DANNHAUSER LOCAL MUNICIPALITY

2024/2025

OVERSIGHT COMMITTEE

REPORT

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1. INTRODUCTION

The Municipal Finance Management Act (MFMA) assigns specific oversight responsibilities to Council with regard to 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 fulfill its oversight responsibilities.

The Council referred the Annual Report 2024/2025 to its Municipal Public Accounts Committee for consideration, to receive input from the various role players and to prepare a 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.

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 (2024/2025)	NUMBER OF ACTUAL MEETINGS HELD (2024/2025)	REASON's FOR DEVIATION
Municipal Public Accounts Committee	➢ MT Mabaso (Chairperson) ➢ MS Mkhumane ➢ EN Buthelezi ➢ VG Ngcane ➢ XM Nkosi ➢ D Makhaza ➢ NP Kumalo ➢ RS Langa	12	6	▪ **No Quorum formed**

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

- ✓ The 2024/2025 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 2024/2025 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 2013/2024

The Executive Mayor has deemed to inform council of unforeseeable reasons which eventually leads to the failure of council to adhered 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.

As per legislation requires, the Annual report has to be tabled to council seven months after the beginning of the financial year under reviewed and nine months the Oversight be tabled to Council. From the 6th of April 2026 till the 8th of May 2026, the draft 2025/2026 Annual Report was open for discussion and recommendation as required by Portfolio Committees, MPAC, EXCO and Council.

7. THE OVERSIGHT REPORT

This Oversight Report is for the financial year ended 30 June 2025. The Annual Report will be presented to Council on 25 March 2026. 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 2024/2025; and
- ✓ Section. C : Annual Report & Audit Action Plan 2024/2025 A.G Findings

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. ***Have the required standards been met?***	**Yes**
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 1,3 and 4 of the AFS
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?	Yes. Municipality has developed a comprehensive Audit Action Plan to address AG issues as highlighted in the Final Management and Final Audit Report 2024/25. Refer to the attached Action plan. The emphasis of matters on the AG reports are addressed on the Audit Action Plan, this covers issues of compliance on SCM, HR and issues on the submitted AFS. All these issues are addressed through the Audit Action Plan.

	✓ Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? ✓ Has a schedule of action to be taken been included in the annual report, with appropriate	
	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.	**The Final Audit Report for 2024/25 was submitted to the MEC.**
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.	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. ✓ Has the performance met the expectations of council and the community? ✓ Have the objectives been met? ✓ What explanations have been provided for any non-achievement? ✓ What was the impact on the service delivery and expenditure objectives in the budget?	**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. **Yes.** None. The Municipality has collected sufficient revenue to meet all its expenses including depreciation and the surplus is considered to be reasonable.
121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality.	Review any other information that has been included in regard to the AFS.	**N/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)(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 has issued their Annual Report for 2024/25. Refer to the report.
2. Disclosures - Allocations received and made - Section 123-125 MFMA		**Considerations**
123 (1)(a) Allocations received by and made to the municipality.	The report should disclose: ✓ 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. 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?	**Yes.** Refer to Note 26 AFS **None** None None **None**

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/COMMENTS

125 (1) Information in relation to outstanding debtors and creditors of the municipality and entities.	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. 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. Council should be satisfied that – ✓ The information has been properly disclosed; ✓ Conditions of allocations have been met; and ✓ That any explanations provided are acceptable.	**Yes.** Refer to Note.3 of the AFS
2. Disclosures - Allocations received and made - Section 123-125 MFMA		**Considerations**
123 (1)(c) Information in relation to the use of allocations received.	Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:- ✓ 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. ✓ Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the	Refer to page 14 -18 of AFS. Also refer to note 26 **Yes** **Yes**

	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.	**At the time of the compilation of the Annual Report there was no indication of any grants being withheld.**
3. Disclosures in notes to AFS	**Considerations relating to section 124**	
Information relating to benefits paid by municipality and entity to Councillors, directors and officials.	Information on the following items is to be included in the notes to the annual report and AFS:- ✓ 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; ✓ Loans and advances, and; ✓ Any other type of benefit or allowance related to staff.	Yes Refer to Note.29 Page.61 of the AFS None Refer to Note.29 Page.61-63 of the AFS. Refer to Note.29 Page.61-63 of the AFS. There were no loans or advances to Councillors/Directors/Staff.

