainable manner. Focus should be on improving productivity on existing farms through beefing up management capacity especially on the land reforms.

### Achievements

1. Co-operation development and capacity building: The department planned to train 50 farmers but 73 farmers were trained in poultry and piggery.
  2. Co-funded project (Abattoir) : Facilitated water and electricity to the abattoir
  3. To promote and support commodity in Makana Areas: Three farmers have been identified by Cacadu District Municipality for under mentorship programme
  4. Infrastructural development for emerging farmers: The contractor was appointed to install the tunnel to two farms i.e. Yarrow and Castle farm and they were going to be pilot projects and due to the financial problems the project was not finished.
- Livestock farming especially beef farming is stable and profitable but only practiced as a commercial enterprise by white farmers. Makana Municipality has a huge scope to increase and intensify cattle and goat farming as key focal farming enterprises for emerging farmers and commercial farmers. Livestock farming based on commonages has to be commercialized and township based farmers have to be taken through a commercialization path through a massive campaign, technical support, training and design of programmes to support black farmers towards commercialization of livestock farming out of the townships.

Poultry producers have been trained on basic of poultry and the majority is backyard producers. There are group of backyards that have applied to DRDAR for poultry structures and they will feed the abattoir. Food gardens are doing well even though they are short of tools and there are lot of applicants who still need land to do community gardens.

### Challenges

Fragmentation of agricultural development in the institution, this result in duplication on funding the same agricultural projects.

### Recommendation

That Agricultural Development in Makana must be under Local Economic Development and Rural Development officers must report to Agricultural Manager.

## Component D: Community & Social Services

### 3.10 Libraries; Archives; Museums; Galleries; Community Facilities; other services

Reporting Level	Detail	Total
Overview	The provision of accessible community facilities to an acceptable standard for all people in Makana Municipality.	
Description of activity	<p>Provision of: Adequate library services for all sectors of the community. Access to library material for the purposes of education, information, recreation and aesthetic appreciation for all residing within the Makana municipal area. The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> <li>• Ensure that the residents have access to up-to-date information through libraries.</li> <li>• Ensure that there are libraries in needy areas.</li> <li>• Provide an acceptable standard of service for all.</li> <li>• Decrease the illiteracy rate of the Makana community.</li> </ul>	
Analysis of function	<p>Statistical information:</p> <p>Quantity of materials circulated</p> <ul style="list-style-type: none"> <li>• Public Library (Hill Street)</li> <li>• Community Library (Currie street)</li> <li>• Duna Library (Ncame street)</li> <li>• Fingo Library (Albany road)</li> <li>• Alicedale Library</li> <li>• Riebeeck East Library</li> </ul> <p>Total</p> <p>Number of current patrons</p> <ul style="list-style-type: none"> <li>• Public Library (Hill Street)</li> <li>• Community Library (Currie Street)</li> <li>• Duna Library (Ncame street)</li> <li>• Fingo Library (Albany road)</li> <li>• Alicedale Library</li> <li>• Riebeeck East Library</li> </ul> <p>Total</p>	<p>54,600</p> <p>32,300</p> <p>23,300</p> <p>40,957</p> <p>10,095</p> <p>11,016</p> <p>182,662</p> <p>15,164</p> <p>4,335</p> <p>7,325</p> <p>1,187</p> <p>913</p> <p>347</p> <p>29,271</p>
Challenges	<ul style="list-style-type: none"> <li>• Securing of land to build Riebeeck East Library.</li> <li>• Children's activity space at Fingo, Riebeeck East and Alicedale Library</li> </ul>	
Highlights	<ul style="list-style-type: none"> <li>• Provision of Office space at Hill Street Library for Mobile Librarian and Library Clerk.</li> <li>• Installation of library detectors system and CCTV cameras at Duna, Fingo and Community Libraries.</li> <li>• Providing public access to internet at Fingo and Hill Street Libraries using "Connect with Cacadu". Vibrant literacy and audioprojects in all libraries.</li> </ul>	

## Component E: Environmental Protection

### 3.11. Environmental Management

#### Function

To ensure and co-ordinate full integration of environmental considerations, protocols and practices into all Makana municipal activities.

#### Overview

Environmental management function is a strategic one, providing environmental leadership to the municipality and the community at large. The municipality function with its partner through the Makana Environmental Forum, a forum of local individuals and organizations with a focus on environmental matters in the municipality. The municipal environmental programmes and plans are communicated to the public through the quarterly meetings of the forum. During the 2013/14 financial year, an environmental policy of the municipality was compiled and submitted to the Portfolio Committee for Public Safety & Community Services.



## Programmes

The implementation of Makana Local Environmental Action Plan (LEAP) is a strategic project of the environmental management section through the following activities:

1.) Implementation of the environmental education and training strategy. This project forms part of, and emanates from the environmental education and training strategy for Makana municipality identified during the Makana Local Environmental Action Plan process (LEAP). The environmental education and training strategy addresses specified education and training needs of a number of stakeholders within the municipality such as:

- The general public
- Business and industry
- Municipality employees
- Learners in formal education institutions such as schools
- Livestock owners; and
- The agriculture and eco-tourism sector

a) The general public

Twelve Community Environmental facilitators from all wards of the municipality were appointed in the public environmental education pilot project during the 2013/14 financial year. These individuals were ward based and served to assist their ward councillors, ward committees and the municipality with community environmental education on waste management at a household level. A further 25 youth were employed by the Youth on Waste project funded by the Department of Environmental Affairs to serve as Community Environmental Educators.

b) Learners in formal education institutions

The public environmental education and training programme of the municipality is also being implemented at school level in partnership with various local schools. In this regard the municipality supported of eight local disadvantaged schools to be part of the eco-schools project. The eco-schools programme is designed to encourage curriculum-based action for a healthy environment. The municipality observes and participate in several important national and international environmental events such as the Arbor Day and used these as vehicle for environmental education and awareness campaign.

c) Municipal employees

The Environmental Education and Training strategy proposes specific education and training interventions, focus areas and programmes notably Municipal employees. For municipal employees, the strategy suggests building capacity for environmental management and sustainable development amongst all employee categories including councilors and ward committees. No environmental training for municipal employees have been undertaken due to lack of funding and no commitment and lack of support from the Environmental Local Government SETA.

## 2. Local community engagement and public participation processes

The Makana Environmental Forum held two public gatherings last year. The main focus of these meetings was on water supply and availability. The Directorate of Infrastructure and Engineering assisted in addressing technical matters pertaining to water related infrastructure.

## 3. Identification of funding sources for environmental projects

During the last financial year, an environmental project proposal was submitted to the LGSETA for the training of municipal employees. Another proposal for funding was developed with the assistance of the business development manager at the Local Economic Development directorate for recycling co-operatives. The proposal was submitted to Cacadu District municipality for consideration.

## Main Challenges

The general lack of funding to initiate community environmental projects remains a threat towards the implementation of IDP projects. There is a general lack of responsiveness from other spheres of government or institutions. This is particularly in cases of institutional support and funding sources at the disposal of these organizations.

## 3.12. Waste Management (solid)

### Strategy and main role player

The overall objective of waste management is to reduce the generation of waste and to reduce the environmental impact of all forms of waste to ensure the health of the people of Makana. The Municipality's waste management system enhances the quality of its environmental resources. The roles and responsibilities in terms of the National Waste Management Strategy for local government include:

- Waste minimisation: Local Government has to implement and enforce appropriate national waste minimisation initiatives and promote the development of voluntary partnerships with industry.
- Recycling: Local Government is to establish recycling centres and/or facilitate community initiatives.
- Waste collection and transportation: Local Government is to improve service delivery.
- Waste disposal: Local Government is to take responsibility for the establishment and management of landfill sites, and to promote the development of regionally based facilities. Formalising and controlling of scavenging is the responsibility of the permit holder.

### Level and standard of services

It is expected that every household has access to waste collection services. The Municipality is expected to collect refuse from every household on a regular basis.

### Annual performance as per Key performance indicator in refuse removal services

Indicator	Households with access to refuse removal services
Total Number of Households/Customers expected to Benefit	24 541
Estimated Backlogs (actual numbers)	648 (farm houses) Rural areas
Target Set For the Financial Year under review (actual numbers)	0
Number of Households/Customers reached During the Financial Year	24 541
Percentage of Achievement During the Year	100%
Major Challenges and Remedial Action	Vehicles and equipment that need to be replaced. A budget of R3.5 million has been set aside to alleviate the situation. Illegal dumping is a major challenge in Makana. The Municipality is engaged in community awareness programmes.

### 3.13. Fire and Rescue services

#### Function Public Safety

#### Sub-Function: Fire & Rescue Section

Reporting Level	Detail
Overview:	Includes fire-fighting, fire safety and awareness campaigns
Mission statement	It is the mission of Makana Fire and Rescue to create a safer environment for all persons in our society by providing an efficient and effective fire-fighting, emergency, rescue and fire safety service within the framework of the resources available.
Core Functions	<p>Core Functions (As per the Fire Brigade Services Act 99 of 1987)</p> <ul style="list-style-type: none"> <li>• Preventing the outbreak or spread of a fire</li> <li>• Fighting or extinguishing a fire</li> <li>• The protection of life or property against fire or other threatening danger</li> <li>• The rescue of life or property from fire or any other threatening danger; and</li> <li>• The performance of any other function connected with any of the matters related to the above.</li> </ul> <p>These functions are performed in accordance with Standard By-Laws relating to Fire Brigade Services, which was promulgated on 11 June 1982 (Provincial Notice 661 / 1982)</p> <p>Administration Section</p> <p>This section deals with the day-to-day administrative activities of the Fire and Rescue Section which includes report writing, typing, recording and updating of information and all other related activities as required. This section is headed by the Manager and includes the Station Commander, Senior Clerk and Messenger.</p> <p>Operational Section</p> <p>This section consists of one (1) Platoon Commander, four (5) Senior Fire Fighters, twelve (23) Fire Fighters, four (4) Control Room Operators. Three (3) Platoon Commanders, Three (3) Senior Fire Fighter and four (4) fire fighter posts are vacant.</p> <p>The operational section implements the practical aspects relating to fire fighting and other emergency incidents. To achieve its aim this section is responsible for the following:</p> <ul style="list-style-type: none"> <li>• The attendance and handling of all fires, rescues and emergency incidents.</li> <li>• The acquisition of vehicles and operational equipment.</li> <li>• The maintenance of vehicles and equipment.</li> <li>• The checking and cleaning of fire hydrants.</li> <li>• The training of public by group inspections and lectures.</li> </ul>
Description of Activity	<p>Reduction of vegetation fires:</p> <p>The key objective is to try and minimize the amount of vegetation fires. Emphasis is put on:</p> <ol style="list-style-type: none"> <li>1) Analyzing the risk areas.</li> <li>2) Training the farmers on proper control burnings tactics.</li> <li>3) Awareness campaigns involving the Fire Protection Associations, Albany Working for Water, Parks Department, and DAFF etc.</li> </ol>
Special Services	<p>Services At Fires:</p> <p>Annually the Municipality decides on tariff charges, which the department will levy for services rendered. In this tariff layout the cost of the use of fire appliances, service vehicles, staff and equipment, specialized extinguishing media, training etc. are laid down. Due to the fact that the fire department is an emergency service where the majority of its service is of a humane nature, income from this source is very low.</p>

## Special Services (continued)

### Fire Prevention:

Businesses are inspected to ensure that they comply with fire safety regulations. A total of 201 businesses were inspected during the financial year.

### Disaster Management Services:

Makana Municipality established a Disaster Management Office and employed a Disaster Management Officer

### Fire Incidents:

The department responded to a total of 200 fire incidents compared to 277 fire incidents in the 2013/14 financial year.

### Building Plans:

Building plans are scrutinized to ensure that they comply with fire safety regulations. A total of 176 businesses were inspected during the year under review.

### Flammable liquids:

Flammable liquid inspections are carried out on businesses that deal with flammable liquids. The annual tariff of charges also makes provision that all businesses dealing in the sale, manufacture, handling or storage of flammable liquids or gases must register and acquire a license from the municipality. An annual license fee for this purpose is therefore payable after safety requirements have been met. A total of 142 Flammable Liquid inspections were conducted.

### Fire Hydrants:

Fire Hydrants inspections are done regularly to ensure that they are clean, clearly marked and in operation. A total of 1435 Fire Hydrants inspections were conducted.

### Water Deliveries:

As an additional income, the department delivers water to farms situated within the protected area upon request. Normal water tariffs are charged and include the use of the fire engine plus the distance travelled. Water is also delivered to rural communities in municipal area of jurisdiction, for the Department of Technical and Infrastructural Services, who is then responsible for the charges. A total of 150 Water Deliveries were done.

### Motor Vehicle Accidents:

The Directorate responds to motor vehicle accidents to assist with vehicle extrication, patient treatment, hazardous materials, etc. A total of 201 Accidents were attended to during the financial year.

## Training and Awareness

### Training of Staff

Lectures and practical drills are presented to the staff of the Fire Department on various subjects of firefighting, rescues, handling of hazardous incidents and legislation applicable to the fire service. This is In-Service training and only focus on preparedness of Fire Fighters to combat fires and other emergencies. A total of five (5) Fire Fighters were professionally trained in Fire Fighting at Rural Metro Training Centre in Greytown, KZN through Cacadu District Municipality.

### Public Training

Fire awareness campaigns are conducted at rural communities, schools and clinics within Makana to make the community aware of the dangers of fires. A total of 1614 public members were reached. Elementary Fire Fighting training is presented to businesses to enable their staff to react immediately when a fire occurs at their workplace whilst it is still small.

## Challenges

1. Water delivery to farm households. Department of Technical and Infrastructural Services is responsible for the Water Services function. The Fire Department should only play a role in a crisis situation.
2. Staff shortages.
3. Lack of fire stations in Riebeeck East, Alicedale and Grahamstown East.
4. Handling of after-hours complaints.
5. Task grading of higher posts within the department is a challenge.
6. No Capital Budget to procure vehicles and equipment.

## Achievements

1. Employees of Businesses were trained on fire-fighting techniques through Elementary Fire Fighting courses.
2. A drastic reduction in fire incidents compared to the 2013/14 financial year due to the effective door-to-door fire awareness campaign that were held.

## Component F: Health

Following a Parliamentary decision to provincialise the provision of primary health care, all staff and assets were retransferred to the Provincial Health Department as this component does not apply to the Makana Municipality.

## Component G: Security and Safety

The Makana Municipality does not have an in-house policing force but does actively participate in the Local Safety and Security Forums.

### 3.14. Traffic and Law Enforcement

#### Function Public Safety

#### Sub-Function: Traffic & Licensing

Reporting Level	Detail
Overview:	Includes Traffic, Licensing, Road Worthiness and Technical Services
Description of activities Traffic Law Enforcement	<p>The key function of the Traffic Department is to provide safer roads for all stakeholders within the Makana area.</p> <p>The Municipality has a mandate to:</p> <ul style="list-style-type: none"> <li>• Conduct preventative traffic patrols and enforce traffic legislation</li> <li>• Enforce speed limits</li> <li>• Attend traffic accidents</li> <li>• Enforce parking legislation</li> <li>• Enforce municipal bylaws</li> </ul> <p>The key objective of this function is to ensure safe and free flow of traffic within Makana Municipal area.</p>
Driving Licenses	<p>These services include all driver testing functions.</p> <p>The Municipality has a responsibility to :</p> <ul style="list-style-type: none"> <li>• Test applicants and issue learner licenses</li> <li>• Test applicants and issue driving licenses</li> <li>• Renew card-style driving licenses</li> <li>• Renew and issue Professional driving licenses</li> </ul> <p>The key objective of this function is to ensure safety on the roads by ensuring a high level of competency amongst vehicle drivers.</p>
Roadworthy Testing	<p>These services include all vehicle testing functions. The Municipality has a responsibility to:</p> <ul style="list-style-type: none"> <li>• Test vehicle</li> <li>• Issue roadworthy certificates</li> </ul> <p>The key objective of this function is to ensure safety on our roads by ensuring roadworthy vehicles</p>
Technical services	This service is responsible for the maintenance of all road markings and road signs



Analysis of functions	Number of targeted violations	Analysis of functions	Number of targeted violations
LICENSING OF DRIVERS		VEHICLE DEFECTS	
Licensed drivers	680	Service/parking brake	47
Learner drivers without supervision	35	Tyres	161
Other offences related to driving licenses	75	Silencer	1
REGISTRATION/LICENSING OF MOTOR VEHICLES		Other	189
Unlicensed/unregistered motor vehicles	891	Public motor vehicle offences	33
Other	83	Municipal bylaws	14
MOVING VIOLATIONS		Safety belt	698
Driving under the influence	12	Cell phone	142
Reckless/negligent driving	5	Other	55
Speeding	1000	NOTICES	
Traffic lights	70	Discontinue	14
Stop sign	490	Total Law enforcement Income	R 3079 050
Other road signs	678	ROADWORHY	
Illegal overtaking	15	Vehicles tested	80
Lane changes	31	Vehicles passed	60
Other moving violations	173	Vehicles failed	20
STOPPING AND PARKING		DRIVING LICENSES	
Stopping	110	Total drivers/learners licenses	R2439180
Danger obstruction	63	Total applications for learners licenses	2577
Parking vehicle entrance	10	Total applications for drivers licenses	2333
Exclusive parking bays	19	Total applications for PDP	788
Other	251	VEHICLE LICENSING	
LOADS PROJECTIONS		Total vehicle licensing incomeeences	R 2801 333
Passenger overload	31	Total retained licenses	R 1185 546
Exceed projection limits	0		
Spillage	2		

## Funded IDP Projects

- Road safety projects
- Speed humps at schools
- Purchase of law enforcement equipment
- Junior Traffic training Centre training
- N2 Ranger project

## Achievements

1. Three festivals were held in Grahamstown successfully.
2. Law enforcement showed an increase in paid offences.
3. A reduction was seen in the number of fatalities on the roads.
4. Increased service delivery in the vehicle and driving license section continued with the help of one traffic officer assisting to cope with the demand.
5. Road marking in the greater Makana area was maintained .
6. All sections show an increase in money collected and this has all been done within our budgetary constraints.
7. All IDP projects have been completed and Makana participated in the Local Transport Forum.
8. There was constant monitoring of stray animals.

## Challenges for next 5 years

### QUALITY CONTROL CASES:

To implement a quality control system whereby control spots have been identified and surveys conducted to determine the adherence rate of the public regarding certain offences. The idea is to have a display board with the results there-on visible to the public. The Department will set a standard for offences; no projects will be held on the offences if surveys prove public adheres to these standards. With this the Department will try and set clear goals for the public to be achieved. This will give the public some sense of ownership and hopefully lead to voluntarily compliance of all traffic rules. If voluntary compliance does not work, we will intervene with law enforcement projects to encourage compliance.

### ACCIDENT REDUCTION:

To use accident database for the identification of accident hotspots and types of offences that cause accidents. These hotspots and causes will then be targeted to reduce accidents.

### WARRANT REDUCTION:

To put in place measures to reduce the number of outstanding warrants of arrests.

### TAXI PROJECTS:

To implement road safety strategies for taxi owners and drivers. Law enforcement in conjunction with the objective and goals of the Arrive Alive campaign.

## Challenges encountered in providing services

**Lack of overtime:** Overtime payment is a challenge and therefore after hours coverage is limited. Funding challenges and restrictions placed on the working of overtime, limits the Departments ability to provide services after hours.

**Roadworthy:** The opening of the Private Roadworthy Testing Station has resulted in a decrease in the Roadworthy figures

**Licensing:** The payment of Licenses at the Post Office gave rise to a decrease in the income derived from the Licensing activities

## Component H: Sport and Recreation

### 3.15. Parks and Recreation

#### Function: Horticulture and auxiliary services sub-function: Aerodrome

Overview: Makana and the surrounding Municipalities are fortunate to have at their disposal a category 1 licensed aerodrome with an all-weather runway and navigation lights that needs maintenance to accommodate up to a light jet.

Description of activity: Inspections (2x Annually)

The section head carries out regular inspections of the facility with respect to:

- Maintenance of the tarred and grassed runways
- Maintenance of navigational aides
- Maintenance of municipal buildings
- Maintenance of boundary fences -
- Rough cutting or burning of outfields

The Department of Civil Aviation also undertakes annual inspections in support of the retention of the category 1 licence.

Description of activity: Collection of landing fees (1x Annually)

Challenges

The continued deterioration of the main tarred runway due to the use of heavy aircraft by SAFAIR undertaking military exercises with SANDF. Their failure to respond to appeals for financial assistance regarding the maintenance of the facility, together with the fact that the runway was not designed for AUW in excess of 10,000kg.

Achievements

Commendation from DCA for maintaining one of the best category one aerodromes in the country.

Overview: This sub-function includes a number of sections including maintenance of grass verges and public open space, planted layouts, street trees and weed control.

Description of activity: Maintenance

The services provided include:

1. Mowing of verges of Grahamstown, Alicedale and Riebeeck East including main entrances, CBD, arterial roads, suburban roads and council facilities. (196 ha)

2. Mowing of public open space with tractor drawn implements (449 ha)

3. Maintenance of gardens & planted layouts within the city (2,5 ha)

4. Maintenance of street trees including tree planting and the maintenance of trees under power lines as well as the removal of trees where required. (673 Trees)

5. Manual tree stump removal. (17 Stumps)

6. Weed control that includes the eradication of weeds and annual grasses on roads, gutters and storm-water channels. (1650 ha)

#### Function: Horticulture and auxiliary services sub-function: Cemeteries

Overview: This sub-function includes the maintenance of cemeteries in Grahamstown, Alicedale and Riebeeck East.

Description of activity: The services provided include:

1. Administration of electronic recording system for burials
2. Cemetery maintenance
3. Contract management (± 875 burials annually)

Challenges

- Acquisition of land for new Cemetery in Alicedale
- Funding to maintain Cemeteries.
- Theft of artefacts and metal railings

Achievements (12 Contracts)

- Extensions to Mayfield, Waainek, including additional service roads for Mayfield.
- Planted a further 100 trees at the Mayfield cemetery.
- Procurement of Contracts for the maintenance of grassed areas: Waainek, Mayfield, Historical, Lavender Valley and Kings Flats cemeteries

### Function: Horticulture and auxiliary services sub-Function: Nursery

Overview: The nursery is maintained for the production of greening material for the Municipality

Description of activity: The services provided include:

1. The production of ground covers, shrubs and trees.
2. Maintenance of ornamental section for decorations.
3. Production of annuals for street displays
4. Sales to public.
5. Support to the Millennium tree planting initiative that sees approximately 640 trees planted throughout Makana Municipality annually.

Challenges

- Maintaining a cost-effective centre
- Water deliveries in support of Departments without sufficient capacity

Achievements

- Renovation of hardening off section for shrubs.
- Retention centre for approximately 2,000 trees for funded projects.
- Growing of 2,300 trees and a further 1250 indigenous shrubs.

### Function: Horticulture and auxiliary services sub-function: Projects

Overview: Includes funded projects including that of the Botanical gardens that have been or are to be outsourced.

Description of activity:

Funded projects include:

1. EPWP – River Bed maintenance, Sport Ground and cemetery maintenance. (R1.5 Million)
2. Makana Resort- Completion of Phase 2 upgrade to infrastructure (R11 Million)
3. Kowie Catchment Campaign (R25 000)
4. Greening project (Wood street) (R10 Million)
5. Millennium Tree Planting Project (Logistical) (R30 000)
6. Wood street Park

Challenges

- Manpower to monitor and evaluate projects.
- Vandalism of sport ground buildings and perimeter fencing.

Achievements

- Completion of Wood Street Park
- Completion of Egazini Gardens
- Completion of new Indoor Sport Centre in Extension 6.



# Chapter **four**

Organisational transformation and institutional development.



## Component A: Introduction to the Municipal Personnel

### 4.1. Employees Totals, Turnover and Vacancies

#### 4.1.1. Municipal Manager and Section 57 Managers

	Approved Positions (e.g MM-S57 etc)	Number of Approved & budgeted posts	Filled Posts	Vacant Posts
1	Municipal Manager	1	No	1
2	Director Corporate Services	1	Yes	0
3	Chief Financial Officer	1	No	1
4	Director Local Economic Development	1	Yes	0
5	Director Technical & Infrastructure	1	No	1
6	Director Community & Social Services	1	Yes	0
	Total	6		3

#### Organizational Structure



DIRECTORATE	UNITS
Municipal Manager Office	<ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Internal Audit</li> <li>• Monitoring and Evaluation</li> <li>• IDP/Performance Management</li> <li>• Legal Services</li> </ul>
Corporate and Share Services	<ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Labour Relations</li> <li>• Information Technology</li> <li>• Administration</li> <li>• Fleet Management</li> </ul>
Budget and Treasury Services	<ul style="list-style-type: none"> <li>• Budget</li> <li>• Revenue Management</li> <li>• Expenditure Management</li> <li>• Supply Chain Management</li> <li>• Compliance and Reporting</li> </ul>
Public Safety and Community Services	<ul style="list-style-type: none"> <li>• Library services</li> <li>• Environmental management</li> <li>• Waste Management</li> <li>• Traffic control and road worthy</li> <li>• Fire and rescue services</li> <li>• Disaster management</li> </ul>
Engineering and Technical Services	<ul style="list-style-type: none"> <li>• Water and sanitation</li> <li>• Housing</li> <li>• Roads and storm water</li> <li>• Electricity</li> <li>• Spatial Development Framework</li> </ul>
Local Economic Development and Planning	<ul style="list-style-type: none"> <li>• SMME development</li> <li>• Tourism</li> <li>• Trade and investment</li> <li>• Heritage development</li> <li>• Agriculture</li> <li>• Estates and Land Planning</li> </ul>

## Organizational Structure Challenges

The municipality undertook a comprehensive organisational development exercise for the entire institution and the outcomes of the initiative have not been fully implemented. A representative from the Department of Cooperative Governance and Traditional Affairs (COGTA) assisted with the alignment of the old and new organisational structure. It has been noted that the phase one implementation of the new organisational structure was not undertaken properly and unplanned recruitment occurred within the municipality. This resulted in a bloated, unaffordable structure, and the Municipality with the assistance of the COGTA, is addressing the organisational structure issues. Some of the root causes that have led to the structure not being fully implemented include lack of consultation with all relevant stakeholders as well as lack of funding for newly created positions and for some of the existing vacant po-

sitions within the municipality. The Makana Municipality ensured that human resource policies and procedures were reviewed and this would assist the Municipality to strictly adhere to its policies in the implementation of the refined organisational structure. In addition, consultation with all the relevant stakeholders would be undertaken in the implementation of the entire organisational structure. An internal implementation plan would be developed to address the recommendations made during the organisational review exercise. Service delivery requirements, revenue enhancement and compliance with legislation should be prioritised in the implementation of the structure taking into consideration the funding requirements and current financial constraints at the municipality. The employment of a new dedicated HR Manager within the municipality, would also address the challenges experienced with the HR function.

## Annual performance as per key performance indicators in Municipality Transformation and Organisational Development

	Indicator Name	Total Number of People(planned for) During the Year Under Review	Achievement Level during the Year Under Review	Achievement Percentage During the Year Under Review	Comments on the Gap
1	Vacancyrateforallapproved and budgeted posts	30	20	80%	Theoutstandingpostshave been advertised
2	Percentageofappointmentin strategic positions (Municipal Manager and Section 57 Managers)	6	3	33%	Various resignations were experienced at this level
3	Percentage of Section 57 ManagersincludingMunicipalManagerswhoattended atleastoneskillsdevelopmenttrainingcoursewithin the financial year	5	2	20%	The Director: LED and Director Corporates Services were part of the CPMD Training process.
4	PercentageofManagersin Technical Services with a professional qualification	6	6	100%	
5	Percentageofmunicipalities withinthedistrictthathave a fully functional PerformanceManagementSystem (DistrictMunicipalityonly)	Not Applicable			
6	Percentageofstaffthathave undergone a skills audit (including competency profiles)withinthecurrent five year term	612	0	1%	Processwillbeaddressedas oneoftheoutcomesofthe Organisationaldevelopment processoftheMunicipality.
7	Percentageofcouncillorswho attendedskillsdevelopment trainingwithinthecurrent five year term	27	0	0%	Trainingwashamperedbya severe lack of funds.
8	Percentageofstaffcomple- ment with disability	1	1	100%	
9	Percentage of female employees	131	131	100%	
10	Percentageofemployeeesthat are aged 35 or younger	57	44	77%	

## Component B: Managing the Municipal Workforce

### 4.2. Implementation of the Performance Management System (PMS):

#### 4.2.1. Individual Performance Management System

The Performance Management System was not implemented in the year under review as no Performance Agreements were signed and no reviews could be conducted because of that failure to sign Performance Agreements. The target to cascade the Performance

Management System to lower levels which would include the Managers reporting to the Directors, could also not be achieved because the senior level of Management had not signed performance agreements. The absence of an Accounting Officer affected this process negatively.

#### 4.2.2. Institutional Performance Management System

The Municipality Performance Management Policy Framework was approved because of outstanding internal consultation processes. The matter will be finalised in the next financial year.

#### 4.2.3. Major challenges and remedial actions with regard to Human Resource and Organisational Management

Due to organisational growth and new challenges, the Municipality proceeded with a review of its organisational structure and a phased approach was adopted by council where by certain Directorates were re-aligned. The Unions declared a dispute regarding their

non-consultation as role players in respect of the first phase of the Organogram Review Process. The second phase of the Organisational Structure Review was affected by the dispute.

### 4.3. Injuries, Sicknesses and Suspensions

#### 4.3.1. Comment on suspensions and cases of misconduct:

During the year under review, there were no suspensions but the Director: Technical Services, the Building Control Officer, IDP/Performance Manager, the Systems Administrator and various Finance staff resigned from the service of Council.

## Component C: Capacitating the Municipal Workforce

### 4.4. Skills Development and Training

During the year under review the Makana Municipality developed a Workplace Skills Plan which was submitted late to the Local Government SETA (LGSETA).

