



MAKANA
MUNICIPALITY | EASTERN CAPE

MAKANA LOCAL MUNICIPALITY

INTERNAL AUDIT REPORT

Audit Title:	AUDITING OF PERFORMANCE MANAGEMENT SYSTEM – Second Quarter Review Report
Document Reference	25/26 – PMS 002
Report Date	December 2025
Report Prepared by	INTERNAL AUDIT UNIT
Financial Year	2025/ 2026



December 2025

The Municipal Manager
Makana Local Municipality
P O Box 176
GRAHAMSTOWN
6140

Dear Mr P.M. KATE

INTERNAL AUDIT REPORT: 2nd QUARTER PERFORMANCE INFORMATION REVIEW FOR 2025/2026 FINANCIAL PERIOD

In accordance with the Risk Based Internal Audit Plan for the 2025/2026 financial year, we have performed the audit of the reported performance against predetermined objectives for the 2nd Quarter Performance Report. The report records the results of our internal audit findings on performance information and recommends possible ways in which the controls and operations could be improved.

This report is intended solely for the information and use of Council and Management of the Municipality. It is the responsibility of the Municipal Manager, as the Accounting Officer, or his delegated official to ensure that the action plans are implemented, and that progress is adequately monitored.

We value the opportunity to review the performance management of the municipality and sincerely appreciate the co-operation and assistance provided by officials during the performance management system audit.

Yours Faithfully



S DYONASHE

ACTING INTERNAL AUDIT MANAGER

064 906 1142

MAKANA LOCAL MUNICIPALITY

INTERNAL AUDIT REPORT

ISSUED IN: December 2025

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1. INTRODUCTION

1.1. Introduction

In accordance with section 165 of the Municipal Finance Management Act No. 56 of 2003 read together with paragraphs 14 (a) to (c) of LG: Municipal Planning and Performance Management Regulations, 2001, we hereby submit our report on the internal audit of the 2nd Quarter PMS review for 2025/2026 financial year.

The attached report records the results of our internal audit and recommends possible ways, in which the controls could be improved to overcome the identified weaknesses, mitigate risks and improve governance processes.

1.2 Internal Audit Objectives

The objectives for the audit of performance information were to:

- To ensure actual performance is monitored, measured and reviewed on a quarterly basis with regards to each of the development priorities and objectives and against the Key Performance Indicators (KPIs) and targets.
- To ensure that the municipality detects early indications of underperformance and
- To ensure that corrective measures where underperformance had been identified are provided.

1.3 Approach

Our review was based on observations, interviews, analysis of documentation and processes which formed part of our scope. Our review was conducted in compliance the International Standards for the Professional Practice of Internal Auditing (“ISPPIA”).

1.4 Scope of review

The scope of the internal audit encompassed reviewing the following focus areas:

- Existence of evidence in relation to reported targets.
- Relevance of evidence to reported targets.
- Completeness of evidence in relation to the reported targets.
- Accuracy of evidence in relation to reported targets and.
- Timeliness of evidence in relation to reporting period of the target

Our review covered the period from 01 October 2025 – 31 December 2025

1.5 Criteria – Legislative Requirements

Section 38 of the Municipal Systems Act states the following.

A municipality must

- a) establish a performance management system that is—
 - i. Commensurate with its resources.
 - ii. best suited to its circumstances; and
 - iii. in line with the priorities, objectives, indicators and targets contained in its integrated development plan;
- b) promote a culture of performance management among its political structures, political office bearers and councillors and in its administration; and
- c) administer its affairs in an economical, effective, efficient and accountable manner.

Paragraph 2.6 of Makana’s Performance Management Policy states the following:

- The only means of effectively proving that a target has been met is through documentary proof. Using documentary proof also ensures that the review is fairly conducted and can be cross checked by another individual if need be. It is important to give thought to the type of proof that will be used to show achievement of a target.
- For example, if a document has to be approved by the Council, the appropriate proof would be the minutes showing approval (rather than the document itself). In some cases, a method of inspection will need to be used to ascertain proof. For example, to establish correct filing / archiving, a random check would be preferred. Either way it is advisable to maintain an Evidence File throughout the year so that the gathering of proof is not a rushed task before the final review. It should be noted that a manager will not be permitted to award a rating if no proof is provided and the indicator will be treated as not met.

