



# MAKANA LOCAL MUNICIPALITY



**MAKANA**  
MUNICIPALITY | EASTERN CAPE  
*...a great place to be*

Makana Municipality strive to ensure sustainable, affordable, equitable and quality services in a just, friendly, secure and healthy

## **3<sup>rd</sup> DRAFT ANNUAL REPORT** **2024 - 2025**

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### ii) ACRONYMS AND ABBREVIATIONS:

<b>IDP</b>	Integrated Development Plan
<b>LM</b>	Local Municipality
<b>STATS SA</b>	Statistic South Africa
<b>EPWP</b>	Extended Public Works Programme
<b>AFS</b>	Annual Financial Statements
<b>MSA</b>	Municipal systems act 32 of 2000
<b>IGR</b>	Inter-Governmental Relations
<b>MOU</b>	Memorandum of understanding
<b>MISA</b>	Municipal Infrastructure Support Agent
<b>FAME</b>	Finance, Administration, Monitoring & Evaluation
<b>GRAP</b>	General Recognised Accounting Practice
<b>MUNI-MEC</b>	An intergovernmental body that meets quarterly to analyse the state of local government and is made up of the MEC'S, the municipal mayors and municipal managers
<b>MIG</b>	Municipal Infrastructure Grant
<b>NERSA</b>	National Energy Regulator of South Africa
<b>COGTA</b>	Corporative Governance & Traditional Affairs
<b>SPLUMA</b>	Spatial Planning and Land Use Management Act
<b>SBDM</b>	Sarah Baartman District Municipality
<b>HR</b>	Human Resources
<b>IT</b>	Information technology
<b>SDF</b>	Spatial Development Framework
<b>CWP</b>	Community Worker's Programme
<b>MFMA</b>	Municipal Finance Management Act
<b>LED</b>	Local Economic Development
<b>PMS</b>	Performance Management System
<b>SMME</b>	Small, Medium & Micro Enterprise

**This document has been prepared for public consumption for the 2024-2025 Financial Year.**

**Signed:**

\_\_\_\_\_  
**MR. M.P. KATE**  
**MUNICIPAL MANAGER**

**ON THIS DAY \_\_\_ OF \_\_\_\_\_ 2025**

\_\_\_\_\_  
**MS. Y. VARA**  
**EXECUTIVE MAYOR**

**ON THIS DAY \_\_\_ OF \_\_\_\_\_ 2025**

### III) EXECUTIVE MAYOR FOREWORD

In 2022, the Council adopted a five-year Integrated Development for the term of office with 6 development priorities to ensure the need to meet the requirements of our rapidly changing and growing Municipality. These development priorities are encapsulating in our drive for great place to be, are also aligned to the Provincial Growth and Development Strategy and the National Development Plan. It seeks to 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 an also to create an enabling environment for growth; development; employment and job creation; enhancing the quality of life of our residents; maintaining good corporate governance; and sound financial management.

Good governance entails addressing the needs of the public through consultation and communication; and being accountable to the citizens of Makana as required by the Municipal Systems Act, 2000 (Act 32 of 2000). Council undertook a number of processes to achieve this goal, including establishing ward committees; issuing quarterly newsletters and communicating via social media and online platforms such as the municipal website; Speaker and Mayor are holding consultative meetings with a wide range of stakeholders. Accountability is enforced through performance contracts signed by the Senior Management and is monitored by the Municipal Manager and Council through quarterly performance reports that are validated by the Audit Committee.

Makana population has grown to an estimated 97 815 persons as per a report by the Census 2022 which is 1.07 % rate compared to 2016 and 2022. Households have increased to an estimated 24 800 which is 1.32 5 rate increase compared to the same period as population rate. Out of the economically active population, there are 17 500 that are unemployed, or when expressed as a percentage, an unemployment rate of 44.2%. Up to here all the statistics are measured at the place of residence. *(Global insight 2022)*

The growth in population goes hand in hand with various challenges, particularly the ongoing demand for housing development.

Municipality is focusing on upgrading infill areas which are situated in serviced areas already due to insufficient bulk infrastructure for new development. There are about 178 units that are approved for infill areas housing development, for these projects consultants have been appointed and designs are complete.

The Annual Report for 2023/24 provides detail on various infrastructure projects and social development being undertaken to facilitate the envisioned accelerated growth and safe environment. These projects are only possible through strategic partnerships with other spheres of government and the community of Makana, without which we cannot meet the challenges that we face.

I remain grateful to Council, the Speaker, the Mayoral Committee, and the Municipal Manager, all of whom continue to guide our staff, resources, and operations to make Makana a great place to be.

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**MS. Y. VARA**  
**EXECUTIVE MAYOR**

#### IV) MUNICIPAL MANAGER OVERVIEW

Makana Municipality is a Category B municipality with powers and functions assigned in terms of Sections 155 and 156 of the Constitution of the Republic of South Africa, 1996 (local government matters referred to in Schedules 4 and 5). These powers and functions are exercised subject to Chapter 5 of the Municipal Structures Act, 117 of 1998 and Chapter 3 of the Local Government Municipal Systems Act, 32 of 2000.

Makana LM is one of the 7 LM under SBDM Municipality in the Eastern Cape, classified as B category municipality. Approximately 63% of residents are indigent. It comprises of 3 urban areas Makhanda, Alice Dale and Reibeek east which are primary urban areas and other 3 service areas such as Fort Brown, Seven Fountains, Salem and many farm areas surrounding these areas. Makana Local Municipality covers 4 376 km<sup>2</sup> in areal extent and shares borders with Raymond Mhlaba (North), Ndlambe (SE), Ngqushwa (NE) and Sunday's River Valley (W) and consists of 14 wards.

In presenting the 2023/24 Annual Report we affirm that Makana Municipality has made tremendous strides towards achieving its vision of "*great place to be*", guided by the values of transparency, excellence, responsiveness, accountability, accessibility and integrity, supported by the following strategic objectives:

- To ensure good governance and compliance.
- To ensure financial sustainability in order to meet the statutory requirements.
- To ensure an efficient and effective organisation supported by a competent and skilled workforce.
- To provide and maintain the required physical infrastructure and to ensure sustainable and affordable services.
- To plan, promote investment and facilitate economic growth; and
- To facilitate, support and promote social and community development.

Makana received a disclaimer opinion from the Auditor General for the 2023/24 financial year. This is our fourth (4<sup>th</sup>) consecutive audit opinion. This bears testament of challenges of good governance and sound financial management we are facing.

In 2023-24 financial Municipality has faced many challenges on financially sound management activities, these include the following Material differences between budget and actual amounts. Makana Local Municipality considered the variance between final budget and the actual amounts that is above 10% or above the norm/standard to be material variance. Those variances are explained in detail in annual report's annual financial statement as an annexure.

Municipality in terms of its overall performance against Service delivery budget and Implementation plan has not improvement compared to previous financial year 2022-23, which was 54% overall and for 2023-24 financial year Municipality has achieved 55% which is not significant improvement compared to 90% planned for year under review. This performance was categories by poor planning, delay in supply chain management which resulting of not meeting targets and shortfalls in budget.

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**MR P.M. KATE**  
**MUNICIPAL MANAGER**

## CHAPTER ONE: MUNICIPAL OVERVIEW

### 1.1 Municipal Profile

Makana Local Municipality (Makana) is a category B Municipality approximately halfway between East London and Port Elizabeth that forms part of the seven local municipalities of the Sarah Baartman (formerly Cacadu) District Municipality in the Eastern Cape Province.

#### Vision

Making Makana Local Municipality a "Great place to be" by 2030

**Vision Statement**  
"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".

Makana's area is bordered in the North-East by Amathole District Municipality, North-West by Blue Crane Route Local Municipality, in the South by Ndlambe Local Municipality and in the South-West by the Sundays River Valley Local Municipality, with the cities of Port Elizabeth 120km to the West and East London 180 km East. In 2011 the Municipality was delimited into fourteen wards.

Makana Municipality's commitment to developing a "*Great Place to be*" is driven with specific emphasis of translating the Municipality's strategies into an Implementable Action Plan. The Municipality is committed in ensuring that it achieves its Developmental Priorities for the term.

#### 1.1.2 Core Values

##### Core Value Figure







### 1.1.3 Demographics and Socio-Economic Profile

The following Statistical Overview Report aims to quantify the economic, demographic and socio-economic environment of Makana Local Municipality in context of its neighbouring regions, the district, the province and South Africa. A better understanding of the demographic, economic and socio-economic environment could inform stakeholders to implement and monitor plans and policies that will allow for a healthy, growing and inclusive economy and society.

Understanding the changes in the composition of the population with respect to population group, age and gender is vital in the face of growing pressure on food, energy, water, jobs and social support on the country's citizens. An understanding of how the total fertility rates, age-specific fertility rates, sex ratios at birth, life expectancies and international migration affect the respective population groups, ages and genders is essential for effective planning on a spatial level. The first section of the Statistical Overview Report will aim to disentangle the changes in the Makana Local Municipality demographics in context of other locals of the region, the districts, the Province and South Africa.

The second section will provide insights into the economic environment of Makana Local Municipality in relation to the other local municipality in the region, the district, the province and South Africa's performance. The changing economic environment subsequently influences the ability of the economy to create jobs. This section will therefore also include analysis on the employment and subsequent income dynamics of Makana Local Municipality.

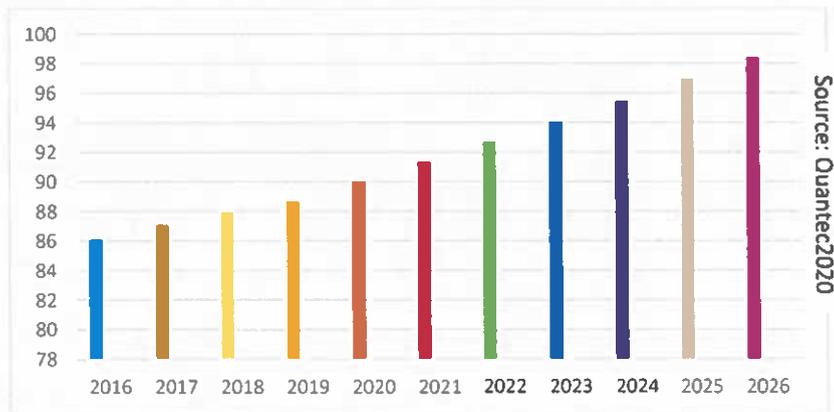
#### 1.1.3.1. Demographic Profile

"Demographics", or "population characteristics", includes analysis of the population of a region. Distributions of values within a demographic variable, and across households, as well as trends over time are of interest. In this section, an overview is provided of the demography of the +Makana Local Municipality and all its neighbouring regions, Sarah Baartman District Municipality, Eastern Cape Province and South Africa as a whole.

**Total Population:** Population statistics is important when analysing an economy, as the population growth directly and indirectly impacts employment and unemployment, as well as other economic indicators such as economic growth and per capita income. This chapter is of paramount importance as it informs all the municipal planning.

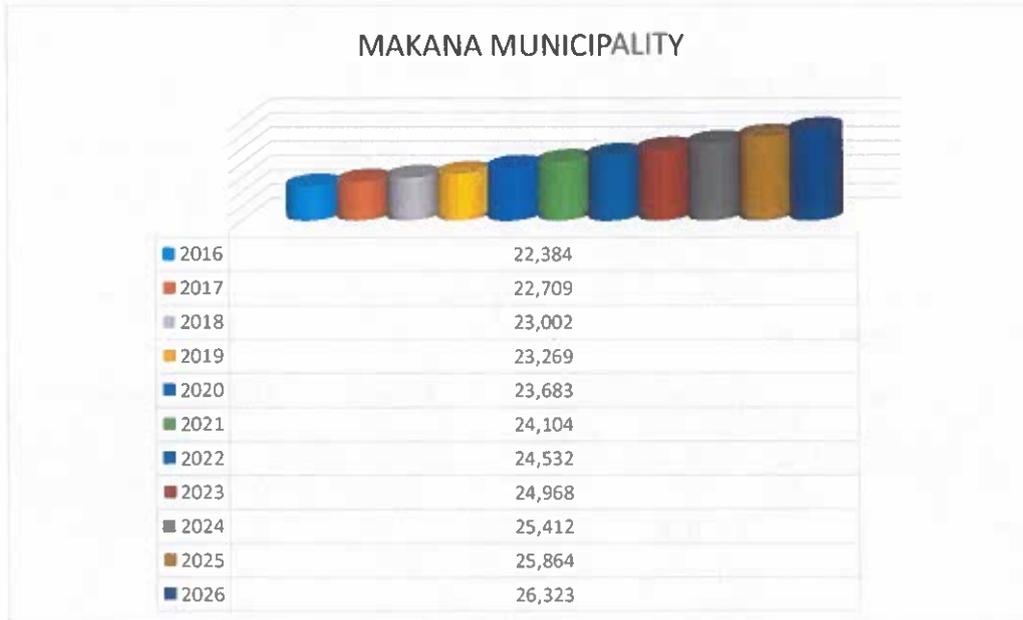
The municipal area is 4 375.6km<sup>2</sup> with a population span of 20.9 people per km<sup>2</sup> and 24 968 households (a household is considered a group of people living together or a single person who lives alone). A population is the number of individuals who live within a specific area. The growth rate of the municipality is greater to that of the district between 2016 and 2019, at 0.26%.

The figure below depicts the actual population numbers up until 2019 as well as a forecasted value for the subsequent years.



The number of households in Makana is expected to rise to at least 26 323 households by 2026, with an average annual growth rate of 0.52%. Makana's household growth rate is higher than that of the district (Sarah Baartman District) municipality (0.37%).

#### Makana Households 2016-2026



Household Size 2016 - 2026	2016	2020	2026
Makana	3.85	3.85	3.85
Sarah Baartman	3.63	3.62	3.61

## Dependency Ratio

The dependency ratio is the ratio of dependents (people younger than 15 and older than 65). The working population age is 15-65. The higher the ratio, the more financial burden there is on the working age population to support those who are not economically active.

Dependency Ratio 2016-2026	2016	2020	2026
Makana	46.4	46.8	46.8
Sarah Baartman	54.4	54.6	54.7

In 2020 the Makana Municipality had an estimated dependency ratio of 46.75% meaning that there are about 47 dependencies for every 100 people of working age. The dependency ratio is expected to increase to 46.77% by 2026. The dependency ratio in Makana is lower compared to that of Sarah Baartman District.

## Conclusion

The Makana Municipality had an average population growth of 0.39% and a household growth of 0.52%. Household sizes are therefore increasing. This has implications for the demand of housing, as well as the types of housing that will be demanded in the future.

### 1.1.3.1. Population projections

Based on the present age-gender structure and the present fertility, mortality, and migration rates, Makana's population is projected to grow at an average annual rate of 1.2% from 97 815 in 2022 to 102 593 in 2026.

**Population projections - Makana, Sarah Baartman, eastern cape, and national total, 2022-2026 [numbers percentage]**

Year	Makana	Sarah Baartman	Eastern Cape	National Total	Makana as % of District	Makana as % of Province	Makana as % of National
2022	97,815	543,000	7,470,000	61,100,000	17.0%	1.23%	0.15%
2023	98,988	549,000	7,550,000	61,900,000	17.0%	1.23%	0.15%
2024	100,175	556,000	7,630,000	62,700,000	16.9%	1.24%	0.15%
2025	101,377	563,000	7,710,000	63,500,000	17.0%	1.24%	0.15%
2026	102,593	570,000	7,780,000	64,300,000	17.0%	1.24%	0.15%
<b>AVERAGE ANNUAL GROWTH</b>							
2022-2026	1.17%	1.21%	1.02%	1.29%			

The population projection of Makana Local Municipality shows an estimated average annual growth rate of 1.2% between 2022 and 2026. The average annual growth rate in the population over the projection period for Sarah Baartman District Municipality, Eastern Cape Province and South Africa is 1.2%, 1.0% and 1.3% respectively. The Eastern Cape Province is estimated to have an average growth rate of 1.0% which is very similar than that of the Makana Local Municipality. The South Africa as a whole is estimated to have an average annual growth rate of 1.3% which is very similar than that of Makana's projected growth rate.

## **1.2 CRIME**

The state of crime in South Africa has been the topic of many media articles and papers in the past years, and although many would acknowledge that the country has a crime problem, very little research has been done on the relative level of crime. The media often tend to focus on more negative or sensational information, while the progress made in combating crime is neglected.

### **1.2.1 IHS COMPOSITE CRIME INDEX**

The IHS Composite Crime Index makes use of the official SAPS data, which is reported in 27 crime categories (ranging from murder to crime injuries). These 27 categories are divided into two groups according to the nature of the crime: i.e., violent crimes and property crimes. IHS uses the (a) Length-of-sentence and the (b) Cost-of-crime to apply a weight to each category.

#### **1.2.1.2 IHS CRIME INDEX - CALENDER YEARS (WEIGHTED AVG / 100,000 PEOPLE) - MAKANA LOCAL MUNICIPALITY, 2011/2012-2021/2022 [INDEX VALUE]**

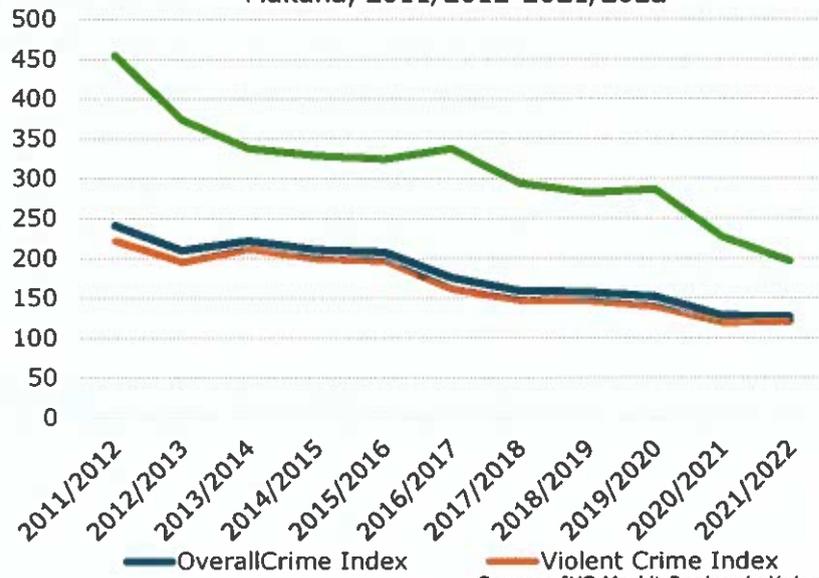
### **HIS COMPOSITE CRIME INDEX**

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### **Overall crime Index:**

The crime index is a composite, weighted index which measures crime. The higher the index number, the higher the level of crime for that specific year in a particular region. The index is best used by looking at the change over time or comparing the crime levels across regions.

**Overall, Violent and Property Crime Index  
Makana, 2011/2012-2021/2022**



Source: IHS Markit Regional eXplorer version 2257

For the period 2011/2012 to 2021/2022 overall crime has decrease at an average annual rate of 6.22% within the Makana Local Municipality. Violent crime decreased by 5.91% since 2011/2012, while property crimes decreased by 8.05% between the 2011/2012 and 2021/2022 financial years.

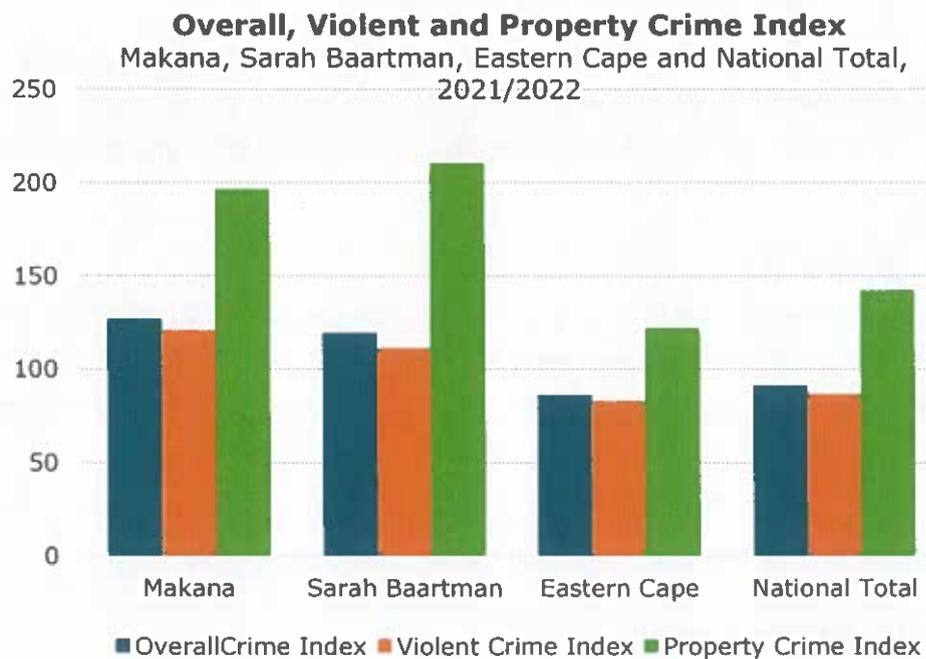
**OVERALL CRIME INDEX - MAKANA LOCAL MUNICIPALITY AND THE REST OF SARAH BAARTMAN,  
2011/2012-2021/2022 [INDEX VALUE]**

	Makana	Dr Beyers Naude	Blue Crane Route	Ndlambe	Sundays River Valley	Kouga	Kou-Kamma
2011/2012	241.03	125.05	143.58	181.04	174.38	142.46	176.76
2012/2013	209.78	131.39	138.20	176.40	175.49	123.87	159.70
2013/2014	221.84	116.71	145.60	172.83	168.85	123.41	148.39
2014/2015	210.28	122.42	135.71	181.44	172.91	119.97	143.65
2015/2016	207.28	132.97	131.13	171.30	156.29	124.26	128.34
2016/2017	175.66	127.48	135.64	170.25	133.21	127.09	127.86
2017/2018	159.29	119.99	121.86	157.95	133.40	120.25	136.92
2018/2019	157.29	121.85	125.33	169.33	155.99	121.35	138.32
2019/2020	151.70	124.91	129.43	147.26	158.54	117.34	111.10
2020/2021	127.86	111.88	97.03	128.51	139.73	89.54	86.38
2021/2022	126.82	117.43	116.77	131.13	156.44	94.89	103.46
<b>Average Annual growth</b>							
<b>2011/12-2021/22</b>	<b>-6.22%</b>	<b>-0.63%</b>	<b>-2.05%</b>	<b>-3.17%</b>	<b>-1.08%</b>	<b>-3.98%</b>	<b>-5.22%</b>

Source: IHS Markit Regional eXplorer version 2257

In 2021/2022, the Sundays River Valley Local Municipality has the highest overall crime rate of the sub-regions within the overall Sarah Baartman District Municipality with an index value of 156. Ndlambe Local Municipality has the second highest overall crime index at 131, with Makana Local Municipality having the third highest overall crime index of 127. All the crime is decreasing overtime for all the regions within Sarah Baartman District Municipality. Kou-Kamma Local Municipality has the second lowest overall crime index of 104 and the Kouga Local Municipality has the lowest overall crime rate of 94.9. Crime is decreasing overtime for all the regions within Sarah Baartman District Municipality. The region that decreased the most in overall crime since 2011/2012 was Makana Local Municipality with an average annual decrease of 6.2% followed by Kou-Kamma Local Municipality with an average annual decrease of 5.2%.

**IHS CRIME INDEX - CALENDER YEARS (WEIGHTED AVG / 100,000 PEOPLE) - MAKANA, SARAH BAARTMAN, EASTERN CAPE AND NATIONAL TOTAL, 2021/2022 [INDEX VALUE]**



Source: IHS Markit Regional eXplorer version 2257

From the chart above it is evident that property crime is a major problem for all the regions relative to violent crime.

## CHAPTER TWO: MUNICIPAL GOVERNANCE:

In the quest to realise Makana Municipality's vision of "A Great Place to be", it is imperative that the Municipality is governed in a way that promotes good governance. The Municipality strives to achieve excellence by balancing the needs of all residents and the constitutional and legal framework applicable to local government with the available resources in such a way that service delivery takes place in an efficient, economic and effective manner.

Makana Municipality is established in terms of Section 12 of the Municipal Structures Act, 1998 (Act 118 of 1998) as a Municipality with a Mayoral Executive System combined with a Ward Participatory System. Section 2(b) of the Municipal Systems Act states that a Municipality is constituted by its Political Structures, Administration and Community

The Municipality is a Category B Municipality (local municipality) with an Executive Mayoral Committee System combined with a Ward Participatory System, as defined under Chapter 1 of the Local Government: Municipal Structures Act No. 117 of 1998. The Political and Administrative seat is situated in Makhanda.

### 2.1. POLITICAL GOVERNANCE

In compliance with Section 151(3) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996); Section 53 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000); and the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), Makana Municipal Council governs the local government affairs of the local community on its own initiative.

The roles and areas of responsibility of each political structure and each political office-bearer of the Municipality and of the Municipal Manager are defined and adhered to accordingly.

#### 2.1.1. The Outline of Makana's Political Structure





The Executive Mayor, assisted by the Mayoral Committee, heads the political executive arm of the Municipality. The Executive Mayor is at the center of the system of governance since executive powers are vested in her to manage the day-to-day affairs. This means that she has an overarching strategic and political responsibility.

The key element of the executive model is that the executive power is vested in the Executive Mayor, delegated by the Council, as well as the powers assigned by legislation.

Although she is accountable for the strategic direction and performance of the municipality, the Executive Mayor operates in close conjunction with the Mayoral Committee.

The Municipal Council which comprises 27 Councillors, 14 of whom are Ward Councillors and 13 of whom are Proportional Representative (PR) Councillors. The Speaker is the Chairperson of the Municipal Council. There are an Executive Mayor and Executive Mayoral Committee; and Portfolio Committees who provide oversight on directorial operations.

#### 2.1.2.1 FULL-TIME OFFICER BEARERS-

REF NO	DESIGNATION	FUNCTION
--------	-------------	----------

01	<b>Council Speaker</b> <b>Cllr Mthuthuzeli</b> <b>Matyumza</b>	<p>The Speaker of the Municipal Council:</p> <ul style="list-style-type: none"> <li>▪ Presides over the Council meetings.</li> <li>▪ Performs the duties and exercises the powers delegated to the Speaker in terms of Section 59 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).</li> <li>▪ Must ensure that the Council meets at least quarterly.</li> <li>▪ Must maintain order during meetings.</li> <li>▪ Must ensure compliance in Council and Council committees with the Code of Conduct set out in Schedule 1 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000); and</li> <li>▪ Must ensure that Council meetings are conducted in accordance with the Rules and Orders of the Council.</li> </ul>
02	<b>Executive Mayor</b> <b>Cllr Yandiswa Vara</b>	<p>The Executive Mayor represents the public and is the chief political principal of the municipality. In terms of legislation the Executive Mayor has the following functions:</p> <ul style="list-style-type: none"> <li>▪ Identify the needs of the Municipality.</li> <li>▪ Review and evaluate those needs in order of priority.</li> <li>▪ Recommend to the Municipal Council strategies, programmes and services to address priority needs through the Integrated Development Plan and the Operating and Capital Budgets, considering any applicable national and provincial development plans; and</li> <li>▪ Recommend or determine the best way, including partnership and other approaches, to deliver those strategies, programmes and services to the benefit of the community.</li> </ul>

#### 2.1.2.2 FULL-TIME OFFICE BEARERS:

REF NO	DESIGNATION	NAME
01	<b>Council Speaker</b>	▪ <b>Cllr M Matyumza</b>
02	<b>Executive Mayor</b>	▪ <b>Cllr Y Vara</b>

#### 2.1.3. Council and Councilors.

Council's primary role is to govern the Municipality in a democratic and accountable manner, to perform legislative and executive functions and generally to fulfil its roles and responsibilities as set out in the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996).

It focuses on legislation, decision-making, oversight, and participatory roles and has delegated executive functions to the Executive Mayor, other office bearers, the Municipal Manager and other staff members where applicable.

Makana Municipal Council consists of 14 ward councilors and 13 proportionally elected councilors. Political parties are represented through elected councilors from the ANC (14), DA (5), and EFF (2), MCF (5), IND (1)

#### 2.1.4. Political Decision Making

Section 160(3) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) prescribes the way Council takes decisions. A quorum of all Councilors must be present to take any decision and most of the votes cast results in a legal decision.

The exception to this rule is that when any of the following issues are determined, it is determined by a decision taken with a supporting vote of a majority of all its members:

- The passing of policies and by-laws
- The approval of IDP and budgets
- The imposition of rates and other taxes, levies and duties
- The raising of loans and
- Appointment of section 54 and 57 employees

#### MAKANA MUNICIPALITY MEETING SCHEDULE: JULY 2024 – JUNE 2025

JULY 2024			
DAY	DATE	COMMITTEES	TIME
Thursday	04/ 07	Extended/ Senior Management Team	10:00
Tuesday	16/ 07	Budget Steering Committee	09:00/ 14:00
Wednesday	17/ 07	Aesthetics Committee	09:00
Wednesday	17/ 07	Mayoral Committee	11:00
Thursday	18/ 07	IGR	10:00
Friday	19/ 07	Employment Equity & Training Committee	09:00
Friday	19/ 07	MPAC	10:00
Tuesday	23/ 07	FAME: Finance	09:00
Wednesday	24/ 07	Risk Committee	09:00
Wednesday	24/ 07	Occupational, Health & Safety	14:00
Thursday	25/ 07	Audit Committee	11:00
Tuesday	30/ 07	Ordinary Council	09:00
AUGUST 2024			
Thursday	01/ 08	Local Labour Forum	09:00
Thursday	15/ 08	Infrastructure Development	09:00
Thursday	15/ 08	Budget Steering Committee	09:00/ 14:00
Friday	16/ 08	Social Development	09:00

Tuesday	20/ 08	Municipal Public Accounts Committee (MPAC)	10:00
Wednesday	21/ 08	Corporate & Shared Services Portfolio Committee	09:00
Thursday	22/ 08	LED Portfolio Committee	09:00
Tuesday	27/ 08	Mayoral Committee	11:00
Thursday	29/ 08	Special Council	09:00
<b>SEPTEMBER 2024</b>			
Thursday	05/ 09	Employment Equity & Training Committee	09:00
Friday	13/ 09	Local Labour Forum	09:00
Tuesday	17/ 09	Budget Steering Committee	09:00/ 14:00
Thursday	19/ 09	Municipal Public Accounts Committee (MPAC)	10:00
Friday	27/ 09	Mayoral Committee	11:00

**MEETING SCHEDULE Continue....**

<b>DATE</b>	<b>COMMITTEE</b>	<b>TIME</b>
03/ 10	Occupational, Health & Safety	09:00
04/ 10	Extended Management team	10:00
11/ 10	Risk Committee	09:00
16/ 10	Budget Steering Committee	14:00
16/ 10	(MPAC) Municipal Public Accounts Committee	10:00
17/ 10	IGR	10:00
22/ 10	FAME: Finance Portfolio Committee	09:00
23/ 10	Aesthetics Committee	09:00
24/ 10	Mayoral Committee	11:00
30/ 10	Ordinary Council	09:00
<b>NOVEMBER 2024</b>		
04/ 11	Extended Management team	10:00
06/ 11	Infrastructure Development	09:00
08/ 11	Social Development	09:00
14/ 11	LED Portfolio Committee	09:00
15/ 11	Corporate & Share Services	09:00
19/ 11	Audit Committee	11:00
20/ 11	Budget Steering Committee	09:00/14:00
22/ 11	Municipal Public Accounts Committee	10:00
26/ 11	Mayoral Committee	11:00
29/ 11	Special Council	09:00
<b>DECEMBER 2024</b>		
04/ 12	Senior Management team	10:00
12/ 12	Budget Steering Committee	09:00/ 14:00
13/ 12	Municipal Public Accounts Committee	10:00
16/ 12	Mayoral Committee	11:00
<b>JANUARY 2025</b>		
15/ 01	Mayoral Committee	11:00
16/ 01	Budget Steering Committee	09:00/14:00
17/ 01	Risk Committee	09:00
21/ 01	FAME: Finance Portfolio Committee	09:00
24/ 01	Aesthetics Committee	09:00
27/ 01	Audit Committee	11:00
28/ 01	IGR	10:00
29/ 01	Employment Equity & Training Committee	09:00
30/ 01	Special Council	09:00
<b>FEBRUARY 2025</b>		
04/ 02	Local Labour Forum	09:00
07/ 02	Extended Management Team	10:00
12/ 02	Corporate & Shared Services Portfolio Committee	09:00
13/ 02	Social Development	09:00
14/ 02	Infrastructure Development	09:00
17/ 02	ICT	10:00
18/ 02	LED Portfolio Committee	09:00
19/ 02	Budget Steering Committee	09:00/ 14:00
20/ 02	Mayoral Committee	11:00
21/ 02	Municipal Public Accounts Committee	10:00
28/ 02	Special Council	09:00
<b>MARCH 2025</b>		
07/ 03	Senior Management Team	10:00

14/ 03	Municipal Public Accounts Committee	10:00
18/ 03	Budget Steering Committee	09:00/ 14:00
20/ 03	Mayoral Committee	11:00
28/ 03	Special Council	09:00
<b>APRIL 2025</b>		
04/ 04	Extended Management Team	10:00
08/ 04	LED Forum	09:00
10/ 04	Risk Committee	09:00
11/ 04	Aesthetics Committee	09:00
15/ 04	Budget Steering Committee	09:00/ 14:00
16/ 04	Audit Committee	11:00
17/ 04	Mayoral Committee	11:00
17/ 04	Employment Equity & Training Committee	09:00
22/ 04	FAME: Finance Portfolio Committee	09:00
23/ 04	Corporate & Shared Services Portfolio Committee	09:00
24/ 04	IGR	10:00
25/ 04	Municipal Public Accounts Committee	10:00
25/ 04	Occupational, Health & Safety	09:00
30/ 04	Ordinary Council	09:00
<b>MAY 2025</b>		
r	Local Labour Forum	09:00
08/ 05	ICT	10:00
13/ 05	Infrastructure Development	09:00
15/ 05	Budget Steering Committee	09:00/ 14:00
15/ 05	Social Development	09:00
21/ 05	Mayoral Committee	11:00
22/ 05	Municipal Public Accounts Committee	10:00
27/ 05	LED Portfolio Committee	09:00
30/ 05	Special Council	09:00
<b>JUNE 2025</b>		
05/06	Extended Management Team	10:00
11/ 06	Risk Committee	09:00
17/ 06	Budget Steering Committee	09:00/ 14:00
19/ 06	Mayoral Committee	11:00
20/ 06	Municipal Public Accounts Committee	10:00
26/ 06	Special Council	09:00

### 2.1.5 Mayoral Committee

The Executive Mayor is supported by a Mayoral Committee. Each member of the Mayoral Committee has a portfolio with specific functions. The Executive Mayor may delegate specific responsibilities to each member of the Mayoral Committee. Any powers and duties delegated to the Executive Mayor by the Municipal Council must be exercised and performed by the Executive Mayor together with the other members of the Mayoral Committee.

The Committee assists in harnessing the common understanding between political and administrative components before the IDP reports are considered at the council meeting. It also makes recommendations to the IDP Representative Forum

**2.1.5.1 MAYORAL COMMITTEE BEARERS- FROM DECEMBER**

REF NO.	COUNCILLOR	PORTFOLIO
01	Cllr T. Vayo	Chairperson Social Services Development
02	Cllr M.R. Xonxa	Chairperson Financial Administration, Monitoring & Evaluation – Corporate Services
03	Cllr Z.A Hoyi	Chairperson Financial Administration, Monitoring & Evaluation – Finance
04	Cllr G.B. Mene	Chairperson Engineering & Infrastructure Development:
05	Cllr M. Nkwentsha	Local Economic Development and Planning

**2.1.6 Portfolio Committees**

Five (5) Section 80 committees are established, namely: PSSS, FAME, BTO, EIS and LED to advise the Executive Mayor on policy matters and any other matter to be considered by the Executive Mayor. They are assigned to focus on specific functional areas of the Municipality and can only make decisions on specific functional issues if delegations have been granted to them.

The members are appointed by Council. The chairpersons appointed by the Executive Mayor are full-time Councilors and form part of the Mayoral Committee.

**2.1.7 Municipal Public Accounts Committee (MPAC)**

Section 79 committees are permanent committees appointed to advise the municipal Council. The council established the Municipal Public Accounts Committee (MPAC) to perform an oversight function on behalf of Council over the executive functionaries of the Council. The MPAC, inter alia, serves as an oversight committee to make recommendations to the Council when it adopts the Oversight Report on the Annual Report in terms of Section 129 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA). No members from the political executive arm are members of the MPAC.

The committee met on four (4) occasions during the year under review to deal with Annual and Oversight Report of 2023/ 24 Annual Report as well as considering matters relating to unauthorized, irregular, fruitless, and wasteful expenditure.