The following training programmes were undertaken with regard to staff development:

Details	Training Undertaken
Staff:	<ul style="list-style-type: none"> <li>CPMD – 20 Officials</li> </ul>

#### Challenges

- The lack of funding negatively affected the training process.
- The Training Committee also did not sit as regularly as it should have and the Workplace Skills Plan was submitted late. The matter will receive attention in the next financial year.

#### 4.4.1. All staff registered with professional bodies

Technical Services	Total Number of Technical Services Managers	Total Number of Registered with Professional Body Accredited	Total Number of Pending Registration Confirmation with Accredited Professional Body	Total Number not registered with Accredited Professional Body
Water	1	1	0	0
Electricity	3	2	0	1
Technical	4	2	0	2
Town Planning	2	1	0	1
Project Management Unit	1	0	0	1

#### 4.4.2. All staff registered with professional bodies

Total Number of Staff	Number of Staff Without Grade 12	Number of Staff with Senior Certificates Only	Number of Staff with Tertiary / Accredited Professional Training
612	323	139	150



## Component D: Managing the Workforce Expenditure

### 4.5. Employee Expenditure

Financial Year	Total Number of Staff	Total Approved Operating Budget	Personal Expenditure (Salary Related)	Percentage of expenditure
2013- 2014	767	820 398 630	124 835 865	38,97%
2014- 2015	812	(413 934 585)	127 117 030	42%

#### 4.5.1. List of pension and Medical Aid Scheme to which employees belong.

Names of pension fund	Number of staff	Name of Medical Aids	Number of staff
Cape Joint Pension Fund	5	Bonitas	95
Cape Joint Retirement	245	LA Health	183
SALA Pension Fund	88	Samwumed	80
SAMWU Provident Fund	259	Key Health	214
		Hosmed	3

#### 4.5.2. Employee related costs (section 56 / 57 employees, of staff members and also councillors).

Employee Related costs	2014	2015
Salaries	1 248 358 865	136 837 038
Remuneration of Councillors	83 366 735	9 310 068

### 4.6. Information and Communication (ICT) Services

ICT services can be classified into three categories:

Application Development; Technical Services; and Enterprise Programmes.

In terms of Application Development, application programmes are provided that not only match the user directorate's exact needs, but allow all such directorates to utilise these application programmes for achieving their specific objectives, as set out in the IDP, harmoniously, efficiently and timeously. In terms of Technical Services, the hardware infrastructure that enables all directorates to electronically communicate both internally and externally, are provided and maintained.

The municipality implemented a network refresh project that addressed the following issues:

- Upgrading wireless infrastructure: The solution provides a best communication network and a stable network.
- Upgrading server room: The server was upgraded to cater for the file storage (SAN storage), reliable server infrastructure and increase in the network speed.
- Disaster recovery plan: A replication solution was implemented between the Town Hall & Finance Building where a fibre optic cable (20Mbps) was installed for the daily backup between the offices.
- Email solution: A hosted exchange solution was implemented to maximise a reliable email communication without disruption.

Challenges: The key challenges that the ICT department is facing is the lack of implementation of the adopted ICT Governance framework, due to lack of funding. Another challenge is the sitting of the ICT steering committee meeting where the committee is not recognised as a strategic committee of the institution. Lastly the shortage of staff and lack of budget for the ICT department.

Remedial Actions:

- A funding for the ICT governance framework will be sourced from the SBD Municipality.
- The ICT steering committee calendar needs to be added to the institutional calendar
- The Organisational structure needs to be reviewed so that the ICT department is catered for.

# Chapter **five**

Financial Viability



## FINANCIAL HEALTH OVERVIEW

### 1. FINANCIAL VIABILITY HIGHLIGHTS

The following highlights were achieved by the municipality regards to financial viability:

Highlight	Description
Successful appointment and implementation of the Debt Collection	Makana has successfully appointed a Debt Collection company (REVCO) in an attempt to improve debt collection rate and implementation of the Revenue Enhancement Strategy. A dedicated task team was established to drive the process and to ensure good reporting and transfer of skill to internal staff.
Funding acquired for the implementation of the National Treasury Reporting framework through Caseware and Abakus system support.	The Financial Municipal Grant (FMG) was used to acquire and implement the NT reporting module on Caseware and also a service provider was appointed to provide Abakus support. The Caseware module was implemented that will ensure timeous financial statements and compliance with applicable laws and regulations in our monthly & quarterly reporting Section 71 & 72 reports. Abakus support is assisting in performing system based day to day functions against manual recording.
Revenue Growth	Debt recovery rate improved to 19% (2013/14 = -4%) despite the difficult economic circumstances and a low tax base of the Makana jurisdiction. This is excluding grant allocation received.
Cash backing of Grant Funding	During the financial year 14/15 all Grant Funding that was used for operational purpose was cash backed and the projects aligned to that funding were eventually completed.
Approved Debt Collection and Credit Control Policy	Council approved the revised debt collection and credit control policy which will be implemented from 1 July 2015.
Bank reconciliation	Bank reconciliations were manually performed this financial year and will be submitted monthly as part of the S71 reporting to Council in 2015/16 financial year.
Critical vacancy filled	The position of Administration Officer (Expenditure) was filled during the 2014/15 financial year

#### *Financial viability highlights*

### 1.2 FINANCIAL VIABILITY CHALLENGES

The following general challenges are experienced by the municipality with regards to financial viability:

Challenge	Action to address
Market response to the vacancies/advertisements	Poor market response to advertised vacancies make it difficult to recruit competent and skilled personnel, this resulted in the position of the Chief Financial Officer remaining vacant for the period under review.
Maintain a sound financial position in the context of the national and international economic climate	Makana took a conservative approach towards borrowing until the tax base has broadened. Makana also accepts that it should do more with less considering its financial challenges and slow improving collection rate.
Long outstanding creditors	Makana has improved in its turnaround period to pay creditors, however, we still experiencing high long outstanding creditors. Eskom and Auditor-General are our highest creditors but the municipality has made payment arrangements with both Institution in its attempt to show commitment.

Revenue enhancement	Makana needs to further enhance the effectiveness and completeness of debt recovery and implement the Revenue Enhancement Plan successfully.
High volume of litigations	Due to non-payment of creditors and lack of funding to complete projects the municipality experiences a high volume of litigations which resulted in our bank account and assets attached.
Limited revenue base	Local economic development needs to ensure that the revenue base is broadened through the LED strategy.
Financial Recovery Plan	Implementation of the Financial Recovery Plan to ensure improved financial health and sustainability remains a challenge.

*Financial viability challenges***1.3 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (RATIOS)**

The following table indicates the municipality's performance in terms of the **national key performance indicators** required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the **national key performance area** namely **municipal financial viability and management**.

KPA & indicator	2014/15	2013/14	Comments
Collection Rate – (Gross Debtors Closing Balance + Billed Revenue-Gross Debtors Opening Balance-Bad debts written off)/Billed Revenue x 100	74%	67%	The ratio indicates the municipality's ability to collect its revenue, which implies that the municipality can collect within its budgeted collection estimates.
Current Ratio – ( Current Assets/Current Liabilities)	1.05	1.35	This ratio indicates the municipality's ability to meet its monthly expenditure. The ratio of 1.05 is below the norm of 1.5:1. Management is constantly evaluating investment portfolios to ensure optimum inflows and return rates; cutting on cost containment items and constantly enhancing revenue inflows. The implementation of Financial Recovery Plan is also very nodal in the process to ensure sound cash flow and financial health within the municipality
Revenue Growth (%) - (Period under review's Total Revenue –previous period's Total Revenue)/previous periods Total Revenue) x 100	11%	-4%	This ratio indicates the municipality's ability to grow its own revenue. The revenue growth of 11% (-4% 2013/14) suggests that the municipality has the potential in growing its own revenue which will assist in rendering the services to the community of Makana.
Creditors Payment Period – ( Trade Creditors Outstanding/Credit Purchases (Operating and Capital) x 365	309 days	92 days	This ratio indicates the municipality's ability to pay its creditors within the 30days legislated period. The creditors payment of 309 days (92days 2013/14) confirms the financial constrains as well as lack of performance by the municipality



Remuneration as % of Total Operating Expenditure – Remuneration (Employee Related Costs and Councilors' Remuneration)/Total Operating Expenditure x 100	37%	41%	This indicates that the municipality conforms with norm 25% - 40% considering that its current % is 37% and confirms the compliant proportion of the salaries and wages budget against the total operating expenditure. However it runs a risk of increasing it when the adoption of contract workers is implemented.
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National KPI's for financial viability and management

## 1.4 FINANCIAL OVERVIEW

The table below shows the financial overview of the municipality:

Details	Original budget	Adjustment budget	Actual
	R'000		
Income	376 970	369 536	391 952
Less: Expenditure	(376 393)	(361 853)	(380 271)
Net surplus/(deficit)	577	7 683	11 680

Financial overview

## 1.5 OPERATING RATIOS

The following table contains the operating ratios for the 2014/15 financial year:

Detail	Expected norm	Actual %	% Variance
Employee cost	25-40	37	0
Repairs & maintenance	8-12	1	7

Operating ratios

The Makana Municipality shows constant improvement in its financial health and sustainability. This is evident in the outcome of the current ratio of 1.02:1 for 2014/15 compared to 1.35:1 for 2014/15. Makana is currently in the process of implementing its Financial Recovery Plan and review its Revenue Enhancement Strategy to further improve financial health and sustainability.

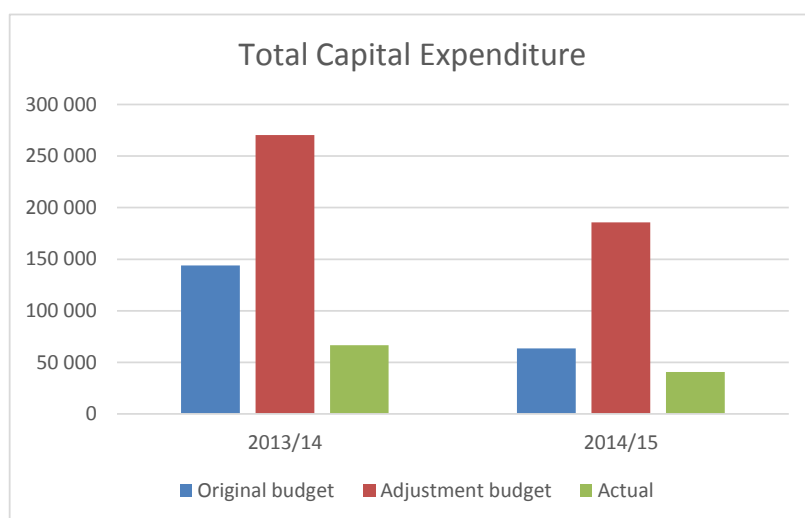
## 1.6 TOTAL CAPITAL EXPENDITURE

The table below shows the total capital expenditure for the last two years:

Detail	2013/14	2014/15
	(R'000)	
Original budget	144 034	63 679
Adjustment budget	270 535	185 768
Actual Expenditure	66 723	40 733

Total capital expenditure

The graph below shows the total capital expenditure for the last two financial years:



*Total capital expenditure*

The capital expenditure incurred during the financial year amounts to R30 288 748 (R66 722 762 in 2013/14) that represents 16% (25% in 2013/14) of the adjusted budget. This under expenditure could be attributed to financial constraints and low cash flow and late start of procurement processes by relevant directorates. Unspent funding will be rolled over in the during August 2015 SBDM on behalf of the municipality as per the memorandum of agreement due to the indirect grant allocation made to them for MIG.

## 2. AUDITOR-GENERAL REPORT

### 2.1 AUDITED OUTCOMES

Year	2010/11	2011/12	2012/13	2014/15	2015/16
Status	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified

*Audit outcomes*

## 3. SUPPLY CHAIN MANAGEMENT

Supply chain management includes all processes which need to be followed to procure goods and services. It entails the identification of needs by the end user departments, registration of vendors, processes of obtaining quotes and bids, keeping of inventory and payment of all creditors, councilors and personnel.

### 3.1 COMPETITIVE BIDS IN EXCESS OF R200 000

#### a) *Bid Committee meetings*

The following table details the number of bid committee meetings held for the 2014/15 financial year:

Bid specification committee	Bid evaluation committee	Bid adjudication committee
13	21	10

#### *Bid Committee meetings*

The attendance figures of members of the Bid Specification Committee are as follows:

Member	Percentage attendance
SCM representative	100%
Relevant technical expert responsible for a function/Project Manager	100%
Mr D. Mlenzana	77%
Mr L. Sizani	62%
Mr J. Budaza	54%
Mr E. Mager	92%
Mr L. Ngandi	46%

#### *Attendance of members of Bid Specification Committee*

The attendance figures of members of the Bid Evaluation Committee are as follows:

Member	Percentage attendance
Manager: SCM	100%
Relevant technical expert responsible for a function	100%
Mr S. Kona	100%
Mr M. Crouse	76%
Mr W. Welkom	67%
Mr E. Ganza	76%
Mr J. Siteto	43%

#### *Attendance of members of Bid Evaluation Committee*

The attendance figures of members of the Bid Adjudication Committee are as follows:

Member	Percentage attendance
Acting Chief Financial Officer (Chairperson)	80%
Acting/Director: Engineering & Infrastructure Services	80%
Director: Community & Safety Services	70%
Acting Director: Local Economic Development	70%
Director: Corporate Services	60%

*Attendance of members of Bid Adjudication Committee*

The percentages as indicated above include the attendance of those officials acting in the position of a bid committee member.

**b) Awards made by the Bid Adjudication Committee**

The nine highest bids awarded by the Bid Adjudication Committee are as follows:

Bid number	Title of bid	Directorate and section	Successful bidder	Value of bid awarded (R)
5/2014	I.T Network Refresh	Corporate Services: IT Section	Business Connection	R5 413 186.62
7/2014	Repairs to Alicedale Road	DEIS: Roads Section	Maqadi Ayanda Constructions	R550 000.00
8/2014	Repairs to Riebeeck East Road	DEIS: Roads Section	Maqadi Ayanda Construction	R1 489 000.00
13/2014	Debt Collection	Budget & Treasury Office	REVCO	9.12%
14/2014	Safety & Security of Municipal Assets	Corporate Services	Tactpro	R231 210.49 p/m
19/2014	Construction Work 66KV substation	DEIS: Electricity	CDR Electrical	R851 716.97
21/2014	Construction of Vukani Taxi Route	PMU	BRO Civils	R15 108 788.26
23/2014	Town Regeneration	LED	Tshani Consulting	R224 580.00

*Nine highest bids awarded by Bid Adjudication Committee***c) Awards made by the Accounting Officer**

In terms of paragraph 5(2)(a) of Council's SCM Policy, only the Accounting Officer may award a bid which is in excess of R10 million. The power to make such an award may not be sub-delegated by the Accounting Officer. The only bid awarded by the Accounting Officer is as follows:

Bid number	Title of bid	Directorate and section	Successful bidder
None			

*Awards made by Accounting Officer*

**d) Appeals lodged by aggrieved bidders**

There were no appeals lodged by aggrieved bidders on awards made in terms of section 62(1) of the Municipal Systems Act (Act 32 of 2000).

**3.2 FORMAL WRITTEN PRICE QUOTATIONS BETWEEN R30 000 AND R200 000**

**a) Awards Made to the companies/enterprises established within the Makana Municipal Area**

The following table details the value of all quotations awarded to enterprises and contractors for the period 1 July 2013 to 30 June 2014:

Month	Total Orders (R)	Local Companies (R)
July 2014	R0	R0
August 2014	R225 980.61	R0
September 2014	R59 000.00	R0
October 2014	R36 180.00	R0
November 2014	R295 713.84	R39 964.02
December 2014	R308 686.00	R0
January 2015	R6 200.00	R6 200.00
February 2015	R0	R0
March 2015	R193 102.19	R29 975.77
April 2015	R874 051.00	R614 051.00
May 2015	R130 074.46	R55 050.00
June 2015	R810 918.18	R541 646.52

Annual	Total Orders (R)	Local Companies (R)
<b>Total</b>	R2 939 906.28	R1 286 887.31
<b>Percentage (%)</b>	<b>43.7</b>	

*Awards made to local companies*

**3.3 DEVIATION FROM NORMAL PROCUREMENT PROCESSES**

Paragraph 36 of Council's SCM Policy allows the Accounting Officer to dispense with the official procurement process. Deviations amounting to R2 066 804.06 were approved by the Accounting Officer. The following table provides a summary of deviations approved on an annual and monthly basis respectively:

Type of deviation	Number of deviations	Value of deviations (R)	Percentage of total deviations value
Sole provider	4	R445 325.61	21%
Goods/Service needed urgently/Emergency	28	R1 472 991.57	71%
Impractical to follow the normal procurement process	1	R9 840.00	1%
Finalisation of Investigation report	1	R37 893.00	2%
Insurance	2	R100 753.88	5%
<b>Total</b>	<b>36</b>	<b>R2 066 804.06</b>	

*Summary of deviations*

Deviations from the normal procurement processes have been monitored closely since the start of the previous financial year. Monthly reporting in terms of paragraph 36 of the SCM Policy has been complied with. A large number and amount of deviations is caused by goods and services needed urgently as a result of hiring of toilets at Eluxolweni and water tanks to distribute water to communities. SCM has identified instances where the normal procurement processes can be adhered instead of following the deviation process. These cases have been taken up with the relevant departments and satisfactory co-operation has been received.

### 3.4 LOGISTICS MANAGEMENT

The system of logistics management must ensure the following:

- the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- the setting of inventory levels that include minimum and maximum levels and lead times wherever goods are placed in stock;
- the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- monitoring and reviewing of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.



Each stock item at the municipal stores in Market Avenue is coded and listed on the financial system. Monthly monitoring of issues and receipts patterns is performed by the storekeeper. Inventory levels are set at the start of each financial year. These levels are set for normal operations. In the event that special projects are being launched by departments, such information is not communicated timely to the stores section in order for them to gear them to order stock in excess of the normal levels.

Internal controls are in place to ensure that goods and services that are received are certified by the responsible person which is in line with the general conditions of a contract. Regular checking of the condition of stock is performed. Quarterly stock counts are performed at which surpluses, deficits, damaged and redundant stock items are identified and reported to Council.

### **3.5 DISPOSAL MANAGEMENT**

The system of disposal management must ensure the following:

- Immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- Movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- Firearms are not sold or donated to any person or institution within or outside the Republic, unless approved by the national conventional arms control committee;
- Immovable property is let at market related rates except when the public interest or plight of the poor demands otherwise;
- All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
- Where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
- In the case of the free disposal of computer equipment, the provincial Department of Education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

We are complying with section 14 of the MFMA which deals with the disposal of capital assets. The disposal policy plan was reviewed and finalised in June 2014 and aims to provide the guidelines for the disposal of all obsolete and damaged assets. Information regarding assets earmarked for disposal has already been collated and the request for approval for disposal will be tabled to Council in the near future.

### **3.6 PERFORMANCE MANAGEMENT**

The SCM policy requires that an internal monitoring system be established and implemented in order to determine, on the basis of retrospective analysis, whether the SCM processes were followed and whether the objectives of the SCM Policy were achieved.

Monitoring of internal processes is an on-going process. Procedure manuals for various SCM processes have been developed, approved and are being implemented. Monthly reporting of appeals received by aggrieved bidders are also done to measure the performance of the bid specification and bid evaluation committees.

### 3.7 PROCUREMENT AND CONTRACT MANAGEMENT

We have complied with SCM Regulation 6(3) for the 2014/15 financial year. These reports were submitted in a timely manner to the Chief Financial Officer, the Accounting Officer, as well as the Executive Mayor.

### 3.8 PROCUREMENT AND CONTRACT MANAGEMENT – SUPPLIERS NOT REGISTERED FOR VAT

VAT registration numbers of suppliers are indicated on a VAT 103 form that is issued by SARS. We can also confirm a VAT number that appears on an original tax clearance certificate. The unit has access to a VAT number validity function which is available on the SARS website. It is easily accessible and is currently utilized.

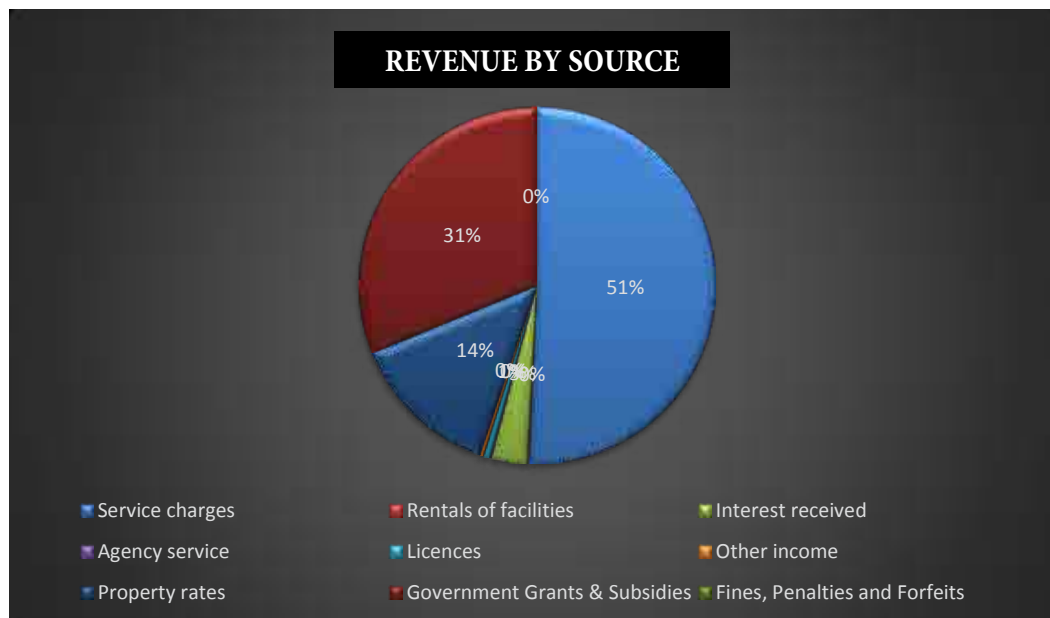
### 3.9 PROCUREMENT AND CONTRACT MANAGEMENT – MONITORING OF CONTRACTS NOT DONE ON A MONTHLY BASIS

Contract management is the responsibility of each manager for contracts in his/her functionality area. The challenge is, however, that this will get urgent attention from senior management as additional capacity needs to be created within the SCM unit. In future the Chief Financial Officer will make recommendations in this regard.

## 4. FINANCIAL PERFORMANCE

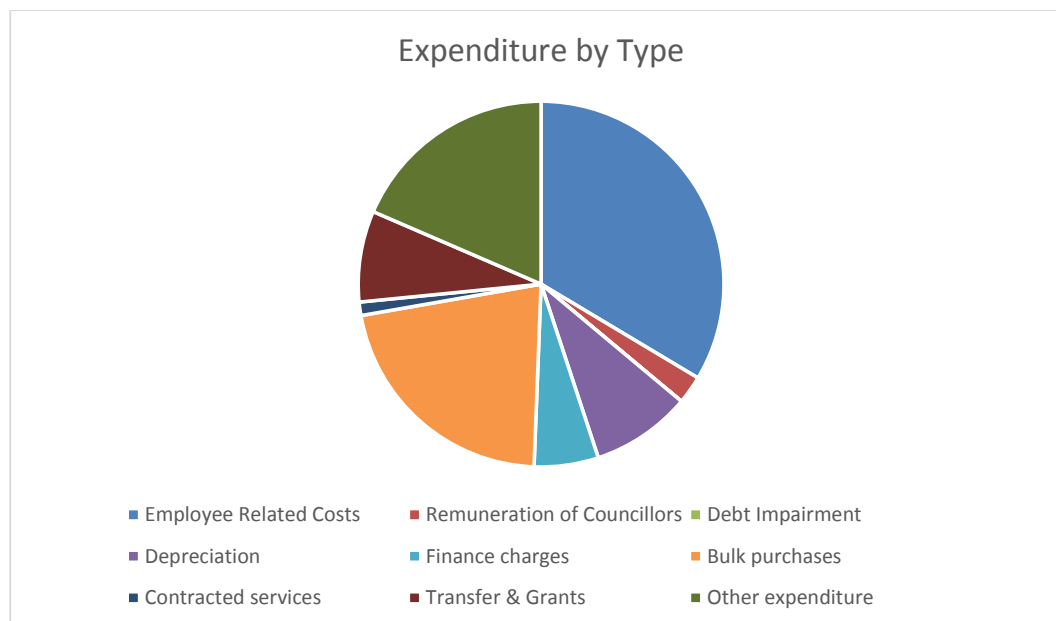
### 4.1 Revenue by Source

The following graph indicates the various types of revenue items in the municipal budget for 2014/15:



## 4.2 Expenditure by Type

The following graph indicates the various types of expenditure items in the municipal budget for 2014/15:





## Calculation of Uniform Financial Ratios and Norms FOR 2014/2015 FINANCIAL YEAR

### Interpretation of results

	The green colour indicates that the result is within the norm and is acceptable
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
	Data should be captured in the blue colour cell to calculate a ratio.
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS (#)
" R 000 "				
1. FINANCIAL POSITION				
A. Asset Management/Utilisation				
1	10% - 20%		10%	Capital expenditure pattern has improved with support of SCM unit and the municipality will improve its planning to ensure improved spending.
		Total Operating Expenditure	378 182 316	
		Taxation Expense	-	
		Total Capital Expenditure	40 732 847	
2	0%		0%	
		PPE, Investment Property and Intangible Impairment	155 476	
		PPE at carrying value	881 549 895	
		Investment property at carrying value	190 233 500	
		Intangible Assets at carrying value	706 714	
3	8%		1%	During the adjustment budget and the MTERF budget processes the municipality will ensure that its repairs and maintenance budget meets the standard norm
		Total Repairs and Maintenance Expenditure	10 136 456	
		PPE at carrying value	881 549 895	
		Investment Property at Carrying value	190 233 500	

### B. Debtors Management

1	Collection Rate	95%			The budget revenue estimate was based on 75% collection rate and the municipality managed to improve it from 67% (13/14) and has plans in place to improve it even further and towards the norm.
			Gross Debtors closing balance	287 438 424	
			Gross Debtors opening balance	219 681 617	
			Bad debts written Off	-	
			Billed Revenue	256 603 137	

3	Net Debtors Days	30 days		249 days	Debt collection remains a challenge but the municipality is hopeful that the appointed services provider will improve debt aging and the initiatives done through the office of the Municipal Manager
			Gross debtors	287 438 424	
			Bad debts Provision	112 688 262	
			Billed Revenue	256 603 137	

### C. Liquidity Management

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months		0 Month	The liquidity of the municipality still remains a threat due to a slow improving cash flow but high volume of long outstanding creditors.
			Cash and cash equivalents	6 039 777	
			Unspent Conditional Grants	4 499 197	
			Overdraft	-	
			Short Term Investments	12 138 648	
			Total Annual Operational Expenditure	378 182 316	

2	Current Ratio	1.5 - 2:1		1.08	The municipality is not self sustainable and is grant depended which severely impacts on service delivery
			Current Assets	257 604 836	
			Current Liabilities	236 979 014	

### D. Liability Management

1	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		5%	Due to late payment and non-payment of creditors the municipality is facing a lot of interest charges which also results in Fruitless and Wasteful Expenditure
			Interest Paid	16 455 888	
			Redemption	-	
			Total Operating Expenditure	378 182 316	
			Taxation Expense	-	

2	Debt (Total Borrowings) / Revenue	45%		140%	The municipality is not self sustainable and is grant depended which severely impacts on service delivery
			Total Debt	69 471 770	
			Total Operating Revenue	183 481 121	
			Operational Conditional Grants	133 752 144	

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		254%	The Accumulated Surplus amount has a lot of historical transactions that requires immediate attention and mostly its due to system setup and lack of understanding of transactions by staff
			Cash and cash Equivalents	18 178 425	
			Bank Overdraft	-	
			Short Term Investment	141 719	
			Long Term Investment	-	
			Unspent Grants	4 499 197	
			Net Assets	973 692 745	
			Share Premium	-	
			Share Capital	-	
			Revaluation Reserve	-	
			Fair Value Adjustment Reserve	-	
			Accumulated Surplus	968 246 229	

## 2. FINANCIAL PERFORMANCE

### A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		0%	
			Total Operating Revenue	379 708 625	
			Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value)	-	
			Total Operating Expenditure	378 182 316	
			Taxation Expense	-	

2	Net Surplus /Deficit Electricity	0% - 15%		75%	
			Total Electricity Revenue	348 625 504	
			Total Electricity Expenditure	87 268 613	

3	Net Surplus /Deficit Water	= or > 0%		0%	
			Total Water Revenue	13 406 037	
			Total Water Expenditure	13 429 929	

### B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	7% - 10%		71%	Electricity is the main source of revenue for the municipality and current a significant amount of electricity is lost.
			Number of units purchased and/or generated	65 342 451	
			Number of units sold	111 746 527	



2	Water Distribution Losses (Percentage)	15% - 30%			
			Number of kilolitres purchased and/or purified	6 581 430	With minimal maintenance and repairs of the infrastructure, the municipality is incurring water distribution losses
			Number of kilolitres sold	6 084 061	

### C. Revenue Management

2	Revenue Growth (%)			11%	Total Revenue growth increased despite economic challenges the country is facing and low
			Total Revenue (Previous)	341 807 683	
			Total Revenue (Current)	379 708 625	

3	Revenue Growth (%) - Excluding grants			19%	The Revenue growth excluding Grants was still realised against all odds faced by the municipality.
			Total Revenue Exl. grants (Previous)	226 074 335	
			Total Revenue Exl. grants (Current)	269 097 384	

### D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days		909 days	The municipality is non-compliant to the creditors payment period due to tight and challenging cash flow. It takes unusually longer to pay creditors.
			Trade Creditors	134 972 225	
			Contracted Services	4 490 552	
			Repairs and Maintenance	10 136 456	
			General expenses	60 249 958	
			Bulk Purchases	82 036 759	
			Capital Credit Purchases (Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment)	2 439 991	

2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		65%	This is a result of non-compliance issues which must still be investigated so that Council can take appropriate steps
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	229 186 476	
			Total Operating Expenditure	351 683 114	
			Taxation Expense	-	

3	Remuneration as % of Total Operating Expenditure	25% - 40%		37%	The total employee cost is within the acceptable norm but is likely to be increased by the implementation of the Amendment LRA
			Employee/personnel related cost	129 930 343	
			Councillors Remuneration	9 458 268	
			Total Operating Expenditure	378 182 316	
			Taxation Expense	-	

4	Contracted Services % of Total Operating Expenditure	2% - 5%		1%	there is a need to improved contracted services expenditure to ensure improved working conditions
			Contracted Services	4 490 552	
			Total Operating Expenditure	378 182 316	
			Taxation Expense	-	

# Appendices & Attachments



## Appendices

### Appendix A: Councillors; committee allocation

Organisation	Ward	Surname & Name
ANC	PR	Bonani Boniwe
DA	03	Booyesen Marcelle
DA	12	Fargher Brian William
ANC	PR	GagaNomhle:Chairperson–InfrastructurePortfolioCommittee
ANC	11	Gojela Mncedisi
DA	08	Jackson Brian Peter Neville
ANC	9	Jela-Solomon Kholiswa
ANC	14	Louw Ernest
ANC	10	Kolisi Vuyani
ANC	7	Khubalo Malibongwe
ANC	13	Madinda Mthuthuzeli
ANC	PR	Madinda Rachel Misiwe (Speaker)
DA	PR	Madyo Xolani
ANC	6	MasomaNombulelo:Chairperson–TourismAndCulturalIndustries Portfolio Committee
ANC	PR	MatyumzaMtutuzeli:Chairperson–SocialDevelopmentPortfolio Committee
DA	04	May Lena
ANC	10	Meti Nomathamsanqa
ANC	PR	Ngeleza Thuleka
ANC	01	Pongolo Melikhaya
ANC	PR	NotyawaMbuleloPaul:Chairperson-LocalEconomicDevelopment Portfolio Committee
ANC	PR	Peter Zamuxolo: Executive Mayor
COPE	PR	Plaatjie Ruth
ANC	PR	RanchhodPiryawaden:Chairperson–Finance,Administration, Monitoring & Evaluation Portfolio Committee
DA	PR	Reynolds Leslie
ANC	PR	Tyantsula Nonzameko
ANC	05	Tame Mawandise Southey
ANC	PR	Wells Julia - Chief Whip

## Appendix B: Committee and committee purposes

Portfolio Committees	Chairpersons	Members	Committee Purpose
Public Safety Portfolio Committee	Clr. M. Matyumza	Clr. X. Madyo Clr. M. Khubalo Clr. B Fargher Clr. J. Wells Clr. V. Kolisi Clr. K Jela-Solomon Clr. L. May Clr. M. Booysen	To deliberate and decide on the rendering of community services and social services
Finance, Administration, Monitoring & Evaluation Portfolio Committee	Clr. P Ranchhod	Clr. B. Fargher Clr. L. Reynolds Clr. N. Meti Clr. T. Ngeleza Clr. N. Gaga Clr. V. Kolisi	To deliberate and decide on financial and administrative matters. Also to oversee the monitoring and evaluation function of the municipality
Infrastructure Development Portfolio Committee	Clr. N. Gaga	Clr. B. Bonani Clr. M. Tame Clr. E. Louw Clr. P. Ranchhod Clr. M. Madinda Clr. L. Reynolds	To deliberate and decide on infrastructural development matters.
Local Economic Development Portfolio Committee	Clr. P. Notyawa	Clr. N. Masoma Clr. M. Matyumza Clr. N. Ngoqo Clr. N. Plaatjie Clr. B. Bonani Clr. B. Jackson	To deliberate and decide on matters related to local economic development, agriculture and rural development.
Tourism & Cultural Industries Portfolio Committee	Clr. N. Masoma	Clr. B. Jackson Clr. J. Wells Clr. P. Notyawa Clr. E. Louw Clr. N. Tyantsula Clr. M. Gojela Clr. M. Booysen	To deliberate and decide on tourism, heritage and creative industries.

