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# 2014

MAKANA MUNICIPALITY DRAFT ANNUAL REPORT 2014 | 15



## MAKANA MUNICIPALITY DRAFT 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 grey 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 rectangular 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
<b>Development Priority No. One:</b>	<i>Basic Service Delivery and Infrastructure Development</i>
<b>Development Priority No. Two:</b>	<i>Community Development and Social Cohesion</i>
<b>Development Priority No. Three:</b>	<i>Local Economic Development</i>
<b>Development Priority No. Four:</b>	<i>Institutional Transformation and Financial Development</i>
<b>Development Priority No. Five:</b>	<i>Good Governance and Public Participation</i>
<b>Development Priority No. Six:</b>	<i>Rural Development and support to vulnerable Groups</i>
<b>Development Priority No. Seven:</b>	<i>Human Settlement</i>

## 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.	AIR POLLUTION	NO.	MARKET
1.	Child care facilities	19.	Local amenities
2.	Firefighting incl. DM function	20.	Municipal parks and recreation
3.	Municipal airports	21.	Municipal roads
4.	Municipal Health services	22.	Noise pollution
5.	Pontoons and ferries	23.	Pound
6.	Trading regulations	24.	Public places
7.	Sanitation	25.	Refuse removal, refuse dumps and solid waste disposal
8.	Building regulations	26.	Control of undertakings that sell liquor to the public
9.	Electricity reticulation	27.	Fencing and fences
10.	Local tourism	28.	Street trading
11.	Municipal planning	29.	Street lighting
12.	Municipal public transport	30.	Traffic and parking
13.	Storm water	31.	Control of public nuisance
14.	Water (potable)	32.	Fencing and fences
15.	Cemeteries, funeral parlors and crematoria	33.	Licensing of dogs
16.	Billboards and the display of advertisements in public places	34.	Licensing and control of undertakings that sell food to the public
17.	Facilities for the accommodation, care and burial of animals	35.	Cleansing
18.	Local sport facilities		

## 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
<b>Total Population</b>	6 562 053	450 584	80 390
<b>Area km<sup>2</sup></b>	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 Organisations 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> <i>Cllr Zamuxolo Peter</i>	<b>SPEAKER</b> <i>Cllr Rachel Madinda-Isaac</i>	<b>CHIEF WHIP</b> <i>Cllr J C Wells</i>
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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	<i>Council</i>	6	6
2	<i>Special Council (unscheduled)</i>	0	9
3	<i>Mayoral Committee</i>	9	4
4	<i>Special Mayoral Committee (unscheduled)</i>	0	2
5	<i>Tourism and Cultural Industries</i>	9	9
6	<i>Social Development</i>	8	8
7	<i>Infrastructural Development</i>	9	8
8	<i>Local Economic Development and Planning</i>	9	9
9	<i>Finance, Administration, Monitoring &amp; Evaluation</i>	9	8
10	<i>Municipal Public Accounts Committee</i>	4	3
11	<i>Local Labour Forum</i>	9	5
12	<i>Audit Committee</i>	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
Chief Financial Officer	Vacant (Ms B Khumalo) Acting (ECPPT Deployee)*	Manager: Agriculture	Ms P Gqweta
Department Director: Expenditure	Mr M Crouse	Manager: SMME	Vacant
Assistant Director: Income	Mr L Sizani	Manager: Land Use and Planning	Mr R Van der Merwe
Manager: Supply Chain	Ms S Grobbelaar	Director: Technical & Infrastructural Services	Vacant (Mr D Mlenzana- Acting)*
Director Corporate Services	Mr M Madlavu*	Deputy Director: Technical & Infrastructural Services	Mr D Mlenzana
Assistant Director: Human Resources	Mr X Kalashe	Deputy Director: Electrical Services	Mr J Siteto
Assistant Director: Administration	Mr E Mager	Operations Manager	Mr G Goliath
Manager: Support Services	Mr E Ganza	Manager: Distribution	Mr M Radu
Director: Community & Social Services	Mr M Planga*	Assistant Director: Water & Sewer	Ms N Tshicilela
Operations Manager	Mr P Smile	Assistant Director: Roads & Works	Mr S Tutuse
Assistant Director: Environmental Services	Mr J Esterhuizen	Assistant Director: Housing	Vacant (Mr K Xamleko-Acting)
Assistant Director: Fire Services	Mr W Welkom	Project Management Unit Manager	Vacant
Assistant Director: Library Services	Ms P Vubela		
Assistant Director: Traffic Services	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 Systems Act 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 Abdhiraman) 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 abovementioned 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 as 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 tower 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 Clr 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 details on Ward Committee structures of the Makana Municipality.

## 2.5. IDP Participation and Alignment

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

### 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

No new by-laws were enacted during the period of review but the following policies were reviewed and approved by the Makana City Council:

- |   |  |
|---|--|
| 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

No public satisfaction surveys were conducted during the year in review. However, there is a Complaints Management process which operates 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
<b>Water: (above min level)</b>	
<i>Piped water inside dwelling</i>	7309
<i>Piped water inside yard (but not in dwelling)</i>	9325
<i>Using public taps (stand pipes )</i>	819
<i>Other water supply (within 200m)</i>	
<i>Minimum Service Level and Above sub-total</i>	16481
<i>Minimum Service Level and Above Percentage</i>	98%
<b>Water: (below min level)</b>	
<i>Using public tap (more than 200m from dwelling)</i>	17 located at rural farms
<i>Other water supply (more than 200m from dwelling)</i>	0
<i>No water supply</i>	7 located at farms
<i>Below Minimum Service Level sub-total</i>	0
<i>Total number of households</i>	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, Wimply 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 the 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 overcapacity 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	<i>The number of indigent house-holds registering is low (Only 1340) during the financial year. Remedial action: An awareness campaign will be undertaken in the next financial year.</i>

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 11kV 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 service 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 received 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 ± 45km 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 16 503 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. Maintenance done is of a high standard utilising cold premix, chip and spray and acceptable decomposed shale with a CBR of 45. However lack of skilled personnel and limited financial resources hinders continuous planned maintenance.

#### 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 43 5.1 square meters 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

1 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	Recieved & Processed	Approved
<i>Rezoning</i>	10	5
<i>Subdivision</i>	5	4
<i>Consent Uses</i>	2	2
<i>Township Establishments</i>	5	5
<i>Various land applications</i>	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.



### 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.

## Component D: Community & Social Services

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

Reporting Level	Detail	Total
<b>Overview</b>	<i>The provision of accessible community facilities to an acceptable standard for all people in Makana Municipality.</i>	
<b>Description of activity</b>	<p><i>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:</i></p> <ul style="list-style-type: none"> <li><i>• Ensure that the residents have access to up-to-date information through libraries.</i></li> <li><i>• Ensure that there are libraries in needy areas.</i></li> <li><i>• Provide an acceptable standard of service for all.</i></li> <li><i>• Decrease the illiteracy rate of the Makana community.</i></li> </ul>	

**Analysis of function**

<i>Statistical information:</i>	
<i>Quantity of materials circulated</i>	
• Public Library (Hill Street)	54,600
• Community Library (Currie street)	32,300
• Duna Library (Ncame street)	23,300
• Fingo Library (Albany road)	40,957
• Alicedale Library	10,095
• Riebeeck East Library	11,016
<b>Total</b>	<b>182,662</b>
<i>Number of current patrons</i>	
• Public Library (Hill Street)	4,335
• Community Library (Currie Street)	7,325
• Duna Library (Ncame street)	1,187
• Fingo Library (Albany road)	913
• Alicedale Library	347
• Riebeeck East Library	
<b>Total</b>	<b>29,271</b>

**Challenges**

- Securing of land to build Riebeeck East Library.
- Children's activity space at Fingo, Riebeeck East and Alicedale Library

**Highlights**

- Provision of Office space at Hill Street Library for Mobile Librarian and Library Clerk.
- Installation of library detector system and cctv cameras at Duna, Fingo and Community Libraries .
- Providing public access to internet at Fingo and Hill Street Libraries using "Connect with Cacadu". Vibrant literacy and audio projects in all libraries.

## Component E: Environmental Protection

### 3.10. 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 partners 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 specific 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.

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## 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.

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## 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.

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## 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.

### 3.11. 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.



## 3.12. Fire and Rescue services

### Function Public Safety

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

Reporting Level	Detail
<b>Overview:</b>	<i>Includes fire-fighting, fire safety and awareness campaigns</i>
<b>Mission statement</b>	<i>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.</i>
<b>Core Functions</b>	<p><b>Core Functions (As per the Fire Brigade Services Act 99 of 1987)</b></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><i>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</i></p> <p><b>Administration Section</b> <i>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.</i></p> <p><b>Operational Section</b> <i>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.</i></p> <p><i>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:</i></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>
<b>Description of Activity</b>	<p><b>Reduction of vegetation fires:</b> <i>The key objective is to try and minimize the amount of vegetation fires. Emphasis is put on:</i></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>
<b>Special Services</b>	<p><b>Services At Fires:</b> <i>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 human nature, income from this source is very low.</i></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 campaigns that were held.

## Component F: Health

Following a Parliamentary decision to provincialise the provision of primary health care, all staff and assets were transferred 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.

### 3.13. Traffic and Law Enforcement

#### Function Public Safety

#### Sub-Function: Traffic & Licensing

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

Analysis of functions	Number of targeted violations	Analysis of functions	Number of targeted violations
<b>LICENSING OF DRIVERS</b>		<b>VEHICLE DEFECTS</b>	
Licensed drivers	680	Service/parking brake	47
Learner drivers without supervision	35	Tyres	161
Other offences related to driving licenses	75	Silencer	1
<b>REGISTRATION/LICENSING OF MOTOR VEHICLES</b>		Other	189
Unlicensed/unregistered motor vehicles	891	Public motor vehicle offences	33
Other	83	Municipal bylaws	14
<b>MOVING VIOLATIONS</b>		Safety belt	698
Driving under the influence	12	Cell phone	142
Reckless/negligent driving	5	Other	55
Speeding	1000	<b>NOTICES</b>	
Traffic lights	70	Discontinue	14
Stop sign	490	Total Law enforcement Income	R 3079 050
Other road signs	678	<b>ROADWORHY</b>	
Illegal overtaking	15	Vehicles tested	80
Lane changes	31	Vehicles passed	60
Other moving violations	173	Vehicles failed	20
<b>STOPPING AND PARKING</b>		<b>DRIVING LICENSES</b>	
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	<b>VEHICLE LICENSING</b>	
<b>LOADS PROJECTIONS</b>		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 amount 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

### 3.14. 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 Riebeek 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 Riebeek 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. Millenium 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
	<b>Total</b>	<b>6</b>		<b>3</b>

#### Organizational Structure



DIRECTORATE	UNITS
<b>Municipal Manager Office</b>	<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>
<b>Corporate and Share Services</b>	<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>
<b>Budget and Treasury Services</b>	<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>
<b>Public Safety and Community Services</b>	<ul style="list-style-type: none"> <li>• Library services</li> <li>• Environmental management</li> <li>• Waste Management</li> <li>• Traffic control and road worth y</li> <li>• Fire and rescue services</li> <li>• Disaster management</li> </ul>
<b>Engineering and Technical Services</b>	<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>
<b>Local Economic Development and Planning</b>	<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	Vacancy rate for all approved and budgeted posts	30	20	80%	The outstanding posts have been advertised
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	3	33%	Various resignations were experienced at this level
3	Percentage of Section 57 Managers including Municipal Managers who attended at least one skills development training course within the financial year	5	2	20%	The Director: LED and Director Corporates Services were part of the CPMD Training process.
4	Percentage of Managers in Technical Services with a professional qualification	6	6	100%	
5	Percentage of municipalities within the district that have a fully functional Performance Management System (District Municipality only)	Not Applicable			
6	Percentage of staff that have undergone a skills audit (including competency profiles) within the current five year term	612	0	1%	Process will be addressed as one of the outcomes of the Organisational development process of the Municipality.
7	Percentage of councillors who attended skills development training within the current five year term	27	0	0%	Training was hampered by a severe lack of funds.
8	Percentage of staff complement with disability	1	1	100%	
9	Percentage of female employees	131	131	100%	
10	Percentage of employees that 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
<i>Cape Joint Pension Fund</i>	5	<i>Bonitas</i>	95
<i>Cape Joint Retirement</i>	245	<i>LA Health</i>	183
<i>SALA Pension Fund</i>	88	<i>Samwumed</i>	80
<i>SAMWU Provident Fund</i>	259	<i>Key Health</i>	214
		<i>Hosmed</i>	3

#### 4.5.2. Employee related costs

(section 56 / 57 employees, of staff members and also councillors).

Employee Related costs	2014	2015
<b>Salaries</b>	1 248 358 865	136 837 038
<b>Remuneration of Councillors</b>	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*



Settlers



**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.

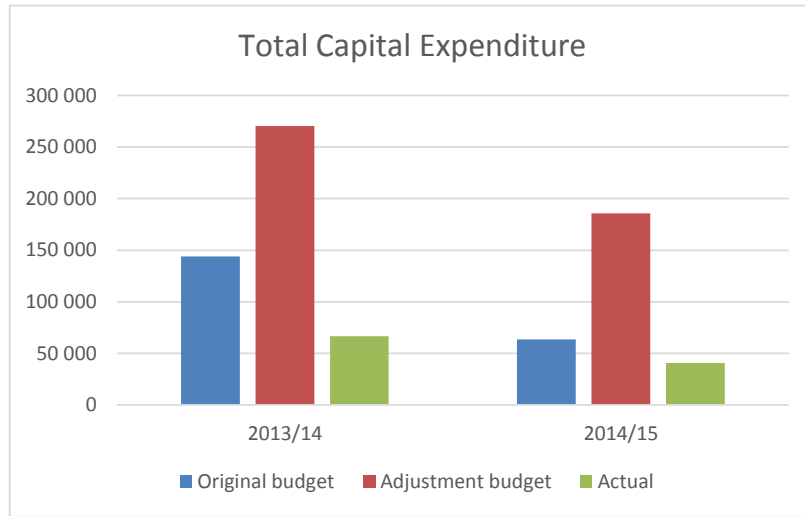
### 1.6 TOTAL CAPITAL EXPENDITURE

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.

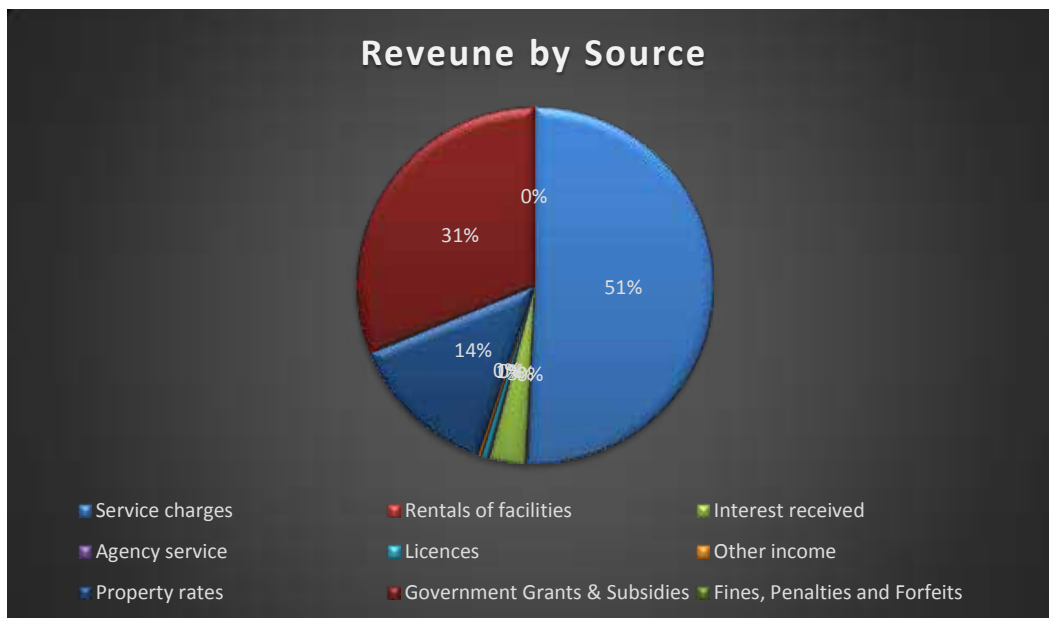
**3.9 PROCUREMENT AND CONTRACT MANAGEMENT – MONITORING OF CONTRACTS NOT DONE ON A MONTHLY BASIS**

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**

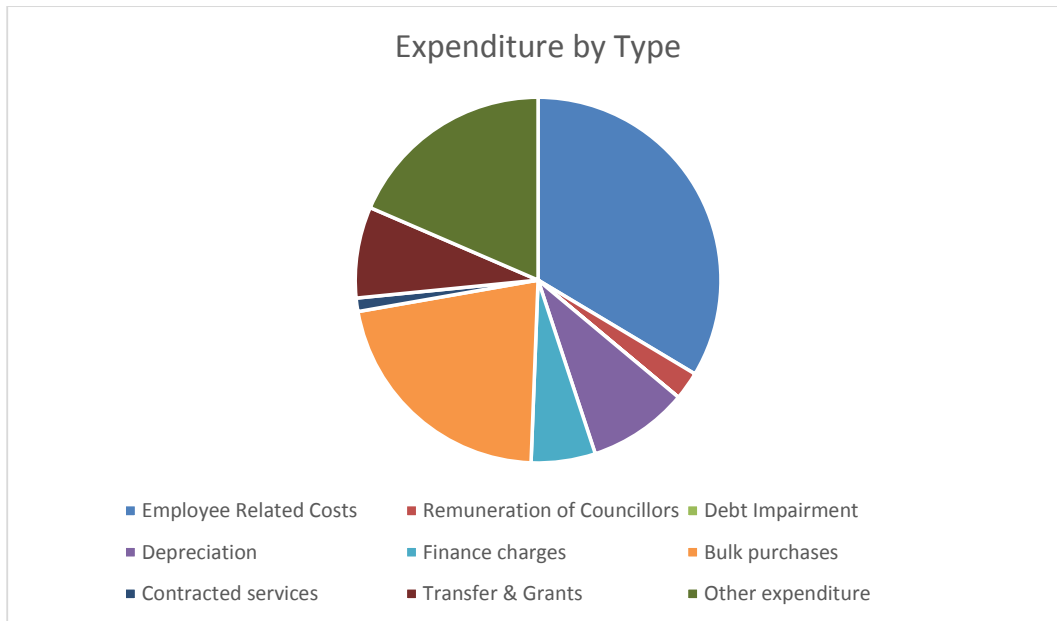
4.1 Revenue by Source

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 (#)
<b>" R 000 "</b>					
<b>1. FINANCIAL POSITION</b>					
<b>A. Asset Management/Utilisation</b>					
1	Capital Expenditure to Total Expenditure	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	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	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	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	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	



				Operational Conditional Grants	133 752 144		
<b>E. Sustainability</b>							
<b>B. Debtors Management</b>							
1	Collection Rate	95%	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	Cash and cash Equivalents	18 178 425	254%
					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	966 246 229						
The Accumulated Surplus amount has a lot of historical transactions that are on 75% late payment and mostly its due to system setup and lack of training of staff. The municipality plans in the future to further and towards the							
<b>2. FINANCIAL PERFORMANCE</b>							
<b>A. Efficiency</b>							
				Bad debts written Off	-		
				Billed Revenue	256 60	0%	
				Total Operating Revenue	379 708 625		
3	Net Debtors Days	30 days	Net Operating Surplus Margin = or > 0%	Gross debtors	Depreciation - Revalued Portion (046)	243	
					Bad debts Provision	112 68	
					Billed Revenue	256 60	
					Total Operating Expenditure	378 182 316	
					Taxation Expense	-	
The municipality remains a bit hopeful that services provided will improve debt initiatives of the office of the manager.							
<b>C. Liquidity Management</b>							
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	3 months	Net Surplus / Deficit	= or > 0%	Cash and cash equivalents	6 030 777	75%
					Unspent Conditional Grants	4 49	0%
					Bank Overdraft	-	
					Short Term Investments	12 13	
					Total Annual Operational Expenditure	378 182 316	
The liquidity of the municipality remains a bit low but it is long outstanding creditors.							
<b>B. Distribution Losses</b>							
2	Current Ratio	0.5	Electricity Distribution Losses (Percentage)	7% - 10%	Current Assets	257 60	-71%
					Current Liabilities	236 97	
					Number of units purchased and/or generated	65 342 451	
Electricity is the main revenue for the municipality and current a significant part of it. This impacts on service delivery.							
<b>D. Liability Management</b>							
1	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%			Interest Paid	16 455 888	4%
					Redemption	-	
					Total Operating Expenditure	378 182 316	
					Taxation Expense	-	
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							
2	Debt (Total Borrowings) / Revenue	45%			Total Debt	69 471 770	140%
					Total Operating Revenue	183 481 121	
The municipality is not self sustainable and is grant depended which severely impacts on service delivery							

		Operational Conditional Grants	133 752 144
--	--	--------------------------------	-------------

**E. Sustainability**

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 ( <i>Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value</i> )	
			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
			Number of units purchased and/or generated	65 342 451	

			Number of units sold	111 746 527	electricity is lost
2	Water Distribution Losses (Percentage)	15% - 30%		8%	With minimal maintenance and repairs of the infrastructure, the municipality is incurring water distribution losses
			Number of kilolitres purchased and/or purified	6 581 430	
			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 tax base
		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 Excl. grants (Previous)	226 074 335		
		Total Revenue Excl. grants (Current)	269 097 384		

**D. Expenditure Management**

1	Creditors Payment Period (Trade Creditors)	30 days		309 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	60 249 956	
			Bulk Purchases	82 036 759	
			Capital Credit Purchases ( <i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i> )	2 439 991	