**2.1.7.1 MPAC MEMEBRS:**

REF NO	NAME	CAPACITY	POLITICAL PARTY
01	Cllr M. Booyesen	Chairperson	EFF
02	Cllr V Jezi	Member	ANC
03	Cllr S. Zono	Member	ANC
04	Cllr L Sizani	Member	DA
05	Cllr Z. Mantla	Member	MCF

### 2.1.8 Audit Committee

In compliance with Section 166(2) of the MFMA, Council has an Audit and Risk Committee which is an independent body advising the Municipal Council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to:

- Internal control.
- Risk management.
- Accounting policies.
- Adequacy, reliability and accuracy of financial reporting and information.
- Annual financial statements
- Performance management.
- Governance
- Compliance with MFMA, DoRA and other applicable legislation.
- Issues raised by the Auditor-General and Internal Audit; and
- Monitoring and evaluation of the Internal Audit Unit.

The Audit and Risk Committee Terms of Reference are reviewed by Council annually to ensure compliance with legislation and governance best practices. The Audit and Risk Committee meet on a quarterly basis and details regarding their recommendations to Council can be found in the Internal Audit reports.

#### 2.1.8.1. Members of the Audit and Performance Committee

Ref No.	Name	Capacity
01	Prof W. Plaatjies	Chairperson
02	Ms. Mahlakahlaka	Member
03	Mr. Manthe	Member

## 2.2 ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the Accounting Officer of the Municipality and the head of Administration. His primary function is to serve as chief custodian of service delivery and the implementation of political priorities.

He is assisted by his Senior Management Team (SMT), which comprises of the Directors of the five directorates established in the organogram as indicated in the chart below. There are also six (6) divisional managers reporting directly to the Municipal Manager. The SMT meet at least twice on monthly basis to discuss current priorities, strategic interventions to improve service delivery and new initiatives based on feedback from political leadership, departments and the local community.

The Municipal Manager provides direction and support to all officials under his leadership. Committees exist in ensuring smooth operation both within the institution and to the communities we serve, such committees as the Management Committee that constitutes of the Municipal Manager and his Directors as well as the Extended Management Committee which constitutes of the Municipal Manager, Directors and Operational Managers.

### 2.2.1 Organogram



The municipality undertook a comprehensive organisational development exercise for the entire institution. The objective was the alignment of the current and future organisational needs.

Workshops were conducted with both senior managers and middle managers to discuss and consider current and emerging issues and how these might apply at Makana local municipality. Individual meetings were then held with all managers to gain their personal insight into service levels, resourcing, performance, structure and sustainability.

#### Senior Management of the Municipality

- Municipal Manager: **Mr Pumelelo Kate**
- Chief Financial Officer: **Ms Nomfundo Ntsangani**
- Director Corporate and Shared Services: **Mr Xolela Kalashe**
- Director Engineering and Infrastructure: **Mr Mzomhle Radu (Acting)**
- Director Public Safety and Community Services: **Ms Ntombesizwe Notyeke**
- Director Local Economic Development and Planning: **Ms Natasha. Koahla**

## 2.3 INTERGOVERNMENTAL RELATIONS

An intergovernmental Relations Forum exists under the guidance of the Executive Mayor. The purpose of the forum is to coordinate the planning of projects and the implementation of programmes emanating from the IDP processes.

The meetings of the IGR Forum are chaired by the Executive Mayor and convened on a quarterly basis with all local Government Departments being represented by Senior-Decision Makers. The impact of COVID19 pandemic introduced virtual meetings to continue with servicing the community of Makana by discussing issues concerning service delivery and compliance.

### **2.3.1 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 Provincial Intergovernmental Structures**

The Municipal Manager attends all meetings of the Provincial Muni-MEC and similar structures with all resolutions taken at that level being worked into the Makana Council agenda. The value of this interaction is in ensuring that the needs of the local community are considered when the implementation of Government Projects is discussed.

### **2.3.3 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 Sarah Baartman 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.

## **2.4 PUBLIC ACCOUNTABILITY AND PARTICIPATION**

### **2.4.1 STAKEHOLDER INPUT AND COMMUNITY BASED PLANNING**

The IDP is about determining the stakeholder and community needs and priorities which need to be addressed to contribute to the improvement of the quality of life of residents within the municipal area. As is required by law, public participation meetings were held within the municipal space to go through community needs and priorities, to refine, add and remove those that are no longer a priority.

### **2.4.2 WARD PUBLIC MEETINGS**

Community meetings are held per ward-by-Ward Councillors and their committees at least once per quarter. Notices to the public/ residents are distributed at least two days in advance for the communities to prepare for such meetings.

The municipality also makes use of the local Radio, and Virtual Newspaper to inform the public as well as social media e.g., WhatsApp groups and MobiSAM. This helps to get the message

to the people on time so they can plan their questions and make necessary arrangements to attend.

As is required by law, there were IDP revision / budget process review meetings held in 2024/25 financial year. Public participation meetings with regards to Community development priorities were held in May 2024 and the public was also consulted in May for the approval of the municipal budget and Integrated Development Plan of the municipality.

#### **2.4.4.1 WARD COMMITTEES**

Ward committees form an essential part of the public participation process, and these structures are particularly useful to ensure a relationship between Councilors and ward residents. It provides the opportunity to discuss local matters that concern the residents in that ward. Ward committees play an important role in this regard as they advise on the projects the community would like to have implemented in their wards.

These ward projects further strengthen the relationship between the Municipality and the communities due to the direct impact that the ward committees can make on development projects in their wards.

##### **The purpose of ward committees:**

- To act as an advisory committee to the Ward Councillor and Council.
- To ensure two-way communication between and from the community.
- To identify specific needs and to refer same to the administration and Council for attention.
- To actively partake in the annual IDP ward based public meetings.
- To assist the Ward Councillor in identifying ward projects and ward capital projects
- To identify stakeholders in the wards and to liaise with them regarding matters needing attention; and
- To discuss ward related Council agenda items and to make inputs regarding same if necessary.

The chairperson of the ward committee is the elected Ward Councillor and other members of the ward committee are elected by the residents of the ward. It is expected of the ward committees to hold regular meetings – at least once every three (3) months – and the minutes are submitted to the Speaker's Office. The functionality of the ward committees is monitored and reported on to the Council on a quarterly basis.

**2.4.4.1 IDP/ Budget Roadshows:**

**IDP BUDGET ROADSHOWS:**

WARD	AREA	VENUE	DATE	TIME	STATUS
1	RIEBECK EAST	ALFRED KOTA DIKE HALL	07.05.24	10:00	SUCCESS
02; 03 05; 06 09; 11	A, B, C, D, BLOCKS, EXT 1, 2, 3, EXT 10, MNANDI, EXT 3. EXT 08, TRANSIT CAMP, EXT 9, PA, EXT 6, BLOCK D, EXT 4, EXT 5, EXT 7, LINGELIHLE, ETHEMBENI, KHAYELITSHA, 26 SITES	INDOOR SPORT CENTRE	07.05.24	17:00	POSTPONED
03; 04	PHAPHAMANI, PHOLA PARK, SUN CITY, GHOAST TOWN, ZOLANI; GRAEME COLLEGE, ST AIDENS, SCOTT'S FARM, ALBANY ROAD, KINGSWOOD, ANDREW HEMRO, VERGENOEG,	RECREATION HALL	08.05.24	17:00	SUCCESS
13	SALEM	SALEM CLUB HALL	09.05.24	10:00	SUCCESS
08 12	SUNNYSIDE, FORT ENGLAND AREA, CBD, RHODES UNIVERSITY, SOMMERSET STREET	CITY HALL	15.05.24		SUCCESS
14	ALICEDALE	TOWNHALL	16.05.24		SUCCESS
02; 03 05; 06 09; 11	A, B, C, D, BLOCKS EXT 1,2,3; EXT 10, MNANDI, EXT 3. EXT 08, TRANSIT CAMP, EXT 9, ENKANINI; PA, EXT 4 & 6; PTN OF BLOCK D AND EXT 5; EXT 7, LINGELIHLE, ETHEMBENI, KHAYELITSHA, 26 SITES	INDOOR SPORT CENTRE	16.05.24		SUCCESS

**MAYORAL IMBIZO**

DATE	WARD	VENUE	TIME
05/11/2024	01	COMMUNITY HALL	10:00
06/11/2024	02,03,05,06,09,11	INDOOR SPORT CENTRE	16H00
07/11/2024	07,09,10,13	FOLEYS GROUND	16H00
12/11/2024	13	YANDELL	10:00
12/11/2024	14	COMMUNITY HALL (SEVEN-FOUNTAINS)	14:00
13/11/2024	03, 04	RECREATION	16H00
14/11/2024	08, 12	CITY HALL	16:00

These meetings help with the planning of projects for the following financial year budgeting. These sessions provide an opportunity for municipality to interact with the communities to get feedback and recommendations for the next financial year.

## **2.5 CORPORATE GOVERNANCE**

### **2.5.1 Internal Audit and Risk Committee:**

The current Audit and Risk Committee was appointed by Council in August 2021 effective from the 01 August 2021 to serve for a period of three years. The Chairperson of the committee was reappointed and there were three new members that were appointed of which one resigned. The committee holds its quarterly meetings and performs its function in terms of the Makana Municipality Audit and Risk Committee Charter approved by Council and Performance Management System Framework which are reviewed annually before the start of each financial year.

#### **Other parties in attendance are:**

**Makana Municipality:** The Municipal Manager, Director of Budget & Treasury / Chief Financial officer, Director of LED & Planning, Director Engineering & Infrastructural Services, Director of Corporate Services and Director Public Safety and Community Services.

**Managers:** Internal Audit; IDP/PMS Managers and the MPAC Chairperson act as ex-officio.

**External Parties:** Provincial Treasury; Provincial CoGTA and Auditor-General representatives.

### **2.5.2 Internal Audit Unit:**

The Municipality has an in-house Internal Audit Unit in place that is in the office of the Municipal Manager, headed by an Internal Audit Manager. The staff consists of Internal Audit Manager, 1x Senior Internal Auditor appointed and 1x Internal Auditor. The Internal Audit Unit also has 2 vacant positions for Internal Auditors. Risk based and statutory audits as required by section 165 of the Municipal Finance Management Act are performed each year including Ad – Hoc requests from time to time.

### **2.5.3 Risk Management:**

A risk management framework is in existence and there is a risk-based audit plan. Risk management is not fully embedded in the culture and internal control processes of the municipality. There is a fully functional Risk Management Committee that has an independent Committee Chairperson. Annual Risk Assessment workshops are held where a development

and review of the strategic risk register is done. Quarter risk reviews and monitoring are in place and reports produced on the implementation of corrective action are prepared quarterly.

#### Summary of Strategic Institutional Risks

No	Risk Description	Mitigation actions to be taken
1.	<b>No financial sustainability (not a going concern)</b>	<p>1. i) Ensuring disconnections are managed effectively.</p> <p>2.i) Monthly meter reading is implemented.</p> <p>ii) Conduct variance meter report before billing is done.</p> <p>iii) Replacement of faulty meters and installation of meters where there is none.</p> <p>3. i) Conduct roadshows to inform the public about the financial position of the municipality. ii) Timely attendance of complaints by Technical Services. iii) Community services to collect refuse as scheduled 4.i) Put set timeframes for renewal of indigent applications ii) Improve on awareness campaigns to consumers</p> <p>5.i) Disposal of our obsolete assets to generate cash -</p> <p>ii) Reduce expenditure on salaries, fuel, telephone, and other controllable expenditure. iii) Cash flow management to address service delivery challenges</p>
2.	<b>Inadequate water supply</b>	<p>1 &amp; 2. (i) Development of WSDP with O&amp;M plan. ii) Implement and monitor the WSDP and O&amp;M plans. 3. Installation and monitoring of CCTV surveillance. 4. Develop a multi-year budgeting in line with the SDBIP 6. Isolation of plants from loadshedding schedule to ensure better supply of water. 7. Enhance selection process to ensure that the best service provider is selected.</p>
3	<b>Ageing road and storm water infrastructure</b>	<p>1, 2 and 4. (i) Development of roads and storm water master plan. (ii) Implement and monitor roads and stormwater master plan. 3.i) Develop a multi-year budgeting in line with the SDBIP ii) sourcing of funding from government sectors. iii) sourcing funding from sponsors</p>
4	<b>Unstable and poor reliability of supply of electricity</b>	<p>1 &amp; 2. (i) Development of Electricity master with O&amp;M plan. (ii) Implement and monitor the electricity master and O&amp;M plans. 3. Installation and monitoring of CCTV surveillance. 4. Develop a multi-year budgeting in line with the SDBIP</p>

5.	<b>Inability to effectively manage solid waste</b>	1. a-c) i) Re-allocation of equitable share adequately for waste management. ii) implement the Developed waste management tariffs for landfill sites. iii) procurement of waste management fleet with the Lobbied funding from Dept of economic development and environmental affairs and development of material recovery facility/drop off centre. d) i) employment of more personnel to cleansing ii) Filling of critical positions. 2. Increase frequency of awareness campaigns to weekly. 3. i) Annual Review of by-laws. ii) Create and Appoint peace officers for waste management by-laws to conduct monitoring and enforcement. 5. Review refuse bills for residents that have flats.
6.	<b>Ineffective strategic management planning processes</b>	1. a) Development of Directorate operation SDBIP Scorecard 2 Cascading of PMS to all management levels. 3. Timeous conduct regularly performance review through management review monthly and quarterly evaluations
7.	<b>Noncompliance with laws and statutory regulations</b>	Institutionalise Compliance Management. Conduct quarterly reviews on the alignment of IDP, Budget and SDBIP for all levels of management.
8.	<b>Inadequate implementation of ict governance framework</b>	1.i) Procurement of effective SAN /NAS storage servers ii) Procurement of external hard drives for senior and middle managers to backup data. 2. Procurement of specialised network monitoring software and infiltration of network data on municipal servers. 3. Procurement of specialised log management tools to view system logs centrally. 4. Appointment of a service provider on an SLA basis to manage and support the municipality's physical network infrastructure of the municipality. 5. Procurement of effective back up hardware and software.
9.	<b>Poor execution of capital projects</b>	<p><b>PROJECT MANAGER</b></p> <p>1. Ensure Proper planning for all projects. 2. Proper Identification of SMME packages. 3. Reporting all fraudulent activities 4. Prepare realistic project cashflow. 5. and 6. Set Realistic programs. 7. Submission of monthly and quarterly reports by the Manager.</p> <p><b>B. FINANCE</b></p> <p>1. Convene workshops for training on SCM procedures for SCM staff and Bid committee members. 2. Training of BSC members on tender specifications. 3. Training of the BEC members on tender evaluation. 4. Appoint competent secretariat staff. 5. Conduct War rooms for objection AND LITIGATIONS with SBDM. Need planning checklist.</p>

10.	<b>Business continuity compromised</b>	<p>Review the Disaster Recovery Plan. Installation of the VPN solution Use Alicedale office as a disaster recovery site. Server capacity be increased. Space requirements and centralised records management system. A singular system that encompasses all records (GRC system). Backups done on a regular basis.</p> <p>Create an offsite storage space. Appointment of an experienced ICT Manager. Appointment of ICT security officer to Safe-guard manual records.</p>
11.	<b>Inadequate implementation of spatial planning and land use management</b>	<p>1. a) Capacitate the existing building inspector and controller to be the peace officers to effectively deal with illegal buildings.</p> <p>b) develop building control by-law. 2. Provision of adequate basic infrastructure (conduct (technical studies to ascertain the required levels of basic infrastructure) 3. Mobilise funding</p>
12	<b>Sewer spillages and inadequate wastewater treatment plants</b>	<p>1 &amp; 2. (i) Development of WSDP with O&amp;M plan. (ii) Implement and monitor the WSDP and O&amp;M plans. 3. Installation and monitoring of CCTV surveillance. 4. Develop a multi-year budgeting in line with the SDBIP 6. Upgrading the infrastructure 7. Close monitoring of the refurbishment project and submit monthly reports</p>
13	<b>Inadequate management of municipal public amenities</b>	<p>1. Review public amenities management and maintenance plan. 2.i) Review the allocation of equitable shares to cater for public amenities. ii) Procurement for repairs and replacement. 3.Appointment of security personnel to guard and monitor the amenities. 4. Upgrade the insurance cover.</p>

#### 2.5.4 Fraud and Anti-Corruption Strategy:

The Makana Municipality developed and adopted a Fraud Prevention Framework, and Fraud Prevention has been included in the KPAs of the Directors. During the year of review, the Municipality assigned this function to the Risk manager and attempts were made to operationalise fraud-reporting. An independent Fraud reporting Hotline has been established and operational and a Fraud Whistle Blower Policy was formulated to protect whistle blowers. Quarterly fraud report is submitted.

#### 2.5.5 Dedicated Fraud hotline numbers: 046 001 0012 and 087 809 4100:

All legitimate matters are reported in this number for further investigation. Furthermore, in accordance with the Protected Disclosure Act 26 of 2000, Makana Municipality provides assurance to all staff members, the public, suppliers, and other stakeholders related to the municipality that they will be protected from any victimisation arising from any legitimate matters reported through any of the reporting channels provided.

### **2.5.7 Information Communication and Technology**

Information Communication & Technology (ICT) section is responsible for the following functions: Planning, Network, Data, Security and Support.

**Makana Municipality's ICT Environment supports about 150 users. The municipality has the following offices namely:**

I. Corporate Services	Admin/ HR City Hall/ High Street
II. Financial Viability	Finance Building High Street
III. Infrastructure Services	Engineering Building High Street
IV. Alicedale Office	
V. Riebeeck East Office	
VI. Electricity	
VII. Asset Management	Stores Breytenbach Road
VIII. Land and Estate Housing	Sonny Street/ Joza
IX. Parks Recreational	Parks
X. Traffic Services	Knight Street
XI. Fire Services	Knight Street
XII. Cleansing	Knight Street
XIII. Environmental Services	Knight Street
XIV. Internal Audit	Knight Street
XV. Strategic Planning & Monitoring	Knight Street
XVI. Local Economic Development	High Street
XVII. Legal	City Hall/ High Street
XVIII. Records Management	City Hall/ High Street

### **2.5.8 Status report on public participation (councillors and ward committees)**

The Makana Municipality has fully functional Ward Committees. The ward committees holding monthly meetings.

The meetings are held according to the "Back to Basics" concept and meetings as follows:

1. Area meetings (Ward Committee member)
2. Ward general meetings (Councillor as a Chairperson)
3. Ward committee meetings (Councillor as a Chairperson)

Ward Committee reports are submitted to the office of the Speaker every month from all the wards with attendance registers used as a proof that the Ward Committee meeting that took place and that is also used as proof for the payment of the stipends to Ward Committee members.

**Ward General Meetings:** most of the wards do not hold their general meetings. The reports are submitted to the Council as an item quarterly.

**Ward Based Planning:** has been done in all wards and priorities have also been developed for each ward and are reflecting in the IDP.

**MASIPHATHISANE:** In Makana municipality Masiphathisane/ War Rooms have been established in all the wards of the municipality but are inactive. The challenge is however that only one ward (ward 2) has a functioning war room where they hold meetings and attend to the problems raised in the meetings.

**STAKEHOLDERS:** Makana Municipality has a database of its stakeholders and meet bi-monthly with them to discuss community concerns and progress on community projects.

**WOMEN'S CAUCUS:** A Women's caucus has been established and is not fully active.

**WOMEN'S FORUM:** A Women's Forum has been established and would be launched in the next financial year.

**PETITIONS:** A Petitions committee has been established and is chaired by the Speaker. All the petitions are handled by the office of the Speaker. Speaker receives all the petitions and hand them to the Petitions Committee.

**COMMUNITY DEVELOPMENT WORKERS:** The municipality provides transport for CDW's to attend their Regional Round Tables and sometimes also to the Provincial Round Table. CDW's have been allocated an office at the municipal offices. The Provincial office has been requested to assist them with the necessary tools of trade.

## CHAPTER THREE: SERVICE DELIVERY PERFORMANCE

### 3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management is a process that measures the implementation of the organisation's strategic objectives. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

At local government level, performance management is institutionalised through the legislative requirements of the performance management process. Performance management provides the mechanism to measure whether targets are met in line with the strategic objectives as set by the organization.

Section 152 of the Constitution of the Republic of South Africa, 1996, deals with the objectives of local government and paves the way for performance management.

The idea of a government that is accountable is important to meet the needs of Makana Municipality. The democratic values and principles in terms of section 195(1) are also linked with the concept of performance management, with reference to the principles of the following, among others:

- Promote the effective, efficient and economic use of resources.
- Ensure accountable public administration.
- Be transparent by providing information.
- Be responsive to the needs of the community; and
- Facilitate a culture of public service and accountability.

The Local Government: Municipal Systems Act (MSA) of 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) require the Integrated Development Plan (IDP) to be aligned to the municipal budget. The monitoring of organisational performance of the budget must be done against the IDP on a quarterly basis via the Service Delivery and Budget Implementation Plan (SDBIP). The report was made public after the Council was informed of the quarterly progress against targets set.

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations of 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players".

Performance management is not only relevant to the organisation, but also to the individuals employed in the organisation, as well as the external service providers and the municipal entities. This framework, inter alia, reflects the linkage between the IDP, the Budget and the SDBIP.

### **3.1.2 Legislative requirements**

In terms of section 46(1) (a) of the Local Government: Municipal Systems Act, a municipality must prepare an Annual Performance Report (APR) for each financial year that reflects the municipality's performance and any service provider's performance during the financial year. The APR must furthermore indicate the development and service delivery priorities, and the performance targets set by the municipality for the financial year and based

on the results indicate what corrective measures were or are to be taken to improve performance.

### **3.1.3 The IDP and the Budget**

The Municipal Systems Act requires that the Municipality's Integrated Development Plan be reviewed annually to accommodate changes in the municipal environment, including community priorities. In turn, the revised IDP will inform changes to the budget, key performance indicators and targets of the municipality.

### **3.1.4 Service Delivery and Budget Implementation Plan (SDBIP)**

The organisational performance is evaluated by means of a Municipal Scorecard (Top Layer SDBIP) at organisational level through the Service Delivery and Budget Implementation Plan (SDBIP) quarterly performance reports.

The SDBIP is a plan that converts the IDP and Budget into measurable criteria on how, where and when the strategies, objectives and normal business process of the Municipality is implemented. It also allocates responsibility to Departments to deliver the services in terms of the IDP and Budget.

The MFMA Circular No. 13 prescribes that:

- The IDP and budget must be aligned.
- The budget must address the strategic priorities.
- The SDBIP should indicate what the municipality is going to do during next 12 months; and
- The SDBIP should form the basis for measuring the performance against goals set during the budget /IDP processes.

The Municipal Scorecard (Top Layer SDBIP) consolidate service delivery targets set by Council/Senior Management and provide an overall picture of performance for the Municipality as a whole, reflecting performance on its strategic priorities.

Components of the Top Layer SDBIP include:

One-year detailed plan, but should include a three-year capital plan, the necessary components include:

- Monthly projections of revenue to be collected for each source; this component is reported through section 71 monthly by the Budget and Treasury Office.
- Expected revenue to be collected NOT billed; this component is reported through section 71 monthly by the Budget and Treasury Office.

- Monthly projections of expenditure (operating and capital) and revenue for each vote; this component is reported through section 71 monthly by the Budget and Treasury Office.
- Quarterly projections of service delivery targets and performance indicators for nonfinancial measurable performance objectives; this component is reported to Council quarterly

### **3.1.5.3 Amendment of the Top-Layer SDBIP**

SDBIP is developed to improve on performance planning, implementation, measurement and reporting, the institution implemented the following actions. IDP and Budget for 2023/24 financial year were approved by Council on the 25<sup>th</sup> of May 2024 subsequently to that, SDBIP was approved on 28<sup>th</sup> June 2023 and adjusted on the 28<sup>th</sup> of February 2024. after consideration and approval of adjusted 2022/23 MTREF budget to reaffirm by Council in committing to achieve its service delivery targets as well as address the Internal audit and AG findings.

### **3.1.6 Organisational Performance**

Strategic performance assessment indicates how well the Municipality is meeting its objectives and which policies and processes are working. All government institutions must report on strategic performance to ensure that service delivery is effective, efficient and economical. Municipalities must develop strategic plans and allocate resources for implementation. Implementation must be monitored on an ongoing basis, and the results must be reported during the financial year to various role players to enable them to implement corrective measures timeously as and when required.

The Annual Performance Report (APR) highlights the strategic performance in terms of the municipality's Top-Layer Service Delivery and Budget Implementation Plan (SDBIP), high-level performance in terms of the strategic objectives of the municipality and performance on the National Key Performance Indicators prescribed in terms of section 43 of the Municipal Systems Act of 2000.

### **3.1.7 Performance Management Policy Framework**

The Municipality adopted a Performance Management (PM) Policy Framework. The Policy was reviewed and approved by the Council April 2024. The PM Policy articulates the Municipality's objectives to promote accountability and the overall strategy of the Municipality.

Therefore, the main principles of the PM Policy are that it must be feasible in terms of the available resources to the Municipality and that the PM Policy must serve as an enabling mechanism for employees to achieve their performance objectives and targets.

Performance management has been introduced in the Local Government: Municipal Systems Act, Act 32 of 2000 (hereafter referred to as the MSA). The MSA is specific with regard to performance management. Each municipality must develop a performance management system (PMS) to enhance service delivery inputs to maximise outputs to the community.

The MSA emphasises the amplified role of the Council in performance management. Legislative enactments which govern performance management in municipalities are found in various documents.

As outlined in Section 40 of the MSA, Municipality must establish mechanisms to monitor and review its Performance Management System (PMS) to measure, monitor, review, evaluate and improve performance at organisational, departmental and lower levels.

### **3.1.8 Actual performance (2023-2024)**

The Municipality utilises an automotive system on which KPI owners update actual performance on a quarterly basis. KPI owners report on the results of the KPI by documenting the following information on the Performance Management system.

The actual result in terms of the set target:

- A performance comments.
- Actions to improve the performance by the submission of corrective measures to meet the set target for the reporting interval in question, if the target was not achieved.
- It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results update and provide it to performance management unit for evaluation and the Internal Auditor and Auditor General upon request during the quarterly and annual audit testing.

### **3.1.9 Monitoring of the SDBIP**

Municipal performance is measured as follows:

- Mid-year assessment and submission of the mid-year report to the Executive Mayor in terms of section of Section 72(1)(a) and 52(d) of the Local Government Municipal Finance Management Act to assess the performance of the Municipality during the first half of the financial year.
- Quarterly performance was subjected to an internal audit, and the results of their findings were submitted to the Audit Committee; and
- Quarterly performance reports are submitted to the Council for information.

### 3.1.10 Individual performance

Individual performance is implemented at senior management only and its coordination is done in the office of the municipal manager. In the 2020-21 financial year Council resolved that cascading of the PMS would be managed and coordinated in Corporate & Shared Services department under the Organizational Development unit.

### 3.1.11 Municipal Manager and Directors Accountable to the Municipal Manager

The Municipal Systems Act (MSA), 2000 (Act 32 of 2000) prescribes that the Municipality must enter into performance-based agreements with all 57 section employees and that performance agreements must be reviewed annually and published for public interest. This process and the format are further regulated by Regulation 805 (August 2006), MSA.

**The performance agreements for section 57 appointments for the 2023-24 financial year were signed as follows:**

- Municipal Manager – 31 July 2023
- Chief Financial Officer – 31 July 2023
- Director: Public Safety and Community Services – 31 July 2023
- Director: LED and Planning – 31 July 2023
- Director: Engineering & Infrastructure Services – Vacant
- Director: Corporate & Shared Services – 31 July 2023

## 3.2 OVERALL PERFORMANCE RESULT FOR SDBIP 2023/2024 FINANCIAL YEAR

This section of the Annual Performance Report will report on the Municipality's actual performance against the planned targets as derived from the Municipality's IDP. Since the Municipality has 6 Development priorities with the inclusive of Human Settlement under Basis service delivery and infrastructure development. An overview of the overall Municipality's actual performance linked to the National KPA's not yet available as they link with finalisation Annual Financial Statement

COLOR CODE	STATUS	DESCRIPTION
N/A	KPI Information not Available yet	KPIs with no targets linked to finalisation Annual Financial Statement
G	KPI Fully Effective	Actual meets Target (Actual/Target = 100%)
G2	KPI Performance Significantly Above Expectations	100.001% <= Actual/Target <= 149.999%
B	KPI Outstanding Performance	150.000% <= Actual/Target
	KPI Unacceptable Performance	0% <= Actual/Target <= 74.999%

○	Performance Not Fully Effective- (Partially)	75.000% <= Actual/Target <= 99.999%
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There were 62 Key Performance Indicator (KPI) in the Adjusted Service Delivery Budget Implementation Plan for 2022-23 Financial year. For this Annual Performance report 62 Key Performance Indicators has been reviewed. For the year under review 36 KPI (58%) were achieved, 7 KPI (11%) were not fully met (partially achieved) and KPI 26 (41%) were unacceptable performance.

#### Overall performance Key Performance Area (KPA)

KPA	NO KPI	ACHIEVED	PARTIALLY	OVER	2023-24	2024-25
Basic Service and Infrastructure Development	9	0	1	0	0 %	
Community and Social Cohesion	10	7	3	2	70%	
Local Economic development and Planning	14	11	0	1	78%	
Institutional Capacity and Organisational Development	10	6	1	0	60%	
Financial Viability and Management	10	8	1	2	80%	
Good Governance & Public Participation	9	2	1	0	22%	
<b>TOTAL</b>	<b>62</b>	<b>34</b>	<b>7</b>	<b>5</b>	<b>55%</b>	

#### 3.2.2 Audit of Performance Information

The Auditor General's Office concluded their audit during November 2023; no Audit Opinion was expressed on Performance information 2023/24. The main issues attributed to the finding in performance information is related to **Reliability of reported performance information**.

AUDIT OPINION	2020/21	2021/2022	2022/23	2023-24	2024-25
Unqualified opinion without matters (Clean Audit)					
Unqualified opinion with emphasis of matter or other matters					
Qualified opinion	X	X	No opinion expressed	No opinion expressed	
Adverse opinion					
Disclaimer					

### 3.3 BASIC SERVICE DELIVERY

Water, Sanitation, Roads, Electricity (Electricity in the former Makhanda East area and certain rural areas is supplied by Eskom, whilst the former Makhanda West and parts of Alicedale are supplied by the Municipality), wastewater and refuse removal services are fundamentally important basic services to ensure a healthy and safe environment for all Makana inhabitants which is a mandate of the municipality. Other services such as Libraries, Traffic Control and Environmental Management have service level agreements with sector provincial departments. These basic services sections play a very important part in the planning and implementation of basic services in all formally established township developments as well as informal settlements.

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 marketing 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.

#### 3.3.1 WATER AND 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 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.

##### 3.3.1.1 Water Provision

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 the 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 are made by trucks to rural areas on request by the Community and Social Services Directorate.

Description	2024/25 Actual No of Households
Water: (above min level)	
Piped water inside dwelling	
Piped water inside yard (but not in dwelling)	
Using public tap (standpipes)	
Other water supply (within 200m)	
Minimum Service Level and Above sub-total	
Minimum Service Level and Above Percentage	

Description	Actual no of Households for 2023-24	2024-25 Actual Household No.
Water: (below min level)		
Using public tap (more than 200m from dwelling)		
Other water supply (more than 200m from dwelling)		
No water supply		
Below Minimum Service Level sub-total		
Below Minimum Service Level Percentage		
<b>Total number of households</b>		

### 3.3.1.2 Water Supply

The Municipality provided its households with sufficient water except for some 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 standpipes. 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 supplies water from two sources, which are the Fish River and Howieson's Poort Dams.

### 3.3.1.3 Challenges

The Municipality is still struggling with its aging infrastructure and low capacity of water treatment plant due to increase of demand of water. Internally human resources capacity was also affected due to resignation of Manager for Water and Sanitation in 2017/18 year however, the manager was appointed in the 2019-20 financial year.

### 3.3.2 Wastewater (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 since 2004 Makana Municipality has been acting as both Water Services Authority and Water Service provider.

The Department of Corporate Governance and Traditional Affairs is responsible for funding of some sanitation capital projects through MIG. The Municipality has a responsibility of implementing sanitation projects and maintenance thereof.

<b>Level and standard of services</b>	The municipality has not 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 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. The main wastewater treatment plant is currently overloaded. There is a lack of capacity on human resources, especially on technical expertise in-order for the Municipality to respond effectively on issues of operations and maintenance. This is still a challenge.
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Annual Performance as per Key Performance Indicator in Sanitation Services					
Indicator	Total number of household/customer expected to benefit	Estimated backlogs (Actual numbers)	Target set for the Financial Year under review (actual numbers)	Number of Households/customer reached during the Financial Year	Percentage of achievement during the year
Households with access to sanitation services	1%	1986	569	629	Above 100%
Indigent households with access to free basic sanitation services	8064 have benefited.	7930	8000	8604	Above 100%

All Clinics and schools were provided with adequate sanitation services during the year under review.

### 3.3.2.1 Challenges

Lack of financial resources, funding application will be made to the Department of Water Services. Most schools have sanitation infrastructure but there are water pressure problems at several schools that are being addressed.

Makana is also challenged with increasing pressure on its wastewater treatment leading to works overflow i.e., Belmont Valley which is near full capacity. The Wastewater Treatment Works (WWTW) is a 5.4MI biological filter plant currently being operated at an average inflow of between 7 and 8MI/d. The plant is servicing the entire CBD and Western side and 60% of the Eastern side, Mayfield WWTW has a stated existing hydraulic capacity of 2.5 MI/day and





currently treats flows from the areas known as Mayfield, Makanaskop, Kings Flats, Transit Camp and Extensions 6 and 7.

### 3.3.3 Electricity

ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATOR IN ELECTTICITY SERVICES						
Indicator	Total number of households or customers expected to benefit	Estimated backlogs (Actual numbers)	Target set for the financial year under review (actual numbers)	Number of households or customers reached during the financial year	Percentage of achievement during the year	Major challenges and remedial action
Households with access to electricity services	245	0	169	81	%	Funding for electrification of rural area (formalised infill area). All avenues of funding will be investigated.
Indigent households with access to basic electricity services		0	300	416	70%	None

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.

<b>Level Standard of Services</b>	<p>Customers are provided with a bulk 11 kilovolts of electricity. Some of this electricity is provided from renewable energy.</p> <p>The Municipality provides streetlights in accordance with 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).</p>
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Medium and low voltage electricity is distributed according to consumer requirements and with NERSA standard.
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#### **3.3.3.1 Achievements**

The Electricity Department sought funding from the Department of Minerals & Energy (DME) under the Integrated National Electrification Programme Grant (INEP), for upgrade and refurbishment of various Makana 11kv Mini-Substations. There was also a successful construction of a 66KV Overhead line refurbishment in Makhanda.

#### **3.3.3.2 Challenges and remedial action**

The major challenge was the absence of resources such as the vehicles and material. A further challenge was the absence of training measures for staff due to a lack of funds. In addition, the inadequate maintenance of infrastructure was a major problem. More funding would be sourced from external parties to address the challenges in the next financial year.

#### **3.3.3.3 Road and Storm water**

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

- The Provincial Road Construction Unit presently constructing a surfaced road between Makhanda and Alicedale. The road is situated partially within Makana and Sundays River jurisdiction.
- 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.
- The Makana Council is responsible for the maintenance of 176,0km of gravel and 163.0km of surfaced roads within the urban areas. The roads are generally in a poor to fair condition owing to lack of financial resources.
- 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 each side of Makhanda being maintained by the National Roads Agency. 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.
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**Annual Performance as per Key Performance Indicator in Road Maintenance**

Indicator	Total number of household/ customers expected to benefit	Estimated backlogs (Actual numbers)	Major challenges and remedial action
Households without access to gravel or graded roads	350	350	Funding was a major challenge and for the next financial year a Business Plan will be developed to address this matter
Road infrastructure requiring upgrade	80%	153 kilometres	Lack of finance Shortage of material

**Annual performance as per Key Performance indicator in Roads Maintenance**

Planned new road. infrastructure constructed	2.5 Km	176km	Insufficient funding
Capital budget reserved for road upgrading and maintenance effectively used.	2,4%	176Km	Insufficient funding

### 3.3.4 Free Basic Services and Indigent Support -

The Makana Municipality provides free basic services to registered indigent residents and has a policy for indigent support that is implemented by the Finance Department.

The registration of more Indigents is a project that has been receiving attention to increase the number of beneficiaries.

