

DANNHAUSER LOCAL MUNICIPALITY

2022/2023



OVERSIGHT COMMITTEE

REPORT

OVERSIGHT COMMITTEE REPORT – 2022/2023

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1. INTRODUCTION

The Municipal Finance Management Act (MFMA) assigns specific oversight responsibilities to Council regarding the Annual Report and the preparation of an Oversight Report.

Given the processes required by Council to effectively undertake its oversight role, the Dannhauser Council resolved that the Municipal Public Accounts Committee was the appropriate mechanism in which Council could fulfil its oversight responsibilities.

The Council referred the Annual Report 2022/2023 to its Municipal Public Accounts Committee for consideration, to receive input from the various role players and to prepare a draft Oversight Report for consideration by Council, in terms of sections 127, 128, 129 and 130 of the (Municipal Finance Management Act, 2003 (Act No 56 of 2003 – MFMA). This to be read with the following MFMA Circulars; MFMA Circular.63 – Annual Report Format & Contents – 26 September 2012; MFMA Circular.32 – Oversight Report Guidelines - 15 March 2006; MFMA Circular 11 - Annual Reporting Guidelines - 14 January 2005; MFMA Circular 18 - New Accounting Standards - 23 June 2005; and MFMA Circular 28 - Budget Content and Format - 12 December 2005.

2. BACKGROUND

The oversight role of Council is an important component of the financial reforms, and it is achieved through the separation of roles and responsibilities between Council, the Executive Committee and Administration. Good governance, effective accountability, and oversight can only be achieved if there is a clear distinction between the functions performed by the different role players.

Non-executive Councillors are required to maintain oversight on the performance of specific responsibilities and delegated powers that they have given to the Executive Committee. In other words, in exchange for the powers in which Council have delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or non-performance of the municipality.

The Municipal Finance Management Act, No.56 of 2003 (MFMA) vests in Council specific powers of approval and oversight:-

- ✓ Approval of budgets;
- ✓ Approval of Budget related Policies; and
- ✓ Review of the Annual Report and adoption of the Oversight Report.

2.1 LEGAL REQUIREMENTS:

Section 121 (1), (2) and (3) of the MFMA determines as follows:

According to 121 (1) of the MFMA, every Municipality must prepare an annual report each financial year. The council must within nine (9) months after the end of a financial year deal with the annual report of a municipality in accordance with section 129.

2.2 PURPOSE OF THE REPORT:

The purpose of an annual report is:

- i) To provide a record of the activities of the municipality during the financial term to which the report relates;
- ii) To provide report on performance against the budget of the municipality for the financial year; and
- iii) To promote accountability to the local community for the decisions made throughout the year by the municipality.

2.3 ANNUAL REPORT REQUIREMENTS:

The annual report of a municipality must include:

- i) The annual financial statements of the municipality;
- ii) The Auditor General audit report in terms of section 126) (3) on those financial statements;
- iii) The annual performance report of the municipality prepared by the municipality in terms of the section 46 of the Municipal Systems Act;
- iv) The auditor general's audit report in terms of section 45 (b) of the Municipal Systems Act; An assessment by the municipality's accounting officer of any arrears on municipal taxes and services charges;
- v) An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives referred to in section 17 (3) (b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;
- vi) Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraphs (b) and (d);
- vii) Any explanations that may be necessary to clarify issues in connection with the financial statements;
- viii) Any information as determined by the municipality;
- ix) Any recommendations as determined by the municipality; and
- x) Any other information as may be prescribed

In terms of section 127 (5) of the MFMA, the accounting officer must immediately after the annual report is tabled, make public the annual report invite the local community to submit representations in connection with the annual report and submit the report to the auditor general, the relevant Provincial Treasury and the Provincial Departments responsible for Local Government in the Province.

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According to section 129 (10 of the MFMA) , the Council must consider the Annual Report by no later than two months from the date on which the annual report was tabled, adopted and oversight report containing the Council’s comments on the annual report which must include a statement whether:

- ✓ The council has approved the annual report with or without reservations;
- ✓ Has rejected the Annual Report;
- ✓ Has referred the Annual Report back for revision of those components that can be revised.

3. ANNUAL REPORT OVERSIGHT FUNCTIONS OF THE COMMITTEE

The oversight functions undertaken by the Municipal Public Accounts Committee in relation to the Annual Report are to:-

- ✓ Undertake a review and analysis of the Annual Report.
- ✓ Invite, receive, and consider inputs from Councillors and Support Committees, on the Annual Report.
- ✓ Consider written comments received on the Annual Report from the public consultation process.
- ✓ Conduct Public Hearings to allow the local community or any organs of state to make representations on the Annual Report.
- ✓ Receive and consider Council’s Audit Committee views and comments on the annual financial statements and the performance report.
- ✓ Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representatives of the Auditor-General, organs of state, Council’s Audit Committee and Councillors.

4. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

Having considered the new guidelines issued by National Treasury on the establishment of Municipal Public Accounts Committee (MPAC) and the nature of Dannhauser Municipality, the committee consists of the following members;

| COMMITTEE NAME | MEMBER’S NAME | NUMBER OF PLANNED MEETINGS (2022/23) | NUMBER OF ACTUAL MEETINGS HELD (2022/23) | REASON’S FOR DEVIATION |
|-------------------------------------|--|--------------------------------------|--|---|
| Municipal Public Accounts Committee | <ul style="list-style-type: none">➤ ES Kunene (Chairperson)➤ Mabaso MT➤ Mkhumane MS➤ SE Myaka➤ Buthelezi EN➤ Langa RS➤ Kumalo NP | 4 | 2 | <ul style="list-style-type: none">▪ Poor coordination for convening meetings▪ No quorum in some instances when meetings were convened. |

One of the key responsibilities of the MPAC is to analyse and review annual reports in detail following their tabling in Council and then drafting an oversight report that may be taken to Council for

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consideration. The committee adopted circular 32 of the National Treasury as then guiding document for its oversight process. The following documents relevant to the committee's responsibilities should be distributed to each committee member and should be in their possession.