2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		85%	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	Gaga Nomhle: Chairperson - Infrastructure Portfolio Committee
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	Masoma Nombulelo: Chairperson - Tourism And Cultural Industries Portfolio Committee
ANC	PR	Matyumza Mtutuzeli: Chairperson - Social Development Portfolio Committee
DA	04	May Lena
ANC	10	Meti Nomat hamsanqa
ANC	PR	Ngeleza Thuleka
ANC	01	Pongolo Melikhaya
ANC	PR	Notyawa Mbulelo Paul: Chairperson - Local Economic Development Portfolio Committee
ANC	PR	Peter Zamuxolo: Executive Mayor
COPE	PR	Plaatjie Ruth
ANC	PR	Ranchhod Piryawaden: 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
<b>Public Safety Portfolio Committee</b>	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. Booyesen	<i>To deliberate and decide on the rendering of community services and social services</i>
<b>Finance, Administration, Monitoring &amp; Evaluation Portfolio Committee</b>	Clr. P Ranchhod	Clr. B. Fargher Clr. L. Reynolds Clr. N. Meti Clr. T. Ngeleza Clr. N. Gaga Clr. V. Kolisi	<i>To deliberate and decide on financial and administrative matters. Also to oversee the monitoring and evaluation function of the municipality</i>
<b>Infrastructure Development Portfolio Committee</b>	Clr. N. Gaga	Clr. B. Bonani Clr. M. Tame Clr. E. Louw Clr. P. Ranchhod Clr. M. Madinda Clr. L.Reynolds	<i>To deliberate and decide on infrastructural development matters.</i>
<b>Local Economic Development Portfolio Committee</b>	Clr. P. Notyawa	Clr. N. Masoma Clr. M. Matyumza Clr. N. Ngoqo Clr. N. Plaatjie Clr. B. Bonani Clr. B. Jackson	<i>To deliberate and decide on matters related to local economic development, agriculture and rural development.</i>
<b>Tourism &amp; Cultural Industries Portfolio Committee</b>	Clr. N. Masoma	Clr. B.Jackson Clr. J. Wells Clr. P. Notyawa Clr. E. Louw Clr. N. Tyantsula Clr. M. Gojela Clr. M. Booyesen	<i>To deliberate and decide on tourism, heritage and creative industries.</i>

## 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
<b>INITIALS AND SURNAME</b> L. Mlambo Z. Twani K. Maki/Javu M Ntlanjeni B Kalani M Lawu K Mfihlo L Skeyi N Mdoko S Faliteni	<b>INITIALS AND SURNAME</b> M Mahlahla M Bambiso B Mgogoshe T. Ntlumbini V Makinana S September N Malgas A Adam N Mengu B Hanise	<b>INITIALS AND SURNAME</b> E Malawana C Daniels M Makeleni X Simakuhle I Basson N Yame N Manyati N Zwane X Ngqawana Goliat h	<b>INITIALS AND SURNAME</b> 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
<b>INITIALS AND SURNAME</b> L Kula V Zwayi T Kondile C Goba C Nkatsha S Mazosiwe V Vena S Yekani S Plaatjie N Funani	<b>INITIALS AND SURNAME</b> T Qinela V Jacobs N Klaas N Platyi Z Ponshe X Notyawwe Z Plaatjie L Bulani B Jezi N S Ngoqo	<b>INITIALS AND SURNAME</b> V Tata L Geelbooi N Vuso V Sodladla L Ndzayo N Mnyaka M Mdoko M Twani V Royi T Tsili	<b>INITIALS AND SURNAME</b> 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
<b>INITIALS AND SURNAME</b> T Qoko P Ngoqo S Mfecane S Magadaza) M Moya M Dyasi M Hoboshe W Dywili P Madyo N Matya	<b>INITIALS AND SURNAME</b> N Mthati M Noyila G Mapapu B Ngxizele N Tsili Z Cetu N Ncanywa N Nyengane M Gule M Mlonjeni	<b>INITIALS AND SURNAME</b> M Koliti N Nxakala L Silo N Ntile X Losi Z Choli X Duma N Mthuthi T Nobhongwana	<b>INITIALS AND SURNAME</b> T Seyisi N Xhashimba Y Manyati N Cossie N Mtya S Goduka B Bambatho N Ndolo X Gwente N Kilani
Ward 13			
<b>INITIALS AND SURNAME</b> C Nel P Kewuti A Nomoyi C Sias E Jantjies	<b>INITIALS AND SURNAME</b> 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 Booyesen

**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

**Preparer**

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

### Index

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

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

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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:

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**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
Consumer debtors	4	177 542 279	129 572 370
Receivables from exchange transactions		2 499 663	6 375 986
Receivables from non-exchange transactions	5	46 606 383	32 113 720
Cash and cash equivalents	6	19 204 882	2 029 895
Operating lease asset	7	28 009	28 525
		<b>261 423 410</b>	<b>183 242 487</b>
<b>Non-Current Assets</b>			
Investment property	11	201 302 330	201 302 330
Property, plant and equipment	8	852 541 846	805 947 213
Intangible assets	9	706 714	948 306
Heritage assets	10	29 008 049	28 931 049
Investment	12	141 719	161 477
		<b>1 083 700 658</b>	<b>1 037 290 375</b>
<b>Total Assets</b>		<b>1 345 124 068</b>	<b>1 220 532 862</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	13	2 321 154	2 297 709
Other financial liabilities	19	4 127 932	4 009 820
Payables from exchange transactions	15	177 994 210	42 726 633
Payables from non- exchange transactions	16	32 680 011	26 707 226
Unspent conditional grants and receipts	17	17 650 894	20 290 713
VAT payable	18	12 628 148	14 100 340
Employee benefit obligation	20	9 712 674	9 712 674
Bank overdraft	6	-	15 466 633
		<b>257 115 023</b>	<b>135 311 748</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	19	56 907 870	50 116 917
Employee benefit obligation	20	45 438 166	40 321 709
Provisions	14	815 876	782 119
Other liability 3		(121 600)	(121 600)
		<b>103 040 312</b>	<b>91 099 145</b>
<b>Total Liabilities</b>		<b>360 155 335</b>	<b>226 410 893</b>
<b>Net Assets</b>		<b>984 968 733</b>	<b>994 121 969</b>
<b>Net Assets</b>			
Reserves			
Other NDR		5 446 516	5 427 536
COID reserve		(53 315)	-
Accumulated surplus		979 575 526	988 694 435
<b>Total Net Assets</b>		<b>984 968 727</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	199 402 150	161 564 120
Rental of facilities and equipment	34	1 023 409	800 907
Interest received	21	12 494 247	11 207 128
Agency services		850 378	877 055
Licences and permits		2 344 416	2 596 574
Other income	26	1 353 967	2 043 752
<b>Total revenue from exchange transactions</b>		<b>217 468 567</b>	<b>179 089 536</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	122 798 897	115 585 733
Fines, Penalties and Forfeits		55 402	655 711
<b>Total revenue from non-exchange transactions</b>		<b>176 681 607</b>	<b>162 394 571</b>
<b>Total revenue</b>	22	<b>394 150 174</b>	<b>341 484 107</b>
<b>Expenditure</b>			
Employee related costs	28	(128 392 171)	(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	(21 536 082)	(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	(30 544 615)	(22 098 592)
General Expenses	27	(59 061 367)	(46 363 948)
<b>Total expenditure</b>		<b>(380 271 920)</b>	<b>(337 615 481)</b>
<b>Operating surplus</b>		<b>13 878 254</b>	<b>3 868 626</b>
Gain on disposal of assets and liabilities		32 062	-
Fair value adjustments		-	5 245 900
Actuarial gains/losses	20	1 047 113	6 383 935
		<b>1 079 175</b>	<b>11 629 835</b>
<b>Surplus for the year</b>		<b>14 957 429</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	COID reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R
<b>Balance at 01 July 2013</b>	<b>5 408 556</b>	-	<b>5 408 556</b>	<b>973 195 974</b>	<b>978 604 530</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	18 980	-	18 980	-	18 980
Total changes	18 980	-	18 980	15 498 461	15 517 441
<b>Restated* Balance at 01 July 2014</b>	<b>5 427 536</b>	-	<b>5 427 536</b>	<b>964 618 097</b>	<b>970 045 633</b>
Changes in net assets					
Surplus for the year	-	-	-	14 957 429	14 957 429
Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities	18 980	-	18 980	-	18 980
Prior Year Adjustments	-	(53 315)	(53 315)	-	(53 315)
Total changes	18 980	(53 315)	(34 335)	14 957 429	14 923 094
<b>Balance at 30 June 2015</b>	<b>5 446 516</b>	<b>(53 315)</b>	<b>5 393 201</b>	<b>979 575 526</b>	<b>984 968 727</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		53 459 246	38 084 646
Services charge		199 402 150	166 252 775
Grants		122 612 592	133 752 144
Interest income		-	385 120
Other receipts		12 130 117	17 838 897
		<u>387 604 105</u>	<u>356 313 582</u>
<b>Payments</b>			
Employee costs		(127 117 030)	(112 701 614)
Suppliers		(167 115 438)	(225 888 083)
Finance costs		(21 536 082)	(6 337 044)
Other payments		3 935 607	(6 712 261)
Remuneration of Councillors		(9 458 268)	(8 336 735)
		<u>(321 291 211)</u>	<u>(359 975 737)</u>
<b>Net cash flows from operating activities</b>	38	<b>66 312 894</b>	<b>(3 662 155)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(40 501 847)	(46 468 868)
Proceeds from sale of property, plant and equipment	8	(21 250)	-
Purchase of other intangible assets	9	-	(631 054)
Purchases of heritage assets	10	(77 000)	(3 161 400)
Proceeds from sale of financial assets		19 758	(115 949)
		<u>(40 580 339)</u>	<u>(50 377 271)</u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		6 909 065	30 769 995
<b>Net cash flows from financing activities</b>		<b>6 909 065</b>	<b>30 769 995</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>32 641 620</b>	<b>(23 269 431)</b>
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>	6	<b>19 204 882</b>	<b>(13 436 738)</b>

\* 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 (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	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	199 402 150	-	(25 965 198)	88 %	89 %
Transfers recognised - operational	80 710 145	(589 824)	80 120 321	-	-	80 120 321	120 569 018	-	40 448 697	150 %	149 %
Other own revenue	25 974 509	(7 875 878)	18 098 631	-	-	18 098 631	18 153 881	-	55 250	100 %	70 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>376 970 388</b>	<b>(7 434 513)</b>	<b>369 535 875</b>	-	-	<b>369 535 875</b>	<b>391 952 357</b>	-	<b>22 416 482</b>	<b>106 %</b>	<b>104 %</b>
Employee costs	(139 500 317)	2 663 279	(136 837 038)	-	-	(136 837 038)	(128 392 171)	-	8 444 867	94 %	92 %
Remuneration of councillors	(9 310 068)	-	(9 310 068)	-	-	(9 310 068)	(9 458 268)	-	(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)	156 %	132 %
Finance charges	-	-	-	-	-	-	(21 536 082)	-	(21 536 082)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(79 623 734)	-	(79 623 734)	-	-	(79 623 734)	(82 036 759)	-	(2 413 025)	103 %	103 %
Transfers and grants	(40 799 302)	(139 000)	(40 938 302)	-	-	(40 938 302)	(30 544 615)	-	10 393 687	75 %	75 %
Other expenditure	(81 662 708)	8 016 227	(73 646 481)	-	-	(73 646 481)	(74 705 102)	-	(1 058 621)	101 %	91 %
<b>Total expenditure</b>	<b>(376 393 381)</b>	<b>14 540 506</b>	<b>(361 852 875)</b>	-	-	<b>(361 852 875)</b>	<b>(380 271 920)</b>	-	<b>(18 419 045)</b>	<b>105 %</b>	<b>101 %</b>
<b>Surplus/(Deficit)</b>	<b>577 007</b>	<b>7 105 993</b>	<b>7 683 000</b>	-	-	<b>7 683 000</b>	<b>11 680 437</b>	-	<b>3 997 437</b>	<b>152 %</b>	<b>2 024 %</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 outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	1 007 000	-	1 007 000	-	-	1 007 000	2 229 879	-	1 222 879	221 %	221 %
Surplus (Deficit) after capital transfers and contributions	1 584 007	7 105 993	8 690 000	-	-	8 690 000	13 910 316	-	5 220 316	160 %	878 %
Surplus/(Deficit) for the Year	1 584 007	7 105 993	8 690 000	-	-	8 690 000	13 910 316	-	5 220 316	160 %	878 %



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 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 GRA

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

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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

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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.



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### Accounting Policies

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#### 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.

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#### 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 & Artr 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

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### 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



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### Accounting Policies

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- 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.

##### 1.30.1 Financial Assets

## Makana Municipality

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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

#### 1.30.2 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

#### 1.30.3 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.

#### 1.30.4 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.

#### 1.30.5 Derecognition of Financial Assets

##### 1.30.5.1 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.

#### 1.30.5.2 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.

#### 1.30.6 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.

## **Makana Municipality**

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### **Accounting Policies**

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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.

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### 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 14 - 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

Annual Financial Statements for the year ended 30 June 2015

### 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 20.

##### 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.

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### 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, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

Major spare parts and 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

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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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 a 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 a 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.

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### 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 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.



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### 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 was 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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Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 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.

## Makana Municipality

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.

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### 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

Annual Financial Statements for the year ended 30 June 2015

### 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 an 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

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 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

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2015	2014
R	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:

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### 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 1	1 123 395	1 020 711
	<b>15 542 194</b>	<b>13 121 991</b>
<p>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.</p>		
<b>4. CONSUMER DEBTORS</b>		
<b>Gross balances</b>		
Electricity	55 557 147	43 843 361
Refuse	25 340 629	19 511 259
Sewerage	47 606 872	40 682 361
Water	134 189 230	95 497 326
Other (specify)	27 536 663	20 147 309
	<b>290 230 541</b>	<b>219 681 616</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	41 262 772	29 548 986
Refuse	16 912 941	11 083 571
Sewerage	32 117 564	25 193 053
Water	91 368 887	52 676 983
Other (specify)	(4 119 885)	11 069 777
	<b>177 542 279</b>	<b>129 572 370</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	16 992 526	-
> 365 days	1 634 357	-
	<b>41 262 772</b>	<b>29 548 986</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	40 078 571	-
	<b>91 368 887</b>	<b>52 676 983</b>

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
<b>4. CONSUMER DEBTORS (continued)</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	14 996 645	-
> 365 days	254 381	-
	<b>16 912 941</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	(15 993 218)	46 368 930
	<b>(4 119 885)</b>	<b>11 069 777</b>

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
<b>4. 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	168 223 910	-
	296 178 883	144 837 030
Less: Allowance for impairment	(59 235 777)	-
	<b>236 943 106</b>	<b>144 837 030</b>
<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	-
	27 267 675	26 808 446
<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	-
	3 913 067	2 935 724
<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	-
	236 778 056	174 581 300
Less: Allowance for impairment	(59 235 777)	(45 008 930)
	<b>177 542 279</b>	<b>129 572 370</b>
<b>Less: Provision for debt impairment</b>		
121 - 365 days	255 751 546	(14 014 600)
> 365 days	(368 439 808)	(76 094 646)
	<b>(112 688 262)</b>	<b>(90 109 246)</b>
<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)	-
	<b>(112 688 262)</b>	<b>(90 109 246)</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. 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>6. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of:		
Current Investments	12 138 648	2 024 445
Bank Accounts	7 063 323	-
Other Cash and Cash Equivalents	2 911	5 450
Bank Overdraft	-	(15 466 633)
	<b>19 204 882</b>	<b>(13 436 738)</b>
Current assets	19 204 882	2 029 895
Current liabilities	-	(15 466 633)
	<b>19 204 882</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

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 4,45 % to 4,50 % (2014: 4,25 % to 4,30 %) per annum.

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	1 742 283	(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>1 742 283</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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#### 7. OPERATING LEASE RECIEVABLES

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 ).

#### 8. 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
Other property, plant and equipment # 4	-	(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>

**Makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

**Notes to the Annual Financial Statements**

Figures in Rand

**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

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

	Opening balance	Additions	Work In Progress	Disposals	Transfers received	Deemed Disposal	Other changes, movements	Depreciation	Accumulated Depreciation Adjustment	Total
Land	85 598 171	-	-	-	21 950 700	-	-	-	-	107 548 871
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	573 470 475
Community	40 265 215	-	-	-	-	-	-	(1 837 778)	257 717	38 685 154
Other property, plant and equipment	28 089 860	174 009	(77 000)	53 312	-	(1 774 754)	-	(2 808 042)	-	23 657 385
Other property, plant and equipment # 4	-	-	-	-	-	-	-	(51 120)	-	(51 120)
	<b>805 947 213</b>	<b>2 439 991</b>	<b>38 061 856</b>	<b>53 312</b>	<b>38 629 961</b>	<b>(1 774 754)</b>	<b>2 098 825</b>	<b>(33 357 331)</b>	<b>442 773</b>	<b>852 541 846</b>

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

	Opening balance	Additions	Transfers received through entity combinations	Other changes, movements	Depreciation	Accumulated Depreciation Adjustment	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	-	(27 182 208)	-	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>1 245 158 469</b>	<b>(1 061 027)</b>	<b>47 529 895</b>	<b>(482 841 910)</b>	<b>(36 565 352)</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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#### 9. 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

#### 10. 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

#### 11. INVESTMENT PROPERTY

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	201 302 330	-	201 302 330	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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#### 11. INVESTMENT PROPERTY (continued)

##### Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	201 302 330	201 302 330

##### Reconciliation of investment property - 2014

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

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.

#### 12. INVESTMENT

##### Residual interest at cost

Fixed deposit	141 719	161 477
---------------	---------	---------

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

#### 13. 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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#### 13. 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.

#### 14. 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 Heading</b>			
Environmental rehabilitation	749 691	32 428	782 119

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions

#### 15. 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 (2015:70) 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.

#### 16. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Other Creditor	30 228 326	24 630 146
Sundry Debtors	2 451 685	2 077 080
	<b>32 680 011</b>	<b>26 707 226</b>



## 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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**16. PAYABLES FROM NON-EXCHANGE TRANSACTIONS (continued)**

**17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

Unspent conditional grants and receipts comprises of:

**Unspent conditional grants and receipts**

Municipal Infrastructure Grant	13 461 200	12 533 658
Fianance Management Grant (FMG)	37 489	309 503
Expanded Public Works program (EPWP)	276 205	-
Disaster Grant	3 876 000	7 447 552
	<b>17 650 894</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.

**18. 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).

	2015	2014
VAT receivable from SARS	1 647 224	93 303 (per AFS)

**19. OTHER FINANCIAL LIABILITIES**

**Designated at fair value (DBSA)**

Bank loan	61 035 802	54 126 737
Terms and conditions		

Refer to Appendix A for detail on Long-term Liabilities.

**Non-current liabilities (DBSA)**

Designated at fair value	56 907 870	50 116 917
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**Current liabilities**

Designated at fair value	4 127 932	4 009 820
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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>20. EMPLOYEE BENEFIT OBLIGATIONS</b>		
<b>Defined benefit plan</b>		
The amounts recognised in the statement of financial position are as follows:		
Carrying Value	61 612 536	57 100 887
<b>Post retirement health care benefit liability</b>		
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 Cros-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.		
<b>The members of the Post-employment Health Care Benefit Plan are made up as follows:</b>		
In-Service Members	323	350
In-Service Non-members	273	290
Continuation Members	61	68
	<b>657</b>	<b>708</b>
<b>The liability in respect of past service has been estimated as follow:</b>		
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
	<b>61 612 536</b>	<b>57 100 887</b>
<b>The municipality makes monthly contributions for health-care arrangements to the following Medical Aid Schemes</b>		
Bonitas		
Samwumed		
Keyhealth		
Hosmed		
LA Health		
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	57 100 887	45 862 298
Net expense recognised in the statement of financial performance	4 511 649	11 238 589
	<b>61 612 536</b>	<b>57 100 887</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>

## 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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#### 20. EMPLOYEE BENEFIT OBLIGATIONS (continued)

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.

#### 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	41 693 479
Surplus (deficit)	(61 612 536)	(57 100 887)	(45 862 298)	(49 602 909)	(41 693 479)
Experience adjustments on plan liabilities: (Gain)/Losses	(789 000)	4 866 000	(7 717 000)	1 131 000	1 454 000

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
<b>20. EMPLOYEE BENEFIT OBLIGATIONS (continued)</b>		
<b>Long -service awards</b>		
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
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
:		
<b>Net expense recognised in the statement of financial performance</b>		
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>
<b>21. ADDITIONAL NOTE</b>		
<b>22. REVENUE</b>		
Service charges	199 402 150	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)	1 353 967	2 043 752
Property rates	53 827 308	46 153 127
Government grants & subsidies	122 798 897	115 585 733
Fines, Penalties and Forfeits	55 402	655 711
	<b>394 150 174</b>	<b>341 484 107</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	199 402 150	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)	1 353 967	2 043 752
	<b>217 468 567</b>	<b>179 089 536</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 (continued)</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	122 798 897	115 585 733
Fines, Penalties and Forfeits	55 402	655 711
	<b>176 681 607</b>	<b>162 394 571</b>
<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>
<p>Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p> <p>The new general valuation will be implemented on 01 July 2018.</p>		
<b>24. SERVICE CHARGES</b>		
Service charges	101 716	89 858
Sale of electricity	114 618 681	95 765 691
Sale of water	53 343 901	39 593 551
Sewerage and sanitation charges	21 525 255	19 752 159
Refuse removal	9 812 597	6 362 861
	<b>199 402 150</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	-
Municipal Infrastructure Grant (MIG)	9 836 800	1 808 947
Finance Management Grant (FMG)	1 562 510	1 240 497
Other Government: LG Seta	1 025	195 853
Other Grants	32 065 683	25 165 312
	<u>120 569 018</u>	<u>82 950 193</u>
<b>Capital grants</b>		
Neighbourhood Development Partnership Grant (NDPG)	-	5 407 499
Expanded Public Works Program Grant (EPWP)	730 795	-
Human Settlement Grant	-	1 895 140
DWA	-	6 657 391
CDM	-	1 276 448
Municipal Infrastructure Grant (MIG)	-	14 086 037
Other Grant	-	3 313 025
Regional Bulk Infrastructure Grant	1 499 084	-
	<u>2 229 879</u>	<u>32 635 540</u>
	<u><b>122 798 897</b></u>	<u><b>115 585 733</b></u>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy a monthly subsidy based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All registered indigent household receive 10kl water and 50 kWh electricity free every month. No funds will be withheld.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	12 533 658	-
Current-year receipts	23 298 000	27 998 000
Conditions met - transferred to revenue	(22 370 458)	(15 464 342)
	<u><b>13 461 200</b></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. and also to provide new , rehabilitation and upgrading of municipal infrastructure.