## 3.4 PUBLIC SAFETY AND COMMUNITY SERVICES

### 3.4.1 Library Services

Reporting Level	Detail	Total 2024-25
<b>Overview</b>	The provision of accessible community facilities to an acceptable standard for all people in Makana Municipality.	
<b>Description of activity</b>	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	

Reporting Level	Detail	Total 2024-25
	<p>Makana municipal area. The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> <li>• Ensure that the residents have access to up-to-date information through libraries.</li> <li>• Ensure that there are libraries in needy areas.</li> <li>• Ensure that there is an acceptable standard of service for all.</li> <li>• Decrease the illiteracy rate of the Makana community.</li> </ul>	
<b>Analysis of function</b>	<p>Statistical information:</p> <p>Quantity of materials circulated.</p> <ul style="list-style-type: none"> <li>• Main Library (Hill Street) 38 256</li> <li>• Community Library 18 369</li> <li>• Duna Library 21 225</li> <li>• Fingo Library 0</li> <li>• Alicedale Library 14 287</li> <li>• Riebeeck East Library 9 856</li> <li>• Ext 9 10 354</li> </ul> <p><b>Total 112 347</b></p> <p>Number of current patrons</p> <ul style="list-style-type: none"> <li>• Main Library (Hill Street) 12 766</li> <li>• Community Library (Currie Street) 3 265</li> <li>• Duna Library 4 236</li> <li>• Fingo Library 0</li> <li>• Alicedale Library 891</li> <li>• Riebeeck East Library 453</li> <li>• Ext 9 593</li> </ul> <p><b>Total 22 204</b></p>	
<b>Challenge</b>	<ul style="list-style-type: none"> <li>• Closure of Fingo Library because of renovations</li> <li>• No service in rural areas (no mobile library)</li> <li>• Deterioration of infrastructure</li> <li>• Children's activities space at Ext 9 Riebeeck East and Alicedale Library.</li> </ul>	
<b>Highlights</b>	<ul style="list-style-type: none"> <li>• Renovation of Fingo Library</li> <li>• Active book clubs</li> <li>• Won number one in the Provincial event</li> <li>• Won District Library competitions</li> </ul>	

### 3.4.2 Environmental Management

Environmental management function is a strategic decision, providing environmental stewardship to the municipality and the community. The municipality functions with its partners through the regional environmental forum, a forum of local individuals and organizations with a focus on environmental matters in the district and local municipality.

The Municipality has developed a comprehensive Environmental Management Plan (EMP) that, currently in draft form which is undergoing stakeholder consultation and capturing inputs. The plan integrates a range of environmental strategies and tools, including

- The Integrated Waste Management Plan (IWMP): A holistic approach to managing waste streams, emphasizing reduction, recycling and proper disposal thereby minimizing environmental impacts and promoting resource conservation.
- Invasive alien plant Species Control Program: a targeted initiative aimed at eradicating and mitigating the ecological and economic impacts of invasive species on native ecosystems, biodiversity, and municipal infrastructure within the jurisdiction of the Municipality.
- Environmental Conservation Projects: additional initiatives focused on protecting and enhancing the municipality's natural resources, including habitat restoration, water quality management, climate change mitigation strategy.

The EMP is designed to ensure sustainable development, environmental stewardship, and compliance with all relevant legislation, including National Environmental Management Act (107 of 1998 NEMA) and other applicable regulations. The plan will undergo further refinement based on stakeholder feedback upon completion of the consultation.

The municipal environmental programmes and plans are communicated to the public through council committees, municipal social media, ward communities, the quarterly SBDM regional Environmental Forum.

#### **3.4.2.1 Activities**

##### **Environmental education and awareness:**

the Municipality has formally responded to the Department of Forestry, Fisheries and the Environment's 2024 call for graduate placements, with implementation of the programme deferred to 2025 and 2026 respectively, in accordance with revised scheduling protocols. Environmental Awareness campaigns are being created in schools throughout the municipal jurisdiction by planting of trees and donating waste receptacles. Some of the schools included primary schools and high schools in Makhanda, Riebeeck East, Alicedale and Seven fountains' areas. Furthermore, the graduates are actively engaged in updating the environmental sectoral plan within the Integrated Development Plan (IDP) framework and developing ancillary environmental management tools, thereby enhancing the municipality's environmental planning and implementation capacities.

#### **APPOINTMENT OF KEY PERSONNEL TO STRENGTHEN MUNICIPAL SERVICES**

The Municipality is pleased to announce the appointment of key personnel to the positions of Manager Parks and Recreation, Manager Cleansing and Bulldozer operator, effecting for the

2024/25 financial year. These strategic appointments are anticipated to augment the capacity of the Public Safety and Community Services Directorate, thereby enhancing the delivery of essential municipal Services and promoting a safe and healthy environment for the public.

**Waste pickers at the landfill site:**

The Municipality has commenced the process of formalising the reclaimers with key partners such as POLYCO and PETCO in 2024/25 financial Year. Subsequently, an MoU has been entered with POLYCO with the aim of investing to the municipality with infrastructure at the landfill site and a method of buying from the reclaimers.

**EPWP project – Flood mopping:**

During 2022/23 Financial Year the Department of Forestry, Fisheries and the Environment has introduced the concept/programme of flood mopping where a dozen of participants were recruited. Unfortunately, the programme was stopped due to the various challenges. However, in 2024/25 the Municipality continued to contract 25 participants on a rotational basis for the duration of the financial year.

**Makana Municipal Invasive Action Plan:**

A **Makana Alien & Invasive Action Plan** is in place, in accordance with the terms of the Alien & Invasive Species Regulations of 2014 and the National Environmental Management: Biodiversity Act (2006), which states “all Organs of State are meant to have developed Alien Species Control Plans for areas under their jurisdiction by October 2016”.

In the case of Makana municipality this regulation affects all land that is private or owned by other organs of state and would include *inter alia commonage* areas, street verges, green open spaces etc. In response to the aforementioned, the municipality has developed an “Invasive species control plan” which focuses on municipal land. Furthermore, the plan is implemented internally by the municipal staff, under Public Safety and Community Services through Vegetation Control unit.

**Makana Alien Invasive Business Plan:** Was developed in 2024 which is aligned with Invasives species control plan that is approved with the mapping of alien infested areas. The business plan was submitted to the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) in response to a call for municipalities to submit

### Environmental Risk Register:

With due consideration of the Environmental Monitoring outlined in the draft EPM, IWPM, Control Plan, assessment of risks associated with the environment to monitor effects of exposure of humans and/or the environment to hazardous situations is necessary. Monitoring environmental risks will also assist in avoiding litigation or compelling contractors or service providers working in the municipal area to comply with relevant legislation.

#### 3.4.2.2 Main challenges

The general lack of funding to initiate community environmental projects remains a threat towards the implementation of projects. To mitigate this risk, the environmental management section continues to apply for funding from other state departments or in the form of EPWP projects.

External stakeholders are being engaged to assist the municipality to discharge its environmental mandate and be provided with various kinds of rewards such as rates rebates etc. This could be the case with environmental stewardship programmes by business and NGO entities.

#### 3.4.3.1 Waste Management (Solid)

Strategy and main role player	<p>The overall objective of waste management is to reduce the generation of waste; 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.</p> <p>The roles and responsibilities in terms of the National Waste Management Strategy for local government include:</p> <ul style="list-style-type: none"><li>• Waste minimisation: Local Government must implement and enforce appropriate national waste minimisation initiatives and promote the development of voluntary partnerships with industry.</li><li>• Recycling: Local Government is to establish recycling centres and/or facilitate community initiatives.</li><li>• Waste collection and transportation: Local Government is to improve service delivery.</li><li>• 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.</li></ul> <p>Formalising and controlling of scavenging are the responsibility of the permit holder.</p>
Level and standard of services	<p>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.</p>

Annual performance as per Key performance indicator in refuse removal services						
Indicator	Total Number of Households/ Customers expected to Benefit	Estimated Backlogs (Actual numbers)	Target Set for the Financial Year under review (actual numbers)	Number of Households / Customers reached During the Financial Year	Percentage of Achievement During the Year	Major Challenges and Remedial Action
Households with access to refuse removal services	23 366	648 (farmhouses) Rural areas	0	22500	97%	Illegal dumping is a major challenge in Makana.

### 3.4.3.2 Fire and Rescue Services

Function Public Safety Sub-Function: Fire & Rescue Section	
Reporting Level	Detail
<b>Overview:</b>	Includes firefighting, fire safety and awareness campaigns. The municipality has signed a corporate agreement with Sarah Baartman District Municipality to perform the functions on agency basis as well as with the other six (6) LMs in Sarah Baartman district.
<b>Mission statement</b>	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 firefighting, emergency, rescue and fire safety service within the framework of the resources available.

#### 3.4.3.2.1 Core Functions

Core Functions (As per the Fire Brigade Services Act 99 of 1987), the municipal core function is:

- Preventing the outbreak or spread of a fire.
- Fighting or extinguishing a fire
- The protection of life or property against fire or other threatening danger
- The rescue of life or property from fire or any other threatening danger; and
- The performance of any other function connected with any of the matters related to the above.

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)

#### **3.4.3.2.2 Administration Section**

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 /Cleaner.

#### **3.4.3.2.3 Operational Section**

This section consists of four (4) Platoon Commanders, four (4) Senior Fire Fighters, **twenty-four (24)** Fire Fighters, and four (4) Dispatchers. The following posts are still vacant: **One (1)** Senior Fire Fighter and **two (2)** Fire Fighter posts are still vacant.

The operational section implements the practical aspects relating to firefighting and other emergency incidents. To achieve its aim, this section is responsible for the following:

- The attendance and handling of all fires, rescues and emergency incidents.
- The acquisition of vehicles and operational equipment.
- The maintenance of vehicles and equipment.
- The checking and cleaning of fire hydrants.
- The training of public by group inspections and lectures.

#### **3.4.3.2.4 Fire Prevention**

Businesses are inspected to ensure that they comply with the fire safety regulations. A total of **one hundred and fifty-eight (158)** businesses were inspected during the financial year 2024-25

#### **3.4.3.2.5 Activity**

##### **Reduction of Vegetation Fires:**

The key objective is to try and minimise the amount of vegetation fires. Emphasis is put on.

- Analysing the risk areas
- Training the farmers on proper fire control/ burning tactics
- Awareness campaigns involving the Fire Protection Association, Albany Working for Water, Parks Department and DAFF etc.
- Includes firefighting, fire safety and awareness campaigns.

### **3.4.4 Mission Statement**

The municipality's mission is to provide measures to safeguard the physical wellbeing and safety of the environment and property, to ensure the implementation of an integrated and coordinated approach to disaster management across all spheres of government, involving all relevant stakeholders.

#### **3.4.4.1 Core Functions:**

- Recruitment and training of disaster management volunteers
- Conduct disaster management awareness program at schools, farmers associations and for the general community.
- Inform the above-mentioned groups of possible disaster areas, dangers associated with it and how to deal with disaster situations.
- Advise council on disaster management legislation.
- Prepare disaster management plans to ensure maximum emergency plans for its area.
- Ensure disaster management plans are in place.
- Form an integral part of the municipal IDP.
- Anticipate the types of disaster that are likely to occur and their possible effects.
- Provide prevention and initiation strategies.
- Establish contingency plans and emergency procedures in the event of a disaster.

These functions are performed in accordance with the Disaster Management Act, 2002 (Act no 57 of 2002) and provides a legislative framework for the management of disasters in the country. In terms of sections 19, 38 and 53 all spheres of government are required to prepare disaster management plans, setting out the way in which the concept and principles of disaster management are to be applied in its functional area.

These plans must facilitate maximum emergency preparedness and contain contingency plans and emergency procedure in the event of a disaster, clarifying the allocation of responsibilities to the various role-players and coordination in the carrying out of those responsibilities. The aim of this readiness plan is to ensure prompt and effective response to emergency incidents during and after the disaster occurrences.

#### **3.4.4.2 Administration Section:**

This section deals with the day-to-day administrative activities of Disaster Management which includes report writing, typing, recording and updating of information and all other related

activities as required. It is headed by the Disaster Management Officer only and reporting to the Manager: Fire Services.

#### **3.4.4.3 Operational Section:**

This section consists of one Disaster Management Officer, but the position has been vacant since October 2017. Sarah Baartman District Municipality's Disaster Centre is assisting the municipality with Disaster Management activities. It implements the practical aspects relating to fire fighting in conjunction with the fire department since fires are classified as potential disasters and other emergency incidents e.g.

- Floods/Fire Victims – To conduct damage assessment to flooded/fire damaged areas, arrange temporary housing units to those who have their houses badly damaged by the flooding/fires, the office has been providing mattresses and blankets where necessary, refer the victims to other relevant sector departments for assistance e.g. SASSA, Social Development etc. and assist flood/fire victims with necessary requirements including evacuation of the area if needs be.
- The office forms part of the Road Incident Management System which seeks to reduce road incidents/ accidents on the N2 and our national roads by taking note of bad surface on our roads, road marking, stray animals, managing tow truck operators and training of emergency personnel in incident management.
- The Office forms part of the Safety Events Management Team that constitute amongst other stake holders SAPA, Rhodes University, NAF Organisers, Makana Municipal Departments, Home Affairs etc. to make sure that all events taking place in Makana Municipality are planned in accordance with the Safety, as well as Sports and Recreational Events Act no 02 of 2010 to protect participants, spectators and property.
- To conduct awareness campaigns to the targeted groups making them aware of potential disasters and how to deal with them when they do occur.
- Dissemination of weather warnings to the community at large via community radio stations, Grocott's and social networks.
- The Office forms part of the Provincial Project Management Steering Committee Meetings, monitoring the DMRG (Disaster Management Risk Grant) allocated to

Municipalities and Sector Departments to repair the damaged infrastructure after disaster occurrences.

#### **3.4.4.4 Building Plans:**

Building plans are scrutinized to ensure that they comply with Fire Safety Regulations. A total of **seventy-two (72)** building plans were scrutinised during the year under review.

#### **3.4.4.5 Flammable liquids:**

Flammable liquid inspections are carried out on businesses that deal with flammable liquids. The annual tariff charges also make provision that all businesses dealing in the sale, manufacture, handling or storage of flammable liquids or gases, this business 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 **fifty-six (56)** flammable liquid inspections were conducted.

#### **3.4.4.6 Fire Hydrants:**

Fire Hydrants inspections are done regularly to ensure that they are clean, clearly marked and in operation. A total of **two hundred and eighty (280)** fire hydrant inspections were conducted.

#### **3.4.4.7 Training and Awareness:**

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.

##### **3.4.4.7.1 Public Training:**

A total of **eleven (11)** Fire awareness campaigns is conducted at rural communities, schools and clinics within Makana to make the community aware of the dangers of fires. Elementary Fire Fighting training was presented to businesses to enable their staff to react immediately when a fire occurs at their workplace whilst it is still small.

##### **3.4.4.7.2 School Awareness Programme:**

The department continued with our School Awareness Programme to make the students/scholars aware of the dangers of fires and what to do in case of a fire. A total of **six (6)** schools were visited during the financial year 2024/25.

### Challenges Progress/ Update

Fire station in Riebeeck-East	Sarah Baartman procured a vehicle for Riebeeck-East. The vehicle was delivered and handed over on the 27 <sup>th</sup> of October 2023. The Satellite Fire Station is operational. Two (2) fire fighters are still to be appointed. The Satellite Fire Station is operational. The Satellite Station is now manned by four (3) fire fighters.
No fire station in Grahamstown-East	No Capital Budget for the 2024/25 financial year, due to the financial situation of the Municipality.
Handling of after-hours complaints.	Corporate Services are holding a meeting to discuss the possibility of establishing a Customer Care Centre within the Municipality to deal with after-hours complaints. Not finalized yet.
Shortage of Staff	Vacant Posts still need to be filled. Motivations were submitted to HR.

### 3.4.5 Safety and Security

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

#### 3.4.5.1 Traffic and Law Enforcement

Reporting Level	Detail
<b>Overview:</b>	Includes Traffic, Licensing, Roadworthy and Technical Services
<b>Description of activities Traffic Law Enforcement</b>	<p>The key function of the Traffic Department is to provide safer roads for all stakeholders within the Makana area.</p> <p>The Municipality has a mandate to:</p> <ul style="list-style-type: none"> <li>• Conduct preventative traffic patrols and enforce traffic legislation.</li> <li>• Enforce speed limits.</li> <li>• Attend traffic accidents.</li> <li>• Enforce parking legislation.</li> <li>• Enforce municipal bylaws.</li> </ul> <p>The key objective of this function is to ensure safe and free flow of traffic within Makana Municipal area.</p>
<b>Driving Licenses</b>	<p>These services include all driver testing functions.</p> <p>The Municipality has a responsibility to:</p> <ul style="list-style-type: none"> <li>• Test applicants and issue learner licenses</li> <li>• Test applicants and issue driving licenses.</li> <li>• Renew card driving licenses.</li> <li>• Renew and issue Professional driving licenses.</li> </ul>

Reporting Level	Detail
	The key objective of this function is to ensure safety on the roads by ensuring a high level of competency amongst vehicle drivers.
<b>Roadworthy Testing</b>	<p>These services include all vehicle testing functions. The Municipality has a responsibility to:</p> <ul style="list-style-type: none"> <li>• Test vehicle</li> <li>• Issue roadworthy certificates</li> </ul> <p>The key objective of this function is to ensure safety on our roads by ensuring roadworthy vehicles</p>
<b>Technical services</b>	This service is responsible for the maintenance of all road markings and road signs
<b>Challenges</b>	Lack of finances are seriously hampering operations as we find it difficult to maintain old and outdated equipment. Vehicles are old and break down frequently. The department has filled most critical vacancies that have been vacant for years.

#### 3.4.6 Parks; Sport and Recreation

Function: Horticulture and auxillary services sub-function: Aerodrome		
<b>Overview:</b>	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 aircraft.	
<b>Description of activity:</b>	<p style="text-align: center;"><b>Inspections</b></p> <p><b>The section:</b> The Department of Civil Aviation also undertakes annual inspections in support of the retention of the category 1 licence.</p>	<b>Quarterly</b>
	<p style="text-align: center;"><b>Administration</b></p> <p><b>Collection of landing fees:</b> The lease contract will be expiring with the flying club toward the end of the next financial year.</p> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>• The airfield is currently not fully operational due to various challenges relating to fencing, overgrown weeds, runway with potholes and no runway lights.</li> </ul>	<b>Annually</b>

	<ul style="list-style-type: none"> <li>The continued deterioration of the main tarred runway due to lack of maintains is still a main challenge</li> </ul>	
	<p><b>Achievements</b></p> <p>Mowing of the airfield was done twice during 21/22 financial year and not much was achieved in terms of fencing, runway road, lights during this period under review, the plan is to attend to the maintenance of the airfield in the next financial.</p>	
<b>Overview:</b>	This sub-function includes several sections including maintenance of grass verges and public open space, planted layouts, street trees and weed control.	
<b>Description of Activity</b>	<p>The services provided include:</p> <ul style="list-style-type: none"> <li>Moving of verges in Makhanda, Alicedale and Riebeeck East including main entrances, CBD, material roads, suburban roads and council facilities.</li> <li>Moving of public open spaces with tractor drawn implements</li> <li>Maintenance of gardens and planted layouts within the city.</li> <li>Maintenance of street trees including tree planting and the maintenance of streets under power lines as well as the removal of trees where required.</li> <li>Manual tree stump removals</li> <li>Weed control that includes the eradication of weeds and annual grass on roads, gutters and storm water channels.</li> </ul>	<p>196ha</p> <p>449ha</p> <p>2.5 ha</p> <p>673 trees</p> <p>17 1650 ha</p>
<b>Function: Horticulture and auxiliary services sub-function: Cemeteries</b>		
<b>Overview:</b>	This sub-function includes the maintenance of cemeteries in Makhanda, Alicedale and Riebeeck East.	
	<p>The services provide include:</p> <ul style="list-style-type: none"> <li>Administration of electronic recording system for burials</li> <li>Cemetery maintenance</li> <li>Contract management</li> </ul>	<p>+857 - 1023 burials annually</p>
<b>Description of activity</b>	<p>Challenges:</p> <p>Acquisition of land for new cemetery in Alicedale and Makhanda. Funding to maintain cemeteries. Vandalism/ theft of artefacts/ fencing, caretaker's house and metal railings, burial records not properly updated.</p>	
<b>Achievement</b>	<ul style="list-style-type: none"> <li>Extensions to Mayfield airspace</li> <li>Maintenance of service roads to Mayfield</li> <li>Procurement of contracts for the maintenance of grass areas: Waainek, Mayfield, Historical. Lavender Valley and Kings Flats cemeteries.</li> </ul> <p>Formalisation of parks equipment tender for long term supply</p>	

<b>Function: Horticulture and auxiliary services sub-Function: Nursery</b>	
<b>Overview:</b>	Provision of nursery to produce greening material for the Municipality.
<b>Description of activity:</b>	<p>The services provided include:</p> <ul style="list-style-type: none"> <li>• The production of ground covers, shrubs and trees.</li> <li>• Maintenance of ornamental section for decorations.</li> <li>• Production of manuals for street displays</li> </ul> <p><b>CHALLENGES:</b> Old equipment such chain saws, weed eaters, lawn mowers to deal with maintenance of grass and trees in town and the surrounding area. Limited budget for the operation of the municipal nursery</p> <p><b>ACHIEVEMENTS:</b> Procurement of 4x weed eaters and 2x chain saw. Planting of aloe plants on 7 x illegal dumping spots to discourage illegal dumping. Trimming and cutting of dangerous trees in seven fountains and Alicedale (in progress) and assisting electricity department with cutting trees affecting electric power lines</p>

### 3.5 LOCAL ECONOMIC DEVELOPMENT AND PLANNING

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

a) **Spatial Planning and Land Usage:** responsible for Spatial Planning and Land Use by managing land resources of the municipality by acting as the primary authority under the Spatial Planning and Land Use Management Act (SPLUMA). This function involves regulating development through Spatial Development Frameworks (SDFs), zoning schemes, and through the participation in the Sarah Baartman Municipal Planning Tribunals (MPT) to address spatial injustices and promote efficient, sustainable growth.

- **Town Planning Section:** Responsible for spatial planning, Settlement Planning and Land Use Management.
- **Building Inspectorate Section:** Regulating development in terms of National Building Regulations and Standards Act 103 of 1977.
- **Land and Estates Section:** responsible for the management of Municipal immovable assets.

b) **Local Economic Development Section:** The role of Local Economic Development is to unlock economic opportunities through support and integrating with the spatial environment that

stimulates economic growth. The section is further responsible for agricultural development, tourism development and promotion; trade and investment promotion and SMME development.

- **SMME Section:** Responsible for facilitating and regulating both the formal and informal economies, as well as supporting SMMEs and Cooperatives through capacity development programmes.
- **Formal and Informal Section:** Regulating formal and informal businesses.
- **Tourism, Heritage, Arts and Creative Section:** responsible for the management of Municipal immovable assets.
- **Rural and Agricultural Development Section:**

#### **SPATIAL PLANNING & LAND USE:**

The Makana SDF is overdue for review, as a statutory requirement in terms of MSA (Act 32 of 2000) and SPLUMA (act 16 of 2013) a municipality must have an SDF which is aligned to a municipal IDP. Due to financial constraints, the municipality has been unable to undertake the review process before the end of the prior planned 5 years (November 2019 to November 2024). In the 2024/25 financial year the Municipality requested financial support for the SDF review from the Sarah Baartman District Municipality, and the Municipality has received a positive response whereby the Sarah Baartman District Municipality allocated funding for the review of the SDF. The review will commence in the 2025/26 financial year.

#### **LOCAL ECONOMIC DEVELOPMENT:**

Local Economic Development is an approach towards economic development which allows and encourages Local government to work together with civic organisations, private sector, government entities, local communities to achieve sustainable economic growth and development for creation of socio-economic development initiatives to address poverty, unemployment and inequality.

The Local Economic Development is guided by LED Strategy as a framework for identifying the available resources that municipality have in order to improve the quality of life for local communities, increasing incomes, promoting rural and urban tourism, enhancing SMME development to create sustainable growth opportunities through maximizing its resources. The Makana LED department is charged with a mandate of promoting tourism and heritage, agricultural development, SMME development, Business Licencing, and Trade and Investment. Through these responsibilities the Department has a mandate to review its outdated LED Strategy, amongst of many reasons this encourages the department to evaluate the objectives outlined the strategy are still in line with the resources that were identified, also create an opportunity for the department to develop other sector plans such as Agricultural sector plan and SMME development Policy.

Therefore, the focus of this fiscal year 2024/25 is for the department to review its strategy and communication to key stakeholder departments have been sent to request financial and non-financial support. On the 2024/25 a vacant funded position was advertised for Agricultural Officer, but no personnel were formally appointed, this creates a delay for the department to speed up with the agricultural activities such as commonage development plans. In terms of staff retention, the department depends only to the Manager for Tourism, Heritage, SMME, Trade and Investment, the LED Clerk and Two Business licensing clerks. The role of Local Economic Development and Planning in municipalities is to unlock economic opportunities through support and providing a spatial environment that stimulates economic growth. The priority of the Department has been to develop policies and expansion plans that give strategic guidance to develop the local economy of Makhanda.

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The staff component of LED Directorate will be fully populated with qualified and experienced staff once the remaining vacancies have been filled (budget remains a challenge). During the year under review, the municipality implemented the following projects:

### **3.5.2 LED Highlights and Achievements.**

- Businesses registered on CIPC in conjunction with Entrepreneurs Unlimited Incubator (continued partnership and capacitation of Businesses).
- Continued support of traders for access to markets (facilitating and procurement of 10 trading stands for informal traders with permits to sell at the National Arts Festival)
- About 19 SMMEs have benefited from subcontract opportunities since the promulgation of the revised Preferential Procurement Regulations.
- Direct and indirect job opportunities have been created through sub-contracting activities, construction of housing development, and informal settlements upgrade.
- Tourism Incubation programme that continues to train Homestay Businesses in Tourism and Hospitality service excellence.
- Awareness Funding workshops have been facilitated to bring close support to the emerging agricultural farmers, such as the Eastern Cape Rural Development Agency.
- SMMEs in construction were trained on compliance and tendering processes.
- Business licensing division has registered more than 250 formal and informal trading shops.

### 3.5.3 Spatial Planning and Land Use Highlights and Achievements:

- The Municipality has renewed its membership with the District Planning Tribunal
- The Town Planner post was filled but subsequently became vacant again after the abrupt resignation of the incumbent before the end of the financial year and whilst the Building Control Officer post was filled, which opened a vacancy for the second building inspector. vacancies have been filled.
- Participated in joint compliance operation, which saw an increase in revenue.
- On Land Development Application- The section facilitated the approval of:
  - one of the biggest developments in the province- Ezulu private game farm, which was accompanied by a building plan (one of the biggest buildings plans the department had to approve).
  - a renewable energy structure solar panel charging station and battery panels and consent for Tourist Facility (Restaurant).
  - approved Consent Use to permit Frontier Renewable Energy Facility.
- Pre-approved the Layout Plans for Human Settlement projects (Enkanini, Ethembeni, and Khayelitsha informal Settlements).

### 3.5.4 Housing Highlights and Achievements

- Implementation of the Infills Housing Project commenced with inception, planning and design.
- Commencement of inception, planning and design for the Informal Settlement Upgrade (ISUP) project for Nkanini, Ethembeni and Khayelitsha Informal Settlements.

### 3.5.4 Job Creation

Job creation opportunities will be from different Infrastructure development Projects of water and sanitation interventions, upgrading and rehabilitation of Roads, EPWP and Community Development works Program.

NAME OF PROJECT	NUMBER OF LABOURERS	FUNDER	PROJECT STATUS
Makana Infills Housing Project	85 units=10 91 units= 225 learnership participants	Human Settlement Development Grant	Construction
Additional Housing Projects (Riebeek East, Fingo Village, Makana Disaster, Transit Camp)	N/A	Human Settlement Development Grant	Planning stage
Replacement of ageing asbestos pipes in Phase 3A & 3B (Makhanda)	30	MIG	Construction

NAME OF PROJECT	NUMBER OF LABOURERS	FUNDER	PROJECT STATUS
Refurbishment of Waainek W T Works cathodic projection		MIG	Completed
Refurbishment Belmont Valley Wastewater Treatment Works	30	MIG	Construction
Makana Way	24	MIG	Construction
Oval stadium, lavender valley refurbishment	19	MIG	Construction
Upgrade of Ncame Street	30	MIG	Completed
Community Works Program	898	COGTA	Ongoing
Expanded Public Works Program	172	Public Works	Ongoing
<b>TOTAL</b>			

## CHAPTER FOUR: ORGANISATIONAL DEVELOPMENT PERFORMANCE

### 4.1 MUNICIPAL WORKFORCE

The Makana Local Municipality currently has 30 different functions, based on the Municipal Systems Act, No 32 of 2000 and Act 117 of 1998.

#### 4.1.1 MUNICIPAL MANAGER AND SECTION 57 MANAGERS

	Approved Positions (e.g., MM-S57 etc.)	Number of Approved and Budgeted posts.	Filled Posts	Vacant Posts
1	Municipal Manager	1	Yes	0
2	Director Corporate Services	1	Yes	0
3	Chief Financial Officer	1	Yes	0
4	Director Local Economic Development	1	Yes	0
5	Director Technical & Infrastructure	1	No	1
6	Director Public Safety	1	Yes	0
<b>Total</b>		<b>6</b>	<b>5</b>	<b>0</b>

**4.1.2 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT INDICATORS**

	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	25	25	100%	None
	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	4	60%	One resignation and a suspension 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	3	3	100%	No Gap
4	Percentage of Managers in Technical Services with a professional qualification	6	6	100%	No Gap
5	Percentage of staff that have undergone a skills audit (including competency profiles) within the current five-year term	619	0	0%	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	4	20%	Training was hampered by a severe lack of funds.

8	Percentage of staff complement with disability	1	1	100%	N/A
9	Percentage of female employees	131	131	100%	No Gap
	Percentage of employees that are aged 35 or younger	57	44	77%	N/A

#### 4.1 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT INDICATORS

	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	25	25	100%	None
	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	4	60%	One resignation and a suspension 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	3	3	100%	No Gap
4	Percentage of Managers in Technical Services with a professional qualification	6	6	100%	No Gap

	0%	Process will be addressed as one of the outcomes of the Organisational development process of the Municipality.
	20%	Training was hampered by a severe lack of funds.
	100%	N/A
	100%	No Gap
	77%	N/A



ia Local Municipality into an effective,

cedures, and oversight of the daily

nd plans aligned to the strategy of the  
re its objectives,

recruitment & selection, employee  
ree relations.

n of the policy to Council for adoption.

nd must be revised at least every five

#### **4.2.2 Compliance with Health and Safety Legislation**

The Makana LM has adopted a policy for the Occupational, Health and Safety. The position of the Occupational, Health and Safety Officer are ensuring an ongoing review, its standards, policies and procedures to comply and, where possible, to exceed legislative requirements pertaining to Occupational Health & Safety regulations.

The Occupational Health and Safety Act (85 of 1993) and its regulations provide guidelines for the Makana Council to develop appropriate standards and management systems. Makana municipality has appointed a Health and Safety officer.

#### **4.2.3 Capacitating the Municipal Workforce**

The Skill Development Facilitator revises a Work Skill Plan annually. The plan is approved by the Council with a specific budget, and an implementation report is submitted to LGSETA on or before the 30<sup>th</sup> of March, to recover the funds spent on implementing the plan.

The Makana Local Municipality offers various annual in- service training opportunities to promote the development of skills in specific areas to encourage growth in skills availability in the province and to assist learners in obtaining practical exposure to the world of works.

Targeted training and employment are also used to affirm previously disadvantaged categories, with a special training initiative to address the gender imbalances in the work force. There has been a particular focus on developing women as water treatment works operators over the past five years. This trend will continue in the future.

In further support of its major transformation outcomes, Makana Local Municipality has also revised its human resources training and development policy and plans, making this area the responsibility of a dedicated Training Committee.

The Training Committee is responsible for the issuing and updating of Makana Local Municipality Workplace Skills Plan prepared in terms of the requirements of the Skills Development Act. The Skills Plan maps out training priorities for the organisation based on identified skills gaps and deficiencies and envisaged future operational needs (including succession and career planning), thus permitting appropriate training interventions to be devised and implemented.

As per the Skills Development Act 97 of 1998 Makana Municipality has a responsibility to encourage the unemployed to enter labour market through learnership programme. This also

applies to internal staff for the advancement of career growth, for personal growth and upward mobility within the institutional departments. Interns - the program of the unemployed graduated to gather work experience in the workplace. The Skills Plan maps out training priorities for the organisation based on identified skills gaps and deficiencies and envisaged future operational needs (including succession and career planning), thus permitting appropriate training interventions to be devised and implemented.

#### 4.2.3.1 Skills Development & Training

Municipality has a challenge of lack in internal capacity and scarcity in funding, as a result lots of training could not take place. The following training programmes were undertaken regarding staff development:

Details	Training Undertaken
Councillors	Training on local labour terms of reference
Staff: Local Labour Forum members and management	<ul style="list-style-type: none"> <li>▪ Training for First Aid for Health and Safety Rep</li> <li>▪ Training on Local Labour Forum for Unions and Management.</li> </ul>

#### Staff Registered with Professional Bodies

Technical Services	Total Numbers of Managers & Officials	Total Number of Registered with Professional Accredited Body	Total Number of Pending Registrations Confirmation with the Accredited Professional Body	Total Number Not Registered with Accredited Professional Body
Water	1	1	0	0
Electricity	1	1	0	0
Technical	1	1	0	0
Town Planning	1	1	0	0
Project Management Unit	1	1	0	0
Internal Audit	1	1	0	0
Community Services	1	1	0	0
Environmental Health	1	1	0	0
Libraries	1	1	0	0

#### 4.2.3.2 Levels of Education and Skills

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
186	31	131	131

#### 4.2.4 Employment Equity and Recruitment Policy

The success and competitive standing of Makana LM business activities hinge critically upon the quality of its human capital and on its retention and continual development of a workforce of competent and motivated personnel. Consequently, the Makana LM seeks, as a key intent, to implement best practices in the direction of all its human resources provisioning, management, and employee development activities. An Employment Contract has been developed and adopted by the Council. After that Human Resources Plan was developed and adopted by the Council as guiding tool towards achieving organisational objectives.

An Employment Equity policy has been adopted by the Makana Council and guides the organisation's human resources practices in promoting employment equity, the recruitment and development of employees from designated groups and the advancement of appropriate gender representation in the organisation. An Employment Equity Plan has been developed setting out organisational equity targets, while simultaneously ensuring compliance with requirements by the Department of Labour.

Progress towards employment equity has been accorded high priority and is being driven by the Employment Equity and Training & Development Committee that reports directly to the Corporate Services Committee. The committee includes both Makana Councillors and Management Committee representation.

A range of policies have been formulated to advance both Makana LM initiatives to address historical employment inequalities as well as wider organisational transformation goals.

Areas of employment equity focus have included the review and revision of the policy on employee recruitment practices to bring these into alignment with the requirements of Makana LM Employment Equity and Affirmative Action plans.

#### **4.2.5 EMPLOYEE WELLNESS**

The Makana LM pursues employee wellness initiatives and, within this effort, has implemented a Cancer Awareness prevention programme that serves to create awareness and share information on available assistance for Cancer awareness and early dictation stages. The initiative has also offered elected community members as peers' educators so that participants are able to interact meaningfully with affected persons, both within the workplace and in the broader community.

Various additional efforts have been made to exploit employee communication tools and staff training opportunities to promote the maintenance of employee health and positive levels of staff motivation and healthy workplace relations. This has included efforts to disseminate information and advice on the management of HIV/AIDS related illnesses and workshop training to impart knowledge and skills to managers and supervisors to promote the recognition and embracing of cultural and other diversity in the workplace.

#### **4.2.6 INJURIES, SICKNESSES AND SUSPENSIONS:**

During the year under review, 4 cases of "Injury on Duty" were reported to the Compensation Commission.

#### **Comment on Suspensions and Cases of Misconduct:**

In the 2024/2025 reporting period, the Makana Municipality placed under precautionary suspension, during the respective periods of July 2024, September 2024 and March 2025 a total of three (03) Employees. For various cases of misconduct, three (03) Employees were dismissed. Misconduct included, but not limited to abscondment, failure to attend work regularly, refrain from being absent from work/duty without leave or permission, except on good cause; failure to request permission in advance for any leave of absence whenever possible; disobeying of all lawful and reasonable instructions; negligent behaviour, which resulted in the damage of property; failure to exercise fiduciary duties; and gross act of dishonesty and/or fraud.

#### **4.2.7 OTHER STRUCTURES AND FORUMS:**

Makana Local Municipality acknowledges that relationships with other strategic forums impact positively in a direct and an indirect manner on the management of the organisation. Municipalities under the auspices of the South African Local Government Bargaining Council (SALGBC), inclusive of the Makana Local Municipality has a formal recognition Collective and Consolidated Collective agreement with the South African Local Government Association (SALGA), the South African Municipal Workers Union (SAMWU) and the Independent Municipal

and Allied Trade Union (IMATU), in which the Parties concludes on a five basis annual salary and wage adjustments affecting Employees across the Local Government spectrum.

Makana LM has a Code of Conduct, and disciplinary grievance procedure in place.

Reference to the scope of the Code of Conduct Policy, this Code of Conduct was promulgated as part of the Municipal Systems Act No. 32 of 2000, and this has been added to by including information taken from such.

This Code of Conduct Policy is applicable in conjunction with the South African Local Government Main Collective Agreement (Disciplinary processes), Circular No 1/2018 Disciplinary Procedure Collective Agreement, Fleet and Asset Management Policy, Policy manual with special reference to Part B Chapter 7 Termination of service policy; Part C Chapter 8 Performance Management Systems policy; Chapter 9 Working hours and Punctuality policy; Part E Chapter 12 Grievance resolution policy; Chapter 13 Discipline policy; Chapter 14 Incapacity due to Poor work Performance policy; Chapter 15 Incapacity due to Ill Health or Injury policy; Chapter 16 Incapacity due to Operational Requirements policy, Part G Chapter 23 Private work and declaration of Interest policy; Chapter 24 Harassment policy; Chapter 25 Intoxicating substances abuse policy; Chapter 31 Electronic communication and information security policy; and the Consequence Management Policy

This Code is therefore enforceable and sets out minimum standards of acceptable behavior, which if not complied with, will result in the appropriate disciplinary action being taken.