- ✓ The 2022/23 Annual Report;
- ✓ National Treasury's Circular 11 – Annual Report;
- ✓ National Treasury's Circular 18 – New Accounting Standards
- ✓ National Treasury's Circular 28 – Budget Content and Format;
- ✓ National Treasury Circular 32 – Oversight Report;
- ✓ National Treasury' Circular 63 – New Annual Report Guidelines; and
- ✓ Report of the Auditor General as contained in the Annual Report.

In compliance with what MPAC requested dated, the committee places a high priority on community participation in the oversight process and is going to take the following actions to gain the community's participation:

The community will be advised through the print media of the availability of the 2022/2023 Annual Report, as per the municipal notice, and will be invited to submit representation on the report by a certain date;

- ✓ The Annual Report will be available at all municipal library;
- ✓ The Annual Report will be available in the Ward Committee War Rooms;
- ✓ The Annual Report will be placed on the municipal website at www.dannhauser.gov.za;
- ✓ The Annual Report will also be submitted to the Auditor General, Provincial Treasury, National Treasury, and the relevant local government departments.

5. COMPOSITION OF THE COMMITTEE

5.1. Membership

The Municipal Public Accounts Committee is a committee of Council established under Section 79 of the Municipal Structures Act, 1998. Section 79 allows for the co-option of advisory members to a Committee of Council, who are not members of the Council. Due to the separation of roles and responsibilities, between Council and the Executive Committee members of the Executive Committee are not members of the Municipal Public Accounts Committee.

5.2. Authority & Power

The Committee is delegated the responsibility to conduct meetings and to hold public hearings to receive and hear public submissions on the Annual Report, on behalf of Council.

5.3. Meeting Schedule

The Annual Report submitted to Council, was referred to the Municipal Public Accounts Committee. The community was advised through the print media of the availability of the Annual Report and was invited to submit representations on the report.

The Annual Report was made available at the Municipal Library, Council War Rooms, and Municipal website. Copies were circulated to all Councillors and distributed electronically to interested parties on request. The Annual Report was submitted to the Auditor-General, Provincial Treasury and the Department of Local Government and Traditional Affairs.

We have received and considered input from the Auditor General, COGTA and noted the minor amendment of the mayor's address. At the closing date for public comment submissions for the draft Annual Report published, no comments had been received. All comments received from the Audit Committee were taken into consideration and inputs made by the committee were incorporated.

6. PROCESS FOLLOWED BY COUNCIL

6.1 SUBMISSION AND TABLING OF THE ANNUAL REPORT 2022/23

The Executive Mayor has deemed to inform council of unforeseeable reasons which eventually leads to the failure of council to adhere to abovementioned statutory compliance. Section 127 (3) requires that if the mayor for whatever reason, is unable to table in the council the annual report of the municipality, or the annual report of any municipal entity under the municipality's sole or shared control, within seven months after the end of the financial year to which the report relates, the mayor must:

- a) promptly submit to the council a written explanation referred to in section 133 (1) (a) setting out reasons for the delay, together with any components of the annual report listed in section 121 (3) or (4) that are ready; and
- b) submit to the council the outstanding annual report or outstanding components of the annual report as soon as may be possible.

7. THE OVERSIGHT REPORT

This Oversight Report is for the financial year ended 30 June 2023. The Annual Report was presented to Council on 27 March 2023. The Annual report did not contain any reports of municipal owned entities as there are none in existence.

7.1 THE OVERSIGHT REPORT: KEY COMMENTS

The comments from the MPAC are in three sections, reflected below:

- ✓ Section. A : Annual Report Checklist;
- ✓ Section. B : Annual Report Compliance, MFMA Requirements & Audit Report – AG 2022/2023; and
- ✓ Section. C : Annual Report & Audit Action Plan 2022/2023 A.G Findings

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SECTION.A

| INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS | COUNCIL CONSIDERATIONS AND QUESTIONS | RESPONSES/COMMENTS |
|---|--|---|
| 1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA | | Financial reporting matters to be considered |
| 121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General. | The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the accounting standards for municipalities. <i>Have the required standards been met?</i> | Yes (No Municipal Entities) Refer to Appendix “Volume II” AR |
| 121 (3)(a) 121 (4) 121 (4)(b) | The above applies to the AFS of the municipality. | Yes |
| 121 (3) (e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities. | Has an adequate assessment been included? Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation? Is any other action required to be taken? | Yes Refer to Notes 14 to 23, Pages 46 - 47 of the AFS Refer to pages.26 - 27 of AR. |
| 121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports. | The conclusions of the annual audit are:- ✓ an unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; ✓ The objective of the municipality should be to achieve an unqualified audit opinion. Taking into account the audit report, audit opinion and the views of the audit committee, council considered:- ✓ To what extent does the report indicate serious or minor financial issues? ✓ To what extent are the same issues repeated from previous audits? ✓ Is the action proposed considered to be | Yes. Refer to Addressed (Included in AG Management Comments) attached – Annexures 6 & 9 of Annual Report and AG Management Comments & Responses 2022/23 attached. The report indicates issues of concern regarding compliance with laws and regulations as it relates to:- preparation of financial statements in accordance with section 122 of the MFMA; contravention of Sections 44 and 35 of the Supply Chain Management Regulations and expenditure |