	Council should be satisfied that: ✓ The information has been properly disclosed; ✓ Conditions of allocations have been met; and ✓ That any explanations provided are acceptable	
4. Municipal Performance	**Considerations**	
The annual performance reports of the municipality and entities.	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 – ✓ 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? 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? ✓ To what extent has performance achieved targets set by council? ✓ Is the council satisfied with the performance levels achieved? ✓ Is the community satisfied with performance? Has a customer satisfaction survey been undertaken	Yes. Refer APR 2024/25 to page 46 of the Annual Report the Annual Report. Yes 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. 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. Backlogs are reported on in the Annual Report. Yes the council was satisfied with the achieved indicators. Municipal customer survey was conducted through putting notices on public spaces, and inviting them for comments.

	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?	Yes, there is audit action plan in place to improve performance from the previous year.
	✓ Is the council satisfied with actions to improve performance?	Yes
	✓ 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?	The performance contracts of the Municipal Manager and each senior manager are aligned to the Organisational Performance Scorecard.
	✓ Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?	**Yes**
	✓ Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?	**Yes**
	✓ To what extent have actions planned for the previous year been carried over to the financial year reported upon?	The Performance Scorecard reflects a 5 year rolling plan, which provides for carryovers
	✓ Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory?	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.

Audit reports on performance.	Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually. Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?	Yes
Performance of municipal entities and municipal service providers.	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. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered. ✓ 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?	No municipal entities Performance of Service providers on page.178 of the Annual Report
5. General information	**The following general information is required to be disclosed in the annual report.**	
Relevant information on municipal entities	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, 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.	Non-Applicable
The use of any donor funding support.	What donor funding has the municipality received? ✓ Have the purposes and the management agreements for the funding been properly agreed upon?	Non-Applicable

	✓ Has the use of funds been effective in improving services to the community? ✓ What actions need to be taken to improve utilisation of the funds?	
Agreements, contracts and projects under Private Public – Partnerships	Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied	Yes
Service delivery performance on key services provided	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	Yes
Information on long-term contracts.	Details of all long-term contracts including levels of liability to the municipality should be included.	Yes
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations.	Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be 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. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained.	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 implemented.

	Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.	
Capital plan for addressing infrastructure backlogs	A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. 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. 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.	Yes As represented in Appendices, (O) CAPITAL PROGRAMME BY PROJECT 2014/25
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 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.	Performance bonuses for the year under review have not yet been paid to any Section 57 Managers. Performance will be assessed based on achievements of agreed outputs and will only be paid after the adoption of the Oversight Report where applicable

	Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?	

SECTION.B

7.3 ANNUAL REPORT COMPLIANCE ISSUES

This section contains the Committee's comments on whether the 2024/2025 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 2024/2025;
- ✓ Audited Annual Financial Statements – 2024/2025;
- ✓ Auditor Generals' Report – 2024/2025;
- ✓ Auditor General Management Comments – 2024/2025;
- ✓ Audited Annual Performance Report – 2024/2025;
- ✓ Conditional Grants and Assessment of Compliance;
- ✓ Annual Report Appendix – Circular 63 Compliance 2024/2025;
- ✓ 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 2024/2025 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 – 2024/ 2025

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 2023/24 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 2025;
- ✓ 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 2024/2025 FINANCIAL YEAR AND ACTION PLAN

The action plan is referenced on page.159 of the Annual Report and clearly indicates what the measures are to be taken to prevent any shortfalls in future audit processes.

DANNHAUSER MUNICIPALITY 2024/2025 ACTION PLAN

Audit finding	AR/MR Finding	Component	Nature of finding	Details of the finding	Internal Control Deficiency identified by AG	Recommendations by AG	Actions/Activities required (Actual work to be done)	Person assigned to Task	Deadline Date	Follow up progress Action update	IA Comments	Status
11	Management Report 2025	Finance	Budget overspent	Expenditure incurred in the current year was in excess of the approved adjustment budget, which is in contravention of sections 62(1)(d) and 78(1)(c) of the MFMA amounting to R48,06m.	Reasonable steps were not taken to prevent unauthorized expenditure amounting to R48,06 million, as disclosed in note fifty-five to the financial statements	Management should ensure proper budget management and processes to avoid unauthorized expenditure.	UIFW is investigated and report will be tabled to council and responsible officials will be hold accountable if any, and management will ensure proper budget management.	CFO	30-Jun-26	-	-	Not yet started
%23	Management Report 2025	Revenue	Receivables from non-exchange transaction	As disclosed in note three to the financial statements, the municipality recognized an allowance of R73, sixteen million (2023-24: R54,00 million) for the impairment of receivables from non-exchange transactions, as the recoverability of these	Management and internal audit did not perform adequate reviews of the financial statement to ensure that the amounts disclosed therein are accurate and agree to the underlying records.	Management and internal audit should ensure that the amounts disclosed in the financial statements agree to the supporting schedules, prior to submitting the financial statements for audit.	Management will perform adequate reviews on the financial statements and process correcting journals to ensure that variances noted are corrected. In future, management will ensure that financial statements are reviewed prior to submission to the auditors.	CFO	30-Jun-26	-	-	Not yet started