#### NDPG

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

#### Equitable Share

##### Department of Housing

Balance unspent at beginning of year	-	3 345 595
Current-year receipts	3 345 595	-



## 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	(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	(1 872 014)	(1 240 497)
	<u>37 489</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
Conditions met - transferred to revenue	-	(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
Conditions met - transferred to revenue	(5 223 182)	(9 461 662)
Other	1 661 993	2 804 271
	<u>-</u>	<u>-</u>

## 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>	-	-
<p>Conditions still to be met - remain liabilities (see note 17).</p> <p>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.</p> <p><b>Grant: Regional Bulk Infrastructure</b></p> <p>Current-year receipts <span style="float: right;">1 499 084</span></p> <p>Conditions met - transferred to revenue <span style="float: right;">(1 499 084)</span></p> <hr style="width: 100%;"/> <p style="text-align: right;"><b>-</b> <span style="margin-left: 100px;"><b>-</b></span></p>		
<p>Conditions still to be met - remain liabilities (see note 17).</p> <p>Provide explanations of conditions still to be met and other relevant information.</p> <p><b>Department of Minerals and Energy</b></p> <p>Conditions still to be met - remain liabilities (see note 17).</p> <p>Provide explanations of conditions still to be met and other relevant information.</p> <p>This Grant was allocated to the municipality for electricity infrastructure</p> <p><b>Provincial: Other Grants</b></p> <p>Balance unspent at beginning of year <span style="float: right;">-</span> <span style="float: right;">4 866 099</span></p> <p>Conditions met - transferred to revenue <span style="float: right;">-</span> <span style="float: right;">(4 866 099)</span></p> <hr style="width: 100%;"/> <p style="text-align: right;"><b>-</b> <span style="margin-left: 100px;"><b>-</b></span></p>		
<b>26. OTHER INCOME</b>		
Administration/sale of plots <span style="float: right;">419 422</span>		346 681
Advertising fees <span style="float: right;">664</span>		1 210
Building Plans <span style="float: right;">291 175</span>		350 097
Car pound fees <span style="float: right;">38 980</span>		9 871
Grazing fees <span style="float: right;">22 056</span>		21 538
Weighbridge fees <span style="float: right;">-</span>		2 349
Sundry revenue <span style="float: right;">535 834</span>		1 192 841
Search fees <span style="float: right;">10 435</span>		4 865
Printing and photocopies <span style="float: right;">19 314</span>		54 343
Refuse bags and bins <span style="float: right;">14 092</span>		16 709
Royalties <span style="float: right;">-</span>		41 111
Tow in charges <span style="float: right;">-</span>		1 660
Vacuun tanker <span style="float: right;">-</span>		477
Street Painting Fee <span style="float: right;">1 995</span>		-
	<b>1 353 967</b>	<b>2 043 752</b>

## 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
Internal Audit fees	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
Relocation Expenses	282 085	196 317
Postage and courier	837 470	941 899
Printing and stationery	13 348	-
Rental expenses	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
Council meeting expenses	378 369	314 294
Emergency food supply	89 151	75 041
Administration Charges	2 704 354	3 902 137
Loss Control	124 035	1 562 912
Materials and stores	(17 667)	463 365
General Expenditure incurred from Grants	506 063	-
Chemicals	64 030	582 160
Convention bureau	820 411	327 334
Other expenses	2 374 869	1 219 321
	<b>59 061 367</b>	<b>46 363 948</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 (bus coupons)	3 302 418	3 278 242
Housing benefits and allowances	291 721	270 439
Inconvenience benefit	1 146 707	1 124 676
Retention	146 406	161 598
Medical aid for retired members	3 084 556	138 330
Vacancies	646 617	51 541
	<b>128 392 171</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	755 776	691 142
Perks	153 447	142 627
Company Contributions	11 147	10 642
	<b>920 370</b>	<b>844 411</b>
<b>Director: Corporate Services: M Madlavu</b>		
Earnings	795 277	658 858
Perks	152 922	135 965
Company Contributions	10 984	9 482
	<b>959 183</b>	<b>804 305</b>
<b>Director: Local Economic Development: MJ Meiring</b>		
Earnings	140 313	172 786
Perks	28 955	35 657
Company Contributions	2 085	3 430
	<b>171 353</b>	<b>211 873</b>
<b>Director: Technical &amp; Infrastructure Services: ET Myalato</b>		
Earnings	510 695	656 223
Perks	93 725	135 965
Company Contributions	7 112	10 372

## 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>611 532</b>	<b>886 736</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
Perks	-	114 199
Company Contributions	-	8 075
	-	<b>717 531</b>
<b>Chief Financial Officer: D Sahibdeen</b>		
Earnings	-	54 905
Perks	-	11 330
Company Contributions	-	790
	-	<b>67 025</b>
<b>29. REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	604 237	507 503
Councillors	8 854 031	7 829 232
	<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	12 023 017	5 115 191
Other interest paid	9 513 065	1 221 853
	<b>21 536 082</b>	<b>6 337 044</b>
<b>33. AUDITORS' REMUNERATION</b>		
Fees	7 677	553 861

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
<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	484 194	968 238
Internship programme	1 393 859	580 975
Donation	-	134
Rhodes	17 706	-
	<b>30 544 615</b>	<b>22 098 592</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>
<b>38. CASH GENERATED FROM (USED IN) OPERATIONS</b>		
Surplus	14 957 429	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	-	(5 245 900)
Impairment deficit	155 476	23 288 077
Movements in operating lease assets and accruals	516	(11 559)
Movements in retirement benefit assets and liabilities	5 116 457	(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	(47 969 909)	10 885 773
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	(2 639 819)	(9 785 131)
Consumer deposits	23 445	91 261
	<b>66 312 894</b>	<b>(3 662 155)</b>



## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

	2015 R	2014 R
<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

### 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.

## 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)

##### 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.

##### Cash flow interest rate risk

## 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	134 028	6 373 839
	<b>193 521 128</b>	<b>193 387 100</b>
<b>42. FRUITLESS AND WASTEFUL EXPENDITURE</b>		
Opening Balance	1 063 390	174 406
Fruitless and Wasteful Expenditure	5 766 340	888 984
Written Off by Council	(5 760 217)	-
	<b>1 069 513</b>	<b>1 063 390</b>
<p>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 30days of receiving the relevant invoice or statement.</p>		
<b>43. IRREGULAR EXPENDITURE</b>		
Opening balance	81 148 193	43 799 316
Add: Irregular Expenditure - current year	520 749	37 348 877
	<b>81 668 942</b>	<b>81 148 193</b>
<b>44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>Audit fees</b>		
Opening balance	8 000 708	-
Current year subscription / fee	4 658 948	8 000 708
	<b>12 659 656</b>	<b>8 000 708</b>
<p>Balanced unpaid (included in Creditors). In terms of section 65 (e) and (f) of the MFMA the municipality must pay all money owing within 30days 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.</p>		
<b>PAYE and UIF</b>		
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)
	<b>(393)</b>	<b>4 172 091</b>
<b>VAT</b>		
VAT payable	12 628 148	14 100 340

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
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#### 44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

##### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
30 June 2015			
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			
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>

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

	Highest outstanding amount	Aging (in days)
30 June 2015		
Councillor A	-	98
Councillor B	-	128
Councillor C	-	224
Councillor D	-	2 363
Councillor E	-	202
Councillor F	-	4 713
	-	<b>7 728</b>
30 June 2014		
Councillor A	-	1 769
Councillor B	-	2 490
Councillor C	-	15 667
Councillor D	-	209
Councillor E	-	6 136
	-	<b>26 271</b>

#### 45. BUDGET DIFFERENCES

##### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

## 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 R47 042 397.37 for liabilities and R1 011 597 for assets, (2013/14: R1 011 597 for liabilities and R736 597 for assets)

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#### 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 Tifflin//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 R6209. 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 Mpofu//Makana, Municipal truck collided with her house. The claim amount is R212 262. The municipality is likely to pay.  
Thembakazi Mpofu//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. Planga

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
<b>48. Prior period errors</b>				
<b>Statement of Financial Position</b>				
Note(s)	Unaudited R	Prior year adjustments R	Reclassifying adjustments R	Restated 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
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	1 179 197	-	129 572 370
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
	<b>1 041 469 491</b>	<b>(4 179 116)</b>	<b>-</b>	<b>1 037 290 375</b>
<b>Total Assets</b>	<b>1 208 895 167</b>	<b>11 637 695</b>	<b>-</b>	<b>1 220 532 862</b>
<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
	<b>168 227 588</b>	<b>(32 915 840)</b>	<b>-</b>	<b>135 311 748</b>
<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
Other liability 3	-	(121 600)	-	(121 600)
	<b>89 829 925</b>	<b>1 269 220</b>	<b>-</b>	<b>91 099 145</b>
<b>Total Liabilities</b>	<b>258 057 513</b>	<b>(31 646 620)</b>	<b>-</b>	<b>226 410 893</b>
<b>Net Assets</b>	<b>950 837 654</b>	<b>43 284 315</b>	<b>-</b>	<b>994 121 969</b>

## 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
<b>Statement of Financial Performance</b>				
	Unaudited		Prior year adjustments	Reclassifying adjustments
Note(s)	R	R	R	R
<b>Revenue</b>				
<b>Revenue from exchange transactions</b>				
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	(19 131)	-	2 043 752
Interest received - investment	385 120	(385 120)	-	-
<b>Total revenue from exchange transactions</b>	<b>169 562 380</b>	<b>20 351 243</b>	<b>-</b>	<b>179 089 536</b>
<b>Revenue from non-exchange transactions</b>				
<b>Taxation revenue</b>				
Property rates	46 135 174	-	-	46 153 127
<b>Transfer revenue</b>				
Government grants & subsidies	94 429 938	21 155 795	-	115 585 733
Fines, Penalties and Forfeits	655 711	-	-	655 711
<b>Total revenue from non-exchange transactions</b>	<b>141 220 823</b>	<b>21 155 795</b>	<b>-</b>	<b>162 394 571</b>
<b>Total revenue</b>	<b>310 783 203</b>	<b>41 507 038</b>	<b>-</b>	<b>341 484 107</b>
<b>Expenditure</b>				
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)	(5 316)	-	(22 098 592)
General Expenses	(44 135 620)	(3 368 728)	-	(47 504 348)
<b>Total expenditure</b>	<b>(351 278 480)</b>	<b>13 662 999</b>	<b>-</b>	<b>(337 615 481)</b>
<b>Operating surplus</b>	<b>(40 495 277)</b>	<b>55 170 037</b>	<b>-</b>	<b>3 868 626</b>
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
	<b>5 245 900</b>	<b>6 383 935</b>	<b>-</b>	<b>11 629 835</b>
<b>Surplus for the year</b>	<b>(35 249 377)</b>	<b>61 553 972</b>	<b>-</b>	<b>15 498 461</b>
<b>General Expenses</b>				

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

<b>Electricity: 2015</b>	Purchased during the year	Sold during the year	Unaccounted for
units (kWh)	<u>(65 342 451)</u>	<u>111 746 527</u>	<u>46 404 076</u>
<b>Calculated as follows:</b>	%	Distribution	Value
Bulk	<u>86.60 %</u>	<u>65 342 451</u>	<u>56 605 490</u>

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.

<b>Water Losses</b>	Lost units	Cost per KL	Value
Unaccounted water losses	<u>497 369</u>	<u>1.29</u>	<u>642 749</u>

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.

<b>Electricity 2014</b>	Purchased during the year	Sold during the year	Unaccounted for
units (kWh)	<u>130 373 620</u>	<u>(65 705 474)</u>	<u>64 668 146</u>
<b>Calculated as follows:</b>	%	Distribution	Value
Bulk	<u>98.40 %</u>	<u>64 668 146</u>	<u>40 412 664</u>

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.

<b>Water Losses</b>	Lost units	Cost per KL	Value
Unaccounted water losses	<u>(871 633)</u>	<u>0.14</u>	<u>(120 245)</u>

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 1

## 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 Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Loan Stock</b>							
<b>Structured loans</b>							
<b>Funding facility</b>							
<b>Development Bank of South Africa</b>							
Product 61001005	2031/06/30	26 088 266	5 556 072	1 630 517	30 013 821	-	-
Product 61006863	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>Bonds</b>							
<b>Other loans</b>							
<b>Lease liability</b>							
Konika Minolta	Various	267 513	-	267 513	-	-	-
Panasonic	Various	15 522	-	15 522	-	-	-
		<b>283 035</b>	-	<b>283 035</b>	-	-	-
<b>Annuity loans</b>							
<b>Government loans</b>							
<b>Total external loans</b>							
Development Bank of South Africa		48 449 065	11 036 999	2 751 955	56 734 109	-	-
Lease liability		283 035	-	283 035	-	-	-
		<b>48 732 100</b>	<b>11 036 999</b>	<b>3 034 990</b>	<b>56 734 109</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)	319 236 991	-	(35 304 340)	-	-	(174 385 410)	109 547 241	-	-	-	-	-	-	109 547 241
Buildings (Separate for AFS purposes)	361 128 790	80 717	(59 817 960)	-	-	(213 334 200)	88 057 347	(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>180 102 356</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	261 385 439	-	7 282 097	-	-	-	268 667 536	(47 309 071)	-	-	(10 998 429)	-	(58 307 500)	210 360 036
Sanitation	1 829 480	-	778 281	-	-	-	2 607 771	(304 949)	-	-	(77 268)	-	(382 217)	2 225 554
Water Supply and Retention	109 982 524	439 742	32 405 158	-	-	-	142 827 424	(19 256 294)	-	-	(4 716 324)	-	(23 972 618)	118 854 806
Sewerage and Retention	117 956 390	22 885	6 494 190	-	-	-	124 473 465	(18 131 823)	-	-	(4 345 694)	-	(22 477 517)	101 995 948
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	3 954 500	-	-	-	-	-	3 954 500	(993 656)	-	-	(248 414)	-	(1 242 070)	2 712 430
Electricity	156 737 191	-	184 385	-	-	-	156 921 576	(26 698 676)	-	-	(7 044 493)	-	(33 743 169)	123 178 407
	<b>651 845 534</b>	<b>462 627</b>	<b>47 144 111</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>699 452 272</b>	<b>(112 694 459)</b>	<b>-</b>	<b>-</b>	<b>(27 430 622)</b>	<b>-</b>	<b>(140 125 091)</b>	<b>559 327 181</b>
<b>Community Assets</b>														
Park and Recreational facilities	39 824 098	386 582	-	-	-	385 963	40 596 643	(5 605 729)	-	-	(1 410 752)	-	(7 016 481)	33 580 162
Cemeteries	9 697 189	-	-	-	-	-	9 697 189	(1 904 412)	-	-	(472 727)	-	(2 377 139)	7 320 050
	<b>49 521 287</b>	<b>386 582</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>385 963</b>	<b>50 293 832</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>Heritage assets</b>														
Conservation area historical and Memorial sites	20 468 850	3 161 400	-	-	-	-	23 630 250	-	-	-	-	-	-	23 630 250
	5 300 799	-	-	-	-	-	5 300 799	-	-	-	-	-	-	5 300 799
	<b>25 769 649</b>	<b>3 161 400</b>	-	-	-	-	<b>28 931 049</b>	-	-	-	-	-	-	<b>28 931 049</b>
<b>Specialised vehicles</b>														
Emergency Vehicle	4 346 594	-	-	-	-	-	4 346 594	(1 231 696)	-	-	(252 051)	-	(1 483 747)	2 862 847
Specialised Vehicles	7 004 241	-	-	-	-	-	7 004 241	(842 540)	-	-	(373 560)	-	(1 216 100)	5 788 141
	<b>11 350 835</b>	-	-	-	-	-	<b>11 350 835</b>	<b>(2 074 236)</b>	-	-	<b>(625 611)</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)	-	-	(1 388 879)	-	(7 915 923)	11 374 949
Plant & equipment	6 206 802	72 728	-	-	-	-	6 279 530	(1 550 497)	-	-	(300 487)	-	(1 859 984)	4 419 646
Computer Equipment	3 857 960	67 145	-	-	-	-	3 925 105	(1 353 475)	-	-	(717 101)	-	(2 050 576)	1 604 529
Furniture & Fixings	3 547 608	-	-	-	-	-	3 547 608	(1 622 211)	-	-	(509 068)	-	(2 131 279)	1 416 329
Office 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	(88 046)	-	-	(29 934)	-	(117 980)	91 705
	<b>35 751 350</b>	<b>522 070</b>	-	-	-	-	<b>36 273 420</b>	<b>(13 779 258)</b>	-	-	<b>(3 053 294)</b>	-	<b>(16 832 552)</b>	<b>19 440 868</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>Total property plant and equipment</b>														
Land and buildings	680 365 781	80 717	(95 122 300)	-	-	(387 719 610)	197 604 688	(47 618 214)	-	33 727 138	(3 611 156)	-	(17 502 232)	180 102 356
Infrastructure	651 845 634	462 627	47 144 111	-	-	-	699 452 272	(112 694 469)	-	-	(27 430 622)	-	(140 125 091)	559 327 181
Community Assets	49 521 287	386 582	-	-	-	386 963	50 293 632	(7 510 141)	-	-	(1 883 479)	-	(9 393 620)	40 900 212
Heritage assets	29 769 649	3 161 400	-	-	-	-	28 931 049	(2 074 236)	-	-	(625 611)	-	(2 699 847)	28 931 049
Specialised vehicles	11 350 835	-	-	-	-	-	11 350 835	(13 779 258)	-	-	(3 053 294)	-	(16 832 552)	19 440 968
Other assets	39 751 350	631 054	-	-	-	-	1 137 881	(56 911)	-	-	(189 575)	-	(189 575)	948 306
Intangible assets	228 460 351	-	-	-	5 245 000	(32 403 920)	201 301 431	(1 578 201)	-	-	1 578 201	-	-	201 301 431
Investment properties	19 083 031	-	-	-	5 245 000	(4 567 540)	19 760 491	(1 578 201)	-	-	1 578 201	-	-	19 760 491
Investment Property Building	209 377 320	-	-	-	-	(27 836 380)	181 540 940	-	-	-	-	-	-	181 540 940
Land	228 460 351	-	-	-	5 245 000	(32 403 920)	201 301 431	(1 578 201)	-	-	1 578 201	-	-	201 301 431
<b>Total</b>														
Land and buildings	680 365 781	80 717	(95 122 300)	-	-	(387 719 610)	197 604 688	(47 618 214)	-	33 727 138	(3 611 156)	-	(17 502 232)	180 102 356
Infrastructure	651 845 634	462 627	47 144 111	-	-	-	699 452 272	(112 694 469)	-	-	(27 430 622)	-	(140 125 091)	559 327 181
Community Assets	49 521 287	386 582	-	-	-	386 963	50 293 632	(7 510 141)	-	-	(1 883 479)	-	(9 393 620)	40 900 212
Heritage assets	29 769 649	3 161 400	-	-	-	-	28 931 049	(2 074 236)	-	-	(625 611)	-	(2 699 847)	28 931 049
Specialised vehicles	11 350 835	-	-	-	-	-	11 350 835	(13 779 258)	-	-	(3 053 294)	-	(16 832 552)	19 440 968
Other assets	39 751 350	631 054	-	-	-	-	1 137 881	(56 911)	-	-	(189 575)	-	(189 575)	948 306
Intangible assets	228 460 351	-	-	-	5 245 000	(32 403 920)	201 301 431	(1 578 201)	-	-	1 578 201	-	-	201 301 431
Investment properties	19 083 031	-	-	-	5 245 000	(4 567 540)	19 760 491	(1 578 201)	-	-	1 578 201	-	-	19 760 491
Investment Property Building	209 377 320	-	-	-	-	(27 836 380)	181 540 940	-	-	-	-	-	-	181 540 940
Land	228 460 351	-	-	-	5 245 000	(32 403 920)	201 301 431	(1 578 201)	-	-	1 578 201	-	-	201 301 431
<b>Total</b>	<b>1 683 571 614</b>	<b>5 244 450</b>	<b>(47 978 189)</b>	<b>-</b>	<b>5 245 000</b>	<b>(419 737 567)</b>	<b>1 226 345 508</b>	<b>(185 313 430)</b>	<b>-</b>	<b>33 727 138</b>	<b>(35 156 625)</b>	<b>-</b>	<b>(186 742 917)</b>	<b>1 039 602 391</b>