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In the 2024/2025 reporting period, the Makana Municipality placed under precautionary suspension, during the respective periods of July 2024, September 2024 and March 2025 a total of three (03) Employees. For various cases of misconduct, three (03) Employees were dismissed. Misconduct included, but not limited to abscondment, failure to attend work regularly, refrain from being absent from work/duty without leave or permission, except on good cause; failure to request permission in advance for any leave of absence whenever possible; disobeying of all lawful and reasonable instructions; negligent behaviour, which resulted in the damage of property; failure to exercise fiduciary duties; and gross act of dishonesty and/or fraud.

**4.2.7 OTHER STRUCTURES AND FORUMS:**

Makana Local Municipality acknowledges that relationships with other strategic forums impact positively in a direct and an indirect manner on the management of the organisation. Municipalities under the auspices of the South African Local Government Bargaining Council (SALGBC), inclusive of the Makana Local Municipality has a formal recognition Collective and

Consolidated Collective agreement with the South African Local Government Association (SALGA), the South African Municipal Workers Union (SAMWU) and the Independent Municipal and Allied Trade Union (IMATU), in which the Parties concludes on a five basis annual salary and wage adjustments affecting Employees across the Local Government spectrum.

Makana LM has a Code of Conduct, and disciplinary grievance procedure in place. Reference to the scope of the Code of Conduct Policy, this Code of Conduct was promulgated as part of the Municipal Systems Act No. 32 of 2000, and this has been added to by including information taken from such.

This Code of Conduct Policy is applicable in conjunction with the South African Local Government Main Collective Agreement (Disciplinary processes), Circular No 1/2018 Disciplinary Procedure Collective Agreement, Fleet and Asset Management Policy, Policy manual with special reference to Part B Chapter 7 Termination of service policy; Part C Chapter 8 Performance Management Systems policy; Chapter 9 Working hours and Punctuality policy; Part E Chapter 12 Grievance resolution policy; Chapter 13 Discipline policy; Chapter 14 Incapacity due to Poor work Performance policy; Chapter 15 Incapacity due to Ill Health or Injury policy; Chapter 16 Incapacity due to Operational Requirements policy, Part G Chapter 23 Private work and declaration of Interest policy; Chapter 24 Harassment policy; Chapter 25 Intoxicating substances abuse policy; Chapter 31 Electronic communication and information security policy; and the Consequence Management Policy

This Code is therefore enforceable and sets out minimum standards of acceptable behavior, which if not complied with, will result in the appropriate disciplinary action being taken.

#### **4.2.8. MAJOR CHALLENGES AND REMEDIAL ACTIONS WITH REGARD TO HUMAN RESOURCE AND ORGANISATIONAL MANAGEMENT**

The Makana Municipality continues to face challenges related to the inability to retain key engineering skills. As a response to this challenge, the Makana Municipality has developed and adopted a Scarce Skills and Retention Policy. The Scarce Skills and Retention policy seeks to provide a framework for the retention of critical skills and provide incentives for such skills.

#### 4.2.9 MANAGING WORKFORCE

##### 4.2.9.1 OFFICE OF THE MUNICIPAL MANAGER:

EMPLOYEES: PLANNING(IDP/PMS), LEGAL, RISK, IA, ICT, COMMUNICATION, ETC.			
Job Level	Ending 31 June 2025		
	Number of posts	Posts filled	Vacancies
0-3			
4-6	1	0	0
7-9	1	0	0
10-12	8	0	0
13-15	0	0	0
16-18	6	5	1
19-20			
<b>TOTAL</b>	<b>16</b>	<b>5</b>	<b>1</b>

##### 4.2.9.2 OFFICE OF EXECUTIVE MAYOR/ SPEAKER:

EMPLOYEES:			
Job Level	Ending 30 June 2025		
	Number of posts	Posts filled	Vacancies
0-3			
4-6	1	0	1
7-9	2	1	1
10-12	6	6	0
13-15	2	1	1
16-18	1	1	0
19-20	0	0	0
<b>TOTAL</b>	<b>12</b>	<b>9</b>	<b>3</b>

SUMMARY EMPLOYEES: OFFICE OF THE MUNICIPAL MANAGER			
Job Level	Ending 30 June 2025		
	Number of posts	Posts filled	Vacancies
<b>Municipal Manager's Office</b>	<b>8</b>	<b>8</b>	<b>0</b>
<b>Internal Audit</b>	<b>4</b>	<b>2</b>	<b>2</b>
<b>IDP and PMS</b>	<b>5</b>	<b>3</b>	<b>2</b>
<b>Legal</b>	<b>2</b>	<b>2</b>	<b>0</b>
<b>Risk Management</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>PMU</b>	<b>5</b>	<b>5</b>	<b>0</b>
<b>TOTAL</b>	<b>26</b>	<b>21</b>	<b>5</b>

##### 4.2.9.3 LOCAL ECONOMIC DEVELOPMENT:

EMPLOYEES: AGRICULTURE			
Job Level	Ending 30 June 2025		
	Number of posts	Posts filled	Vacancies
0-3			
4-6			
7-9			

10-12	2	2	0
13-15			
16-18			
19-20			
<b>TOTAL</b>	<b>2</b>	<b>2</b>	

**EMPLOYEES: SMME**

Job Level	Ending 30 June 2025		
	Number of posts	Posts filled	Vacancies
0-3	0	0	0
4-6	2	2	0
7-9			
10-12			
13-15			
16-18	1	1	0
19-20			
<b>TOTAL</b>	<b>3</b>	<b>3</b>	<b>0</b>

**SUMMARY EMPLOYEES: LED**

Job Level	Ending 30 June 2025		
	Number of posts	Posts filled	Vacancies
Agriculture	1	0	1
SMME, Trade & Investment	3	3	0
Tourism & Heritage	1	0	1
Planning & Estate	9	7	2
<b>TOTAL</b>	<b>14</b>	<b>10</b>	<b>4</b>

**4.2.9.4 COMMUNITY & SOCIAL SERVICES:**

**EMPLOYEES: FIRE**

Job Level	Ending 30 June 2025		
	Number of posts	Posts filled	Vacancies
0-3			
4-6	1	1	0
7-9	39	31	8
10-12	1	1	0
13-15	1	1	0
16-18	1	1	0
19-20			
<b>TOTAL</b>	<b>43</b>	<b>35</b>	<b>8</b>

**4.2.9.5 BUDGET AND TREASURY**

**EMPLOYEES: SUPPLY CHAIN**

Job Level	Ending 30 June 2025		
	Number of posts	Posts filled	Vacancies
0-3			
4-6	7	7	0
7-9	3	2	1
10-12	3	0	3
13-15			
16-18	1	1	0

<b>EMPLOYEES: SUPPLY CHAIN</b>			
<b>Job Level</b>	<b>Ending 30 June 2025</b>		
	<b>Number of posts</b>	<b>Posts filled</b>	<b>Vacancies</b>
19-20			
<b>TOTAL</b>	<b>14</b>	<b>10</b>	<b>4</b>
<b>SUMMARY EMPLOYEES: BTO</b>			
<b>Job Level</b>	<b>Ending 30 June 2025</b>		
	<b>Number of posts</b>	<b>Posts filled</b>	<b>Vacancies</b>
Compliance & Reporting	3	3	0
Expenditure	6	5	1
Supply Chain	14	8	6
Revenue & Data Control	41	35	6
Asset Management	2	2	0
CFO's Office	5	5	0
<b>TOTAL</b>	<b>71</b>	<b>58</b>	<b>13</b>

#### 4.2.9.6 CORPORATE AND SHARED SERVICES:

<b>EMPLOYEES: ADMINISTRATION</b>			
<b>Job Level</b>	<b>Ending 30 June 2025</b>		
	<b>Number of posts</b>	<b>Posts filled</b>	<b>Vacancies</b>
0-3			
4-6	14	10	4
7-9	17	11	6
10-12	1	1	0
13-15			
16-18	1	1	0
19-20			
<b>TOTAL</b>	<b>33</b>	<b>23</b>	<b>10</b>
<b>EMPLOYEES: HUMAN RESOURCES</b>			
<b>Job Level</b>	<b>Ending 30 June 2025</b>		
	<b>Number of posts</b>	<b>Posts filled</b>	<b>Vacancies</b>
0-3			
4-6	1	1	0
7-9	2	2	0
10-12	6	5	1
13-15			
16-18	1	1	0
19-20			
<b>TOTAL</b>	<b>10</b>	<b>9</b>	<b>1</b>
<b>EMPLOYEES: RECORDS</b>			
<b>Job Level</b>	<b>Ending 30 June 2025</b>		
	<b>Number of posts</b>	<b>Posts filled</b>	<b>Vacancies</b>
0-3			
4-6	4	4	0
7-9	1	1	0

10-12			
13-15	1	1	0
16-18			
19-20			
<b>TOTAL</b>	<b>6</b>	<b>6</b>	<b>0</b>

#### 4.2.9.7 EMPLOYEE EXPENDITURE:

Financial Year	Total number of Staff	Total Audited Operating Expenditure	Personnel Expenditure (Salary Related)	Percentage of Expenditure
2020-2021	622 incl. Cllrs, interns & contract workers	616 473 663	217 141 964	35%
2021-2022	590 incl Cllrs, Interns & Contract workers	656 176 577	214 975 574	33%
2022-23	549 incl of Cllrs, interns and contract workers	683 929 661	201 852 441	29,5%
2023-24	581 incl of Cllrs, interns and contract workers	842 921 884	235 878 290	28%
2024-25	596 incl Cllrs, interns & Contract Workers			

#### 4.2.9.8 List of Pension and Medical Aid Schemes 2024-25:

Names of pension fund	Number of Staff	Name of Medical Aids	Number of Staff
Bonitas	71		
Cape Joint Retirement	285	LA Health	55
SALA Pension Fund	97	SAMWU Med	84
SAMWU Provident Fund	145	Key Health	31

#### 4.2.9.9 Employee Related Cost:

Related Cost	2021-22	2022-23	2023-24	2024-25
Salaries	214975 574	189 854 238	223 007 496	
Remuneration of Councillors	11 204 692	R11 998 233	R12 870 794	

#### 4.2.10 Terminations:

REASON	2019-20	2021-22	2022-2023	2023-24	2024-25
RETIREMENTS	A combined total of 20 people left the institution during the 2019/20 financial year.	12	17	16	<b>08</b>
DECEASED		17	7	4	<b>07</b>
RESIGNATIONS		03	4	11	<b>11</b>
MEDICALLY BOARDED		00	2	3	<b>03</b>
CONTRACT EXPIRY		01	0	2	<b>01</b>
DISMISSAL		04	1	1	<b>3</b>

## CHAPTER FIVE: FINANCIAL VIABILITY AND PERFORMANCE:

### 5.1 Financial Viability Highlights

The steady progress made is evidenced by a better cash coverage ratio was slightly reversed by the economic impact of the COVID19 pandemic as the municipality's built-up reserves had to be released to cover the reduced collection rate. The municipality still, however, had an increased ability to contribute towards paying Eskom account and long outstanding debt which led reduction in arrear creditors of the municipality. The municipality has also improved its financial management by ensuring Grant funding is ring-fenced and not used in the ordinary course of business.

The financial performance of the municipality has been forecasted with marginal deviation to the operational budget when comparing actual results to the budget. The review of municipal organogram and job description is another initiative that will bring accountability and ensure that departmental managers' ability to plan, perform & implement internal controls. There remains a budget shortfall to adequately cover the impairment of debtors & was partially rectified in 2022/23 Adjustments Budget together with achieving a funded budget.

### EXECUTIVE SUMMARY OF KEY FINANCIAL ACHIEVEMENTS FOR THE YEAR UNDER REVIEW:

With leadership of the CFO and managers, the Budget & Treasury Office has been able to diagnose and identify possible remedial action to enhance municipal revenue.

### 5.2 Financial Viability Challenges

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

#### Challenges

- Maintain a sound financial position in the context of the national and international economic climate.
- Long outstanding creditors
- Revenue enhancement
- High volume of litigations
- Limited revenue base
- Financial recovery plan
- Filling of critical positions

### 5.3 National Key Performance Indicators- Municipal Financial Viability and Management (ratios)

Financial Viability and Management Ratio	2021-22	2022-23	2023-24	2024-25	Remarks
<p>Liquidity Ratio (Current Ratio) - this ratio indicates the extent to which current assets can be used to settle short-term liabilities.</p> <p>If current assets do not exceed current liabilities, it means a liquidity problem i.e., insufficient cash to meet financial obligations. The norm is 1.5 - 2:1.</p>	0.24	0.40			<p>The ratio suggests that the municipality would be unable to pay all its current or short-term obligations when they fall due.</p> <p>This highlights serious financial challenges and a risk cover to enable continued operations at desired levels.</p>
<p>Cash Coverage Ratio - indicates the municipality's ability to meet at least its monthly fixed operating commitments without collecting any revenue during that month.</p> <p>The norm should not be less than 1 - 3 months.</p>	0.10	2months			<p>The ratio indicates that the municipality's result is within the norm.</p> <p>The municipality is at moderate risk in the event of financial setbacks to meet its obligations to provide for basic services.</p>
<p>Creditors Payment Period – this indicates the average number of days taken to pay trade creditors.</p> <p>The norm is 30 days.</p>	230 days	48 days			<p>The ratio indicates that the municipality is not adequately managing its working capital and that effective controls are not fully in place to ensure prompt payments.</p>
<p>Contracted Services as a % of Total Operating Expenditure – measures the extent to which municipal resources are committed towards contracted services.</p> <p>The norm is 2% - 5%</p>	6%	4%			<p>The ratio result is within the norm.</p> <p>Outsourcing decision should be weighed against ability to attract skills, as increased ratio would be an indication of reliance on contractors and inability to build capacity.</p>

Financial Viability and Management Ratio	2021-22	2022-23	2023-24	2024-25	Remarks
Irregular, Fruitless and Wasteful and Unauthorised Expenditure to Total Expenditure – this ratio measures the extent of irregular, fruitless and wasteful and unauthorised expenditure to total expenditure. The norm is 0%.	23%	22%			<p>The norm of this ratio should be kept at 0%, the result is an indication that cases are not investigated and acted upon.</p> <p>The municipality has started to advertise old legacy contracts to reduce irregular expenditure, and this should manifest itself in the 2023/2024 financial year, where irregular is anticipated to decrease.</p>
Capital Expenditure Budget Implementation Indicator – measures the actual to budgeted capital expenditure that has been spent by the municipality. The norm range is between 95% - 100%.	56%	48%			<p>The norm of this ratio is 95% and performance below is an indication that there are discrepancies in planning and budgeting, also capacity challenges to implement projects and as well as supply chain management process failures.</p> <p>Corrective measures have been put in place in that the current year expenditure, and expenditure on Capital Grants has drastically improved in the current year.</p>
Percentage of Property, Plant and Equipment, Intangible Asset and Investment Property Impaired – indicates the loss in future economic benefits or service potential of an asset over and above the systematic recognition of depreciation. The norm is 0%.	0.3%	0%			<p>The performance result of this ratio is in line with the acceptable norm, and therefore an indication that the municipality has not lost any future economic benefits/service potential through assets impaired.</p>

Financial Viability and Management Ratio	2021-22	2022-23	2023-24	2024-25	Remarks
Repairs and Maintenance to Property, Plant and Equipment and Investment Property – measures the level of repairs and maintenance to ensure adequate repairs and maintenance to prevent breakdowns and interruptions to services delivery. The norm is 8%.	0.8%				

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**.

#### 5.4 FINANCIAL VIEW

Financial year	2023-2024			2024-25		
Detail	Original Budget	Adjustment Budget	Actual	Original Budget	Adjustment Budget	Actual Budget
Income						
Less Expenditure						
Net surplus						

#### 5.5 Operating Ratio

Financial year	2023-2024			2024-2025		
Detail	Expected Norm	Actual	%Variance	Expected Norm	Actual	% Variance
Employee cost						
Repairs & maintenance						

## 5.6 Total Capital Expenditure

DETAILS	2020-21	2021-2022	2022-2023	2023-24	2024-25
Original budget	R43 047	R49 227	R47 279		
Adjustment budget	R67 859	R77 740	R54 529		
Actual Expenditure	R57 778	R43 260	R26 284		

## 5.7 Auditor General Report

### 5.7.1 Audit Outcomes

AUDIT OPINION	2020-21	2021-22	2022-23	2023-24	2024-25
Unqualified opinion without matters (Clean Audit)					
Unqualified opinion with emphasis of matter or other matters					
Qualified opinion					
Adverse opinion					
Disclaimer	X	X	X	X	

*The municipality regrettably received the fourth disclaimer audit opinion for 2024/2025 financial year*

**The major components that contributed to the disclaimer are as follows:**

- Property Plant and Equipment.
- Revenue from Exchange and Non-Exchange Transactions.
- Receivables from Exchange and Non-Exchange Transactions.
- Expenditure Management.
- Procurement and Contract Management; and
- Compliance with Supply Chain Management.

*The audit report will be tabled to Council first; to improve the audit outcome and an audit action/ improvement plan will be developed to address all the audit findings.*

## 5.8 Supply Chain Management

### 5.8.1. 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, competitive bids, and management of inventory.

**Competitive Bids More than R 200 000(2024-25)**

5.8.2	Bid Number	Title of Bid	Value of bid awarded (R)

**5.8.2.1 Bid Committee meeting**

In compliance with SCM regulations and policy all bid committees were established and are functioning fully, namely:

- Bid Specification Committee
- Bid Evaluation Committee
- Bid Adjudication Committee

There are two separate sets of bid committees for Infrastructure projects and the other for other goods and services to try and expedite expenditure through service delivery.

A calendar of meetings was drawn up but was not fully adhered to. The committees thereafter functioned on an ad-hoc basis but managed to shorten the procurement processes. Delays were mostly in the planning stages up to Bid Specification approval.

**5.8.2.2 Awards made by the Bid Adjudication Committee:**

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

Ref	Bid Number	Title of Bid	Value of bid awarded (R)

**5.8.2.3 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 more than R10 million. The power to make such an award may not be sub-delegated by the Accounting Officer.

### 5.8.2 Procurement Statistics

#### a) Awards Made to the Companies/Enterprises established in the Makana Municipal Area

Request for Quotations are called from prospective service providers for procurement of items of less than R30 000-00. For procurement of items above R30 000-00 adverts are published on the notice board, e-tender and website and when the responses meet the municipal needs and specifications we therefore considered and approve.

To ensure Local Economic Development, quotations are first requested from Makana Service providers. Should there be no match, the municipality then goes outside the municipal jurisdiction. Majority of the external award values is made up of RFQs and tenders that were advertised openly during 2021/2022 Financial Year.

THRESHOLD	GOODS/SERVICE - ORDERS		PROCUREMENT METHOD MINIMUM	APPROVAL AUTHORITY	SERVICE PROVIDER (S)
	VALUE	NO			
R0 – R2 000 Petty Cash					
R2 001 – R30 000					
30 001 – R200 000					
R200 001 – R2 Million					
R2 Million – R10 Million					
Above R10 Million					

**R**

### 5.8.3 Deviation from Normal Procurement Processes 2024-2025

Type of deviation	Value of deviations (R)	Percentage of total deviations value
Sole Provider		
Goods/Service needed urgently/		
Other (Strip and Quote)		
<b>Total</b>		

#### **5.8.4 Logistics Management**

The system of logistics management must ensure the following:

- 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 goods or services.

Each stock item at the municipal stores 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. If special projects are being launched by departments, such information is not communicated timely to the stores section for them to gear them to order stock more than 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.

#### **5.8.5 Disposal Management:**

This is one of the critical vacant posts in SCM unit. Currently there is no one in this section, all the work is distributed amongst other SCM officials and asset accountant that is presently employed by the municipality. The municipality needs to give this section urgent attention and make recommendation for the filling of the posts to council.

*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.
- The municipality is 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. This policy however needs to be reviewed. Information regarding assets earmarked for disposal have already been collated and the request for approval for disposal was tabled to Council and further requests will be tabled soon looking at the state of municipal vehicles and ICT infrastructure.

#### **5.8.6 Performance Management**

The SCM policy requires that an Internal Monitoring System be established and implemented based on 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.

### 5.8.7 Procurement and Contract management (2023-24)

The municipality has complied with SCM Regulation 6(2) for the 2023-24 financial year. These reports were submitted on time by the Chief Financial Officer, the Accounting Officer, as well as the Executive Mayor and Council, on a quarterly basis throughout the financial year.

### 5.8.8 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. The municipality 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. The unit also utilises centralise supplier database for verification of supplier's vat and tax matters.

### 5.8.9 Procurement and Contract Management-Monitoring of contract not done on a Monthly basis

Contract management is the responsibility of each manager for contracts in his/her functionality area. There is one official at SCM unit who deals with contracts monitoring and reporting. Additional capacity needs to be created within the SCM Contract Management Unit. In future the Chief Financial Officer will ensure that vacant funded positions within SCM are filled to capacitate the unit.

## 5.9 Financial Performance

### 5.9.1 Revenue by Source:

The following table indicates the various types of revenue items:

Revenue Sources	2021-2022	2022-23	2023-24	2024-5
Government subsidies	31.3%	22%		
Service charges	46.7%	52%		
Properties rates	16.1%	16,4%		
Interest received Investment	0.1%	1%		
Agency services	0.8%	0,45%		
Interest received debtors	2.4%	8%		
Rentals of facilities	0.1%	0,04%		
Other Revenue	2.5%	0,11%		

### 5.9.2 Expenditure by Type

The following graph indicates the various types of expenditure items:

Type	2021-2022	2022-23	2023-24	2024-25
Employees cost	33%	29,34%		
Remuneration of Councillors	1.7%	1,76%		
Debt impairment	22.6%	26,9%		
Depreciation	5.4%	4,7%		
Finance Charges	1.5%	2,5%		
Bulk purchases	20.8%	20%		
Contracted services	7.7%	4,5%		
Transfer & Grants	0.1%	0,2%		
Other expenditure	7.5%	6,16%		

## 6. APPENDICES A: COUNCIL

### APPENDIX A: MUNICIPAL COUNCILLORS

NO.	ORG	WARD	SURNAME & NAME
1	EFF	PR	BOOYSEN MZAMO
2	EFF	PR	BUWA NOLUTHANDO MEMORA
3	ANC	10	CETU ZODWA ALFREDA
4	DA	08	CLARK CAROLYNN
5	MCF	PR	DEKE AMANDA
6	DA	04	EMBLING GEOFRE KEITH WYNSTAN
7	MCF	PR	GEELBOOI MILO DIBANISILE
8	ANC	03	HOYI ZANEKHAYA ANDILE (MAYCO)
9	DA	08	JACKSON BRIAN
10	ANC	06	JEZI VUYANI NELSON
11	DA	PR	MADYO XOLANI GLADMAN
12	MCF	PR	MANTLA ZONWABELE
13	ANC	07	MASINDA LUNGA
14	MCF	PR	MATEBESE THANDISIZWE
15	ANC	13	MATINA WANDISILE
16	ANC	PR	MATYUMZA MTHUTHUZELI (SPEAKER)
17	ANC	05	MENE GCOBISA BRENDA (MAYCO)
18	IND	14	VUYANI NESI
19	ANC	12	NKWENTSHA MZOBANZI (MAYCO)
20	ANC	01	PETER PHUMELELE
21	MCF	PR	SIXABA WONGEZILE LUNGISA
22	DA	PR	SIZANI LUVUYO
23	ANC	PR	VARA YANDISWA (EXECUTIVE MAYOR)
24	ANC	PR	VAYO THANDOLWETHU (MAYCO)
25	ANC	02	XONXA MPHUMZI RUMSELL (MAYCO)
26	ANC	09	YAKA THOZAMILE SYLVESTER
27	ANC	11	ZONO SAKHIWO

**APPENDIX: B THIRD TIER STRUCTURE**

NO.	DIRECTORATE	MANAGER (TITLE AND NAME)
1.	<b>Corporate and Shared Services</b>	Manager Administration: Ms P Liwani
3.		Records Manager: Ms N Xintolo
4.		Manager Human Resources: Ms Phumla Qezu
5.		Unit Manager: Alicedale: Mr GK Goliath
6.		Unit Manager Riebeeck East: Ms N Kulati
7.		Manager Expenditure: Mr M Crouse
8.	<b>Budget and Treasury Office</b>	Manager Budget and Reporting: Ms Mzolo
9.		Manager Revenue: Vacant
10.		SCM Manager: Vacant
11.		Manager in Office of MM: Mr L Ngandi
12.	<b>Mayor and Municipal Manager's Office</b>	Internal Audit Manager: Ms G.C Mtshazi
13.		IDP/PMS Manager: Mr M Pasiya
14.		Manager office of Speaker: Ms N Santi
15.		Special Project Unit Manager: Mr S Wali
16.		Legal Manager: Ms C April
17.		Risk Manager: Mrs N Kosi
18.	<b>Local Development and Planning</b>	Trade, Investment and Tourism Manager: Mr Nyembezi
19.		Agriculture Manager: Vacant
20.		Manager Planning: Ms Sinazo Jonas
21.	<b>Public Safety and Community Services</b>	Environmental Manager: Vacant
22.		Manager Fire Services: Mr W Welkom
23.		Manager: Abolished
24.		Manager Parks and Recreation: Vacant
25.		Operations Manager: Mr Phumzile Smile
26.		Manager Traffic & Licensing: Mr. C Hanekom
27.	<b>Engineering and Infrastructure Services</b>	Deputy Director Electricity distribution: Mr M Radu
28.		Manager Electricity: Mr X Bokwe
29.		Renewable Energies: Mr M Siteto
30.		Manager: Water & Sanitation: Mr Qwane
31.		Manager: Roads & Stormwater: Ms G, Mfeti
32.		Deputy Director: Civil Services (vacant)

**APPENDIX: C MAKANA LOCAL MUNICIPALITY'S POWERS AND FUNCTIONS**

NO.	POWERS AND FUNCTIONS	NO.	POWERS AND FUNCTIONS
1.	Building regulations	17.	Facilities for the accommodation, care and burial of animals
2.	Billboards and the display of advertisement in public spaces	18.	Fencing and fences
3.	Cemeteries, funeral parlours and crematoria	19.	Local amenities
4.	Childcare facilities	20.	Local tourism
5.	Cleansing	21.	Local sport facilities

NO.	POWERS AND FUNCTIONS	NO.	POWERS AND FUNCTIONS
6.	Control of undertakings that sell liquor to the public. Noise pollution	22	Firefighting services
7.	Licensing and control of undertakings that sell food to the public	23	Municipal airport
8.	Municipal planning	24	Municipal health services
9.	Markets	25	Municipal abattoirs (Not applicable)
10.	Municipal parks and recreation	26	Municipal roads
11.	Noise pollution	27	Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under the Constitution or any other Law
12.	Storm water management	28	Trading regulations
13.	Water and sanitation services limited to potable water supply systems and domestic wastewater and sewage disposal systems	29	Pounds
14.	Public places	30	Refuse removal, refuse dumps and solid waste disposal
15.	Street trading	31	Street lighting
16.	Traffic and parking	32	Municipal transport (Not applicable)

#### APPENDIX: D WARD COMMITTEE INFORMATION

Details of Ward Committee Members					
WARD 1			WARD 2		
No.	SURNAME & INITIALS	GENDER	No.	SURNAME & INITIALS	GENDER
1.	Vacant	F	1	Lindokuhle Thimna Mzongwana	F
2.	Maria Botha	F	2.	Bulelwa Majiza	F
3.	Dawie Roman	M	3.	Bekithemba Mabona	M
4.	Lindiwe Basie	F	4.	N/A	M
5.	Sandra Whitebooi	F	5.	Thembisa Mantile	F
6.	Vuyokazi Yamile	F	6.	N/A	M
7.	Nomawethu Hempe	F	7.	Zibangele Gladman Mcuba	M
8.	Candy Mentoor	F	8.	Mihlali Mzizi	M
9.	Vacant	M	9.	Malithenjwe Lubelwana	M
10	Vacant	N/A	10.	Vacant	N/A
WARD 3			WARD 4		
	SURNAME & INITIALS	GENDER		SURNAME & INITIALS	GENDER
1.	Simnikiwe Bunu	F	1.	Devon Waldick	M
2.	Ntombozuko Hazel Faxe	F	2.	Elizabeth Endlene Davies	F
3.	Nontle Mama	F	3.	Akhona Mantashe	F
4.	Jenine Sphere	F	4.	Alison Neville Holleman	F
5.	Amanda Habana	F	5.	Brian Fargher	M
6.	M.Simani	M	6.	Hester Magrietha Coetzee	F
7.	Nicolla Arends	F	7.	Catherine Letcher	F

Details of Ward Committee Members					
WARD 1			WARD 2		
No.	SURNAME & INITIALS	GENDER	No.	SURNAME & INITIALS	GENDER
8.	Khanyiswa Kiswa	F	8.	Phillipa Sauls	F
9.	Sizwe Mbunge	M	9.	Neziswa Soxujwa	F
10.	Vacant	N/A	10.	Lena May	N/A
WARD 5			WARD 6		
	SURNAME & INITIALS	GENDER		SURNAME & INITIALS	GENDER
1.	Zamuxolo Gladman Nesi	M	1.	Noncedo Teyi	F
2.	Lindile Christopher Kays	M	2.	Phumza Veronica Magida	F
3.	Vusumzi Sexon Gazo	M	3.	Zimkhitha Dywili	F
4.	Linda Sylvia Kom	F	4.	Ntombikayise Princess Jali	F
5.	Fundiswa Brenda Mami	F	5.	Xolani Christian Dibela	M
6.	Nomonde Gladys Kalipa	F	6.	Bulelwa Madeli	F
7.	Nokuzola Primrose Namba	F	7.	Oyama George	M
8.	Bulelwa Mgogoshe	F	8.	Ntombekhaya Ntenti	F
9.	Zwelandile Albert Madyo	M	9.	Nobuntu Noggala	F
10.	Nontsikelelo Maki	F	10.	Ayabulela Dimaza	F
WARD 7			WARD 8		
	SURNAME & INITIALS	GENDER		SURNAME & INITIALS	GENDER
1.	Phumzile Prince	M		Akona Gabavana	F
2.	Luvuyo Nzanzeka	M		Yolanda Niwa	F
3.	Zimasa Thame	F		Fiona Mary Semple	F
4.	Andiswa Tafane	F		Rowan Mark Engelbrecht	M
5.	Anele Ken Rala	M		Robyn Cooper	F
6.	Bongani Christopher Sam	M		Peter Lamond Knowling Sturrock	M
7.	Vukile Phillip Kelele	M		Phillippa Irvine	F
8.	Fezeka Lamani	F		Tracey Ann Arthur	F
9.	Luzuko Christian Nkupu	M		N/A	F
10.	Msindisi Sidwell Jela	M		Kimberly Chante Lindoor	F
WARD 9			WARD 10		
	SURNAME & INITIALS	GENDER		SURNAME & INITIALS	GENDER
1.	Nomakula Theresa Fondini	F		Noxolo Beverly Bodla	F
2.	Nyameko Zonke	M		Thembinkosi Andrew Nkosinkulu	M
3.	Khayakazi Wendy Mbonde	F		Yoliswa Bangani	M
4.	Phumelelo Palacios Beyi	M		Ntomboxolo Lerato Ngeleza	F
5.	Zamamiya Majola	F		Nontutuzelo Thelma Mtsora	F
6.	Luyanda Ntozini	M		Ben Mpinda	M
7.	Lwando Yako	M		Gcobisa Ntanjana/Memani	F
8.	Anele Kepe	M		Ntombi Kolisi	F
9.	Lucky Elvis Ngcani	M		Nombulelo Khethani	F
10.	Libona Danster	M		Lizo Bonyongo	M
WARD 11			WARD 13		
	SURNAME & INITIALS	GENDER		SURNAME & INITIALS	GENDER
1.	Nkosinathi Dyaloyi	M	1.	Lumka Peli	F
2.	Nomalungelo Pati	F	2.	Melisizwe Lawu	M
3.	Nomfusi Silo	F	3.	Zolelwa Peter	F
4.	Siyabonga Dondashe	M	4.	Ntombomzi Notyawa	F

5.	Likhayeni Thandani	M	5.	Nokulunga Ngxingo	F
6.	Vuyokazi Matiwana	M	6.	Ntombikayise Ngindo	F
7.	Eunice Qwazi	F	7.	Lulama Khonze	F
8.	Mkhanyiseli Solomon	M	8.	Nandipha Lolose	F
9.	Nompilo Toyi	F	9.	Nomsa Julia Yame	F
10.	Xolani Mzileni	M	10.	Vacant	N/A
<b>WARD 14</b>			<b>WARD 12</b>		
	<b>SURNAME &amp; INITIALS</b>	<b>GENDER</b>		<b>SURNAME &amp; INITIALS</b>	<b>GENDER</b>
1.	Tembalethu Magopeni	M	1.	Vacant	N/A
2.	Phumela Primrose Kewuti	F	2.	Vacant	N/A
3.	Tamara Mboyi	F	3.	Vacant	N/A
4.	Brendon Klaase	M	4.	Vacant	N/A
5.	Clinee Bruintjies	F	5.	Vacant	N/A
6.	Nosibusiso Faxe	F	6.	Vacant	N/A
7.	Zanemvula Ntoyanto	M	7.	Vacant	N/A
8.	Neliswa James	F	8.	Vacant	N/A
9.	Bulelwa Macwili	F	9.	Vacant	N/A
10.	Vacant		10.	Vacant	N/A

**ANNEXTURE A: AUDITED ANNUAL PERFORMANCE REPORT 2023-2024**

Pre-determined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 - June 2024	Reason for deviation	Corrective Measures
					Status	Target	Actual
<b>KPA ONE (1): BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT (BSI)</b>							
Provision of water, sanitation and electricity service to all Makana Municipality communities	BSI 1.2	Replacement of ageing asbestos pipes in Phase 3 A (Makhanda)	Percentage of work completed	0%	100%	63%	<p>The contractor was instructed to stop all the works and establish site on the 4th of April 2024. The contractor is to re-establish by the 15th of June 2024 and resume with and complete the outstanding scope of work</p> <p>The municipality did not have funding to conclude the project at the expected time due to the rollover for 2022/23 financial year that was not approved. The contractor was requested to conclude the project in the 24/25 financial year. The contractor is currently on site. addition scope of work</p>



Upgrading, refurbishment and secure of Bulk Infrastructure development	BSI 1.7	Refurbishment Waainek WT W Refurbishment Cathodic projection	Percentage of work completed	0%	100%	90%	There was an issue of nonpayment to the contractor where the work was suspended due to budget shortfall because of the budget adjustment. There was bush clearing required for the last portion which delay the completion of the CP works,	The project has been reprioritise in the 2024-25 financial for completion, it is expected to be complete in the end of October 2024.
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Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024			Reason for deviation	Corrective Measures
					Status	Target	Actual		
Provision of water, sanitation and electricity service to all Makana Municipality communities	BSI 1.8	Refurbishment of Belmont Valley Wastewater Treatment Works	Percentage of completed	5%	100%	73%	The contractor has been working on a live plant, and it was difficult to install some of the electrical equipment required. The investigation by the consultant was done when the project in the operation.	Extension of time was requested and granted to contractor until the 18 July 2024	

To provide safe & sustainable roads network	BSI 1.10	Percentage of surfaced municipal road lanes which has been resurfaced using Paving	Percentage of resurface using paving completed	43%		100%	83%	River Sand paving & concrete work were not completed due to school rental, security and Occupational health issues	The project will be completed in the first quarter of the 2024-25 financial year.
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Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures
					Status	Target		
To provide safe & sustainable roads network	BSI 1.11	Percentage of surfaced municipal road lanes which has been resurfaced and resealed	Percentage of distance of completion	0%		60%	The project was not implemented due to funding shortfall because the budget was adjusted	The project has been re-prioritised for the 2024-25 financial year budget and is expected to be completed in June 2025

Ensure equitable access to housing development	BSI 1.12	Construction of 178 outstanding RDP Houses	Number of RDP Houses construction	0		178 RDP Houses constructed	0	Delay in the appointment of SMMES, due to non-compliance SCM requirements	Two main Contractors were appointed in September 2023 and Municipality is process of appointment another 6 SMME's.
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Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024			Reason for deviation	Corrective Measures
					Status	Target	Actual		
Provision of a safe, healthy, and secure living environment	CSC 1.3	Percentage of Oval Stadium, Lavendar Valley refurbishment completed	Percentage	0%	100%	44%	The service provide has been poorly performing after numerous engagements with him, he was unable to catch up. Service provider was subsequently terminated. The project will resume in 24/25 upon appointment of service provider.	Municipality is in the process of appointing second highest bidder and project has been re-prioritised for the new financial year 2024-25 budget	

Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024			Reason for deviation	Corrective Measures
					Status	Target	Actual		
Provision of water, sanitation and electricity service to all Makana Municipality communities	BSI 1.13	Number of High masts repaired	Number	0	4	0	This was not done due to Insufficient funding	The project has been re-prioritised for the new financial year 2024-25 budget	
<b>KPA TWO (2): COMMUNITY AND SOCIAL COHESION(CSC)</b>									
Clean and Beautified the City	ENV3.11	Percentage of known informal settlements receiving basic refuse removal services	Percentage of informal settlements received basic service	New indicator	100%	98%	Heavy rains on the 1st&2nd June affected the access roads in Informal Settlements	Collection was done on another day	
Provision of a safe, healthy, and secure living environment	CSC 1.9	Percentage of scheduled waste collection service restored after interruption	Within 48 Hours	New indicator	100%	98%	Heavy rains on the 1st&2nd June affected the access roads in Informal Settlements	Collection was done on another day	
Provision of a safe, healthy, and secure living environment	CSC 1.1	Number of illegal Dumping eradicated and revamp by 30 June	Number	New indicator	8	11	N/A	N/A	

Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures
					Status	Target		
		2023						
Provision of a safe, healthy, and secure living environment	CSC 1.4	Number of Community Road safety awareness programmes conducted	Number	3	12	12	N/A	N/A

Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures
					Status	Target		
		2023						
Provision of a safe, healthy, and secure living environment	CSC 1.5	Number of Community Stakeholder engagement conducted	Number of stakeholder forums	2	4	3	N/A	N/A
Clean and Beautified the City	CSC 1.10	Percentage compliance with the required attendance time for structural firefighting incidents	Percentage of Compliance	New indicator	100%	100%	N/A	N/A

Clean and Beautified the City	CSC 1.11	Number of fire and disaster management community awareness	Number	New indicator		4	6	N/A	N/A
Enhance Safety and Security initiative	CSC 1.12	Percentage of fire inspection conducted as per inspection plan/Schedule	Percentage	New indicator		100%	100%	N/A	N/A
Enhance Safety and Security initiative	CSC 1.13	Number of Awareness programmes (observe Calander days)	Number	New indicator		4	4	N/A	N/A

Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures	
					Status	Target			Actual
Provision Social community facilities	CSC 1.14	Number of libraries visit	Number	30 000		33 000	46790	N/A	N/A
<b>KPA THREE (3): LOCAL ECONOMIC DEVELOPMENT AND PLANNING(LED)</b>									
Improved stakeholder collaboration to unlock opportunities for economic growth	LED 1.1	Number of work opportunities created through EPWP	Report the number of jobs created	172		172	172	N/A	N/A
Improved stakeholder collaboration to unlock opportunities for economic growth	LED 1.2	Number of work opportunities created through CWP	Report the number of jobs created	898.00		1000	1000	N/A	N/A

Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024			Reason for deviation	Corrective Measures
					Status	Target	Actual		
Improved stakeholder collaboration to unlock opportunities for economic growth	LED 1.3	Number of work opportunities created through projects including capital Infrastructure development investment	Report the number of jobs created	194.00	194	76	This was due delay on the two projects that were planned to commence in the financial year under review, Makana Way and upgrading of Informal areas	The project has been re-prioritised for the 2024-25 Financial year.	
Improved stakeholder collaboration to unlock opportunities for economic growth	LED 1.4	Facilitate support for SMME to participate in National arts festival	Number of SMME Supported to participate in National Arts festival	0	2	2	N/A	N/A	

Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures
					Status	Target		
Improved stakeholder collaboration to unlock opportunities for economic growth	LED 1.5	Implementation of the LED Forum resolution	Number of reports on resolution implemented quarter	0	4	1	The Municipality has not formally established a LED Forum instead, there was a LEDLAC forum established and launch in March 2023 however due to capacity constraint this structure has been functional.	To be prioritised in the 2024-25 Financial year.
	LED 1.6	Implementation of Makhanda East Precinct Plan "	Invite interested Developer	0	Invite interested Developer	0	Procurement processes lapsed due to budget constraints	To be prioritised in the 2024-25 Financial year.