Paragraph 5.1 of Makana’s Performance Management Policy states the following:

- At the level of the SDBIP, the quarter report is the method of reporting back to the Council and the Community of the progress made to date. Comments made by Officials regarding indicators included in the SDBIP are used directly on the formal report. At Mayoral Committee and Council meetings, the SDBIP report is the basis for discussion regarding progress made toward achievement of the IDP.
- When reporting back on performance it is important to detail exactly **what** has been achieved or specify the **standard** that has been achieved. If a target has not been met it is important to specify **why** the target has not been met and state what measures that are to be put in place to ensure that the target is met in the future. If applicable, it is also important to state whether the annual target will be affected by any non-achievement of the in-year target.
- If employees have not reported comprehensively enough the SDBIP report may be lacking in concise feedback to Council in order for them to use the performance report as a tool to review the Municipality’s performance and to make important political and management decisions on how to improve.

Each category will be ranked according to each of the following criteria.

H	There were findings that were identified, and amendments should be done on the report
M	There were issues of completeness that were identified although the targets were met
L	There were no findings that were identified on the targets

1.6 Conclusion

2nd Quarter PMS

DEPARTMENT	Second Quarter TARGETS	TARGETS MET	PARTIALLY MET	NOT MET TARGETS	% PERFORMANCE
Basic Service and Infrastructure Development	9	7	0	2	78.00
Community Safety and Social Development	7	6	0	1	86.00
Local Economic Development & Rural Development	6	5	0	1	83,33
Municipal Institutional Development	7	5	0	2	71.43
Financial Viability	6	4	0	2	66,67
Good Governance and Public Participation	15	4	1	10	26,67
Totals	50	31	1	18	62,00

Executive Summary

The following was the summary of the findings that were identified during the review of the performance information:

1. Evidence for the targets that are reported as met is not attached.

FINDING 1 – Evidence for the targets that are reported as met is not attached.		Impact	Threat	Effort
		H	H	M
Management Comment and Action Plan		Implementation Date		
Agree with findings		31 March 2026		
Responsible Person	Mr M Pasiya			
Designation	IDP&PMS Manager			
Internal Audit Comment				
The Management comment has been noted, the finding will be reported.				

2. Departments did not report on some of the targets that were applicable for the second Quarter.

FINDING 2 – Departments did not report on some of the targets that were applicable for the second Quarter.		Impact	Threat	Effort
		H	H	M
Management Comment and Action Plan		Implementation Date		
Agree with findings		31 March 2026		
Responsible Person	Mr M Pasiya			
Designation	IDP&PMS Manager			
Internal Audit Comment				
Management comment has been noted, the finding will be reported.				

3. Some of the targets that have not been met have no reasons why they have not been met nor corrective measures on how the department intends on meeting those targets.
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FINDING 3– Some of the targets that have not been met have no reasons why they have not been met nor corrective measures on how the department intends on meeting those targets.	Impact	Threat	Effort
	H	H	M
Management Comment and Action Plan		Implementation Date	
Agree with findings		31 March 2026	
Responsible Person	Mr M Pasiya		
Designation	IDP&PMS Manager		
Internal Audit Comment			
Management comment has been noted, the finding will be reported.			

4. Departments do not sufficiently report on targets that have not been met.

FINDING 4– Departments do not sufficiently report on targets that have not been met.	Impact	Threat	Effort
	H	H	M
Management Comment and Action Plan		Implementation Date	
Report was adjusted according		Implemented	
Responsible Person	Mr M Pasiya		
Designation	IDP&PMS Manager		
Internal Audit Comment			
The finding has been resolved.			

5. The amended SDBIP does not include the source of evidence to be submitted by the departments.

FINDING 5 – The amended SDBIP does not include the source of evidence to be submitted by the departments.	Impact	Threat	Effort
	H	H	M
Management Comment and Action Plan		Implementation Date	
Management agree to be consider in adjusted SDBIP		31 March 2026	
Responsible Person	Mr M Pasiya		
Designation	IDP&PMS Manager		
Internal Audit Comment			
Management comment has been noted, the finding will be reported.			