Computers - software & programming

Intangible assets

Agricultural/Biological assets

Intangible assets

Investment properties

Investment Property Building

Land

Total

Land and buildings

Infrastructure

Community Assets

Heritage assets

Specialised vehicles

Other assets

Intangible assets

Investment properties

**Makana Municipality  
Appendix C**

**Segmental analysis of property, plant and equipment as at 30 June 2014  
Accumulated Depreciation  
Cost/Revaluation**

Municipality	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment deficit	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Executive & Council/Mayor and Council	1 226 674	(3)	(10 885)	-	-	-	1 215 786	(303 324)	(10 885)	-	(25 000)	-	(339 209)	876 577
Finance & Admin/Finance Planning and Development/Economic Development/Plan	941 944 553	602 787	-	(127 526 220)	-	(382 474 610)	432 546 510	(52 789 450)	(41 098)	-	31 694 183	-	(21 137 265)	411 409 245
Health/Clinics	701 064	-	(13 568)	-	-	-	687 516	(195 407)	(13 568)	-	(130 664)	-	(339 639)	347 877
Comm. & Social/Libraries and archives	1 083 927	-	(1 351)	-	-	-	1 082 576	(287 995)	(1 351)	-	-	-	(289 346)	793 230
Housing	10 750 182	631 054	385 963	-	-	-	11 767 199	(2 361 079)	(11 286)	-	(1 883 479)	-	(4 255 844)	7 511 355
Public Safety/Police	59 196	-	(97)	-	-	-	59 099	(34 259)	(97)	-	-	-	(34 356)	24 743
Sport and Recreation	8 413 598	-	(32 913)	-	-	-	8 380 685	(2 522 810)	(32 913)	-	(600 611)	-	(3 156 334)	5 224 351
Environmental Protection/Pollution Control	44 045 653	3 547 982	(17 723)	-	-	-	47 575 912	(7 534 728)	(17 723)	-	(11 075 697)	-	(18 628 148)	28 947 764
Waste Water Management/Sewerage	75 765	-	(5 109)	-	-	-	70 656	(31 801)	(5 109)	-	-	-	(36 910)	33 746
Road Transport/Roads	128 595 205	462 627	32 405 158	-	-	-	161 462 990	(20 463 712)	35 123	-	(4 716 324)	-	(25 144 913)	136 318 077
Water/Water Distribution	269 645 526	1	8 060 378	-	-	-	277 705 905	(49 819 916)	(19 299)	-	(4 594 108)	-	(64 433 323)	223 272 582
Electricity/Electricity Distribution	112 781 440	-	6 494 190	-	-	-	119 275 630	(19 895 522)	41 286	-	(3 053 294)	-	(22 907 530)	96 372 865
Other/Air Transport	160 294 311	-	184 385	-	-	-	160 478 696	(28 079 772)	23 236	-	(7 044 493)	-	(35 101 029)	125 377 667
	3 954 500	-	(499)	-	-	-	3 954 001	(993 656)	(499)	-	-	-	(994 155)	2 959 846
<b>Total</b>	<b>1 683 571 614</b>	<b>5 244 448</b>	<b>47 447 929</b>	<b>(127 526 220)</b>	<b>-</b>	<b>(382 474 610)</b>	<b>1 226 267 726</b>	<b>(185 313 431)</b>	<b>(55 083)</b>	<b>-</b>	<b>(1 429 487)</b>	<b>-</b>	<b>(186 798 001)</b>	<b>1 039 469 725</b>
Municipality	1 683 571 614	5 244 448	47 447 929	(127 526 220)	-	(382 474 610)	1 226 267 726	(185 313 431)	(55 083)	-	(1 429 487)	-	(186 798 001)	1 039 469 725
<b>Total</b>	<b>1 683 571 614</b>	<b>5 244 448</b>	<b>47 447 929</b>	<b>(127 526 220)</b>	<b>-</b>	<b>(382 474 610)</b>	<b>1 226 267 726</b>	<b>(185 313 431)</b>	<b>(55 083)</b>	<b>-</b>	<b>(1 429 487)</b>	<b>-</b>	<b>(186 798 001)</b>	<b>1 039 469 725</b>

**Makana Municipality  
Appendix D**
**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>		<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>
<b>Municipality</b>						
78 963 350	82 006 579	(3 043 229)	Executive & Council/Mayor and Council	89 749 340	94 081 961	(4 332 621)
4 693 945	34 833 585	(30 139 640)	Finance & Admin/Finance	10 760 842	31 707 176	(20 946 334)
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	1 740 163	2 415 837	(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)
3 784 357	8 698 039	(4 913 682)	Sport and Recreation	30 735	8 890 937	(8 860 202)
1 021 538	4 442 307	(3 420 769)	Environmental Protection/Pollution Control	401 835	2 956 573	(2 554 738)
53 749 489	34 071 735	19 677 754	Waste Water Management/Sewerage	52 684 310	35 120 055	17 564 255
9 619 974	12 430 096	(2 810 122)	Road Transport/Roads	3 171 705	12 819 732	(9 648 027)
72 354 147	44 417 381	27 936 766	Water/Water Distribution	76 715 385	54 536 837	22 178 548
100 107 967	79 955 688	20 152 279	Electricity /Electricity Distribution	118 744 485	106 891 174	11 853 311
3 172	251 669	(248 497)	Other/Air Transport	-	250 422	(250 422)
<b>331 940 187</b>	<b>338 452 542</b>	<b>(6 512 355)</b>		<b>359 353 062</b>	<b>383 946 360</b>	<b>(24 593 298)</b>
<b>Municipal Owned Entities Other charges</b>						
331 940 187	338 452 542	(6 512 355)	Municipality	359 353 062	383 946 360	(24 593 298)
<b>331 940 187</b>	<b>338 452 542</b>	<b>(6 512 355)</b>	<b>Total</b>	<b>359 353 062</b>	<b>383 946 360</b>	<b>(24 593 298)</b>

**Makana Municipality  
Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June  
2010**

	Current year 2014 Act. Bal. Rand	Current year 2014 Adjusted budget Rand	Variance Rand	Explanation of Significant Variances greater than 10% versus Budget Var
<b>Revenue</b>				
Service charges	199 402 150	225 367 348	(25 965 198)	(11.5)
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)	1 353 966	2 558 683	(1 204 717)	(47.1)
	<b>217 468 566</b>	<b>242 424 673</b>	<b>(24 956 107)</b>	<b>(10.3)</b>
<b>Expenses</b>				
Personnel	(131 454 856)	(136 837 038)	5 382 182	(3.9)
Manufacturing - Employee costs	3 062 684	-	3 062 684	-
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	(21 536 082)	-	(21 536 082)	-
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	(30 544 615)	(40 938 302)	10 393 687	(25.4)
General Expenses	(60 072 244)	(47 702 979)	(12 369 265)	25.9
	<b>(380 271 918)</b>	<b>(361 852 875)</b>	<b>(18 419 043)</b>	<b>5.1</b>
<b>Other revenue and costs</b>				
Gain or loss on disposal of assets and liabilities	32 062	-	32 062	-
Fair value adjustments	-	-	-	-
	<b>32 062</b>	<b>-</b>	<b>32 062</b>	<b>-</b>
<b>Net surplus/ (deficit) for the year</b>	<b>(162 771 290)</b>	<b>(119 428 202)</b>	<b>(43 343 088)</b>	<b>36.3</b>

Makana Municipality  
 Appendix F  
 Disclosures 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 Grant	National Treasury	-	90 000	-	-	88 448	-	79 400	77 989	06 255	76 202	-	-	-	-	-	-	-	Yes			
Finance Management Grant	National Treasury	-	00 000	-	-	-	-	38 881	56 862	61 959	04 808	-	-	-	-	-	-	-	Yes			
Municipal Systems Improvement Grant	National Treasury	-	34 000	-	-	-	-	-	34 466	-	-	-	-	-	-	-	-	-	Yes			
Expanded Public Works Programme Regional Bulk Infrastructure Grant	National Treasury	-	03 000	02 000	02 000	-	-	42 418	86 667	98 262	03 448	-	-	-	-	-	-	-	Yes			
		-	-	-	-	99 084	-	-	-	-	-	-	-	-	-	-	-	-	Yes			
		-	27 000	02 000	02 000	87 532	-	60 699	55 984	66 476	84 458	-	-	-	-	-	-	-				

Note: 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 (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 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	Restated Audited Outcome					
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand					
<b>Revenue - Standard</b>	<b>95 935 952</b>	<b>95 091 649</b>	<b>191 027 601</b>	-	-	<b>191 027 601</b>	<b>65 546 270</b>		<b>(125 481 331)</b>	<b>34 %</b>	<b>68 %</b>				<b>61 608 385</b>					
Governance and administration	5 669 485	4 869 210	10 538 695	-	-	10 538 695	4 379 739		(6 158 956)	42 %	77 %				5 394 415					
Executive and council	86 579 359	86 625 303	173 204 662	-	-	173 204 662	52 570 481		(120 634 181)	30 %	61 %				55 866 351					
Budget and treasury office	3 687 108	3 597 136	7 284 244	-	-	7 284 244	8 596 050		1 311 806	118 %	233 %				547 619					
Corporate services	6 642 887	5 599 740	12 242 627	-	-	12 242 627	3 712 290		(8 530 337)	30 %	56 %				9 234 076					
Community and public safety	4 187 427	2 975 913	7 163 340	-	-	7 163 340	615 123		(6 548 217)	9 %	15 %				3 573 252					
Community and social services	10 500	17 453	27 953	-	-	27 953	454 211		(426 258)	1 625 %	4 326 %				120 996					
Sport and recreation	1 104 205	1 190 188	2 294 393	-	-	2 294 393	849 474		(1 444 919)	37 %	77 %				3 308 392					
Public safety	1 340 755	1 416 186	2 756 941	-	-	2 756 941	1 793 482		(963 459)	DIV/0 %	DIV/0 %				914 592					
Housing	9 334 278	(822 841)	8 511 437	-	-	8 511 437	4 492 511		(4 018 926)	65 %	134 %				1 316 944					
Health	5 728 970	(5 338 970)	390 000	-	-	390 000	366 575		(23 425)	94 %	6 %				1 578 273					
Economic and environmental services	3 565 308	3 795 009	7 360 317	-	-	7 360 317	4 104 398		(3 255 919)	56 %	114 %				11 460 430					
Planning and development	20 000	721 120	741 120	-	-	741 120	21 538		(719 582)	3 %	108 %				1 021 538					
Road transport	277 445 458	24 205 237	301 650 695	-	-	301 650 695	246 560 488		(55 070 197)	82 %	89 %				250 339 488					
Environmental protection	1 312 234 588	(3 122 346)	1 281 011 242	-	-	1 281 011 242	1 117 379 200		(163 632 042)	92 %	89 %				1 087 731 588					
Trading services	83 502 873	23 292 287	106 795 160	-	-	106 795 160	81 909 927		(24 885 233)	77 %	98 %				74 961 902					
Electricity	37 380 630	3 738 063	41 118 693	-	-	41 118 693	21 854 538		(19 264 155)	53 %	58 %				46 240 390					
Water	25 338 497	297 233	25 635 730	-	-	25 635 730	25 436 833		(198 897)	99 %	100 %				20 405 608					
Waste water management	10 000	15 000	25 000	-	-	25 000	-		(25 000)	- %	- %				-					
Waste management	10 000	15 000	25 000	-	-	25 000	-		(25 000)	- %	- %				-					
Other	10 000	15 000	25 000	-	-	25 000	-		(25 000)	- %	- %				22 093 030					
<b>Total Revenue - Standard</b>	<b>389 368 575</b>	<b>124 088 785</b>	<b>513 457 360</b>	-	-	<b>513 457 360</b>	<b>320 331 569</b>		<b>(193 125 791)</b>	<b>62 %</b>	<b>82 %</b>				<b>357 335 220</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.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 of Actual Outcome against Budget Adjustments	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					
<b>Governance and administration</b>	<b>97 174 135</b>	<b>49 529 123</b>	<b>146 703 258</b>	-	-	<b>146 703 258</b>	<b>105 120 601</b>	-	<b>(41 582 657)</b>	<b>72 %</b>	<b>108 %</b>	-	-	-	<b>140 722 604</b>					
Executive and council	25 721 884	21 886 873	47 608 757	-	-	47 608 757	32 724 247	-	(14 884 510)	69 %	127 %	-	-	-	30 837 477					
Budget and treasury office	32 008 464	(8 232 688)	23 775 776	-	-	23 775 776	37 002 871	-	13 227 095	156 %	116 %	-	-	-	22 788 671					
Corporate services	39 443 787	35 874 938	75 318 725	-	-	75 318 725	35 393 483	-	(39 925 242)	47 %	90 %	-	-	-	87 096 456					
<b>Community and public safety</b>	<b>34 271 766</b>	<b>36 985 017</b>	<b>71 256 803</b>	-	-	<b>71 256 803</b>	<b>40 487 427</b>	-	<b>(30 769 376)</b>	<b>57 %</b>	<b>118 %</b>	-	-	-	<b>33 800 948</b>					
Community and social services	14 677 951	9 248 879	23 926 830	-	-	23 926 830	8 214 078	-	(15 712 752)	34 %	56 %	-	-	-	9 960 272					
Sport and recreation	2 300 380	9 194 203	11 494 583	-	-	11 494 583	13 841 251	-	2 346 668	120 %	602 %	-	-	-	2 284 410					
Public safety	15 094 399	16 085 512	31 159 910	-	-	31 159 910	16 185 390	-	(14 974 520)	52 %	107 %	-	-	-	19 493 462					
Health	48 304	51 009	99 313	-	-	99 313	51 213	-	(48 100)	32 %	106 %	-	-	-	44 549					
Health	2 150 733	2 425 414	4 576 167	-	-	4 576 167	2 195 495	-	(2 380 672)	45 %	102 %	-	-	-	2 018 295					
<b>Economic and environmental services</b>	<b>32 965 096</b>	<b>26 158 554</b>	<b>59 124 650</b>	-	-	<b>59 124 650</b>	<b>26 310 507</b>	-	<b>(32 814 143)</b>	<b>45 %</b>	<b>80 %</b>	-	-	-	<b>24 602 736</b>					
Planning and development	18 205 940	11 351 152	29 557 092	-	-	29 557 092	9 705 290	-	(19 851 802)	33 %	53 %	-	-	-	11 525 953					
Road transport	10 632 510	10 307 607	20 940 117	-	-	20 940 117	13 553 205	-	(7 386 912)	65 %	127 %	-	-	-	10 883 973					
Environmental protection	4 127 646	4 489 795	8 627 441	-	-	8 627 441	3 052 012	-	(5 575 429)	35 %	74 %	-	-	-	2 192 810					
<b>Trading services</b>	<b>179 984 122</b>	<b>61 850 665</b>	<b>241 834 787</b>	-	-	<b>241 834 787</b>	<b>179 764 579</b>	-	<b>(62 070 208)</b>	<b>74 %</b>	<b>100 %</b>	-	-	-	<b>145 558 874</b>					
Electricity	96 236 100	(23 481 201)	72 754 899	-	-	72 754 899	88 227 243	-	15 472 344	121 %	92 %	-	-	-	65 936 628					
Water	44 564 506	55 919 384	100 483 890	-	-	100 483 890	53 232 720	-	(47 251 170)	53 %	119 %	-	-	-	54 049 970					
Waste water management	21 794 885	30 482 382	52 257 067	-	-	52 257 067	19 636 465	-	(32 720 602)	37 %	90 %	-	-	-	20 679 811					
Waste management	17 398 831	(1 049 900)	16 338 931	-	-	16 338 931	18 768 151	-	2 429 220	115 %	108 %	-	-	-	4 892 465					
Other	247 880	244 936	492 816	-	-	492 816	250 422	-	(242 094)	51 %	101 %	-	-	-	-					
Other	247 930	244 936	492 816	-	-	492 816	250 422	-	(242 094)	51 %	101 %	-	-	-	3 416 081					
<b>Total Expenditure - Standard</b>	<b>344 643 719</b>	<b>174 768 295</b>	<b>519 412 014</b>	-	-	<b>519 412 014</b>	<b>351 933 536</b>	-	<b>(167 478 478)</b>	<b>68 %</b>	<b>102 %</b>	-	-	-	<b>348 101 243</b>					
<b>Surplus/(Deficit) for the year</b>	<b>44 724 856</b>	<b>(50 679 510)</b>	<b>(5 954 654)</b>	-	-	<b>(5 954 654)</b>	<b>(31 601 967)</b>	-	<b>(25 647 313)</b>	<b>531 %</b>	<b>(71)%</b>	-	-	-	<b>9 233 977</b>					

Expenditure - Standard

**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 (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 of Actual Outcome against Adjustments	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	Rand	Rand					
<b>Revenue by Vote</b>																				
Technical & Infrastructure	40 363 792	-	40 363 792	-	-	34 227 368	-	(6 136 424)	85 %	85 %	-	-	-	-	-					
Corporate Services	6 125 340	-	6 125 340	-	-	3 964 675	-	(2 160 665)	65 %	65 %	-	-	-	-	-					
Financial Services	86 579 365	-	86 579 365	-	-	61 260 644	-	(25 318 721)	71 %	71 %	-	-	-	-	-					
Community & Social Services	35 517 582	-	35 517 582	-	-	28 694 629	-	(6 822 953)	81 %	81 %	-	-	-	-	-					
Executive Mayor	3 602 012	-	3 602 012	-	-	2 426 758	-	(1 175 253)	67 %	67 %	-	-	-	-	-					
Executive Manager	2 452 806	-	2 452 806	-	-	1 904 495	-	(548 311)	78 %	78 %	-	-	-	-	-					
Municipal Manager	131 223 460	-	131 223 460	-	-	102 843 043	-	(28 380 417)	78 %	78 %	-	-	-	-	-					
Electricity	83 502 870	-	83 502 870	-	-	84 909 927	-	1 407 057	102 %	102 %	-	-	-	-	-					
Water	1 550	-	1 550	-	-	-	-	(1 350)	- %	- %	-	-	-	-	-					
Dog tax	-	-	-	-	-	-	-	-	- %	- %	-	-	-	-	-					
<b>Total Revenue by Vote</b>	<b>389 368 575</b>	<b>-</b>	<b>389 368 575</b>	<b>-</b>	<b>-</b>	<b>320 331 569</b>	<b>-</b>	<b>(69 037 006)</b>	<b>82 %</b>	<b>82 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>					
<b>Expenditure by Vote to be appropriated</b>																				
Technical & Infrastructure	52 226 715	-	52 226 715	-	-	45 889 751	-	(6 336 964)	88 %	88 %	-	-	-	-	-					
Corporate Services	22 525 083	-	22 525 083	-	-	28 670 848	-	6 145 765	127 %	127 %	-	-	-	-	-					
Financial Services	32 008 465	-	32 008 465	-	-	42 002 850	-	9 994 385	131 %	131 %	-	-	-	-	-					
Community & Social Services	59 503 840	-	59 503 840	-	-	63 049 337	-	3 545 497	106 %	106 %	-	-	-	-	-					
Executive Mayor	13 127 751	-	13 127 751	-	-	14 295 088	-	1 167 337	109 %	109 %	-	-	-	-	-					
Executive Manager	13 127 751	-	13 127 751	-	-	14 295 088	-	1 167 337	109 %	109 %	-	-	-	-	-					
Municipal Manager	10 684 901	-	10 684 901	-	-	9 750 834	-	(934 067)	91 %	91 %	-	-	-	-	-					
Local Economic Development	48 304	-	48 304	-	-	6 513 230	-	(6 464 926)	135 %	135 %	-	-	-	-	-					
Housing	96 236 100	-	96 236 100	-	-	51 213	-	(96 184 887)	0 %	0 %	-	-	-	-	-					
Electricity	44 564 504	-	44 564 504	-	-	88 227 243	-	(43 662 741)	198 %	198 %	-	-	-	-	-					
Water	1 329	-	1 329	-	-	53 232 720	-	(51 903 391)	3975 %	3975 %	-	-	-	-	-					
Dog Tax	-	-	-	-	-	-	-	-	- %	- %	-	-	-	-	-					
<b>Total Expenditure by Vote</b>	<b>344 643 692</b>	<b>-</b>	<b>344 643 692</b>	<b>-</b>	<b>-</b>	<b>351 683 114</b>	<b>-</b>	<b>7 039 422</b>	<b>102 %</b>	<b>102 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>					
<b>Surplus/(Deficit) for the year</b>	<b>44 724 883</b>	<b>-</b>	<b>44 724 883</b>	<b>-</b>	<b>-</b>	<b>(31 351 545)</b>	<b>-</b>	<b>(76 076 428)</b>	<b>(70)%</b>	<b>(70)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>					

**Makana Municipality  
Appendix G3  
Budgeted Financial Performance (Revenue and expenditure)  
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	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 Budget Adjustments	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	Rand	Rand					
Revenue By Source	56 970 285	(13 381 683)	43 588 602	-	-	43 588 602	46 135 174	-	2 546 572	106 %	81 %	-	-	38 084 464	-					
Property rates - penalties & collection charges	126 955 458	(13 122 458)	113 833 000	-	-	113 833 000	114 618 681	-	785 681	101 %	90 %	-	-	95 765 691	-					
Service charges - electricity revenue	47 576 122	(8 350 122)	39 226 000	-	-	39 226 000	45 088 170	-	5 863 170	115 %	95 %	-	-	39 593 551	-					
Service charges - water revenue	19 683 600	(3 737 600)	15 916 000	-	-	15 916 000	14 258 545	-	(1 659 455)	90 %	73 %	-	-	19 752 158	-					
Service charges - sanitation revenue	8 884 123	(297 123)	8 587 000	-	-	8 587 000	9 812 597	-	1 225 597	114 %	110 %	-	-	6 382 981	-					
Service charges - refuse revenue	283 847	-	283 847	-	-	283 847	911 716	-	(628 131)	36 %	36 %	-	-	89 897	-					
Rental of facilities and equipment	1 436 369	-	1 436 369	-	-	1 436 369	1 023 409	-	(413 160)	71 %	71 %	-	-	800 907	-					
Interest earned - external investments	5 000 000	-	5 000 000	-	-	5 000 000	385 120	-	(4 614 880)	8 %	8 %	-	-	11 207 128	-					
Interest earned - outstanding debtors	9 000 000	-	9 000 000	-	-	9 000 000	10 835 646	-	1 835 646	120 %	120 %	-	-	-	-					
Dividends received	942 309	-	942 309	-	-	942 309	55 402	-	(886 907)	6 %	6 %	-	-	655 711	-					
Licences and permits	1 279 971	-	1 279 971	-	-	1 279 971	2 344 416	-	1 064 445	183 %	183 %	-	-	2 596 574	-					
Agency services	1 344 774	-	1 344 774	-	-	1 344 774	850 378	-	(494 396)	63 %	63 %	-	-	877 055	-					
Transfers recognised - operational	85 124 185	79 359 815	164 484 000	-	-	164 484 000	94 429 938	-	(70 054 062)	57 %	111 %	-	-	73 127 495	-					
Other revenue	26 546 620	(3 999 938)	22 546 682	-	-	22 546 682	1 353 966	-	(21 192 716)	6 %	5 %	-	-	7 289 648	-					
Gains on disposal of PPE	-	-	-	-	-	-	32 062	-	32 062	DIV/0 %	DIV/0 %	-	-	-	-					
Total Revenue (excluding capital transfers and contributions)	390 997 863	37 815 665	428 813 528	-	-	428 813 528	341 324 220	-	(87 489 308)	80 %	87 %	-	-	296 203 060	-					