Promoting and enabling environment	LED 1.7	Approval of the informal trading policy by Council	Number of milestones completed	0	Approved Informal Trading policy	1	N/A	N/A
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Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures
					Status	Target / Actual		
Support SMME and Community Development initiatives	LED 1.8	Number of SMME Support programmes facilitated	Number of SMME Support programmes facilitated by the Municipality	2	4	6	N/A	N/A
Promoting and enabling environment	LED3.11	Average time taken to finalised business license applications	Time (Quantity)	0	Days (15)	Days (15)	N/A	N/A
Promoting and enabling environment	LED3.12	Average time taken to finalised informal trading permits	Time (Quantity)	0	3 Days	3 Days	N/A	N/A
Promoting and enabling environment	LED3.13	Average number of days taken to process building application of 500 square meters or more	Time (Quantity)	0	30 Days	30 Day	N/A	N/A

Promoting and enabling environment	LED1.32	Average number of days taken to process Land Use Applications	Time (Quantity)	0	6 Months	6 Months	N/A	N/A
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Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures
					Status	Actual		
Promoting and enabling environment	C29 (LED)	Percentage of approved new applications for rezoning a property for commercial purposes.	Time (Quantity)	0	6 Months	6 Months	N/A	N/A
Promoting and enabling environment	C85(LED)	Percentage of business licenses renewed	Percentage	0	100%	100%	N/A	N/A
<b>KPA FOUR (4) INSTITUTIONAL CAPACITY AND ORGANISATIONAL DEVELOPMENT (ICOD)</b>								
Effective Management of Organisational Design and policy development	ICOD 1.1	Number review conducted	Number review conducted	1	1 (Review of Organisational Structure)	1	N/A	N/A

Effective Management of Organisational Design and policy development	ICOD 1.2	Report - Number of positions adjusted in line with JE outcome.	Number of Reports	0	4	4	N/A	N/A
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Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024			Reason for deviation	Corrective Measures
					Status	Target	Actual		
Effective Management of Organisational Design and policy development	ICOD 1.3	Number of milestones reached towards Review of Service Delivery Business Model for Alicedale and Riebeeck	Number of Milestones completed	0	3 (Service Delivery Business Model for Alicedale and Riebeeck Milestone)	New service delivery model has been developed	N/A	N/A	
Ensure efficient and effective organisational support by a competent and skilled workforce	ICOD 1.4	Percentage reduction of vacancy rate(C88)	Percentage of vacancy rate	13.0%	10% (Anticipation)	13%	Due Monomorium to focus on the critical vacant position	N/A	

Ensure efficient and effective organisational support by a competent and skilled workforce	ICOD 1.7	Percentage of budgeted Rand Value spent on Skills Development	Rand Value spent	0	100%	1		
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Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures
					Status	Target / Actual		
Ensure efficient and effective organisational support by a competent and skilled workforce	ICOD 1.8	Review of Human Resources Plan	Number of human resources plans reviewed by 30th June	0	1 (Revised Human Resources Plan)	1	N/A	N/A
Ensure efficient and effective organisational support by a competent and skilled workforce	ICOD 1.9	Number of employees wellness programmes facilitated	Number of employees wellness programmes by the Municipality	1		3	N/A	N/A

Effective Management of Organisational Design and policy development	ICOD 1.13	Number of milestones towards reviewing HR Policies	Number of milestones	8	2 Milestone (Review of HR Policies)	HR Policies where revised on the 7 and 8th of March 2024	N/A	N/A
Effective and efficient Human Resources Development and management programme	ICOD 1.15	Percentage of municipal skills development levy recovered(C88)	100 % skills levy recovered	0	100%	0%	N/A	N/A

Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures
					Status	Target Actual		
Improve organisational culture to enhance productivity	ICOD 1.10	Percentage of signed performance agreement management levels	Percentage	0	100%	0%	Performance Management system has not been cascaded to lower level than Director level	Cascading is prioritised for the 2024-25 Financial year

**KPA FIVE (5): FINANCIAL VIABILITY AND MANAGEMENT (FVM)**

		KPA FIVE (5): FINANCIAL VIABILITY AND MANAGEMENT (FVM)				
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 1.1	Total Annual Operating Budget revenue raised/collected by 30 June	Percentage of Operating Budget revenue raised/collected	58%	80% of annual billed and monthly billed income by June 2023	63%
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 1.2	Actual expenditure on the approved Capital Budget for the Municipality by 30 June (NKPI - MFMA, Reg. S10(c))	Percentage of approved Capital Budget actually spent	35%	100% Grants and 82 % Own revenue.	100%
						N/A
						N/A

Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures
					Status	Target		
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 1.3	Submission of the MTREF to Council by 31 May	Number of MTREFs submitted to Council by 31 May	4	1 MTREF submitted to Council by 31 May	2	N/A	N/A
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 1.4	Review of the Financial Management Policies	Number of budget related policies revised and approved by Council for approval	1		11	N/A	N/A
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 1.5	Submission of the Annual Financial Statement (AFS) to the Auditor-General of South Africa	Number of Annual Financial Statements submitted to the Auditor-General of South Africa by 31 August	1	Number of Annual Financial Statements (AFS) submitted to the Auditor General of South Africa by 31 August	1	N/A	N/A

Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024			Reason for deviation	Corrective Measures
					Status	Target	Actual		
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 1.6	Ratio in respect of Debtor Payment Days	Net Debtors Days Ratio ((Gross Debtors – Bad Debt Provision) /Billed Revenue)) x365 (Target Number of days)	110 days	40 days	16 days	N/A	N/A	
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 1.7	Financial viability measured in terms of the available cash to cover fixed operating expenditure (NKPI Proxy - MFMA, Reg. S10(g)(iii))	Cost coverage ratio (Available cash + investments)/Monthly fixed operating expenditure	1 Month	3 Months	1 Month	The poor revenue collection continues to hamper the achievement of this ratio.	Installation of prepaid water and electricity smart water	
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 1.9	Report on Financial Recovery Plan/Strategy conducted quarterly to Council	Number of reports submitted	4	4 Reports Submitted Quarterly	4	N/A	N/A	

Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures
					Status	Actual		
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 1.11	Percentage reduction in the unauthorised expenditure 'by 30%	Percentage of reduction	R100 million	R40 million	54%	N/A	N/A
Ensure sound financial sustainability and adhere to statutory prescriptions	FVM 1.12	Percentage of Payments of creditor within 30 days	Percentage of 30 days	92, %	100%	100%	N/A	N/A
<b>KPA SIX (6): GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>								
Ensure good governance and compliance	GGP 1.1	Qualified audit opinion	Obtain one (1) Qualified Audit Opinion"	0			N/A	N/A
Ensure good governance and compliance	GGP 1.2	Percentage of Audit findings milestone achieved quarterly	Percentage	23	100%	54%	N/A	N/A

Ensure good governance and compliance	GGP 1.6	Annual Risk Assessment Conducted	Number of Risk Assessment Conducted	2022-23 Annual risk assessment	One Annual risk assessment	1	N/A	N/A
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Predetermined Objective (IDP) 2022-2027	Ref	Performance Indicator 2023-24	Unit of Measure	Baseline	Overall Performance for July 2023 to June 2024		Reason for deviation	Corrective Measures
					Status	Target / Actual		
Ensure good governance and compliance	GGP 1.7	Implementation of Risk mitigation annually	Percentage mitigation implemented quarterly	Quarterly risk assessment	100%	42%	Lack of resources	Resources to be prioritise in the 2024- 25 Financial year.
Ensure good governance and compliance	GGP 1.9	Compliance to MFMA Requirements	Percentage of compliance achieved quarterly.	Compliance register	100%	94%	6% of the MFMA Calendar requirement where not complied to due to reschedule of meetings, that result noncompliance	Enforce compliance across the municipality
Effective implementation of ICT Governance Framework	GGP 1.15	Upgrading of capital ICT infrastructure I	Percentage of upgrading of ICT infrastructure assessment: completed	0	100%	60%	Lack of resources especial funding ICT infrastructure	Reprioritise for 2024-25 financial year.

Enhance administration and Council oversight	GGP 1.24	100% Implementation of Council resolution	Percentage Council resolution implemented Quarterly	0	100%	60%	Introduction of Council resolution Monitoring mechanism
Monitoring Evaluate institutional Service Delivery	GGP 1.33	Convene a Councillor & Senior Management Strategic Planning session for IDP and Budget process by Annually	Institutional strategic planning session held by February 2024	1	1	1	N/A
Monitoring Evaluate institutional Service Delivery	GGP 1.34	Percentage of Top Layer KPI Achieved	Percentage achieved in per quarter	35%	90%	57%	Enhance Monitoring and evaluation
							Lack monitoring and realist budget allocation

**ANNEXTURE B: ANNUAL FINANCIAL STATEMENT 2024-2025**



**MAKANA**  
MUNICIPALITY | EASTERN CAPE  
...a great place to be

Makana Local Municipality  
(Registration number EC104)  
Annual Financial Statements  
for the year ended 30 June 2024

**AUDITOR GENERAL  
SOUTH AFRICA**

**30 NOV 2024**

# Report of the auditor-general to the Eastern Cape Provincial Legislature and council on Makana Local Municipality

## Report on the audit of the financial statements

### Disclaimer of opinion

1. I was engaged to audit the financial statements of Makana Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, the statement of financial performance, statement of changes in net assets, the cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of Makana Local Municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

#### Receivables from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions as the amounts disclosed in the financial statements were not supported with adequate underlying records. I could not confirm the balance of receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange transactions, stated at R109,1 million (2024: R63 million) as well as interest received from receivables from exchange transactions stated at R72,8 million (2024: R64,4 million) in the financial statements.

#### Receivables from non-exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions as the amounts disclosed in the financial statements were not supported with adequate underlying records. I could not confirm the balance of receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from non-exchange transactions, stated at R30,1 million (2024: R29,8 million) and interest received on receivables from non-exchange property rates stated at R12,9 million (2024: R10,9 million) in the financial statements.

#### Value-added tax (VAT) – input accrual

5. I was unable to obtain sufficient appropriate audit evidence for VAT input accrual, as the amounts disclosed in the financial statements were not supported with adequate underlying records. I could not confirm the balance of VAT input accrual by alternative means.

Consequently, I was unable to determine whether any adjustments were necessary to VAT input accrual stated at R38,3 million (2024: R37 million) in the financial statements.

#### **Investment property**

6. I was unable to obtain sufficient appropriate audit evidence for investment property as the amounts disclosed in the financial statements were not supported with adequate underlying records. I could not confirm the balance of investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property, stated at R188,5 million (2024: R188,5 million) in the financial statements

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

7. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment as the amounts disclosed in the financial statement did not agree with the underlying records. I could not confirm the balance of property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R801,7 million (2024: R773,7 million) and depreciation and amortisation stated at R32,9 million (2024: R50,8 million) in the financial statements.

#### **Heritage assets**

8. I was unable to obtain sufficient appropriate audit evidence for heritage assets as the amounts disclosed in the financial statements were not supported with adequate underlying records. I could not confirm the balance of heritage assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to heritage assets, stated at R32.8 million (2024: R32.8 million) in the financial statements.

#### **Payables from exchange transactions**

9. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions, as the amounts disclosed in the financial statements were not supported with adequate underlying records. I could not confirm the balance of payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to payables from exchange transactions stated at R253,7 million (2024: R223,7 million) in the financial statements.

#### **Payables from non-exchange transactions**

10. I was unable to obtain sufficient appropriate audit evidence for payables from non-exchange transactions, as the amounts disclosed in the financial statements were not supported with adequate underlying records. I could not confirm the balance of payables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to payables from non-exchange transactions stated at R27,2 million (2024: R35,7 million) in the financial statements.

#### **Value-added tax – output accrual**

11. I was unable to obtain sufficient appropriate audit evidence for VAT output accrual, as the amounts disclosed in the financial statements were not supported with adequate underlying records. I could not confirm the balance of VAT output accrual by alternative means.

Consequently, I was unable to determine whether any adjustments were necessary to VAT output accrual stated at R103,9 million (2024: R96,5 million) in the financial statements.

#### **Employee benefit obligation**

12. I was unable to obtain sufficient appropriate audit evidence for employee benefit obligation and actuarial losses, as the amounts disclosed in the financial statements were not supported with adequate underlying records. I could not confirm the balance of employee benefit obligation and actuarial losses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to employee benefit obligation stated at R102,8 million (2024: R81,4 million) and actuarial losses stated at R11,4 million in the financial statements.

#### **Provisions**

13. I was unable to obtain sufficient appropriate audit evidence for provisions, as the amounts disclosed in the financial statements were not supported with adequate underlying records. I could not confirm the balance of provisions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to provisions stated at R64 million (2024: R58,6 million) in the financial statements.

#### **Service charges**

14. I was unable to obtain sufficient and appropriate audit evidence for service charges, as the amount disclosed was not supported by adequate underlying records. In addition, the municipality did not have adequate systems in place to maintain accounting records pertaining to service charges. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R439,9 million (2024: R382,2 million) in the financial statements.

#### **Property rates**

15. The municipality did not account for property rates in accordance with Standards of Generally Recognised Accounting Practice GRAP 23: *Revenue non-exchange transactions*. Properties liable for property rates were not billed, while some were billed using incorrect tariffs. Consequently, property rates were understated by R42 million.

16. During 2024, I was unable to obtain sufficient appropriate audit evidence for property rates and to confirm the revenue by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates stated at R117,6 million.

#### **Government grants and subsidies**

17. I was unable to obtain sufficient appropriate audit evidence for government grants and subsidies due to lack of adequate systems and processes for records management. I was unable to confirm the government grants and subsidies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to government grants and subsidies stated at R197 million (2024: R185 million) in the financial statements.

### **Employee-related costs**

18. I was unable to obtain sufficient and appropriate evidence for employee-related costs due to lack of adequate systems and processes for records management. I was unable to confirm employee related costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to employee related costs stated at R209,6 million (2024: R210,5 million) in the financial statements.

### **Debt Impairment and write-off**

19. I was unable to obtain sufficient appropriate audit evidence for debt impairment and write-off as the amounts disclosed were not supported by adequate underlying records. I was unable to confirm debt impairment and write-off by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to debt impairment and write-off, stated at R234.2 million (2024: 281.2 million) in the financial statements.

### **Finance costs**

20. I was unable to obtain sufficient appropriate audit evidence for finance costs, as the amounts disclosed were not supported by adequate underlying records. I was unable to confirm finance costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to finance cost stated at R36,9 million (2024: R39,4 million) in the financial statements.

### **Bulk purchases**

21. I was unable to obtain sufficient and appropriate evidence for bulk purchases due to lack of adequate systems and processes for records management. I was unable to confirm bulk purchases by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to bulk purchases stated at R161,2 million (2024: R139,8 million) in the financial statements.

### **Contracted services**

22. I was unable to obtain sufficient and appropriate evidence for contracted services due to lack of adequate systems and processes for records management. I was unable to confirm contracted services by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contracted services stated at R35,8 million (2024: R33,3 million) in the financial statements.

### **Inventory consumed**

23. I was unable to obtain sufficient and appropriate evidence for inventory consumed and inventory losses/write downs due to lack of adequate systems and controls to account for consumption of inventory. I was unable to confirm inventory consumed and inventory losses/write downs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to inventory consumed stated at R39,8 million, inventories stated at R3 million (2024: R3 million) and inventory losses/write downs stated at R16,2 million in the financial statements.

### Statement of changes in net assets

24. I was unable to obtain sufficient and appropriate audit evidence to confirm the statement of changes in net assets as disclosed in the financial statements, as the disclosure presented in the financial statements for auditing purposes was not based on accurate and complete underlying accounting records. I was unable to audit the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the statement of changes in net assets.

### Cash flow statement

25. I was unable to obtain sufficient and appropriate audit evidence for cash flow statement, as the disclosure presented in the financial statements for auditing purposes was not based on accurate and complete underlying accounting records. I was unable to audit the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the cash flow statement.

### Statement of comparison of budget and actual amounts

26. I was unable to obtain sufficient and appropriate audit evidence regarding the statement of comparison of budget and actual amounts as disclosed in the financial statements, as the disclosure presented in the financial statements was not based on accurate and complete underlying accounting records. I was unable to audit the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the statement of comparison of budget and actual amounts.

### Distribution losses

27. I was unable to obtain sufficient and appropriate audit evidence regarding the bulk electricity and water losses as disclosed in the financial statements, as the disclosure was not based on accurate and complete underlying accounting records. I was unable to audit the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the distribution losses.

### Commitments

28. Commitments were not accounted for in accordance with GRAP 17: *Property plant and equipment*, as the disclosure included amounts relating to operational projects, which were incorrectly classified as capital commitments. Consequently, the commitments disclosed in note 53 were overstated R40.2 million

### Unauthorised expenditure

29. I was unable to obtain sufficient and appropriate audit evidence to confirm the unauthorised expenditure disclosed in note 59 to the financial statements, as the disclosure presented in the financial statements for auditing purposes was not based on accurate and complete underlying accounting records. I was unable to audit the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to unauthorised expenditure stated at R236,7 million (2024: R613,2 million) in the financial statements.

### **Irregular expenditure**

30. I was unable to obtain sufficient and appropriate audit evidence for irregular expenditure included in note 61 to the financial statements, as the amount disclosed was not based on accurate and complete underlying records. I was unable to audit the disclosure in the financial statements by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to irregular expenditure stated at R316 million (2024: R318,4 million) in the financial statements.

### **Fruitless and wasteful expenditure**

31. I was unable to obtain sufficient and appropriate audit evidence for fruitless and wasteful expenditure disclosed in note 60 to the financial statements, as the amount disclosed was not based on accurate and complete underlying records. I was unable to audit the disclosure in the financial statements by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to fruitless and wasteful expenditure stated at R11,4 million (2024: R23,3 million) in the financial statements.

### **Contingencies**

32. I was unable to obtain sufficient and appropriate audit evidence for contingent liabilities disclosed in note 54 to the financial statements, as the amount disclosed was not supported by adequate underlying records. I was unable to confirm contingencies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contingencies stated at R114,2 million (2024: R114,5 million) in the financial statements.

### **Prior year adjustments**

33. I was unable to obtain sufficient and appropriate audit evidence for prior year adjustments disclosed in note 55 to the financial statements, as the amounts disclosed were not supported by adequate underlying records. I was unable to confirm prior year adjustments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior year adjustments as disclosed in the financial statements.

### **Segment information**

34. I was unable to obtain sufficient and appropriate audit evidence for segment information disclosed in note 63, as the disclosure presented in the financial statements was not based on accurate and complete underlying accounting records. I was unable to confirm segment information by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the segment information.

### **Related parties**

35. Related parties and related party transactions were not disclosed in the annual financial statements as required by GRAP 20: *Related Party*. I have not included the omitted information in the auditor's report as it was impracticable to do so.

### **Financial instrument and risk management**

36. I was unable to obtain sufficient and appropriate audit evidence regarding the financial instruments and risk management disclosed in notes 52 and 56 to the financial statements, as

the disclosure presented in the financial statements for auditing purposes was not based on 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 were necessary to financial instruments and risk management disclosed in notes 52 and 56 to the financial statement, respectively.

#### **Going concern**

37. I was unable to obtain sufficient and appropriate audit evidence regarding the going concern disclosed in note 57 to the financial statements, as the disclosure presented in the financial statements for auditing purposes was not based on 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 were necessary to going concern disclosed in note 57 to the financial statement.

#### **Additional disclosures in terms of Municipal Finance Management Act**

38. I was unable to obtain sufficient and appropriate audit evidence regarding the additional disclosures in terms of the Municipal Finance Management Act 56 of 2003 (MFMA) as disclosed in note 62 to the financial statements, as the disclosures were not based on accurate and complete underlying accounting records. I was unable to audit the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the additional disclosures in terms of the MFMA.

#### **Corresponding figures**

##### **Operating expenditure**

39. During 2024, I was unable to obtain sufficient appropriate audit evidence for operating expenditure due to lack of adequate systems and processes for records management. I was unable to confirm operating expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the operating expenditure stated at R40,4 million in the financial statements.

#### **Other matter**

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

41. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

#### **Responsibilities of the accounting officer for the financial statements**

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

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

#### **Responsibilities of the auditor-general for the audit of the financial statements**

44. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

45. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code), as well as the other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

#### **Report on the annual performance report**

46. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

47. I selected the following material performance indicators related to key performance area (KPA) 1: Basic service delivery and infrastructure development, presented in the annual performance report for the year ended 30 June 2025. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- Replacement of ageing asbestos pipes in phase 3A in wards 4 and 8 by 30 June 2025
- Refurbishment of Waainek Water Treatment Works (cathodic) in ward 12 by June 2025
- Installation of 1 440 new household smart water meters in wards 3, 4 and 8 by 30 June 2025
- Refurbishment of Belmont Valley Wastewater Treatment Works (WWTW) in ward 8 by 30 June 2025
- Replacement of tar with paving of 2 km of surfaced municipal road in wards 6 and 9 by 30 June 2025
- Upgrading of Oval Stadium, Lavendar Valley refurbishment in ward 3 by 30 June 2025

- Appointment of two contractors to rehabilitate three street (roads) and installation of four new high masts
- Appointment of one contractor for disaster projects to rehabilitate three streets
- Number of households to be connected to done by 30 June 2025

48. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

49. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and measures taken to improve performance.

50. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

51. The material findings on the reported performance information for the selected material indicators are as follows:

#### **Various indicators**

52. I could not determine the accuracy of various reported achievements, as the indicators were not well defined and adequate supporting evidence to clarify the methods and processes for measuring achievement was not provided. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved.

Indicator	Target	Reported achievement
BSI 1.1: Replacement of ageing asbestos pipes in phase 3A in wards 4 and 8 by 30 June 2025	100%	95%
BSI 1.4: Refurbishment of Belmont Valley WWTW in ward 8 by 30 June 2025	100%	98%
BSI 1.5: Replacement tar with paving of 2 km of surfaced municipal road in wards 6 and 9 by 30 June 2025	100%	100%
BSI 1.6: Upgrading of Oval Stadium, Lavendar Valley refurbishment in ward 3 by 30 June 2025	100%	79%

#### **Refurbishment of Waainek Water Treatment Works (cathodic) in ward 12 by June 2025**

53. An achievement of 0% was reported against a target of 100%. I could not determine whether the reported achievement was correct, as the indicator was not well defined and adequate supporting evidence to clarify the methods and processes for measuring achievement were not provided. Consequently, the reported achievement might be more than reported and was not reliable for determining if the target has been achieved.

54. The Project will close at current status which is 90% and outstanding scope will be reprioritised was reported as a measure aimed at improving performance against the target of 100%. However, I could not determine if the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

#### **Installation of 1 440 new household smart water meters in wards 3, 4 and 8 by 30 June 2025**

55. An achievement of 1 540 was reported against a target of 1 400. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

#### **Appointment of two contractors to rehabilitate three street (roads) and installation of four new high masts**

56. An achievement of 'Rehabilitation of streets – bid evaluation completed. For high mast, tender was advertised' was reported against a target of appointment of contractors. However, the audit evidence showed that the actual achievement to be only 'Tender advert cancelled'. Consequently, the underachievement on the target was more than reported

57. Measures taken to improve performance against the underachieved of the target of appointment of contractors (for installation of new high masts) was not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and with assessing the effectiveness of strategies to improve future performance against target.

### Appointment of one contractor for disaster projects to rehabilitate three streets

58. An achievement of 'Tender was advertised' was reported against a target of 'Appointment of contractor'. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

### Other matters

59. I draw attention to the matters below.

### Achievement of planned targets

60. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

61. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages [xx to xx].

### Basic service delivery and infrastructure development

<i>Targets achieved: 33%</i>		
<b>Key service delivery indicator not achieved</b>	<b>Planned target</b>	<b>Reported achievement</b>
BSI 1.1: Replacement of ageing asbestos pipes in phase 3A in wards 4 and 8 by 30 June 2025	100%	95%
BSI 1.2: Refurbishment of Waainek Water Treatment Works (cathodic) in ward 12 by June 2025	100%	0%
BSI 1.4: Refurbishment of Belmont Valley WWTW in ward 8 by 30 June 2025	100%	98%
BSI 1.6: Upgrading of Oval Stadium, Lavendar Valley refurbishment in ward 3 by 30 June 2025	100%	79%
BSI 1.8: Appointment of two contractors to rehabilitate three street (roads) and installation of four new high masts	Appointment of contractors	Rehabilitation of streets – bid evaluation completed. For high mast, tender was advertised
BSI 1.9: Appointment of one contractor for disaster projects to rehabilitate three streets	Appointment of contractor	Tender was advertised

### **Material misstatements**

62. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for KPA 1: Basic service delivery and infrastructure development. Management did not correct all of the misstatements, and I reported material findings in this regard.

### **Report on compliance with legislation**

63. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
64. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
65. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
66. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### **Annual financial statements and annual reports**

67. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and/or the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.
68. The 2023-24 annual report was not made public after being tabled in the council, as required by section 127(5)(a)(i) of the MFMA.
69. The local community was not invited to submit representations in connection with the 2023-24 annual report, as required by section 127(5)(a)(ii) of the MFMA.
70. The oversight report adopted by the council on the 2023-24 annual report was not made public, as required by section 129(3) of the MFMA.

### **Asset management**

71. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

72. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
73. Capital assets were disposed of without the municipal council having, in a meeting open to the public, considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by sections 14(2)(a) and 14(2)(b) of the MFMA.

#### **Consequence management**

74. Some of the unauthorised 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) of the MFMA.
75. Some of the 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)(b) of the MFMA.
76. Some of the irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

#### **Expenditure management**

77. I was unable to obtain sufficient appropriate audit evidence that reasonable steps were taken to ensure that money owed by the municipality had always been paid within 30 days / an agreed period, as required by section 65(2)(e) of the MFMA.
78. I was unable to obtain sufficient appropriate audit evidence that payments and / or withdrawals from the municipality's bank accounts were approved by a properly authorised official, as required by section 11(1) of the MFMA.
79. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval, authorisation and payment of funds, as required by section 65(2)(a) of the MFMA.
80. An adequate management, accounting and information system was not in place which accounted for creditors and accounted for payments made, as required by section 65(2)(b) of the MFMA.
81. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain management (SCM) regulations.
82. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the fruitless and wasteful expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by interest incurred on long-overdue accounts.
83. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated in the basis for qualification paragraph.

### **Governance and oversight**

84. The Internal Audit unit did not prepare a risk-based audit plan and/or the internal audit programme for the financial year, as required by section 165(2) of the MFMA.
85. The Internal Audit unit did not advise the accounting officer and/or did not report to the audit committee on the implementation of the internal audit plan on matters relating to internal controls, as required by section 165(2)(b)(ii) of the MFMA.
86. The Internal Audit unit did not advise the accounting officer and/or did not report to the audit committee on the implementation of the internal audit plan on matters relating to compliance with the MFMA, Division of Revenue Act 24 of 2024 (Dora), and any other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

### **Human resource management**

87. Appropriate systems and procedures to monitor, measure and evaluate the performance of staff were not developed and adopted, as required by section 67(1)(d) of the Municipal Systems Act 32 of 2000 and regulation 31 of Municipal Staff Regulations.
88. The staff members did not enter into a performance agreement within the prescribed period, as required by regulation 35(1) of the Municipal Staff Regulations.
89. I was unable to obtain sufficient appropriate audit evidence that the acting staff member's performance agreement was amended to include the KPAs and key performance indicators of the acting position, as required by regulation 43 of the Municipal Staff Regulations.

### **Revenue management**

90. An adequate management, accounting and information system which accounts for revenue, debtors and receipt of revenue was not in place, as required by section 64(2)(e) of the MFMA.
91. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
92. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
93. I was unable to obtain sufficient appropriate audit evidence that accounts for municipal tax and charges were prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.
94. I was unable to obtain sufficient appropriate audit evidence that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

### **Utilisation of conditional grants**

95. I was unable to obtain sufficient appropriate audit evidence that the Municipal Infrastructure Grant and Water Services Infrastructure Grant were spent for their intended purposes, in accordance with the grant schedule concerned and/or the applicable grant framework, as required by section 16(1) of Dora.
96. Performance in respect of programmes funded by the Municipal Infrastructure Grant and Water Services Infrastructure Grant were not evaluated within two months after the end of the financial year, as required by section 12(5) of Dora.

## **Procurement and contract management**

97. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements as some quotations were not submitted. A similar limitation was also reported in the prior year.
98. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(1)(a) and (c).
99. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as prescribed by the SCM policy, in contravention of SCM regulations 17(1)(a) and 17(1)(b).
100. Sufficient appropriate audit evidence could not be obtained that goods and services within the prescribed transaction value for competitive bids were procured by inviting competitive bids, as required by SCM regulations 19(a). Similar non-compliance was also reported in the prior year.
101. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2).
102. Sufficient appropriate audit evidence could not be obtained that contracts were awarded through a competitive bidding process that was adjudicated by the bid adjudication committee as required by SCM regulations 29(1)(a) and (b) and Preferential Procurement Regulations.
103. The preference point system was not applied in the procurement of goods and services, as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA). Similar non-compliance was also reported in the prior year.
104. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and regulations 4(4) and 5(4) of Preferential Procurement Regulation, 2002. Similar non-compliance was also reported in the prior year.
105. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
106. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

## **Strategic planning and performance management**

107. The Service Delivery and Budget Implementation Plan for the year under review did not include monthly operational expenditure by vote, as required by section 1 of the MFMA.
108. The performance management system and related controls were inadequate, as the described processes of performance measurement and reporting were not conducted as intended, as required by municipal planning and performance management regulation 7(1).

## **Internal control deficiencies**

109. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
110. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.
111. Leadership did not effectively discharge its oversight responsibilities for the implementation and monitoring of internal controls and compliance with applicable laws and regulations. The audit implementation plan was not adequately monitored or executed, resulting in prior year external audit findings not being fully addressed and repeat findings occurring in the current period. This reflects weaknesses in governance processes and accountability mechanisms intended to ensure timely remediation of control deficiencies.
112. Management did not design and implement adequate daily and monthly controls to ensure that the financial statements and annual performance reports were supported by accurate and complete underlying records. Furthermore, management did not prepare relevant, accurate, and complete information to support both financial and performance reporting, resulting in deficiencies in the reliability and integrity of reported information.
113. Management did not implement an efficient records management system to ensure that financial and non-financial information was easily retrievable. As a result, material limitations were encountered during the audit of the annual financial statements, the annual performance report, and compliance with applicable legislation, which significantly impacted the ability to obtain sufficient appropriate audit evidence.

## **Material irregularities**

114. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

### **Status of previously reported material irregularities**

#### **Pollution of environment not prevented at Mayfield Wastewater Treatment Works**

115. The Mayfield Wastewater Treatment Work (WWTW) has not been working as intended as there was a total collapse of infrastructure at the WWTW, resulting in the WWTW being dysfunctional and not operational. This has led to untreated and raw sewerage being discharged into the immediate surrounding environment negatively impacting the environment, in contravention of section 28(1) of the National Environmental Management Act 107 of 1998 (NEMA) and Section 19(1) of the National Water Act 36 of 1998 (NWA) regularity.
116. The non-compliance is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.

117. I notified the accounting officer of the material irregularity on 15 April 2024 and invited the accounting officer to make a written submission on the actions taken and to be taken to address the matter. The accounting officer responded to the notification on 4 June 2024 and indicated that the following actions had been planned.

- The municipality will consider making a request to DWS for grant budget in 2025/26 financial year, if no other department or funder assisted with funding in the current year.
- The municipality does not have financial resources to do the required immediate repairs and upgrading, and to date the appointed Professional Service Provider has progressed and completed the feasibility study for approval by the council and submission to the prospective funder, Department of Human Settlement. The department was also present when the PSP presented the feasibility study and indicated their support and the possibility of funding the project within the coming financial year.

118. Based on the assessment of the accounting officer response and subsequent follow-ups on the progress with the planned actions, I concluded that appropriate actions are not being taken to address the material irregularity.

119. I am in the process of deciding on further actions to be taken.

#### **Inadequate management of Grahamstown landfill site**

120. The Grahamstown landfill site has not been working as intended due to poor management of the waste landfill site (WLS) and a total collapse of infrastructure at the WLS, resulting in the WLS being dysfunctional and not operational. This led to contamination of surfaces/soil, uncontrolled littering/dumping, uncontrolled burning of waste, release of toxins and odour into the immediate environment and nuisances to the residents, in contravention of the National Environmental Management Act 107 of 1998 (NEMA) and the National Environmental Management Waste Act, 59 of 2008 (NEMWA).

121. The non-compliance is likely to result in substantial harm to the community if appropriate actions are not taken to address the matter.

122. I notified the accounting officer of the material irregularity on 30 November 2024 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded to the notification on 11 February 2025 and indicated that the following actions had been planned.

- Advertisement for fencing and refurbishment of guardroom issued on 23 January 2025.
- DFFE, POLYCO, EWSA were engaged for sourcing and formalising waste pickers.
- The municipality hired a TLB and bulldozer for a period of 2 months.
- Purchase of yellow fleet.

123. Based on the assessment of the accounting officer response and subsequent follow-ups on the progress with the planned actions, I concluded that appropriate actions are not being taken to address the material irregularity.

124. I am in the process of deciding on further actions to be taken.

#### Other reports

125. In addition to the investigations relating to material irregularities, I draw attention to the following engagement conducted by the following party. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
126. The Special Investigating Unit is investigating the maladministration in the municipality's procurement processes, including contracts for water, electricity and waste management. At the date of this report, the investigation was still in progress.

*Auditor General*

East London

30 November 2025



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure to the auditor's report**

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

### **Auditor-general's responsibility for the audit**

#### **Professional judgement and professional scepticism**

As part of an audit in accordance with the International Standards on Auditing, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the municipality's compliance with selected requirements in key legislation.