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| | <p>adequate to effectively address the issues raised in the audit report?</p> <p>✓ Has a schedule of action to be taken been included in the annual report, with appropriate</p> | <p>management in terms of section 62 of the MFMA. In addition, internal control weaknesses were also evident in relation to financial management as it relates to management of conflicts of interest and commitments and contingent liabilities.</p> <p>Some of the issues are repeat findings from previous years and will be corrected as per Internal Audit Action plan 2022/2023.</p> |
| | <p>Note that actions taken on audit issues are to be reported to the provincial legislature, the MEC for Cooperative Government & Traditional Affairs to report on any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MEC.</p> | <p>The audit report was forwarded to the MEC on 22 April 2021.</p> |
| <p>121 (3)(f) An assessment by the municipality’s accounting officer of the municipality’s performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget.</p> | <p>The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s17 (3) (b)). The accounting officer must include these objectives in the annual report and report on performance accordingly.</p> <p>✓ Has the performance met the expectations of council and the community?</p> <p>✓ Have the objectives been met?</p> <p>✓ What explanations have been provided for any non-achievement?</p> <p>✓ What was the impact on the service delivery and expenditure objectives in the budget?</p> | <p>Yes. 110% collection rate was achieved as this included outstanding debt owed to the municipality. The services of a debt collection company was utilized by the municipality.</p> <p>Yes. None. The Municipality has collected sufficient revenue to meet all its expenses including depreciation and the surplus is considered to be reasonable.</p> |
| <p>121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality.</p> | <p>Review any other information that has been included in regard to the AFS.</p> | <p>Not applicable</p> |

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| INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS | COUNCIL CONSIDERATIONS AND QUESTIONS | RESPONSES/COMMENTS |
|---|---|--|
| 1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA | | Financial reporting matters to be considered |
| 121 (3)(j) and 121 (4)(g) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality. | Have the recommendations of the audit committee in regard to the AFS and audit reports been adequately addressed by the municipality and/or the entity? What actions need to be taken in terms of these recommendations? | The Audit Committee was of the view that the AFS comply in all respects with the requirements of the MFMA, Treasury Regulations & GRAAP. None. |
| 2. Disclosures - Allocations received and made - Section 123-125 MFMA | | Considerations |
| 123 (1)(a) Allocations received by and made to the municipality. | <p>The report should disclose:</p> <ul style="list-style-type: none"> ✓ Details of allocations received from another organ of state in the national or provincial sphere. ✓ Details of allocations received from a municipal, entity or another municipality. ✓ Details of allocations made to any other organ of state, another municipality, or a municipal entity. ✓ Any other allocation made to the municipality under Section 214(1) (c) of the Constitution. <p>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action?</p> | <p>Yes. Refer to Note .24 Pages 55 - 57 of the AFS annexed to AR</p> <p>None None None None</p> |

| INFORMATION REQUIRED TO BE INCLUDED IN | COUNCIL CONSIDERATIONS AND QUESTIONS | RESPONSES/COMMENTS |
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| ANNUAL REPORTS | | |
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| <p>125 (1) Information in relation to outstanding debtors and creditors of the municipality and entities.</p> | <p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds.</p> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> ✓ The information has been properly disclosed; ✓ Conditions of allocations have been met; and ✓ That any explanations provided are acceptable. | <p>Yes. Refer to Note.7 to 9, Page.58 to 60 of the AFS, annexed to AR</p> <p>National and provincial debtors are up to date as Provincial Treasury was assisting with regards to this, while others which had been challenging have been resolved.</p> <p>Yes. Refer to Notes 13 to 14, Pages.58 – 60 of the AFS.</p> |
| 2. Disclosures - Allocations received and made - Section 123-125 MFMA | | Considerations |
| <p>123 (1)(c) Information in relation to the use of allocations received.</p> | <p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:-</p> <ul style="list-style-type: none"> ✓ The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial government i.e. small town rehabilitation, electrification, etc) were spent, and for what projects. | <p>Refer to Note .24 Pages 57 - 59 of the AFS annexed to AR.</p> <p>Also refer to Appendix “L” Conditional Grants Received and used on page.57 in AR.</p> <p>Yes</p> |

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| | <ul style="list-style-type: none"> ✓ Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided. ✓ Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this. | <p style="color: red;">Yes</p> <p style="color: red;">At the time of the compilation of the Annual Report there was no indication of any grants being withheld.</p> |
| <p>3. Disclosures in notes to AFS</p> | <p>Considerations relating to section 124</p> | |
| <p>Information relating to benefits paid by municipality and entity to Councillors, directors and officials.</p> | <p>Information on the following items is to be included in the notes to the annual report and AFS:-</p> <ul style="list-style-type: none"> ✓ salaries, allowances and benefits of political office bearers, Councillors and boards of directors, whether financial or in kind; ✓ any arrears owed by individual Councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of Councillors; ✓ salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager; ✓ contributions for pension funds and medical aid; ✓ travel, motor car, accommodation, subsistence and other allowances; ✓ Housing benefits and allowances; ✓ Overtime payments; | <p style="color: red;">Yes.</p> <p style="color: red;">Refer to Note .25 Page.59 of the AFS.</p> <p style="color: red;">Refer to Note.46, No Councilors' arrear consumer accounts, annexed to AR</p> <p style="color: red;">There were no loans or advances to Councillors/Directors/Staff.</p> |

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| | <ul style="list-style-type: none"> ✓ Loans and advances, and; ✓ Any other type of benefit or allowance related to staff. <p>Council should be satisfied that:</p> <ul style="list-style-type: none"> ✓ The information has been properly disclosed; ✓ Conditions of allocations have been met; and ✓ That any explanations provided are acceptable | |
| <p>4. Municipal Performance</p> | <p>Considerations</p> | |
| <p>The annual performance reports of the municipality and entities.</p> | <p>Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. Questions that may be considered are –</p> <ul style="list-style-type: none"> ✓ Has the performance report been included in the annual report; ✓ Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report?; ✓ Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year? <p>In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation, and electricity been reduced? What are the refuse collection volumes, library usage statistics etc?</p> <ul style="list-style-type: none"> ✓ To what extent has performance achieved targets set by council? ✓ Is the council satisfied with the performance levels achieved? | <p>Yes.</p> <p>Refer to Annexure.1 pages.67 – 104 SDBIP 2022/23 the Annual Report</p> <p>Yes</p> <p>The scorecard by municipal department is included in the Annual Report and is accepted by the Auditor General as adequate reporting. There is no specific legislation that prescribes the inclusion of the budgets, SDBIP and service agreements etc in the Annual Report. Page.67 to 104 in the Annual Report</p> <p>The scorecard that is incorporated in the Annual Report is audited by the Auditor General to ensure it is the finalised Performance Scorecard as part of the AG’s year-end audit.</p> <p>Backlogs are reported on in the Annual Report.</p> <p>Page.77 of AR (Achieved and Not Achieved).</p> |