**Makana Municipality  
Appendix G3**

**Budgeted Financial Performance (revenue and expenditure)  
for the year ended 30 June 2015**

Expenditure By Type	2015/2014										2014/2013									
	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 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	Restated Audited Outcome					
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand					
Employee related costs	115 772 000	-	115 772 000	-	-	127 345 059	-	11 573 059	110 %	110 %	-	-	-	-	123 434 997					
Remuneration of councillors	8 371 000	-	8 371 000	-	-	9 468 268	-	1 087 268	113 %	113 %	-	-	-	-	8 336 734					
Debt impairment	8 499 000	-	8 499 000	-	-	8 499 000	-	(8 499 000)	- %	- %	-	-	-	-	-					
Depreciation & asset impairment	8 969 364	-	8 969 364	-	-	33 598 923	-	24 629 559	375 %	375 %	-	-	-	-	36 729 303					
Finance charges	427 040	-	427 040	-	-	21 536 082	-	21 109 042	5 043 %	5 043 %	-	-	-	-	6 337 044					
Bulk purchases	79 745 078	-	79 745 078	-	-	82 036 739	-	2 291 661	103 %	103 %	-	-	-	-	67 096 415					
Other materials	-	-	-	-	-	4 490 553	-	2 329 353	DIV/0 %	DIV/0 %	-	-	-	-	6 917 134					
Contracted services	2 161 200	-	2 161 200	-	-	30 544 615	-	29 360 615	2 080 %	2 080 %	-	-	-	-	22 098 591					
Transfers and grants	1 184 000	-	1 184 000	-	-	70 214 546	-	(49 300 454)	59 %	59 %	-	-	-	-	60 281 325					
Other expenditure	119 515 000	-	119 515 000	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-					
Loss on disposal of PPE	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-					
<b>Total Expenditure</b>	<b>344 643 682</b>	<b>-</b>	<b>344 643 682</b>	<b>-</b>	<b>-</b>	<b>379 224 805</b>	<b>-</b>	<b>34 581 123</b>	<b>110 %</b>	<b>110 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>331 231 543</b>					
<b>Surplus/(Deficit)</b>	<b>46 354 181</b>	<b>37 815 665</b>	<b>84 169 846</b>	<b>-</b>	<b>-</b>	<b>(37 900 585)</b>	<b>-</b>	<b>(122 070 431)</b>	<b>(45)%</b>	<b>(82)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35 028 483)</b>						
Transfers recognised - capital	51 494 000	1 767 506	53 261 506	-	-	9 836 800	-	(43 424 706)	18 %	19 %	-	-	-	-	21 302 482					
Contributions recognised - capital	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-					
Contributed assets	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-					
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>97 848 181</b>	<b>39 583 171</b>	<b>137 431 352</b>	<b>-</b>	<b>-</b>	<b>(28 063 785)</b>	<b>-</b>	<b>(165 495 137)</b>	<b>(20)%</b>	<b>(29)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13 726 001)</b>						
Taxation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-					
<b>Surplus/(Deficit) after taxation</b>	<b>97 848 181</b>	<b>39 583 171</b>	<b>137 431 352</b>	<b>-</b>	<b>-</b>	<b>(28 063 785)</b>	<b>-</b>	<b>(165 495 137)</b>	<b>(20)%</b>	<b>(29)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13 726 001)</b>						
Attributable to minorities	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-					
<b>Surplus/(Deficit) attributable to municipality</b>	<b>97 848 181</b>	<b>39 583 171</b>	<b>137 431 352</b>	<b>-</b>	<b>-</b>	<b>(28 063 785)</b>	<b>-</b>	<b>(165 495 137)</b>	<b>(20)%</b>	<b>(29)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13 726 001)</b>						
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-					
<b>Surplus/(Deficit) for the year</b>	<b>97 848 181</b>	<b>39 583 171</b>	<b>137 431 352</b>	<b>-</b>	<b>-</b>	<b>(28 063 785)</b>	<b>-</b>	<b>(165 495 137)</b>	<b>(20)%</b>	<b>(29)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13 726 001)</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 M/FMA)	Final adjustments budget	Shifting of funds (i.e. s31 of the M/FMA)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in section 32 of M/FMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital expenditure - Vote</b>															
<b>Multi-year expenditure</b>															
Vote 1- Technical & Infrastructure	61 810 427	53 387 735	115 198 162	-	-	115 198 162	24 146 275	-	(91 051 887)	21 %	39 %	-	-	-	-
Vote 2- Corporate Services	865 000	2 050 000	2 935 000	-	-	2 935 000	709 493	-	(2 225 507)	24 %	80 %	-	-	-	-
Vote3- Financial services	400 000	-	400 000	-	-	400 000	568 001	-	168 001	142 %	142 %	-	-	-	-
Vote4- Community & Social Services	8 568 000	9 800 000	18 368 000	-	-	18 368 000	3 696 903	-	(14 671 097)	20 %	43 %	-	-	-	-
Vote5- Executive Mayor	1 050 000	-	1 050 000	-	-	1 050 000	327 318	-	(722 682)	31 %	31 %	-	-	-	-
Vote7- Local Economic Development	22 441 000	-	22 441 000	-	-	22 441 000	3 720 499	-	(18 720 501)	17 %	17 %	-	-	-	-
Vote9- Electricity	8 075 000	11 625 000	19 700 000	-	-	19 700 000	2 852 511	-	(16 747 489)	15 %	37 %	-	-	-	-
Vote10- Water	40 805 000	97 324 138	138 129 138	-	-	138 129 138	30 899 011	-	(107 230 127)	22 %	76 %	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>144 034 427</b>	<b>174 186 873</b>	<b>318 221 300</b>	<b>-</b>	<b>-</b>	<b>318 221 300</b>	<b>67 020 011</b>	<b>-</b>	<b>(251 201 289)</b>	<b>21 %</b>	<b>47 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Single-year expenditure</b>															
<b>Total Capital Expenditure - Vote</b>	<b>144 034 427</b>	<b>174 186 873</b>	<b>318 221 300</b>	<b>-</b>	<b>-</b>	<b>318 221 300</b>	<b>67 020 011</b>	<b>-</b>	<b>(251 201 289)</b>	<b>21 %</b>	<b>47 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>





**Makana Municipality  
Appendix G5  
Budgeted Cash Flows  
for the year ended 30 June 2015**

	2015/2014					2014			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 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	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Cash flow from operating activities</b>									
Ratepayers and other	290 245 116	(38 909 636)	251 335 480	251 335 480	204 337 421	(46 998 059)	81 %	70 %	157 178 979
Government - operating	82 124 184	79 359 815	161 483 999	161 483 999	133 752 144	(27 731 855)	83 %	163 %	128 119 264
Government - capital	51 493 596	1 767 506	53 261 102	53 261 102	9 836 800	(43 424 302)	18 %	19 %	21 302 482
Interest	14 000 004	-	14 000 004	14 000 004	385 120	(13 614 884)	3 %	3 %	1 325 220
Other receipts	-	-	-	-	17 838 897	17 838 897	DIV/0 %	DIV/0 %	13 979 937
Suppliers and employees	343 032 732	(16 284 852)	326 747 880	326 747 880	(349 929 820)	(676 677 700)	(107)%	(102)%	(272 557 388)
Finance charges	427 044	-	427 044	427 044	(6 337 044)	(6 764 088)	(1 484)%	(1 484)%	(214 867)
Transfers and Grants	1 184 146	40 938 302	42 122 448	42 122 448	-	(42 122 448)	- %	- %	-
<b>Net cash flow from/used operating activities</b>	<b>782 506 822</b>	<b>66 871 135</b>	<b>849 377 957</b>	<b>849 377 957</b>	<b>9 883 518</b>	<b>(839 494 439)</b>	<b>1 %</b>	<b>1 %</b>	<b>49 133 627</b>
<b>Cash flow from investing activities</b>									
Proceeds on disposal of PPE	144 034 428	126 540 804	270 575 232	270 575 232	465 000	(270 110 232)	- %	- %	130 850
Proceeds from sale of financial assets	-	-	-	-	(115 949)	(115 949)	DIV/0 %	DIV/0 %	554 372
Capital assets	-	-	-	-	(54 465 524)	(54 465 524)	DIV/0 %	DIV/0 %	(94 186 425)
<b>Net 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>(54 116 473)</b>	<b>(324 691 705)</b>	<b>(20)%</b>	<b>(38)%</b>	<b>(93 501 203)</b>
<b>Cash flow from financing activities</b>									
Borrowing long term/refinancing	37 648 625	-	37 648 625	37 648 625	30 769 995	(6 878 630)	82 %	82 %	23 407 122
Repayment of borrowing	3 165 000	-	3 165 000	3 165 000	-	(3 165 000)	- %	- %	(901 659)
<b>Net cash flow from/used financing activities</b>	<b>40 813 625</b>	<b>-</b>	<b>40 813 625</b>	<b>40 813 625</b>	<b>30 769 995</b>	<b>(10 043 630)</b>	<b>75 %</b>	<b>75 %</b>	<b>22 505 463</b>
<b>Net increase/(decrease) in cash held</b>	<b>967 354 875</b>	<b>193 411 939</b>	<b>1 160 766 814</b>	<b>1 160 766 814</b>	<b>(13 462 960)</b>	<b>1 174 229 774</b>	<b>(1)%</b>	<b>(1)%</b>	<b>(21 862 113)</b>
Cash/cash equivalents at the year begin:					17 496 528				52 997 288
<b>Cash/cash equivalents at the year end:</b>	<b>967 354 875</b>	<b>193 411 939</b>	<b>1 160 766 814</b>	<b>1 160 766 814</b>	<b>4 033 568</b>	<b>1 174 229 774</b>	<b>- %</b>	<b>- %</b>	

# Annual **Performance** **Report**









	Implementation of Performance Management System COR00484	All section 56-57 and 66 Manager have signed performance plans	Corporate and Share Service	Finance & Admin	Target MM and Director have signed Performance Agreement	Target All Section 66 Manager have signed Performance Plans and Section 56/7 first Quarterly review	Target Informal Performance review conducted 56/7 and 66 Performance review	Target Informal Performance review conducted 56/7 and 66 Performance review
	Review and development of By-laws and Policies COR00519	All By-laws Policies are Approved by Council by the end of the financial year.	Corporate and Share Service	Finance & Admin	Target N/A	Target Identify Bylaws and Policies to revised or developed	Target Draft By-laws and Policies are Adopted	Target Draft by-laws and Policies are Approved by Council
Improved Integrated Development Planning	Development of Ward Plan COR00394	EDP is Approve by 31 May 2015 and 14 ward plans	Corporate and Share Service	Finance & Admin	Target Approval of processes plan	Target Review Community Priorities	Target Review Institutional Priorities	Target Community Participation and Approval of the IDP
Provide reliable information Communication Technology	Development Disaster recovery a Planning COR00406	Implementation of Disaster recovery planning and business continuity	Corporate and Share Service	Finance & Admin	Target Developing backup procedure manual and business continuity	Target Installation of backup server at the recovery site	Target Monitoring daily, weekly, and monthly backup procedure.	Target Monitoring daily, weekly, monthly, and yearly backups.
	ICT Governance Framework COR00407	Develop ICT governance framework	Corporate and Share Service	Finance & Admin	Target Adoption of the framework and enforcement of policies	Target Monitoring the implementation	Target Implementation and monitoring	Target Implementation and monitoring and Review ICT governance framework and policies.
Corporate and Share								
IGR                      4 Meetings per Service                      Corporate Ser 1 Meeting                      1Meeting                      1 Meeting                      1 Meeting								

DEVELOPMENT PRIORITY 2: GOOD GOVERNANCE & PUBLIC PARTICIPATION									
Effective Management of Audit function and mitigation of Identified Risk	Conduct Performance Audit and report on Dashboard	4 Quarterly Dashboard and Performance Audits Reports	Municipal Manager Office	Executive & Council	Target	Target	Target	Target	
					1st Quarter Reports	2nd Quarter Report	3rd Quarter Report	4th Quarter Report	
	MOF00505								
		Performance Audit Reports	Municipal Manager Office		1st Quarter Reports	2nd Quarter Reports	3rd Quarter reports	4th Quarter reports	
		Effective Management of Functioning of the Audit Committee	Four Meetings once per Quarter	Municipal Manager Office	Executive & Council	Target	Target	Target	Target
	MOF00419				1st Quarter Meeting	2nd Quarter Meeting	3rd Quarter Meeting	4th Quarter Meeting	
		Validation of the Audit action plan	Validation of the Audit action plan	Municipal Manager Office	Internal Auditor	N/A	N/A	Validation Report	N/A
		Monitoring of the Audit Action Plan	4 Audit Action Plan Reports	Municipal Manager Office	Executive & Council	Target	Target	Target	Target
	MOF00506				1st Quarter Reports	2nd Quarter Report	3rd Quarter Report	4th Quarter Report	
		Monitor the risk mitigation register and activities	Four Quarterly Reports	Municipal Manager Office	Executive & Council	Target	Target	Target	Target
MOF00422				First Quarter Report	Second Quarter Report	Third Quarter Report	Fourth Quarter Report		
		Review risk register	Municipal Manager Office	Internal Auditor	N/A	N/A	Report on Risk Register	N/A	
Effective Monitoring, reporting of SDBIP performance and Compilation of Annual Report for the previous year.	Compilation of Annual Report of Previous year.	Annual Report is Approved by Council with Nine Month after the new financial year	Corporate and Share Service	Executive & Council. (Mrs Kosi)	Target	Target	Target	Target	
	COR00509				Draft Annual Report is submitted to Council	MPAC Review Draft Annual Report	Annual Report is Approved by Council	N/A	
		Compilation of Annual Report of Previous year.	Annual Report is Approved by Council with Nine Month after the new financial year	Corporate and Share Service	Executive & Council. (Mrs Kosi & Mr Ganza)	Target	Target	Target	Target
	COR00510				Draft Annual Report is submitted to Council	MPAC Review Draft Annual Report	Annual Report is Approved by Council	N/A	
		Annual Review of audit committee charter and internal audit charter	Municipal Manager Office	Municipal Manager (Internal audit)	N/A	N/A	N/A	Review	
		Signed annual audit plan	Municipal Manager Office	Municipal Manager (Internal audit)	N/A	N/A	signed audit plan	N/A	
		Development of the Monitoring and evaluation mechanism	Approved Monitoring and Evaluation Policy Framework is Approved by Council	Municipal Manager Office	Finance & Admin	Target	Target	Target	Target
	MOF00423				Draft Monitoring & Evaluation Policy Framework is tabled	Policy Approve by Council	N/A	N/A	
		Quarterly report on Performance of Service provider and External Support Programs/Intervention	Report on Infrastructure and Human Settlement Development	Municipal Manager Office	Executive & Council	Target	Target	Target	Target
	MOF00425				First Quarter Service performance report to Council	Second Quarter Service performance report to Council	Third Quarter Service performance report to Council	Fourth Quarter Service performance report to Council	
Promote proper governance and public participation	Quarterly SDBIP performance report	Four Quarterly report are table to Council	Municipal Manager Office	Executive & Council	Target	Target	Target	Target	
	MOF00424				First Quarter Performance Report	Second Quarter Performance Report	Third Quarter Performance Report	Fourth Quarter Performance Report	
		Submission of Annual Report and Performance Report to AG	Submit the report o AG 31 August every year.	Corporate and Share Service	Executive & Council	Target	Target	Target	Target
	COR00508				Submission of Previous Annual Performance to Audit Committee and Auditor General	Incorporate Annual Performance Report to Annual Report	Incorporate Annual Performance Report to Annual Report	Draft Annual Performance Report is Submitted Audit Committee and Auditor General	
		Submission of Mid- In year Performance report, Financial and Non- financial	Submit on or 25 January	Corporate and Share Service	Executive & Council	Target	Target	Target	Target
	COR00507				N/A	Submission of Mid- In year Performance report to Council	N/A	N/A	

Enhance public participation	Community Safety forum	Four meeting	Public Safety and Community Services	Public Safety	Target Stakeholder	Target One Meeting	Target One Meeting	Target One Meeting
	MAN00469							
	Environmental Forum	4 Environmental Forum Once per Quarter	Public Safety and Community Services	Public Safety	Target One	Target One	Target One	Target One
	MAN00471							
	Hosting Public Participation Events	Four Women Caucus Activities, Women's Day, Hosting Moral Regeneration Workshop Quarterly, Mayoral reception	Municipal Manager Office	Executive & Council	Target First Quarter Report Submitted to Mayoral Committee. <b>Mayoral Reception</b>	Target Second Quarter Report Submitted to Mayoral Committee	Target Third Quarter Report Submitted to Mayoral Committee	Target Fourth Quarter Report Submitted to Mayoral Committee .
	MOF00423							
	Inspection of Scrap Metal premises	Three	Public Safety and Community Services	Public Safety	Target Stakeholder	Target Inspection	Target Inspection	Target Inspection
	MAN00466							
	Mobilisation of IDP/Budget Roads shows	Mobilisation of IDP/Budget Road Shows	Municipal Manager Office	Executive & Council	Target N/A	Target Ward Plans Review	Target IDP/Budget Review	Target N/A
	MOF00427							
	Review of Public Participation Policy Framework	Policy is Approved but the Third Quarter	Municipal Manager Office	Executive & Council	Target N/A	Target Consultation	Target Approval of Public Participation Policy Framework	Target N/A
	MOF00426							
Improve Committee Services	Street naming	Fours reports	Public Safety and Community Services	Public Safety	Target Consultation and Planning	Target Submission of report to Council	Target Submission of report to Council	Target Submission of report to Council
	MAN00468							
	Transport Forum	4 Forums	Public Safety and Community Services	Public Safety	Target One	Target One	Target One	Target One
MAN00470								
Improve communication internal and external	Improve Committee Services	Adherence to the all Meeting schedule	Corporate and Share Service	Executive & Council	Target Compliance reports of meeting schedule is submitted to FAME after every cycle	Target Compliance reports of meeting schedule is submitted to FAME after every cycle	Target Compliance reports of meeting schedule is submitted to FAME after every cycle	Target Compliance reports of meeting schedule is submitted to FAME after every cycle
	COR00418							
Improve customer care management	Quarterly news letter	Four news letters	Corporate and Share Service	Executive & Council	Target First Quarter news letter	Target Second Quarter news letter	Target Third Quarter news letter	Target Fourth Quarter news letter
	COR00429							
Provide support to councillors	Improve customer care management	Integration of Customer care systems	Corporate and Share Service	Finance & Admin	Target Draft Customer care Charter	Target Draft Customer care Charter	Target Integrate and Centralised customer care system	Target Integrate and Centralised customer care system
	COR00539							
Capacity building of Councillors and officials	Capacity building of Councillors and officials	Report Quarterly on capacity building attendance by Councillors	Corporate and Share Service	Executive & Council	Target First Quarter Report	Target Second Quarter Report	Target Third Quarter Report	Target Fourth Quarter Report
	COR00421							



					Target	Target	Target	Target	
Empower and support vulnerable groups	Provide support to rural and vulnerable groups	Development and review of vulnerable group support plans 1. Prevention education and awareness. 2. Treatment care and support for people living HIV/ AIDS. 3 Care and support for orphans. 4 Monitoring and evaluation of Indicators 5. Workplace programm. 6 Mainstreaming in HIV and HIV Hosting of Local Adis Council ( LAC) once a quarter Review of the HIV and AIDS strategic plan	Four Quarterly Performance Report on operation plan	Municipal Manager Office	Executive & Council	Trainings, LAC REVIVAL AND LAC MEETING	Cancer month, Awareness Education, LAC Meeting, 16 Days of activism, World AIDS Day	Condom STI Day, world TB Day, LAC Meeting	LAC Meeting, Trainings Candle light memorial
		People with Disability				First LAC Meeting	2nd LAC meeting	3rd LAC meeting	4th LAC meeting
		Human rights workshop				N/A	N/A	HIV/AIDS Strategy approved by Council	N/A
		Commemoration of Disability days				Training of forum members and sensitization	N/A	N/A	Workshops and training
		MOF00437				N/A	Workshop	Training	N/A
						N/A	Hosting of Disability day	N/A	N/A
						First Quarter Report	Second Quarter Report	Third Quarter Report	Fourth Quarter Report
		Cactus Environmental Projects, Create work opportunities	Employ 100 (people with Disability, Women and Youth)	Municipal Manager Office	Executive & Council	Target	Target	Target	Target
						Employ 25 People	Employ 25 People	Employ 25 People	Employ 25 People
		Create Jobs Indigent Registration project	Employ 100 (people with Disability, Women and Youth)	Municipal Manager Office	SPU	Employ 100 People	Implementation Phase and Reporting	Implementation Phase and Reporting	Implementation and reporting
		Create Jobs Employ Peer Educators	Employ 50 (people with Disability, Women and Youth)	Municipal Manager Office	SPU	Employ 50 Peer educators	Implementation Phase and Reporting	Implementation Phase and Reporting	Implementation Phase and Reporting
		Facilitate support Rural communities	Support 3 rural wards	Municipal Manager Office	SPU	Agricultural rural development project ( revival of poultry and gardens)	Cactus projec. Facilitate support from other stakeholders ( gov't Dept't)	Implementation Phase and Reporting	Revival of boreholes and solar energy panels
		Youth strategic development plan	Youth Development plan	Municipal Manager Office	SPU	Procurement processes	Appointment of Service provider	Consultation with all stakeholders	Tabling to the Council for Approval
		Partnership with True FM SABC Talent search	Creating Opportunities for youth on 5 projects:- Beauty Peagent, Music, Radio Presentation and sport, Filming	Municipal Manager Office	SPU	Local Auditions	Provincial Auditions	N/A	N/A
		Drivers learners programme	Identify 80 learners doing Grade 11 from previous disadvantaged school	Municipal Manager Office	SPU	Identify 40 learners from 8 disadvantages schools in Makana jurisdiction	Trained and Tested	Identify 40 learners from 8 disadvantages schools in Makana jurisdiction	Trained and Tested
		Partnership with NYDA	Support to Young People	Municipal Manager Office	SPU	Skills Development	Skills Development	Skills Development	Skills Development
		Training of Co-ops for Revenue collection	Training of Co-ops for Revenue collection	Municipal Manager Office	SPU	Identification of young people	Training	Registration of Co-ops	Contract with Municipality and Implementation
		Programms in the youth office	Celebrating youth days	Municipal Manager	SPU	N/A	N/A	N/A	youth Month