#### **Financial statements**

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

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

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### **Communication with those charged with governance**

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	Sections 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 165(1), 165(2)(a), 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Division of Revenue Act 24 of 2024	Sections 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Municipal Systems Act 32 of 2000 (MSA)	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 15(1)(a)(i), 15(1)(a)(ii)

Legislation	Sections or regulations
MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3), 26(5), 27(4)(a)(i)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)



Makana Local Municipality  
(Registration number EC104)  
Annual Financial Statements  
for the year ended 30 June 2024

**AUDITOR GENERAL  
SOUTH AFRICA**

**30 NOV 2024**

**ANNEXURE C: AUDIT REPORT 2023-24**



**MAKANA**  
MUNICIPALITY | EASTERN CAPE  
*...a great place to be*

Makana Local Municipality  
(Registration number EC104)  
Annual Financial Statements  
for the year ended 30 June 2025

AUDITOR GENERAL  
SOUTH AFRICA  
30 NOV 2025

# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## General Information

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### Legal form of entity

The municipal operations are governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998, Municipal Systems Act 32 of 2000 and various other acts and regulations.

### Nature of business and principal activities

Rendering of basic services to the community of Makana such as Water, Sanitation, Refuse collection, Electricity, Infrastructure, Local Economic Development and Community Services as set out in Constitution of South Africa

### Mayoral committee

Executive Mayor

Cllr YP Vara

Speaker

Cllr M Matyumza

MPAC Chairperson

Cllr M Booysen

Member of Mayoral Committee: Engineering Infrastructure

Cllr MR Xonxa

Member of Mayoral Committee: Corporate Services

Cllr ZA Hoyi

Member of Mayoral Committee: Finance

Cllr G Mene

Member of Mayoral Committee: Community services and Public Safety

Cllr T Yayo

Member of Mayoral Committee: Planning and Economic Development

Cllr M Nkwentsha

Councillors

Cllr NM Buwa

Cllr VN Jezi

Cllr C Clark

Cllr Z Cetu

Cllr A Deke replaced by Cllr P Notyawa

Cllr G Embling

Cllr MD Geelbooi replaced by Cllr L May

Cllr BPN Jackson

Cllr XG Madyo

Cllr Z Mantla replaced by Cllr L Mxube

Cllr L Masinda

Cllr T Matebese replaced by Cllr K Mashiane

Cllr WE Matina

Cllr V Nesi

Cllr P Peter

Cllr WL Sixaba replaced by Cllr P Machanick

Cllr LR Sizani

Cllr TS Yaka

Cllr S Zono

### Grading of local authority

Category B

Accounting Officer

Mr. P.M. Kate

Chief Finance Officer (CFO)

Ms. N. Ntsangani

### Registered office

City Hall  
No 86 High Street  
Grahamstown  
6139

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# **Makana Local Municipality**

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## **General Information**

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**Postal address**

City Hall  
No 86 High Street  
Grahamstown  
6139

**Bankers**

First National Bank

**Auditors**

Auditor-General South Africa

**Currency**

South African Rand

**Rounding off**

Nearest Rand

**Telephone number**

046 603 6131

**Website**

[www.makana.gov.za](http://www.makana.gov.za)

AUDITOR GENERAL  
SOUTH AFRICA

30 NOV 2025

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# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

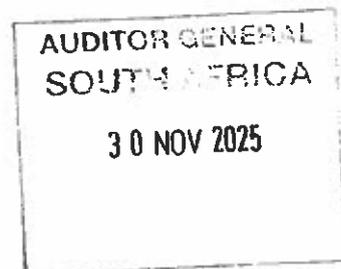
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### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
VAT	Value Added Tax
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
SBDM	Sarah Baartman District Municipality



## **Makana Local Municipality**

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

### **Accounting Officer's Responsibilities and Approval**

---

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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual 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 that ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual 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 annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

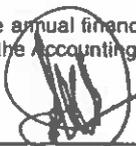
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipality 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 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 annual 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 ending 30 June 2026 and, in light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on payment of services and rates by the community and grant funding by the state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. The Accounting Officer is responsible for the financial affairs of the municipality, and is assisted by the municipality's Senior Management team.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2025 and were signed by:

  
\_\_\_\_\_  
Accounting Officer  
Mr. P.M. Kate

AUDITOR GENERAL  
SOUTH AFRICA

30 NOV 2025



## **Makana Local Municipality**

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

### **Accounting Officer's Responsibilities and Approval**

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---

Accounting Officer  
Mr. P.M. Kate



# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Accounting Officer's Report

---

The accounting officer submits his report for the year ended 30 June 2025.

### 1. Review of activities

#### Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was 31 885 085 (2024: deficit 42 963 489).

### 2. Financial sustainability

The municipality is currently faced with numerous financial problems which impact, amongst others, its ability to meet its financial commitments and the provision of sustainable basic services. Challenges faced regarding financial issues manifests in cash flow constraints. See note 57 for details.

### 3. Fruitless and wasteful expenditure

Given the current financial position of the municipality, there were instances where the municipality incurred interest due to late payment of creditor accounts. The interest incurred in this respect was unavoidable and has been disclosed in note 60.

### 4. Irregular expenditure

The municipality embarked on an overall review of the supply chain management function with the aim to support and implement a sustainable change within supply chain management. As part of its review, management conducted a detailed review of contracts that were awarded by the municipality. This review included confirming the scope and extent of contracts that were irregular. This has resulted in a significant increase in the reported irregular expenditure. This increase resulted from irregular expenditure emanating from contracts awarded in the prior years. See note 61 for the current financial period irregular expenditure incurred.

### 5. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant is the continued funding by National and Provincial government for operational and capital activities. Refer to note 57 for details.

### 6. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year except for those mentioned in note 58.

### 7. Accounting policies

The annual financial statements were prepared in accordance with the Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

### 8.

The accounting officer of the municipality during the year and to the date of this report is Mr. P.M. Kate.

Name  
Mr. P.M. Kate

---

## **Makana Local Municipality**

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

### **Accounting Officer's Report**

---

#### **9. Corporate governance**

The municipality has a very strict attitude towards legislative compliance, specifically the supply chain management principles, and also the proper functioning of Performance and Audit Committee, Municipal Public Accounts Committee (MPAC) and the Financial Disciplinary Board.

#### **Internal audit**

The municipality has an in-house internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

#### **10. Bankers**

The primary bank account of the municipality as required by Section 8 of the MFMA is held with First National Bank.

#### **11. Auditors**

Auditor-General South Africa will continue in office for the next financial period.

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# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	65 337 783	25 465 262
Receivables from exchange transactions	4	109 106 172	63 025 441
Receivables from non-exchange transactions	5	30 122 786	29 829 563
VAT Input accrual	6	38 262 669	36 991 442
VAT Receivable	20	3 062 043	1 380 769
Inventories	7	2 960 924	2 660 237
		<b>248 852 377</b>	<b>159 352 714</b>
<b>Non-Current Assets</b>			
Investment property	8	188 492 557	188 492 557
Property, plant and equipment	9	801 652 176	773 660 919
Intangible assets	10	2 470 004	2 470 004
Heritage assets	11	32 788 263	32 788 263
Other financial assets	12	3 959 190	3 735 085
		<b>1 029 362 190</b>	<b>1 001 146 828</b>
<b>Total Assets</b>		<b>1 278 214 567</b>	<b>1 160 499 542</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	13	253 732 355	223 669 137
Payables from non - exchange transactions	14	27 199 188	35 741 220
VAT output accrual	15	103 868 005	96 481 527
Consumer deposits	16	4 471 902	4 287 623
Unspent conditional grants and receipts	17	28 913 398	1 836 480
Other financial liabilities	18	2 316 413	2 251 269
Employee benefit obligation	19	6 350 974	3 528 217
Provisions	22	18 672 520	19 483 660
Municipal Debt Relief	21	40 930 738	21 059 802
		<b>486 455 493</b>	<b>408 338 935</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	18	40 678 256	43 179 614
Employee benefit obligation	19	96 455 000	77 841 265
Provisions	22	45 335 439	39 144 104
Municipal Debt Relief	21	13 093 213	27 986 742
		<b>195 561 908</b>	<b>188 151 725</b>
<b>Total Liabilities</b>		<b>682 017 401</b>	<b>596 490 660</b>
<b>Net Assets</b>		<b>596 197 166</b>	<b>564 008 882</b>
Accumulated surplus		596 197 166	564 008 882
<b>Total Net Assets</b>		<b>596 197 166</b>	<b>564 008 882</b>

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\* See Note 55

# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	439 895 707	382 211 383
Rendering of services	25	3 100 524	1 335 568
Rental of facilities and equipment	26	170 019	230 576
Interest received from receivables from exchange transactions	27	72 797 276	64 640 381
Income from agency services	28	987 665	3 426 153
Other operating revenue	29	763 352	4 548 545
Interest received from bank and other financial assets	30	4 371 655	5 330 046
<b>Total revenue from exchange transactions</b>		<b>522 086 198</b>	<b>461 722 652</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	31	119 290 829	117 553 152
Interest received on receivable from non exchange property rates	32	12 902 100	10 960 575
<b>Transfer revenue</b>			
Government grants & subsidies	33	196 970 491	185 114 728
Public contributions and donations	34	5 219 854	702 179
Fines, Penalties and Forfeits	35	2 482 648	1 216 885
Licences and Permits	36	176 210	27 624
Debt forgiven	37	29 288	34 483 380
<b>Total revenue from non-exchange transactions</b>		<b>337 071 420</b>	<b>350 058 523</b>
<b>Total revenue</b>	23	<b>859 157 618</b>	<b>811 781 175</b>
<b>Expenditure</b>			
Employee related costs	38	(209 568 429)	(210 508 549)
Remuneration of councillors	39	(13 055 190)	(12 870 794)
Depreciation and amortisation	40	(32 977 396)	(50 839 368)
Finance costs	42	(36 991 691)	(39 430 546)
Lease rentals on operating lease	43	(1 364 151)	(1 156 854)
Debt Impairment and Write Off	44	(234 215 160)	(281 263 968)
Bulk purchases	45	(161 213 931)	(139 849 675)
Contracted Services	46	(35 760 639)	(33 325 047)
Transfers and Subsidies	47	(600 000)	(351 214)
Inventory consumed	48	(39 766 734)	(37 277 138)
Operational expenditure	49	(35 012 930)	(40 356 428)
<b>Total expenditure</b>		<b>(800 526 251)</b>	<b>(847 229 581)</b>
<b>Operating surplus (deficit)</b>		<b>58 631 367</b>	<b>(35 448 406)</b>
Gain on disposal of assets and liabilities		861 126	841 496
Actuarial gains/losses	19	(11 371 166)	3 091 986
Reversal of impairments	41	-	542 960
Inventories losses/write-downs		(16 236 242)	(11 991 525)
		<b>(26 746 282)</b>	<b>(7 515 083)</b>
<b>Surplus (deficit) for the year</b>		<b>31 885 085</b>	<b>(42 963 489)</b>

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\* See Note 55

# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	716 963 776	716 963 776
Adjustments		
Prior year adjustments 55	(109 991 405)	(109 991 405)
<b>Balance at 01 July 2023 as restated*</b>	<b>606 972 371</b>	<b>606 972 371</b>
Changes in net assets		
Surplus for the year	(42 963 489)	(42 963 489)
<b>Total changes</b>	<b>(42 963 489)</b>	<b>(42 963 489)</b>
<b>Restated* Balance at 01 July 2024</b>	<b>564 312 081</b>	<b>564 312 081</b>
Changes in net assets		
Surplus for the year	31 885 085	31 885 085
<b>Total changes</b>	<b>31 885 085</b>	<b>31 885 085</b>
<b>Balance at 30 June 2025</b>	<b>596 197 166</b>	<b>596 197 166</b>

Note(s)

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\* See Note 55

# Makana Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

## Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation and fines		118 432 393	110 416 167
Sale of goods and services		252 833 378	199 329 152
Grants and subsidies		224 047 409	165 574 251
Interest income		4 371 655	5 320 769
Other receipts		5 382 049	5 778 238
		605 066 884	486 418 577
<b>Payments</b>			
Employee costs		(233 259 274)	(230 020 777)
Suppliers		(261 608 938)	(241 170 417)
Finance costs		(17 022 230)	(39 430 546)
		(511 890 442)	(510 621 740)
<b>Net cash flows from operating activities</b>	51	<b>93 176 442</b>	<b>(24 203 163)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(56 439 240)	(54 384 661)
Proceeds from sale of property, plant and equipment	9	818 231	841 499
Proceeds from sale of financial assets		(224 105)	(241 704)
<b>Net cash flows from investing activities</b>		<b>(55 845 114)</b>	<b>(53 784 866)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(2 436 214)	(1 839 191)
Outflow of other liability 1		4 977 407	49 046 544
<b>Net cash flows from financing activities</b>		<b>2 541 193</b>	<b>47 207 353</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>39 872 521</b>	<b>(30 780 676)</b>
Cash and cash equivalents at the beginning of the year		25 465 262	56 245 938
<b>Cash and cash equivalents at the end of the year</b>	3	<b>65 337 783</b>	<b>25 465 262</b>

The accounting policies on pages 15 to 38 and the notes on pages 38 to 97 form an integral part of the annual financial statements.

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\* See Note 55

# Makana Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

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### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	457 295 000	14 532 000	471 827 000	439 895 707	(31 931 293)	
Rendering of services	(54 000)	(50 000)	(104 000)	3 100 524	3 204 524	
Rental of facilities and equipment	229 000	-	229 000	170 019	(58 981)	
Interest received from receivables from exchange transactions	80 116 000	(1 689 000)	78 427 000	72 797 276	(5 629 724)	
Income from agency services	3 932 000	(2 238 000)	1 694 000	987 665	(706 335)	
Other operational income	-	-	-	763 352	763 352	
Interest received bank and other financial assets	6 492 000	(766 000)	5 726 000	4 371 655	(1 354 345)	
<b>Total revenue from exchange transactions</b>	<b>548 010 000</b>	<b>9 789 000</b>	<b>557 799 000</b>	<b>522 086 198</b>	<b>(35 712 802)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	137 736 000	-	137 736 000	119 290 829	(18 445 171)	.08
Licences and Permits	-	-	-	176 210	176 210	.09
Interest received from receivables from non - exchange transactions	12 522 000	(12 522 000)	-	12 902 100	12 902 100	.10

##### Transfer revenue

Government grants & subsidies	222 184 000	38 214 000	260 398 000	196 970 491	(63 427 509)	.11
Public contributions and donations	-	-	-	5 219 854	5 219 854	
Fines, Penalties and Forfeits	3 989 000	(2 189 000)	1 800 000	2 482 648	682 648	.12
Debt forgiven	-	-	-	29 288	29 288	.13

<b>Total revenue from non-exchange transactions</b>	<b>376 431 000</b>	<b>23 503 000</b>	<b>399 934 000</b>	<b>337 071 420</b>	<b>(62 862 580)</b>	
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<b>Total revenue</b>	<b>924 441 000</b>	<b>33 292 000</b>	<b>957 733 000</b>	<b>859 157 618</b>	<b>(98 575 382)</b>	
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#### Expenditure

Employee related costs	(255 408 000)	308 000	(255 100 000)	(209 568 429)	45 531 571	
Remuneration of councillors	(15 253 000)	1 036 000	(14 217 000)	(13 055 190)	1 161 810	
Irrecoverable debts written off	(131 437 000)	133 121 000	1 684 000	-	(1 684 000)	
Depreciation and amortisation	(37 392 000)	(5 000 000)	(42 392 000)	(32 977 396)	9 414 604	
Finance costs	(6 969 000)	1 299 000	(5 670 000)	(36 991 691)	(31 321 691)	
Lease rentals on operating lease	-	-	-	(1 364 151)	(1 364 151)	
Debt impairment	(75 966 384)	(139 056 000)	(215 022 384)	(234 215 160)	(19 192 776)	
Bulk purchases	(204 160 000)	19 575 000	(184 585 000)	(161 213 931)	23 371 069	
Contracted Services	(64 097 000)	(28 565 000)	(92 662 000)	(35 760 639)	56 901 361	
Transfers and Subsidies	-	(600 000)	(600 000)	(600 000)	-	
Inventory Consumed	-	(543 000)	(543 000)	(39 766 734)	(39 223 734)	

## Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Operational Expenditure	(61 428 000)	(28 090 000)	(89 518 000)	(35 012 930)	54 505 070	
<b>Total expenditure</b>	<b>(852 110 384)</b>	<b>(46 515 000)</b>	<b>(898 625 384)</b>	<b>(800 526 251)</b>	<b>98 099 133</b>	
Operating surplus	72 330 616	(13 223 000)	59 107 616	58 631 367	(476 249)	
Gain on disposal of assets and liabilities	-	-	-	861 126	861 126	
Actuarial gains/losses	(156 900)	156 900	-	(11 371 166)	(11 371 166)	
Inventories losses/write-downs	-	-	-	(16 236 242)	(16 236 242)	
	(156 900)	156 900	-	(26 746 282)	(26 746 282)	
<b>Surplus / (Deficit)</b>	<b>72 173 716</b>	<b>(13 066 100)</b>	<b>59 107 616</b>	<b>31 885 085</b>	<b>(27 222 531)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>72 173 716</b>	<b>(13 066 100)</b>	<b>59 107 616</b>	<b>31 885 085</b>	<b>(27 222 531)</b>	

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# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	8 508 000	2 291 000	10 799 000	2 960 924	(7 838 076)	
VAT Receivable	-	-	-	3 062 043	3 062 043	
Receivables from non-exchange transactions	399 017 000	(50 091 000)	348 926 000	30 122 786	(318 803 214)	
VAT Input Accrual	207 608 000	50 917 000	258 525 000	38 262 669	(220 262 331)	
Receivables from exchange transactions	619 723 000	(88 075 000)	531 648 000	109 106 172	(422 541 828)	
Cash and cash equivalents	48 592 000	(34 341 000)	14 251 000	65 337 783	51 086 783	
	<b>1 283 448 000</b>	<b>(119 299 000)</b>	<b>1 164 149 000</b>	<b>248 852 377</b>	<b>(915 296 623)</b>	
<b>Non-Current Assets</b>						
Investment property	187 915 000	(166 000)	187 749 000	188 492 557	743 557	
Property, plant and equipment	1 017 844 000	23 977 000	1 041 821 000	801 652 176	(240 168 824)	
Intangible assets	436 000	1 350 000	1 786 000	2 470 004	684 004	
Heritage assets	32 788 000	-	32 788 000	32 788 263	263	
Other financial assets	3 687 000	105 000	3 792 000	3 959 190	167 190	
	<b>1 242 670 000</b>	<b>25 266 000</b>	<b>1 267 936 000</b>	<b>1 029 362 190</b>	<b>(238 573 810)</b>	
<b>Total Assets</b>	<b>2 526 118 000</b>	<b>(94 033 000)</b>	<b>2 432 085 000</b>	<b>1 278 214 567</b>	<b>(1 153 870 433)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	2 016 000	235 000	2 251 000	2 316 413	65 413	
Payables from exchange transactions	1 133 831 000	(46 974 000)	1 086 857 000	253 732 355	(833 124 645)	
Payables from non-exchange transactions	42 372 000	(84 495 000)	(42 123 000)	27 199 188	69 322 188	
VAT payable	256 718 000	60 365 000	317 083 000	-	(317 083 000)	
Consumer deposits	2 746 000	1 592 000	4 338 000	4 471 902	133 902	
Employee benefit obligation	-	-	-	7 172 845	7 172 845	
Unspent conditional grants and receipts	-	-	-	28 913 398	28 913 398	
Provisions	20 775 000	4 114 000	24 889 000	18 672 520	(6 216 480)	
Other current liabilities	-	-	-	40 930 738	40 930 738	
	<b>1 458 458 000</b>	<b>(65 163 000)</b>	<b>1 393 295 000</b>	<b>383 409 359</b>	<b>(1 009 885 641)</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	45 237 000	(2 057 000)	43 180 000	40 678 256	(2 501 744)	
Employee benefit obligation	67 989 000	6 182 000	74 171 000	96 455 000	22 284 000	
Provisions	38 056 000	4 758 000	42 814 000	45 335 439	2 521 439	
Other non current liabilities	-	-	-	13 093 213	13 093 213	
	<b>151 282 000</b>	<b>8 883 000</b>	<b>160 165 000</b>	<b>195 561 908</b>	<b>35 396 908</b>	
<b>Total Liabilities</b>	<b>1 609 740 000</b>	<b>(56 280 000)</b>	<b>1 553 460 000</b>	<b>578 971 267</b>	<b>(974 488 733)</b>	
<b>Net Assets</b>	<b>916 378 000</b>	<b>(37 753 000)</b>	<b>878 625 000</b>	<b>699 243 300</b>	<b>(179 381 700)</b>	

# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Reserves</b>						
Accumulated surplus	916 378 000	(37 753 000)	878 625 000	596 197 166	(282 427 834)	

The accounting policies on pages 15 to 38 and the notes on pages 38 to 97 form an integral part of the annual financial statements.

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# Makana Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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### 1. Significant account policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparation

The annual 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 annual 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. They are presented in South African Rand.

These accounting policies are consistent with the previous period, except for the changes set out in note for Changes in accounting policy.

#### 1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.3 Going concern assumption

These annual 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.

#### 1.4 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

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

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

#### 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.

# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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

#### 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.

#### 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 22 - 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.

#### 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 19.

#### 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.

#### Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Additional information is disclosed in Note 64.

### 1.6 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:

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Annual Financial Statements for the year ended 30 June 2025

## Significant Accounting Policies

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### 1.6 Investment property (continued)

- 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 cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	100-200 years

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.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 8).

### 1.7 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 period.

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.

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

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Land	Straight-line	Not depreciated
Buildings	Straight-line	100-200
Furniture and fixtures	Straight-line	3-120
Motor vehicles	Straight-line	3-20
Office equipment	Straight-line	3-20
IT equipment	Straight-line	3-20
Computer software	Straight-line	3-20
Infrastructure	Straight-line	5-120
Community	Straight-line	5-100
Other property, plant and equipment	Straight-line	2-100
Ancillary fleet equipment and security	Straight-line	3-100
Artwork	Straight-line	3-100
Plant and equipment	Straight-line	3-100

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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. 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.9 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
  - arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.
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### 1.9 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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 as follows:

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Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 years

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The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Intangible assets are derecognised:

- on disposal; or
  - when no future economic benefits or service potential are expected from its use or disposal.
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### **1.10 Heritage assets**

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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.

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 an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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 non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

#### **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.

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### 1.10 Heritage assets (continued)

#### 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.

### 1.11 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;
  - 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.
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### 1.11 Financial instruments (continued)

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 unutilised 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;
  - contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
  - combined instruments that are designated at fair value;
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### 1.11 Financial instruments (continued)

- 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.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at amortised cost
Financial assets	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non - exchange transactions	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Borrowings	Financial liability measured at amortised cost

### 1.12 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
  - if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
  - if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.
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## **Significant Accounting Policies**

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### **1.12 Statutory receivables (continued)**

#### **Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

#### **Subsequent measurement**

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### **Impairment losses**

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

#### **Derecognition**

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
  - the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
  - the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
    - derecognise the receivable; and
    - recognise separately any rights and obligations created or retained in the transfer.
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### 1.12 Statutory receivables (continued)

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.13 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.

#### Operating leases - lessee

Operating lease payments are recognised as an expense. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.14 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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### **1.15 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

### **1.16 Impairment of cash-generating assets**

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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### 1.16 Impairment of cash-generating assets (continued)

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

### 1.17 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
  - the number of production or similar units expected to be obtained from the asset by the municipality.
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### **1.17 Impairment of non-cash-generating assets (continued)**

#### **Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### **Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### **1.18 Employee benefits**

### **1.19 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable 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 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.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

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### 1.19 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken, and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets, and
  - the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.
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## **Significant Accounting Policies**

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### **1.19 Provisions and contingencies (continued)**

#### **Levies**

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

#### **1.20 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
  - Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.
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### 1.21 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### 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.

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# **Makana Local Municipality**

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## **Significant Accounting Policies**

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### **1.22 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a 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.

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, a 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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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## Significant Accounting Policies

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### 1.22 Revenue from non-exchange transactions (continued)

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

#### Value Added Tax

The Municipality is registered with the South African Revenue Services as a VAT vendor in accordance with section 15(2) of the Value Added Tax Act (No. 89 of 1991). The Municipality accounts for Value Added Tax on the payment basis as per the VAT Act.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Rates, Collection charges, penalties and interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time apportionment basis with reference to the principle amount receivable and effective interest rate applicable. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.23 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

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### **Significant Accounting Policies**

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#### **1.23 Accounting by principals and agents (continued)**

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### **Identifying whether an entity is a principal or an agent**

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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## Significant Accounting Policies

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### 1.23 Accounting by principals and agents (continued)

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.24 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

### 1.25 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.26 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.27 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.28 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), 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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

### 1.29 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

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## Significant Accounting Policies

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### 1.29 Segment information (continued)

#### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

### 1.30 Budget information

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

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

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

The approved budget and final adjusted budget covers the fiscal period from 2024/07/01 to 2025/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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.

### 1.31 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFMA stipulated that municipalities must identify related parties and transactions to ensure transparency and accountability.

Related party transactions must be treated in accordance with the MFMA and GRAP standards including GRAP 20

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

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## Significant Accounting Policies

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### 1.31 Related parties (continued)

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.32 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).

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.

## Notes to the Annual Financial Statements

Figures in Rand

2025

2024

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## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>• GRAP 104 (as revised): Financial Instruments</li></ul>	01 April 2025	The adoption of this has not had a material impact on the results of the Municipality, but has resulted in more disclosure than would have previously been provided in the financial statements

### 2.2 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 2025 or later periods.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter "the local Standards") were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

#### Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

##### Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard's scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

##### Definitions

IPSAS 40 separates the definitions in the Standard between "general definitions relating to all public sector combinations", "definitions relating to amalgamations" and "definitions relating to acquisitions". The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

##### Identifying an operation or function

IPSAS 40 defines an operation as "an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential." The definition of a function in the GRAP Standards is similar, except that it excludes "and related assets and/or liabilities".

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to "a function" whereas IPSAS 40 refers to "an operation"), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### Accounting for an amalgamation versus a transfer of functions under common control and mergers

Both IPSAS 40 and GRAP 107 applies the modified pooling of interest method to account for an amalgamation or merger. GRAP 105 does not "label" the accounting method used to account for the transfer for functions.

Assessing control - GRAP 105 is not explicit that the principles in GRAP 35 should be applied to assess control.

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 105 and GRAP 107 do not have any application guidance, as all the principles are included in the Standard itself.

Identifying amalgamation (transfer/merger) date, assets, and liabilities - GRAP 105 and GRAP 107 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer/combined entity, the assets and liabilities, and the transfer/merger date. GRAP 105 and GRAP 107 also include guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement.

IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity, the assets, and liabilities to be transferred or assumed, or the transfer date.

Pre-existing relationship - GRAP 105 includes guidance on identifying, and accounting for, a pre-existing relationship between the acquirer and transferor that is not part of the transfer of functions. Similar guidance is not included in IPSAS 40 (or in GRAP 107).

Calculation of the excess in the combination (transfer/merger) - The excess in the combination (transfer or merger) is calculated as the difference between the carrying amounts of the assets acquired and liabilities assumed, and any adjustments made to conform the accounting policies of the combining operations (transferor/combining entities) to those of the resulting entity (acquirer/combined entity).

The following elements are different:

- GRAP 105 also includes the consideration paid in the calculation, whereas IPSAS 40 is silent on whether the consideration should be included in the calculation; and

- in addition to recognising the identifiable assets and liabilities, IPSAS 40 includes the carrying amount of the combining operation's non-controlling interest and the effect of any adjustments made to eliminate transactions between the combining entities in the calculation of the excess. Neither GRAP 105 nor GRAP 107 require these components to be included when calculating the excess of the combination.

Assets and liabilities transferred - IPSAS 40 requires that the resulting entity should classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. The resulting entity is not allowed to adopt different classifications or designations on initial recognition, even if this is permitted by other IPSASs.

This is different to the requirements in GRAP 105 and GRAP 107 that require the acquirer/combined entity to classify or designate the assets acquired and liabilities assumed to apply the Standards of GRAP. The classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, the acquirer's operating or accounting policies and other relevant conditions that exist at the transfer date.

There is, however, an exception included in GRAP 105 and GRAP 107 relating to the classification of leases, and the classification of a contract as an insurance contract. Similar exceptions are not included in IPSAS 40.

Measurement period - IPSAS 40, GRAP 105 and GRAP 107 allow for a measurement period if the initial accounting for the amalgamation (transfer/merger) is incomplete by the end of the reporting period in which the amalgamation (transfer/merger) occurs. In IPSAS 40 the measurement period should not exceed one year from the amalgamation date. GRAP 105 and GRAP 107 allow two years.

Presentation - As per GRAP 107, the combined entity need not present comparative information in the first reporting period. GRAP 105 does not include a similar requirement as the transfer of functions is only effective from the transfer date and the entity combines the assets and liabilities of the transferor with its own at that date. As the transfer of functions does not impact the acquirer's prior year information, the acquirer's comparative information need not be adjusted.

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# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

In IPSAS 40, the resulting entity has an option to not present financial statements for periods prior to the amalgamation date. Where the resulting entity elects to present financial statements, specific disclosures are required for each combining operation.

There are certain guidance included in IPSAS40 but not in GRAP105 and 107, and vice versa.

#### Supersede

This Standard supersedes the Standard of GRAP on Mergers issued in 2010.

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in the 2022/2023 annual financial statements.

#### Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter "the local Standards") were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

#### Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

##### Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit,

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard's scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

##### Definitions

IPSAS 40 separates the definitions in the Standard between "general definitions relating to all public sector combinations", "definitions relating to amalgamations" and "definitions relating to acquisitions". The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity, and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

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# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### Identifying an operation or function

IPSAS 40 defines an operation as "an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential." The definition of a function in the GRAP Standards is similar, except that it excludes "and related assets and/or liabilities".

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to "a function" whereas IPSAS 40 refers to "an operation"), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

#### Accounting for an acquisition versus a transfer of functions not under common control

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 106 does not have an application guidance section as all the principles are included in the Standard itself.

Assessing control - GRAP 106 is not explicit that the principles in GRAP 35 should be applied in assessing control.

Identifying acquisition date, assets, and liabilities - GRAP 106 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer and the acquisition date. GRAP 106 also includes guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement. IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity. GRAP 106 require that the terms and conditions in the binding arrangement should be considered to determine the acquisition date, and the assets and liabilities to be transferred. IPSAS 40 is not as specific that a binding arrangement needs to be in place to determine the acquisition date. To identify the assets and liabilities to be transferred or assumed, IPSAS 40 merely refers to "must be what the acquirer and acquiree has exchanged".

Non-controlling interests - Additional guidance is included in GRAP 106 on the measurement of a noncontrolling interest in an acquiree.

Subsequent measurement - For the subsequent measurement of a reacquired right, IPSAS 40 distinguishes between a right with a finite and indefinite period. A similar distinction is not made in GRAP 106.

Calculation of the excess in the acquisition - GRAP 106 requires that the excess in transfer of functions be recognised in surplus and deficit. IPSAS 40 requires that the excess be recognised as goodwill. As a result, IPSAS 40 includes additional guidance on the recognition and measurement of goodwill, which is not included in GRAP 106.

Acquisition achieved in stages - Both Standards include similar guidance on the accounting for an acquisition achieved in stages, except for the treatment of the resulting gain or loss. IPSAS 40 requires that the gain or loss be recognised in surplus or deficit or in net assets/equity, whereas GRAP 106 requires it to be recognised in surplus or deficit only.

Measurement period - Both IPSAS 40 and GRAP 106 allow for a measurement period if the initial accounting for the acquisition is incomplete by the end of the reporting period, in which the acquisition occurs. In IPSAS 40 the measurement period should not exceed one year from the acquisition date. GRAP 106 allows two years. The increase or decrease in the provisional amount is recognised in goodwill in IPSAS 40, while the provisional amount is adjusted against surplus or deficit in GRAP 106.

Pre-existing relationship - Both Standards include similar guidance on determining what is part of the acquisition transaction if there was a pre-existing relationship between the acquirer and the acquiree. However, IPSAS 40 includes an additional principle to explain that a transaction entered into before the acquisition, by or on behalf of the acquirer or primarily for the benefit of the acquirer, is likely to be a separate transaction. IPSAS 40 also includes additional guidance of factors to be considered to determine if a transaction is part of the exchange of the acquired operation.

There are certain guidance included in IPSAS40 but not in GRAP106, and vice versa.

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# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### Supersede

This Standard supersedes the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control issued in 2010.

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in the 2022/2023 annual financial statements.

#### Overview and project objective

At the time GRAP 105, GRAP 106 and GRAP 107 (hereafter "the local Standards") were developed, an equivalent International Public Sector Accounting Standard (IPSAS) did not exist. IPSAS 40 on Public Sector Combinations was since issued in 2017.

IPSAS 40 was compared with local Standards to identify any similarities and differences. Even though IPSAS 40 applies to combinations that are classified as either an amalgamation or an acquisition, the substance of combinations accounted for using IPSAS 40 is similar to that in the local Standards. Based on the outcome of the comparison, the Board agreed that the local Standards should be amended to include additional, authoritative guidance from IPSAS 40, where applicable and retain guidance in the local Standards not included in IPSAS, where appropriate. The Board also agreed to include amendments to the IFRS Accounting Standard on Business Combinations (IFRS 3) after the publication of IPSAS 40, as IFRS 3 was used to develop parts of the local Standards.

The Board agreed that the three Standards of GRAP should be retained, rather than to issue an equivalent IPSAS. Local stakeholders understand when to apply a relevant Standard and to date, no significant application issues were raised.

#### Significant differences between IPSAS 40 and the GRAP Standards, prior to the revisions proposed

##### Scope

a) IPSAS 40 includes a scope exclusion explaining that the Standard does not apply to the acquisition by an investment entity of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit;

(b) the GRAP Standards include additional scope exclusions for transfers or mergers that are not within the Standard's scope. As IPSAS 40 addresses all combinations, a similar scope exclusion is not relevant;

(c) the GRAP Standards include explanatory guidance on the scope exclusions in the Standards. Similar explanatory guidance for the scope exclusions is not included in IPSAS 40; and

(d) GRAP 107 does not include a scope exclusion for the transfer of individual assets and liabilities.

##### Definitions

IPSAS 40 separates the definitions in the Standard between "general definitions relating to all public sector combinations", "definitions relating to amalgamations" and "definitions relating to acquisitions". The GRAP Standards include definitions relevant to the type of transfer or merger within the scope of the particular Standard. Other differences include:

(a) terminology differences – this is because IPSAS 40 provides guidance on amalgamations and acquisitions, and GRAP classifies the transactions or events as either a transfer of function or a merger. For example, IPSAS 40 refers public sector combinations, amalgamation, and acquisition date, and resulting entity, whereas the GRAPs refer to a transfer of functions, transfer, acquisition, or merger date, and acquiree and combining entity; and

(b) definitions not included in the GRAP Standards and vice versa – for example, IPSAS 40 includes definitions for mutual entity and goodwill, while the GRAP Standards define residual value, non-controlling interests, and binding arrangement.

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# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### Identifying an operation or function

IPSAS 40 defines an operation as "an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential." The definition of a function in the GRAP Standards is similar, except that it excludes "and related assets and/or liabilities".

The guidance explaining what an integrated set of activities comprises, is similar between IPSAS 40 and the GRAP Standards. Other than using different terms (i.e., GRAP 105 and GRAP 106 refer to "a function" whereas IPSAS 40 refers to "an operation"), IPSAS 40 includes additional guidance to explain that, determining if a particular set of activities and the related assets and liabilities are an operation, should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity.

#### Accounting for an amalgamation versus a transfer of functions under common control and mergers

Both IPSAS 40 and GRAP 107 applies the modified pooling of interest method to account for an amalgamation or merger. GRAP 105 does not "label" the accounting method used to account for the transfer for functions.

Assessing control - GRAP 105 is not explicit that the principles in GRAP 35 should be applied to assess control.

Outline of the Standards - In IPSAS 40, application guidance is included as an annexure to the Standard. GRAP 105 and GRAP 107 do not have any application guidance, as all the principles are included in the Standard itself.

Identifying amalgamation (transfer/merger) date, assets, and liabilities - GRAP 105 and GRAP 107 explains that the terms and conditions of the binding arrangement should be considered to identify the acquirer/combined entity, the assets and liabilities, and the transfer/merger date. GRAP 105 and GRAP 107 also include guidance to identify the acquirer/combined entity when it is not clear from the binding arrangement.

IPSAS 40 does not provide guidance on what should be considered to identify the resulting entity, the assets, and liabilities to be transferred or assumed, or the transfer date.

Pre-existing relationship - GRAP 105 includes guidance on identifying, and accounting for, a pre-existing relationship between the acquirer and transferor that is not part of the transfer of functions. Similar guidance is not included in IPSAS 40 (or in GRAP 107).

Calculation of the excess in the combination (transfer/merger) - The excess in the combination (transfer or merger) is calculated as the difference between the carrying amounts of the assets acquired and liabilities assumed, and any adjustments made to conform the accounting policies of the combining operations (transferor/combining entities) to those of the resulting entity (acquirer/combined entity).