## Appendix C: Functions of the Municipality

### Part B of Schedule 4

- Air pollution
- Building regulations
- Child care facilities
- Electricity and gas reticulation
- Fire fighting services
- Local Tourism
- Municipal Airports
- Municipal planning
- Municipal health services
- Municipal public transport
- Municipal public works only in respect of the needs of Local amenities municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this constitution or any other law
- Pontoons, ferries, jetties, piers and harbours, excluding Local sport facilities the regulation of international and national shipping and matters related thereto
- Stormwater management systems in built-up areas
- Markets
- Trading regulations
- Municipal abattoirs
- Water and sanitation services limited to potable water Municipal parks and recreation supply systems and domestic waste-water and sewage disposal systems
- Municipal roads
- Noise pollution
- Pounds
- Public places
- Refuse removal, refuse dumps and solid waste disposal
- Street trading
- Street lighting local amenities
- Traffic and parking

### Part B of Schedule 5

- Beaches and amusement facilities
- Billboards and the display of advertisement in public places
- Cemeteries, funeral parlours and crematoria
- Cleansing
- Control of undertaking that sell liquor to the public
- Facilities for the accommodation, care and burial of animals
- Fencing and fences
- Licencing of dogs
- Licensing and control of undertakings that sell food to the public

## Ward Reporting

Report on establishment and activities of the ward committees under the Office of the Speaker

The Constitution of the Country places an obligation on all Local Municipalities to establish Ward Committees immediately after the Local Government Elections. The primary function of the Ward Committees is to be a formal Communication Channel between the Community and the Council. To date Makana has managed to establish Ward Committees in most of its Wards.



## Appendix D: Ward Information

### Ward Committee Members

Ward 1	Ward 2	Ward 3	Ward 4
INITIALS AND SURNAME L. Mlambo Z. Twani K. Maki/Javu M Ntlanjeni B Kalani M Lawu K Mfihlo L Skeyi N Mdoko S Faliteni	INITIALS AND SURNAME M Mahlahla M Bambiso B Mgogoshe T. Ntlumbini V Makinana S September N Malgas A Adam N Mengu B Hanise	INITIALS AND SURNAME E Malawana C Daniels M Makeleni X Simakuhle I Basson N Yame N Manyati N Zwane X Ngqawana Goliath	INITIALS AND SURNAME P Andrews S Prince-Smith K L Meyer M Brown E Hector E AndertonK Marney A Groats
Ward 5	Ward 6	Ward 7	Ward 8
INITIALS AND SURNAME L Kula V Zwayi T Kondile C Goba C Nkatsha S Mazosiwe V Vena S Yekani S Plaatjie N Funani	INITIALS AND SURNAME T Qinela V Jacobs N Klaas N Platyi Z Ponshe X Notyawwe Z Plaatjie L Bulani B Jezi N S Ngoqo	INITIALS AND SURNAME V Tata L Geelbooi N Vuso V Sodladla L Ndzayo N Mnyaka M Mdoko M Twani V Royi T Tsili	INITIALS AND SURNAME B L. Dlukulu CD Prince M Salaze NF Nkayi T Singatha M Mvula L Nxopho M Sullo P Mbebe P Coetzee
Ward 9	Ward 10	Ward 11	Ward 12
INITIALS AND SURNAME T Qoko P Ngoqo S Mfecane S Magadaza) M Moya M Dyasi M Hoboshe W Dywili P Madyo N Matya	INITIALS AND SURNAME N Mthathi M Noyila G Mapapu B Ngxizele N Tsili Z Cetu N Ncanywa N Nyengane M Gule M Mlonyeni	INITIALS AND SURNAME M Koliti N Nxakala L Silo N Ntile X Losi Z Choli X Duma N Mthuthi T Nobhongwana	INITIALS AND SURNAME T Seyisi N Xhashimba Y Manyati N Cossie N Mtya S Goduka B Bambatho N Ndolo X Gwente N Kilani
Ward 13			
INITIALS AND SURNAME C Nel P Kewuti A Nomoyi C Sias E Jantjies	INITIALS AND SURNAME V Nesi B Zembetha M Antoni M Bani T Peku		







# MAKANA

MUNICIPALITY | EASTERN CAPE

**...a great place to be**

Makana Municipality  
Annual Financial Statements  
for the year ended 30 June 2015

These annual financial statements were prepared by:  
Ms JRB Khumalo  
Acting Chief Financial Officer

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### General Information

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**Mayoral committee**

Executive Mayor

Cllr Z J Peter  
Cllr P Ranchhod  
Cllr N Gaga  
Cllr MPG Notyawa  
Cllr N Masoma

**Councillors**

Cllr M Matyumza  
Cllr R M Madinda-Isaac  
Cllr N Ngoqo  
Cllr BW Fargher  
Cllr M Gojela  
Cllr BPN Jackson  
Cllr MM Khubalo  
Cllr VC Kolisi  
Cllr E Louw  
Cllr MG Madinda  
Cllr XG Madyo  
Cllr L May  
Cllr N Meti  
Cllr TC Ngeleza  
Cllr B Bonani  
Cllr NR Plaatjie  
Cllr LM Reynolds  
Cllr MS Tame  
Cllr NC Tyantsula  
Cllr JC Wells  
Cllr K Jela  
Cllr MC Booysen

**Grading of local authority**

Category B

**Acting Chief Finance Officer (CFO)**

JRB Khumalo

**Acting Municipal Manager:**

Ms MJ Meiring

**Registered office**

City Hall  
86 High Street  
Grahamstown  
6139

**Postal address**

P O Box 176  
Grahamstown  
6140

**Auditors**

Chartered Accountants (S.A.)

**Preparer**

The annual financial statements were internally compiled by:  
Ms JRB Khumalo  
Acting Chief Financial Officer

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## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

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

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## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

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#### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data. The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2015 and, in the light of this review and the current financial position, she is not satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Makana municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements which have been prepared on the going-concern basis, were signed on the municipality's behalf by:

•  
•  
•

  
 Ms MJ Meiring  
 Acting Municipal Manager



**Makana Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Statement of Financial Position as at 30 June 2015**

	Note(s)	2015 R	2014 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	15 542 194	13 121 991
Finance lease receivables		-	121 600
Consumer debtors	5	174 750 162	129 572 371
Receivables from exchange transactions	4	2 499 663	6 375 986
Receivables from non-exchange transactions	6	46 606 383	32 113 720
Cash and cash equivalents	7	18 178 425	2 029 895
Operating lease asset	8	28 009	28 525
		<b>257 604 836</b>	<b>183 364 088</b>
<b>Non-Current Assets</b>			
Investment property	12	190 233 500	201 302 330
Property, plant and equipment	9	852 541 846	805 947 213
Intangible assets	10	706 714	948 306
Heritage assets	11	29 008 049	28 931 049
Investment	13	141 719	161 477
		<b>1 072 631 828</b>	<b>1 037 290 375</b>
<b>Total Assets</b>		<b>1 330 236 664</b>	<b>1 220 654 463</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	14	2 321 154	2 297 709
Other financial liabilities	20	4 127 932	4 009 820
Payables from exchange transactions	16	177 994 210	42 726 633
Payables from non-exchange transactions	17	32 680 011	26 707 226
Unspent conditional grants and receipts	18	4 499 197	20 290 713
VAT payable	19	12 628 148	14 100 340
Employee benefit obligation	21	2 728 362	9 712 674
Bank overdraft	7	-	15 466 633
		<b>236 979 014</b>	<b>135 311 748</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	20	50 940 346	50 116 917
Employee benefit obligation	21	64 745 999	40 321 709
Provisions	15	815 876	782 119
		<b>116 502 221</b>	<b>91 220 745</b>
<b>Total Liabilities</b>		<b>353 481 235</b>	<b>226 532 493</b>
<b>Net Assets</b>		<b>976 755 429</b>	<b>994 121 970</b>
<b>Net Assets</b>			
Reserves			
Other NDR		5 446 516	5 427 536
Accumulated surplus		971 308 912	988 694 435
<b>Total Net Assets</b>		<b>976 755 428</b>	<b>994 121 971</b>

\* See Note 48

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

	Note(s)	2015 R	2014 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	196 610 041	161 564 120
Rental of facilities and equipment	34	1 023 409	800 907
Interest received		12 494 247	11 207 128
Agency services		850 378	877 055
Licences and permits		2 344 416	2 596 574
Other income	26	1 892 183	2 219 713
<b>Total revenue from exchange transactions</b>		<b>215 214 674</b>	<b>179 265 497</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	53 827 308	46 153 127
<b>Transfer revenue</b>			
Government grants & subsidies	25	110 611 241	115 733 348
Fines, Penalties and Forfeits		55 402	655 711
<b>Total revenue from non-exchange transactions</b>		<b>164 493 951</b>	<b>162 542 186</b>
<b>Total revenue</b>	22	<b>379 708 625</b>	<b>341 807 683</b>
<b>Expenditure</b>			
Employee related costs	28	(129 930 343)	(129 818 933)
Remuneration of councillors	29	(9 458 268)	(8 336 735)
Administration		(5 845)	-
Depreciation and amortisation	30	(33 443 447)	(36 729 303)
Impairment loss/ Reversal of impairments	31	(155 476)	-
Finance costs	32	(16 455 888)	(6 337 044)
Lease rentals on operating lease		(1 010 882)	(1 140 400)
Repairs and maintenance		(10 136 456)	(12 776 976)
Bulk purchases	37	(82 036 759)	(67 096 416)
Contracted services	35	(4 490 552)	(6 917 134)
Transfers and Subsidies	36	(30 808 444)	(22 246 207)
General Expenses	27	(60 249 956)	(46 539 909)
<b>Total expenditure</b>		<b>(378 182 316)</b>	<b>(337 939 057)</b>
<b>Operating surplus</b>		<b>1 526 309</b>	<b>3 868 626</b>
Gain on disposal of assets and liabilities		32 062	-
Fair value adjustments		(11 068 830)	5 245 900
Actuarial gains/losses	21	1 047 113	6 383 935
		<b>(9 989 655)</b>	<b>11 629 835</b>
<b>(Deficit) surplus for the year</b>		<b>(8 463 346)</b>	<b>15 498 461</b>

\* See Note 48

**Makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

**Statement of Changes in Net Assets**

	Other NDR R	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2013</b>	<b>5 408 554</b>	<b>973 195 974</b>	<b>978 604 528</b>
Changes in net assets			
Surplus for the year	-	15 498 461	15 498 461
Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities	18 982	-	18 982
<b>Total changes</b>	<b>18 982</b>	<b>15 498 461</b>	<b>15 517 443</b>
<b>Restated* Balance at 01 July 2014</b>	<b>5 427 536</b>	<b>979 772 258</b>	<b>985 199 794</b>
Changes in net assets			
Surplus for the year	-	(8 463 346)	(8 463 346)
Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities	18 980	-	18 980
<b>Total changes</b>	<b>18 980</b>	<b>(8 463 346)</b>	<b>(8 444 366)</b>
<b>Balance at 30 June 2015</b>	<b>5 446 516</b>	<b>971 308 912</b>	<b>976 755 428</b>

Note(s)

\* See Note 48

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Cash Flow Statement

	Note(s)	2015 R	2014 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		53 827 308	46 153 127
Services charge		196 610 041	161 564 120
Grants		110 611 241	115 733 348
Interest income		-	385 120
Other receipts		12 130 117	17 838 897
		<u>373 178 707</u>	<u>341 674 612</u>
<b>Payments</b>			
Employee costs		(118 330 242)	(112 349 438)
Suppliers		(169 020 497)	(216 847 189)
Finance costs		(16 455 888)	(6 337 044)
Other payments		(3 988 922)	(6 712 262)
Remuneration of Councillors		(9 458 267)	(8 336 735)
		<u>(317 253 816)</u>	<u>(350 582 668)</u>
<b>Net cash flows from operating activities</b>	38	<u>55 924 891</u>	<u>(8 908 056)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(40 655 847)	(49 792 502)
Proceeds from sale of property, plant and equipment	9	1 860 128	-
Purchase of other intangible assets	10	-	(631 054)
Purchases of heritage assets	11	(77 000)	(3 161 400)
Proceeds from sale of financial assets		19 758	(115 949)
<b>Net cash flows from investing activities</b>		<u>(38 852 961)</u>	<u>(53 700 905)</u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		941 541	30 769 995
Finance lease receipts		121 600	-
<b>Net cash flows from financing activities</b>		<u>1 063 141</u>	<u>30 769 995</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>18 135 071</u>	<u>(31 838 966)</u>
Cash and cash equivalents at the beginning of the year		(13 436 738)	9 832 693
<b>Cash and cash equivalents at the end of the year</b>	7	<u>4 698 333</u>	<u>(22 006 273)</u>

\* See Note 48



**Makana Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Appropriation Statement**

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2015</b>											
<b>Financial Performance</b>											
Property rates	45 925 379	24 196	45 949 575	-	-	45 949 575	53 827 308	-	7 877 733	117 %	117
Service charges	224 360 355	1 006 993	225 367 348	-	-	225 367 348	196 610 041	-	(28 757 307)	87 %	88
Transfers recognised - operational	80 107 833	(748 018)	79 359 815	-	-	79 359 815	81 632 008	-	2 272 193	103 %	102
Other own revenue	25 803 707	(7 875 878)	17 927 829	-	-	17 927 829	18 692 097	-	764 268	104 %	72
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>376 197 274</b>	<b>(7 592 707)</b>	<b>368 604 567</b>	<b>-</b>	<b>-</b>	<b>368 604 567</b>	<b>350 761 454</b>	<b>-</b>	<b>(17 843 113)</b>	<b>95 %</b>	<b>93</b>
Employee costs	(136 957 725)	663 279	(136 294 446)	-	-	(136 294 446)	(129 930 343)	-	6 364 103	95 %	95
Remuneration of councillors	(9 310 068)	-	(9 310 068)	-	-	(9 310 068)	(9 458 268)	(148 200)	(148 200)	102 %	102
Depreciation and asset impairment	(25 497 252)	4 000 000	(21 497 252)	-	-	(21 497 252)	(33 598 923)	(12 101 671)	(12 101 671)	156 %	132
Finance charges	-	-	-	-	-	-	(16 455 888)	(16 455 888)	(16 455 888)	DIV/0 %	DIV/0
Materials and bulk purchases	(79 623 734)	-	(79 623 734)	-	-	(79 623 734)	(82 036 759)	(2 413 025)	(2 413 025)	103 %	103
Transfers and grants	(40 799 302)	(139 000)	(40 938 302)	-	-	(40 938 302)	(30 808 444)	-	10 129 858	75 %	76
Other expenditure	(84 034 498)	10 016 227	(74 018 271)	-	-	(74 018 271)	(86 962 521)	(528 673)	(12 944 250)	117 %	103
<b>Total expenditure</b>	<b>(376 222 579)</b>	<b>14 540 506</b>	<b>(361 682 073)</b>	<b>-</b>	<b>-</b>	<b>(361 682 073)</b>	<b>(389 251 146)</b>	<b>(31 647 457)</b>	<b>(27 569 073)</b>	<b>108 %</b>	<b>103</b>
<b>Surplus/(Deficit)</b>	<b>(25 305)</b>	<b>6 947 799</b>	<b>6 922 494</b>	<b>-</b>	<b>-</b>	<b>6 922 494</b>	<b>(38 489 692)</b>	<b>-</b>	<b>(45 412 186)</b>	<b>(56) %</b>	<b>152 103</b>

**Makana Municipality**  
Annual Financial Statements for the year ended 30 June 2015

**Appropriation Statement**

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcom as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	1 609 312	158 194	1 767 506	-		1 767 506	28 979 233		27 211 727	1 640 %	1 801
Surplus (Deficit) after capital transfers and contributions	1 584 007	7 105 993	8 690 000	-		8 690 000	(9 510 459)		(18 200 459)	(109)%	(600)
Surplus/(Deficit) for the year	1 584 007	7 105 993	8 690 000	-		8 690 000	(9 510 459)		(18 200 459)	(109)%	(600)



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

#### 1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Accounting for Investments in Associates
GRAP 8	Financial Reporting of Interest in Joint Ventures
GRAP 9	Revenue
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosure (Approved, Not yet effective)
GRAP 21	Impairment of Non-Cash Generating Assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits (Approved, early adoption)
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised in 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

These accounting policies and the applicable disclosures have been based on the International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

IPSAS 20	Related Party Disclosures
IFRS 4 (AC 141)	Insurance contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral
IAS 12 (AC 102)	Income tax
SIC – 25 (AC 425)	Income taxes – changes in the tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 12 (AC 445)	Service Concession Arrangements

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all amounts are rounded to the nearest rand.

#### 1.2 Going concern assumption

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

#### 1.3 Comparative information

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

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

#### 1.4 Standards, Amendments to standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 20	Related Party Disclosures
GRAP 105	Transfers of Functions Between Entities under Common Control
GRAP 106	Transfers of Functions Between Entities Not under Common Control
GRAP 107	Mergers

#### 1.5 Presentation of Budget Information

The presentation of budget information is prepared in accordance with the GRAP standards. The Annual Financial Statements and the budget are on the same basis of accounting, therefore a comparison between the budgeted and actual amounts for the reporting period are included in the Annual Financial Statements.

Budget information is presented on the accrual basis and is based on the same period as the actual amount, i.e. 1 July 2014 to June 2015.

Explanations for material differences between the final budget amounts and actual amounts are included in the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.6 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the Municipality maintains a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, inter alia, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the Municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available and not already committed to approved existing Housing projects



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.7 Employee benefits

##### (a) Pension obligations

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has a long service award liability and post-retirement medical liability. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The municipality has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### (b) Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the municipality, and to their registered dependants. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

##### (c) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

##### (d) Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised.

Payments made by the Municipality are offset against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

#### (e) Accrued Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and is calculated as per collective bargaining council agreement.

#### (f) Accrued Annual and Performance bonuses

Liabilities for annual and performance bonuses are recognised as they accrue to employees. Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. These accruals are an estimate of the amount due to staff as at the financial year end.

#### (g) Other short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered. Liabilities are recognised as they accrue to employees. Additional text

### 1.8 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

### 1.9 Leases

#### Municipality as a lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity.

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating leases are those leases that do not fall within the scope of the definition of a finance lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

#### 1.9.2 Municipality as a lessor

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

#### 1.10 Long term liabilities (Borrowings)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

#### 1.11 Payables from exchange transactions

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.



## Makana Municipality

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### Accounting Policies

#### 1.12 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

#### 1.13 Value Added Tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

The municipality is liable to account for VAT at standard rate (14%) in terms of section 7(1) of the vat act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 or is out of scope for VAT purposes. The timing of payments to or from SARS is the last day of each of twelve months financial year.

#### 1.14 Property, Plant and Equipment

##### 1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated property, plant and equipment is recognised at its fair value.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

##### 1.14.2 Subsequent Measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

## Makana Municipality

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### Accounting Policies

#### 1.14.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use and depreciation ceases at the earlier of the date that the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives at acquisition of all Property, Plant and Equipment. These useful lives can be extended in applying a review of useful lives.

#### INFRASTRUCTURE ASSETS

Elec. Generation:	10 - 30
Elec. Reticulation:	10 - 45
Refuse:	10 - 100
Roads, Pavements & Bridges:	10 - 50
Sewerage Purification:	20 - 120
Sewerage- Reticulation:	10 - 100
Storm water:	10 - 50
Street Lightning:	5 - 20
Water- Dams & Reservoirs:	20 - 50
Water- Reticulation:	10 - 120

#### COMMUNITY ASSETS

Buses:	10 - 15
Cemeteries:	20 - 100
Community Halls:	15 - 100
Community- Other:	15 - 100
Fire, Safety & Emergency:	10 - 100
Libraries:	10 - 100
Museums & Art Galleries:	10 - 100
Parks & Gardens:	5 - 50
Recreational Facilities:	15 - 100
Social Renting Housing:	10 - 100
Sportfields & Stadium:	10 - 100
Swimming Pools:	10 - 20

#### OTHER ASSETS

Civil Land & Buildings:	20 - 100
Computers- Hardware & Equipment:	4 - 5
Furniture & Office Equipment:	7 - 30
General Vehicles:	7 - 15
Other Buildings:	50 - 100
Other Land:	Indefinite
Other- Other Assets:	5 - 15
Plant & Equipment:	5 - 30
Security Measures:	5 - 10
Specialised Vehicles:	12 - 30

#### INTANGIBLE ASSETS

Intangible Assets- Other:	5 - 20
Intangible Assets- Software:	4 - 10

#### INVESTMENT PROPERTIES

Investment Properties- Land:	Indefinite
Investment Properties- Building:	Indefinite

#### HERITAGE ASSETS

Heritage Assets: Buildings
Heritage Assets: Other



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.14.4 Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial performance.

#### 1.15 Investment Properties

##### 1.15.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at fair value once it meets the definition of investment property.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

##### 1.15.2 Subsequent Measurement - Fair value model

Subsequent to initial recognition investment properties are measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

##### 1.15.3 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.16 Intangible Assets

##### 1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

##### 1.16.2 Subsequent Recognition - Cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

##### 1.16.3 Amortisation and Impairment

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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

For all other intangible assets amortisation is provided on a straight line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

#### 1.16.4 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.17 Heritage Assets

##### 1.17.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Economic Entity, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

##### 1.17.2 Subsequent Measurement - Cost model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

##### 1.17.3 Depreciation and Impairment

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial. Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

##### 1.17.4 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

#### 1.18 Assets classified as held for sale

##### 1.18.1 Initial Recognition



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## **Accounting Policies**

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Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### **1.18.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### **1.18.3 Derecognition**

Non-current assets and disposal groups classified as held for sale will cease to be classified as such when the recognition criteria are no longer met.

### **1.19 Non Current Investments**

Non-current investments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost using the effective interest method less any impairment. Where an investment has been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period the impairment is identified.

### **1.20 Inventories**

#### **1.21.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### **1.21.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. In general, the basis of allocating cost to inventory items is the weighted average method.

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.21 Trade and Other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

#### 1.22 Cash and Cash Equivalents

Cash includes cash on hand, call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and cash with banks, net of bank overdrafts.

#### 1.23 Revenue Recognition

##### 1.24.1 Revenue from Exchange Transactions

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

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

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly. Service charges from sewerage and sanitation for residential and business properties are levied annually based on a fixed tariff. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant liability, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably. The income for agency services recognised is commission in terms of the agency agreement.

##### 1.24.2 Revenue from Non-Exchange Transactions



## Makana Municipality

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### Accounting Policies

- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
  - The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- The income for agency services recognised is commission in terms of the agency agreement.

#### 1.24 Changes in Accounting Policy, Estimate and Correction of Error

Changes in accounting policies have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of changes in accounting policies are disclosed in the notes to the annual financial statements.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Detail of changes in accounting estimates are disclosed in the notes to the annual financial statements.

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

#### 1.25 Unauthorised Expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.26 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, Act No.56 of 2003, the Municipal Systems Act, Act No.32 of 2000, the Public Office Bearers Act, Act No. 20 of 1998 or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements shall be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements. Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements is updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the council or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

#### 1.27 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.28 Related Parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

##### Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

##### Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Executive Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

#### 1.29 Financial Instruments

The Municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

##### 1.29.1 Financial Assets



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## **Accounting Policies**

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A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The Municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents

### **1.29.2 Financial Liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and Other Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities

### **1.29.3 Measurement**

#### **Initial Recognition:**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### **Subsequent Measurement:**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost.

Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

### **1.29.4 Impairment of Financial Assets**

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

### **1.29.5 Derecognition of Financial Assets**

#### **1.29.5.1 Financial Assets**

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A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired? or
- The Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### 1.29.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### 1.29.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 1.30 Contingent Liabilities/ Assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and liabilities are not recognised in the Statement of Financial Position. Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are disclosed where an inflow of economic benefits or service potential is probable.

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#### **1.31 Events After Reporting Date**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.



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### Accounting Policies

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#### 1.32 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

##### Revenue Recognition

Accounting Policy 1.25.1 on Revenue from Exchange Transactions and Accounting Policy 1.25.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### Financial assets and liabilities

The classification of financial assets and liabilities is based on judgement by management.

##### Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**Impairment of Financial Assets** - Accounting Policy 1.32.4: Financial Instruments, referring to paragraph on Impairment of Financial Assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the Annual Financial Statements.

**Useful lives of Property, Plant and Equipment** - As described in Accounting Policy 1.15.3, the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge and are revalued annually.

##### Investment Property

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

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**Defined Benefit Plan Liabilities** - The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the Annual Financial Statements.

##### Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material.



## Makana Municipality

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### Accounting Policies

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#### 1.32 Significant judgements and sources of estimation uncertainty (continued)

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

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

Accounting Policy 1.32.4: Financial Instruments, referring to paragraph on Impairment of Financial Assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the Annual Financial Statements. Useful lives of Property, Plant and Equipment - As described in Accounting Policy 1.15.3, the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge and are revalued annually.

##### Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

##### Impairment testing

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

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

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

##### Useful lives of waste and water network and other assets

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

## Makana Municipality

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### Accounting Policies

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#### 1.32 Significant judgements and sources of estimation uncertainty (continued)

##### Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

##### Effective interest rate

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

##### Allowance for doubtful debts

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

#### 1.33 Investment property

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

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

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

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

Investment property is initially recognised at fair value.



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## **Accounting Policies**

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### **1.33 Investment property (continued)**

#### **Fair value**

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

### **1.34 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. All donated property, plant and equipment is recognised at its fair value. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up. Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.



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### Accounting Policies

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#### 1.34 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

#### 1.35 Intangible assets



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### 1.35 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Internally generated goodwill is not recognised as an intangible asset. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values.

Intangible assets are derecognised:

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

### 1.36 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality. Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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### Accounting Policies

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#### 1.36 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount. An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

#### Recognition

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

#### Initial measurement

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

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses. After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

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

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

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

#### Transitional provision

The municipality changed its accounting policy for heritage assets in 2015. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in . The transitional provision expires on 2015-06-30.



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### Accounting Policies

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#### 1.36 Heritage assets (continued)

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where heritage assets were acquired through a transfer of functions, the municipality is not required to measure that heritage assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2015 and heritage assets have accordingly been recognised at provisional amounts, as disclosed in .