DEVELOPMENT PRIORITY 3: FINANCIAL VIABILITY AND MANAGEMENT										
	Improve accurate reporting and compliance	Improve competence levels of staff to perform their duties efficiently. #7S00415	Number of capacity building sessions attended by BTO personnel	Budget and Treasury Services	Finance & Admin	Target Procurement processes	Target Appointment of Service Provider	Target Report on the number of training conduct to FAME	Target Report on the number of training conduct to FAME.	
		Review, update and develop BTO policies. #7S00413	Number of policies approved by Council	Budget and Treasury Services	Finance & Admin	Target N/A	Target N/A	Target Identified policies to be revised and table them to FAME for review	Target Table them to Council for Approval	
Improve Audit Outcomes by 2017	Improve expenditure rate	Improve expenditure rate #7S00420	All payments will be made within 30 days of receipt of invoice	Budget and Treasury Services	Finance & Admin	Target Payments to creditors to date within 30 days of receipt of invoice	Target Payments to creditors to date within 30 days of receipt of invoice	Target Payments to creditors to date within 30 days of receipt of invoice	Target Payments to creditors to date within 30 days of receipt of invoice	
	Reduce a number of Audit findings on AFS and compliance	Ensure compliance with MFMA on In year Reporting #7S00536	Submission of AFS to Auditor-General timeously, Submission of the Audit File with all supporting documentation to the AFS, Submission of credible monthly, quarterly reports to relevant stakeholders and Mid In-year Financial Assessment	Budget and Treasury Services	Finance & Admin	Target Submit S71 reports timeously monthly, Prepare monthly reconciliations, Quarterly financial report	Target Submit S71 reports timeously monthly, Submit S72 reports timeously, Prepare monthly reconciliations, Quarterly financial report	Target Submit S71 reports timeously, Prepare Interim AFS, Prepare monthly reconciliations	Target Submit S71 reports timeously, Prepare monthly reconciliations, Collate information for Rollover Applications, Circulate AFS plan to the Directorates, Quarterly financial report	
Improve financial administration and management systems	Improve accurate reporting and compliance	Annual approved budget #7S00526	Approved budget by 31 May	Budget and Treasury Services	Finance & Admin	Target NA	Target Roll-over budgets received	Target Draft budget approved by 31 March	Target Budget approved by 31 May	
		Development of systems descriptions #7S00417	The system descriptions will be endorsed by the Municipal Manager by the 31st September 2014	Budget and Treasury Services	Finance & Admin	Target 100% Complete	Target N/A	Target N/A	Target N/A	
	Improve revenue collection rates	Filling critical vacancies. #7S00416	All critical vacancies will be advertised by 1st quarter and assumption of duty by the 2nd quarter	Budget and Treasury Services	Finance & Admin	Target Advertising of all financial directorate critical post	Target Assumption of duties of the appointed candidates.	Target N/A	Target N/A	Bad
		Timeously completion of Financial Statements for legislation #7S00528	Delivery of financial statements to OAG on or before 31 August	Budget and Treasury Services	Finance & Admin	Target Financial Statements delivered	Target N/A	Target N/A	Target N/A	
		Increase revenue collection rates #7S00531	75% Collection rate	Budget and Treasury Services	Finance & Admin	Target Approved Revenue Strategy, Revenue Strategy Implementation Plan, Scheduled Credit Control meetings, Appointment of the Service Provider for Debt Collection	Target 75% Collection rate	Target 75% Collection rate	Target 75% Collection rate	
	Install a fixed asset register system #7S00424	Installment of the Fixed Asset Register (FAR) system by the end of the 2nd quarter	Budget and Treasury Services	Finance & Admin	Target Appointment of a Service Provider	Target Installation and commissioning	Target Full implementation	Target N/A		

Reduce Unauthorised, irregular, fruitless and wasteful expenditure	Improve Budget expenditure	Budget expenditure rate #T500530	95% of budget by the end of the financial year	Budget and Treasury Services	Finance & Admin	<b>Target</b> 20 % of budget is spend quarterly	<b>Target</b> 50 % of budget is spend quarterly	<b>Target</b> 75% of budget is spend quarterly	<b>Target</b> 95% of budget is spend quarterly	
	Improve supply chain management compliance	Ensure compliance with supply chain #T500532	Capacity building on SCM policy and its relevant prescripts to the users	Budget and Treasury Services	Finance & Admin	<b>Target</b> Conduct workshop on the SCM policy	<b>Target</b> Conduct workshop for Bid Committees on their roles and responsibility	<b>Target</b> Conduct a follow-up workshop on issues identified in the 1st half of the year.	<b>Target</b> N/A	
		Improve compliance with supply chain management policy and regulations by #T500533	Develop tools in ensuring compliance	Budget and Treasury Services	Finance & Admin	<b>Target</b> Review and implement checklist	<b>Target</b> Implementation	<b>Target</b> Implementation	<b>Target</b> Develop a procurement plan based on the draft budget	
		Ensure compliance with supply chain management policy and regulations(Reports) #T500411	Report to Council on Unauthorised, irregular, fruitless and wasteful expenditure. Report on the deviations monthly and report on gifts register quarterly	Budget and Treasury Services	Finance & Admin	<b>Target</b> Report to Council on Unauthorised, irregular, fruitless and wasteful expenditure. Report on the deviations monthly and report on gifts register quarterly	<b>Target</b> Report to Council on Unauthorised, irregular, fruitless and wasteful expenditure. Report on the deviations monthly and report on gifts register quarterly	<b>Target</b> Report to Council on Unauthorised, irregular, fruitless and wasteful expenditure. Report on the deviations monthly and report on gifts register quarterly	<b>Target</b> Review SCM and irregular, Unauthorised, Wasteful and fruitless expenditure	

DEVELOPMENT PRIORITY 4: COMMUNITY & SOCIAL COHESION						
Objective	Strategy	KPI	Annual Target	Met/not Met	Remedial Action to be taken	Comments
Promote proper governance and public part	Enhance public participation	Community Safety forum MAN00469	Establishment of Community Safety Forum	Not met	Launch scheduled for 7 August	
		Environmental forum MAN 00471	Four meetings	Met	N/A	Meeting took place on the 24 June
		Transport Forum MAN00470	Four Meetings	Not met	meeting schedule did not take place because of poor attendance	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 <i>MAN00464</i>	320 Inspections	Target met	N/A	Inspections were done
		Inspection of funeral undertakes <i>MAN00465</i>	84 Sample test	Target met	N/A	Test were done
	Ensure Community safety	Environmental education program <i>MAN00365</i>	ECO 8 Schools	Not met		Reason for not meeting the target is lack of funding
	Ensure safety and secure roads	Learners participation in the road safety programs <i>MAN00462</i>	800 Participants	Not met	Processes of filling in te vacancy are underway	The Traffic Officer assigned to the programme resigned.
		Revenue Enhancement (Collection) <i>MAN00460</i>	10% Increase	Not met	IT is attaneding to the mater	The system was down for sometime
		Revenue Enhancement (Fines issued) <i>MAN00463</i>	Increase by 10%	Not met	IT is attaneding to the mater	The system was down for sometime
	Improve access to library services	Maintenance and renovation of libraries	95% Capital Budget Allocated	Not met	DSRAC undertook to do the renovations.	DSRAC undertook to do the renovations.
	Promote culture of reading and learning	Adults participation in the outreach programs <i>MAN00472</i>	100 Participants	Target met	N/A	25 participants
		Library membership <i>MAN00473</i>	10% Increase	Target met	N/A	2%
		Learners participate in the library school programs <i>MAN00363</i>	400 Participants	Target met	N/A	100 participants
	Provide new and quality recreational facilities	Multi-Purpose-Centre <i>MOF00328</i>	Site establishment and start of construction	No met		This project is managed at Technical Services

	Conduct community outreach program <i>MAN00361</i>	800 Household visited	Target met	<b>N/A</b>	
Provide safety, security and health communities	Disaster risk awareness programs <i>MAN00357</i>	Four risk awareness programs	Target met	<b>N/A</b>	<b>Awareness Program done</b>
	Fire inspection in the commercial and in the industrial areas <i>MAN00367</i>	200 Inspection	Target met	<b>N/A</b>	<b>50 Inspections were done</b>
Provision of recreational facilities	Extension of Mayfield's Boundary Fence and construction of gravel roads <i>MAN00478</i>	Fencing and developing of gravel road of Mayfield Cemetery by the end fourth Quarter.	Not met		The reason for not meeting the target is lack of funding
Support community environmental initiatives	Support environmental Co-operative <i>MAN00360</i>	4 Cooperatives support	Not met		Problem is lack of funding

DEVELOPMENT PRIORITY 5: TECHNICAL & INFRASTRUCTURAL SERVICES									
Well-structured efficient provision of basic services and that supports sustainable human settlement by 2017	Enhance water conservation and demand management	Development policy framework and Integrated plan	Develop 2 by-laws & policies in relation to Water Services, Electricity and Housing	Municipal Manager Office	Water	Target	Target	Target	Target
		MOF00302				Development of process Plan	Draft by-laws are tabled to Portfolio Committee	By-law consultation and Draft water related policies	APPROVAL by Council
		Water loss Investigation( Telemetry monitoring and control (SCADA) installation)	Water Loss Management – Attend to ALL relevant activity to reduce water loss and install 17x zonal meters and telemetry & SCADA system	Municipal Manager Office	Executive & Council	Target	Target	Target	Target
		MOF00303				Development of Water Loss Strategy	Install 7x Zonal meters, Telemetry and SCADA system	Install 6x Zonal, Bulk & Domestic meters	Install 6x Zonal, Bulk & Domestic meters
Manage the quality & disposal of effluent within SANS standards		Effluent Quality/Quantity determination	Effluent Quality/Quantity determination	Municipal Manager Office	Waste Water Management	Target	Target	Target	Target
		MOF00342				Installation of Mechanical Screen Procurement of Inflow and outflow meters	Installation of Mechanical Screen Procurement of inflow and outflow meters	50% Implementation of the Action Plan	100% Implementation of the Action Plan
		Maintenance of Green Drop status	Improve Green Drop from 79 – 90%	Municipal Manager Office	Waste Water Management	Target	Target	Target	Target
		MOF00343				25% Reduction of risks Identified in WRAP	50% Reduction of risks Identified in WRAP	75% Reduction of risks Identified in WRAP	100% Reduction of risks Identified in WRAP
Provide quality drinking portable water to Makana Community		Converting VIP to water born in Ext 6 (Phase 2 Stage 2)	Installation of sewer lines with erf connection and main holes	Municipal Manager Office	Waste Water Management	N/A	N/A	Target: 60% Complete	100 Complete
		MOF00344							
		Upgrading of Hayfield WWTW	Conducting of feasibility study	Municipal Manager Office	Waste Water Management	N/A	N/A	EAI application	Design
Provide quality drinking portable water to Makana Community		Maintenance of Blue Drop status.	Improve Blue Drop from 82- 90%	Municipal Manager Office	Water	Target	Target	Target	Target
		MOF00345				25% Reduction of risks Identified in Water Safety Plan	50% Reduction of risks Identified in Water Safety Plan	75% Reduction of risks Identified in Water Safety Plan	100% Reduction of risks Identified in Water Safety Plan
		Maintenance of Green Drop and Blue Drop status.	Achieved Green and Blue Drop 95% Status	Municipal Manager Office	Water	Target	Target	Target	Target
		MOF00479				N/A	N/A	Final report Submitted to Council	N/A
		Ware Quality Sampling	88% compliance – SANS 241	Municipal Manager Office	Water	Target	Target	Target	Target
		MOF00304				98% compliance – SANS 241	98% compliance – SANS 241	98% compliance – SANS 241	98% compliance – SANS 241
Reconstruction of roads effected by October 2012 Disaster		Regravel Township Road Absele 1-9 by end of the fiscal year	Regravel Township Road Absele 1-9 by end of the fiscal year	Municipal Manager Office	Planning & Development	Target	Target	Target	Target
		MOF00305				Procurement Process – appointment of service provider(s)	20% Implementation	100% Implementation	N/A
		Reconstruction of main roads	Reconstruction of 10 & 101	Municipal Manager Office	Planning & Development	Target	Target	Target	Target
		MOF00306				Procurement Process – appointment of service provider(s)	20% Implementation	100% Complete	
		Reconstruction of Radebeek East internal road 2,2km	Reconstruction of Radebeek East internal road 2,2km	Municipal Manager Office	Planning & Development	Target	Target	Target	Target
		MOF00307				Procurement Process – appointment of service provider(s)	Approval of Bid Draw & contract to the 10th fiscal year	20% Construction progress	100% Construction progress



	Upgrading of gravel road in Joza	Completion of surfacing road	Municipal Manager Office	Planning & Development	N/A	N/A	Target Site re-establishment	100% Complete
Upgrading, rehabilitation and refurbishing of basic services infrastructure electricity	Construction of 22kV line to Howieson	Refurbishment of key aspects of the 22kV line to Howieson's Poort b the fourth quarter	Municipal Manager Office	Planning & Development	Target Scope of work and Procurement	Target 25% Construction of key aspects of the 22kV line to Howieson's Poort	Targetment of 50% Construction of key aspects of the 22kV line to Howieson's Poort	Target 100% Construction of 22kV line to Howieson's Poort
	MOR02343 Development of Innowind farm	Substation Upgrade,  Line Improvements works	Municipal Manager Office	Electricity	Target Procurement processes Procurement processes	Target Close up report Implementation	Target N/A Close up Report	Target N/A N/A
	MOR02547 Electrical Component: Grahamstown erection of high masts(PMU)	Erection of 5 High mast by the end of the financial year	Municipal Manager Office	Planning & Development	Target Planning & Scope of Works	Target 25% progress report	Target Sourcing section (2/PK Peeling )	Target Procurement of Material
	MOR02342 Electrification of Mayfield	1000 Units Electrification of Mayfield	Municipal Manager Office	Planning & Development	Target Scope of Works, Survey & Procurement ;	Target 50% Planting & Erection of power line & house connections	Target 100% complete	Target N/A
	MOR02345 Erecting new 10.3Km 11 kV overhead line from Grahamstown substation to Howieson's Poort pump station	New 11kV reliable overhead line to Howieson's Poort pump station	Municipal Manager Office	Electricity	Target Procurement (Order) & appointment of service provider	Target 25% construction of Erecting new 10.3Km 11 kV overhead line from Grahamstown substation to Howieson's Poort pump station	Target 100% construction of Erecting new 10.3Km 11 kV overhead line from Grahamstown substation to Howieson's Poort pump station	Target N/A
	MOR02546							
Distribution	Installation Locking facility in Distribution substations, Kiosk ans Stubby boxed	To change all 70 padlocks in distribution substations	DTIS	Electricity	N/A	N/A	Commence with procurements	100 % Complete
	Procurement of Equipment to comply with OHS Standards	6 Items to be procure by the end of financial year	DTIS	Electricity	N/A	N/A	Commence with procurements	100 % Complete
Upgrading, rehabilitation and refurbishing of basic services infrastructure roads and storm water	MOR02325 Taxi Route (Phase 1) (Need EIA before commencing)	Construction of Vukani Taxi Route (Phase1)	Municipal Manager Office	Planning & Development	Target Application for funding	Target Procurement processes	Target Awarding of tender	Target Resume constructions
	MOR02544 Re-gravel Roads in Transvler, Alice Dale	Re-gravel 16KM	Municipal Manager Office	Planning & Development	Target Procurement Process – appointment of service provider(s)	Target Approval of Roll Over & contractor on site (Site hand-over)	Target 25% - construction progress	Target 100% - construction progress
	MOR02482 Upgrading of Seni Street	Upgrading of SANI Street (to be complete by the end of fourth quarter)	Public Safety and Community Services	Planning & Development	Target 25% of construction	Target 50% of construction	Target 100% of construction	Target 100% of construction
Upgrading, rehabilitation and refurbishing of basic services infrastructure water and sanitation	MOR02323 Replace & Installation of ageing valves	Replace & Installation of ageing valves by the fourth quarter	Municipal Manager Office	Planning & Development	Target Approved of funding mechanism	Target Procurement process Done	Target 50% Replace & Installation of ageing valves	Target 100% Replace & Installation of ageing valves
	MOR02334 Upgrading of Asbestos Pipe in Grahamstown	Upgrade 4.9 KM	Municipal Manager Office	Water	Target Application for funding	Target Site establishment	Target Re-Advertisement Tender for Construction	Target Procurement completed
	MOR02306 Upgrading of James Kleyhans Bulk Water supply (Mechanics) -	Refurbishment of key aspects of the Riebeck East WTW by the third quarter	Municipal Manager Office	Planning & Development	Target Approved of funding mechanism	Target Procurement process Done	Target 100% Upgrade of the pump station@ J. Kleyhans Bulk Water Supply	Target N/A
	MOR02494 Water Master Plan (Investment Tool)	The contractor is on site by the fourth quarter for Sewer Master Plan	Public Safety and Community Services	Planning & Development	Target Application for Funding & Council approval (RESOLUTIONS)	Target Application for Funding & Council approval (RESOLUTIONS)	Target Application for Funding & Council approval (RESOLUTIONS)	Target Contractor on Site - Implementation
	MOR02495 Water Master Plan (Investment Tool)	The contractor is on site by the fourth quarter for Sewer Master Plan	Public Safety and Community Services	Planning & Development	Target Application for Funding & Council approval (RESOLUTIONS)	Target Application for Funding & Council approval (RESOLUTIONS)	Target Application for Funding & Council approval (RESOLUTIONS)	Target Contractor on Site - Implementation



DEVELOPMENT PRIORITY 6: LOCAL ECONOMIC DEVELOPMENT									
		Capacity building Programmes for small scale farmers	30 Emerging farmers	Local Economic Development and Planning	LED	Target Develop terms of reference	Target Advertise an RFQ and appointment of service provider	Target Implementation	Target Project closure
		<i>ECD00371</i> Establishment agricultural forum	Formation of Agricultural Forum	Local Economic Development and Planning	LED	Target Formulate a structure for commercial and emerging farmers	Target Develop terms of reference	Target Develop terms of reference	Target Project closure
		<i>ECD00377</i> Establishment of strategic partnerships to promote sustainable agricultural development	2 MOU to be signed	Local Economic Development and Planning	LED	Target Identify strategic partners	Target Develop terms of reference	Target Develop terms of reference	Target Signing of MOU
		<i>ECD00374</i>							
		Funding for Agricultural projects	Three (3) Project are Funded	Local Economic Development and Planning	LED	Target Formulate a business plan	Target Submit business plans to funders	Target implement	Target Project closure
		<i>ECD00446</i>							
	Promote and support agricultural development and capacity building	Infrastructural development at Thorn Park(EIA)	Build Infrastructure at Thorn Park	Local Economic Development and Planning	LED	Target Develop terms of reference	Target Advertise the tender	Target Implementation	Target Project closure
		<i>ECD00375</i>							
		Promote and support co-operatives through seed funding	No. of co-operatives that benefited from municipal programmes	Local Economic Development and Planning	LED	Target Develop terms of reference	Target Develop terms of reference	Target Distribute seed funding for agricultural co-ops.	Target Project closure
		<i>ECD00372</i>							
		Roll out of the Sustainable Urban Agricultural programme to promote green economy	7 community gardens to be established and supported, (3 from urban and 4 rural areas)	Local Economic Development and Planning	LED	Target Develop terms of reference	Target Identify community gardens	Target Implement the project	Target Implement the project
		<i>ECD00370</i>							

Promote and support agricultural development to stimulate economic growth and development that will result in the creation of jobs	Promote and support Tourism development an capacity development	Women and youth agricultural support programme <i>ECD00373</i>	1 youth and 1 women project to benefit from the municipal program	Local Economic Development and Planning	LED	Target Develop terms of reference	Target Advertise a call for submission of proposals	Target Implementation	Target Project closure
		Women and youth agricultural support programme <i>ECD00448</i>	1 youth and 1 women project to benefit from the municipal program	Local Economic Development and Planning	LED	Target Develop terms of reference	Target Advertise a call for submission of proposals	Target Implementation	Target Project closure
	Heritage Promotion <i>ECD00389</i>	Heritage route map and information signs for Egazini heritage site and interpretation centre	Local Economic Development and Planning	Tourism	Target Formulate a project plan	Target Formulate a project scope	Target Advertise and advertise a service provider	Target Implement and submit project close out reports.	
	Inner city regeneration <i>ECD00392</i>	A Business plan on Inner City Regeneration	Local Economic Development and Planning	Tourism	Target Formulate the project scope	Target Advertise the tender and appoint a service provider	Target Formulate the business plan	Target Submit the report for approval by the Council	
	NAF support programme <i>ECD00452</i>	3 community based projects supported during the National Arts Festival	Local Economic Development and Planning	Tourism	Target Formulate a project rollout plan	Target Issue a call for submission of proposals	Target Evaluate proposals and award funding	Target Prepare and submit a comprehensive project report	
	Promotion of Forts and Towers <i>ECD00386</i>	A council approved plan on the promotion of forts and towers	Local Economic Development and Planning	Tourism	Target Formulate the project scope	Target Advertise a request for quotations	Target Advertise a request for quotations	Target Project implementation and report	
	Roll out of Creative City Project <i>ECD00390</i>	3 quick win projects to be implemented	Local Economic Development and Planning	LED	Target Prepare and submit a project roll out plan	Target Prepare and submit a project implementation report	Target Prepare and submit a project implementation report	Target Prepare and submit a comprehensive project status report	
	Support for Kwana eMakana homestay project	Ex Map and Marketing guide for Kwana eMakana homestay project	Local Economic Development and Planning	Tourism	Target Formulate the project scope	Target Advertise a request for quotations	Target Evaluate Bids and appoint a service provider	Target Prepare and submit a final report to the portfolio committee	