The following elements are different:

- GRAP 105 also includes the consideration paid in the calculation, whereas IPSAS 40 is silent on whether the consideration should be included in the calculation; and

- in addition to recognising the identifiable assets and liabilities, IPSAS 40 includes the carrying amount of the combining operation's non-controlling interest and the effect of any adjustments made to eliminate transactions between the combining entities in the calculation of the excess. Neither GRAP 105 nor GRAP 107 require these components to be included when calculating the excess of the combination.

Assets and liabilities transferred - IPSAS 40 requires that the resulting entity should classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. The resulting entity is not allowed to adopt different classifications or designations on initial recognition, even if this is permitted by other IPSASs.

This is different to the requirements in GRAP 105 and GRAP 107 that require the acquirer/combined entity to classify or designate the assets acquired and liabilities assumed to apply the Standards of GRAP. The classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, the acquirer's operating or accounting policies and other relevant conditions that exist at the transfer date.

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# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

There is, however, an exception included in GRAP 105 and GRAP 107 relating to the classification of leases, and the classification of a contract as an insurance contract. Similar exceptions are not included in IPSAS 40.

Measurement period - IPSAS 40, GRAP 105 and GRAP 107 allow for a measurement period if the initial accounting for the amalgamation (transfer/merger) is incomplete by the end of the reporting period in which the amalgamation (transfer/merger) occurs. In IPSAS 40 the measurement period should not exceed one year from the amalgamation date. GRAP 105 and GRAP 107 allow two years.

Presentation - As per GRAP 107, the combined entity need not present comparative information in the first reporting period. GRAP 105 does not include a similar requirement as the transfer of functions is only effective from the transfer date and the entity combines the assets and liabilities of the transferor with its own at that date. As the transfer of functions does not impact the acquirer's prior year information, the acquirer's comparative information need not be adjusted.

In IPSAS 40, the resulting entity has an option to not present financial statements for periods prior to the amalgamation date. Where the resulting entity elects to present financial statements, specific disclosures are required for each combining operation.

There are certain guidance included in IPSAS40 but not in GRAP105 and 107, and vice versa.

#### Supersede

This Standard supersedes the Standard of GRAP on Transfer of Functions Between Entities Under Common Control issued in 2010.

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in the 2022/2023 annual financial statements.

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Current Account Bank	16 113 585	4 306 333
Short-term deposits	49 120 579	20 821 257
Traffic Fines Bank	103 619	337 672
	<hr/>	<hr/>
	65 337 783	25 465 262

#### Cash and cash equivalents pledged as collateral

No cash and cash equivalents is pledged as collateral.

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# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
First National Bank-Main Account-62031232531	15 893 350	4 244 805	16 113 584	4 306 333
First National Bank -Current Account- 62633129631	101 699	337 672	103 619	337 672
First National Bank -Call account -62233411884	7 001 703	11 214 004	7 001 703	11 214 004
First National Bank -Call Account - 62646088139	1 779 284	1 988 802	1 779 284	1 988 802
First National bank -12 Months Deposit-71538811574	418 000	418 000	418 000	418 000
First National Bank -Call Account - 74790017815	39 433 235	6 743 442	39 433 235	6 743 442
Standard Bank- 12 Months Deposit-088807667-004	-	425	-	425
Standard Bank- 12 Months Deposit-088812685-001/4/7	1 507	1 507	1 507	1 507
Standard Bank- Call Account-088822370-002	69 676	64 168	69 676	64 168
Standard Bank-12 Months Deposit- 08880566-002	163	163	163	163
Standard Bank 12 Months Deposit- 088812723-001	-	415	-	415
ABSA-Call account- 9095609301	195 456	183 892	195 456	183 892
Ned Bank -Call account-03/7881065141/00001	139 574	129 740	139 574	129 740
NedBank-Just invest-145027119998	24 116	19 930	24 116	19 930
NedBank-Just invest-90206079996	17 915	14 782	17 915	14 782
NedBank-Just invest-145027119992	39 950	32 710	39 950	32 710
<b>Total</b>	<b>65 115 628</b>	<b>25 394 457</b>	<b>65 337 782</b>	<b>25 455 985</b>

### 4. Receivables from exchange transactions

#### Gross balances

Electricity	111 350 205	92 358 274
Water	759 540 554	681 381 203
Waste water	163 088 834	147 185 034
Refuse	123 491 377	109 291 833
Other	16 101 921	15 728 428
	<b>1 173 572 891</b>	<b>1 045 944 772</b>

#### Less: Allowance for impairment

Electricity	(73 502 345)	(59 771 317)
Water	(708 219 389)	(667 994 382)
Waste water	(151 766 478)	(137 126 670)
Refuse	(115 397 424)	(102 791 976)
Other	(15 581 083)	(15 234 986)
	<b>(1 064 466 719)</b>	<b>(982 919 331)</b>

#### Net balance

Electricity	37 847 860	32 586 957
Water	51 321 165	13 386 821
Waste water	11 322 356	10 058 364
Refuse	8 093 953	6 499 857
Other	520 838	493 442
	<b>109 106 172</b>	<b>63 025 441</b>

# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	15 129 694	12 274 123
31 - 60 days	6 332 075	4 702 798
61 - 90 days	4 431 719	3 118 796
91 - 120 days	3 722 220	2 925 849
>121 days	81 734 498	69 336 708
Less: Allowance for impairment	(73 502 346)	(59 771 317)
	<b>37 847 860</b>	<b>32 586 957</b>
<b>Water</b>		
Current (0 -30 days)	20 007 344	24 333 580
31 - 60 days	17 034 853	23 016 688
61 - 90 days	16 530 007	17 455 316
91 - 120 days	15 979 634	21 929 052
>121 days	689 988 712	594 646 567
Less: Allowance for impairment	(708 219 385)	(667 994 382)
	<b>51 321 165</b>	<b>13 386 821</b>
<b>Waste water</b>		
Current (0 -30 days)	3 806 867	3 893 126
31 - 60 days	2 915 073	3 074 718
61 - 90 days	2 811 405	2 923 104
91 - 120 days	2 738 537	2 858 351
>121 days	150 816 952	134 435 735
Less: Allowance for impairment	(151 766 478)	(137 126 670)
	<b>11 322 356</b>	<b>10 058 364</b>
<b>Refuse</b>		
Current (0 -30 days)	2 948 965	2 953 562
31 - 60 days	2 620 374	2 630 946
61 - 90 days	2 503 387	2 531 289
91 - 120 days	2 454 054	2 483 211
>121 days	112 964 597	98 692 825
Less: Allowance for impairment	(115 397 424)	(102 791 976)
	<b>8 093 953</b>	<b>6 499 857</b>
<b>Other</b>		
Current (0 -30 days)	159 191	179 151
31 - 60 days	101 810	94 414
61 - 90 days	84 360	89 252
91 - 120 days	82 984	77 506
>121 days	15 673 577	15 288 105
Less: Allowance for impairment	(15 581 084)	(15 234 986)
	<b>520 838</b>	<b>493 442</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(982 919 331)	(733 480 556)
Contributions to allowance	(81 547 388)	(249 438 775)
	<b>(1 064 466 719)</b>	<b>(982 919 331)</b>

### Receivables from exchange transactions pledged as security

There are no consumer debtors were pledged as security.

# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Credit quality of receivables from exchange transactions</b>		
The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
<b>5. Receivables from non - exchange transactions</b>		
<b>Gross balances</b>		
Property rates	169 917 330	149 920 424
Traffic fines debtors	7 720 094	5 805 594
Accrued income	597 109	1 775 929
Other receivables from non-exchange	68 212	71 289
	<b>178 302 745</b>	<b>157 573 236</b>
<b>Less: Allowance for impairment</b>		
Property rates	(140 772 009)	(122 247 608)
Traffic fines debtors	(7 407 950)	(5 496 065)
	<b>(148 179 959)</b>	<b>(127 743 673)</b>
<b>Net balance</b>		
Property rates	29 145 321	27 672 816
Traffic fines debtors	312 144	309 529
Accrued income	597 109	1 775 929
Other receivables from non-exchange	68 212	71 289
	<b>30 122 786</b>	<b>29 829 563</b>
<b>Statutory receivables included in receivables from non-exchange transactions</b>		
Consumer debtors - Rates	29 145 321	27 672 816
Traffic fines debtors	312 144	309 529
	<b>29 457 465</b>	<b>27 982 345</b>
<b>Other financial asset receivables included in receivables from non-exchange transactions above are as follows:</b>		
Accrued income	597 109	971 229
Other receivables from non-exchange transactions	24 967	71 289
	<b>622 076</b>	<b>1 042 518</b>
<b>Total receivables from non-exchange transactions</b>	<b>30 122 786</b>	<b>29 829 563</b>
<b>Rates</b>		
Current (0 -30 days)	11 455 489	7 382 501
31 - 60 days	9 784 131	4 854 101
61 - 90 days	3 636 725	3 807 545
91 - 120 days	3 409 250	3 411 751
>121	141 631 735	130 464 526
Less: Allowance for impairment	(140 772 009)	(122 247 608)
	<b>29 145 321</b>	<b>27 672 816</b>
<b>Traffic fines</b>		
Gross	7 720 094	5 805 594
Impairment	(7 407 950)	(5 496 065)
	<b>312 144</b>	<b>309 529</b>

## **Makana Local Municipality**

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

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

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#### **5. Receivables from non - exchange transactions (continued)**

##### **Reconciliation of allowance for impairment for receivables from non exchange**

##### **Reconciliation of allowance for impairment**

Balance at beginning of the year	(122 247 608)	(99 474 743)
Contributions to allowance	(18 524 401)	(22 772 865)
	<b>(140 772 009)</b>	<b>(122 247 608)</b>

# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 5. Receivables from non - exchange transactions (continued)

#### Statutory receivables general information

#### Statutory receivables general information

Statutory receivables are accounted for as follows:

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates against the valuation of individual properties within the municipality's jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable. Interest is applied on outstanding debt.

The basis of impairment takes into account the following:

The estimate were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. In assessing whether statutory receivables are impaired, management considered both individual receivables that may be impaired as well as groups of similar receivables that may be impaired.

The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

#### Accrued Income

Accrued Income relates to MIG Interest receivable from Sarah Baartman. The MIG grant allocation of Makana Local Municipality was transferred to Sarah Baartman District Municipality in prior years to ensure proper management of the grants funds in terms of the MFMA and the conditions of the grant. A Service Level Agreement(SLA) was entered into between the SBDM and Makana Local Municipality to manage the proper disbursement of the MIG allocation as well as the approved rollover amount. The grant was fully spent during the 2018/19 financial year. In terms of the SLA, the interest that accrues on the funds administered by SBDM on behalf of Makana Local Municipality should be utilised for infrastructure projects of Makana Local Municipality.

#### Other receivables from non - exchange

Other receivables from non - exchange relates to contract guarantee. The contractor Mamlambo Construction failed to comply with contractual obligations. The contractor abandoned the site they were working on which was a material breach of the contractor which resulted in the Municipality calling upon its guarantee.

#### Receivables from non - exchange transactions pledged as security

None of the receivables from non - exchange transactions were pledged as security.

#### Credit quality of receivables from non - exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non - exchange transactions are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

### 6. VAT input accrual

VAT Input Accrual

38 262 669

36 991 442

# Makana Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>7. Inventories</b>		
Maintenance materials	3 290 131	1 489 818
Water for distribution	(827 750)	(28 533)
Consumables stores	498 543	1 198 952
	<b>2 960 924</b>	<b>2 660 237</b>

### Inventory pledged as security

No inventory was pledged as security for facilities.

### 8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	186 976 005	1 516 552	188 492 557	186 976 005	1 516 552	188 492 557

### Reconciliation of investment property - 2025

	Opening balance	Total
Investment property	188 492 557	188 492 557

### Reconciliation of investment property - 2024

	Opening balance	Difference	Depreciation	Total
Investment property	187 764 347	668 234	59 976	188 492 557

### Pledged as security

No Investment Property is pledged as collateral.

### Details of investment property

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

Investment properties comprise residential and commercial properties that are rented out, as well as vacant land held for a currently undetermined use. There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

During the year no repairs and maintenance expenditure was incurred on investment properties and there were no commitments for the purchase of investment property at year end.

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### Notes to the Annual Financial Statements

Figures in Rand

#### 9. Property, plant and equipment

		2025	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying v
Land	65 442 388	-	65 442
Buildings	115 414 978	(59 651 265)	55 763
Plant and machinery	7 674 236	565 650	8 239
Furniture and fixtures	8 411 560	10 023 263	18 434
Motor vehicles	48 987 812	(5 903 905)	43 083
Computer equipment	5 970 426	(2 244 004)	3 726
Roads infrastructure	315 005 421	(139 648 308)	175 357
Community	117 607 546	(36 958 657)	80 648
Work-in-progress	78 804 905	(84 348)	78 720
Sanitation Infrastructure	166 616 270	(45 188 415)	121 427
Electrical Infrastructure	171 635 349	(207 008 579)	(35 373)
Water network	278 620 902	(105 993 583)	172 627
Landfill site	30 855 258	(17 302 724)	13 552
<b>Total</b>	<b>1 411 047 051</b>	<b>(609 394 875)</b>	<b>801 652</b>

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## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfe
Land	64 793 955	648 433	
Buildings	60 402 221	82 862	
Plant and machinery	5 782 538	3 780 062	
Furniture and fixtures	18 400 249	108 960	
Motor vehicles	35 236 901	7 451 341	
Computer software	3 320 874	954 435	
Infrastructure	170 856 680	13 496 115	
Community	81 193 342	1 888 399	
Work-in-progress	57 119 223	28 353 273	(6 751)
Artwork	125 504 550	-	
Electrical Infrastructure	(30 546 661)	-	
Water network	169 562 042	3 065 277	
Landfill site	12 035 005	-	
	<b>773 660 919</b>	<b>59 829 157</b>	<b>(6 751)</b>

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### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers received	Transfers	Other char moveme
Land	64 793 955	-	-	-	-
Buildings	63 966 566	-	-	-	-
Plant and machinery	5 488 582	335 273	-	-	-
Furniture and fixtures	18 555 006	(24 813)	-	-	-
Motor vehicles	25 511 375	9 658 690	-	-	-
Computer equipment	2 953 593	954 796	-	-	-
Infrastructure	151 108 182	28 951 544	-	-	-
Community	89 497 000	-	-	-	-
Work-in-progress	66 540 959	21 271 578	(3 301 693)	(27 391 621)	-
Sanitation Infrastructure	132 003 334	-	-	-	-
Electrical Infrastructure	25 532 148	-	(50 945 063)	-	-
Water network	168 439 985	12 609 034	-	-	-
Landfill site	13 945 575	-	-	-	(857)
	<b>828 336 260</b>	<b>73 756 102</b>	<b>(54 246 756)</b>	<b>(27 391 621)</b>	<b>(857)</b>

##### Pledged as security

No Property Plant and Equipment is pledged as security.

# Makana Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>9. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>		
MLM/2019-20/INFRA/008 - Upgrading of Ncame	-	20 680 392
The contractor that was appointed for the project was liquidated and was subsequently terminated by the municipality. The municipality appointed the subcontractors that were appointed on the project to conclude open sections of the road and subsequently see the project to conclusion. The project was concluded in June 2024.		
MLM/2022-23/INFRA/002 - Replacement of Ageing Asbestos pipes in Makhanda Phase 3A.	13 826 054	13 826 054
The existing services were not determined before the start of the project. The existing services were tested on implementation of the project and it was discovered that the new pipeline had to be put on the road and thus affect the current state of the road. The state of the road had to be put back to its condition. Asphalt and tie inns were added on the scope as the original scope of the project did not contain these items. The municipality did not always close water upon the request of the contractor, even if the contractor had scheduled the closure on time for tie inns to be installed. The contractor is on extension of time till 31 October 2024.		
MLM/2018-19/INFRA/007 - Waainek Bulk Water Supply Refurbishment.	6 875 295	6 875 295
The initial contractor was terminated due to poor performance and the second bidder was appointed to conclude the project. The municipality is planning to engage the second bidder for the conclusion of the project.		
MLM/2022-23/INFRA/014 - Upgrade of Sports Facilities in Oval Stadium, Lavendar Valley Makhanda. The initial contractor was terminated due to poor performance and the second bidder was appointed to conclude the project. The municipality is planning to engage the second bidder for the conclusion of the project.	4 324 505	4 324 505
MLM/2022-23/INFRA/006 -Refurbishment / Upgrade of Belmont Valley WWTW - The contractor was working on a live plant and the project was investigative in nature. The contractor did not perform well due to cashflow challenges and a number of non performance letters were written by the consultant. It was difficult for the municipality to consider termination as the project was at 85%, mechanical, electrical and digester were the only components outstanding to concluded the works. It was going to be risky to concluded to terminate the project at this stage. The electrical material subcontractor was already engaged at this stage. The project is extended till 31 October 2024.	40 089 308	40 089 308
	<b>65 115 162</b>	<b>85 795 554</b>
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>		-
		-
		-
<b>Reconciliation of Work-in-Progress 2025</b>		
<b>Reconciliation of Work-in-Progress 2024</b>		

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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>9. Property, plant and equipment (continued)</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Maintenance of Buildings and Facilities	941 024	7 222 572
Maintenance of Equipment	3 591 892	842 317
Maintenance of Unspecified Assets	1 775 740	2 351 488
	<b>6 308 656</b>	<b>10 416 377</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.

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### Notes to the Annual Financial Statements

Figures in Rand 2025      2024

#### 10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 015 245	(1 545 241)	2 470 004	4 015 245	(1 545 241)	2 470 004

#### Reconciliation of intangible assets - 2025

	Opening balance	Total
Computer software	2 470 004	2 470 004

#### Reconciliation of intangible assets - 2024

	Opening balance	Difference	Total
Computer software	435 712	2 034 292	2 470 004

#### Pledged as security

No intangible assets were pledged as security for liabilities.

#### Details of Intangible assets

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.

During the year no repairs and maintenance expenditure was incurred on intangible assets and there were no commitments for the purchase of intangible assets at year end.

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### Notes to the Annual Financial Statements

Figures in Rand

2025

2024

#### 11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	32 788 263	-	32 788 263	32 788 263	-	32 788 263

#### Reconciliation of heritage assets 2025

	Opening balance	Total
Historical buildings	32 788 263	32 788 263

#### Reconciliation of heritage assets 2024

	Opening balance	Total
Historical buildings	32 788 263	32 788 263

#### Pledged as security

No heritage assets are pledged as security.

# Makana Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>12. Other financial assets</b>		
<b>At amortised cost</b>		
Eskom SOC Ltd	3 959 190	3 735 085
The amount held is a deposit to Eskom. The deposit bears interest at a linked rate. The increase in the amount of the deposit related to interest accrued.		
<b>Non-current assets</b>		
At amortised cost	3 959 190	3 735 085
<b>13. Payables from exchange transactions</b>		
Trade payables	205 132 590	177 811 355
Payments received in advanced	19 793 100	21 229 472
Accruals	4 470 438	4 316 583
Retentions	7 077 268	4 384 387
Retention guarantee	150 257	150 257
Accrued leave	711 292	617 484
Accrued bonus	5 987 289	4 783 971
Salary Control -Third party payables	10 410 121	10 375 628
	<b>253 732 355</b>	<b>223 669 137</b>

### Retention Guarantee

The contractor failed to comply with contractual obligations. The contractor abandoned the site they were working on which was a material breach of the contract which resulted in the Municipality requesting the service provider to pay back the money which will be paid to the supplier who will be appointed to complete the project.

### 14. Payables from non - exchange transactions

Department of Local Government and Human Settlements	6 624 152	15 098 128
Unallocated receipts	20 575 036	20 643 092
	<b>27 199 188</b>	<b>35 741 220</b>

### Department of Local Government and Human Settlements

Makana Local Municipality entered into an agreement with the Eastern Cape Department of Human Settlements for the construction of 178 houses including water tanks for the Makana Infill Housing Programme. The municipality acts as an implementing agent for procurement of Professional Service Providers to undertake the planning design and monitoring of the Makana Infill Housing Programme in this arrangement and receives money from the department which it then uses to pay the Service Providers.

All funds received for Eastern Cape Department Human Settlement are subjected to conditions as stipulated in the contract. No commission is earned by the Municipality on the implementation of this programme.

### Department of Transport

The municipality has an arrangement with the Department of Transport in which it collects licence fees on behalf of the department and receives an agreed fee for the service provided. At year end a liability represents an amount not yet paid over to the department.

### Unallocated receipts

Makana Local Municipality occasionally receives money into its bank account without adequate reference and are reipted in unallocated receipts only to be allocated when depositors come with the relevant details to allocate the money and removed from the register maintained. At year end, the money is a liability.

## Makana Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>15. VAT output accrual</b>		
VAT Output Accrual	103 868 005	96 481 527
<b>16. Consumer deposits</b>		
Electricity	2 786 676	2 696 017
Water	1 163 357	1 085 765
Regional services levies	496 689	484 058
Housing rental	25 180	21 783
	<b>4 471 902</b>	<b>4 287 623</b>
<b>17. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Water Services Infrastructure Grant	703 859	-
Municipal Infrastructure Grant	21 575	-
Expanded Public Works Program Grant	56	-
Municipal Disaster Relief Grant	28 170 866	1 836 480
Office of The Premier	17 042	-
	<b>28 913 398</b>	<b>1 836 480</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	1 686 224	20 422 001
Additions during the year	219 084 267	165 874 763
Income recognition during the year	(191 857 093)	(184 460 284)
	<b>28 913 398</b>	<b>1 836 480</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 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

## Makana Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

### Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>18. Other financial liabilities</b>		
<b>At amortised cost</b>		
Other financial liabilities	42 994 669	45 430 883
Development Bank of South Africa (DBSA)		
Makana Local Municipality has restructured its loan with DBSA effectively on 30th of September 2015. The borrowed amount amounts to R 42 994 669 as at 30 June 2025 (2024: R 45 430 883) with an interest rate of 10.5% p.a for a period of 20 years with the first installment which started on 31 January 2017.		
<b>Non-current liabilities</b>		
At amortised cost	40 678 256	43 179 614
<b>Current liabilities</b>		
At amortised cost	2 316 413	2 251 269

# Makana Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>19. Employee benefit obligations</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Post retirement medical benefits	(87 896 001)	(76 142 908)
Long service awards	(15 280 000)	(5 226 574)
	<b>(103 176 001)</b>	<b>(81 369 482)</b>
Current assets	(370 027)	-
Non-current liabilities	(96 455 000)	(77 841 265)
Current liabilities	(6 350 974)	(3 528 217)
	<b>(103 176 001)</b>	<b>(81 369 482)</b>

### Post retirement medical benefits

The Municipality offers employees and continuation members the opportunity of belonging to one of several accredited medical schemes. The Municipality has agreed to subsidize the medical aid contributions of continuation pensioners in the following way. Eligible employees will receive a post-employment subsidy of 61.80% of the contribution payable should they become a member of a medical scheme at retirement.

All continuation members and their eligible dependents receive a 70% subsidy. Upon a member's death-in-retirement the surviving dependents will continue to receive the same subsidy. Upon a member's death-in-service the surviving dependents will not continue to receive a subsidy. Upon retirement, an employee may continue membership of the accredited medical scheme.

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Assumption	Change	Eligible Employees	Continuation Members	Total DBO	%
					Change
Central assumptions		54.984	32.912	87 896 000.00	
Medical aid contribution	1%	65.621	35.638	101 259 000.00	15%
inflation rate	-1%	46.474	30.506	7 698 000.00	-12%
Discount rate	1%	46.831	30.611	77 442 000.00	-12%
	-1%	65.275	35.555	10 083 000.00	15%
Post-employment	+1 yr	53.624	31.764	85 388 000.00	-3%
mortality	-1 yr	56.322	34 066	90 388 000.00	3%
Average retirement age	-1 yr	60.501	32.912	93 413 000.00	6%
Membership continuation	-10%	47.651	32.912	80 563 000.00	-8%

## **Makana Local Municipality**

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Annual Financial Statements for the year ended 30 June 2025

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

<b>Figures in Rand</b>	<b>2025</b>	<b>2024</b>
<b>19. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	3 545 796	3 260 800
Current interest cost	9 457 490	9 383 087
Actuarial (gains) losses	1 953 779	(4 286 150)
	<b>14 957 065</b>	<b>8 357 737</b>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Opening balance	76 142 908	70 917 244
Current service cost	3 545 796	3 260 800
Current interest cost	9 457 490	9 383 087
Medical contributions subsidies for continuation pensioners	(3 203 973)	(4 286 150)
Effect of changes in foreign exchange rates	1 953 779	(3 132 073)
	<b>87 896 000</b>	<b>76 142 908</b>

# Makana Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 19. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used (D)	11.20 %	13.51 %
Consumer price inflation (C)	5.20 %	7.53 %
Health care cost inflation (H)	7.00 %	9.03 %
Net discount rate $((1+D)/(1+H)-1)$	3.90 %	4.11 %

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2024 the duration of liabilities was 12.36 years.

At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 12.69% per annum, and the yield on the inflation linked bonds of a similar term was about 5.18% per annum, implying an underlying expectation of inflation of 6.67% per annum  $((1 + 12.69\% - 0.5\%) / [1 + 5.18\%] - 1)$ .

A healthcare cost inflation rate of 8.17% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.18% per annum  $((1 + 12.69\%) / [1 + 8.17\%] - 1)$ . This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

The Municipality 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 municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- (i) Bonitas
- (ii) KeyHealth
- (iii) LA Health
- (iv) Samwumed
- (v) Hosmed

Medical inflation rate	1% decrease	Impact	1% increase	Impact %
Accrued liability	87 896 000	15	66 941 505	14
Current cost	13 003 286	-	2 956 146	-
Interest cost	13 502 000	-	8 290 989	-
		15		14

The post-employment mortality adjustment "-1 yr", for example, assumes that someone aged 70 will experience the mortality of someone aged 69. The DBO is expected to increase under this scenario because members are expected to live longer

The table above indicates, for example, that if the medical inflation rate is one percentage point greater than the long-term assumption made, the DBO will be 15% higher than that shown.

Long service awards

# Makana Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 19. Employee benefit obligations (continued)

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2025 may become entitled to in future, based on an actuarial valuation performed at that date. The Municipality offers employees Long Service Awards for every five years of continuous service completed, from 5 years to 45 years of service, inclusive.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2023 by 1 Pangaea Expertise and Solutions (Pty) Ltd, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The Long Service Awards plans are defined benefit plans. As at year end, 538 employees were eligible for Long Service Awards. (2024: 552 employees)

#### Long Service Awards

Opening balance	5 226 574	4 217 547
Current service cost	464 926	392 048
Current interest cost	495 357	405 772
Expected benefit payments	(324 244)	(982 957)
Actuarial (gain)/loss	9 417 387	1 194 164
	<b>15 280 000</b>	<b>5 226 574</b>

#### General description of the type of plan

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive.

#### Principal assumptions used as at the balance sheet date

Discount rates used	9.40 %	9.78 %
Consumer price inflation	3.60 %	4.36 %
Salary increase rate	4.60 %	5.36 %
Net discount rate	4.60 %	4.20 %

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2024 the duration of liabilities was 4.42 years. At this duration the discount rate determined by using the Bond Exchange Zero.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2024 the duration of liabilities was 4.42 years. At this duration the discount rate determined by using the Bond Exchange Zero.

Coupon Yield Curve as at 30 June 2024 is 9.78% per annum, and the yield on inflation-linked bonds of a similar term was about 4.72% per annum. This implies an underlying expectation of inflation of 4.36% per annum  $([1 + 9.78\% - 0.5\%] / [1 + 4.72\%] - 1)$ .

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 5.36% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.20% per annum  $([1 + 9.78\%] / [1 + 5.36\%] - 1)$ .

#### Sensitivity Analysis

## Makana Local Municipality

(Registration number EC104)

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### Notes to the Annual Financial Statements

Figures in Rand

2025

2024

#### 19. Employee benefit obligations (continued)

The table below summarises the results of the sensitivity analysis.

Assumption	Change	Eligible Employees	Continuation Members	Total DBO	% Change
Central assumptions		54.984	32.912	87.896	
Medical aid contribution	1%	65.621	35.638	101.259	15%
inflation rate	-1%	46.474	30.506	76.98	-12%
Discount rate	1%	46.831	30.611	77.442	-12%
	-1%	65.275	35.555	100.83	15%
Post-employment	+1 yr	53.624	31.764	85.388	-3%
mortality	-1 yr	56.322	34.066	90.388	3%
Average retirement age	-1 yr	60.501	32.912	93.413	6%
Membership continuation	-10%	47.651	32.912	80.563	-8%

The table above indicates, for example, that if the earnings inflation rate is one percentage point greater than the long-term assumption made, the DBO will be 5% higher

#### 20. VAT Receivable

VAT Control	3 062 043	1 380 769
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#### 21. Municipal Debt Relief

Current liabilities	40 930 738	21 059 802
Non- Current liabilities	13 093 213	27 986 742
	<b>54 023 951</b>	<b>49 046 544</b>

The Minister of Finance, in the 2023 Budget Speech announced conditional debt relief for all municipalities that owes Eskom on 31 March 2023 (including interest and penalties). Any municipality that owes Eskom arrears, interest or penalties on 31 March 2023 qualify for this relief subject to Council's successful written application to the National Treasury.

The municipal debt relief application for the municipality was approved, and as a result, the municipality now recognises municipal debt relief liability which will be written off over a period of 3 years from 01 November 2023.

# Makana Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 22. Provisions

#### Reconciliation of provisions - 2025

	Opening Balance	Difference	Utilised during the year	Total
Environmental rehabilitation	39 144 104	6 191 335	-	45 335 439
Leave provision	19 483 660	-	(811 140)	18 672 520
	<b>58 627 764</b>	<b>6 191 335</b>	<b>(811 140)</b>	<b>64 007 959</b>

#### Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	35 519 195	(443 978)	4 482 522	-	(413 635)	39 144 104
Leave provision	17 162 779	4 198 080	-	(1 877 199)	-	19 483 660
	<b>52 681 974</b>	<b>3 754 102</b>	<b>4 482 522</b>	<b>(1 877 199)</b>	<b>(413 635)</b>	<b>58 627 764</b>

Non-current liabilities	45 335 439	39 144 104
Current liabilities	18 672 520	19 483 660
	<b>64 007 959</b>	<b>58 627 764</b>

#### Environmental rehabilitation provision

Makana Local Municipality has an obligation to restore three Landfill Sites situated in Grahamstown , Riebeck East, Alicedale. The Landfill Sites are currently licensed and are used for general waste disposal (non-hazardous) purpose. The valuation for Landfill site were done by One Pangea with their team of Engineers and Environmental specialists.

#### Leave Provision

Makana Local Municipality is using 48 days as the maximum bracket for the leave provision calculation , the municipality is required by the GRAP standards to do a disclosure and calculate the provision as at the end of the financial year. Leave days are only paid to employees subject to termination of employment, the leave days are added on a monthly basis to a maximum of 24 days in a financial period. Leave days available have decreased due to number of leave days taken by the employees.

### 23. Revenue

Rendering of services	3 100 524	1 335 568
Service charges	439 895 707	382 211 383
Rental of facilities and equipment	170 019	230 576
Interest received from receivables from exchange transactions	72 797 276	64 640 381
Agency services	987 665	3 426 153
Other operational income	763 352	4 548 545
Interest received from cash and bank and other financial assets	4 371 655	5 330 046
Property rates	119 290 829	117 553 152
Government grants & subsidies	196 970 491	185 114 728
Public contributions and donations	5 219 854	702 179
Fines, Penalties and Forfeits	2 482 648	1 216 885
Debt forgiven	29 288	34 483 380
	<b>846 079 308</b>	<b>800 792 976</b>

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Figures in Rand	2025	2024
<b>23. Revenue (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	439 895 707	382 211 383
Rendering of services	3 100 524	1 335 568
Rental of facilities and equipment	170 019	230 576
Interest received on receivables from exchange transactions	72 797 276	64 640 381
Agency services	987 665	3 426 153
Other operational income	763 352	4 548 545
Interest received from cash and bank and other financial assets	4 371 655	5 330 046
	<b>522 086 198</b>	<b>461 722 652</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	119 290 829	117 553 152
Licences or permits	176 210	27 624
<b>Transfer revenue</b>		
Government grants & subsidies	196 970 491	185 114 728
Public contributions and donations	5 219 854	702 179
Fines, Penalties and Forfeits	2 482 648	1 216 885
Debt forgiven	29 288	34 483 380
	<b>324 169 320</b>	<b>339 097 948</b>
<b>24. Service charges</b>		
Sale of electricity	204 458 743	168 013 379
Sale of water	167 313 893	147 360 066
Solid waste	25 495 942	24 532 583
Sewerage and sanitation charges	42 627 129	42 305 355
	<b>439 895 707</b>	<b>382 211 383</b>
<b>25. Revenue earned from rendering of services</b>		
Encroachment fees	1 403 860	907 342
Cattle Crazing	25 613	25 613
Building plans approval	1 467 180	232 968
Application fees for land usage	182 522	146 956
Sale of consumables	21 349	22 689
	<b>3 100 524</b>	<b>1 335 568</b>
<b>26. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	170 019	230 576
<b>27. Interest earned on receivables from exchange transactions</b>		
Interest earned from receivables from exchange transactions	72 797 276	64 640 381

During the current financial year all consumers were charged interest at a rate of 10% on the arrear accounts as per Makana Local Municipality's credit control policy.

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Figures in Rand	2025	2024
<b>28. Income from agency services</b>		
Driver's Licenses	987 665	3 426 153
<p>The municipality has an arrangement with the Department of Transport in which it collects licence fees on behalf of the department and receives an agreed fee for the service provided. The agreement ended on the 10th of November 2025 due to non compliance with health and safety regulation by The Department of transport</p>		
<b>29. Other operational revenue</b>		
Administrative Handling Fees	226 194	2 491 755
Discounts and Early Settlement	-	17 122
Incidental Cash Surpluses	7 866	13 661
Inspection Fees	179 244	132 476
Operational Revenue: Sale of Property	350 048	210 420
Forfeits retentions	-	1 683 111
	<b>763 352</b>	<b>4 548 545</b>
<b>30. Interest received cash and bank and other financial assets</b>		
Interest revenue		
Cash and bank	4 147 550	5 088 342
Other financial assets	224 105	241 704
	<b>4 371 655</b>	<b>5 330 046</b>
<b>31. Property rates</b>		
<b>Rates received</b>		
Residential	46 671 328	44 569 264
Commercial	22 463 532	21 787 078
Public benefit infrastructure	43 242 666	44 648 321
Small holdings and farms	4 677 706	4 426 992
Industrial	2 235 597	2 121 497
	<b>119 290 829</b>	<b>117 553 152</b>
<b>Valuations R'000</b>		
Agriculture	2 284 674	2 290 651
Bed and Breakfast	72 273	75 699
Commercial	789 560	857 798
Educational	1 519 884	1 579 559
Industrial	181 857	373 844
Municipal	651 012	648 891
Other	844 433	749 216
Residential	5 998 681	6 001 095
State	1 242 879	1 128 181
	<b>13 585 253</b>	<b>13 704 934</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis.

The new general valuation was implemented on 01 July 2025.

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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>32. Interest from non-exchange receivables</b>		
Interest received on receivable from non exchange property rates	12 902 100	10 960 575
During the current financial year all consumers were charged interest at a rate of 10% on the arrear accounts as per Makana Local Municipality's credit control policy.		
<b>33. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable Share	129 656 000	121 876 537
Municipal Infrastructure Grant	1 388 540	1 327 600
Financial Management Grant	3 800 000	3 100 000
Expanded Public Works Program Grant	1 201 945	1 061 260
LG Seta Grant	323 093	310 402
Fire Grant	612 434	1 455 308
	<b>136 982 012</b>	<b>129 131 107</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	26 367 885	22 673 101
Water Services Infrastructure Grant	19 096 142	21 947 000
Department Sport, Recreation, Arts and Culture (Libraries)	4 497 000	4 000 000
Municipal Disaster Relief Grant	2 775 614	7 363 520
Eastern Cape office of the premier	7 251 838	-
	<b>59 988 479</b>	<b>55 983 621</b>
	<b>196 970 491</b>	<b>185 114 728</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Equitable share	129 656 000	121 876 537
Unconditional grants recognised as revenue	-	62 283 235
	<b>129 656 000</b>	<b>184 159 772</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	-	19 998 444
Current-year receipts	27 778 000	26 702 256
Conditions met - transferred to revenue operating	(1 388 540)	(1 327 600)
Conditions met - transferred to revenue capital	(26 367 885)	(22 673 101)
Unapproved roll-over- transferred to equitable share	-	(22 699 999)
	<b>21 575</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprise and social institutions servicing poor communities.

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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>33. Government grants &amp; subsidies (continued)</b>		
<b>Financial Management Grant</b>		
Current-year receipts	3 800 000	3 100 000
Conditions met - transferred to revenue	(3 800 000)	(3 100 000)
	-	-

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training.

### Expanded Public Works Program Grant

Current-year receipts	1 202 001	1 061 260
Conditions met - transferred to revenue	(1 201 945)	(1 061 260)
	56	-

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development.