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

#### 1.37 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

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

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

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

A financial asset is:

- cash;



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### Accounting Policies

#### 1.37 Financial instruments (continued)

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

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

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

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

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

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

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

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

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

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



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Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.38 Leases**

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

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

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

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

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

#### **Finance leases - lessee**

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

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

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

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **1.39 Employee benefits**

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

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

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

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## Accounting Policies

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### 1.39 Employee benefits (continued)

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

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

### 1.40 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

#### Measurement

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

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.40 Revenue from exchange transactions (continued)

##### Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

#### 1.41 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

#### 1.42 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.42 Events after reporting date (continued)

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### 1.43 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.44 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.45 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

##### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.



## Makana Municipality

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### Accounting Policies

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#### 1.45 Investments (continued)

##### Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

#### 1.46 Conditional grants and receipts

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

#### 1.47 Budget information

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

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

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

The approved budget covers the fiscal period from 2012-07-01 to 2015-06-30.

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

#### 1.48 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

## Makana Municipality

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### Accounting Policies

#### 1.48 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### Notes to the Annual Financial Statements

	2015 R	2014 R
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## **Makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

### **Notes to the Annual Financial Statements**

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#### **2. New standards and interpretations**

##### **2.1 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

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

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## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>3. Inventories</b>		
Consumable stores	6 660 922	5 265 404
Maintenance materials	7 587 263	6 665 262
Water	170 614	170 614
Other Stores	1 123 395	1 020 711
	<b>15 542 194</b>	<b>13 121 991</b>
Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.		
<b>4. Receivables from exchange transactions</b>		
Debtors in credit	2 499 663	6 375 986
<b>5. Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	37 485 706	43 843 361
Refuse	27 268 867	19 511 259
Sewerage	47 606 872	40 682 361
Water	147 540 325	95 497 326
Other (specify)	27 536 654	20 147 310
	<b>287 438 424</b>	<b>219 681 617</b>
<b>Less: Allowance for impairment</b>		
Electricity	(14 294 375)	(14 294 375)
Refuse	(8 427 688)	(8 427 688)
Sewerage	(15 489 308)	(15 489 308)
Water	(42 820 343)	(42 820 343)
Other (specify)	(31 656 548)	(9 077 532)
	<b>(112 688 262)</b>	<b>(90 109 246)</b>
<b>Net balance</b>		
Electricity	23 191 331	29 548 986
Refuse	18 841 179	11 083 571
Sewerage	32 117 564	25 193 053
Water	104 719 982	52 676 983
Other (specify)	(4 119 894)	11 069 778
	<b>174 750 162</b>	<b>129 572 371</b>
<b>Electricity</b>		
Current (0 -30 days)	9 934 688	14 477 574
31 - 60 days	5 391 719	1 845 678
61 - 90 days	4 048 289	1 514 471
91 - 120 days	3 261 193	11 711 263
121 - 365 days	555 442	-
	<b>23 191 331</b>	<b>29 548 986</b>



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## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>5. Consumer debtors (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	6 857 333	5 698 250
31 - 60 days	2 672 963	1 892 970
61 - 90 days	2 391 606	1 709 354
91 - 120 days	2 380 429	43 376 409
121 - 365 days	36 987 985	-
> 365 days	53 429 666	-
	<b>104 719 982</b>	<b>52 676 983</b>
<b>Sewerage</b>		
Current (0 -30 days)	65 110	702
351	598	351
61 - 90 days	598	351
91 - 120 days	596	25 191 649
121 - 365 days	53 123	-
> 365 days	31 997 539	-
	<b>32 117 564</b>	<b>25 193 053</b>
<b>Refuse</b>		
Current (0 -30 days)	363 168	882 154
31 - 60 days	482 550	311 020
61 - 90 days	420 802	294 460
91 - 120 days	395 395	9 595 937
121 - 365 days	16 924 883	-
> 365 days	254 381	-
	<b>18 841 179</b>	<b>11 083 571</b>
<b>Other (specify)</b>		
Current (0 -30 days)	556 056	513 739
31 - 60 days	245 985	110 719
61 - 90 days	149 809	55 473
91 - 120 days	137 417	9 029 846
121 - 365 days	10 784 066	(45 008 930)
> 365 days	(15 993 227)	46 368 931
	<b>(4 119 894)</b>	<b>11 069 778</b>

**makana municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>5. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	96 809 922	11 669 818
31 - 60 days	11 791 106	3 821 430
61 - 90 days	10 444 785	4 024 253
91 - 120 days	8 909 160	125 321 529
121 - 365 days	108 823 083	-
	<u>236 778 056</u>	<u>144 837 030</u>
Less: Allowance for impairment	(62 027 885)	-
	<u><b>174 750 171</b></u>	<u><b>144 837 030</b></u>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	3 674 387	4 659 102
31 - 60 days	1 951 559	1 652 748
61 - 90 days	1 440 784	904 460
91 - 120 days	1 088 411	19 592 136
121 - 365 days	19 112 534	-
	<u><b>27 267 675</b></u>	<u><b>26 808 446</b></u>
<b>National and provincial government</b>		
Current (0 -30 days)	(73 693)	1 144 504
31 - 60 days	576 026	331 772
61 - 90 days	313 121	229 758
91 - 120 days	319 201	1 229 690
121 - 365 days	2 778 412	-
	<u><b>3 913 067</b></u>	<u><b>2 935 724</b></u>
<b>Total</b>		
Current (0 -30 days)	96 809 922	17 473 424
31 - 60 days	11 791 106	5 805 950
61 - 90 days	10 444 785	5 158 471
91 - 120 days	8 909 160	146 143 455
121 - 365 days	108 823 083	-
	<u>236 778 056</u>	<u>174 581 300</u>
Less: Allowance for impairment	(62 027 894)	(45 008 929)
	<u><b>174 750 162</b></u>	<u><b>129 572 371</b></u>
<b>Less: Provision for debt impairment</b>		
121 - 365 days	255 751 546	(14 014 600)
> 365 days	(368 439 808)	(76 094 646)
	<u><b>(112 688 262)</b></u>	<u><b>(90 109 246)</b></u>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(90 109 246)	(84 334 216)
Contributions to allowance	59 235 777	1 360 000
Debt impairment written off against allowance	(20 527 155)	(7 135 030)
Reversal of allowance	(61 287 638)	-
	<u><b>(112 688 262)</b></u>	<u><b>(90 109 246)</b></u>

**makana municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>6. Receivables from non-exchange transactions</b>		
Payments made in advance	(9 793 211)	(8 352 945)
Sundry Deposits	6 757 930	(564 986)
Assessment rates debtors	49 570 443	40 981 651
Sundry Deposits	71 221	50 000
	<b>46 606 383</b>	<b>32 113 720</b>
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Current Investments	12 138 648	2 024 445
Bank Accounts	6 036 866	-
Other Cash and Cash Equivalents	2 911	5 450
Bank Overdraft	-	(15 466 633)
	<b>18 178 425</b>	<b>(13 436 738)</b>
Current assets	18 178 425	2 029 895
Current liabilities	-	(15 466 633)
	<b>18 178 425</b>	<b>(13 436 738)</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts

### Current Investment Deposits

Call Deposits are investments with no maturity period.

The municipality does not have any overdrawn current account facilities with its bankers and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
FIRST NATIONAL BANK - Current Account - 620-312- 32531	5 786 560	10 092 144	17 777 349	6 036 866	(15 466 633)	-
STANDARD BANK - Current Account - 081-999-356	3 736 884	7 215 473	522 693	-	-	-
<b>Total</b>	<b>9 523 444</b>	<b>17 307 617</b>	<b>18 300 042</b>	<b>6 036 866</b>	<b>(15 466 633)</b>	<b>-</b>

### Other Cash and Cash Equivalents

5 450	5 450
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The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities. No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**Makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

	2015 R	2014 R
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**8. Operating lease receivables**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases. Operating Leases relate to Property owned by the municipality with an option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period. The property rental income earned by the municipality from its Investment Properties, all of which is leased out under operating leases, amounted to R1 005 709.07 (2014: R341328.70 ).

**9. Property, plant and equipment**

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	107 548 871	-	107 548 871	85 598 171	-	85 598 171
Buildings	128 685 678	(19 454 597)	109 231 081	112 006 417	(17 463 421)	94 542 996
Infrastructure	739 831 313	(166 360 838)	573 470 475	697 327 648	(139 876 677)	557 450 971
Community	49 907 250	(11 222 096)	38 685 154	49 907 250	(9 642 035)	40 265 215
Other property, plant and equipment	44 796 921	(21 139 536)	23 657 385	47 622 259	(19 532 399)	28 089 860
Landfill site	-	(51 120)	(51 120)	-	-	-
<b>Total</b>	<b>1 070 770 033</b>	<b>(218 228 187)</b>	<b>852 541 846</b>	<b>992 461 745</b>	<b>(186 514 532)</b>	<b>805 947 213</b>



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## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Work In Progress	Disposals	Transfers received	Other changes, movements	Depreciation	Accumulated Depreciation Adjustment	Total
Land	85 596 171	-	-	-	21 950 700	-	-	-	107 546 871
Buildings	94 542 996	-	-	-	16 679 261	-	(1 991 176)	-	109 231 081
Infrastructure	557 450 971	2 265 982	38 138 856	-	-	2 098 825	(26 669 215)	185 056	573 470 471
Community	40 265 215	-	-	-	-	-	(1 837 778)	257 717	38 685 154
Other property, plant and equipment	28 089 860	174 009	77 000	(1 828 066)	-	-	(2 855 418)	-	23 657 385
Landfill site	-	-	-	-	-	-	(51 120)	-	(51 120)
	<b>805 947 213</b>	<b>2 439 991</b>	<b>38 215 856</b>	<b>(1 828 066)</b>	<b>38 629 961</b>	<b>2 098 825</b>	<b>(33 404 707)</b>	<b>442 773</b>	<b>852 541 841</b>

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Additions through entity combinations	Transfers received	Other changes, movements	Depreciation	Accumulated Impairment reversal	Total
Land	319 236 991	-	-	(23 949 070)	(209 689 750)	-	-	85 598 171
Buildings	313 510 576	80 717	-	23 949 070	(273 152 160)	(3 572 345)	33 727 138	94 542 996
Infrastructure	539 151 064	1 661 817	47 143 932	-	-	(30 505 842)	-	557 450 971
Community	42 011 145	-	385 963	-	-	(2 131 893)	-	40 265 215
Other property, plant and equipment	31 248 693	520 073	-	-	-	(3 678 906)	-	28 089 860
	<b>1 245 156 469</b>	<b>2 262 607</b>	<b>47 529 895</b>	<b>-</b>	<b>(482 841 910)</b>	<b>(39 888 986)</b>	<b>33 727 138</b>	<b>805 947 213</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

**Makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

	2015 R	2014 R
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**10. Intangible assets**

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	1 137 881	(431 167)	706 714	1 137 881	(189 575)	948 306

**Reconciliation of intangible assets - 2015**

	Opening balance	Amortisation	Impairment loss	Total
Intangible assets	948 306	(86 116)	(155 476)	706 714

**Reconciliation of intangible assets - 2014**

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Intangible assets	447 916	631 054	(56 643)	(74 021)	948 306

**11. Heritage assets**

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	29 008 049	-	29 008 049	28 931 049	-	28 931 049

**Reconciliation of heritage assets 2015**

	Opening balance	Additions	Total
Historical buildings	28 931 049	77 000	29 008 049

**Reconciliation of heritage assets 2014**

	Opening balance	Additions	Total
Historical buildings	25 769 649	3 161 400	28 931 049

**12. Investment property**

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	190 233 500	-	190 233 500	201 302 330	-	201 302 330

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
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#### 12. Investment property (continued)

##### Reconciliation of investment property - 2015

	Opening balance 201 302 330	Fair value adjustments (11 068 830)	Total 190 233 500
Investment property			

##### Reconciliation of investment property - 2014

	Opening balance 226 882 151	Other changes, movements (32 403 921)	Reversal of impairments 1 578 200	Fair value adjustments 5 245 900	Total 201 302 330
Investment property					

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The Investment Properties were valued by Mr Malan Ferreira as at 30 June 2014, an independent professional valuer registered with the South African Council for the Property Valuers Profession, however, as at 24 August 2015 Makana Municipality had not yet received the Valuation Report relating to 2014/15 financial year.

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

#### 13. Investment

##### Residual interest at cost

Fixed deposit	141 719	161 477
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Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 4,80 % to 5,64 % (2012: 9,42% to 15,27%) per annum.

The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

##### Non-current assets

Fixed Deposit	141 719	161 477
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##### Financial assets at fair value

#### 14. Consumer deposits

Electricity and water	2 321 154	2 297 709
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**makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

	2015 R	2014 R
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**14. Consumer deposits (continued)**

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

**15. Provisions****Reconciliation of provisions - 2015**

	Opening Balance	Additions	Total
Environmental rehabilitation	782 119	33 757	815 876

**Reconciliation of provisions - 2014**

	Opening Balance	Additions	Total
<b>Other provisions</b>			
<b>Heading</b>			
Environmental rehabilitation	749 691	32 428	782 119

The landfill site used is a permitted site which was established in 1986. The site does not pose serious environmental challenges since it is classified as G (General Waste): C (Communal-Receiving less than 25 tons/day) : B- (no significant leachate formed).

Major assumptions are the following: The municipality's yearly deposition of waste volume is 6 624.5 tons; the available permitted airspace which is a perimeter of the fence less the built up area; and the density of the waste is assumed at 0.75T/m3.

**16. Payables from exchange transactions**

Trade payables	134 972 225	33 363 394
Payments received in advance	704 718	-
Retentions	2 149 864	1 396 132
Accrued leave pay	12 341 643	7 967 107
Debtors with Credit Balances	27 825 760	-
	<b>177 994 210</b>	<b>42 726 633</b>

The municipality did default on payment of its Creditors. However, no terms for payment have been renegotiated by the municipality.

The average credit period on purchases is 180 (2014:70) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. Staff Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date. Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date. No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.



**Makana Municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>17. Payables from non-exchange transactions</b>		
Other Creditor	30 228 326	24 630 146
Refundable deposits	2 451 685	2 077 080
	<b>32 680 011</b>	<b>26 707 226</b>

## 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

### Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	12 533 658
Finance Management Grant (FMG)	346 992	309 503
Expanded Public Works program (EPWP)	276 205	-
Disaster Grant	3 876 000	7 447 552
	<b>4 499 197</b>	<b>20 290 713</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

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

## 19. VAT payable

Tax refunds payables	12 628 148	14 100 340
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VAT is payable to SARS on a payment basis. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Due to the incorrect application of technical understanding of SARS VAT guide, the Reconciliations between the SARS statement of account and the general ledger account in the past were not performed accurately and on a monthly basis to ensure payments or receipts are correctly allocated. Hence the system (GL) and vat receivable for the current year is not tallying. (Prior year mistake on ABAKUS which are currently being fixed).

<b>VAT RECEIVABLE</b>	<b>2015</b>	<b>2014</b>
VAT receivable from SARS	1 647 224	93 303 (per AFS)

## 20. Other financial liabilities

### Designated at fair value (DBSA)

Bank loan	55 068 278	54 126 737
The municipality borrowed 2 loans from Development Bank of South Africa (DBSA) worth R30 000 000 at an interest rate of 6.75%, starting from 1 July 2012 and R20 000 000 at an interest rate of 11.79%, starting from 1 July 2013. Both loans are for a period of 20 years.		

Refer to Appendix A for detail on Long-term Liabilities.

**Makana Municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>20. Other financial liabilities (continued)</b>		
<b>Non-current liabilities (DBSA)</b>		
Designated at fair value	50 940 346	50 116 917
<b>Current liabilities</b>		
Designated at fair value	4 127 932	4 009 820

## 21. Employee benefit obligations

### Defined benefit plan

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

Carrying Value	61 612 536	57 100 887
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### Post retirement health care benefit liability

The municipality operates an unfunded defined benefit plan for qualifying employees, and offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. The accrued unfunded liability at 30 June 2015 is based on the municipality's accrued contributions-based liability and takes no account of any potential contingent Cross-subsidy liability. The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation report was performed on 30 June 2015 by Arch Actuarial Consulting using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-Service Members	323	350
In-Service Non-members	273	290
Continuation Members	61	68
	<u>657</u>	<u>708</u>

The liability in respect of past service has been estimated as follow:

In-Service (employee) Members	30 855 650	26 531 696
In-Service (employee) Non-members	6 309 647	5 838 885
Continuation members (retiree and widow)	24 447 239	24 730 306
	<u>61 612 536</u>	<u>57 100 887</u>

The municipality makes monthly contributions for health-care arrangements to the following Medical Aid Schemes

Bonitas  
Samwumed  
Keyhealth  
Hosmed  
LA Health

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	57 100 887	45 862 298
Net expense recognised in the statement of financial performance	4 511 649	11 238 589
	<u>61 612 536</u>	<u>57 100 887</u>

**Makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

	2015 R	2014 R
<b>21. Employee benefit obligations (continued)</b>		
<b>The amounts recognised in the statement of financial performance are as follows</b>		
Current service cost	2 832 207	2 113 734
Interest cost	5 080 194	3 977 224
Actuarial (gains) losses	(1 426 128)	6 933 543
Expected employer Benefits Payments	(1 974 624)	(1 785 912)
	<b>4 511 649</b>	<b>11 238 589</b>

The principal assumptions used for the purpose of the actuarial valuations were as follows:

(i) SA 85-90 table was used for pre-retirement mortality adjusted for female lives, and table PA (90)-1 was used for post-retirement mortality, adjusted year of age.

Medical Health Discount rates used	9.02 %	9.05 %
Post-retirement health care net effective discount rate	0.82 %	0.76 %
Medical health General salary inflation	8.13 %	8.22 %
Long-Service award discount rate used	7.78 %	7.79 %
Long- service award general salary inflation	6.97 %	7.05 %
Long service awards net effective discount rate	0.75 %	0.69 %
Proportion of eligible non-members joining the scheme by retirement	20.00 %	20.00 %

(ii) Normal Retirement Age

Expected Retirement Age (females)	63	63
Expected Retirement Age (males)	63	63

The PA 90-1 mortality table, adjusted down by one year of age, was used. The SA85-90 ultimate table, adjusted for female lives was used.



**Makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

	2015 R	2014 R
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**21. Employee benefit obligations (continued)****Other assumptions**

It is further assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments.

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost: 2015	9 392 800	6 682 200
Effect on defined benefit obligation: 2014	7 213 200	5 171 300

The history of experienced adjustments is as follows:

The fair value of Plan assets: The post-employment health care liability and Long- Service Awards are not a funded arrangement i.e no separate assets have been set aside to meet this liability

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	61 612 536	57 100 887	45 862 298	49 602 909	41 693 4
Surplus (deficit)	(61 612 536)	(57 100 887)	(45 862 298)	(49 602 909)	(41 693 4)
Experience adjustments on plan liabilities: (Gain)/Losses	(789 000)	4 866 000	(7 717 000)	1 131 000	1 454 0

**Long -service awards**

Changes in the present value of the defined benefit obligation are as follows:

Opening Balance	6 139 666	4 603 882
Net expense recognised in the statement of financial performance	708 135	1 535 784
	<b>6 847 801</b>	<b>6 139 666</b>

The amount recognised in the Statement of Financial Position are as follows:

Long-Service awards- Carrying Amount	5 861 625	5 153 490
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**Net expense recognised in the statement of financial performance**

Current Service Costs	807 335	703 547
Interest costs	379 015	284 144
Actuarial gains/losses	103 327	548 093
Benefits paid	(581 542)	-
	<b>708 135</b>	<b>1 535 784</b>



**makana municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>22. Revenue</b>		
Service charges	196 610 041	161 564 120
Rental of facilities and equipment	1 023 409	800 907
Interest received (trading)	12 494 247	11 207 128
Agency services	850 378	877 055
Licences and permits	2 344 416	2 596 574
Other income - (rollup)	1 892 183	2 219 713
Property rates	53 827 308	46 153 127
Government grants & subsidies	110 611 241	115 733 348
Fines, Penalties and Forfeits	55 402	655 711
	<b>379 708 625</b>	<b>341 807 683</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	196 610 041	161 564 120
Rental of facilities and equipment	1 023 409	800 907
Interest received	12 494 247	11 207 128
Agency services	850 378	877 055
Licences and permits	2 344 416	2 596 574
Other income - (rollup)	1 892 183	2 219 713
	<b>215 214 674</b>	<b>179 265 497</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	53 827 308	46 153 127
<b>Transfer revenue</b>		
Government grants & subsidies	110 611 241	115 733 348
Fines, Penalties and Forfeits	55 402	655 711
	<b>164 493 951</b>	<b>162 542 186</b>

**Makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

	2015 R	2014 R
<b>23. Property rates</b>		
<b>Rates received</b>		
Residential	-	17 189 378
Commercial	-	8 233 075
State	57 215 209	1 811 803
Municipal	-	9 941 346
Agricultural	-	1 763 355
Industrial	-	891 327
Educational	-	2 060 003
Institutional	-	7 633 633
Less: Income forgone	(3 387 901)	(3 370 793)
	<b>53 827 308</b>	<b>46 153 127</b>
<b>Valuations</b>		
Residential	20 713 016	4 483 151
Commercial	9 368 940	757 012
State	11 831 868	664 085
Municipal	-	386 014
Undetermined	360 233	-
Agricultural	2 053 893	1 856 163
Industrial	1 556 606	153 097
Educational	10 580 233	525 377
Institutional	39 877	988 429
Less: Income forgone	(3 838 019)	-
	<b>52 666 647</b>	<b>9 813 328</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

**24. Service charges**

Service charges	101 716	89 858
Sale of electricity	96 547 240	95 765 691
Sale of water	66 694 995	39 593 551
Sewerage and sanitation charges	21 525 255	19 752 159
Refuse removal	11 740 835	6 362 861
	<b>196 610 041</b>	<b>161 564 120</b>

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	72 184 000	53 602 000
Municipal System Improvement Grant (MSIG)	934 000	937 584
Department Sport, Recreation, Arts & Culture	3 985 000	-
Finance Management Grant (FMG)	1 562 510	1 240 497
Other Government: LG Seta	1 025	195 853
Other Grants	2 234 678	4 007 079
Expanded Public Works Programme (EPWP)	730 795	-
	<u>81 632 008</u>	<u>59 983 013</u>
<b>Capital grants</b>		
Neighbourhood Development Partnership Grant (NDPG)	-	5 407 499
Human Settlement Grant	-	1 895 140
DWA	3 561 188	6 657 391
CDM	-	1 276 448
Municipal Infrastructure Grant (MIG)	22 379 961	15 894 984
Other Grant	-	23 079 873
Regional Bulk Infrastructure Grant	1 499 084	-
INNOWIND	1 539 000	1 539 000
	<u>28 979 233</u>	<u>55 750 335</u>
	<u><b>110 611 241</b></u>	<u><b>115 733 348</b></u>
<b>Disaster</b>		
Current-year receipts	7 447 552	8 724 000
Conditions met - transferred to revenue	(3 571 552)	(1 276 448)
Balance unspent at end of the year	<u>(3 876 000)</u>	<u>(7 447 552)</u>
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 18).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	12 533 658	-
Current-year receipts	9 836 800	27 998 000
Conditions met - transferred to revenue	(22 370 458)	(15 464 342)
	<u>-</u>	<u><b>12 533 658</b></u>
The municipal Infrastructure Grant (MIG) was allocated for construction of Roads, basic sewere and water infrastructure as pa of the life of poor households, micro enterprise and social institution, to provide new infrastructure , rehabilitation and upgrading of municipal infrastructure. A portion of the MIG funds is with the Sara Baartman District Municipality and is yet to be disbursed to the municipality.		
<b>NDPG</b>		
Current-year receipts	-	5 841 000
Conditions met - transferred to revenue	-	(5 841 000)
	<u>-</u>	<u>-</u>

Expenses were incurred to promote development of communities. R14 650 000 have been withheld

#### Department of Housing

**Makana Municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>25. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	-	3 345 595
Current-year receipts	3 345 595	-
Conditions met - transferred to revenue	(3 345 595)	(3 345 595)
	<u>-</u>	<u>-</u>

This Grant was allocated to the municipality to assist the municipality to provide housing for the poor

### Finance Management Grant

Balance unspent at beginning of year	309 503	-
Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 562 511)	(1 240 497)
	<u>346 992</u>	<u>309 503</u>

The Finance Management Grant is paid by National Treasury to municipalities to help them implement the finance management reforms required by Municipal finance Management Grant (MFMA) 2003

### Municipal Systems Improvement Grant

Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(1 038 198)	(937 674)
Over expenditure	104 198	47 674
	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems

### Expanded Public Works program

Balance unspent at beginning of year	-	197 393
Current-year receipts	1 007 000	1 000 000
Conditions met - transferred to revenue	(730 795)	(1 197 393)
	<u>276 205</u>	<u>-</u>

The Expanded Public works Program was allocated to the municipality for environmental and water infrastructure projects

### Other Grants: LG Seta

Current-year receipts	1 023	195 853
Conditions met - transferred to revenue	(1 023)	(195 853)
	<u>-</u>	<u>-</u>

### Department of Sport, Recreation, Arts & Culture

Current-year receipts	3 985 000	3 985 000
Conditions met - transferred to revenue	(3 985 000)	(3 985 000)
	<u>-</u>	<u>-</u>

This Grant was allocated to the municipality for purpose of maintaining and building libraries in the community

### Department of Water Affairs

Current-year receipts	3 561 189	6 657 391
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## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
<b>25. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(5 223 182)	(9 461 662)
Over-expenditure	1 661 993	2 804 271
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 18).

This Grant was transferred to the municipality for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality and refurbishment of water infrastructure.

#### Grant: Regional Bulk Infrastructure

Current-year receipts	1 499 084	-
Conditions met - transferred to revenue	(1 499 084)	-
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

#### 26. Other income

Administration/sale of plots	419 422	346 681
Advertising fees	664	1 210
Building Plans	291 175	350 097
Car pound fees	38 980	9 871
Grazing fees	22 056	21 538
Weighbridge fees	-	2 349
Sundry revenue	535 834	1 192 841
Search fees	10 435	4 865
Printing and photocopies	19 314	54 343
Refuse bags and bins	14 092	16 709
Royalties	-	41 111
Tow in charges	-	1 660
Vacuum tanker	-	477
Street Painting Fee	1 995	-
Other income 30	538 216	175 961
	<u>1 892 183</u>	<u>2 219 713</u>

**Makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

	2015 R	2014 R
<b>27. General expenses</b>		
External Audit Fees	12 769 825	67 099
Advertising	768 363	1 812 827
Internal Audit fees	7 677	553 861
Bank charges	343 425	899 545
Cleaning and materials	149 767	133 155
Commission paid	1 399 944	1 691 448
Consulting and professional fees	3 281 202	3 564 491
Insurance	1 338 028	1 308 078
Project Expenses From Own Funds	2 586 821	7 167 611
Conferences and seminars	510 325	1 168 258
Newsletter	-	83
Fuel and oil	3 964 856	5 576 003
Interviews and Relocation Expenses	282 085	196 317
Postage and courier	837 470	941 899
Printing and stationery	13 348	-
Protective clothing	185 259	404 920
License Cards And Licences	584 930	407 550
Security (Guarding of municipal property)	2 581 804	3 871 788
Telephone and fax	2 738 006	2 770 519
Training	432 140	598 259
Travel - local	266 399	155 598
Electricity and Water	16 922 086	4 625 038
Uniforms	53 992	3 037
Purchases expenses	378 369	314 294
Complaints: water and electricity	89 151	75 041
Administration Charges	2 704 354	3 902 137
Valuation expenses	124 035	1 562 912
Materials and stores	520 549	639 326
General Expenditure incurred from Grants	506 063	-
Chemicals	64 030	582 160
Convention bureau	820 411	327 334
Other expenses	3 025 242	1 219 321
	<b>60 249 956</b>	<b>46 539 909</b>

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
<b>28. Employee related costs</b>		
Basic	95 431 647	89 808 153
Bonus	(6 106 093)	(2 564 485)
Medical aid - company contributions	6 192 148	6 095 960
UIF	825 908	840 728
SDL	1 062 751	1 038 218
Leave pay provision charge	1 080 641	7 520 887
Group life insurance	596 447	565 598
Defined contribution plans	13 582 143	13 011 292
Overtime payments	7 108 154	8 477 756
Transport allowance	3 302 418	3 278 242
Housing benefits and allowances	291 721	270 439
Inconvenience benefit	1 146 707	1 124 676
Telephone allowance	146 406	161 598
Medical aid for retired members	5 219 784	138 330
Industrial Council Levy	49 561	51 541
	<b>129 930 343</b>	<b>129 818 933</b>
<b>Acting Municipal Manager:</b>		
M Planga	55 300	78 303
T Mnguni	149 559	76 679
B Khumalo	109 922	-
	<b>314 781</b>	<b>154 982</b>
<b>Acting Chief Financial officer:</b>		
L Sizani	-	11 183
M Crouse	30 915	164 320
B Khumalo	153 062	25 521
N Balincwadi-Qaba	15 746	-
	<b>199 723</b>	<b>201 024</b>
<b>Director: Community &amp; Social Services: M Planga</b>		
Earnings	760 221	691 142
Allowances	142 504	131 643
Company Contributions	11 890	10 984
	<b>914 615</b>	<b>833 769</b>
<b>Director: Corporate Services: M Madiavu</b>		
Earnings	752 339	658 858
Allowances	142 504	125 493
Company Contributions	11 890	10 471
	<b>906 733</b>	<b>794 822</b>
<b>Director: Local Economic Development: MJ Meiring</b>		
Earnings	199 168	172 786
Allowances	37 936	32 911
Company Contributions	3 165	2 746
	<b>240 269</b>	<b>208 443</b>
<b>Director: Technical &amp; Infrastructure Services: ET Myalato</b>		
Salary	442 135	658 858
Travel allowances	76 049	125 493
Company Contributions	6 345	10 471

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
<b>28. Employee related costs (continued)</b>		
Acting Allowance	-	84 176
	<b>524 529</b>	<b>878 998</b>
<b>Acting Director: Local Economic Development:</b>		
T Sindane	256 986	150 808
<b>Acting Director: Corporate Services</b>		
E Mager	36 265	26 728
<b>Acting Director: Technical Services</b>		
D Mlenzana	114 456	-
<b>Municipal Manager: P Naidoo</b>		
Earnings	-	595 257
Allowances	-	114 199
Company Contributions	-	8 075
	<b>-</b>	<b>717 531</b>
<b>Chief Financial Officer: D Sahibdeen</b>		
Earnings	-	54 905
Allowances	-	10 458
Company Contributions	-	873
	<b>-</b>	<b>66 236</b>
<b>29. Remuneration of councillors</b>		
Executive Mayor	776 232	668 891
Councillors allowance	6 340 009	5 578 668
Councillors cellphone allowance	536 072	384 225
Councillors' travelling allowance	1 805 955	1 704 951
	<b>9 458 268</b>	<b>8 336 735</b>
<b>30. Depreciation and amortisation</b>		
Property, plant and equipment	33 443 447	36 729 303
<b>31. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	155 476	-
Microsoft licences no longer in use as the municipality has now the bulk server licences not the individual.		
<b>32. Finance costs</b>		
Capitalised	6 942 823	5 115 191
Other interest paid	9 513 065	1 221 853
	<b>16 455 888</b>	<b>6 337 044</b>



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
<b>33. Auditors' remuneration</b>		
Fees	7 677	553 861
<b>34. Rental of facilities and equipment</b>		
<b>Premises</b>		
Venue hire	85 534	85 601
<b>Facilities and equipment</b>		
Amenities	23 660	3 223
	<b>109 194</b>	<b>88 824</b>
<b>35. Contracted services</b>		
Other Contractors	4 490 552	6 917 134
<b>36. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Grants in aid	1 000	-
Free basic services	28 647 856	20 549 245
Makana Tourism	748 023	1 115 853
Internship programme	1 393 859	580 975
Donation	-	134
Rhodes	17 706	-
	<b>30 808 444</b>	<b>22 246 207</b>
<b>37. Bulk purchases</b>		
Electricity	79 293 639	67 096 416
Water	2 743 120	-
	<b>82 036 759</b>	<b>67 096 416</b>

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
<b>38. Cash generated from (used in) operations</b>		
(Deficit) surplus	(8 463 346)	15 498 461
<b>Adjustments for:</b>		
Depreciation and amortisation	33 443 447	36 729 303
Loss on sale of assets and liabilities	(32 062)	-
Fair value adjustments	11 068 830	(5 245 900)
Impairment deficit	155 476	18 042 177
Movements in operating lease assets and accruals	516	(11 559)
Movements in retirement benefit assets and liabilities	17 439 978	(8 169 847)
Movements in provisions	33 757	32 428
Impairment loss on PPE	-	(33 727 138)
Prior year error	(63 507 470)	789 890
Bad debt write-off	-	(934 760)
<b>Changes in working capital:</b>		
Inventories	(2 420 203)	(4 415 990)
Receivables from exchange transactions	3 876 323	3 272 824
Consumer debtors	(45 177 791)	10 885 772
Other receivables from non-exchange transactions	(14 492 663)	(11 795 599)
Payables from exchange transactions	135 267 577	(1 596 424)
VAT	(1 472 192)	15 758 737
Taxes and transfers payable (non exchange)	5 972 785	(34 326 561)
Unspent conditional grants and receipts	(15 791 516)	(9 785 131)
Consumer deposits	23 445	91 261
	<b>55 924 891</b>	<b>(8 908 056)</b>
<b>39. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	18 771 627	67 743 316
<b>Total capital commitments</b>		
Already contracted for but not provided for	18 771 627	67 743 316

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
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#### 40. Risk management

##### Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. There has not been any reviews conducted during the year which exposed the municipality to high financial risks. Further quantitative disclosures are included throughout these Annual Financial Statements

##### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

##### Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances. The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made. Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable. The municipality is not exposed to credit interest rate risk as the municipality has no borrowings. The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
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#### 40. Risk management (continued)

##### Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor (impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.

Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

##### Foreign exchange risk

The municipality's operations do not expose it to foreign exchange risk arising from various currency exposures and therefore has no formal policy to hedge volatilities in the interest rate market.



**Makana Municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
<b>41. Unauthorised expenditure</b>		
Opening Balance	193 387 100	187 013 261
Unauthorised Expenditure - Current	31 781 485	6 373 839
	<u>225 168 585</u>	<u>193 387 100</u>

Included in the current amount is an unauthorised expenditure of R 31 647 457 as a result of variances between the final budget and the actual expenditure, particularly depreciation, finance costs and asset impairment

### 42. Fruitless and wasteful expenditure

Opening Balance	1 063 390	174 406
Fruitless and Wasteful Expenditure	5 766 340	888 984
Written Off by Council	(5 760 217)	-
	<u>1 069 513</u>	<u>1 063 390</u>

These are as a results of interest paid on overdue payments which are not in compliance with MFMA s65(e) which states that all money owed by the municipality be paid within 30 days of receiving the relevant invoice or statement.

### 43. Irregular expenditure

Opening balance	81 148 193	43 799 316
Add: Irregular Expenditure - current year	520 749	37 348 877
	<u>81 668 942</u>	<u>81 148 193</u>

### 44. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Opening balance	8 000 708	-
Current year subscription / fee	4 658 948	8 000 708
	<u>12 659 656</u>	<u>8 000 708</u>

Balanced unpaid (included in Creditors). In terms of section 65 (e) and (f) of the MFMA the municipality must pay all money owing within 30 days of receiving the relevant invoice or statement and also comply with all relevant Statutory commitments. The municipality and the Office of Auditor General have entered in a payment agreement plan.

#### PAYE and UIF

Opening balance	4 172 091	-
Current year subscription / fee	14 128 811	13 712 503
Amount paid - current year	(18 301 295)	(9 540 412)
	<u>(393)</u>	<u>4 172 091</u>

#### VAT

VAT payable	<u>12 628 148</u>	<u>14 100 340</u>
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VAT returns have been submitted by the due date throughout the year. VAT is payable on receipts basis. Only when payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has a financial risk policies in place to ensure that payments are effected before due date, however S65(f) of MFMA was grossly contradicted.

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R	
<b>44. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>			
<b>Councillors' arrear consumer accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:			
30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor E Louw	8 761	61 230	69 991
Councillor L May	-	25 550	25 550
	<b>8 761</b>	<b>86 780</b>	<b>95 541</b>
30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Peter JZ	12	98	110
Councillor Plaatjie R	-	128	128
Councillor Masoma NC	-	224	224
Councillor May LC	-	2 363	2 363
Councillor Jackson BP	-	202	202
Councillor Louw E	-	4 713	4 713
	<b>12</b>	<b>7 728</b>	<b>7 740</b>

### 45. Budget differences

Material differences between budget and actual amounts

Explanatory notes to variances between the budget and actual

**Makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

	2015 R	2014 R
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**45. Budget differences (continued)****ORIGINAL BUDGET vs FINAL BUDGET****Statement of Financial Performance – Revenue**

The Property Rates was under budgeted due to late finalisation of the valuation roll

Service charges the basis used as an estimated was the prior year collection rate and in 2014/15 the municipality under-collected

Transfers recognised – operational the unspent unconditional grants from previous year that the municipality did not budget for.

Other own revenue the basis used for budgeting was on past trends. Sundry revenue increased in this year due to increase in sale for tender document, charges for printing accounts and personal charges of private use for telephone.

Statement of Financial Performance – Transfer Revenue

**Statement of Financial Performance - Expenditure**

Employee Costs are over expensed due to high volume of contract workers in the municipality and overtime costs.

Remuneration of councillors the difference is insignificant.

Depreciation and asset impairment we based our estimate on prior years trend where projects were not completed however in 14/15 financial year most of the projects were completed and this resulted in an increase.

Materials and bulk purchases the difference is insignificant.

Transfers and grants is underspent due to intern's resignations and non-award of bursaries by the municipality.

Other expenditure is underspent due to cash flow constraints and reduced use of consultants by the municipality.



**Makana Municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
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### 46. Contingencies

The known contingent liabilities and assets as at 30 June 2015 are estimated at R49 859 447.66 for liabilities and R1 011 597 for assets.

#### Contingent liabilities

Below is a list of possible liability claims where the outcome was unknown as at 30 June 2015 with the maximum unforeseen liability for the municipality.

Solethu Energy PTY (LTD)// Makana. The claim amount is R151 491.54

Ndlambe Electrical//Makana, The dispute is in relation to the amount claimed. The municipality is likely to pay the claimed amount of R2 086 956.53. Court settlement will be reached held on 31st August 2015

Qezu//Makana. Matter was set down to 22 September 2015 for arbitration. It is likely that the possible outcome will be reinstatement or pay the damages.

Mkhuzo//Makana, Matter is set down at SALGBC 21st September 2015 for arbitration. Criminal matter finalised, Ms Mkhuzo found not guilty. It is likely that municipality will pay or reinstate the employee.

Z. Nontshinga // Makana, Joined as 3rd party in MVA Claim. The municipality is likely to pay R244 500.

Mthombo Resorts//Makana, Breach of lease agreement, non-payment of rent. The amount claimed by Mthombo is R9 300 000.

Mrs Martin//Makana, MVA. Municipality is not likely to pay.

Fourie//Makana, Post-retirement benefits employer stopped 70% contribution Municipality is likely to pay.

Blunden Tours, Summons R22 000.00. The municipality is likely to pay R16 000.

Bowles // Makana, traffic officer Bafo arrested Mr. Bowles, finalised in our favour but was taken on appeal, matter finalised appeal upheld. The claim amount is R100 000. The municipality is likely to win.

Telkom SA // Makana, damages caused to Telkom lines. The claim amount is R56 000.

Ndunyana//Makana, Egazini eviction, applicant appealed, set down matter. The claim amount is R39 196

Give Siyawa//Makana, Breach of Contract. The claim amount is R26 000 000.

Valley Environpreneurs//Makana, professional consulting engineers, letter of demand get information and instructions. The claim amount is R214 830

Bates and Konstant: This claim is with regard to the failure to empty conservation tank to the amount of R300 000. Negotiations in progress.

Urban Dynamics EC Inc //Makana, with regards to Development of land use, business plan non-payment. The claimed amount is R200 000 plus 15.5%.

Durchame Consulting//Makana, the dispute is over an amount owed for assisting in preparing the AFS. The municipality is likely to pay. The claim amount is R1 479 538.96

SAMWU/Makana, MOU strike.

SANTAM//Makana. The claim is R8 889.12

Solethu Energy PTY (LTD)//Makana. The claim amount is R151 491.54



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
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#### 46. Contingencies (continued)

Brinkman Ndayi McALL // Makana municipality: This is a claim with regards to summons issued for the professional services rendered to the amount of R662 169.38. The municipality is likely to pay.  
PinZon Traders 8 PTY (LTD)//Clublink PTY (LTD)// Makana regarding the rezoning matter.

Matthew Theijssen // Makana Municipality: This is a claim with regards to the civil action, unlawful arrest by the traffic officer, Bafo, to the amount of R200 000.

Bonisile Jamela//Makana: This is a claim regarding municipal workers damaging a wall of an applicant to the amount of R3 471.51

Masuku Dube Tiffilin//Makana, non-payment of service, Roads and Stormwater Project Alicdale. The claim amount is R382 155.22.

Lunotech//Makana, supply of Electrical goods. The claim amount is R681 343.80

SALGBC//Makana, Arbitration cost orders. The municipality is likely to pay

WRC//Makana, for the provision of legal services, SAMWU interdict. The claim is R9 620

WS Khethe/Makana, Long Service Bonus from 2013. The attorney have no jurisdiction at this stage. Grievance procedures are not followed by employee.

Green Body Corporate v Makana Municipality: This is a claim with regards to the damages to property done by the municipal truck BPX 663 EC to the amount R6 209. It is likely that municipality will pay.

Bonisile Jamela // Makana: This is a claim with regards to municipal workers damaged wall of an applicant to the amount of R3 471.51.

Thembakazi Mpofo//Makana, Municipal truck collided with her house. The claim amount is R212 262. The municipality is likely to pay.

#### Contingent assets

Below is a list of possible assets where the outcome was unknown as at 30 June 2015 with the maximum unforeseen asset for the Municipality:

M Boma v Makana Municipality: This is a claim with regards to benefits not due paid to the employee and the irregular expenditure to the value of R311 597. It is likely that the municipality will receive this money.

Dr Naidoo// Makana. Dismissed 3/3/2014 conciliation failed 2/5/2014 Writ of executions for wasted legal cost dating back 2007, R172 667.06, Recover our costs and R 108 000 paid to Dr Naidoo, and other cost orders against him. Arbitration set down for 13-14 September 2015. Mr Naidoo owes Municipality about R500 000.

Ngcelwane v Makana Municipality: This is a claim relating to the labour matter dismissal, to the value of R200 000. It is likely that the municipality will win.

Bowles // Makana, traffic officer Bafo arrested Mr. Bowles, finalised in our favour but was taken on appeal. The municipality is likely to win.

T Bulana// Makana Municipality: This is a claim with regards to the death of a cow in municipality's impound to the amount of R35 000. It is likely that municipality will win. T Bulana// Makana Municipality: This is a claim with regards to the death of a cow in municipality's impound to the amount of R35 000. It is likely that municipality will win.

#### 47. Related parties

##### Relationships

##### Relationship

Z.J. Peter

##### Members of key management

M. Pianga

##### Councillors

Shareholder of Telkom

##### Directors

Shareholder of Aspen, Nasper, Woolies and LNV  
Management Consultants

**Makana Municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
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### 48. Prior period errors

### Statement of Financial Position

	Unaudited	Prior year	Reclassifying	Restated
Note(s)	R	adjustments R	adjustments R	R
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	1 594 932	434 963	-	2 029 895
Inventories	7 864 464	5 257 527	-	13 121 991
Finance lease receivables	-	121 600	-	121 600
Operating lease asset	16 966	11 559	-	28 525
Receivables from exchange transactions	-	6 375 986	-	6 375 986
VAT receivable	93 303	(93 303)	-	-
Receivables from non-exchange transactions	29 192 104	2 921 616	-	32 113 720
Consumer debtors	128 393 173	1 179 198	-	129 572 371
Other asset 1	270 734	(270 734)	-	-
<b>Non-Current Assets</b>				
Investment property	201 302 330	-	-	201 302 330
Property, plant and equipment	809 686 415	(3 739 202)	-	805 947 213
Intangible assets	948 306	-	-	948 306
Heritage assets	28 931 049	-	-	28 931 049
Investment	601 391	(439 914)	-	161 477
	<u>1 041 469 491</u>	<u>(4 179 116)</u>	<u>-</u>	<u>1 037 290 375</u>
<b>Total Assets</b>	<u>1 208 895 167</u>	<u>11 759 296</u>	<u>-</u>	<u>1 220 654 463</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Consumer deposits	2 297 709	-	-	2 297 709
Employee benefit obligation	-	9 712 674	-	9 712 674
Other financial liabilities	3 888 220	121 600	-	4 009 820
Provisions	3 365 434	(3 365 434)	-	-
Payables from exchange transactions	29 025 700	13 700 933	-	42 726 633
Taxes and transfers payable (non-exchange)	44 829 736	(18 122 510)	-	26 707 226
VAT payable	14 168 736	(68 396)	-	14 100 340
Unspent conditional grants and receipts	55 185 420	(34 894 707)	-	20 290 713
Bank overdraft	15 466 633	-	-	15 466 633
	<u>168 227 588</u>	<u>(32 915 840)</u>	<u>-</u>	<u>135 311 748</u>
<b>Non-Current Liabilities</b>				
Employee benefit obligation	35 168 209	5 153 500	-	40 321 709
Other financial liabilities	50 116 917	-	-	50 116 917
Provisions	4 544 799	(3 762 680)	-	782 119
	<u>89 829 925</u>	<u>1 390 820</u>	<u>-</u>	<u>91 220 745</u>
<b>Total Liabilities</b>	<u>258 057 513</u>	<u>(31 525 020)</u>	<u>-</u>	<u>226 532 493</u>
<b>Net Assets</b>	<u>950 837 654</u>	<u>43 284 316</u>	<u>-</u>	<u>994 121 970</u>

**Makana Municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

			2015 R	2014 R
<b>Net Assets</b>				
Reserves				
Housing development fund	-	5 427 536	-	5 427 536
Accumulated surplus	945 139 379	43 555 056	-	988 694 435
<b>Total Net Assets</b>	<b>945 139 379</b>	<b>48 982 592</b>	<b>-</b>	<b>994 121 971</b>

### Consumer Debtors

Correction of group life payments and payment to a supplier.

### Operating lease asset

Accounting for straight lining of operating lease not previously accounted for on straight line basis.

### VAT

Correction on VAT accounting in prior year relating to creditors.

### Receivables from non-exchange transactions

Includes the reversal of accrued interest previously incorrectly captured and the reclassification of creditors with debit balances.

### Accumulated Surplus

Accumulated surplus was restated to account for corrections on assets and liabilities

### Payables from exchange transactions

This is as a result of prior period journals and correction of group life payments and reclassification of creditors with debit balances.



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

			2015 R	2014 R	
Statement of Financial Performance					
	Note(s)	Unaudited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Revenue					
Revenue from exchange transactions					
Service charges		161 564 120	-	-	161 564 120
Rental of facilities and equipment		789 348	10 835 646	-	800 907
Interest received (trading)		1 287 280	9 919 848	-	11 207 128
Agency services		877 055	-	-	877 055
Licences and permits		2 596 574	-	-	2 596 574
Other income		2 062 883	156 830	-	2 219 713
Interest received - investment		385 120	(385 120)	-	-
Total revenue from exchange transactions		169 562 380	20 527 204	-	179 265 497
Revenue from non-exchange transactions					
Taxation revenue					
Property rates		46 135 174	-	-	46 153 127
Transfer revenue					
Government grants & subsidies		94 429 938	21 303 410	-	115 733 348
Fines, Penalties and Forfeits		655 711	-	-	655 711
Total revenue from non-exchange transactions		141 220 823	21 303 410	-	162 542 186
Total revenue		310 783 203	41 830 614	-	341 807 683
Expenditure					
Employee related costs		(124 835 865)	(4 983 068)	-	(129 818 933)
Remuneration of councillors		(8 336 735)	-	-	(8 336 735)
Depreciation and amortisation		(36 729 303)	-	-	(36 729 303)
Impairment loss/ Reversal of impairments		(22 509 630)	22 509 630	-	-
Finance costs		(6 337 044)	-	-	(6 337 044)
Repairs and maintenance		(12 735 113)	(41 863)	-	(12 776 976)
Bulk purchases		(67 096 416)	-	-	(67 096 416)
Contracted services		(6 469 478)	(447 656)	-	(6 917 134)
Grants and subsidies paid		(22 093 276)	(152 931)	-	(22 246 207)
General Expenses		(44 135 620)	(3 544 689)	-	(47 680 309)
Total expenditure		(351 278 480)	13 339 423	-	(337 939 057)
Operating surplus		(40 495 277)	55 170 037	-	3 868 626
Fair value adjustments		5 245 900	-	-	5 245 900
Inventories: (Write-down)/reversal of write-down to net realisable value		-	6 383 935	-	6 383 935
		5 245 900	6 383 935	-	11 629 835
Surplus for the year		(35 249 377)	61 553 972	-	15 498 461

#### General Expenses

General expenditure restated to correct expenditure that should have been accounted for in the prior periods



**Makana Municipality**  
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015 R	2014 R
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### 49. Deviation from supply chain management regulations

During 2014/15 financial year the following goods and services were procured deviated from the provisions of paragraph 12(1)(d)(i) as stated above but in line with paragraph 36 of SCM regulations. The reasons for these deviations from normal SCM regulations were documented and reported to the accounting officer who considered and subsequently approved them:

### 50. BULK ELECTRICITY WATER LOSS

#### Electricity: 2015

	Purchased during the year	Sold during the year	Unaccounted for
units (kWh)	(65 342 451)	111 746 527	46 404 076
<b>Calculated as follows:</b>			
Bulk	% 47.64 %	Distribution 65 342 451	Value 31 129 086

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on the bulk meter, fault meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meter and illegal connections is an ongoing process, with regular action being taken against defaulters.

#### Water Losses

	Lost units	Cost per KL	Value
Unaccounted water losses	497 369	1.18	585 547

Water losses occur due to inter alia, leakages, the tampering of meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters.

#### Electricity 2014

	Purchased during the year	Sold during the year	Unaccounted for
units (kWh)	130 373 620	(65 705 474)	64 668 146
<b>Calculated as follows:</b>			
Bulk	% 98.40 %	Distribution 64 668 146	Value 40 412 664

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on the bulk meter, fault meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meter and illegal connections is an ongoing process, with regular action being taken against defaulters.

#### Water Losses

	Lost units	Cost per KL	Value
Unaccounted water losses	(871 633)	0.14	(120 245)

Water losses occur due to inter alia, leakages, the tampering of meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of meters to find faulty meters and repair them. The treated water was only recorded from October 2013 hence the outcome as indicated above.

### 51. EVENTS AFTER THE REPORTING DATE

There were no adjusting events occurred after 30 June 2015

#### Non- Adjusting events

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
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#### 51. EVENTS AFTER THE REPORTING DATE (continued)

Municipality had the new administrator, Mr S. Gomomo appointed and was introduced by the provincial department of Co-operative Governance (EC CoGTA) in July 2015 to substitute the previous administrator, Ms P. Yako who had her contract expired mid July 2015.

The following were the new contingent liabilities:

- Makana //Unity League regarding a compliance order. The claim amount is R120 000. The claim was lodged on 07 July 2015. The opposition withdrawn.
- Agric EC// Makana. The compliance order claim was lodged on 05 August 2015 and the claim amount is R120 000. The matter opposed.
- Min of Police // Makana. The damages claim of R4 900 was lodged on 31 July 2015. The matter was defended.
- Bigen Africa // Makana. The claim of Law suit for drawing up business plan of R200 000 was lodged on 17 august 2015.
- Mr Notyawa // Makana. The matter is then reviewed and set aside. The claim amount is R120 000 and was lodged on 23 July 2015. The matter is opposed

There were no other non-adjusting events apart from the one mentioned above, in reaching such conclusion, the following were considered:

- That there were no new commitments requiring disclosure, borrowings or guarantees that the municipality has entered into or no change in conditions to ones entered in to before year end
- That no acquisitions or sale of major capital assets
- That there were no new agreements entered into to increase liabilities or planned to be entered into.
- That there were no assets have been appropriated or destroyed, for example, by fire or flood
- That there were no events that have occurred which are relevant to the measurement of estimates or provisions made in the financial statements.
- That there were no changes in accounting policies or are likely to change that will bring into question the appropriateness of accounting policies used in the financial statements.
- That there were no new events that have occurred that are relevant to the recoverability of previous impaired assets.
- That there were no events that have occurred that are relevant to the entity's ability to fulfill its program objectives.
- That there were no events that have occurred that may impact the presentation of any performance information in financial statements.

The Executive Mayor resigned from Council on the 27th August 2015 and the Speaker on the 28th but remains an ordinary council member and the MPAC chair also resigned as the the chairperson but also remained an ordinary council. Subsequently this led to Council reshuffle, of note is the new Executive Mayor, Speaker and Mayoral Committee were elected on the 28th of August 2015.

# Makana Municipality Appendix A

## Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Capitalisation during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
San Stock structured loans ending facility Development Bank of South Africa							
Product 61001005	103886/1	2031/06/30	26 088 266	5 556 072	1 630 517	30 013 821	-
Product 61006863	103886/2	2031/06/30	22 360 799	5 480 927	1 121 438	26 720 288	-
			<b>48 449 065</b>	<b>11 036 999</b>	<b>2 751 955</b>	<b>56 734 109</b>	<b>-</b>
Bonds other loans lease liability							
Minika Minolta Masonsonic	Various Various	Various Various	267 513 15 522	- -	267 513 15 522	- -	- -
			<b>283 035</b>	<b>-</b>	<b>283 035</b>	<b>-</b>	<b>-</b>
Mortgage loans Government loans Total external loans							
Development Bank of South Africa lease liability			48 449 065 283 035	11 036 999 -	2 751 955 283 035	56 734 109 -	- -
			<b>48 732 100</b>	<b>11 036 999</b>	<b>3 034 990</b>	<b>56 734 109</b>	<b>-</b>

Makana Municipality  
Makana Municipality  
Appendix B

Analysis of property, plant and equipment as at 30 June 2014  
Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	319 236 901	-	(35 304 340)	-	-	(174 385 410)	189 547 241	-	-	-	-	-	-	189 547 241
Buildings (Separate for AFS purposes)	361 128 790	80 717	(59 817 960)	-	-	(213 334 200)	88 857 347	(47 618 214)	-	33 727 138	(3 611 156)	-	(17 502 232)	70 555 115
	<b>680 365 781</b>	<b>80 717</b>	<b>(95 122 300)</b>	<b>-</b>	<b>-</b>	<b>(387 719 610)</b>	<b>197 604 588</b>	<b>(47 618 214)</b>	<b>-</b>	<b>33 727 138</b>	<b>(3 611 156)</b>	<b>-</b>	<b>(17 502 232)</b>	<b>180 162 356</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	201 385 439	-	7 282 097	-	-	-	208 667 536	(47 309 071)	-	-	(10 896 429)	-	(58 397 500)	210 360 036
Water Supply and Reticulation	1 629 490	-	778 281	-	-	-	2 407 771	(304 945)	-	-	(77 265)	-	(382 217)	2 225 554
Waste Management and Reticulation	109 982 524	439 742	32 405 158	-	-	-	142 827 424	(19 256 294)	-	-	(4 750 324)	-	(23 372 618)	118 854 856
Transportation (Airports, Car Parks, Ferries, Terminals and Taxi Ranks)	117 956 395	22 605	6 454 190	-	-	-	124 432 685	(18 131 823)	-	-	(4 345 694)	-	(22 477 617)	101 895 868
Electricity	3 964 500	-	-	-	-	-	3 964 500	(803 656)	-	-	(248 414)	-	(1 242 070)	2 712 430
	<b>156 737 191</b>	<b>-</b>	<b>184 385</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>186 921 576</b>	<b>(25 698 676)</b>	<b>-</b>	<b>-</b>	<b>(7 044 493)</b>	<b>-</b>	<b>(33 743 169)</b>	<b>123 178 407</b>
<b>Community Assets</b>	<b>681 845 534</b>	<b>462 627</b>	<b>47 144 151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>689 452 272</b>	<b>(112 694 469)</b>	<b>-</b>	<b>-</b>	<b>(27 439 622)</b>	<b>-</b>	<b>(140 125 691)</b>	<b>559 327 181</b>
<b>Land and Recreational facilities</b>														
Land	39 624 098	395 582	-	-	-	385 963	40 096 643	(5 605 729)	-	-	(1 410 752)	-	(7 016 481)	33 580 182
Recreational facilities	9 697 189	-	-	-	-	-	9 697 189	(1 904 412)	-	-	(472 727)	-	(2 377 139)	7 320 050
	<b>49 321 287</b>	<b>395 582</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>385 963</b>	<b>49 793 832</b>	<b>(7 510 141)</b>	<b>-</b>	<b>-</b>	<b>(1 883 479)</b>	<b>-</b>	<b>(9 393 620)</b>	<b>40 900 212</b>



Makana Municipality  
Makana Municipality  
Appendix B

Analysis of property, plant and equipment as at 30 June 2014  
Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	* Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Intangible assets</b>														
Reservation area	20 468 850	3 161 400	-	-	-	-	23 630 250	-	-	-	-	-	-	23 630 250
Historical and Memorial sites	5 300 799	-	-	-	-	-	5 300 799	-	-	-	-	-	-	5 300 799
	<b>25 769 649</b>	<b>3 161 400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28 931 049</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28 931 049</b>
<b>Materialised vehicles</b>														
Emergency Vehicle	4 345 594	-	-	-	-	-	4 345 594	(1 231 896)	-	-	(252 051)	-	(1 483 747)	2 862 647
Materialised Vehicles	7 004 241	-	-	-	-	-	7 004 241	(842 540)	-	-	(373 560)	-	(1 216 100)	5 788 141
	<b>11 350 835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 350 835</b>	<b>(2 074 236)</b>	<b>-</b>	<b>-</b>	<b>(625 611)</b>	<b>-</b>	<b>(2 699 847)</b>	<b>8 650 988</b>
<b>Other assets</b>														
General vehicles	19 042 812	248 060	-	-	-	-	19 290 872	(6 527 044)	-	-	(1 366 878)	-	(7 893 922)	11 374 948
IT & equipment	6 206 902	72 728	-	-	-	-	6 279 630	(1 559 437)	-	-	(300 487)	-	(1 859 864)	4 419 646
Computer Equipment	3 587 960	67 145	-	-	-	-	3 655 105	(1 333 475)	-	-	(717 101)	-	(3 600 576)	1 604 529
Structure & Fittings	3 547 606	-	-	-	-	-	3 547 606	(1 622 211)	-	-	(509 068)	-	(2 131 279)	1 416 329
IT Equipment	3 156 383	134 137	-	-	-	-	3 290 520	(2 648 985)	-	-	(107 825)	-	(2 756 810)	533 710
Emergency rescue equipment	209 685	-	-	-	-	-	209 685	(88 045)	-	-	(29 934)	-	(117 989)	91 706
	<b>35 751 350</b>	<b>422 070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36 173 420</b>	<b>(13 779 258)</b>	<b>-</b>	<b>-</b>	<b>(3 693 294)</b>	<b>-</b>	<b>(16 832 652)</b>	<b>19 440 668</b>