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| | <ul style="list-style-type: none"> ✓ Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings? ✓ What actions have been taken and planned to improve performance? ✓ Is the council satisfied with actions to improve performance? ✓ Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager? ✓ Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes? ✓ Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective? ✓ To what extent have actions planned for the previous year been carried over to the financial year reported upon? ✓ Have any actions planned in the reported year | <ul style="list-style-type: none"> ✓ 70% KPIs were achieved which is 65% of the indicators; ✓ 30% KPIs were not achieved, which is 35% of the indicators. <p>Yes</p> <p>A Municipal Customer Satisfaction Survey was not conducted for the 2022/2023 financial year.</p> <p>The performance contracts of the Municipal Manager and each senior manager are aligned to the Organisational Performance Scorecard. Page. 67 to 104 of AR</p> <p>Yes</p> <p>Yes</p> <p>The Performance Scorecard reflects a 5 year rolling</p> |
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| | <p>been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory?</p> | <p>plan, which provides for carryovers</p> <p>The underachievement would be reported with reasons and targets not met would automatically be carried over. This is done in-year when the reports are submitted to the Audit Committee and Council.</p> |
| Audit reports on performance. | <p>Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually.</p> <p>Have the recommendations of internal audit been acted on during the financial year?</p> <p>Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?</p> | <p>Yes</p> <p>Yes</p> |
| Performance of municipal entities and municipal service providers. | <p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities.</p> <p>The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered.</p> <ul style="list-style-type: none"> ✓ Is the council satisfied with the evaluation and conclusions of the municipality? ✓ What other actions are considered necessary to be taken by the accounting officer? | <p>No municipal entities</p> <p>Performance of Service providers on page.104 of the Annual Report</p> |
| 5. General information | The following general information is required to be disclosed in the annual report. | |
| Relevant information on municipal entities | <p>The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities,</p> | <p>None Applicable</p> |

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| | members of the board, addresses, and contact details for entities, the purpose of the entity, the functions, and services provided the type and term of service level agreements with the entities. | |
| The use of any donor funding support. | <p>What donor funding has the municipality received?</p> <ul style="list-style-type: none"> ✓ Have the purposes and the management agreements for the funding been properly agreed upon? ✓ Has the use of funds been effective in improving services to the community? ✓ What actions need to be taken to improve utilization of the funds? | None Applicable |
| Agreements, contracts and projects under Private Public – Partnerships | <p>Information similar to the details of municipal entities should be provided.</p> <p>Council should ensure that all details have been supplied</p> | <p>Yes</p> <p>Page.104 of Annual Report</p> |
| Service delivery performance on key services provided | <p>This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms</p> | <p>Yes</p> <p>Pages. 67 – 104 (SDBIP 2022/23 Actuals) of Annual Report</p> |
| Information on long-term contracts. | <p>Details of all long-term contracts including levels of liability to the municipality should be included.</p> | <p>Yes</p> <p>Page.104 of the Annual Report</p> |
| Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations. | <p>Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services.</p> <p>Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained.</p> <p>Details of any future IT proposals should be</p> | <p>We have noted that the Municipality's IT systems still reveal a number of control deficiencies including the inadequate implementation of certain IT policies and procedures. Deficiencies were also noted in security management and user access controls. The IT governance framework is still in the process of being developed and</p> |

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| | <p>summarised. Council should comment and draw conclusions on the information provided. Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services.</p> <p>Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained.</p> <p>Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.</p> | implemented. |
| Capital plan for addressing infrastructure backlogs | <p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided.</p> <p>This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets.</p> <p>Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.</p> | <p>Yes</p> <p>As represented in Appendices, (O) CAPITAL PROGRAMME BY PROJECT 2022/2023, page.58 of Appendices Annexure attached to AR.</p> |
| 6. Other considerations recommended | | |
| Timing of reports. | Was the report tabled in the time prescribed? | Yes |
| Oversight committee or other mechanism. | What mechanisms have been put in place to prepare the oversight report? | The Municipal Public Accounts Committee was delegated the responsibility of preparing the oversight report. |
| Payment of performance bonuses to municipal officials. | Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the | Performance bonuses for the year under review have not yet been paid to any Section 57 Managers. |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | <p>municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report.</p> <p>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?</p> | <p>Performance will be assessed based on achievements of agreed outputs and will only be paid after the adoption of the Oversight Report where applicable</p> |
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SECTION.B

7.3 ANNUAL REPORT COMPLIANCE ISSUES

This section contains the Committee’s comments on whether the 2022/23 Annual Report included the items required by the MFMA and followed the guidelines provided by Circular 32 and Circular 64 of the National Treasury.

As reported below, the Annual Report complied with the great majority of the MFMA requirements and the National Treasury guidance in the content of the Annual report. The following MFMA requirements have been included in the tabled Annual Report:

- ✓ Headings and Content Recommended by Circular 11 and Circular 63;
- ✓ MFMA Circular’s 11, 15, 28, 32 and 63 have been complied with;
- ✓ Annual Report 2022/23;
- ✓ Audited Annual Financial Statements – 2022/23;
- ✓ Auditor Generals’ Report – 2022/23;
- ✓ Auditor General Management Comments – 2022/23;
- ✓ Audited Annual Performance Report – 2022/23;
- ✓ Conditional Grants and Assessment of Compliance;
- ✓ Annual Report Appendix – Circular 63 Compliance 2022/23;
- ✓ Total payments for audit fees, taxes, levies, duties, pension and medical aid contributions, and if any amounts outstanding at year end;
- ✓ Summary of all Investments;
- ✓ Particulars of material irregular, fruitless or wasteful expenditures and whether recoverable;

Furthermore, matters raised by the Auditor General for the 2021/2022 financial year have been concluded in the Annual Report for the year under review.