		<i>ECD00387</i>							
		Tourism Internship Programme	4 unemployed graduates absorbed for experiential learning	Local Economic Development and Planning	Tourism	Target Formulate a project roll out plan	Target Advertise a call for submission of applications and appoint successful candidates	Target Prepare and submit a progress report	Target Prepare and submit a progress report
		<i>ECD00391</i> Tourism Promotion	1x DVD promoting Makana Tourism attractions	Local Economic Development and Planning	Tourism	Target Formulate the project scope	Target Advertise a request for quotations	Target Evaluate Bids and appoint a service provider	Target Implement the project
		<i>ECD00388</i>							
			Develop a business plan and a feasibility study for aloë production	Local Economic Development and Planning	LED	Target An aloë production business plan	Target Advertise a request for quotations	Target Appoint a service provider and start implementation	Target Submit the report for Council approval
		<i>ECD00380</i>	An aloë production business plan						
		SMME container park	TBD	Local Economic Development and Planning	LED	Target No TBD	Target No TBD	Target No TBD	Target No TBD
		<i>ECD00384</i>							
		SMME start-up package	50 start-up enterprises benefit from the SMME start-up package	Local Economic Development and Planning	Tourism	Target TOR developed and advertised, MOU with standard bank finalised	Target Project implemented, number of business benefiting	Target Project implemented, number of business benefiting	Target Project implemented, number of business benefiting
		<i>ECD00385</i>							
		Support for business formations/structures	9 businesses benefit from the business support service fund	Local Economic Development and Planning	LED	Target TOR developed and advertised	Target Service provider appointed	Target Project implemented	Target Project closure and report
		<i>ECD00382</i>							
Promote and support enterprise development to stimulate economic growth and development that will result in the creation of jobs	Ensure the creation of 1000 jobs for the unemployed	Roll out a Community Works Programme	Four Monitoring and Evaluation reports	Local Economic Development and Planning	LED	Target First Quarter report	Target Second Quarter report	Target Third Quarter report	Target Fourth Quarter report
		<i>ECD00379</i>							

Promote and support tourism and heritage development to stimulate economic growth and development that will result in the creation of jobs	Promote and support Tourism and heritage development and capacity development	National Arts Festival marketing programme <i>ECD00449</i>	Marketing the Municipality at the NAF	Local Economic Development and Planning	Tourism	Target Formulate a project plan	Target Apply for a space at the NAF	Target Invite Participants	Target Participate in the NAF
		Participation in tourism trade shows <i>ECD00450</i>	Participation in 2 trade shows	Local Economic Development and Planning	Tourism	Target Participate in the gateway show	Target Prepare and submit a report to the Portfolio Committee	Target Prepare for participation in the tourism Indaba	Target Participate in the tourism indaba and submit a report to the portfolio committee
		Participation in tourism trade shows <i>ECD00451</i>	Participation in 2 trade shows	Local Economic Development and Planning	Tourism	Target Participate in the gateway show	Target Prepare and submit a report to the Portfolio Committee	Target Prepare for participation in the tourism Indaba	Target Participate in the tourism indaba and submit a report to the portfolio committee
Effective land use and inclusive spatial planning	Promote effective Land use and Spatial Planning	Conduct land audit <i>ECD00455</i>	A comprehensive audit of municipal owned land	Local Economic Development and Planning	Planning & Development	Target Develop the project scope	Target Advertise a call for bids	Target Appoint a service provider and start implementation	Target Submit the progress report to Council
		Finalisation of the SDF <i>ECD00458</i>	Approved SDF for Makana Municipality	Local Economic Development and Planning	Planning & Development	Target Presentation of SDF to councillors	Target Finalisation of deliverable	Target Submission for council approval	Target Service provider to deliver all documentation as per the TOR/SLA
		Formalisation of land <i>ECD00454</i>	Formalisation of land in the following areas: Mayfield North, Phaphamani, Alicedale, Ethembeni, Fort Brown and Seven Fountains	Local Economic Development and Planning	Planning & Development	Target Develop new SLA's for the appointed service providers, Conduct EIA for Mayfield North, Phaphamani, Alicedale, Survey and Pegging for Ethembeni and Seven Fountains, amendment of layout for Fort Brown	Target Submission on the status update on EIA approval for Mayfield North, Phaphamani, Alicedale, Send layout for SG approval for Ethembeni, PP on amended layout plan/submit on to the Province for Fort Brown and Status update on approval of GP for Seven Fountains.	Target Submission on the status update on EIA approval for Mayfield North, Phaphamani, Alicedale, Send layout for SG approval for Ethembeni, PP on amended layout plan/submit on to the Province for Fort Brown and Status update on approval of GP for Seven Fountains.	Target Submission on the status update on EIA approval for Mayfield North, Phaphamani, Alicedale, Send layout for SG approval for Ethembeni, PP on amended layout plan/submit on to the Province for Fort Brown and Status update on approval of GP for Seven Fountains.

	Formalisation of land	Alicedale, Mayfield, Phaphamani, Ethembeni Fort Brown and Seven fountains	Local Economic Development and Planning	Planning & Development	Target Develop new SLA's for the appointed service providers	Target Status Report Formalisation	Target Status Report Formalisation	Target Status Report Formalisation
	<i>ECD00439</i>							
	Installation of new Geographical Information System	A new geographical information system developed and installed	Local Economic Development and Planning	Planning & Development	Target Develop the project scope	Target Develop TOR and advertise and call for bids	Target Appoint a service provider and start implementation	Target Submit the progress report to Council
	<i>ECD00443</i>							
	Installation of new Geographical Information System	A new geographical information system developed and installed	Local Economic Development and Planning	Planning & Development	Target Develop the project scope	Target Develop TOR and advertise and call for bids	Target Appoint a service provider and start implementation	Target Submit the progress report to Council
	<i>ECD00456</i>							
	Installation of new Geographical Information System	A new geographical information system developed and installed	Local Economic Development and Planning	Planning & Development	Target Develop the project scope	Target Develop TOR and advertise and call for bids	Target Appoint a service provider and start implementation	Target Submit the progress report to Council
	<i>ECD00457</i>							
	Integrated zoning scheme for Makana Municipality	A council approved Integrated Zoning scheme for Makana Municipality	Local Economic Development and Planning	Planning & Development	Target Outsource funding from Cacadu DM	Target Advertise a call for bids	Target Appoint a service provider	Target Develop the zoning scheme and submit to Council for approval
	<i>ECD00453</i>							
	Integrated zoning scheme for Makana Municipality	An integrated zoning scheme for Makana Municipality	Local Economic Development and Planning	Planning & Development	Target Outsource funding from Cacadu DM	Target Advertise a call for bids	Target Appoint a service provider	Target Develop the zoning scheme and submit to Council for approval
	<i>ECD00555</i>							
	Land Audit	A comprehensive audit of municipal owned land	Local Economic Development and Planning	Planning & Development	Target Develop the project scope	Target Advertise a call for bids	Target Appoint a service provider and start implementation	Target Submit the progress report to Council
	<i>ECD00440</i>							



Financial Viability								
RFI No	KPI	Key Perf. Indicator code	Department	Annual Target	Q4 Target	method met	Remedial action to be taken	Comments
1	Improve competence levels of staff to perform their duties efficiently.	BTS00415	Budget and Treasury Services	Number of capacity building sessions of staff to perform their duties efficiently	Report number of training conducted to FAME			
	Review update and develop BTO policies	BTS 00413	Budget and Treasury Services	Number of policies approved by Council	table them to Council for approval			
2	Improve expenditure rate	BTS00410	Budget and Treasury Services	All payments will be made within 30days of receipt of invoice	payments to creditors is done within 30days of receipt of invoice			
3	Ensure compliance with MFMA on In year Reporting	BTS00526	Budget and Treasury Services	Submission of AFS to Auditor General timeously, submission of the audit file with all supporting documentation to the AFS, submission of the credible monthly/quarterly reports to the relevant stakeholders and in Mid year financial statement.	Submit S71 reports timeously, prepare monthly reconciliations/colate information for rollover applications. Circulate AFS plan to the directorates, quarterly financial report.			
	Annual Approved budget	BTS 00526	Budget and Treasury Services	Approved by the 31 May	Budget approved by 31 May			
4	Filling critical vacancies.	BTS00416	Budget and Treasury Services	All critical vacancies will be advertised by the 1st quarter and assumption of duty by the 2nd quarter	N/A			
5	Timely completion of Financial Statements for legislation.	BTS00528	Budget and Treasury Services	Delivery of financial statements to Agos or before 31 August	N/A			
6	Increase revenue collection rates	BTS00531	Budget and Treasury Services	75% collection Rate	75% Collection rate			
	Install fixed asset register system	BTS00414	Budget and Treasury Services	Existence of the fixed asset register (FAR) systems by the end of the 2nd	N/A			
7	Budget expenditure rate	BTS00530	Budget and Treasury Services	95% of budget by the end of the financial year	95% of budget is spent quarterly			
8	Ensure compliance with supply chain management policy and regulations by	BTS00532	Budget and Treasury Services	Capacity building on SCM policy and its relevant prescripts to the users	N/A			
	Ensure compliance with supply chain management policy and regulations(Reports )	BTS00533	Budget and Treasury Services	Develop tools in ensuring compliance	Develop a procurement plan based on the draft budget			
9	Ensure compliance with supply chain management policy and regulations(Reports )	BTS00411	Budget and Treasury Services	Report to Council on unauthorized Irregular fruitless and wasteful expenditure, Report on the deviations monthly and report on gifts register quarterly	Report to Council on unauthorized , irregular fruitless and wasteful expenditure. Report on the deviations monthly and report on gifts register quarterly			

LOCAL ECONOMIC DEVELOPMENT

Key Perf. Indicator(Project)	Key Perf. Indicator Code	Department	Section	Annual Target	Target met or not	Remedial action to be taken	Comments
Capacity building Programmes for small scale farmers	ECD00371	Local Economic Development and Planning	LED	30 Emerging farmers	target met		5 co-operatives have been trained on broiler production and 53 farmers trained on Record keeping and compiling financial statement
Funding for Agricultural projects	ECD00446	Local Economic Development and Planning	LED	3 Projects	target not met		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)	ECD00375	Local Economic Development and Planning	LED	Infrastructure at Thorn Park	target met		The service provider is on site, project not closed
Roll out of the Sustainable Urban Agricultural programme to promote green economy	ECD00370	Local Economic Development and Planning	LED	7 Community Gardens to be established and supported (3 from urban and 4 from rural)	target not met		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
Heritage Promotion	ECD00389	Local Economic Development and Planning	Tourism	Heritage route map and information signs for Egazini heritage site and interpretation centre			
Inner city regeneration	ECD00392	Local Economic Development and Planning	Tourism	A Business plan on Inner City Regeneration	Target not met		The tender was advertised and evaluation of bids was done . Awaiting approval by the Acting Municipal Mnesager
NAF support programme	ECD00452	Local Economic Development and Planning	Tourism	Marketing the Municipality at the NAF	Target met		The Municipality had a stand at the 2015 National Arts Festival and three crafters participated
Promotion of Forts and Towers	ECD00386	Local Economic Development and Planning	Tourism	A Council approved plan on the promotion of forts and towers	Target met		The first report has been produced
Roll out of Creative City Project	ECD00390	Local Economic Development and Planning	LED	3 quick wins projects to be implemented	Target met		A progress report on the project was submitted to the TCI Portfolio Committee meeting held in May 2015
Support for Kwam eMakana homestay project	ECD00387	Local Economic Development and Planning	Tourism	1x Map and 1 X Marketing guide for Kwam emakana homestay project	Target not met	The project is under implementation and funds have been committed	Due to the delays in the appointment of a service provider , the project could not commence as scheduled
Tourism Internship Programme	ECD00391	Local Economic Development and Planning	Tourism	4 Unemployed graduates absorbed for experiential learning	Target not met	Due the absence of a donations / project support policy in the municipality as raised in the Kabuso report, the project could not be implemented	The Directorate has formulated a draft Project Support policy for Council approval
Tourism Promotion	ECD00388	Local Economic Development and Planning	Tourism	1x DVD promoting Makana Tourism attractions	Target met		A service provider has been appointed and the project is under implementation
Develop a business plan and a feasibility study for aloe production	ECD00380	Local Economic Development and Planning	LED	An Aloe production business plan			The service provider is on site
SMME start-up package	ECD00385	Local Economic Development and Planning	SMME	50 Start-up enterprises benefit from the SMME start-up package.	Target not met	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	ECD00385	Local Economic Development and Planning	SMME	4 Co-operatives benefit from the fund	Target met or not	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	ECD 00385	Local Economic Development and Planning	SMME	Makana United Business Chamber supported	Target met or not	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	ECD00385	Local Economic Development and Planning	SMME	15 Informal Traders benefiting from the support programme	Target met or not	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	ECD00379	Local Economic Development and Planning	LED	900 Jobs created			
Conduct land audit	ECD00455	Local Economic Development and Planning	Planning & Development	A comprehensive audit of Municipal owned land			
Finalisation of the SDF	ECD00458	Local Economic Development and Planning	Planning & Development	A Council Approved SDF for Makana Municipality			
Formalisation of land	ECD00454	Local Economic Development and Planning	Planning & Development	Formalisation of land in the following areas; Mayfield North, Phaphamani, Alcedale, Ithambeni	Target not met	Several meetings have been held with the SP and we have worked out a payment schedule for year 2015/2016	Work has commenced on all township establishment application and we have a project breakdown for 2015/2016
Installation of new Geographical Information System	ECD00443	Local Economic Development and Planning	Planning & Development	A new geographical information system developed and installed	Target met	GIS has been installed into the municipal server but some officials do not have access to it.	Once all affect officials have access to GIS. Training needs to be done
Integrated zoning scheme for Makana Municipality	ECD00453	Local Economic Development and Planning	Planning & Development	A Council approved Integrated Zoning scheme for Makana Municipality	Target not met	Due to lack of funds target was not met.	Funding received from Sarah Baartman for financial year 2015/2016. Notification of item has been advertised in Herald on the 17 July 2015

**Institutional Transformation**

Department	Key Perf Indicator Code	KPI	Annual Target	Met/ Not Met	Remedial Action to be taken	Comments
Industrial relationship/Legal	COR00402	Monitor Disciplinary measure across the Municipality	4 Quartekly report are submitted to Council Moyoral Committee	met	N/A	Report was submitted to FAME
Industrial relationship/Legal	COR00521	Capacitate of work force on labour relations prescriptions through awareness programs	All Directorate Capacitated	not met	A planned training/workshop on Labour relations matters will be conducted in August 2015 facilitated by bargaining council	The plan was postponed
Human resources	COR00520	Monitor the LLF operations	Monitor the operations of Local Forum through organising at least one meeting per quarter and report to FAME	met	N/A	LLF report was submitted to FAME
Human resources	COR00401	Develop of Human resources plan	Approved Human Resource plan	Lagging	The Draft will be submitted to FAME for consultation	first draft was submitted to FAME
Human resources	COR00400	Development of Equity plan	Apporoved Equity Plan	Lagging	The Draft will be submitted to FAME for consultation	first draft was submitted to FAME
Human resources	COR00503	Effective management of Leave Management	All leave are approved prior being taken	Met	N/A	Report was submitted to FAME
Human resources	COR00504	Effective management of Occupational health and safety in the work place	Montly report on occupational health and safety issue to FAME	not met	To appoint health and safety officer	
Human resources	COR00525	Effective Management of Overtime	Reduction of overtime expenditure by 5% on Quarterly bases	Lagging	Reviwal of overtime policy	abaseline analysis was done and submitted to FAME
Human resources	COR00396	Identify HR Policy need to review or new to be developed	All identified HR policies are approved	Met	N/A	A schedule for policy review was adopted by Council
Human resources	COR00500	Implementation of work skills Plan	Four quartely report are submitted to Portfolio committee	Met	N/A	Report was submitted to FAME
Human resources	COR00501	Improve Recruitment and Selection	All new appoint are in line with vacany schedule	Met	N/A	Report was submitted to FAME

Human resources	COR00502	Report are submitted to FAME quarterly on the termination of employment	four quartely report are submitted to FAME	Met	N/A	Report was submitted to FAME
Human resources	COR00498	Monitoring Human Resources Activities	90% Of KPI are achieved quartely	Met	N/A	Report was submitted to FAME
Human resources	COR00397	Review of wellness operational plan and implement according	Review and implement wellness plan	Lagging	N/A	Report was submitted to FAME
Human resources	COR0399	Review of the all Job descriptions only few were revised	All job description are revised	not met	reviewal of organisational structure	item will be tabled in the LLF
Human resources	COR00499	Training and Development	WSP is revised by the end of the fourth quarter	not met	write an item to district to seek assistance on funding on key training interventions.	no submission items sent to FAME
Human resources	COR00522	Effetive management of leave Management	All leave are approved prior and Payday system is updated 24 Hrs	Met	N/A	Report was submitted to FAME
IDP/PMS	COR0404	Implementation of Performace Management system	Implementation of S56-57and 66 Manager have signed performance Plans	not met	Informal Performance Reviews will be done in the new financial year	
IDP/PMS	COR00394	Development of Ward Plan	IDP is approved by 31 May 2015 and Ward plans	Met	N/A	IDP was approved on 29 May 2015
ICT Manager	COR00408	Development disaster recovery planniing	Implementation of Disaster recovery planning and business continuity	met	N/A	Report was submitted to DCSS
ICT Manager	COR00407	ICT Governance framework	Develop ICT governance framework			

Financial Viability							
KPI	Key Perf. Indicator code	Department	Annual Target	Q4 Target	met/not met	Remedial action to be taken	Comments
Improve competence levels of staff to perform their duties efficiently.	BTS00415	Budget and Treasury Services	Number of capacity building sessions of staff to perform their duties efficiently	Report number of training conducted to FAME	Met	N/A	25 Managers have been enrolled (CPMD)
Review update and develop BTO policies	BTS 00413	Budget and Treasury Services	Number of policies approved by Council	table them to Council for approval	Met	N/A	Approved
Improve expenditure rate	BTS00410	Budget and Treasury Services	All payments will be made within 30days of receipt of invoice	payments to creditors is done within 30days of receipt of invoice	N/A	Improve cash flow	In adequate cash flow.
Ensure compliance with MFMA on In year Reporting	BTS00536	Budget and Treasury Services	Submission of AFS to Auditor General timeously, submission of the audit file with all supporting documentation to the AFS, submission of the credible monthly/quarterly reports to the relevant stakeholders and in Mid year financial statement.	Submit S71 reports timeously, prepare monthly reconciliations collate information for rollover applications. Circulate AFS plan to the directorates, quarterly financial report.	Met	N/A	S71 are done on montly basis, AFS will be done in August, AFS plan has been circulated budget abd treasury office are meeting on weekly to discuss progress and addressing the Audit progress.
Annual Approved budget	BTS 00526	Budget and Treasury Services	Approved bu the 31 May	Budget approved by 31 May	Met	N/A	Budget have been approved on the 29 May 2015
Filling critical vacancies.	BTS00416	Budget and Treasury Services	All critical vacancies will be advertised by the 1st quarter and assumption of duty by the 2nd quarter	N/A	Met	N/A	2 positions in the Expendirure section has been filled
Timeously completion of Financial Statements for legislation	BTS00528	Budget and Treasury Services	Delivery of financial statements to Ag on or before 31 August	N/A	N/A	N/A	Will be delivered by the 31 August
Increase revenue collection rates	BTS00531	Budget and Treasury Services	75% collection Rate	75% Collection rate	Met	N/A	the target is met
Install fixed asset register system	BTS00414	Budget and Treasury Services	Existence of the fixed asset register (FAR) systems by the end of the 3rd quarter	N/A	N/A	we don't have system and we have started the	the target was not budgeted for. The target is not aligned to the budget. The target should be removed.
Budget expenditure rate	BTS00530	Budget and Treasury Services	95% of budget by the end of the financial year	95% of budget is spent quarterly	Met	N/A	we have achieved more than 100%
Ensure compliance with supply chain management policy and regulations by	BTS00532	Budget and Treasury Services	Capacity building on SCM policy and its relevant prescripts to the users	N/A	N/A	N/A	N/A
Ensure compliance with supply chain management policy and regulations(Reports )	BTS00533	Budget and Treasury Services	Develop tools in ensuring compliance	Develop a procurement plan based on the draft budget	Met	N/A	it was done in the First quarter
Ensure compliance with supply chain management policy and regulations(Reports )	BTS00411	Budget and Treasury Services	Report to Council on unauthorized Irregular fruitless and wasteful expenditure, Report on the deviations monthly and report on gifts register quarterly	Report to Council on unauthorized , irregular fruitless and wasteful expenditure. Report on the deviations monthly and report on gifts register quarterly	Met	N/A	Irregular and deviations are reported on a monthly basis and gift register is reported quarterly



Project	Department	Key Perf Indicator Code	KPI	Target	Annual Target	Actual Performance	Remedial action to be taken
Enhance water conservation and demand management	DTIS	MOF00302	Develop 2 by-laws & policies in relation to Water Services, Electricity and Housing	Target APPROVAL by Council	Development policy framework and integrated plan		
	DTIS	MOF00303	Water Loss Management – Attend to ALL relevant activity to reduce water loss and install 17x zonal meters and telemetry & SCADA system	Target Install 5x Zonal, Bulk & Domestic meters	Water loss Investigation( Telemetry monitoring and control (SCADA) installation)		
Manage the quality & disposal of effluent within SANS standards	DTIS	MOF00542	Effluent Quality/Quantity determination	Target 100% Implementation of the Action Plan	Effluent Quality/Quantity determination		
	DTIS	MOF00543	Improve Green Drop from 79 – 90%	Target 100% Reduction of risks Identified in WRAP	Maintenance of Green Drop status		
	DTIS		Installation of sewer lines with erf connection and main holes	100 Complete	Converting VIP to water born in Ext 6 (Phase 2 Stage 2)		
	DTIS		Conducting of feasibility study	Designs	Upgrading of Mayfield WWTW		
Provide quality drinking portable water to Makana Community	DTIS	MOF00541	Improve Blue Drop from 82-90%	Target 100% Reduction of risks Identified in Water Safety Plan	Maintenance of Blue Drop status.		
	DTIS	MOF00479	Achieved Green and Blue Drop 95% Status	N/A	Maintenance of Green Drop and Blue Drop status.		
	DTIS	MOF00304	98% compliance – SANS 241	Target 98% compliance – SANS 241	Ware Quality Sampling		