**makana Municipality**  
**makana Municipality**  
**appendix B**

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**

**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>if property plant and equipment</b>														
<b>land and buildings</b>	680 365 781	80 717	(95 122 300)	-	-	(387 719 618)	187 604 588	(47 616 214)	-	33 727 138	(3 611 156)	-	(17 962 232)	180 102 356
<b>structure</b>	651 845 534	452 627	47 144 111	-	-	-	699 452 272	(112 694 459)	-	-	(27 430 622)	-	(146 128 091)	558 327 181
<b>munty Assets</b>	45 521 287	386 582	-	-	-	385 963	60 293 832	(7 510 141)	-	-	(1 883 479)	-	(8 393 626)	40 900 212
<b>age assets</b>	25 769 649	3 161 400	-	-	-	-	28 931 049	-	-	-	-	-	-	28 931 049
<b>stated vehicles</b>	11 350 835	-	-	-	-	-	11 350 835	(2 074 236)	-	-	(625 611)	-	(2 699 847)	8 650 988
<b>ir assets</b>	35 751 350	522 070	-	-	-	-	36 273 420	(13 776 258)	-	-	(3 053 294)	-	(16 832 552)	19 440 868
	<b>1 454 694 435</b>	<b>4 613 396</b>	<b>(47 878 189)</b>	<b>-</b>	<b>-</b>	<b>(387 333 647)</b>	<b>1 022 908 995</b>	<b>(183 676 218)</b>	<b>-</b>	<b>33 727 138</b>	<b>(36 694 162)</b>	<b>-</b>	<b>(186 653 342)</b>	<b>837 352 664</b>
<b>icultural/Biological assets</b>														
<b>ngible assets</b>														
<b>puters - software &amp; programming</b>	506 627	631 054	-	-	-	-	1 137 681	(58 911)	-	-	(130 664)	-	(189 675)	948 306
	<b>506 627</b>	<b>631 054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 137 681</b>	<b>(58 911)</b>	<b>-</b>	<b>-</b>	<b>(130 664)</b>	<b>-</b>	<b>(189 675)</b>	<b>948 306</b>
<b>stment properties</b>														
<b>stment Property Building</b>	19 963 031	-	-	-	5 245 000	(4 667 540)	19 760 491	(1 578 201)	-	-	1 578 201	-	-	19 760 491
<b>stment</b>	200 377 320	-	-	-	-	(27 836 380)	181 540 940	-	-	-	-	-	-	181 540 940
	<b>228 460 351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 245 000</b>	<b>(32 403 920)</b>	<b>201 301 431</b>	<b>(1 578 201)</b>	<b>-</b>	<b>-</b>	<b>1 578 201</b>	<b>-</b>	<b>-</b>	<b>201 301 431</b>
<b>land and buildings</b>	680 365 781	80 717	(95 122 300)	-	-	(387 719 618)	187 604 588	(47 616 214)	-	33 727 138	(3 611 156)	-	(17 962 232)	180 102 356
<b>structure</b>	651 845 534	452 627	47 144 111	-	-	-	699 452 272	(112 694 459)	-	-	(27 430 622)	-	(146 128 091)	558 327 181
<b>munty Assets</b>	45 521 287	386 582	-	-	-	385 963	60 293 832	(7 510 141)	-	-	(1 883 479)	-	(8 393 626)	40 900 212
<b>age assets</b>	25 769 649	3 161 400	-	-	-	-	28 931 049	-	-	-	-	-	-	28 931 049
<b>stated vehicles</b>	11 350 835	-	-	-	-	-	11 350 835	(2 074 236)	-	-	(625 611)	-	(2 699 847)	8 650 988
<b>ir assets</b>	35 751 350	522 070	-	-	-	-	36 273 420	(13 776 258)	-	-	(3 053 294)	-	(16 832 552)	19 440 868
<b>ngible assets</b>	506 627	631 054	-	-	-	-	1 137 681	(58 911)	-	-	(130 664)	-	(189 675)	948 306
<b>stment properties</b>	228 460 351	-	-	-	5 245 000	(32 403 920)	201 301 431	(1 578 201)	-	-	1 578 201	-	-	201 301 431
	<b>1 683 871 614</b>	<b>5 244 458</b>	<b>(47 878 189)</b>	<b>-</b>	<b>5 245 000</b>	<b>(418 737 847)</b>	<b>1 226 345 308</b>	<b>(186 313 430)</b>	<b>-</b>	<b>33 727 138</b>	<b>(35 155 628)</b>	<b>-</b>	<b>(186 742 917)</b>	<b>1 039 602 381</b>

# Makana Municipality Appendix C

## Segmental analysis of property, plant and equipment as at 30 June 2014 Cost/Revaluation Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>														
Executive & Council/Mayor and Deputy Mayor	1 225 474	(0)	(19 885)	-	-	-	1 215 589	(303 324)	(10 885)	-	(25 000)	-	(339 209)	876 377
Finance & Administration	941 944 553	892 757	-	(127 826 220)	-	(262 474 610)	432 846 510	(62 769 455)	(63 320)	-	(51 494 153)	-	(21 138 587)	411 407 929
Planning and Development/Economic Development/Planning	701 064	-	(13 568)	-	-	-	687 496	(116 407)	(13 568)	-	(130 954)	-	(209 633)	347 877
Health/Community Development	1 063 927	-	(1 551)	-	-	-	1 062 376	(287 905)	(1 551)	-	-	-	(289 346)	773 025
Human Resources & Social Services and Community Development	10 750 182	631 054	385 953	-	-	-	11 767 189	(2 361 079)	(51 280)	-	(5 883 478)	-	(4 255 644)	7 511 355
Legal Services	89 180	-	(97)	-	-	-	89 083	(24 289)	(97)	-	-	-	(24 284)	34 743
Police Services	8 413 686	-	(22 913)	-	-	-	8 390 773	(2 312 110)	(22 913)	-	(600 611)	-	(3 154 334)	5 236 439
Public Works and Engineering	44 045 853	3 547 983	(17 723)	-	-	-	47 576 113	(7 524 728)	(17 723)	-	(11 075 617)	-	(18 628 144)	28 947 754
Environmental Protection/Pollution Control	76 785	-	(5 109)	-	-	-	71 676	(31 801)	(5 109)	-	-	-	(36 910)	34 766
Water Management/Sewerage and Sanitation	120 595 205	402 627	32 405 188	-	-	-	161 462 910	(20 453 712)	36 886	-	(8 719 324)	-	(25 141 888)	136 321 934
Road Transport/Roads	200 645 528	-	(8 060 378)	-	-	-	192 585 150	(43 818 910)	(18 295)	-	(4 584 108)	-	(56 623 313)	135 961 837
Water Distribution	112 781 460	-	(6 494 190)	-	-	-	106 287 270	(19 695 522)	(6 494 190)	-	(3 053 254)	-	(29 242 966)	76 999 204
Electricity/District Distribution and Air Transport	160 294 311	-	(64 385)	-	-	-	159 649 926	(28 078 772)	(12 907)	-	(7 044 493)	-	(35 133 172)	124 516 754
	3 554 600	-	(409)	-	-	-	3 554 191	(583 654)	(409)	-	-	-	(584 063)	2 969 840
<b>Total</b>	<b>1 883 571 614</b>	<b>8 244 448</b>	<b>47 447 925</b>	<b>(127 826 220)</b>	<b>-</b>	<b>(262 474 610)</b>	<b>1 226 267 726</b>	<b>(185 213 431)</b>	<b>(48 267)</b>	<b>-</b>	<b>(1 429 487)</b>	<b>-</b>	<b>(184 791 165)</b>	<b>1 041 476 541</b>
<b>Net</b>														
<b>Total</b>	<b>1 883 571 614</b>	<b>8 244 448</b>	<b>47 447 925</b>	<b>(127 826 220)</b>	<b>-</b>	<b>(262 474 610)</b>	<b>1 226 267 726</b>	<b>(185 213 431)</b>	<b>(48 267)</b>	<b>-</b>	<b>(1 429 487)</b>	<b>-</b>	<b>(184 791 165)</b>	<b>1 041 476 541</b>
<b>Total</b>	<b>1 883 571 614</b>	<b>8 244 448</b>	<b>47 447 925</b>	<b>(127 826 220)</b>	<b>-</b>	<b>(262 474 610)</b>	<b>1 226 267 726</b>	<b>(185 213 431)</b>	<b>(48 267)</b>	<b>-</b>	<b>(1 429 487)</b>	<b>-</b>	<b>(184 791 165)</b>	<b>1 041 476 541</b>

## Appendix D

### Segmental Statement of Financial Performance for the year ended

Prior Year			Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand

Municipality					
78 963 350	82 006 579	(3 043 229)	Executive & Council/Mayor and Council	89 749 340	94 081 961 (4 332 621)
4 690 584	34 830 224	(30 139 640)	Finance & Admin/Finance	12 245 114	33 852 345 (21 607 231)
2 455 367	9 682 332	(7 226 965)	Planning and Development/Economic Development/Plan	641 175	7 425 372 (6 784 197)
1 793 482	2 248 633	(455 151)	Health/Clinics	1 740 481	2 416 155 (675 674)
2 682 147	9 599 734	(6 917 587)	Comm. & Social/Libraries and archives	4 509 485	10 152 116 (5 642 631)
-	44 549	(44 549)	Housing	-	48 370 (48 370)
711 252	15 770 215	(15 058 963)	Public Safety/Police	203 602	16 649 798 (16 446 196)
3 784 082	8 697 763	(4 913 681)	Sport and Recreation	42 986	8 903 189 (8 860 203)
1 021 538	4 442 307	(3 420 769)	Environmental Protection/Pollution Control	401 835	2 956 573 (2 554 738)
53 745 674	34 067 920	19 677 754	Waste Water Management/Sewerage	54 621 712	35 129 218 19 492 494
9 803 403	12 613 524	(2 810 121)	Road Transport/Roads	3 675 640	13 323 667 (9 648 027)
72 354 147	44 417 381	27 936 766	Water/Water Distribution	90 066 479	49 456 643 40 609 836
100 107 967	79 955 688	20 152 279	Electricity /Electricity Distribution	100 673 044	106 891 174 (6 218 130)
3 156	251 653	(248 497)	Other/Air Transport	2 544	252 966 (250 422)
<b>332 116 149</b>	<b>338 628 502</b>	<b>(6 512 353)</b>		<b>358 573 437</b>	<b>381 539 547 (22 966 110)</b>
Municipal Owned Entities Other charges					
332 116 149	338 628 502	(6 512 353)	Municipality	358 573 437	381 539 547 (22 966 110)
<b>332 116 149</b>	<b>338 628 502</b>	<b>(6 512 353)</b>	<b>Total</b>	<b>358 573 437</b>	<b>381 539 547 (22 966 110)</b>



## Appendix E (1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 .  
2015

	Current year 2014 Act. Bal. Rand	Current year 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
<b>Revenue</b>					
Service charges	196 610 041	225 367 348	(28 757 307)	(12.8)	
Rental of facilities and equipment	1 023 409	1 123 390	(99 981)	(8.9)	
Interest received (trading)	12 494 247	9 600 000	2 894 247	30.1	
Agency services	850 378	1 344 774	(494 396)	(36.8)	
Licences and permits	2 344 416	2 430 478	(86 062)	(3.5)	
Other income - (rollup)	1 892 183	2 387 881	(495 698)	(20.8)	
	215 214 674	242 253 871	(27 039 197)	(11.2)	
<b>Expenses</b>					
Personnel	(129 930 343)	(136 294 446)	6 364 103	(4.7)	
Remuneration of councillors	(9 458 268)	(9 310 068)	(148 200)	1.6	
Administration	(5 845)	-	(5 845)	-	
Depreciation	(33 443 447)	(5 242 145)	(28 201 302)	538.0	
Impairments	(155 476)	(16 255 107)	16 099 631	(99.0)	
Finance costs	(16 455 888)	-	(16 455 888)	-	
Repairs and maintenance - General	(10 136 457)	(22 189 142)	12 052 685	(54.3)	
Bulk purchases	(82 036 759)	(79 623 734)	(2 413 025)	3.0	
Contracted Services	(4 490 553)	(3 754 360)	(736 193)	19.6	
Transfers and Subsidies	(30 808 444)	(40 938 302)	10 129 858	(24.7)	
General Expenses	(61 260 833)	(48 074 769)	(13 186 064)	27.4	
	(378 182 313)	(361 682 073)	(16 500 240)	4.6	
<b>Other revenue and costs</b>					
Gain or loss on disposal of assets and liabilities	32 062	-	32 062	-	
Fair value adjustments	(11 068 830)	-	(11 068 830)	-	
	(11 036 768)	-	(11 036 768)	-	
<b>Net surplus/ (deficit) for the year</b>	(174 004 407)	(119 428 202)	(54 576 205)	45.7	

makana Municipality

Appendix F

Closures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	
municipal infrastructure unit	National Treasury	-	90 000	-	-	88 448	-	79 400	77 989	06 255	75 202	-	-	-	-	-	Yes
management unit	National Treasury	-	00 000	-	-	-	-	38 881	56 862	61 959	04 808	-	-	-	-	-	Yes
municipal systems improvement unit	National Treasury	-	34 000	-	-	-	-	-	34 466	-	-	-	-	-	-	-	Yes
expanded public Works programme	National Treasury	-	03 000	02 000	02 000	-	-	42 418	86 667	98 262	03 448	-	-	-	-	-	Yes
regional Bulk Infrastructure unit	National Treasury	-	-	-	-	99 084	-	-	-	-	-	-	-	-	-	-	Yes
		-	27 000	02 000	02 000	87 532	-	60 699	55 984	66 476	84 458	-	-	-	-	-	

A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

# Makana Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2015

2015/2014										2014/2013				
Original Budget	Budget Adjustments (S.O. 428 and 431 of the MFMA)	Final adjustments Budget	Rolling of Funds (S.O. 431 of the MFMA)	Virement (S.O. 431 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand			Rand	Rand	Rand	Rand
Revenue - Standard														
Revenue and administration	95 835 952	95 873 738	191 088 711	-	191 088 711	85 546 270		(105 542 441)	34 %	89 %				81 888 383
Indirect and council	5 669 485	4 608 272	50 538 695	-	15 538 695	4 370 729		(6 168 966)	42 %	77 %				5 294 411
Spent and treasury office	86 576 365	86 625 303	173 254 662	-	173 254 662	52 535 461		(120 719 201)	30 %	61 %				55 056 351
Spent services	3 557 108	3 570 246	7 266 354	-	7 266 354	3 586 050		(1 229 686)	118 %	203 %				547 515
Municipality and public safety	4 842 887	4 878 820	12 223 797	-	12 223 797	3 712 290		(8 511 507)	30 %	86 %				3 234 076
Community and social services	4 187 427	3 975 012	7 163 340	-	7 163 340	615 123		(6 548 217)	9 %	15 %				1 573 292
Water and recreation	19 500	8 632	20 025	-	20 025	454 211		(434 178)	2 267 %	4 326 %				120 896
Fire safety	1 104 255	1 130 188	2 264 393	-	2 264 393	848 414		(1 415 979)	37 %	77 %				3 336 332
Other	1 340 785	1 400 186	2 743 041	-	2 743 041	3 783 482		(940 458)	136 %	134 %				1 318 844
Health and environmental	9 224 278	(959 249)	8 364 028	-	8 364 028	4 492 811		(3 871 216)	54 %	48 %				14 880 241
Other	5 726 870	(8 338 978)	390 000	-	390 000	306 575		(83 425)	94 %	6 %				1 870 273
Other	3 545 306	3 667 601	7 202 900	-	7 202 900	8 104 388		(901 488)	111 %	114 %				11 460 430
Other	20 000	721 120	741 120	-	741 120	21 638		(719 482)	3 %	100 %				1 021 538
Other	277 446 488	24 265 227	301 685 635	-	301 685 635	246 586 439		(55 099 197)	82 %	85 %				280 239 488
Other	131 223 458	(3 222 246)	128 001 212	-	128 001 212	117 379 200		(10 622 012)	92 %	89 %				126 731 586
Other	83 502 873	(23 282 287)	106 785 160	-	106 785 160	81 969 927		(24 815 233)	77 %	89 %				74 861 860
Other	37 580 630	3 728 063	41 308 693	-	41 308 693	21 854 538		(19 454 155)	53 %	58 %				45 240 390
Other	25 326 407	297 225	26 623 632	-	26 623 632	25 436 833		(186 799)	99 %	100 %				26 406 608
Other	13 000	13 416	23 416	-	23 416	2 544		(20 872)	11 %	24 %				20 872
Other	10 000	13 416	23 416	-	23 416	2 544		(20 872)	11 %	24 %				20 872
<b>Total Revenue - Standard</b>	<b>325 368 573</b>	<b>123 922 982</b>	<b>613 386 658</b>	<b>-</b>	<b>613 386 658</b>	<b>320 334 153</b>	<b>-</b>	<b>(393 052 505)</b>	<b>52 %</b>	<b>52 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>387 335 220</b>

**Makana Municipality**  
**Appendix G1**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended 30 June 2015**

2015/2014										2014/2013				
Original Budget	Budget Adjustments (i.e., s28 and s31 of the MFMA)	Final adjusted budget	Shifting of funds (i.e., s31 of the MFMA)	Virement (i.e., Council approved policy)	Final Budget	Actual Outcome	Unauthorized expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Revised Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard														
remuneration and administration	87 174 135	49 511 533	148 695 368	-	-	146 885 288	106 129 661	(41 864 767)	72 %	108 %	-	-	-	146 722 864
refuse and refuse collection	25 721 894	21 886 873	47 603 757	-	-	47 603 757	32 724 247	(14 884 510)	69 %	127 %	-	-	-	30 837 477
water and wastewater services	32 008 464	(8 229 580)	23 775 776	-	-	23 775 776	37 062 971	13 227 595	160 %	116 %	-	-	-	22 746 571
public services	35 443 767	35 857 940	75 300 835	-	-	75 300 835	35 393 463	(39 907 362)	47 %	95 %	-	-	-	67 096 496
community and public safety	34 271 736	36 964 697	71 236 433	-	-	71 236 433	40 487 427	(30 749 006)	57 %	118 %	-	-	-	33 890 648
community and social services	14 677 661	9 248 876	23 926 537	-	-	23 926 537	8 214 078	(15 712 459)	34 %	55 %	-	-	-	8 960 272
arts and recreation	2 300 380	5 166 283	11 486 663	-	-	11 486 663	13 841 251	2 354 588	120 %	622 %	-	-	-	2 284 410
fire safety	15 064 380	16 065 512	31 159 912	-	-	31 159 912	16 185 090	(14 974 822)	52 %	107 %	-	-	-	16 453 492
training	46 324	61 000	66 324	-	-	66 324	61 213	(5 111)	92 %	106 %	-	-	-	44 549
other	2 150 763	2 412 414	4 563 177	-	-	4 563 177	2 185 456	(2 377 721)	48 %	162 %	-	-	-	2 918 256
miscellaneous and environmental	32 986 658	25 031 148	58 017 806	-	-	58 017 806	26 239 837	(31 777 969)	45 %	86 %	-	-	-	24 663 736
training and development	18 200 940	11 351 153	29 552 093	-	-	29 552 093	9 705 290	(19 846 803)	33 %	55 %	-	-	-	11 928 863
information technology	10 622 010	10 180 188	20 802 198	-	-	20 802 198	13 953 206	(6 848 992)	67 %	127 %	-	-	-	10 883 678
environmental protection	4 127 645	4 489 756	8 617 401	-	-	8 617 401	3 052 012	(5 565 389)	35 %	74 %	-	-	-	2 182 810
other services	179 964 122	81 847 663	261 811 785	-	-	261 811 785	179 764 878	(82 046 907)	68 %	108 %	-	-	-	146 888 174
electricity	96 236 100	(23 481 201)	72 754 899	-	-	72 754 899	69 227 243	(3 527 656)	95 %	93 %	-	-	-	65 900 638
water	44 554 000	53 619 364	100 483 890	-	-	100 483 890	53 231 720	(47 252 170)	53 %	119 %	-	-	-	54 048 970
waste management	21 764 685	30 455 382	52 220 067	-	-	52 220 067	19 636 455	(32 583 612)	37 %	99 %	-	-	-	20 679 811
asset management	17 268 831	(1 043 900)	16 224 931	-	-	16 224 931	16 769 101	544 170	103 %	108 %	-	-	-	4 892 495
other	247 886	243 352	490 238	-	-	490 238	282 866	(207 372)	57 %	102 %	-	-	-	3 416 061
total Expenditure - Standard	348 843 719	174 897 493	523 741 212	-	-	523 741 212	351 936 880	(171 804 332)	67 %	102 %	-	-	-	345 187 243
total (Deficit) for the year	44 738 866	(86 876 610)	(142 137 746)	-	-	(142 137 746)	(21 601 837)	(120 535 909)	53 %	(71) %	-	-	-	9 233 677



# Makana Municipality

## Appendix G2

### Budgeted Financial Performance (revenue and expenditure by municipal vote) for the year ended 30 June 2015

	2015/2014							2014/2013						
	Original Budget	Budget Adjustments (L.O. 228 and 231 of the MFMA)	Final adjusted budget	Shifting of funds (L.O. 231 of the MFMA)	Virement (L.O. Council approved policy)	Final Budget	Actual Outcome	Unauthorized expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorized expenditure	Expenditure authorized in terms of section 32 of MFMA	Balance to be recovered
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue by Vote</b>														
Choice & Infrastructure	40 363 792	-	40 363 792	-	-	40 363 792	34 227 399	-	(6 136 421)	85 %	85 %	-	-	-
Police Services	6 125 340	-	6 125 340	-	-	6 125 340	3 964 673	-	(2 160 667)	65 %	65 %	-	-	-
Social Services	26 579 365	-	26 579 365	-	-	26 579 365	21 200 644	-	(5 378 721)	80 %	80 %	-	-	-
Community & Social Services	35 517 582	-	35 517 582	-	-	35 517 582	28 494 629	-	(7 022 953)	80 %	81 %	-	-	-
Executive Mayor	3 602 010	-	3 602 010	-	-	3 602 010	2 426 788	-	(1 175 222)	67 %	67 %	-	-	-
Municipal Manager	2 452 606	-	2 452 606	-	-	2 452 606	1 804 495	-	(648 111)	74 %	74 %	-	-	-
Electricity	131 223 460	-	131 223 460	-	-	131 223 460	102 943 043	-	(28 280 417)	78 %	76 %	-	-	-
Water	83 502 870	-	83 502 870	-	-	83 502 870	84 009 927	-	507 057	100 %	100 %	-	-	-
Taxes	1 350	-	1 350	-	-	1 350	-	-	1 350	- %	- %	-	-	-
<b>Total Revenue by Vote</b>	<b>389 368 878</b>	<b>-</b>	<b>389 368 878</b>	<b>-</b>	<b>-</b>	<b>389 368 878</b>	<b>320 331 688</b>	<b>-</b>	<b>(69 037 190)</b>	<b>82 %</b>	<b>82 %</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditure by Vote to be reported</b>														
Choice & Infrastructure	52 226 715	-	52 226 715	-	-	52 226 715	46 889 751	-	(5 336 964)	89 %	89 %	-	-	-
Police Services	22 525 083	-	22 525 083	-	-	22 525 083	20 870 848	-	(1 654 235)	92 %	92 %	-	-	-
Social Services	32 008 485	-	32 008 485	-	-	32 008 485	27 002 850	-	(5 005 635)	84 %	84 %	-	-	-
Community & Social Services	59 603 840	-	59 603 840	-	-	59 603 840	53 049 327	-	(6 554 513)	89 %	89 %	-	-	-
Executive Mayor	13 127 751	-	13 127 751	-	-	13 127 751	14 295 046	-	1 167 295	109 %	109 %	-	-	-
Municipal Manager	13 716 700	-	13 716 700	-	-	13 716 700	8 959 834	-	(4 756 866)	65 %	65 %	-	-	-
Municipal Economic Development	10 684 901	-	10 684 901	-	-	10 684 901	4 813 230	-	(5 871 671)	45 %	45 %	-	-	-
Electricity	48 304	-	48 304	-	-	48 304	61 213	-	12 909	127 %	127 %	-	-	-
Water	95 236 100	-	95 236 100	-	-	95 236 100	88 227 242	-	(7 008 857)	93 %	92 %	-	-	-
Taxes	44 554 504	-	44 554 504	-	-	44 554 504	83 223 728	-	38 669 224	187 %	115 %	-	-	-
Taxes	1 329	-	1 329	-	-	1 329	-	-	(1 329)	- %	- %	-	-	-
<b>Total Expenditure by Vote</b>	<b>344 643 882</b>	<b>-</b>	<b>344 643 882</b>	<b>-</b>	<b>-</b>	<b>344 643 882</b>	<b>331 683 514</b>	<b>-</b>	<b>(12 960 368)</b>	<b>96 %</b>	<b>96 %</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>plus/(Deficit) for the year</b>	<b>44 724 896</b>	<b>-</b>	<b>44 724 896</b>	<b>-</b>	<b>-</b>	<b>44 724 896</b>	<b>(11 351 826)</b>	<b>-</b>	<b>(76 076 428)</b>	<b>(70) %</b>	<b>(70) %</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Makana Municipality**  
**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**or the year ended 30 June 2015**

2015/2014										2014/2013				
Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.e. s31 of the MFMA)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restate Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source														
property rates	56 970 280	(19 381 683)	43 588 602	-	43 588 602	40 136 174	-	2 545 572	106 %	81 %	-	-	-	38 084
property rates - penalties & collection charges	-	-	-	-	-	-	-	-	000 %	000 %	-	-	-	-
licence charges - electricity revenue	126 865 455	(15 122 456)	111 633 000	-	111 633 000	96 547 540	-	(17 285 709)	85 %	76 %	-	-	-	86 715
licence charges - water revenue	47 076 122	(8 350 122)	38 226 000	-	38 226 000	45 085 170	-	5 863 170	115 %	95 %	-	-	-	39 530
licence charges - sanitation revenue	19 055 600	(3 737 600)	15 516 000	-	15 516 000	14 255 545	-	(1 059 455)	90 %	73 %	-	-	-	18 722
licence charges - refuse revenue	8 684 129	(297 129)	8 587 000	-	8 587 000	11 740 825	-	3 153 825	137 %	122 %	-	-	-	9 562
licence charges - other	283 847	-	283 847	-	283 847	101 716	-	(182 131)	35 %	36 %	-	-	-	87
total of facilities and equipment	1 436 569	-	1 436 569	-	1 436 569	1 023 405	-	(413 164)	71 %	71 %	-	-	-	800
land earned - external investments	5 000 000	-	5 000 000	-	5 000 000	385 120	-	(4 614 880)	8 %	8 %	-	-	-	11 207
land earned - outstanding debits	9 000 000	-	9 000 000	-	9 000 000	10 835 646	-	1 835 646	122 %	120 %	-	-	-	-
lands received	-	-	-	-	-	-	-	-	000 %	000 %	-	-	-	-
taxes	942 306	-	942 306	-	942 306	50 402	-	(891 907)	5 %	6 %	-	-	-	655
sales and permits	1 270 871	-	1 270 871	-	1 270 871	2 344 416	-	1 064 445	183 %	183 %	-	-	-	2 596
other services	1 344 774	1 344 774	2 689 548	-	2 689 548	855 379	-	(1 834 170)	32 %	55 %	-	-	-	877
interest recognised - operational	85 124 165	79 369 615	164 493 780	-	164 493 780	94 425 938	-	(70 067 842)	57 %	111 %	-	-	-	93 127
net revenue	20 546 620	(3 859 938)	22 545 682	-	22 545 682	(9 178 647)	-	(31 723 329)	(41)%	(35)%	-	-	-	3 455
net on disposal of FPE	-	-	-	-	-	32 052	-	32 052	000 %	000 %	-	-	-	-
<b>Net Revenue (excluding capital sales and contributions)</b>	<b>350 947 883</b>	<b>17 818 666</b>	<b>428 813 538</b>	<b>-</b>	<b>428 813 538</b>	<b>314 840 404</b>	<b>-</b>	<b>(114 383 134)</b>	<b>73 %</b>	<b>88 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>295 375</b>

# **Makana Municipality** **Appendix G3** **Budgeted Financial Performance (revenue and expenditure)** **or the year ended 30 June 2015**