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DETAILED AUDIT FINDINGS

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
Upgrading, refurbishment and secure of Bulk Infrastructure development	BSI 1.1	Replacement of ageing Asbestos pipes Phase 4	Replacement of 15 km ageing asbestos pipes to uPVC pipes	Director Engineering and infrastructure services	Design and tender document	Achieved	Met	N/A
Upgrading, refurbishment and secure of Bulk Infrastructure development	BSI 1.2	Refurbishment of water & Sanitation	Upgrade of Alice dale sewer pump station no 1 by June 2026	Director Engineering and infrastructure services	Design and tender document and award	Not Achieved	Not Met	N/A
Provision of water, sanitation and electricity service to all Makana Municipality communities	BSI 1.3	Water conservation and demand	Number of Electricity Smart meters installed 6134	Director Engineering and infrastructure services	Progress report on the number of electricity smart meters installed	Achieved	Met	N/A

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
To provide safe & sustainable roads network	BSI 1.5	Upgrading of Makana Way Phase 2	Replacement of tar with Paving of surfaced municipal road in ward 6 and 9 by 30 June 2026	Director Engineering and infrastructure services	Procure and award Contractor	Achieved	Met	N/A
Provision of a safe, healthy, and secure living environment	BSI 1.6	Upgrade of Sports Facilities in Oval Stadium, Lavendar Valley Makhanda.(MIG)	Percentage of milestone achieved in the completing Oval stadium by March 2026	Director Engineering and infrastructure services	75% (Gate Installation, Electric Fencing Sub-Contractor)	Achieved	Met	N/A
To plan, promote investment and facilitate economic growth	BSI 1.7	Small Town revitalisation Project(1)	Rehabilitation of Milner, African and lower high street circle by 30th March 2026	Director Engineering and infrastructure services	(50 %) Reconstruction of layers	Achieved	Met	N/A
To plan, promote investment and facilitate economic growth	BSI 1.8	Small Town revitalization Project(2)	Installation of (4) High mast by 30 June 2026	Director Engineering and infrastructure services	Progress report on the installed high mast	Achieved	Met	N/A
Provision of water, sanitation and electricity service to all	BSI 1.9	Rehabilitation of streets damaged by floods	Rehabilitation of 11 streets by 30th March 2026	Director Engineering and infrastructure services	(30%) Substructure and surfacing completed	Not Achieved	Not Met	N/A

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
Makana Municipality communities								
Provision of water, sanitation and electricity service to all Makana Municipality communities	BSI 1.10	Water Quality Management and measured quarterly against SANS 241 physical, micro and Chemical parameters	Percentage of water quality for level as per analysis certificate for Makana Municipality	Director Engineering and infrastructure services	97%	Achieved	Met	N/A
KPA TWO(2): COMMUNITY AND SOCIAL COHESION(CSC)								
Clean and Beautified the City	CSC 2.1	Eradicate and revamp of dumping sites	Number of illegal Dumping eradicated and revamp by 30 June 2026	Director: Public Safety and Community Services	2	Achieved	Met	N/A

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
Provision of a safe, healthy, and secure living environment	CSC 2.3	Community awareness programmes	Number of Community Road safety awareness programme conducted	Director: Public Safety and Community Services	3	Achieved	Met	N/A
Provision of a safe, healthy, and secure living environment	CSC 2.4	Community engagement forums held(Road- Stray)	Number Community Stakeholder engagement conducted	Director: Public Safety and Community Services	2	Achieved	Met	N/A
Clean and Beautified the City	CSC 2.6	Refuse removal services or better	Percentage of refuse collection done in line with approved schedule	Director: Public Safety and Community Services	90%	Achieved	Met	N/A
Provision of a safe, healthy, and secure living environment	CSC 2.7	Draft Environmental Management Plan	One(1)Environmental Management plan developed by December 2025	Director: Public Safety and Community Services	Approved Environmental management plan	Not Achieved	Not Met	1. The reason why the target is not met is not sufficient. The department only indicated that the Draft management plan has not been approved by council.

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
Provision of a safe, healthy, and secure living environment	CSC 2.8	Development review Integrated Waste Management Plan (IWMP)	One (1) Integrated Waste Management Plan(IWMP) Review and Approved by the 30th June 2026	Director: Public Safety and Community Services	Approved Integrated waste management plan by council	Achieved	Met	N/A
Provision of a safe, healthy, and secure living environment	CSC 2.9	Management of Makhanda landfill site	Management, operation, and maintenance of landfill sites by June 2025	Director: Public Safety and Community Services	3 Monthly reports	Achieved	Met	N/A
KPA THREE (3): LOCAL ECONOMIC DEVELOPMENT AND PLANNING(LED)								
Improved stakeholder collaboration to unlock opportunities for economic growth	LED 01	Review of LED Strategy	Monitor the review of LED Strategy	Municipal Manager	Report against Rollout plan	Achieved	Met	N/A
Improved stakeholder collaboration to unlock opportunities for economic growth	LED 02	Review of SDF	Monitor the review of LED Strategy	Municipal Manager	Report against Rollout plan	Not Achieved	Not Met	N/A