				amounts was considered to be doubtful.								
24	Management Report 2025	Revenue	Receivables from exchange transactions	As disclosed in note four to the financial statements, the municipality recognized an allowance of R10,51 million (2023-24: R7,65 million) for the impairment of receivables from exchange transactions, as the recoverability of these amounts was considered to be doubtful.	Management and internal audit did not perform adequate reviews of the financial statement to ensure that the amounts disclosed therein are accurate and agree to the underlying records.	Management and internal audit should ensure that the amounts disclosed in the financial statements agree to the supporting schedules, prior to submitting the financial statements for audit.	Management will perform adequate reviews on the financial statements and process correcting journals to ensure that variances noted are corrected. In future, management will ensure that financial statements are reviewed prior to submission to the auditors.	CFO	30-Jun-26	-	-	Not yet started

25	Management Report 2025	Finance	Contingencies	As disclosed in note 49 of the financial statements, the municipality is the defendant in four litigation matters. The ultimate outcome of these matters could not be determined, and no provision for any liability that may result was made in the financial statements	Management did not disclose the provision on the Financial Statements.	Management should analyse the litigation matters and disclose in the Financial Statement in line with GRAP Standard.	Management will make sure the full disclosure of the contingency liabilities and ensure all litigation matters are being quantified.	CFO	30-Jun-26	-	-	Not yet started
38	Management Report 2025	SCM	Compliance	Payments to suppliers were not made within 30 days of receipt of invoices, as required by section 65(2)(e) of the MFMA.	Management did not implement adequate oversight over the budgeting process to pay financial obligations within 30 days. Additionally, management did not adequately review and monitor compliance with section 65(2)(e) of the MFMA.	Management should implement adequate budgetary and cash flow controls to ensure that adequate cash is available to cover financial obligations as they arise.	Management agreed with the finding.	CFO	30-Jun-26	-	-	Not yet started

39	Management Report 2025	Revenue	Indigent households	Deceased people were identified in the indigent household listing and received indigent rebates on account.	Management did not implement adequate processes to ensure that only people who qualify as indigents receive free basic services.	The management must review the indigent process and ensure accuracy and completeness of the indigent beneficiaries.	The municipality has awareness campaigns for communities to raise awareness and enable applications to indigent households. This is done with posters and social media. This ensures residents are informed	CFO	30-Jun-26	-	-	Not yet started
42	Management Report 2025	Expenditure	Fruitless and wasteful expenditure	Items reflected in note 56 relate to fruitless and wasteful expenditure due to penalties and interest in overdue payments to suppliers amounting to R3 645M.	Management did not monitor compliance with the MFMA and related legislative prescripts to prevent the municipality from incurring unauthorized, irregular, as well as fruitless and wasteful expenditure.	All transgressions that led to the instances of unauthorized, irregular, as well as fruitless and wasteful expenditure must be investigated, with action plans put in place to prevent the transgressions from re-occurring and holding the responsible officials accountable. Management should implement adequate controls to prevent non-compliance with SCM processes and the MFMA legislation	Management agrees with the finding, in line with Section 32 of the MFMA, all identified UIFW expenditures will be referred for full investigation by a Municipal Council supported by Internal Audit, to establish: • Whether each instance indeed meets the statutory definitions (unauthorized, irregular, fruitless and wasteful). • The root causes, including procedural lapses or negligent	CFO	30-Jun-26	-	-	Not yet started

							behaviours. • The official responsible (if any) • Whether recoveries are feasible or a council write-off is necessary.					
42	Management Report 2025	Assets Management	Losses	During the municipality's internal physical verification of assets, 527 movable assets could not be located. As a result, these assets were fully impaired and written off.	Management did not implement adequate controls to ensure that its assets were monitored and safeguarded.	Management should update the Fixed Asset Register and financial statements to correct the identified misstatements and ensure that all impairment assessments comply with GRAP requirements and are supported by verifiable evidence. Asset management controls must be strengthened through regular reconciliations between physical verification results and the FAR, along with	Management acknowledges and agrees with the findings.	CFO	30-Jun-26	-	-	Not yet started

						thorough investigations into all unverified or missing assets before any derecognition or impairment is processed. Stronger management review and authorization controls are required to ensure all adjustments are properly supported, while full compliance with Section 63 of the MFMA must be maintained to safeguard and account for municipal assets. Following investigations, the status of all missing or impaired assets should be submitted to Council for approval prior to any write-off, with any resulting gains or losses correctly recognized in the financial statements.						