7.3.1 MFMA REQUIREMENTS NOT SUFFICIENTLY ADDRESSED OR NOT INCLUDED IN TABLED ANNUAL REPORT

The Oversight Committee noted the MFMA requirements were all met.

7.3.2 THE AUDIT REPORT - 2022/2023

The audit action plan submitted to the MPAC was adequate and addresses all the issues raised by the Auditor General. MPAC will be in agreement with management with any additional steps that management may deem appropriate to address the numerous shortcomings.

SECTION.C

8. GENERAL COMMENTS AND RESERVATIONS ON THE CONTENTS OF THE ANNUAL REPORT:

The Oversight committee notes that the Annual Report complies with Circular.63.

9. ANALAYSIS OF THE 2022/23 ANNUAL REPORT ACCORDING TO CIRCULAR 63 & 11

- ✓ The Annual Financial Statements – Complied with;
- ✓ The Auditor General’s Report on the Financial Statements – Complied with;
- ✓ The final Audit report was issued on **30 November 2022**;
- ✓ No explanations that may be necessary to clarify issues in connection with the financial statement – Summary by Accounting Officer or CFO;
- ✓ An assessment by the Accounting Officer on any arrears on municipal taxes and services charges – Summary by Accounting Officer;
- ✓ Particulars of any corrective actions taken or to be taken in response to issues raised in the Audit Report – Summary by Accounting Officer;
- ✓ No information determined by the municipality or entity. According to circular 11 & 63;
- ✓ Any recommendations of the audit and performance audit committee – Addressed in an annexure;
- ✓ Any other information as may be prescribed – Addressed;
- ✓ The use of conditional grants, per grant to include in the current year and details of spending on all previous conditional grants, for the two previous financial years. For example, municipalities must report on all transfers received from provincial departments for three financial years, and indicate how such funds were spent, and for what projects – Included in document through discussions and tables (i.e. Electrification);
- ✓ The extent to which a municipality met the conditions of such grants – Addressed;
- ✓ Agreements, contracts as projects under private public partnerships – Addressed;
- ✓ Service delivery performance on key services provided – Addressed;
- ✓ Corrective measures or action plans to be taken on targets of the key performance indicators as in the Service delivery Budget Implementation Plan (SDBIP) – Addressed;
- ✓ Information on long term contracts – addressed;
- ✓ Information technology and systems and purchased and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations – Addressed; and
- ✓ Performance of the municipality and municipal service providers – addressed.

10. RESPONSES TO ISSUES RAISED BY AUDITOR GENERAL IN AUDIT REPORT FOR THE 2022/23 FINANCIAL YEAR AND ACTION PLAN

The action plan is referenced “Annexure.9” on page.251 of the Annual Report and clearly indicates what the measures are to be taken to prevent any shortfalls in future audit processes.

OVERSIGHT COMMITTEE REPORT – 2022/2023

DANNHAUSER MUNICIPALITY 2022/ 2023 ACTION PLAN

| AUDIT REPORT | | | | | | | | | | | |
|--------------|----------------------|-------------------------|---|--|--|--|--|---------------|--------------------|--------|---------|
| Finding No | Finding no as per AR | Audit finding component | Finding details | Component | Internal control deficiency | Action plan | Progress | Action date/s | Responsible person | Status | Comment |
| Audit report | | | Emphasis of matter | | | | | | | | |
| 0 | FINDING NO:1 | | <p style="text-align: center;">Material impairments – Receivables from exchange and non-exchange transactions</p> <p>As disclosed in notes 3 and 5 to the financial statements, the municipality recognised an allowance amounting to R41,91 million (2021-2022: R34,27 million) for the impairment of receivables</p> | Consequently, the debt impairment amount is materially misstated by an unknown amount, for both the current and corresponding years. | Management did not implement controls to ensure that the debt policy is complied with and impairment is calculated using the GRAP standards. | Ensure that all the relevant factors are taken into account in the determination of the allowance for the impairment of doubtful debts and also ensure that the requirements of GRAP are complied. | Revised calculation of debt impairment which is in line with the GRAP requirements was applied, and debtors were correctly assessed. | 30/04/2024 | CFO | | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | | | <p>from non-exchange transactions and an allowance amounting to R4,78 million (2021-2022: R4,10 million) for the impairment of receivables from exchange transactions respectively. The recoverability of these amounts was doubtful.</p> | | | | | | | |
| | FINDING NO:1 | | <p>Contingencies As disclosed in note 45 to the financial statements, the municipality is a defendant in a legal claim against it. The ultimate outcome of this matter</p> | <p>As a result, the municipality has not complied with the MFMA and the GRAP standards resulting in the financial statements not being fairly</p> | <p>Management should review the entire disclosure note to ensure that it is complete and in line with the above GRAP</p> | <p>Supporting documents were provided regarding prior contingent liability.</p> | <p>All contingent assets and liabilities are updated by legal services</p> | <p>30/04/2024</p> | <p>CFO</p> | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | | | could not be determined and no provision for any liability that may result was made in the financial statements. | presented. | standards. | | | | | | |
| | FINDING NO:2 | | Restatement of corresponding figures As disclosed in note 47 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2023. | Consequently, unable to audit the correction of error as disclosed in the financial statements as the information provided is not adequate for the auditor to reach a conclusion | Management did not perform adequate reviews of the financial statements to determine whether the prior period error agrees with supporting schedules and that it is prepared as per the requirements of GRAP 3. | Supporting documents were provided regarding prior period error and query was resolved. | Journal file with relevant supporting document and schedule is being reviewed on the monthly basis. | 30/04/2024 | CFO | | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