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
Improved stakeholder collaboration to unlock opportunities for economic growth	LED 03	Job opportunities EPWP -	Number of work opportunities created through EPWP	Director LED and Planning	50	Achieved	Met	N/A
Improved stakeholder collaboration to unlock opportunities for economic growth	LED 04	Support SMMEs with access to markets and trade shows	Number acces funding progres facilitated for SMME's in Makana.	Director LED and Planning	1	Achieved	Met	N/A
Improved stakeholder collaboration to unlock opportunities for economic growth	LED 06	Building application	Percentage of building plans exceeding 500 meters processe within 60 days after receveing complete application	Director LED and Planning	90%	Achieved	Met	N/A

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
Ensure equitable access to housing development	LED 07	Upgrading of 178 informal settlements	Construction of 178 RDP Houses in Makhanda East	Director LED and Planning	Second Quarter progress report	Achieved	Met	N/A
KPA FOUR (4) INSTITUTIONAL CAPACITY AND ORGANISATIONAL DEVELOPMENT (ICOD)								
Effective Management of Organisational Design and policy development	ICOD 4.1	Annual Review of Organisational Structure	Number of reviewed organisational structures approved by council".	Director: Corporate Services	Draft review table to LLF	Not Achieved	Not met	N/A
Effective Management of Organisational Design and policy development	ICOD 4.2	Implementation of Job Evaluation Outcome	Report - Number of positions adjusted in line with JE outcome.	Director: Corporate Services	Stage two, communication and cost analysis	Achieved	Met	N/A
Ensure efficient and effective organisational support by a	ICOD 4.4	Human Resources Plan	Review of Human Resources Plan by 30th June 2026	Director: Corporate Services	Draft Human Resource plan	Achieved	Met	N/A

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
competent and skilled workforce								
Ensure efficient and effective organisational support by a competent and skilled workforce	ICOD 4.5	Employees Wellness Programmes	Number of employees wellness programmes facilitated	Director: Corporate Services	1	Achieved	Met	N/A
Effective Management of Organisational Design and policy development	ICOD 4.6	Review of Human Resources Policies	Percentage number of Human Resources policies review in line with Policy register	Director: Corporate Services	Commence with HR policy review	Achieved	Met	N/A
Effective and efficient Human Resources Development and management programme	ICOD 4.8	Recruitment and Selection	Percentage of vacant filled inline recruitment plan	Director: Corporate Services	100%	Not Achieved	Not met	N/A

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
Ensure efficient and effective organisational support by a competent and skilled workforce	ICOD 4.10	Implementation of Employment equity Plan	Report number of people from employment equity groups employed in the three highest levels of management	Director: Corporate Services	1	Achieved	Met	N/A
KPA FIVE (5): FINANCIAL VIABILITY AND MANAGEMENT (FVM)								
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 5.1	Debt & revenue management collection	% of billed revenue collected	Chief Financial Officer	58%	Achieved	Met	N/A
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 5.2	Capital Budget	Percentage of capital actually spent on capital project	Chief Financial Officer	40%	Achieved	Met	N/A
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 5.3	Debtor Payment Ratio	Ratio in respect of Debtor Payment Days)	Chief Financial Officer	40 days	Not Achieved	Not met	N/A

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 5.4	Cash coverage ratio	Cash to cover fixed operating expenditure	Chief Financial Officer	2 months	Achieved	Met	N/A
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 5.5	Free basic Service (Indigent relief)	Percentage of the municipality's operating budget spent on indigent relief for free basic services	Chief Financial Officer	3,5%	Not Achieved	Not met	N/A
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 6.6	Expenditure Management	Percentage of Payments of creditor within 30 days	Chief Financial Officer	95%	Achieved	Met	N/A
KPA SIX (6): GOOD GOVERNANCE AND PUBLIC PARTICIPATION								
Enhance public participation and stakeholder engagement	GGP 6.1	Intergovernmental Relations (IGR)	Number Stakeholder Consultation convened	Municipal Manager	1	Achieved	Not met	1. No evidence attached for the target that is reported as met.