46	Management Report 2025	Finance	Grant underspending	Underspending on Disaster Relief Grant. Budget: R11,25 million. Underspending: R10,61 million / 94,3%	High levels of unspent conditional grants negatively affect service delivery, as funds intended for critical projects remain unused and communities do not receive the planned benefits within the expected timelines.	Management should ensure that monthly reconciliations are conducted.		-	30-Jun-26	-	-	Not yet started
46	Management Report 2025	Finance	Grant underspending	Underspending on Municipal Infrastructure Grant. Budget: R24,91 million, Underspending: R1,65 million / 6.6%	High levels of unspent conditional grants negatively affect service delivery, as funds intended for critical projects remain unused and communities do not receive the planned benefits within the expected timelines.	Management should ensure that monthly reconciliations are conducted.	-	-	30-Jun-26	-	-	Not yet started

66	Management Report 2025	Community Services/PMS	Number of waste removal services as per the approved schedule	The target referred to “72 quarterly implementation reports” without defining what constitutes a waste removal service, focusing on reporting rather than service delivery and resulting in an indicator that could not be accurately measured. There was inadequate oversight to ensure that targets aligned with service delivery output, and no controls were in place to verify that indicators were specific, relevant, and measurable at the planning stage.	Management did not adequately review performance indicators and targets or develop proper technical indicator descriptions, resulting in indicators that were not specific, measurable, or clearly defined.	Management should amend the indicators to ensure that they meet the characteristics of being well-defined and verifiable, and targets being specific, measurable, and time bound. The indicators should be worded in such a way that they are not subject to misinterpretation based on who is reading the indicator.	We note AG's recommendations. Management will develop a clear description for each indicator and how data should be collected	Director-Community Services	30-Jun-26	-	-	Not yet started

66	Management Report 2025	Planning and LED/PMS	Facilitate and monitor the implementation of 6 human settlement projects	The target focused only on producing 24 progress reports and did not define expected project outcomes, making the indicator unmeasurable and not reflective of actual facilitation and monitoring of the six projects. The municipality lacked a robust process for assessing whether performance indicators and targets sufficiently captured project activities and outcomes, resulting in approval of indicators that were vague and not measurable.	Management did not adequately review performance indicators and targets or develop proper technical indicator descriptions, resulting in indicators that were not specific, measurable, or clearly defined.	Management should amend the indicators to ensure that they meet the characteristics of being well-defined and verifiable, and targets being specific, measurable, and time bound. The indicators should be worded in such a way that they are not subject to misinterpretation based on who is reading the indicator.	We note AG's recommendations. Management will develop a clear description for each indicator and how data should be collected	Director-Planning and LED	30-Jun-26	-	-	Not yet started
83	Management Report 2025	Human Resource Management	IPMS	Appropriate systems and procedures to monitor, measure and	Leadership did not implement effective HR management	Management must implement performance agreements for all its employees	Management will ensure that all employees sign performance agreements, and	Director-Corporate Services	30-Jun-26	-	-	Not yet started

				evaluate the performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations.	to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored for all employees of the municipality.	and ensure that these are signed by 31 July each year and monitored as per the policy and MSA.	these are monitored.					
83	Management Report 2025	Human Resource Management	IPMS	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.	Leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored for all employees of the municipality.	Management must implement performance agreements for all its employees and ensure that these are signed by 31 July each year and monitored as per the policy and MSA.	Management will ensure that all employees sign performance agreements, and these are monitored.	Director-Corporate Services	30-Jun-26	-	-	Not yet started

83	Management Report 2025	Human Resource Management	IPMS	I was unable to obtain sufficient appropriate audit evidence that the acting staff member's performance agreement was amended to include the key performance areas (KPAs) and key performance indicators (KPIs) of the acting position, as required by regulation 43 of the Municipal Systems Regulations.	Leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored for all employees of the municipality.	Management must implement performance agreements for all its employees and ensure that these are signed by 31 July each year and monitored as per the policy and MSA.	Management will ensure that all employees sign performance agreements, and these are monitored.	Director-Corporate Services	30-Jun-26	-	-	Not yet started
83	Management Report 2025	Human Resource Management	IPMS	I was unable to obtain sufficient appropriate audit evidence that the annual performance appraisal for senior managers was performed and that the key performance areas (KPAs) outlined in the individual performance plans were	Leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored for all employees	The municipality should ensure consistent quarterly performance evaluations for senior managers in line with Regulation 38 by implementing a structured assessment schedule and maintaining proper documentation.	Management commits to stabilizing the administrative environment and ensuring that the evaluation committee meets as required so that senior manager performance assessments can be conducted.	Director-Corporate Services	30-Jun-26	-	-	Not yet started