| FINDING NO | FINDING NO AS PER MR | AUDIT FINDING COMPONENT | FINDING DETAILS | Component | INTERNAL CONTROL DEFICIENCY | Action Plan | Progress | ACTION DATE/S | RESPONSIBLE PERSON | STATUS | COMMENT |
|----------------------|----------------------|-------------------------------|--|---|--|--|---|---------------|--------------------|-------------|---------|
| ISS.1 | FINDING NO:1 | Property; plant and equipment | Differences between the Fixed asset register and amounts disclosed in the annual financial statements. | Accuracy and Valuation of the asset amounting to R R10 786 778,91 •Non compliance of GRAP 17/ Section 62 (1) of the MFMA | Management did not put adequate internal control processes to ensure that the AFS are adequately reviewed to ensure compliance with the GRAP reporting requirements. | The assets register will be updated and aligned to the trial balance and with the financial statement. The Financial Statement will be prepared on time to give enough time for reviews. | Fixed assets register was updated and aligned to trial balance. In current financial year provincial treasury is assisting municipality with assets by reviewing all assets reconciliation and fixed asset register | 30/04/2024 | CFO | RESOLVED | |
| COMM1 2 OF 2022/2023 | FINDING NO: 2 | Property; plant and equipment | Assets not assessed for Impairment and assets in a poor / very poor condition not impaired. | Accuracy and Valuation of the assets resulting in the overstatement of Assets. | Management did not perform adequate verification to assets the | Assets were impaired and the useful lives of assets were | SCM process for appointing service provider who will verify assets is in progress, to | 30/04/2024 | CFO | IN PROGRESS | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | | | | | condition of assets and update fixed assets register accordingly to reflect accurate amount. agree to the amount captured in the fixed assets register. | reviewed, and Annual Financial statements were corrected. To appoint service provider on time which will do physically verification and correctly assess the condition of assets and update the FAR and reconcile to the Ledger. | ensure that verification is done on time, to avoid recurring queries with AG | | | | |
| COMM2 7 OF 2022/202 3 | FINDING NO: 3 | Property; plant and equipment | Changes in accounting estimates not disclosed. | Accuracy and Valuation of the PPE resulting in overstatemen t and not comply with GRAP 3 par 41 | Managem nt did not perform adequate reviews of the financial statements to ensure that the change in estimate note is disclosed in | Annual Financial statements was updated to include the change in estimate that was omitted as required to be disclosed in | SCM process for appointing service provider who will verify assets is in progress, to ensure that verification is done on time, to avoid recurring queries with | 30/04/202 4 | CFO | RESOLVE D | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | | | | | financial statements as required by GRAP 3 standards. | terms of the GRAP 3 standard, useful lives of assets were also revised | AG | | | | |
| COMM 19 OF 2022/23 | FINDING NO : 4 | Investment property | Building under construction omitted from fixed asset register. | Resulting in the incompleteness and accuracy of assets recorded in AFS and FAR | Management did not perform adequate reviews of the PPE amount disclosed in the financial statements against the underlying schedules, which is the general ledger and the fixed asset register. | Annual Financial Statement were amended and Fixed Assets Register is updated and reconcile to the Ledger. The reconciliation of Work-in-Progress assets is performed on the monthly basis and clear all differences between progress reports from Technical Services to | Provincial treasury is currently assisting the Municipality on assets, reviewing the reconciliation of Work -in - progress and asset register to ensure the completeness, existence, valuation, and accuracy of assets. | 30/04/2024 | CFO | RESOLVED | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | | | | | | the reports from Finance. | | | | | |
| COMM 08 OF 2022/23 | FINDING NO: 5 | Revenue and Receivables | Integrated National Electrification Programme grant not accounted for as per National Treasury guidelines. | Consequently, the amount of Revenue and Receivable is understated by R3 5 00 000 non-compliance with GRAP 11 | Management did not ensure that the integrated national electrification programme grant was accounted for in line with the national treasury guidelines and the applicable accounting framework. | Updated GRAP Standard and National guidelines will be used and the AFS will be reviewed before submission to AG | Management should account for the INEP grant as per National Treasury guidelines. • The proposed changes or journal entries was processed, and financial statements were updated and Integrated National Electrification Programme grant accounted as per National Treasury guidelines. The monthly reconciliation for all grant are performed | 30/04/2024 | CFO | RESOLVED | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | | | | | | | and accounted as per National Treasury Guidelines and aligned with TB | | | | |
| COMM 18 OF 2022/23 | FINDING NO: 6 | Revenue and Receivables | Differences between the financial statements and the supporting schedules - Receivables and movement in the impairment loss | Consequently, Revenue and Receivables are materially understated by an unquantifiable amount due to the status of the accounting records. | Management did not perform adequate reviews to ensure that the system levies interest on all debts older than 30 days. | Annual Financial Statement were amended, and the impairment was recalculated using correct methodology. | Investigating the entire population of Revenue of Receivables to identify all cases where interest was not charged for accounts that were overdue for more than 30 days. | 30/04/2024 | CFO | IN PROGRESS | |
| COMM 18 OF 2022/23 | FINDING NO: 7 | Revenue and Receivables | Debtors with credit balances | Consequently, Valid and accurate number of debtors resulting receivables are overstated by an unquantifiable | Management did not perform adequate reviews to ensure that the system reflects valid and accurate debtor | Annual Financial Statement were amended aligned with the debtors supporting schedule. | Adequate reviews of working paper file and to ensure that Revenue and Receivable are recorded in accordance with GRAP | 30/04/2024 | CFO | IN PROGRESS | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | | | | amount due to the status of the accounting records. | amounts. | | 11 and National Treasury guidelines. The review of Age analysis and contractor accounts will be done by management . | | | | |
| COMM 18 OF 2022/23 | FINDING NO: 8 | Revenue and Receivables | Debt impairment not correctly assessed | Consequently , the debt impairment amount is materially misstated by an unknown amount, for both the current and corresponding years. | Management did not implement controls to ensure that the debt policy is complied with and impairment is calculated using the GRAP standards. | Management should ensure that all the relevant factors are taken into account in the determination of the allowance for the impairment of doubtful debts and also ensure that the requirements of GRAP are complied. | Revised calculation of debt impairment which is in line with the GRAP requirements was applied, and debtors were correctly assessed. | 30/04/2024 | CFO | RESOLVED | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| COMM 21 OF 2021/22 | FINDING NO: 6 | Revenue and Receivables | During the audit of conditional grants, it was noted that the retention amount was included in the reconciliation for the Municipal Infrastructure Grant as paid | Consequently , Unspent grants are understated by R1 018 752,74, and revenue from non-exchange transactions is overstated by the same amount. | Management did not perform adequate reviews to ensure that the conditional grants reported in the financial statement were accurate. | Grants to be recognized as per GRAP 23 | Grants are recorded as required as per Section 122 (1) of the MFMA and per GRAP 23. Monthly grant reconciliation and what is reported to COGTA are performed. | 30/04/2024 | CFO | RESOLVE D |
| COMM 11 OF 2022/23 | FINDING NO: 7 | Revenue and Receivables | Statutory receivable not disclosed in accordance with GRAP 108 requirements. | This results in non-compliance with the requirements of GRAP 108 | Management and internal audit did not perform adequate reviews of the financial statements to ensure that statutory receivables were disclosed as per GRAP standard and that | Annual Financial Statement were amended, and the disclosure note for statutory receivable was included. | Adequate reviews of working paper file and to ensure that Revenue and Receivable are recorded in accordance with GRAP 108 and National Treasury guidelines | 30/04/2024 | CFO | RESOLVE D |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | | | | | interest receivables were accurately disclosed and presented as per the GRAP standard | | | | | | |