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
To create an efficient, effective and accountable administration	GGP 6.2	Improve customer care	Development Customer complaints Management System	Municipal Manager	Consultation	Achieved	Met	N/A
Ensure good governance and compliance	GGP 6.3	Improve Audit Outcomes	Qualified audit opinion	Municipal Manager	90% of RFI submitted to AG on time	Not Achieved	Not Met	N/A
Ensure good governance and compliance	GGP 6.4	Improve Audit Outcomes	Percentage of Audit findings resolved quarterly in line with audit action plan milestones.	Municipal Manager	80%	Not met	Not met	N/A
Ensure good governance and compliance	GGP 6.5	Risk Based Audit Plan (RBAP)	Percentage of Risk Based Audit Plan (RBAP) Implemented quarterly	Municipal Manager	90%	Partially Achieved	Partially Achieved	N/A
Ensure good governance and compliance	GGP 6.6	Implementation of Risk Mitigation	Percentage of risk mitigation	Municipal Manager	70%	Not met	Not met	N/A

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
			implemented quarterly					
Ensure good governance and compliance	GGP 6.7	MFMA Compliance	Compliance to MFMA Requirements	Municipal Manager	90%	Not met	Not met	N/A
Ensure sound financial sustainability and adhere to statutory prescriptions	GGP 6.8	Financial Recovery Plan (FRP)	Percentage (FRP) milestone achieved quarterly	Municipal Manager	60%	Achieved	Met	N/A
To provide a reliable and effective ICT system	GGP 6.9	Effective implementation of ICT Governance Framework	Percentage of ICT implementation plan is achieved	Municipal Manager	40%	Not met	Not met	N/A
Enhance public participation and stakeholder engagement	GGP 6.10	IDP/Budget Review Public Participation annually	Convene Mayoral Imbizo and IDP-Budget Roads Shows on or before end of March annually	Municipal Manager	Mayoral imbizo road shows	Not met	Not met	N/A

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
Ensure good corporative governance and public participation	GGP 6.11	Enhance Ward Committee function	Percentage of ward committees that are functional (meet four times a year, are quorate, and have an action plan)	Number of ward consultation done	95%	Achieved	Met	N/A
Enhance administration and Council oversight	GGP 6.12	Council and Committees	100% Implementation of Council resolutions	Municipal Manager	90%		Not met	1. The department did not report on the target. 2. Reasons for deviations are not indicated. 3. Corrective measures are not indicated.
Main streaming of HIV and AIDS across Municipality	GGP 6.13	Implementation of the HIV/AIDS Strategy and Plan by 30 June 2025	Resuscitate of Local HIV/Aids Council	Director: Corporate Services	stakeholder workshop and formation of TOR	Achieved	Not met	1. No evidence attached for the target that is reported as met.

Predetermined Objective(IDP) 2022-2027	Ref	Projects/Programme	Performance Indicator 2025-26	Indicator owner	Quarter Two	Met/Not Met as per report	Met/Not Met as assessed by IA	IA Comments
Ensure good governance and compliance	GGP 6.14	Improve Media and communication	100% implementation of the Communication action plan by 30 June 2025		95%	Not achieved	Not met	1. The reason why the target is not met is not sufficient. The department only indicated that only media briefing were held on the 26 and 30 July 2025. 2. Corrective measures are not indicated.
Improved stakeholder collaboration to unlock opportunities for economic growth	GGP 6.15	Job opportunities CWP -	Number of work opportunities created through CWP		500	Achieved	Met	N/A

ROOT CAUSES OF THE FINDINGS IDENTIFIED

- There is lack of review and monitoring by the departmental heads with regards to the evidence files submitted to the IDP/PMS Office.
- There is lack of monitoring and evaluation with regards to the evidence files submitted by the departments.

- There is lack of review and monitoring on the information uploaded on the PMS System.

RECOMMENDATIONS

- Management should ensure that the performance management section is fully capacitated in terms of human capital to ensure that adequate review is being done in the reports.
- Departmental heads should ensure that information is reviewed before being submitted to the PMS Office for accuracy and completeness of information.
- Management should ensure that all targets that have been reported as met are supported by complete and accurate evidence in the files.
- Management should ensure that targets that are not met are provided with the following:
 - a) Reasons why the targets were not met.
 - b) Corrective measures to be implemented in trying to meet the target; and
 - c) Clear timeframes on when the target will be met.