2015/2014										2014/2013					
Original Budget	Budget Adjustments S.O. 128 and 131 of the MFMA	Final adjustments budget	Shifting of funds (S.O. 131 of the MFMA)	Virement (S.O. Council approved policy)	Final Budget	Actual Outcome	Unauthorized expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Residual Audit Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Expenditure By Type															
office related costs	115 772 000	-	115 772 000	-	-	115 772 000	126 863 230	-	13 111 230	111 %	111 %	-	-	120 436	
municipality of councilors	8 371 000	-	8 371 000	-	-	8 371 000	9 458 268	-	1 087 268	113 %	113 %	-	-	6 336	
IT equipment	8 499 000	-	8 499 000	-	-	8 499 000	-	-	(8 499 000)	- %	- %	-	-	-	
precision & asset impairment	5 959 364	-	5 959 364	-	-	5 959 364	33 198 823	-	24 626 559	375 %	375 %	-	-	36 720	
phone charges	427 040	-	427 040	-	-	427 040	16 455 888	-	16 028 848	3 853 %	3 853 %	-	-	6 337	
IT equipment	79 745 078	-	79 745 078	-	-	79 745 078	82 005 758	-	2 260 680	103 %	103 %	-	-	67 096	
IT materials	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	
traded services	2 161 200	-	2 161 200	-	-	2 161 200	4 450 927	-	2 329 727	206 %	206 %	-	-	6 917	
refunds and grants	1 154 000	-	1 154 000	-	-	1 154 000	30 505 444	-	29 624 444	2 602 %	2 602 %	-	-	22 245	
IT expenditure	115 515 000	-	115 515 000	-	-	115 515 000	71 403 134	-	(44 111 866)	60 %	60 %	-	-	60 452	
IT disposal of IT	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	
<b>all Expenditure</b>	<b>344 643 682</b>	<b>-</b>	<b>344 643 682</b>	<b>-</b>	<b>-</b>	<b>344 643 682</b>	<b>277 135 199</b>	<b>-</b>	<b>(67 508 483)</b>	<b>79 %</b>	<b>79 %</b>	<b>-</b>	<b>-</b>	<b>331 655</b>	
<b>plus/Deficit</b>	<b>40 254 181</b>	<b>37 515 555</b>	<b>84 769 846</b>	<b>-</b>	<b>-</b>	<b>84 769 846</b>	<b>(62 484 750)</b>	<b>-</b>	<b>(146 654 541)</b>	<b>(74)%</b>	<b>(125)%</b>	<b>-</b>	<b>-</b>	<b>(35 178)</b>	
refunds recognised - capital	51 494 000	1 787 500	53 261 500	-	-	53 261 500	22 375 961	-	(30 885 539)	42 %	41 %	-	-	21 502	
contributions recognised - capital	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	
Warranted assets	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	
<b>plus/Deficit after capital transfers &amp; contributions</b>	<b>37 848 181</b>	<b>36 883 171</b>	<b>137 431 352</b>	<b>-</b>	<b>-</b>	<b>137 431 352</b>	<b>(80 104 634)</b>	<b>-</b>	<b>(177 536 186)</b>	<b>(29)%</b>	<b>(41)%</b>	<b>-</b>	<b>-</b>	<b>(13 872)</b>	
after	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	
<b>plus/Deficit after taxation</b>	<b>37 848 181</b>	<b>36 883 171</b>	<b>137 431 352</b>	<b>-</b>	<b>-</b>	<b>137 431 352</b>	<b>(80 104 634)</b>	<b>-</b>	<b>(177 536 186)</b>	<b>(29)%</b>	<b>(41)%</b>	<b>-</b>	<b>-</b>	<b>(13 872)</b>	
outside to municipalities	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	
<b>plus/Deficit attributable to municipality</b>	<b>37 848 181</b>	<b>36 883 171</b>	<b>137 431 352</b>	<b>-</b>	<b>-</b>	<b>137 431 352</b>	<b>(80 104 634)</b>	<b>-</b>	<b>(177 536 186)</b>	<b>(29)%</b>	<b>(41)%</b>	<b>-</b>	<b>-</b>	<b>(13 872)</b>	
re at surplus/ deficit of associate	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	
<b>plus/Deficit for the year</b>	<b>37 848 181</b>	<b>36 883 171</b>	<b>137 431 352</b>	<b>-</b>	<b>-</b>	<b>137 431 352</b>	<b>(80 104 634)</b>	<b>-</b>	<b>(177 536 186)</b>	<b>(29)%</b>	<b>(41)%</b>	<b>-</b>	<b>-</b>	<b>(13 872)</b>	

**makana Municipality**  
**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2015**

	2015/2014										2014/2013				
	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final Adjustments budget	Settling of funds (i.e. s31 of the MFMA)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Revised Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
10-year expenditure:															
1- Technical & Infrastructure	61 810 427	53 387 735	115 198 162	-	-	115 198 162	24 146 275	-	(91 061 887)	21 %	39 %	-	-	-	-
2- Corporate services	885 000	2 050 500	2 935 000	-	-	2 935 000	709 493	-	(2 225 507)	24 %	80 %	-	-	-	-
3- Financial services	400 000	-	400 000	-	-	400 000	568 001	-	168 001	142 %	142 %	-	-	-	-
4- Community & Social Services	8 565 000	9 600 000	18 165 000	-	-	18 268 000	3 894 953	-	(14 671 047)	20 %	43 %	-	-	-	-
5- Executive Mayor	1 050 000	-	1 050 000	-	-	1 050 000	327 916	-	(722 083)	31 %	31 %	-	-	-	-
6- Local Economic Development	22 441 000	-	22 441 000	-	-	22 441 000	3 720 496	-	(18 720 504)	17 %	17 %	-	-	-	-
7- Electricity	6 075 000	11 625 000	17 700 000	-	-	19 700 000	2 952 511	-	(16 747 489)	15 %	37 %	-	-	-	-
8- Water	40 805 000	87 324 138	128 129 138	-	-	128 129 138	30 859 011	-	(97 270 127)	22 %	76 %	-	-	-	-
Capital multi-year expenditure - Vote	144 834 427	174 188 873	318 221 300	-	-	318 221 300	67 820 011	-	(251 201 289)	21 %	47 %	-	-	-	-
10-year expenditure:															
Capital Expenditure - Vote	144 834 427	174 188 873	318 221 300	-	-	318 221 300	67 820 011	-	(251 201 289)	21 %	47 %	-	-	-	-



# Makana Municipality

## Appendix G4

### Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2015

2015/2014										2014/2013					
Original Budget	Budget Adjustments (U.A. 328 and 331 of the MFMA)	Final adjusted budget	Shifting of funds (U.A. 331 of the MFMA)	Virement (U.A. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restate Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	%	%	Rand	Rand	Rand	Rand	
Capital Expenditure - Standard															
vehicle and administration	1 283 660	2 669 660	3 339 660	-	-	3 339 660	3 291 421	(48 239)	98 %	238 %	-	-	-	0	
active and capital	-	-	-	-	-	327 318	-	327 318	0%	0%	-	-	-	0	
budget and treasury officer	400 000	-	400 000	-	-	400 000	569 001	169 001	142 %	142 %	-	-	-	0	
public services	885 000	2 060 000	3 935 000	-	-	3 935 000	2 396 062	(638 938)	61 %	271 %	-	-	-	0	
community and public safety	15 868 888	-	15 868 888	-	-	15 868 888	3 672 604	(12 196 284)	23 %	23 %	-	-	-	0	
community and social services	3 715 000	-	3 715 000	-	-	3 715 000	67 140	(3 647 860)	2 %	2 %	-	-	-	0	
art and recreation	650 000	-	650 000	-	-	650 000	3 392 686	2 742 686	509 %	369 %	-	-	-	0	
fire safety	1 300 000	-	1 300 000	-	-	1 300 000	212 773	(1 087 227)	16 %	16 %	-	-	-	0	
water	10 000 000	-	10 000 000	-	-	10 000 000	-	(10 000 000)	- %	- %	-	-	-	0	
climate and environmental	38 939 857	(1 369 638)	37 570 219	-	-	37 570 219	11 944 517	(25 625 702)	32 %	31 %	-	-	-	0	
water and development	22 596 000	2 367 424	24 963 424	-	-	24 963 424	3 720 496	(21 242 928)	15 %	16 %	-	-	-	0	
road transport	13 867 557	(3 729 903)	10 137 654	-	-	10 137 654	8 224 016	(1 913 638)	81 %	59 %	-	-	-	0	
environmental protection	3 000 000	-	3 000 000	-	-	3 000 000	-	(3 000 000)	- %	- %	-	-	-	0	
dog services	43 846 840	172 448 412	216 295 252	-	-	216 295 252	86 113 481	(130 181 771)	39 %	27 %	-	-	-	0	
stock	8 075 000	11 825 000	19 900 000	-	-	19 900 000	2 652 511	(17 247 489)	13 %	37 %	-	-	-	0	
livestock	40 605 136	57 324 000	97 929 136	-	-	97 929 136	30 696 011	(67 233 125)	31 %	76 %	-	-	-	0	
water management	24 985 702	63 457 412	88 443 114	-	-	88 443 114	14 235 668	(74 207 446)	16 %	41 %	-	-	-	0	
water management	-	-	-	-	-	-	34 255	34 255	0%	0%	-	-	-	0	
water	4 091 030	-	4 091 030	-	-	4 091 030	-	(4 091 030)	- %	- %	-	-	-	0	
water	4 091 030	-	4 091 030	-	-	4 091 030	-	(4 091 030)	- %	- %	-	-	-	0	
Capital Expenditure - Standard	144 634 427	173 128 872	317 171 266	-	-	317 171 266	67 629 811	(249 541 455)	21 %	47 %	-	-	-	36 428 1	
Capital Expenditure - Capital															
Government	45 814 000	(20 763 599)	25 050 401	-	-	25 050 401	38 553 348	13 502 947	150 %	76 %	-	-	-	0	
Government	1 679 500	-	1 679 500	-	-	1 679 500	-	(1 679 500)	- %	- %	-	-	-	0	
Municipality	10 167 557	18 794 353	28 961 910	-	-	28 961 910	67 140	(28 894 770)	- %	1 %	-	-	-	0	
Capital Expenditure - Capital	60 661 156	(1 679 246)	58 981 910	-	-	58 981 910	38 620 433	(20 361 477)	65 %	80 %	-	-	-	0	
Capital Expenditure - Capital	30 545 625	4 251 275	34 796 900	-	-	34 796 900	16 252 885	(18 544 015)	49 %	57 %	-	-	-	0	
Capital Expenditure - Capital	44 724 644	(20 601 146)	24 123 498	-	-	24 123 498	16 040 833	(8 082 665)	67 %	36 %	-	-	-	0	
Capital Expenditure	144 634 427	(17 629 617)	127 004 810	-	-	127 004 810	67 629 811	(59 375 019)	53 %	47 %	-	-	-	36 428 1	

**Makana Municipality**  
**Appendix G5**  
**Budgeted Cash Flows**  
**for the year ended 30 June 2015**

	2015/2014					2014				
	Original Budget	Budget Adjustments (i.e. as at 31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Revised Audited Outcome	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
<b>cash flow from operating activities</b>										
payments and other	290 245 111	(38 000 636)	251 335 480	251 335 480	204 337 421	(46 998 059)	81 %	70 %	157 176 979	
reimbursement - operating	82 124 154	79 355 815	161 483 969	161 483 969	133 752 144	(27 731 825)	83 %	163 %	126 119 264	
reimbursement - capital	51 493 656	1 707 508	53 201 162	53 201 162	22 879 951	(30 321 211)	43 %	43 %	21 302 462	
net	14 000 004	-	14 000 004	14 000 004	365 120	(13 634 884)	3 %	3 %	1 226 220	
or receipts	-	-	-	-	17 838 697	17 838 697	100 %	100 %	13 970 537	
staff and employees	343 032 732	(16 254 652)	326 747 880	326 747 880	(349 228 829)	(672 480 949)	(107) %	(102) %	(272 257 348)	
other charges	427 048	-	427 048	427 048	(8 337 044)	(8 764 092)	(1 484) %	(1 484) %	(214 657)	
others and Grants	1 184 146	40 836 302	42 122 448	42 122 448	-	(42 122 448)	- %	- %	-	
<b>cash flow from/used operating activities</b>	<b>743 396 422</b>	<b>48 871 151</b>	<b>841 377 573</b>	<b>841 377 573</b>	<b>22 436 679</b>	<b>(826 941 274)</b>	<b>3 %</b>	<b>3 %</b>	<b>49 123 827</b>	
<b>cash flow from investing activities</b>										
receipts on disposal of PPE	144 034 428	(126 540 804)	270 575 232	270 575 232	465 000	(270 110 232)	- %	- %	130 899	
receipts from sale of financial assets	-	-	-	-	(115 949)	(115 949)	Div0 %	Div0 %	554 272	
net	-	-	-	-	(54 405 530)	(54 405 530)	Div0 %	Div0 %	(54 186 425)	
<b>cash flow from/used investing activities</b>	<b>144 034 428</b>	<b>(126 540 804)</b>	<b>270 575 232</b>	<b>270 575 232</b>	<b>(54 115 473)</b>	<b>(124 661 798)</b>	<b>(19) %</b>	<b>(19) %</b>	<b>(52 551 283)</b>	
<b>cash flow from financing activities</b>										
long term borrowing	37 548 626	-	37 548 626	37 548 626	30 769 999	(6 778 626)	82 %	82 %	23 407 122	
payment of borrowing	3 165 000	-	3 165 000	3 165 000	-	(3 165 000)	- %	- %	(201 855)	
<b>cash flow from/used financing activities</b>	<b>40 812 626</b>	<b>-</b>	<b>40 812 626</b>	<b>40 812 626</b>	<b>30 769 999</b>	<b>(3 165 000)</b>	<b>75 %</b>	<b>75 %</b>	<b>23 608 967</b>	
<b>increase/(decrease) in cash held</b>	<b>867 244 876</b>	<b>192 411 347</b>	<b>1 060 766 814</b>	<b>1 060 766 814</b>	<b>(919 799)</b>	<b>(1 161 686 613)</b>	<b>- %</b>	<b>- %</b>	<b>(21 862 113)</b>	
<b>cash equivalents at the year</b>	<b>17 496 528</b>	<b>-</b>	<b>17 496 528</b>	<b>17 496 528</b>	<b>17 496 528</b>	<b>17 496 528</b>	<b>100 %</b>	<b>100 %</b>	<b>17 496 528</b>	
<b>cash equivalents at the year</b>	<b>867 244 876</b>	<b>192 411 347</b>	<b>1 060 766 814</b>	<b>1 060 766 814</b>	<b>16 576 729</b>	<b>(1 161 686 613)</b>	<b>- %</b>	<b>- %</b>	<b>(21 862 113)</b>	

# Annual **Performance** **Report**







<b>GOOD GOVERNANCE</b>				
<b>Department</b>	<b>KPI</b>	<b>Annual Target</b>	<b>Met/not met</b>	<b>Comments</b>
Municipal Manager's Office	Development of the Monitoring and evaluation mechanism	Approved monitoring and evaluation policy framework is approved by Council	Not Achieved	Monitoring and Evaluation was not approved by Council and will be a priority in the next financial year
Municipal Manager's Office	Quarterly SDBIP Performance report	Four quarterly reports to be tabled to Council	Not Achieved	All quarterly targets were tabled to Council
Municipal Manager's Office	mobilisation of IDP/Budget Road shows	Mobilising of IDP/Budget roadshows	Achieved	IDP/Budget Roadshows were held to with different community to seek inputs from for IDP and Budget
Municipal Manager's Office	Review of Public Participation Framework	Policy is approved on the third quarter	Not Achieved	The policy will be reviewed in the new financial year.
Municipal Manager's Office	Support and Development vulnerable group	Four quarterly reports on operation plan	met	learnership programme and report was submitted to MAYCO. Establishment of Ward Youth Forums. Support to Local youth Co-op. T.B day was held on the 29 April 2015, Candle light on the 29 May 2015
Municipal Manager's Office	Rollout of expanded work programmes	four quarterly monitoring performance reports	met	Four quarterly performance progress reports were tabled to Council

### Institutional Transformation

Department	KPI	Annual Target	Met/ Not Met	Comments
Industrial relationship/Legal	Monitor Disciplinary measure across the Municipality	4 Quartekly report are submitted to Council Moyoral Committee	Achieved	Disciplinary Report was submitted to FAME
Industrial relationship/Legal	Capacitate of work force on labour relations prescriptions through awareness programs	All Directorate Capacitated	Not Achieved	A planned training/workshop on Labour relations matters will be conducted in next financial year to be facilitated by bargaining council
Human resources	Monitor the LLF operations	Monitor the operations of Local Forum through organising at least one meeting per quarter and report to FAME	Achieved	LLF report was submitted to FAME
Human resources	Develop of Human resources plan	Approved Human Resource plan	Not Achieved	Human Resources Plan was not done and will be priorities in the next financial year
Human resources	Development of Equity plan	Apporoved Equity Plan	Not Achieved	Employement Equity Plan was not developed as plan and will priorities in the next financial
Human resources	Effective Management of Overtime	Reduction of overtime expenditure by 5% on Quarterly bases	Not Achieved	Target was not achieved, a baseline analysis has been developed, controlled mechanisium has been proposed and will be prioritised in next finacial year.
Human resources	Identify HR Policy need to review or new to be developed	All identified HR policies are approved	Achieved	All identified HR policy to be revised were approved
Human resources	Implementation of work skills Plan	Four quartely report are submitted to Portfolio committee	Achieved	Work skills plans was adopted and implemented
Human resources	Improve Recruitment and Selection	All new appoint are in line with vacancy schedule	Met	All appointment where done inline with vacancy
IDP/PMS	Implementation of Performance Management system	Implementation of S56-57and 66 Manager have signed performance Plans	Not Achieved	Perfomance Plan where signed by all Sinior management
IDP/PMS	Development of Ward Plan	IDP is approved by 31 May 2015 and Ward plans	Achieved	IDP was approved on 29 May 2015
ICT Manager	Development disaster recovery planning	Implementation of Disaster recovery planning and business continuity	Achieved	Disaster recovery plan was developed and implemented reports are submitted to DCSS
ICT Manager	ICT Governance framework	Develop ICT governance framework	Achieved	ICT Governance framework was approved by Council

# LOCAL ECONOMIC DEVELOPMENT

Key Perf. Indicator(Project)	Department	Section	Annual Target	Target met or not	Comments
Capacity building Programmes for small scale farmers	Local Economic Development and Planning	LED	30 Emerging farmers	Achieved	5 co-operatives have been trained on broiler production and 53 farmers trained on Record keeping and compiling financial statement
Funding for Agricultural projects	Local Economic Development and Planning	LED	3 Projects	Not Achieved	2 projects have being Identified, one project in alcedale and due to the municipality no long doing donations could not co- fund the projects
Infrastructural development at Thorn Park(EIA)	Local Economic Development and Planning	LED	Infrastructure at Thorn Park	Achieved	The service provider is on site, project not closed
Roll out of the Sustainable Urban Agricultural programme to promote green economy	Local Economic Development and Planning	LED	7 Community Gardens to be established and supported (3 from urban and 4 from rural areas)	Not Achieved	8 community gardens was identified 6 in the urban area and 2 in the rural area and due to the municipality is no longer doing donations could not implement the projects
Inner city regeneration	Local Economic Development and Planning	Tourism	A Business plan on Inner City Regeneration	Not Achieved	The tender was advertised and evaluation of bids was done . Awaiting approval by the Acting Municipal Manager
NAF support programme	Local Economic Development and Planning	Tourism	Markerting the Municipality at the NAF	Achieved	The Municipality had a stand at the 2015 National Arts Festival and three crafters participated
Support for Kwam eMakana homestay project	Local Economic Development and Planning	Tourism	1x Map and 1 X Markerting guide for Kwam emakana homestay project	Not Achieved	Due to the delays in the appointment of a service provider , the project could not commence as scheduled
Tourism Internship Programme	Local Economic Development and Planning	Tourism	4 Unemployed graduates absorbed for experiential learning	Not Achieved	The Directorate has formulated a draft Project Support policy for Council approval
Tourism Promotion	Local Economic Development and Planning	Tourism	1x DVD promoting Makana Tourism attractions	Achieved	A service provider has been appointed and the project is under implementation
Develop a business plan and a feasibility study for aloe production	Local Economic Development and Planning	LED	An Aloe production business plan	Achieved	The service provider is on site
SMME start-up package	Local Economic Development and Planning	SMME	50 Start-up enterprises benefit from the SMME start-up package.	Not Achieved	Due the absence of a donations / project support policy in the municipality as raised in the Kabuso report, the project could not be implemented
Co-operatives seed funding	Local Economic Development and Planning	SMME	4 Co-operatives benefit from the fund	Not Achieved	Due the absence of a donations / project support policy in the municipality as raised in the Kabuso report, the project could not be implemented
Support to Business Chamber	Local Economic Development and Planning	SMME	Makana United Business Chamber supported	Not Achieved	Due the absence of a donations / project support policy in the municipality as raised in the Kabuso report, the project could not be implemented

Informal sector support	Local Economic Development and Planning	SMME	15 Informal Traders benefiting from the support programme	Not Achieved	Due the absence of a donations / project support policy in the municipality as raised in the Kabuso report, the project could not be implemented
Roll out a Community Works Programme	Local Economic Development and Planning	LED	900 Jobs created	Achieved	1000 Job Created
National Arts Festival marketing programme	Local Economic Development and Planning	Tourism	Allocation exhibition on space to crafters	Achieved	Three where allocated spaces
Conduct land audit	Local Economic Development and Planning	Planning & Development	A comprehensive audit of Municipal owned land	Not Achieved	Due to lack funding
Finalisation of the SDF	Local Economic Development and Planning	Planning & Development	A Council Approved SDF for Makana Municipality	Achieved	SDF was revised
Formalisation of land	Local Economic Development and Planning	Planning & Development	Formalisation of land in the following areas:- Mayfield North, Phaphamani, Alicedale, Ethebeni	Not Achieved	Work has commenced on all township establishment application and we have a project breakdown for 2015/2016
Installation of new Geographical Information System	Local Economic Development and Planning	Planning & Development	A new geographical information system developed and installed	Achieved	Once all affect officials have access to GIS. Training needs to be done
Integrated zoning scheme for Makana Municipality	Local Economic Development and Planning	Planning & Development	A Council approved Integrated Zoning scheme for Makana Municipality	Not Achieved	Funding received from Sarah Baartman for financial year 2015/2016. Notification of item has been advertised in Herald on the 17 July 2015



DEVELOPMENT PRIORITY 4: COMMUNITY & SOCIAL COHESION					
Objective	Strategy	KPI	Annual Target	Met/not Met	Comments
Promote proper governance and public part	Enhance public participation	Community Safety forum MAN00469	Establishment of Community Safety Forum	Not met	Community Safety forum was not established and will be priorities in the next financial year
		Environmental forum MAN 00471	Four meetings	Achieved	All 4 meetings were held
		Transport Forum MAN00470	Four Meetings	Not Achieved	Meeting schedule did not take place because of poor attendance
Community of Makana have access to adequate facilities also live in a safe, secure and healthy environment by 2017	Effective Management of Environmental and Cleansing Services	Evaluation of food outlets, Cosmetics and Disinfection MAN00464	320 Inspections	Achieved	Inspections are done continuously
		Inspection of funeral undertakes MAN00465	84 Sample test	Achieved	Test are done continuously
	Ensure Community safety	Environmental education program MAN00365	ECO 8 Schools	Not Achieved	Not achieved due to lack of funding
		Revenue Enhancement (Collection) MAN00460	10% Increase	Not Achieved	The system was down for sometime
	Improve access to library services	Maintenance and renovation of libraries	95% Capital Budget Allocated	Not Achieved	DSRAC undertook to do the renovations
	Promote culture of reading and learning	Adults participation in the outreach programs	100 Participants	Achieved	100 participants
		Library membership	10% Increase	Achieved	10%
		Learners participate in the library school programs	400 Participants	Achieved	400 participants
	Provide safety, security and health communities	Conduct community outreach program MAN00362	800 Household visited	Achieved	households visited
		Disaster risk awareness programs MAN00357	Four risk awareness programs	Achieved	Awareness Program done
		Fire inspection in the commercial and in the industrial areas MAN00367	200 Inspection	Achieved	50 Inspections were done
	Provision of recreational facilities	Extension of Mayfield's Boundary Fence and construction of gravel MAN00478	Fencing and developing of gravel road of Mayfield Cemetery by the end fourth Quarter	Not Achieved	The reason for not meeting the target is lack of funding
	Support community environmental initiatives	Support environmental Co-operative MAN00360	4 Cooperatives support	Not Achieved	Problems is lack of funding





An aerial photograph of a suburban street. The street is lined with mature trees and houses. Several cars are parked along the sides of the road, and a few are driving. The scene is captured from a high angle, looking down the length of the street. A dark horizontal bar is overlaid on the upper portion of the image, containing the text "Auditor General's report" in white.

# Auditor General's report



## **Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on Makana Local Municipality**

### **Report on the financial statements**

#### **Introduction**

1. I have audited the financial statements of the Makana Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

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

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2013 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error

#### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## **Basis for Qualified Opinion**

### **Consumer debtors**

6. The municipality did not have adequate processes in place to ensure that interest on outstanding amounts from consumers was recognised in the financial statements. As a result consumer debtors as disclosed in note 5 to the financial statements and interest received as disclosed in the statement of financial performance are understated by R5,4 million .
7. In addition, I was unable to obtain sufficient appropriate audit evidence regarding consumer debtors, as the balances were presented in the financial statements for auditing purposes without accurate and complete underlying accounting records. I was unable to audit the balances in the financial statements by alternative means. Consequently, I was unable to determine whether any adjustments to consumer debtors stated at R174,8 million (2014: R129,6 million) in the statement of financial position and note 5 to the financial statements was necessary.

### **Receivables from non-exchange transactions**

8. I was unable to obtain sufficient appropriate audit evidence regarding receivables from non-exchange transactions, as the balances were presented in the financial statements for auditing purposes without accurate and complete underlying accounting records. I was unable to audit the balances in the financial statements by alternative means. Consequently, I was unable to determine whether any adjustments to receivables from non-exchange transactions stated at R46,6 million (2014: R32,1 million) in the statement of financial position and note 6 to the financial statements was necessary.

### **Payables from exchange transactions**

9. I was unable to obtain sufficient appropriate audit evidence regarding payables from exchange transactions, as the balances were presented in the financial statements for auditing purposes without accurate and complete underlying accounting records. I was unable to audit the balances in the financial statements by alternative means. Consequently, I was unable to determine whether any adjustments to payables from exchange transactions stated at R178 million (2014: R42, 7 million) in the statement of financial position and note 16 to the financial statements was necessary.

### **Payables from non-exchange transactions**

10. I was unable to obtain sufficient appropriate audit evidence regarding payables from non-exchange transactions, as the balances were presented in the financial statements for auditing purposes without accurate and complete underlying accounting records. I was unable to audit the balances in the financial statements by alternative means. Consequently, I was unable to determine whether any adjustments to payables from non-exchange transactions stated at R32,7 million (2014: R26.7 million) in the statement of financial position and note 17 to the financial statements was necessary.

## Inventory

11. I was unable to obtain sufficient appropriate audit evidence regarding inventory, as the balances were presented in the financial statements for auditing purposes without accurate and complete underlying accounting records. I was unable to audit the balances in the financial statements by alternative means. Consequently, I was unable to determine whether any adjustments to inventory stated at R15,5 million (2014: R13,1 million) in the statement of financial position and note 3 to the financial statements was necessary.

## Employee costs

12. I was unable to obtain sufficient appropriate audit evidence for employee costs, as internal controls had not been established for the recording of all employee costs from the payroll. I could not confirm whether all employee salaries had been recorded by alternative means. Consequently, I was unable to determine whether any adjustments to employee costs stated at R133 million (2014: R132, 9 million) in the statement of financial performance and note 28 to the financial statements was necessary.

## Commitments

13. I was unable to obtain sufficient appropriate audit evidence regarding the commitments disclosure, as the commitments were presented in the financial statements for auditing purposes without accurate and complete underlying accounting records. I was unable to audit the disclosure in the financial statements by alternative means. Consequently, I was unable to determine whether any adjustments to commitments stated at R18, 8 million (2014: R67.7 million) in note 39 to the financial statements was necessary.

## Irregular expenditure

14. The municipality did not disclose all irregular expenditure incurred during the year as they did not have adequate systems in place as required by section 125(2)(d)(i) of the MFMA . Due to the lack of systems it was impracticable to determine the full extent of the understatement of the irregular expenditure, and it was not possible to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure disclosed in note 43 to the financial statements of R81,7 million (2014: R81,1 million).

## Unauthorised expenditure

15. Sufficient appropriate audit evidence could not be obtained for unauthorised expenditure incurred in the prior years that are included in the current year closing balance. I was unable to confirm these amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the current and prior year unauthorised expenditure of R225,2 million (2014: R193,4 million) as disclosed in note 41 to the financial statements.

## Contingent liabilities

16. The municipality did not record all their contingent liabilities, which resulted in contingent liabilities being understated by R4,6 million. In addition, I was unable to obtain sufficient

appropriate audit evidence that all contingent liabilities had been recorded, as the municipality did not have adequate systems and processes in place and I could not confirm this by alternative means. Consequently, I was unable to determine whether any further adjustment to contingent liabilities stated at R49,9 million (2014: R1 million) in note 46 to the financial statements was necessary.

### Heritage assets

17. The municipality did not assess whether there was an indication of impairment on heritage assets in accordance with GRAP 103: *Heritage Assets*. Therefore, I was unable to audit the recoverable amount disclosed in the financial statements by alternative means. Consequently, I was unable to determine the recoverable amount of heritage assets stated at R29 million (2014: R28.9 million) in the statement financial position and note 11 to the financial statements.

### Cash flow statement

18. The presentation of the cash flow statement was not in accordance with GRAP 2: *Cash flow statements*. Cash generated by operations, purchase of property, plant and equipment and proceeds on disposal of fixed assets in the cash flow statement were incorrectly calculated. Consequently, the net decrease in cash and cash equivalents as disclosed on the cash flow statement is understated by R55, 9 million.

### Corresponding figures

19. The auditor's report for the year ended 30 June 2014 contained a disclaimer of opinion on the financial statements as a whole due to a limitation on the scope of the audit. The matters and related amounts which gave rise to the limitation in the prior year, as described below, remain unresolved in the current year.

The municipality could not provide sufficient appropriate evidence regarding:

- Revenue from exchange transactions of R179,3 million as disclosed on the statement of financial performance.
- Revenue from non-exchange transactions of R162,5 million as disclosed on the statement of financial performance.
- Depreciation and amortisation of R36,7 million as disclosed in note 30
- Grants and subsidies paid of R22,2 million as disclosed in note 36
- General expenses of R46,5 million as disclosed in note 27
- Bulk purchases of R67,1 million as disclosed in note 37
- Investment property of R201,3 million as disclosed in note 12
- Unspent conditional grants and receipts of R20,3 million as disclosed in note 18
- VAT payable of R14,1 million as disclosed in note 19
- Bank overdraft of R15,5 million as disclosed in note 7
- Other financial liabilities of R54,1 million as disclosed in note 20
- Employee benefit obligation of R57,1 million as disclosed in note 21



- Accumulated surplus of R985,6 million as disclosed on the statement of financial position
- Provision of consumer debtors of R90,1 million as disclosed on the statement of financial position
- The cash flow statement as a whole and the related notes

I was unable to confirm or verify these amounts by alternative means and, as a result, could not confirm the accuracy, existence, valuation, completeness of or rights and obligations to the above amounts included in the corresponding figures or determine the impact, if any, on current year balances.