| COMM 10 OF 2022/23 | FINDING NO :8 | Revenue and Receivables | Properties on valuation roll not billed | Consequently , the revenue from non-exchange transactions is understated by R3 563 000 | The municipality did not implement controls over daily and monthly processing and reconciling of transactions to ensure that the customers were billed correctly. | customers are billed on a monthly basis for services rendered | Adequate reviews of monthly reconciliation will be performed | 30/04/2024 | CFO | IN PROGRESS | |
| COMM 03 OF 2022/23 | FINDING NO 9 | Expenditure | Differences between the financial statements and the trial | The effect of the above is that contracted services are | Management did not implement adequate | Necessary adjustments were made and AFS was | Adjustments and changes to AFS were submitted and the query | 30/04/2024 | CFO | RESOLVED | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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|--------------------|----------------|-------------|---|---|--|--|--|------------|-----|----------|--|
| | | | balance – Contracted Services | understated by R4 235 830,74. | review processes to ensure that the amount disclosed in the financial statements for contracted services agrees to the underlying accounting records, prior to the submission of the financial statements for audit. | amended | raised was cleared by AG Auditor general | | | | |
| COMM 03 OF 2021/22 | FINDING NO: 10 | Expenditure | Differences between the current year comparative amounts to the prior year audited financial statements | Consequently , general expenditure is misstated by R10 331 582. | Management did not also ensure that if there were corrections of errors, they were correctly disclosed in the notes to the financial | Disclosure for prior period error was amended on AFS for the misstated | Updated AFS was submitted and query was resolved | 30/04/2024 | CFO | RESOLVED | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | | | | | statements. | | | | | | |
| COMM 32 OF 2022/23 | FINDING NO: 11 | DISCLOSUR E -AFS | Cashflow materially misstated | Consequently , the cash flow statement is misstated | Managemen t did not perform adequate reviews of the financial statements to ensure that the cash flow statement was accurate and only includes transactions where there was a cash flow. | Cash flow workings were provided to AG and the query was resolved | Updated AFS was submitted and cash flow query was cleared | 30/04/202 4 | CFO | RESOLVE D | |
| COMM 08 OF 2021/22 | FINDING NO:12 | DISCLOSUR E -AFS | Incorrect classification of financial instrument- Employee benefit obligation classified as financial instrument. | Accuracy and classification amounting to R 7385 000 resulting in the over statement of financial instrument disclosure. •Non compliance of | Managemen t did not perform adequate reviews of the financial statements to ensure that the financial instrument disclosure | Financial instrument disclosure was correctly classified as financial instruments as per GRAP 104 and therefore | Disclosure for financial instrument was corrected as required by GRAP 104. Management will perform review of AFS befor submitting to | 30/04/202 4 | CFO | RESOLVE D | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | | | | GRAP 104 paragraph 13. | note is accurately disclose | not been included in the risk management note. | AG. | | | | |
| COMM 23 OF 2021/22 | FINDING NO:13 | DISCLOSURE -AFS | Risk management note incomplete | Accuracy and classification resulting in the over statement of risk management disclosure. •Non compliance of GRAP 104 paragraph 13. | Management did not perform adequate reviews of the financial statements to ensure that the risk management disclosure note is accurately disclose | Risk Management disclosure was correctly classified as financial instruments as per GRAP 104 and therefore should not have been included in the risk management note. | Updated AFS was submitted and query was resolved | 30/04/2024 | CFO | RESOLVED | |
| COMM 26 OF 2021/22 | FINDING NO:14 | AFS | Statement on comparison of budget and actual amounts- Amounts on financial statements | Consequently , the amounts included in the statement of comparison of budget and actual | Management did not perform adequate reviews of the financial statements to ensure | Statement of comparison of Budget and Actual amounts to be in agreement | Updated AFS was submitted and budget statement was corrected. | 30/04/2024 | CFO | RESOLVED | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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|-----------------|-----------------|-----------------|--|--|---|--|---|------------|-----|----------|--|
| | | | not agreeing to adjustments budget | amounts are misstated | that the amounts disclosed in the Statement of Comparison of Budget and Actual amounts are accurate. | with the final adjustment budget and the statement of financial performance and position. | | | | | |
| COMM OF 2022/23 | FINDING NO: 15 | AFS | Statement of Changes in Net Assets misstated | Consequently , the amounts included in the statement of comparison of net assets are misstated | Management did not perform adequate reviews of the financial statements to ensure that the amounts disclosed in the Statement of Net Assets amounts are accurate. | Statement of comparison of Net Assets to be in agreement with the statement of financial performance and position. | Updated AFS was submitted and budget statement was corrected. | 30/04/2024 | CFO | Resolved | |
| COMM 29 OF | FINDING NIO: 16 | DISCLOSURE -AFS | Related party disclosure | As a result, the | Management should | Related party | Updated AFS was | 30/04/2024 | CFO | Resolved | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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|--------------------|---------------|-----------------|--------------------------------------|---|---|--|--|------------|-----|----------|--|
| 2022/23 | | | note not complete | municipality has not complied with the MFMA and the GRAP standards resulting in the financial statements not being fairly presented. | review the entire related parties' disclosure note to ensure that it is complete and in line with the above GRAP standards. | disclosure note was amended as per GRAP 20. | submitted and with the correct disclosure note was submitted. | | | | |
| COMM 30 OF 2022/23 | FINDING NO:17 | DISCLOSURE -AFS | Prior year adjustments not supported | Consequently , unable to audit the correction of error as disclosed in the financial statements as the information provided is not adequate for the auditor to reach a conclusion | Management did not perform adequate reviews of the financial statements to determine whether or not the prior period error agrees with supporting schedules and that it is prepared as per the requirements of GRAP | Supporting documents were provided regarding prior period error and query was resolved | Journal file with relevant supporting document and schedule is being reviewed on the monthly basis | 30/04/2024 | CFO | Resolved | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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| | | | | | 3. | | | | | | |
| COMM OF 2022/23 | FINDING NO:18 | DISCLOSURE -AFS | <p>Unauthorised expenditure incomplete- The municipality has not disclosed unauthorised expenditure in their AFS,</p> | <p>As a result, the municipality has not complied with the MFMA and the GRAP standards resulting in the financial statements not being fairly presented.</p> | <p>Management should review the entire disclosure note to ensure that it is complete and in line with the above GRAP standards.</p> | <p>The disclosure note for unauthorised expenditure was included on AFS</p> | <p>Working paper file for monthly reconciliations and schedule has been prepared which aligned to trial balance. Monthly reports for the implementation of SCM policy are prepared and reviewed. The reports of the previously reported Irregular expenditure have been submitted to the MPAC, Council and EXCO</p> | 30/04/2024 | CFO | Resolved | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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|-----------------|----------------|-----------------|---|---|--|--|---|------------|-----|----------|--|
| COMM OF 2022/23 | FINDING: 19 | DISCLOSURE -AFS | Understatement of commitments | As a result, the municipality has not complied with the MFMA and the GRAP standards resulting in the financial statements not being fairly presented. | Management should review the entire disclosure note to ensure that it is complete and in line with the above GRAP standards. | Commitment were disclosed as per GRAP Standard query was cleared | Commitment register has been updated on monthly basis and being reviewed. | 30/04/2024 | CFO | RESOLVED | |
| COMM OF 2021/22 | FINDING NO: 20 | DISCLOSURE -AFS | As a result, the municipality has not complied with the MFMA and the GRAP standards resulting in the financial statements not being fairly presented. | financial statements not being fairly presented. | Management should review the entire disclosure note to ensure that it is complete and in line with the above GRAP standards. | Segment reporting was disclosed as per GRAP Standard in the AFS. | The updated GRAP standard, national treasury guideline and check list will be used in preparation of afs. | 30/04/2024 | CFO | RESOLVED | |
| COMM OF | FINDING NO: 21 | DISCLOSURE -AFS | Contingent liabilities/asse | As a result, the | Management should | Supporting documents | All contingent assets and | 30/04/2024 | CFO | RESOLVED | |