### LG Seta Grant

Current-year receipts	323 093	310 402
Conditions met - transferred to revenue	(323 093)	(310 402)
	-	-

The levy grant scheme aims to expand the knowledge and competencies of the labour force resulting in improvements in employability and productivity.

### Municipal Disaster Relief Grant

Balance unspent at beginning of year	1 836 480	-
Current-year receipts	29 110 000	9 200 000
Conditions met - transferred to revenue	(2 775 614)	(7 363 520)
	28 170 866	1 836 480

Conditions still to be met - remain liabilities (see note 17).

This grant is allocated solely for the purposes of responding to the immediate needs after a disaster has occurred and with the aim to alleviate the immediate consequences of disasters

### Fire Grant

Current-year receipts	612 434	1 455 308
Conditions met - transferred to revenue	(612 434)	(1 455 308)
	-	-

This is an unconditional grant

Fire safety grants fund critically needed resources to equip and train emergency personnel, enhance efficiencies and support community resilience.

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### Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
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#### 33. Government grants & subsidies (continued)

##### Water Services Infrastructure Grant

Current-year receipts	19 800 000	21 947 000
Conditions met - transferred to revenue	(19 096 141)	(21 947 000)
	<b>703 859</b>	<b>-</b>

The purpose of this grant is to supplement the gaps, and focusing on functionality of water infrastructure.

##### Department Sport, Recreation, Arts and Culture (Libraries)

Current-year receipts	4 497 000	4 000 000
Conditions met - transferred to revenue	(4 497 000)	(4 000 000)
	<b>-</b>	<b>-</b>

The purpose of the grant is to support the municipality with the administration of libraries.

##### Eastern Cape Office of the Premier

Current-year receipts	7 268 880	-
Conditions met - transferred to revenue	(7 251 838)	-
	<b>17 042</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 17).

This grant is allocated for the purposes of small town revitalization.

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Figures in Rand	2025	2024
<b>34. Public contributions and donations</b>		
Donations from the Sarah Baartman District Municipality	1 007 392	702 179
The Department of Sport, Recreation, Arts and Culture	4 212 462	-
	<b>5 219 854</b>	<b>702 179</b>

The Municipality received donations of motor vehicles from Sarah Baartman District Municipality worth R 1 007 392 (2024: 1 276 456) and major buildings and renovations of libraries from The Department of Sport, Recreation, Arts and Culture worth R 4 242 462 (2024:0)

### 35. Fines, Penalties and Forfeits

Illegal Connections Fines	320 898	59 985
Law Enforcement Fines	2 149 450	1 156 900
Court Traffic Fines	12 300	-
	<b>2 482 648</b>	<b>1 216 885</b>

### 36. Licences and permits (non-exchange)

Trading	176 210	27 624
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### 37. Debt forgiven

Debt written of by various trade creditors	29 288	34 483 380
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The municipality received a debt write off for interest incurred from Munsoft in the 30 June 2025 financial year and from Eskom and Amatola water in the 30 June 2024 financial year

# Makana Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>38. Employee related costs</b>		
Basic	139 289 475	132 012 730
Bonus	12 167 975	10 908 593
Medical aid - company contributions	15 640 544	13 660 920
UIF	1 109 519	1 094 230
Other payroll levies	76 388	71 626
Leave pay provision charge	443 475	4 211 391
Short term benefit	1 405 314	2 023 172
Other short term costs	4 011 975	3 652 849
Overtime payments	4 483 705	12 644 814
Long-service awards	43 955	-
Acting allowances	675 552	855 134
Travel allowance	3 628 662	3 617 230
Housing benefits and allowances	558 036	566 307
Scarcity Allowance	939 747	1 022 897
Social Contributions: Group Life Insurance	763 007	776 830
Cellular and Telephone	378 100	370 569
Pension	23 953 000	23 019 257
	<b>209 568 429</b>	<b>210 508 549</b>
<b>Remuneration of Municipal Manager- P Kate</b>		
Annual Remuneration	1 260 990	1 209 840
Other allowances (travel, housing, cellphone)	366 600	501 816
Contributions to UIF, Medical and Pension Funds	17 681	18 238
	<b>1 645 271</b>	<b>1 729 894</b>
<b>Municipal Manager- P Kate Appointed in November 2022.</b>		
<b>Remuneration of Chief Finance Officer - N Ntsangani</b>		
Annual Remuneration	1 150 507	1 172 914
Other allowances (travel, housing, cellphone)	271 692	269 613
Contributions to UIF, Medical and Pension Funds	22 601	16 156
	<b>1 444 800</b>	<b>1 458 683</b>
<b>Chief Financial Officer - N Ntsangani appointed in July 2022</b>		
<b>Remuneration of Director Corporate Services and Shared Services - XP Kalashe</b>		
Annual Remuneration	695 297	738 282
Other allowances (travel, housing, cellphone)	389 026	389 025
Contributions to UIF, Medical and Pension Funds	11 106	11 186
	<b>1 095 429</b>	<b>1 138 493</b>
<b>Director : Corporate services and Shared Services-XP Kalashe Appointed 1 May 2021.</b>		
<b>Remuneration of Director Engineering and Infrastructure Services - SA Gidana</b>		
Annual Remuneration	-	1 153 651
Other allowances (travel, housing, cellphone)	-	68 057
Contributions to UIF, Medical and Pension Funds	-	14 599
Leave pay	-	120 723
	-	<b>1 357 030</b>

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Figures in Rand	2025	2024
<b>38. Employee related costs (continued)</b>		
Director : Engineering and Infrastructure Services- S A Gidana Appointed 1 March 2021 terminated December 2024.		
<b>Remuneration of Acting Engineering and Infrastructure Services - Radu</b>		
Acting allowance	58 342	74 298
Acting Engineering and Infrastructure Services - Mr Radu from September 2023 to March 2024 .		
<b>Remuneration of Acting LED Director - S Jonas</b>		
Remuneration of Acting LED Director - S Jonas	-	122 877
Remuneration of acting LED Director - S Jonas from September 2023 to March 2024 .		
<b>Director : Local Development Development - NM Khoahla</b>		
Annual Remuneration	939 488	579 694
Other allowances (travel,housing,cellphone)	128 623	44 524
Contributions to UIF, Medical and Pension Funds	8 654	5 974
	<b>1 076 765</b>	<b>630 192</b>
Director : Local Development Development - NM KHOAHLA (Appointed on 1st December 2023)		
<b>Remuneration of Director Public Safety &amp; Community Services - K Makgoka</b>		
Annual Remuneration	-	363 995
Other allowances (travel,housing,cellphone)	-	2 200
Contributions to UIF, Medical and Pension Funds	-	5 986
Leave pay	-	161 515
	-	<b>533 696</b>
Appointed in July 1st 2018 resigned September 2023		
<b>Director: Public Safety &amp; Community: N Nonyeke</b>		
Annual Remuneration	950 156	566 983
Other allowances (travel,housing,cellphone)	128 622	44 524
Contributions to UIF, Medical and Pension Funds	10 461	6 573
	<b>1 089 239</b>	<b>618 080</b>
Director : Public Safety & Community - N Nonyeke (Appointed on 1st December 2023)		
<b>Remuneration of Acting Engineering and Infrastructure Services - Mr Qwane</b>		
Acting allowances	20 839	-
Remuneration of Acting Engineering and Infrastructure Services - Mr Qwane ( Acted June 2024		
<b>Remuneration of Acting Director Corporate Services and Shared Services - P Qezu</b>		
Annual Remuneration	54 347	-
Remuneration of Acting Director Corporate Services and Shared Services - P Qezu (Acted December 2024 to March 2025)		

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Figures in Rand	2025	2024
<b>39. Remuneration of councillors</b>		
Executive Mayor	1 022 605	1 003 081
Executive Committee Members	3 893 540	3 822 824
Speaker	827 486	812 267
Chief Whip	438 840	448 203
Councillors	6 872 719	6 784 419
	<b>13 055 190</b>	<b>12 870 794</b>
<b>In-kind benefits</b>		
The Executive Mayor, Chief Whip, Speaker and Mayoral Committee Members are full-time. The Mayor is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.		
<b>Additional information</b>		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
<b>40. Depreciation and amortisation</b>		
Property, plant and equipment	32 977 396	50 839 368
<b>41. Impairment loss / reversal</b>		
<b>Reversal of impairments</b>		
Property, plant and equipment	-	(542 960)
<b>42. Finance costs</b>		
Borrowings	4 647 534	4 883 188
Trade and other payables	12 740 080	16 157 565
Municipal debt relief	4 977 424	4 118 412
Interest cost on employee benefit obligations	9 952 847	9 788 859
Interest cost on landfillsite provision	4 673 806	4 482 522
	<b>36 991 691</b>	<b>39 430 546</b>
The finance cost include interest incurred on loan from DBSA, time value of money in respect of provision for rehabilitation of landfill sites, employee benefits obligations and other various interest paid for late payments to trade creditors.		
<b>43. Lease rentals on operating lease</b>		
<b>Plant and equipment</b>		
Contractual amounts	1 354 261	1 156 854
<b>Lease rentals on operating lease - Other</b>		
Contractual amounts	9 890	-
	<b>1 364 151</b>	<b>1 156 854</b>
<b>44. Debt impairment</b>		
Debt impairment	101 983 674	277 484 178
Bad debts written off	132 231 486	3 779 790
	<b>234 215 160</b>	<b>281 263 968</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>45. Bulk purchases</b>		
Electricity - Eskom	161 213 931	139 849 675
<b>Electricity losses</b>		
	Number- (KHW) 2025	Number - (KHW) 2024
Units purchased	88 844 767	87 964 448
Units sold	(75 623 273)	(75 169 143)
<b>Total loss in units</b>	<b>13 221 494</b>	<b>12 795 305</b>
Loss calculated for (in rand value)		
Total losses	24 292 822	12 795 305
Own use	(4 243 859)	(80 195)
Network loss after own use losses	(8 488 533)	(4 574 151)
<b>Total loss after own use</b>	<b>11 560 430</b>	<b>8 140 959</b>
<b>Water losses</b>		
	Lost Units	Value
Unaccounted water losses - 2022	941 478	3 595 177
<b>46. Contracted services</b>		
<b>Outsourced Services</b>		
Business and Advisory	93 269	186 657
Catering Services	12 881	-
Cleaning Services	76 089	1 170 924
Internal Auditors	94 189	158 560
Personnel and Labour	2 713 115	2 482 020
Security Services	9 788 583	7 766 258
<b>Consultants and Professional Services</b>		
Business and Advisory	10 935 164	7 915 599
Legal Cost	4 465 447	3 762 289
<b>Contractors</b>		
Catering Services	155 730	220 887
Employee Wellness	-	18 844
Event Promoters	886 024	70 800
Maintenance of Buildings and Facilities	941 025	7 362 073
Maintenance of Equipment	3 591 892	(171 340)
Maintenance of Unspecified Assets	1 775 750	2 351 490
Transportation	231 481	29 986
	<b>35 760 639</b>	<b>33 325 047</b>
<b>47. Transfer and subsidies</b>		
<b>Other subsidies</b>		
Makana Toursim	600 000	351 214

The Makana Local Municipality committed itself to monthly payments of R50 000 to the Makana Toursim

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## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>48. Inventory consumed</b>		
<b>Sale of goods</b>		
Cost of goods sold	39 766 734	37 277 138
<b>49. Operational expenditure</b>		
Advertising	622 923	652 741
Auditors remuneration	8 237 005	6 070 886
Bank charges	1 014 505	871 200
Commission paid	978 382	2 104 390
Fines and penalties	9 643	325 318
Hire Charges	1 679 566	2 586 261
Insurance	1 840 820	1 592 195
Conferences and seminars	44 068	328 817
IT expenses	2 625 848	2 889 022
Skills Development Levies	1 878 408	1 875 450
Fuel and oil	3 387 854	4 483 004
Postage and courier	416 712	344 639
Printing and stationery	292 241	411 508
Protective clothing	842 596	445 224
Subscriptions and membership fees	2 686 426	2 574 533
Telephone and fax	1 591 813	1 544 313
Travel - local	1 435 288	1 108 492
Title deed search fees	7 926	-
Assets expensed	30 291	45 291
Indigent costs	53 532	1 920 104
Water costs levies	13 991	469 137
Sundry operational costs	99 784	56 611
Municipal services	4 323 203	5 765 288
Motor Vehicle Licence and Registrations	900 105	1 892 004
	<b>35 012 930</b>	<b>40 356 428</b>
<b>50. Auditors' remuneration</b>		
Fees	8 237 005	6 070 886

## Makana Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>51. Cash generated from (used in) operations</b>		
Surplus (deficit)	31 885 085	(42 963 489)
<b>Adjustments for:</b>		
Depreciation and amortisation	32 977 396	50 839 368
Loss on sale of assets and liabilities	(861 126)	(841 496)
Impairment reversals	-	(542 960)
Debt impairment	234 215 160	281 263 968
Movements in retirement benefit assets and liabilities	21 806 519	6 234 691
Movements in provisions	5 380 195	5 945 790
Inventory losses or write-downs	(16 236 242)	(11 991 525)
<b>Changes in working capital:</b>		
Inventories	(300 687)	(148 879)
Receivables from exchange transactions	(280 295 891)	(245 585 818)
Receivables from non - exchange transactions	(293 223)	(6 738 644)
Construction contracts and receivables	(1 681 274)	(1 434 171)
Payables from exchange transactions	53 976 616	(24 524 212)
VAT	(6 115 251)	(13 495 888)
Payables from non - exchange transactions	(8 542 032)	(1 780 010)
Unspent conditional grants and receipts	27 076 918	(18 585 521)
Consumer deposits	184 279	145 633
	<b>93 176 442</b>	<b>(24 203 163)</b>

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### 52. Financial instruments disclosure

#### Categories of financial instruments

#### 2025

##### Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	99 507 771	-	99 507 771
Receivables from exchange transactions	-	347 658 176	347 658 176
Receivables from non - exchange transactions	-	60 492 631	60 492 631
Eskom deposit	-	3 735 085	3 735 085
	<b>99 507 771</b>	<b>411 885 892</b>	<b>511 393 663</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	249 949 447	249 949 447
Payables from non - exchange transactions	37 659 355	37 659 355
Consumer deposits	4 413 590	4 413 590
Other financial liabilities	39 902 390	39 902 390
	<b>331 924 782</b>	<b>331 924 782</b>

#### 2024

##### Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	25 455 985	-	25 455 985
Receivables from exchange transactions	-	93 399 729	93 399 729
Receivables from non - exchange transactions	-	27 750 358	27 750 358
Financial assets	-	3 735 085	3 735 085
	<b>25 455 985</b>	<b>124 885 172</b>	<b>150 341 157</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	285 619 279	285 619 279
Payables from non - exchange transactions	35 683 413	35 683 413
Consumer deposits	4 287 623	4 287 623
Borrowings	45 430 883	45 430 883
	<b>371 021 198</b>	<b>371 021 198</b>

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<b>53. Commitments</b>		
Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.		
<b>Authorised capital expenditure</b>		
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	64 605 028	69 639 309
<b>Total capital commitments</b>		
Not yet contracted for and authorised by accounting officer	64 605 028	69 639 309
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	64 605 028	69 639 309

This committed expenditure relates to plant and equipment and will be financed by grants and funds internally generated cash resources.

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### 54. Contingencies

There is no reimbursement from any third parties for potential obligations of the municipality

#### Contingent liabilities

##### Contingent liabilities

High court (Makhanda) 1942/2020 - damages	900 000	900 000
High court (Makhanda) 209/2023 matter relating to personal injury lawsuit	7 120 000	7 120 000
High court (Makhanda) 2532/24 matter relating to civil claim for leave and bonus	312 180	312 180
High court (Makhanda) 3909/2015 matter relating to breach of contract and lease	-	9 130 000
High court (Makhanda) 4063/2022 matter relating to general damages	-	500 000
High court (Makhanda) 718/18 matter relating to damages lawsuit	44 970 431	44 970 431
High court matter relating to civil claim damages	51 183 703	51 183 703
Labour court - PS06/2024 matter relating to salary discrepancy	200 000	200 000
Magistrate - 1155/2014 matter relating to unlawful arrest	-	200 000
Magistrate - 240/2024 Civil claim Pothole claim	31 100	-
Magistrate - 3074/24 Civil claim for damages	2 000 000	-
High court (Makhanda) - 4410/2024 claim for damages	4 356 956	-
High court (Makhanda) - 4948/2024 claim for personal injury	3 000 000	-
High court (Makhanda) - 152/2025 matter relating to incorrect billing	125 290	-
Magistrate (Makhanda) - 192/2024 Pothole claim	17 070	-
	<b>114 216 730</b>	<b>114 516 314</b>

The following contingent liabilities have no monetary value

- Various Matters (X24): Makana Citizens Front // Makana Local Municipality & 2 others – application brought against the municipality for the repair of potholes in and around Makhanda
- Makana Municipality // Aluminium CO and Headman Klass - eviction and claim for rent
- Makana Residents Association // SCJ & CO - Access to information

#### Contingent Assets

3794/2023 Recovery of costs	-	221 200	-
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## Notes to the Annual Financial Statements

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### 55. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		93 399 728	(30 374 288)	63 025 440
Receivables from non-exchange transactions		27 750 358	(138 030)	27 612 328
Value Added Tax receivable		-	258 936 296	258 936 296
Inventories		11 342 407	(244 831)	11 097 576
Investment property		187 749 282	(770 270)	186 979 012
Property, plant and equipment		960 236 847	(23 804 400)	936 432 447
Payables from exchange transactions		(285 619 279)	62 470 709	(223 148 570)
Payables from non-exchange transactions		(35 683 413)	(57 807)	(35 741 220)
Value Added Tax payable		(58 557 992)	(258 607 071)	(317 165 063)
Municipal Debt Relief - current liabilities		-	(21 059 802)	(21 059 802)
Municipal Debt Relief - non current liabilities		-	(27 986 742)	(27 986 742)
Accumulated surplus		(790 119 167)	109 991 405	(680 127 762)
		-	-	-

#### Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Service charges		406 130 659	(23 919 276)	382 211 383
Other operating revenue		2 450 501	2 098 044	4 548 545
Actuarial gains		3 091 986	413 635	3 505 621
Contracted services		184 159 772	150 256	184 310 028
Government grants and subsidies		1 498 081	(221 625)	1 276 456
Debt forgiven		21 599 019	12 884 361	34 483 380
Employee related costs		(223 007 496)	(585 991)	(223 593 487)
Depreciation and amortisation		(49 309 286)	(260 783)	(49 570 069)
Finance costs		(34 839 460)	(4 532 047)	(39 371 507)
Contracted services		(34 829 645)	490 940	(34 338 705)
Inventory consumed		5 057 041	(552 728)	4 504 313
Operational expenditure		40 972 766	(53 225)	40 919 541
Surplus for the year		-	-	-

#### Cash flow statement

##### Errors

##### Municipal debt relief

Management did not account for the off-market portion - interest of the municipal debt relief further more management did not reclassify municipal debt relief between the current and non current portion of the debt, management has corrected the error as follows:

Decrease in trade and other payables	-	57
Increase in municipal debt relief(current)		21
Increase in municipal debt relief(non - current)		27

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## Notes to the Annual Financial Statements

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### 55. Prior-year adjustments (continued)

Increase in Interest expense	-	4
Increase in debt forgivent		12

### The department of transport

Management incorrectly processed monies paid over to the department of traffic as expenditure instead of clearing the department o debt, in correcting this error management reclassified incorrectly reclassified more payments to the liability leaving the liability in a ne management has corrected as follows:

Increase in Operating expenditure (motor vehicle expense)

Decrease in The department of transport

### Accruals

Management has noted that invoices were captured twice causing and overstatement in creditors and an overstatement of operating expenditure, the invoices were reversed and the effect of the correction were as follows:

Decrease in accruals

Decrease in operating expenditure

### Receivables from exchange transactions

Management has noted that revenue was overstated due to incorrect meter readings and estimates, the effect of this error has cause overstatement of receivables from exchange and revenue from exchange , the error has been corrected as follows

Decrease in receivables from exchange transactions	-	30
Decrease in revenue from exchange transactions		23
Decrease in accumulated surplus		6

### Receivables from non exchange transactions

Management has noted that revenue was understated due to the difference in general valuation roll and the system valuation registe has resulted in properties being billed incorrect values causing an understatement in property rates and an understatement in revenu non exchnage transactions , the error has been corrected as follows

Increase in receivables from exchange transactions

1

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Figures in Rand	2025	2024
<b>55. Prior-year adjustments (continued)</b>		
Increase in revenue from exchange transactions	-	-
Increase in accumulated surplus	-	-
<b>Finance costs</b>		
Management has incorrectly reported change in discount rate for landfill site as finance cost, this has resulted in an understatement of finance cost and overstatement of property plant and equipment the error has been corrected as follows:		
Increase in finance costs	-	-
Decrease in property plant and equipment (landfill site)	-	-
Management did not account for the off-market portion - interest of the municipal debt relief further more management did not reclassify municipal debt relief between the current and non current portion of the debt, management has corrected the error as follows:		
Increase in municipal debt relief(current)	-	4
Increase in Interest expense	-	4
Management erroneously included two bulk electricity meters for own usage in the calculation of water losses this has resulted in an overstatement of water losses this has been correct as follows:		
Previously reported		20
Correction of error		11
Restated balance		8
<b>LEAVE PROVISION</b>		
Management did not accurately capture number of leave days taken which resulted in overstatement of leave provision and understatement of employee cost the effect has been corrected as follows:		
Increase in employee related costs		1
Decrease in leave provision	-	1
<b>EMPLOYEE RELATED COSTS</b>		

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### 55. Prior-year adjustments (continued)

Management did not account for salaries accrual for an employee whose remuneration was in dispute, this has resulted in an understatement of employee cost and salary control the effect has been correct as follows:

Increase in employee related costs

increase in Salary control

#### Trade and Other Payable Exchange Transactions: Retentions: Deposits: Guarantee Deposits

Re-allocation of receipt incorrectly captured on Trade and other payables exchange: Transactions: Retentions: Deposits: Guarantee Deposits and allocating it to Revenue as the receipt was for municipal revenue

Decrease in Trade and other payables exchange transactions

Revenue: Operational Revenue: Administrative Handling Fee

#### Receivables from Non-exchange Transactions: Accrued Income: Recognised

Recognition of accrued income for Fire services from Sarah Baartman District Municipality as the receipt was only received after financial year end but was allocated by the District to the Municipality before year end.

#### Receivables from Non-exchange Transactions: Accrued Income: Recognised

Revenue: Nonexchange Revenue: Transfers and Subsidies: Operational: Monetary Allocations: District Municipalities

The following prior period errors adjustments occurred:

### 56. Risk management

#### Financial risk management

##### 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.

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### 56. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2025	2024
Cash and cash equivalents	99 507 771	25 455 985
Receivables from exchange transactions	347 658 176	93 399 729
Receivables from non - exchange transactions	60 492 631	1 180 548
Financial assets	3 735 085	3 735 085
Payables from exchange transactions	(249 949 447)	(285 619 279)
Consumer Deposits	(4 413 590)	(4 287 623)
Borrowings	(47 096 984)	(45 430 883)

#### Market risk

##### Interest rate risk

### 57. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We draw attention to the fact that the municipality had a net surplus of R 406 322 045 for the year ended 30 June 2025 (2024: -R19 015 270) and the current liabilities of R 413 125 132 (2024: R 255 026 397) exceeded the current assets of R 157 948 (2024: 158 631 463) by R 255 176 653 as at 30 June 2025 (2024: R 236 983 877). The municipality is currently faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services. Challenges faced regarding financial issues manifests in cash flow constraints. During the current financial year, the municipality experienced serious cash flow challenges and some grants were paid back to national treasury due to under performance of grants.

While the municipality had taken reasonable steps to ensure that all creditors were paid within 30 days, it was not able to meet this criterion. Because of this, there were some instances where the municipality incurred interest in respect of outstanding balances of creditors. There is a material uncertainty and, therefore, the municipality may be unable to realise its assets and discharge its liabilities in the normal course of service delivery Makana Local Municipality has developed a financial recovery plan which seeks to address the issues that have contributed to the current situation. This strategy takes a holistic approach to the organisation and was presented to and approved by Makana Local Municipality Council.

The plan is for various strategies to effect the changes needed for viability and sustainability of the municipality but not all could be considered due to its' limited cash-flow and institutional capacity. In addition to this, the strategies will be balanced between short term and long term to ensure the strategies will have the greatest impact based on the resources available, financial and human resources.

### 58. Events after the reporting date

#### Non Adjusting events

- On the 06th of August 2025 National treasury approved a write off amounting to R19 812 492 relating to Eskom debt , 7 169 788 was written off in the July 2025 Eskom statement

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<b>58. Events after the reporting date (continued)</b>		
• The effect of this transaction will be in the 30 June 2026 financial year.		
<b>59. Unauthorised expenditure</b>		
Opening balance as previously reported	613 185 420	553 821 029
Add: Unauthorised expenditure - prior period	65 958 187	59 364 391
Less: Amount written off - current	(442 434 338)	-
<b>Closing balance</b>	<b>236 709 269</b>	<b>613 185 420</b>

### Unauthorised expenditure: Budget overspending – per municipal department:

Vote 2 - Municipal manager	-	11 314 591
Vote 3 - Budget and Treasury Office	-	45 571 785
Vote 4 - Corporate and Shared Office	-	2 478 015
	-	<b>59 364 391</b>

### Disciplinary steps taken/criminal proceedings

Management submitted all unauthorised expenditure incurred in prior periods to council for investigation. At 30 June 2024, all prior year unauthorised expenditure was being investigated by the Municipal Public Accounts Committee. Current financial year unauthorised expenditure will be reported to Council in the next financial year. No criminal or disciplinary steps have yet been taken as a consequence of the above expenditure.

### 60. Fruitless and wasteful expenditure

Opening balance as previously reported	23 288 669	19 725 454
Add: Fruitless and wasteful expenditure identified - prior period	12 740 097	16 098 526
Less: Amount written off - prior period	(24 642 281)	(12 535 311)
<b>Closing balance</b>	<b>11 386 485</b>	<b>23 288 669</b>

Management submitted all fruitless and wasteful expenditure incurred in prior periods to council for investigation. At 30 June 2025, all prior years fruitless and wasteful was investigated by the Municipal Public Accounts Committee and a total amount of R 24 642 281 (2024: R 12 535 311) was approved for write off by Council. Current financial year fruitless and wasteful expenditure will be reported to Council in the next financial year.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure as the processes have not yet been concluded.

### Expenditure identified in the current year include those listed below:

Eskom	8 666 000	12 208 410
DWS	3 865 253	3 858 706
Munsoft	29 289	-
Eskom small accounts	4 955	21 152
Amatola	-	7 708
Auditor General South Africa	-	1 796
Telkom	-	754
SARS	174 599	-
	<b>12 740 096</b>	<b>16 098 526</b>

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Figures in Rand	2025	2024
<b>61. Irregular expenditure</b>		
Opening balance as previously reported	318 428 121	355 211 317
Add: Irregular expenditure - prior period	-	3 909 811
Add: Irregular expenditure - current	22 422 226	37 645 693
Less: Amount written off - current	(24 815 798)	(78 338 700)
<b>Closing balance</b>	<b>316 034 549</b>	<b>318 428 121</b>
 <b>Disciplinary steps taken/criminal proceedings</b>		
No disciplinary action or steps taken/criminal proceedings.		
<b>62. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	15 910	15 910
Current year subscription / fee	2 620 775	2 522 722
Amount paid - current year	(2 620 775)	(2 522 722)
	<b>15 910</b>	<b>15 910</b>
 <b>Other material losses</b>		
<b>Audit fees</b>		
Opening balance	-	469 039
Current year subscription / fee	-	6 689 104
Amount paid - current year	-	(7 132 633)
	-	<b>25 510</b>
 <b>PAYE, UIF and SDL</b>		
Opening balance	3 423 812	2 262 522
Current year subscription / fee	32 423 325	33 189 699
Amount paid - current year	(32 416 736)	(32 028 409)
	<b>3 430 401</b>	<b>3 423 812</b>
 <b>Pension and Medical Aid Contributions</b>		
Opening balance	-	5 027 072
Current year subscription / fee	-	61 197 279
Amount paid - current year	-	(60 898 237)
	-	<b>5 326 114</b>
 <b>VAT</b>		
VAT Input Accrual	38 262 669	36 991 442
VAT Receivable	3 062 043	1 380 769
VAT Output Accrual	(103 868 005)	(96 481 527)
	<b>(62 543 293)</b>	<b>(58 109 316)</b>

All VAT returns have been submitted by the due date throughout the year.

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### 62. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The are no Councillors that had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Z Mantla	5 099	96 608	101 707

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

#### Supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer.

#### Incident

In terms of SCM regulations 36 (a)(i): In an emergency	318 835	573 591
In terms of SCM regulations 36 (a)(ii): Sole Service Provider	7 532	125 200
In terms of SCM regulations 36 (a)(v): Impractical to follow the normal SCM process	-	245 633
	<b>326 367</b>	<b>944 424</b>

### 63. Segment information

The segment reporting note is setup as per GRAP18 requirements.

#### General information

#### Identification of segments

# Makana Local Municipality

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### 63. Segment information (continued)

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

<b>Reportable segment</b>	<b>Goods and/or services</b>
Community and social services	This segment consists of various departments with aligned objectives. It is responsible for community and social services, sport and recreation facilities, crime prevention and traffic enforcement
Electricity	This segment consists of various departments with aligned objectives. It is responsible for providing residents with distribution of electricity to residential, commercial and industrial customers in Makana Local Municipality and provide the link between Eskom and the community
Local economic development and planning	This segment consists of various departments with aligned objectives. It is responsible for urban planning and development of the local economy
Public works, Roads and storm water	This segment consists of various departments with aligned objectives. It is responsible for maintenance of public facilities, roads and storm water
Water services	This segment consists of various departments with aligned objectives. It is responsible for maintenance of public facilities, roads and storm water
Unallocated	Unallocated segments

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#### 63. Segment information (continued)

##### Segment surplus or deficit, assets and liabilities (method 2)

2025

Segment revenue	Community and social services	Electricity	Local economic development and planning	Pu R st
Revenue from non-exchange transactions	184 745 281	9 840 673	17 057 077	
Revenue from exchange transactions	36 102 216	210 776 421	(3 027 727)	
Other income	382 817	-	-	
Revenue interest investments	-	224 105	-	
<b>Total Segment revenue</b>	<b>221 230 314</b>	<b>220 841 199</b>	<b>14 029 350</b>	
<b>Total segmental revenue</b>				

Segment expenditure	Community and social services	Electricity	Local economic development and planning	Pu R st
Employee cost	(77 962 002)	(17 633 870)	(5 312 768)	(1
Depreciation, amortisation & impairment loss	(3 202 130)	(4 844 684)	(4 811 583)	1
Bulk purchases	-	(161 213 931)	-	
Contracted services	(11 398 011)	(1 820 745)	(19 531)	1
Other	(62 545 096)	(21 485 268)	(19 316 557)	
Finance cost	(4 673 806)	(4 977 424)	-	
<b>Total Segment expenditure</b>	<b>(159 781 045)</b>	<b>(211 975 922)</b>	<b>(29 460 439)</b>	<b>(3</b>
<b>Total segmental expenditure</b>				

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#### 63. Segment information (continued)

Segment and entity reconciliation	Community and social services	Electricity	Local econon develop and pla
Total segmental revenue	221 230 314	220 841 199	14 1
Total segmental expenditure	(159 781 045)	(211 975 922)	(29 1
Total segmental surplus / deficit	61 449 269	8 865 277	(15 1
<b>Total entity surplus / deficit</b>			

#### Other reconciling items

Gains and losses on disposal of assets and liabilities

Actuarial gains/losses

Inventories losses/write-downs

#### Total reconciling items

**Total segment (deficit) /  
surplus**

Segment assets and liabilities	Community and social services	Electricity	Local economic development and planning
Total capital expenditure	7 374 924	1 099 700	(14 836)
Non current assets	1 371 009	(27 333 102)	276 583 244
Current Assets	790 184 981	489 620 448	15 426 193
Non current liabilities	6 191 335	13 093 213	-
Current liabilities	(217 700 718)	215 200 272	1 698 343

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#### 63. Segment information (continued)

2024

Segment revenue	Community and social services	Electricity	Local economic development and planning	Put R st
Revenue from non-exchange transactions	189 249 183	43 437 670	4 315 639	
Revenue from exchange transactions	36 172 283	173 573 835	379 924	
Other income	2 251 149	-	12	
Revenue interest investments	-	241 704	-	
<b>Total Segment revenue</b>	<b>227 672 615</b>	<b>217 253 209</b>	<b>4 695 575</b>	
<b>Total entity revenue</b>				

Segment expenditure	Community and social services	Electricity	Local economic development and planning	Put R st
Employee cost	(72 564 258)	(20 691 658)	(5 430 957)	(2
Depreciation, amortisation & impairment loss	(10 806 317)	(7 805 943)	127 262	(1
Bulk purchases	-	(139 849 675)	-	
Contracted services	(14 683 149)	(1 316 036)	(10 575)	
Other	(53 271 422)	(20 043 374)	(64 561)	
Finance cost	-	(4 118 412)	-	
<b>Total Segment expenditure</b>	<b>(151 325 146)</b>	<b>(193 825 098)</b>	<b>(5 378 831)</b>	<b>(2</b>

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#### 63. Segment information (continued)

##### Total segmental expenditure

##### Segment and entity reconciliation

	Community and social services	Electricity	Local economic development and planning	Public Roac storm
Total segmental revenue	227 672 615	217 253 209	4 695 575	9 600 000
Total segmental expenditure	(151 325 146)	(193 825 098)	(5 378 831)	(38 200 000)
Total segmental surplus / deficit	76 347 469	23 428 111	(683 256)	(29 600 000)

##### Total entity surplus / deficit

##### Other reconciling items

Gains and losses on disposal of assets and liabilities

Actuarial gains/losses

Inventories losses/write-downs

##### Total reconciling items

##### Total segment (deficit) / surplus

##### Segment assets and liabilities

	Community and social services	Electricity	Local economic development and planning	F
Total capital expenditure	7 607 853	1 377 717	-	-

## Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

### Notes to the Annual Financial Statements

Figures in Rand

#### 63. Segment information (continued)

Non current assets	(7 153 597)	(26 654 726)	281 319 450
Current Assets	688 941 421	483 354 587	21 293 951
Non current liabilities	-	27 986 742	-
Current liabilities	(209 132 291)	195 492 216	1 592 825

#### 64. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is|are as follows:

Makana Local Municipality entered into an agreement with the Eastern Cape Department of Human Settlements for the construction of 178 houses including water tanks for the Makana Infill Housing Programme. The municipality acts as an implementing agent for procurement of Professional Service Providers to undertake the planning design and monitoring of the Makana Infill Housing Programme in this arrangement and receives money from the department which it then uses to pay the Service Providers. All funds received for Eastern Cape Department Human Settlement are subjected to conditions as stipulated in the contract. No commission is earned by the Municipality on the implementation of this programme.

The municipality has entered into an arrangement with the Department of Transport in which it collects licence fees on behalf of the department and receives an agreed fee for the service provided. The liability represents amount not yet paid over to the department at year end.

# Makana Local Municipality

(Registration number EC104)

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>64. Accounting by principals and agents (continued)</b>		
<b>Entity as agent</b>		
<b>Additional information</b>		
<b>Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)</b>		
<b>Reconciliation of the carrying amount of payables</b>		
<b>Makana as an agent reconciliation: Department of Human Settlement :Payable</b>		
Opening balance	15 098 129	15 604 424
Income recognised during the year	(8 906 429)	(325 335)
Interest payable	779 588	133 007
Amounts paid over to The Department	(347 135)	(313 967)
	<b>6 624 153</b>	<b>15 098 129</b>
<b>Makana as an agent reconciliation: Department of Transport :Payable</b>		
Opening balance	-	69 094
Revenue collected from third parties	3 285 768	11 196 167
Commission earned on collections	(1 135 815)	(3 426 153)
Collections paid over to The Department	(2 149 953)	(7 839 108)
	-	-
<b>All categories</b>		
Opening balance	15 098 129	15 673 518
Revenue recognised from third parties	3 285 768	11 196 167
Commission earned on collections	(10 042 244)	(3 751 488)
Collections paid over to The Department	(1 370 365)	(7 706 101)
Amounts paid over to The Department	(347 135)	(313 967)
	<b>6 624 153</b>	<b>15 098 129</b>

**Makana Local Municipality  
Appendix A**

**Schedule of external loans as at 30 June 202**

Loan Number	Redeemable	Balance at 30 June 2024	Received during the period	Redeemed written off during the period	Balance at 30 June 2025	Carrying Value of Property, Plant & Equip
		Rand	Rand	Rand	Rand	Rand
<b>Development Bank of South Africa</b>						
DBSA @ 10.5%	9005056 31-Aug -2035	47 252 539	-	1 821 656	45 430 883	-
		<b>47 252 539</b>	<b>-</b>	<b>1 821 656</b>	<b>45 430 883</b>	<b>-</b>
<b>Total external loans</b>						
Development Bank of South Africa		47 252 539	-	1 821 656	45 430 883	-
		<b>47 252 539</b>	<b>-</b>	<b>1 821 656</b>	<b>45 430 883</b>	<b>-</b>