				assessed based on the achieved results, as required by regulations 26(5) and 27(4)(a)(I) of the Municipal Performance Regulations.	of the municipality.							
130	Management Report 2025	Accountability and Ecosystem				Management and internal audit should perform diligent reviews of the financial statements prior to submitting them for audit by ensuring that corresponding figures agree with the prior year's audited financial statement and/or restated figures.	Management and internal audit will perform diligent reviews of the financial statements before submitting them for audit by ensuring that corresponding figures agree with the prior year's audited financial statement and/or restated figures.	MM/ HOD's	30-Jun-26	The financial statements are reviewed by IA and AC before submitting them to AG.	-	In progress
130	Management Report 2025	Accountability and Ecosystem				Management, with the assistance of internal audit, should ensure that all indicators included in the SDBIP meet the requirements of the FMPPI.	The IDP and PMS Manager will ensure that indicators are SMARTS.	MM/ HOD's	30-Jun-26	IA has reviewed Q1 PMS reports to ensure alignments and credible indicators to meet SMART	-	In progress

							based principles .			
130	Management Report 2025	Accountability and Ecosystem	Management should implement a formal policy that sets clear, transparent, and compliant procedures for panel work allocation, including applying the preference point system and verifying supplier compliance before each award.	Management will develop and formal approval of a procedure for work allocation to panel members, including re-verification of compliance before each award.	MM/ HOD's	30-Jun-26	-	-	Not yet started
130	Management Report 2025	Accountability and Ecosystem	The audit committee should concur with any appointment and termination of the services of the chief audit executive. This will strengthen Internal Audit independence and align with MFMA Circular 65.	Management notes the auditor's findings. Management will request a written recommendation from AC for the CAE appointments.	MM	30-Jun-26	-	-	In progress

130	Management Report 2025	Accountability and Ecosystem	Council should formally adopt MFMA Circulars 65 and 127 to strengthen the role and effectiveness of the Audit Committee. Furthermore, management should implement monitoring controls to track all key MFMA circulars and ensure that they are presented and adopted at Council meetings in a timely manner.	Management will ensure that circulars are adopted by the Council.	MM	30-Jun-26	-	-	Not yet started
Annexure B,11	Management Report 2025	Procurement and Contract Management	Management should consider developing and implementing its internal policies to manage panel usage to ensure consistency during the awards.	Management will develop a guide for the use of panels or incorporate the use of panels into the SCM policy.	CFO	30-Jun-26	-	-	Not yet started

Annexure B,11	Management Report 2025	Procurement and Contract Management	All procurement through panels must adhere to the Supply Chain Management (SCM) prescripts and Section 217 of the Constitution, ensuring that procurement is conducted in a manner that is fair, equitable, transparent, competitive, and cost-effective.	Management will develop a guide for the use of panels or incorporate the use of panels into the SCM policy.	CFO	30-Jun-26	-	-	Not yet started
Annexure B,11	Management Report 2025	Procurement and Contract Management	Management should update the SCM policy with the amendments and ensure that the changes are implemented immediately.	The management will consider the Auditor General's recommendation and submit changes as soon as received from NT to ensure compliance with SCM prescripts.	CFO	30-Jun-26	-	-	Not yet started

Annexure B,11	Management Report 2025	Procurement and Contract Management	Management should ensure strict compliance with SCM Regulations 12(1)(c) and 17(1) by obtaining at least three written quotations for all applicable procurements, with documented and approved justification where this is not possible. A pre-award compliance checklist should be implemented and reviewed by SCM officials, supported by periodic training on MFMA and SCM requirements. Additionally, any previously unrecorded irregular expenditure must be identified, quantified, and disclosed in line with MFMA section 125(2)(d) and MFMIS Circular 68.	Management agrees with the finding.	CFO	30-Jun-26	-	-	Not yet started

Status
In progress
Resolved
Not resolved
Not yet started

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 strength internal controls relative to procurement processes and contract management. The 2024/2025 financial year must target focussed attention in this area. In this regard, the Municipal Public Accounts Committee will be monitoring the implementation of the 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 2024/2025 Financial Year, adopts the Oversight Report for the 2024/2025 Financial Year.