OVERSIGHT COMMITTEE REPORT – 2022/2023

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|---------|--|--|-------------------|--|--|---|--|--|--|--|--|
| 2022/23 | | | ts not disclosed. | municipality has not complied with the MFMA and the GRAP standards resulting in the financial statements not being fairly presented. | review the entire disclosure note to ensure that it is complete and in line with the above GRAP standards. | were provided regarding prior contingent liability. | liabilities are updated by legal services. | | | | |
|---------|--|--|-------------------|--|--|---|--|--|--|--|--|

11. CONCLUSION

The Municipal Public Accounts Committee commends Council, the Municipal Manager, the Senior Management Team, and all staff at Dannhauser Municipality on the strides made towards good governance. However, much needs to be done to strengthen internal controls mostly procurement processes and contract management. The 2022/2023 financial year must target focussed attention in this area. In this regard, the Municipal Public Accounts Committee will be monitoring the implementation of the 2022/2023 Audit Action Plan developed by the Management Team in response to the Auditor-General's findings including commitments made by the Mayor and the Municipal Manager to address audit outcomes in the prior and current years.

Having performed the following tasks:-

- ✓ Reviewed and analysed the Annual Report;
- ✓ Considered that no written comments were received on the Annual Report from the public consultation process;
- ✓ Received and considered Council's Audit Committee views and comments on the annual financial statements and the performance report; and
- ✓ Prepared the draft Oversight Report, taking into consideration, the views and inputs of representatives of the Auditor-General, and Council's Audit Committee;

The Municipal Public Accounts Committee has pleasure in presenting the Oversight Report to Council for consideration;

COMMITTEE RECOMMENDS:

1. That Council having fully considered the Annual Report of Dannhauser Municipality for the 2022/2023 Financial Year, adopts the Oversight Report for the 2022/2023 Financial Year.