### **Aggregation of immaterial uncorrected misstatements in the corresponding figures**

20. I was unable to obtain sufficient appropriate audit evidence due to individually immaterial amounts, but materially misstated as a whole. These amounts were unsubstantiated and I was unable to confirm the following elements making up the statement of financial performance, statement of financial position and notes to annual financial statements by alternative means:

- Receivables from exchange transactions amounting to R6,4 million
- Cash and cash equivalents amounting to R2 million
- Property, Plant and Equipment amounting to R3,7 million
- Intangible Assets amounting to R0,9 million
- Investments amounting to R0,2 million
- Consumer deposits amounting to R2,3 million
- Provisions amounting to R3,1 million
- Other financial liabilities amounting to R4 million
- Employee benefit obligation amounting to R9,7 million
- Other Non-Distributable Reserves amounting to R5,4 million
- Bank overdraft amounting to R0,7 million
- Councillors remuneration amounting to R8,3 million
- Impairment loss amounting to R5,2 million
- Finance costs amounting to R6,3 million
- Lease rentals on operating expenses amounting to R1,1 million
- Repairs and maintenance amounting to R12,8 million
- Contracted services amounting to R6,9 million
- Actuarial gains amounting to R6,4 million
- Fruitless and wasteful amounting to R1,1 million

## Qualified opinion

21. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Makana Local Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA.

## Emphasis of matters

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

## Financial Sustainability

23. The accounting authority's report on page xx of the financial statements indicates that the accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2015 and, in the light of this review and the current financial position, she is not satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

## Material losses

24. As disclosed in note 5 to the financial statements, material losses to the amount of R20,5 million (2014: R7,1 million) were incurred as a result of debt impairment written off against allowance for impairment.
25. As disclosed in note 50 to the financial statements, the municipality incurred material losses relating to electricity of R31,1 million (2014: R40,4 million) due to the poor management of electricity connections and illegal electricity connections.

## Restatement of corresponding figures

26. As disclosed in note 48 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of errors discovered during 30 June 2015 in the financial statements of the municipality at, and for the year ended, 30 June 2015.

## Significant uncertainties

27. With reference to note 46 to the financial statements, the municipality was the defendant in a number of lawsuits estimated at R50 million (2014: R1 million). The outcome of these lawsuits cannot be determined at present as litigation is still in progress.

## Fruitless and wasteful expenditure

28. As disclosed in note 42 to the financial statements, fruitless and wasteful expenditure amounting to R5,8 million (2013-14: R0,8 million) was incurred by the municipality during the year ended 30 June 2015. This expenditure was as a result of interest paid on overdue payments.

### **Additional matters**

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

## Unaudited supplementary schedules

30. The supplementary information as set out on pages xxx to xxx does not form part the financial statements. We have not audited these schedules and accordingly we do not express an opinion thereon.

## Unaudited disclosure notes

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

## Report on other legal and regulatory requirements

32. 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 findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

33. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2015:
- Development priority 2: Basic services and infrastructure on pages xxx to xxx
34. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
35. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPi).
36. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
37. The material findings in respect of the selected development priorities are as follows:



## **Basic Services and Infrastructure**

### **Usefulness of reported performance information**

#### **Consistency of objectives and targets**

38. Section 41(c) of the Municipal Systems Act requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 22% of the reported indicators and targets were not consistent with those in the approved service delivery and implementation plan. This was due to a lack of proper systems and processes around performance management within the municipality.

#### **Measurability of indicators and targets**

39. The FMPPi requires that performance indicator must be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator. A total of 43% of the indicators were not verifiable. This was due to a lack of proper systems and processes around performance management within the municipality.

#### **Reliability of reported performance information**

40. The FMPPi requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations we considered necessary to satisfy ourselves as to the reliability of the reported performance information. This was due to limitations placed on the scope of our work due to the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information.

## **Additional matter**

41. I draw attention to the following matter

### **Achievement of planned targets**

42. Refer to the annual performance report on pages xx to xx for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected development priority reported in paragraphs 38 to 40 of this report.

### Compliance with legislation

43. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### **Strategic planning and performance management**

44. The performance management system did not provide for policies and procedures to take steps for improvement where performance targets were not met, as required by section 41 (1)(d) of the MSA.
45. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
46. The KPIs set by the municipality did not include indicators on the percentage of households with access to basic levels of water, sanitation, electricity and solid waste as required by section 43(2) of the MSA and the Municipal planning and performance management regulation 10(a).
47. The annual performance report for the year under review did not include a comparison of the performance with set targets, comparison with the previous financial year and measures taken to improve performance as required by section 46 (1) (b) and (c) of the MSA.
48. The performance management system and related controls were inadequate as it did not describe and represent the processes of performance planning/ monitoring/ measurement/ review/ reporting/ improvement and how it is conducted, organised and managed, including determining the roles of the different role-players, as required by sections 38 of the MSA and regulation 7 of the Municipal planning and performance management regulations.

### **Audit committee**

49. The audit committee did not advise the council on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the MFMA.
50. The audit committee did not advise the council on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the Municipal Finance Management Act.
51. The audit committee did not advise the council on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the Municipal Finance Management Act.
52. The audit committee did not review the municipality's performance management system and make recommendations to the council, as required by Municipal planning and performance management regulation 14(4)(a)(ii).

53. The audit committee did not review all the quarterly internal audit reports on performance measurement, as required by Municipal planning and performance management regulation 14(4)(a)(i).
54. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by Municipal planning and performance management regulation 14(4)(a)(iii).

### **Internal audit**

55. The internal audit unit did not function as required by section 165(2) of the Municipal Finance Management Act, in that:
- it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review,
  - it did not report to the audit committee on the implementation of the internal audit plan, and
  - it did not advise the accounting officer and or report to the audit committee on matters relating to risk and risk management.

### **Revenue management**

56. An adequate management, accounting and information system which accounts for debtors was not in place, as required by section 64(2)(e) of the Municipal Finance Management Act.
57. An effective system of internal control for debtors was not in place, as required by section 64(2)(f) of the Municipal Finance Management Act.

### **Financial statements**

58. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the Municipal Finance Management Act. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

### **Expenditure management**

59. Money owed by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the Municipal Finance Management Act.
60. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the Municipal Finance Management Act.

## **Liability management**

- 61. An adequate management, accounting and information system which accounts for liabilities was not in place, as required by section 63(2) (a) of the MFMA.
- 62. An effective system of internal control for liabilities was not in place, as required by section 63(2) (c) of the MFMA.

## **Procurement and contract management**

- 63. Sufficient appropriate audit evidence could not be obtained that all contracts were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive, as management could not provide the bidding documentations for audit purposes.
- 64. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).
- 65. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2) (c) of the MFMA.
- 66. Awards were made to providers who are in the service of other state institutions or whose directors/ principal shareholders are in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulations 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).
- 67. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2) (b) of the MFMA.
- 68. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

## **Human resource management**

- 69. The competencies of financial and SCM officials were not assessed in a timely manner in order to identify and address gaps in competency levels, as required by regulation 13 of the Municipal regulations on minimum competency levels.
- 70. An approved staff establishment was not in place, as required by section 66(1)(a) of the MSA.
- 71. The municipal manager and senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) MSA.
- 72. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury as required by the Municipal Regulations on Minimum Competency Levels 14(2)(a) .



## **Consequence management**

- 73. Unauthorised , Irregular, fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the Municipal Finance Management Act.
- 74. Unauthorised, irregular, fruitless and wasteful expenditure was not always recovered from the liable person, as required by section 32(2) of the Municipal Finance Management Act.

## **Internal control**

- 75. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

## **Leadership**

- 76. Top and middle management positions were vacant for extended periods of time. The continued absence of permanent officials to lead and guide the municipality compromised the effectiveness of the control environment.
- 77. Leadership did not institute all the disciplines necessary to enable effective oversight that promoted efficiency and effectiveness in financial management, service delivery reporting and compliance with laws and regulations, thus not setting the correct tone for the credibility of all reports generated by the administration. This was evidenced by the material findings on the financial statements, annual performance information and compliance with laws and regulations.

## **Financial and performance management**

- 78. The municipality did not fully implement and monitor all required daily and monthly financial and performance disciplines to ensure that transactions were appropriately recorded in line with GRAP and the FMPP. The lack of financial discipline and monitoring during the financial year resulted in key reconciliations and processing only being performed after the financial year-end. If not appropriately addressed by the municipality, this can impact the sustainability of the reported opinion.
- 79. There are no review processes in place to monitor compliance with all applicable laws and regulations within the municipality. As a result non-compliance with applicable laws and regulations is not effectively identified or prevented and municipal officials are not held accountable for any transgression in respect of this.

## Governance

80. The internal audit unit was not effective in their review of internal controls and compliance with laws and regulations. This was largely as a result of the capacity constraints within the internal audit unit and the lack of co-operation from management.
81. As a result of the impaired functioning of the internal audit unit, the audit committee could not effectively evaluate and monitor responses to risks and provide effective guidance in respect of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

*Auditor-General*

East London

30 November 2015



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

The background image is a photograph of a large, historic stone church, likely a cathedral or major parish church. The building features Gothic architectural elements, including tall, narrow arched windows with intricate tracery. In the foreground, a statue of a seated figure, possibly a religious or historical figure, stands on a multi-tiered stone pedestal. To the left of the statue, there is a large, leafy tree. The sky is blue with scattered white clouds. A dark horizontal band is superimposed over the upper portion of the image, containing the title text.

# Audit & Risk

Committee Portfolio



# MAKANA MUNICIPALITY

## AUDIT AND RISK COMMITTEE REPORT 2014/2015

Presented by Ms. Tembela Mhqeta

Audit and Risk Committee Chairperson



## **AUDIT COMMITTEE REPORT FOR THE 2014/15 FINANCIAL YEAR**

Honorable Speaker, Executive Mayor, Portfolio Chairs, the entire Municipal Council, Traditional leaders, Makana Community, Management and Staff, good morning.

### **Introduction**

We are pleased to present our report for the year ended 30 June 2015.

The primary purpose of the Audit Committee is to assist Makana Municipality Council in fulfilling its oversight responsibilities to ensure that the municipality has and maintains effective, efficient and transparent systems of financial management, risk management, governance and internal control.

- To support management in respect of financial reporting and a system of internal control;
- To enhance business ethics and trust in the municipality;
- To ensure and enhance the independence of the Internal Audit function; and
- To ensure that risks facing the municipality are identified and that appropriate procedures are implemented to manage and minimize risks.

### **AUDIT COMMITTEE COMPOSITION**

The committee has three members that were appointed on the 04 December 2014, all of whom are competent in discharging their responsibilities, with all of them forming a quorum. No member has missed a meeting since appointment.

The Municipal Manager, Senior Management, assurance providers Internal and External Auditors are invited to attend the committee meetings. Where necessary, in – committee meetings are held with only the Administrator (Pam Yako), Acting Municipal Manager, Internal Audit Manager.

### **Audit Committee Key Functions and Responsibilities**

The Audit Committee's responsibility is mainly documented on section 166 of the Municipal Finance Management Act, municipal regulations and the King III Report on Corporate Governance. We have oversight over the operations of Internal Audit Unit.

The Audit Committee discharges its duties in line with its Charter that was reviewed by Council and regulates affairs of the committee.

The Audit Committee strives to comply with relevant legislation as it discharges its responsibilities.

The Internal Audit Unit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well

as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Audit Unit, the Audit Report on the Annual Financial Statements and the management report of the Auditor-General South Africa, it was noted that significant matters were reported that indicated material deficiencies in the system of internal control or any deviations there from. Accordingly, we report that the system of internal control over financial reporting for the period under review was not efficient and nor effective.

We are concerned with the fact that the Internal Audit Unit has ONLY one official. To quote from the Auditor General's report, paragraph 80 to 81 read as follows *"The internal audit unit was not effective in their review of internal controls and compliance with laws and regulations. This was largely as a result of the capacity constraints within the Internal Audit Unit and lack of co – operation from management.....and paragraph 81 "As a result of the impaired functioning of the internal audit unit, the audit committee could not effectively evaluate and monitor responses to risks and provide in respect of the internal control environment, including financial and performance reporting and compliance with laws and regulations"*

We request urgent attention be concentrated to the building of capacity of this Unit together with Risk Management Unit and benefits will be realised. Both units are the drivers of good governance in an organisation.

Furthermore, management attitude to the control environment was lacking in many instances. This is evidenced by the fact that many issues raised by the Auditor General and the Internal Audit Unit have not been adequately resolved.

Having said that, we do congratulate Management on the achievement of a Qualified audit opinion, however it is our view that such results are not sustainable until we do the basics right in this financial year. Starting with ourselves as the Committee, we have changed our strategy of engaging to a more proactive approach and encourage open communication.

#### **The effectiveness of internal control**

The Audit Committee has noted the following:

Concerns relating to efficiency and effectiveness of the system of internal control as assessed by Internal and External Auditors in successive audit reports and inadequate interventions by management to improve on previous indicated deficiencies in the system of internal control.

We are encouraged by management interventions and commitment post year end regarding Risk Management, we believe that they are effective and do promote transparency as required by King III Report on Corporate Governance.



### **Annual Financial Statements**

The Annual Financial Statements process is not an event but rather a daily, weekly, monthly and yearly process that needs to be managed appropriately with clear monitoring throughout the year. The Municipality must be in a position to prepare quarterly annual financial statements and with proper reviews being conducted of all basic reconciliations and discrepancies cleared.

We recommend that the preparation of quarterly Annual Financial Statements based on credible monthly reporting be initiated. This will benefit this municipality going forward.

We have reviewed the 1<sup>st</sup> draft of the Audit Action Plan and where we have reviewed the remedial actions suggested to address audit findings raised on the management report of the Auditor-General 2014/15. We will be working closely with Senior Management to have a credible document that will be submitted to Council in February 2016.

### **Performance Management System**

We are concerned that quarterly performance reports continue to not being submitted to the Internal Audit Unit as a result this led to the Audit Committee not being able to monitor institutional performance. This means therefore quality of in year management and monthly/quarterly reports submitted in terms of the MFMA was not monitored by the Audit Committee. We are however encouraged by the fact that in the current year, Senior Management performance reviews are being conducted. We appreciate the fact that there are commitments made by Senior Management to address the lack of consequence management.

### **Evaluation of Financial Statements**

On 28 August 2015, Audit Committee held a special meeting to review and discuss unaudited annual financial statements to be submitted to the Auditor General.

Our role was to conduct a high level review of any changes in accounting policies and practices and compliance with legal and regulatory provisions.

We did not review information on predetermined objectives to be included in the annual report as it was not timeously submitted to the Audit and Risk Committee.

Even though the Annual Financial Statements were submitted very late to the Audit Committee without the audit file prior to the meeting in order for a proper high level review to be conducted however the Audit Committee congratulated and noted the efforts made by the Acting Chief Financial Officer and the team in instilling financial discipline and improved financial management.

The committee concurs with and accepts the external auditors' report on the annual financial statements and recommends that the Council accepts the report.

### **Vacant Senior Management positions**

We note that the Municipality has got vacancies at key strategic positions i.e Senior Management more especially the position of Municipal Manager and Chief Financial Officer. As management are 1<sup>st</sup> level assurance provider in terms of the Combined Assurance, we are concerned by the credibility of reporting in general and these positions should be filled soon. We hope the municipality will increase the efforts to complete the processes.

### **Litigation and Cash flow**

In his 2014/15 audit report the AGSA has highlighted a number of financial discrepancies. This is evidenced by the number of litigations, attachments of municipal property and summonses that the municipality had to deal with during the year under review.

We commend the municipality for establishment of revenue enhancement committee and we commit to work closely with the Municipality in turning the situation around.

### **Municipal Public Accounts Committee**

The Chairperson of MPAC committee is invited in Audit Committee meetings and this ensures that we work closely and improve the co-ordination of our work.

### **Internal audit**

Internal Audit function has not addressed all risks pertinent to Makana Municipality in its annual plan and audits. This is mainly because the Unit does not have the capacity to effectively execute the functions as required by section 165 of the Municipal Finance Management Act. Meaningful contribution of audit committee is influenced by the work of Internal Audit, as at year-end the Internal Audit Unit only had one official.

For a better part of the financial year, Internal Audit was requested by management to provide consulting activities relating to the change of focus due to increased ad – hoc requests, this resulted in minimal internal audit work being performed thereby impacting negatively on the Audit Committee performance.

The increase in the number of *ad hoc* requests and the lack of sufficient internal audit capacity has impacted on the performance of the Internal Audit Unit and by extension that of the Audit Committee.

### **Audit Action Plan**

Our audit committee charter requires that the committee *"review audit results, quality and contents of financial information and action plans of management"*; The Audit Action Plan (1<sup>st</sup> draft) for the 2014/15 has been submitted to the audit committee for review and assessment on the 26 January 2016. The process will be completed soon and final report will be submitted to the Council in February 2016





**Auditor-General South Africa**

The Auditor General is a standing invitee to Audit and Risk Committee meetings.

**Appreciation**

The Audit committee expresses its sincere appreciation to the Honorable Speaker, Executive Mayor and entire Council, Administrator, Acting Municipal Manager, Senior Management Team, Internal Audit Unit and the Auditor General of South Africa.

.....  
**Chairperson of the Audit and Risk Committee**

**Ms. Tembela Mngqeta**

**Date: 29 January 2016**



# Oversight Report





# **OVERSIGHT REPORT**

**PREPARED BY THE MUNICIPAL PUBLIC ACCOUNTS  
COMMITTEE (MPAC)**

**2014/2015 ANNUAL REPORT**

**MAKANA LOCAL MUNICIPALITY**

**OVERSIGHT REPORT  
2014/2015 ANNUAL REPORT**

**Prepared by  
THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**



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## ANNEXURE

- A. Public Notice on availability of draft Annual Report.
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## OVERSIGHT REPORT REPORTED TO MAKANA MUNICIPALITY COUNCIL ON THE 29 MARCH 2016

### FOREWORD BY MUNICIPAL PUBLIC ACCOUNTS CHAIRPERSON

Madam Speaker, Executive Mayor, Councillors and officials

It is with great pleasure and privilege that I should present today the Oversight Report on the Annual Report for the period of 2014 – 2015 financial year on behalf of the Municipal Public Accounts Committee. Let me extend my gratitude to all Directors, Acting Directors and those who represented them for the great contribution they have made to make sure that accountability is not just a gesture of compliance but an unwavering effort to improve the municipal overall performance, that will at the end of the day change people's lives from the community that this council is mandated to lead.

I therefore, confirm that the Annual Report of Makana Municipality was assessed with due attentiveness by all MPAC members and agreed upon to be a true reflection of Makana Municipality status and performance and additionally fulfils the legal framework as prescribed in the MFMA. The MPAC has fulfilled its obligations in terms of what is provided by the Local Government municipal Structures Act no. 117 of 1998 and the Municipal Finance Management Act no. 56 of 2003 on the subject oversight exercise. The review process included a page-to-page scrutiny where questions for clarity were identified.

The MPAC is a functional committee and undertakes a positive influence on audit outcomes. Matters of good governance and financial oversight retain the highest priority status.

Please allow me again to extend appreciation to the Mayor, the Mayoral Committee, the Audit Committee and the Internal Audit Committee for the role they played in the oversight of the Annual Report.

The efforts of the Accounting Officer (the Acting Municipal Manager) and her team are commended for the honour and credibility they bestow for the benefit of this institution. The show of intolerance to any acts of second-rate work and attitude should be appreciated.

In working with the Annual Report which is tabled today the MPAC paid particular attention to the following areas:

- Financial Performance
- Non-financial Performance
- Legal Requirements
- Mistakes/Errors.

As the chairperson of the MPAC my new audit period objectives will include:

- Performance monitoring which begins from the planning stage.
- The strengthening of capacity support to our MPAC through training.
- The review of the terms of reference of the MPAC and development of a new work plan.
- Ensuring a clean audit opinion is achieved by extending the oversight efforts of the MPAC throughout the municipality

For transparency purpose and the acknowledgement of all councillors and interested public members present here today, I therefore table this report.



COUNCILLOR M. TAME  
MPAC CHAIRPERSON

## BACKGROUND

According to the Municipal Finance Management Act and Municipal Systems Act each municipality and their entities must prepare an annual report for each financial year. The purposes of the annual report are as follows:

- the provision of a record of the activities of the municipality.
- the provision of a service delivery performance report against the budget.
- the provision of information that supports the revenue and expenditure decisions made; and
- to promote accountability to the local community for decisions reached by the council.

### The Annual Report

Is a tool meant for the council to introspect; this is done with a focus on performance of the previous financial year. It must also demonstrate the budget implementation as well as the results of service delivery for the financial year in question.

The tabling of the annual report should include four main components of which each has an important function in the promotion of accountability and good governance.

The main components are as follows:

- the annual performance report as required by section 46 of the Municipal Systems Act.
- Annual Financial Statements submitted to the Auditor-General;
- The Auditor-General's report on the financial statements in terms of section 126(3) of the Municipal Financial Management Act and
- The report of Auditor-General according to section 45(b) of the Municipal Systems Act.



In the annual reporting process of a municipality, the oversight report is the final step. On each annual report, the Council is required by section 129 of the Municipal Financial Management Act (MFMA) to consider the annual report of its municipality as well as its entities and to adopt an oversight report which contains the Council's comments.

The oversight report must have within it a statement whether the Council:

- has approved the annual report, with or without the reservation;
- has rejected the annual report or has referred the annual report back for revision of those components that can be revised or has
- rejected the annual report.

The oversight report is thus clearly distinguished from the annual report. This annual report is submitted to the Council by the Accounting Officer and the Mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving the goals set by Council. The oversight report is a report of the municipal Council and follows consideration and consultation on the Annual Report by the Council itself. Thus the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

#### APPOINTMENT OF MPAC

The MPAC was appointed by the resolution of the Council, to perform oversight function on behalf of the Council.

In terms of that Council Resolution, the MPAC comprises of the following members:-

Chairperson:	Cllr Tame
Members:	Cllr Reynolds
	Cllr Booysen

Cllr Tyantsula

Cllr Plaatjie

Cllr Bonani

Cllr Meti

Cllr Pongolo

## **FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

As far as the Annual Report is concerned, MPAC is required to perform functions:-

- review and analyse the Annual Report.
- call, receive, and consider imputes from Councillors and Portfolio Committees, on the Annual Report.
- look- at and consider written comments received on the Annual Report from the public consultation processes.
- conduct public hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.
- prepare the Oversight Report, taking into consideration, the views and inputs of the public, representative(s), of the Auditor- General, organs of state, Council's Audit Committee and Councillors.

## **THE PROCESS OF ASSESSMENT OF THE ANNUAL REPORT**

The draft annual report for 2014/2015 was tabled at the Council meeting held on 29 January 2016, when it was resolved as follows:

- that the Annual Report for 2014/2015 be made public in terms of section 127(2) of the MFMA and that the local community be invited to submit representations in connection therewith; **SEE Annexures A and B**
- that the draft annual report be submitted to the next meeting of the Makana Municipal Public Accounts Committee (MPAC) for analysis and review.

In dealing with the tabled annual report, the Council is required to adopt an oversight report by not later than two months from date of tabling, which for the 2014/2015 annual report will be 29 March 2016.

### **Advertising process**

After the Council meeting of the 29 January 2016, and in response to the Council resolution taken at that meeting, the Makana Local Municipality Annual Report for 2014/2015 was made public in terms of section 127(2) of the MFMA and the local community was invited to submit representations in connection therewith.

Official notices advising where the annual reports could be viewed and inviting representations from the public were placed in the local newspapers and on the Municipality's website. The closing date for input was 30 February 2016. The notice was published in The Grocotts Mail of the 22 January 2016.

A copy of the official notice placed in the local newspaper is attached as **Annexure A**. Copies of the Annual Report were placed in the Libraries of the Makana Local Municipality as well as the website.

Copies of the report were forwarded to the following as per the MFMA:-

- Auditor General See Annexure C
- Provincial Treasury
- Provincial Department of Local Government and Traditional Affairs.

A copy was also forwarded to National Treasury in compliance with the request contained in MFMA Circular 63/2012.

### **RESPONSES RECEIVED FROM THE COMMUNITY**

On the 22 March 2016 the MPAC held a public consultation session in response to Section 127 (2) of the MFMA. The following were the concerns raised by the community:-

- Blockages of stormwater drainage
- Waste Management
- Staff capacity
- Risk management
- Revenue Collection



- Unauthorised and Wasteful expenditure
- Consequence management

## **SUMMARY OF COMMENTS OF THE MPAC ON THE ANNUAL REPORT**

See Annexure D

## **FINDINGS BY MPAC**

- Non-compliance of some people in the position of trust has a great negative impact of Auditor General's opinion.
- The vacant strategic positions in the like of Municipal Manager and Chief Financial Officer result to some of the very important responsibilities not fulfilled as well as the adequate reporting.
- Performance Management System that is not cascaded from directors to lower levels of municipal employees negatively impacts on service delivery since there is no consequence management taking place.
- The capacity of staff at finance directorate calls for a speedy response to needs of the organogram while the correct and adequate qualifications for position should be very strictly observed.
- There needs to be a team that will directly deal with revenue collection needs.
- Roads staff needs to be better capacitated since the material they use is reported to be of good quality while this is contradicted by the manner in which the job is done.
- The unavailability of resources to adequately deal with waste management invokes the resumption of donkey carts usage as its impact has been seen before.

## **RECOMMENDATION**

That the Council should act as a matter of urgency on the presented findings of MPAC



## CONCLUSION

The MPAC commends Council, the Municipal Manager, the Senior Managers and all staff at Makana Local Municipality on the strides made towards good governance.

Having performed the following tasks:

- Reviewed and analysed of the Annual Report;
- Considered comments and representations received ;
- Prepared the draft Oversight Report, taking into consideration, the views and inputs of the public, representatives of the Auditor-General, organs of state, Council's Audit Committee and Councillors;

The MPAC has pleasure in presenting the Oversight Report to Council to consider the following resolutions which will then be forwarded to the relevant Departments and Provincial Legislature:

### DRAFT RESOLUTION TO BE ADOPTED BY COUNCIL IN ACCORDANCE WITH SECTION 129(1) OF THE MFMA

- That cognizance be taken of the Oversight Report on the 2014/2015 annual report of the Makana Local Municipality;
  - that the Council, having fully considered the annual report referred to above, adopts the Oversight Report;
  - that the 2014/2015 Annual Report of the Makana Local Municipality be adopted without reservation;
  - That the Oversight Report be made public in accordance with section 129(3) of the Municipal Finance Management Act (Act 56 of 2003);
  - That the Oversight report be submitted to the Provincial Legislature in accordance with section 132(2) of the Municipal Finance Management Act (Act 56 of 2003).
-

ANNEXURE A



**MAKANA**  
MUNICIPALITY | EASTERN CAPE  
...a great place to be

## MUNICIPAL NOTICE

### AVAILABILITY OF DRAFT ANNUAL REPORT

Notice is hereby given, in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003, that the Draft Annual Report for the year dated 2014/2015 as adopted by the Council of the Makana Municipality on 29 January 2015 is available for comment by the public at the following venues. The public's comments on the document may be forwarded to Mr E Ganza at the City Hall or at email [eganza@makana.gov.za](mailto:eganza@makana.gov.za), by 30 February 2016.

Venue	Location
City Hall	High Street
Public library	Hill Street
Riebeeck east Library	Riebeeck East
Alicedale Admin Offices	Alicedale
Fingo Library	Fingo
Community Library	Currie Street
Duna Library	Joza
EXT 9 Community Hall	Extension 9

MS. R MEIRING  
ACTING MUNICIPAL-MANAGER

Notice number: 01 of 2016

Insert in Grocotts Mail: 1 insertion: Friday 22 January 2016

ANNEXURE B



## MUNICIPAL NOTICE

### PUBLIC CONSULTATION SESSIONS OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) ON THE ANNUAL REPORT

Notice is hereby given, in accordance with Section 129 of the Municipal Finance Management Act which requires the MPAC to prepare an oversight report over the annual report and to publish the same. The community and stakeholders of Makana Local Municipality are required to give inputs on the draft Annual Report for the year 2014/2015 before it is adopted by the Council of the Makana Local Municipality. All Ward Councillors are requested to invite their Ward Committee Members to be part of the consultation session. The public is therefore invited to a Public Consultation Sessions to be held as follows:-

Venue- Council Chambers

Date - 22/03/2016

Time - 17h30

Ms Riana Meiring

ACTING MUNICIPALMANAGER

08/2016

ANNEXURE C

OFFICE OF THE AUDITOR GENERAL

---

29 January 2016

To whom it may concern

RE: Acknowledgement of receipt of Makana Annual Report 2014/15

I hereby acknowledge receipt of the Makana ANNUAL REPORT of 2014/15



Mr Mbebe  
AG OFFICE



ANNEXURE D

## SUMMARY OF COMMENTS BY MPAC

SECTION AND THE NATURE OF COMMENT	RESPONSIBLE OFFICIAL	CORRECTIVE ACTION
INTRODUCTION		
Page 9 - Correct numbering - Delete Pound - Delete burial of animals - Delete municipal public transport - Delete pontoons Page 10 - Insert figures on table 1.4 Page 11 - Explanation of abbreviations		Done
GOOD GOVERNANCE AND PUBLIC PARTICIPATION		None
TECHNICAL AND INFRASTRUCTURE	Director D. Mlenzana	
Page 28 - Clarity on the availability of land as stated in the paragraph		Done
Page 29 - Rephrase the statement made on the quality of		Done

ANNEXURE D

roads to give a true reflection of things.			
<b>LOCAL ECONOMIC DEVELOPMENT</b>		Acting Municipal Manager Ms R. Meiring	
Page 30 – Clarity on the establishment of the SMME centre. Submission of a summary that would give a clear response.			Done
Rewrite the entire Section and give a full report of activities.			Done
<b>PUBLIC SAFETY AND COMMUNITY</b>		Director M. Planga	
Page 34 – Clarity on what happened to the use of donkey carts to assist with waste management			Clarity made
Page 36 and 37 – Clarity of figures under fire and rescue services tables.			Done
Page 38 and 39 – Clarity on figures under Law and Enforcement			Done
<b>ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT</b>		Acting Director E. Mager	
Pages 44 to 50 – Clarity on figures			Done
<b>FINANCIAL VIABILITY</b>		Acting Chief Financial Officer M. Crouse	
Verification of figures			Done