Reconstruction of roads affected by October 2012 Disaster	DTIS		Re-gravel Township Road Alicedale 1-9 by end of the third quarter	Target N/A	Re-gravel Township Road Alicedale 1-9		
	DTIS		Reconstruction of 1.6 KM	Target 100% Complete	Upgrading of Sani Street		
	DTIS		Resurfacing of Riebeeck East internal road 2.0km	Target 100% - construction progress	Resurfacing of Riebeeck East internal road		
Upgrading, rehabilitation and refurbishing of basic services infrastructure structure electricity	DTIS		Completion of surfacing road	100% Complete	Upgrading of gravel road in Joza		
	DTIS		Refurbishment of key aspects of the 22kV line to Howieson's Poort b the fourth quarter	Target 100% Construction of 22kV line to Howieson's Poort	Construction of 22kV line to Howieson		
	DTIS		Waainek Palisade Fencing, Substation Upgrade, Line improvement works and long lead time supply Completed the thirds Quarter	Target N/A	Development of Innowind farm		
	DTIS	ELEC	Erection of 5 High mask by the end of the financial year	Target Procurement of Material	Electrical Component: Grahamstown erection of high masts(PMU)		
	DTIS	(ELEC)PMU	1000 Units Electrification of Mayfield	Target N/A	Electrification of Mayfield		
	DTIS	MOF00546	New 11KV reliable overhead line to Howieson's Poort pump station	Target N/A	Erecting new 10.3Km 11 kV overhead line from Grahamstown substation to Howieson's Poort pump station		



Distribution	DTIS	PMU	To change all 70 padlocks in distribution substations	100 % Complete	Installation Locking facility in Distribution substations, Kiosk and Stubby boxed		
	DTIS	PMU	6 Items to be procure by the end of financial year	100 % Complete	Procurement of Equipment to comply with OHS Standards		
Upgrading, rehabilitation and refurbishing of basic services Infrastructure roads and storm water	DTIS	MOF00325	Construction of Vukani Taxi Route (Phase1)	Target Resume constructions	Construction of Vukani Taxi Route (Phase 1) (Need EIA before commence)		
	DTIS	MOF00544	Re-gravel 16KM	Target 100% - construction progress	Re-gravel Roads in Transrivier, Aliceedale		
	DTIS	MAN00481	Upgrading of SANI Street (to be complete by the end of fourth quarter)	Target 100% of construction	Upgrading of Sani Street		
Upgrading, rehabilitation and refurbishing of basic services Infrastructure water and sanitation	DTIS	MOF00323	Replace & Installation of ageing valves by the fourth quarter	Target 100% Replace & Installation of ageing valves	Replace & Installation of ageing valves		
	DTIS	MOF00334	Upgrade 4.9 KM	Target Procurement completed	Upgrading of Asbestos Pipe in Grahamstown		
	DTIS	MOF00306	Refurbishment of key aspects of the Riebeeck East WTW by the third quarter	N/A	Upgrading of James Kleynhans Bulk Water supply (Mechanical) -		
	DTIS	MAN00494	The contractor is on site by the fourth quarter for Sewer Master Plan	Target Contractor on Site - Implementation	Water Master Plan (Investment Tool)		
	DTIS	MAN00495	The contractor is on site by the fourth quarter for Sewer Master Plan	Target Contractor on Site - Implementation	Water Master Plan (Investment Tool)		

Service Delivery Budget Implementation Plan (SDBIP)										
2014/2015										
Objective	Strategy	Key Perf. Indicator (Project)	Annual Target	Department	GFS	Performance Milestones				
						Sept 2014/2015	Dec 2014/2015	Mar 2014/2015	Jun 2014/2015	
<b>DEVELOPMENT PRIORITY 1: INSTITUTIONAL TRANSFORMATION</b>										
Improve Corporate Administration and management system 2017	Effective and efficient management for legal and labour relations	Monitor Disciplinary measure across the Municipality	Four Quarterly report are submitted Council Mayoral Committee	Corporate and Share Service	Finance & Admin	<b>Target</b> Quarterly Performance report is Submitted to Mayoral Committee	<b>Target</b> Quarterly Performance report is Submitted to Mayoral Committee	<b>Target</b> Quarterly Performance report is Submitted to Mayoral Committee	<b>Target</b> Quarterly Performance report is Submitted to Mayoral Committee	
		COR00402								
		Capacitate of work force on labour relations prescriptions through awareness programs	All Directorate capacitated	Corporate and Share Service	Finance & Admin	<b>Target</b> Presentation of the plan to FAME	<b>Target</b> Phase 1	<b>Target</b> Phase II	<b>Target</b> Phase II	
			Monitor the LLF operations	Monitor the operations of Local Labour Forum through organising at least one meeting per Quarter and Reported to FAME.	Corporate and Share Service	Executive & Council	<b>Target</b> First Quarterly LLF Report	<b>Target</b> Second Quarterly LLF Report	<b>Target</b> Third Quarterly LLF Report	<b>Target</b> Fourth Quarterly LLF Report
			COR00520							
	Effective management of Human resources management and organisational development		Develop of Human resources plan	Approved Human Resource plan	Corporate and Share Service	Finance & Admin	<b>Target</b> Quarterly progress report is submitted to FAME	<b>Target</b> Quarterly progress report is submitted to FAME	<b>Target</b> Quarterly progress report is submitted to FAME	<b>Target</b> Quarterly progress report is submitted to FAME
			COR00401							
			Development of Equity plan	Approved Equity plan	Corporate and Share Service	Finance & Admin	<b>Target</b> Comprehensive report is submitted to Portfolio Committee	<b>Target</b> Comprehensive report is submitted to Portfolio Committee	<b>Target</b> Comprehensive report is submitted to Portfolio Committee	<b>Target</b> Comprehensive report is submitted to Portfolio Committee
			COR00400							
		Effective management of Leave Management	All leave are approved prior being taken	Corporate and Share Service	Finance & Admin	<b>Target</b> First Quarter is submitted to FAME	<b>Target</b> Second Quarter is submitted to FAME	<b>Target</b> Third Quarter is submitted to FAME	<b>Target</b> Fourth Quarter is submitted to FAME	
		COR00503								

Effective management of Occupational health and safety in the work place  <i>COR00504</i>	Monthly Report on occupational health and safety issue to FAME .	Corporate and Share Service	Planning & Development	<b>Target</b>  First Quarter is submitted to FAME	<b>Target</b>  Second Quarter is submitted to FAME	<b>Target</b>  Third Quarter is submitted to FAME	<b>Target</b>  Fourth Quarter is submitted to FAME
Effective management of Occupational health and safety in the work place  <i>COR00524</i>	Monthly Report on occupational health and safety issue to FAME	Corporate and Share Service	Finance & Admin	<b>Target</b>  First Quarter is submitted to FAME	<b>Target</b>  Second Quarter is submitted to FAME	<b>Target</b>  Third Quarter is submitted to FAME	<b>Target</b>  Fourth Quarter is submitted to FAME
Effective Management of Overtime  <i>COR00525</i>	Reduction of overtime expenditure by 5% on Quarterly bases	Corporate and Share Service	Finance & Admin	<b>Target</b>  Reduction by 5%	<b>Target</b>  Reduction by 5%	<b>Target</b>  Reduction by 5%	<b>Target</b>  Reduction by 5%
Identify HR Policy need review or new to be developed  <i>COR00396</i>	All identified HR Policies are Approved	Corporate and Share Service	Finance & Admin	<b>Target</b>  Identified Policies	<b>Target</b>  Table the draft policies to Portfolio Committees	<b>Target</b>  Table the draft policies to Mayoral Committee	<b>Target</b>  Table Policies for Approval in the Council
Implementation of Work Skills Plan  <i>COR00500</i>	Four Quarterly report are submitted to Portfolio committee	Corporate and Share Service	Finance & Admin	<b>Target</b>  Report on the No of training attended in line with WSP and Deviations	<b>Target</b>  Report on the No of training attended in line with WSP and Deviations	<b>Target</b>  Report on the No of training attended in line with WSP and Deviations	<b>Target</b>  Report on the No of training attended in line with WSP and Deviations
Improve recruitment and Selection  <i>COR00501</i>	All new appoint are in line with vacancy schedule	Corporate and Share Service	Finance & Admin	<b>Target</b>  Report to FAME on the number of new appointments in line with vacancy schedule Monthly and Deviations	<b>Target</b>  Report to FAME on the number of new appointments in line with vacancy schedule Monthly and Deviations	<b>Target</b>  Report to FAME on the number of new appointments in line with vacancy schedule Monthly and Deviations	<b>Target</b>  Report to FAME on the number of new appointments in line with vacancy schedule Monthly and Deviations

	Monitoring termination of employment <i>COR00502</i>	Report are submitted to FAME quarterly on the termination of employment	Corporate and Share Service	Finance & Admin	<b>Target</b> First Quarter is submitted to FAME	<b>Target</b> Second Quarter is submitted to FAME	<b>Target</b> Third Quarter is submitted to FAME	<b>Target</b> Fourth Quarter is submitted to FAME
	Monitoring termination of employment <i>COR00523</i>	Report are submitted to FAME quarterly on the termination of employment	Corporate and Share Service	Finance & Admin	<b>Target</b> First Quarter is submitted to FAME	<b>Target</b> Second Quarter is submitted to FAME	<b>Target</b> Third Quarter is submitted to FAME	<b>Target</b> Fourth Quarter is submitted to FAME
	Monitoring Human Resources Activities <i>COR00498</i>	90% of KPI are Achieved Quarterly	Corporate and Share Service	Finance & Admin	<b>Target</b> 90% KPI Achieved Quarterly	<b>Target</b> 90% KPI Achieved Quarterly	<b>Target</b> 90% KPI Achieved Quarterly	<b>Target</b> 90% KPI Achieved Quarterly
	Review of wellness operational plan and implement accordina <i>COR00397</i>	Review and Implement wellness plan.	Corporate and Share Service	Finance & Admin	<b>Target</b> Quarterly report table	<b>Target</b> Quarterly report table	<b>Target</b> Quarterly report table	<b>Target</b> Quarterly report table
	Review of the all Job descriptions only few were revised <i>COR00399</i>	All Job Description are revised	Corporate and Share Service	Finance & Admin	<b>Target</b> Develop an implementation plan and table to Portfolio Committee	<b>Target</b> Submission of quarterly progress report to portfolio committee	<b>Target</b> Submission of quarterly progress report to portfolio committee	<b>Target</b> Submission of quarterly progress report to portfolio committee
	Training and Development <i>COR00499</i>	WSP is revised by the end of the fourth quarter	Corporate and Share Service	Finance & Admin	<b>Target</b> Development processes plan	<b>Target</b> Conducted training needs	<b>Target</b> Revised WSP	<b>Target</b> WSP is Approved by Council
Improve archiving and document management system	Capacitate employees working in realstrv <i>COR00405</i>	All staff in registry are trained in Electronic document system	Corporate and Share Service	Finance & Admin	<b>Target</b> Conduct Training	<b>Target</b> N/A	<b>Target</b> N/A	<b>Target</b> N/A

Improve Corporate Administration operations	100% Refurbishment of key aspects of the Electricity – Upgrading of Howson	Grahamstown Substation Refurbishment and Summit Substation	Municipal Manager Office	Executive & Council	<b>Target</b> Planning – draft scope of works	<b>Target</b> Procurement process	<b>Target</b> 10% Implementation	<b>Target</b> 10% Implementation
	<i>MOF00480</i>							
	Conduct One Institutional Strategic Planning, Two Directorate Strategic Planning	Conduct Directorate and Institutional Strategic Planning Session	Corporate and Share Service	Finance & Admin	N/A	<b>N/A</b>	<b>Target</b> Directorate and Institutional Strategic Planning Sessions	<b>N/A</b>
	<i>COR00393</i>							
	Effective management of Leave Management	All leave are approved prior and Payday system is updated 24 Hours	Corporate and Share Service	Finance & Admin	<b>Target</b> First Quarter is submitted to FAME	<b>Target</b> Second Quarter is submitted to FAME	<b>Target</b> Third Quarter is submitted to FAME	<b>Target</b> Fourth Quarter is submitted to FAME
	<i>COR00522</i>							
Effective Management of Fleet	All identified sector plan approved by relevant sector plans	Corporate and Share Service	Finance & Admin	<b>Target</b> Identified sector plans	<b>Target</b> Draft plans are table to Portfolio relevant portfolio committees	<b>Target</b> Approval of the Sector Plans	<b>Target</b> N/A	
<i>COR00395</i>								
Implementation of Performance Management System	All section 56-57 and 66 Manager have signed performance plans	Corporate and Share Service	Finance & Admin	<b>Target</b> MM and Director have signed Performance Agreement	<b>Target</b> All Section 66 Manager have signed Performance Plans and Section 56/7 first Quarterly review	<b>Target</b> Informal Performance review conducted 56/7 and 66 Performance review	<b>Target</b> Informal Performance review conducted 56/7 and 66 Performance review	
<i>COR00404</i>								
Review and development of By-laws and Policies	All By-laws Policies are Approved by Council by the end of the financial year.	Corporate and Share Service	Finance & Admin	<b>Target</b> N/A	<b>Target</b> Identify Bylaws and Policies to revised or developed	<b>Target</b> Draft By-laws and Policies are Adopted	<b>Target</b> Draft By-laws and Policies are Approved by Council	
<i>COR00519</i>								

Improved Integrated Development Planning	Development of Ward Plan  <i>COR00394</i>	IDP is Approve by 31 May 2014 and 14 ward plans	Corporate and Share Service	Finance & Admin	<b>Target</b>  Approval of processes plan	<b>Target</b>  Review Community Priorities	<b>Target</b>  Review Institutional Priorities	<b>Target</b>  Community Participation and Approval of the IDP
Provide reliable information Communication Technology	Development Disaster recovery a Plannina  <i>COR00408</i>	Implementati on of Disaster recovery planning and business continuity	Corporate and Share Service	Finance & Admin	<b>Target</b>  Developing backup procedure manual and business continuitv	<b>Target</b>  Installation of backup server at the recovery site	<b>Target</b>  Monitoring daily, weekly, and monthly backup procedure.	<b>Target</b>  Monitoring daily, weekly, monthly, and yearly backups.
	ICT Governance Framework  <i>COR00407</i>	Develop ICT governance framework	Corporate and Share Service	Finance & Admin	<b>Target</b>  Adoption of the framework and enforcement of policies	<b>Target</b>  Monitoring the implementation	<b>Target</b>  Implementati on and monitoring	<b>Target</b>  Implementati on and monitoring and Review ICT governance framework and policies.

DEVELOPMENT PRIORITY 5: TECHNICAL & INFRASTRUCTURAL SERVICES						
KPA	KPI	Annual Target	Met/Not Met	Actual Performance	Reason for Deviation	Remedial Action
Enhance water conservation and demand management	Development policy framework and integrated plan	Develop 2 by-laws & policies in relation to Water Services, Electricity and Housing	Not Met	The process has not been started.	It was agreed to implement the Policy and By-Law drafting and reviewing in the next financial year of 2015/16.	The process to be started in the first quarter of the 2015/16 financial year.
	<i>MOF00302</i>					
	Water loss Investigation (Telemetry monitoring and control (SCADA) installation)	Water Loss Management – Attend to ALL relevant activity to reduce water loss and install 17x zonal meters and telemetry & SCADA system	Target met	5 x Zonal meters installed . Bulk & Domestic meters installed.	N/A	N/A
	<i>MOF00303</i>					
Manage the quality & disposal of effluent within SANS standards	Effluent Quality/Quantity determination	Effluent Quality/Quantity determination	Target met	50% Implementation of the Action Plan concluded.	N/A	N/A
	<i>MOF00542</i>					
	Maintenance of Green Drop status	Improve Green Drop from 79 – 90%	Target met	75% Reduction of risks Identified in WRAP concluded.	N/A	N/A
<i>MOF00543</i>						
	Converting VIP to water born in Ext 6 (Phase 2 Stage 2)	Installation of sewer lines with erf connection and main holes	Target met	The contractor is on site. The project is at 90% complete.	N/A	N/A
	Upgrading of Mayfield WWTW	Conducting of feasibility study	Target met	The EIA application has been submitted to Department of Environmental Affairs. The Engineer is currently busy with the basic assessment report.	N/A	N/A
Provide quality drinking portable water to Makana Community	Maintenance of Blue Drop status.	Improve Blue Drop from 82- 90%	Target met	75% Reduction of risks Identified in Water Safety Plan concluded through the O&M Contract with Amatola Water.	N/A	N/A
	<i>MOF00541</i>					
	Maintenance of Green Drop and Blue Drop status.	Achieved Green and Blue Drop 95% Status	Target met	Final report has been submitted to Council .	N/A	N/A
<i>MOF00479</i>						



	Ware Quality Sampling	98% compliance – SANS 241	Target met	98% compliance on the SANS 241 has been achieved.	N/A	N/A
	<i>MOF00304</i>					
Reconstruction of roads affected by October 2012 Disaster	Re-gravel Township Road Alicedale 1-9	Re-gravel Township Road Alicedale 1-9 by end of the third quarter	Not Met	30% of the target achieved.	Budget for the activity only availed after the Budget Adjustment process halfway the third quarter.	The target to be achieved in the fourth quarter of the 2014/15 financial year.
	<i>MOF00332</i>					
	Upgrading of Sani Street	Reconstruction of 1.6 KM	Target met	The contractor is on site and currently busy with snags.	N/A	N/A
	<i>MOF00333</i>					
	Resurfacing of Riebeeck East internal road	Resurfacing of Riebeeck East internal road 2.0km	Not Met	No work has been carried out on the project during the 2014/15 financial year.	No budget has been set aside for the project.	To allocate budget for the project during the 2015/16 budget adjustment process.
<i>MOF00545</i>						
	Upgrading of gravel road in Joza	Completion of surfacing road	Target Met	The project is complete.	N/A	N/A
Well-structured efficient provision of basic services and that supports sustainable human settlement by 2017	Construction of 22kV line to Howleson	Refurbishment of key aspects of the 22kV line to Howleson's Poort	Target Met	100% construction of key aspects of the 22kV line to Howleson's Poort achieved.	N/A	N/A
	<i>MOF00343</i>					
	Development of Innowind farm	Waainek Pallsade Fencing, Substation Upgrade, Line Improvement works and long lead time supply Completed the thirds Quarter	Not Met	Pallsade fence completed. Contractor for the substation upgrade appointed but only 40% completed with the works. The overhead line improvement not started yet.	Due to SCM challenges, the appointments of both contractors for the pallsade fence and the substation upgrade were delayed. The contractor for the substation upgrade not appointed yet due to SCM challenges.	The substation upgrade to be completed in the fourth quarter of the 2014/15 financial year. The contractor of the overhead line improvement to be appointed in the fourth quarter of the 2014/15 financial and to commence with the work immediately.
	<i>MOF00547</i>					
Upgrading, rehabilitation and refurbishing of basic services infrastructure structure electricity	Electrical Component: Grahamstown erection of high masts(PMU)	Erection of 5 High mask by the end of the financial year	Not Met	We are currently getting the Municipalities who did similar project.	We were not getting response from the Municipalities who did a similar project.	Supply is busy communicating with the Municipalities who have done similar projects and getting the documentation signed by Municipal Managers.
<i>MOF00342</i>						

	Electrification of Mayfield	1000 Units Electrification of Mayfield	Target met	Project 100% completed.	N/A	N/A
	<i>MOR00345</i>					
	Erecting new 10.3Km 11 kV overhead line from Grahamstown substation to Howieson's Poort pump station	New 11KV reliable overhead line to Howieson's Poort pump station	Target met	Construction of the 10.3km 11kV line completed.	N/A	N/A
	<i>MOR00546</i>					
Distribution	Installation Locking facility in Distribution substations, Kiosks and Stubby boxes	To change all 70 padlocks in distribution substations	Target met	Procurement of the padlocks has been started with the SCM Section of the municipality.	N/A	N/A
	Procurement of Equipment to comply with OHS Standards	6 Items to be procure by the end of financial year	Target met	Procurement of the equipment has been started with the SCM Section of the municipality.	N/A	N/A
Upgrading, rehabilitation and refurbishing of basic services infrastructure roads and storm water	Construction of Vukani Taxi Route (Phase 1) (Need EIA before commence)	Construction of Vukani Taxi Route (Phase1)	Target met	The project was awarded in March 2015 and site hand over was done on the 30th April 2015. Site Establishment is complete.	N/A	N/A
	<i>MOR00325</i>					
	Re-gravel Roads in Transrivier, Alicedale	Re-gravel 16KM	Target met	The project has been completed.	N/A	N/A
	<i>MOR00544</i>					
	Upgrading of Sani Street	Upgrading of SANI Street (to be complete by the end of fourth quarter)	Met	The contractor is on site and currently busy with snags.	N/A	N/A
	<i>MAN00481</i>					

Upgrading, rehabilitation and refurbishing of basic services infrastructure water and sanitation	Replace & Installation of ageing valves	Replace & Installation of ageing valves by the fourth quarter				
			Target met	60% of the air valves replaced on the rising main from Howiesons Poort Pump Station to Waainek Water Treatment Works.	N/A	N/A
	<i>MOP00323</i>					
	Upgrading of Asbestos Pipe in Grahamstown	Upgrade 4.9 KM				
			Target met	The project has been awarded.	N/A	N/A
	<i>MOP00334</i>					
	Upgrading of James Kleynhans Bulk Water supply (Mechanical) -	Refurbishment of key aspects of the Riebeeck East WTW by the third quarter				
			Target met	The pump station at James Kleynhans WTW upgraded..	N/A	N/A
	<i>MOP00306</i>					
	Water Master Plan (Investment Tool)	The contractor is on site by the fourth quarter for Sewer Master Plan				
			Not Met	No work has been carried out on the project during the 2014/15 financial year.	The project could not be implemented due to the inavailability of budget.	Project to be implemented in the 2015/16 financial year.
	<i>MAN00494</i>					
Water Master Plan (Investment Tool)	The contractor is on site by the fourth quarter for Sewer Master Plan					
		Not Met	No work has been carried out on the project during the 2014/15 financial year.	The project could not be implemented due to the inavailability of budget.	Project to be implemented in the 2015/16 financial year.	







An aerial photograph of a wide, tree-lined street in a suburban or urban area. The street is filled with cars, and the surrounding area is densely packed with green trees and residential buildings. A dark horizontal banner is overlaid across the upper portion of the image, containing the text 'Auditor General's report' in white. The scene is captured from a high angle, looking down the length of the street.

# 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 FMPPI. 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*