



MAKHUDUTHAMAGA
LOCAL MUNICIPALITY

**OVERSIHGT REPORT ON
DRAFT ANNUAL REPORT
2024/2025 FINANCIAL YEAR**

ITEM:SC/9.1/03/2026

REF:3/5/1/7

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OVERSIHGT REPORT ON 2024/2025 ANNUAL REPORT

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MPAC OVERSIGHT REPORT ON 2024/2025 ANNUAL REPORT

SUMMARY

1. PURPOSE

The annual report is a key instrument of transparent governance and accountability. It is a post –financial year document which provides an overview of the process of financial and non-financial performance in respect of the previous financial period, in this case 2024/2025. The adoption of an Annual Report is legislated requirement in terms of the Local Government: Municipal Financial Management Act 56 of 2003 (MFMA).

The purpose of this report is to present to Council for adoption of the Oversight Report on the draft Annual Report as required in terms of Section 129 of the MFMA, Act 56 of 2003. It is important to have some understanding on the accountability framework for municipalities to correctly comprehend the role of the Oversight Report as distinct from that of the Annual Report and any other reports required from the municipality by the Constitution, Acts, regulations or Circulars

2. BACKGROUND

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the Municipal Finance Management Act requires the council to consider the annual report of its municipality and to adopt an “Oversight Report” containing the council's comments on the annual report.

The 2024/2025 Annual Report was tabled to the Ordinary Council on the 29th of January 2026 by the Accounting Officer and the Mayor as per MFMA section 127 (2), and that is part of the process for discharging accountability by the executive and administration for their performance in achieving objectives and goals set by the municipality in the 2024/2025 financial year. The Oversight Report follows consideration and consultation on the Annual Report and is a report of the municipal council to the community, disclosing the level of success or otherwise, obtained with meeting the priority needs and stated desires of the community as contained in the IDP.

The purpose of the report is to:

- Provide a record of the activities of the municipality.
- Provide report on performance in service delivery and against the budget.
- Provide information to support the revenue and expenditure decisions made.
- Promote accountability to local community for decision made.

Section 121(3) and (4) of the MFMA sets out the framework relating to the content of the annual report for both municipalities and entities. These include:



- The annual financial statements of the municipality and consolidated annual financial statements as submitted to the Auditor General for audit.
- The audit report of the Auditor General in terms of both sections 126(3) of the MFMA and section 45(b) of the MSA
- Municipal annual performance report as per section 46 of the MSA
- Assessment of any arrears on municipal taxes and service charges
- Assessment of municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the municipality's approved budget
- Particulars of corrective action taken or to be taken on issues raised in audit report
- Explanations to clarify issues on financial statements

3. PROCESS IN DEVELOPING OVERSIGHT REPORT

The 2024/2025 draft Annual Report in line with chapter 12 of MFMA Act no.56 of 2003 was noted by council on the 29th of January 2026. Council referred the draft annual report to MPAC for consideration.

Makhuduthamaga Municipal Public Account Committee held its working session on 9th to 13st of February 2026, to consider, analyse and review the annual report in aspect.

Public hearing on annual report was conducted on the 21st of March 2026, the local community and all relevant stakeholders were invited. The Municipal Public Account Committee had a pleasure of witnessing efforts being put in by the municipal officials and head of departments led by both Acting Mayor Cllr Moswane and acting Municipal Manager Mr Mampuru in providing service delivery and ensuring that compliance is maintained.

4. LEGISLATIVE MANDATE FOR THE OVERSIGHT REPORT

Section 129(1) of the Municipal Finance Management Act No.56 of 2003 states that council of the municipality must consider annual report of the municipality and no later than two months from the date on which the Annual Report was tabled in council, adopt an oversight report containing council's comments on the Annual Report, which must include a statement whether the council has:

- Approved the Annual Report with or without reservations.
- Rejected the annual report, or
- Referred the annual report back for revision of those components that can be solved.



5. COMMENTS ON THE ANNUAL REPORT

The requirements for the Annual report as set out in the various acts, together with an indication of the level of the compliance and performance are set out below:

5.1 MFMA

LEGISLATIVE REQUIREMENTS	LEVEL OF COMPLIANCE	COMMENTS
(a) The annual financial statements (AFS) were prepared in accordance with Generally Recognised Accounting Practise (GRAP) in terms of section 91(1) (b) of the Public Finance Management Act	Complied	The consolidated and audited Annual financial statement of the Municipality as per section 122(a) that was submitted to the Auditor-General is inclusive in the Annual report as chapter 5.
(b) The Auditor General's report be included in the Annual Report as required by circular 63 and section 126(1) of MFMA.	Complied	The auditor's General findings and remedial actions are included in the 2024/2025 Annual Report in chapter 6
(c) Explanations to be included, that are necessary to clarify issues in connection with the financial statements as per section 125 of MFMA	Complied	The explanations which are necessary for clarifications are inclusive in the Annual Financial Statement, herein referred as "Notes" in the AFS.
(d) An assessment on arrears on municipal taxes and service charges to be included as per section 121(3)(e) of MFMA	Complied	The Municipality have assessed arrears on taxes and services charges as required by Legislation.
e) Corrective action taken or to be taken in response to issues raised in the audit report in terms of 121 (3) (g)	Complied	The corrective action to be taken in response to issues raised by AG have been inclusive in the annual report under chapter 6 of annual report.



5.2 DIVISION OF THE REVENUE ACT

LEGISLATIVE REQUIREMENTS	LEVEL OF COMPLIANCE	COMMENTS
a) The annual report to disclose the following: <ul style="list-style-type: none">• Details of the conditional grants received from National and provincial spheres in terms of Division of revenue act no.9 of 2021 under chapter 2 section (5) (3)	Complied	The grants received from other sphere of government had been disclosed in the Annual Financial Statement.
b) The extent to which the conditions of the grants were met as per section 16 of the Division of Revenue Act	Complied	The conditional grants were utilised in accordance with applicable Framework. Not all the conditional grants reflect 100% expenditure. INEP grand was not 100% spent due to lack of electrical capacity from Eskom.
c) Information relating to the conditions of the grants were met as per section 16 of the Division of Revenue Act	Complied	The conditional grants were utilised in accordance with applicable Framework and information relating to the condition of the grants were met as per section 16 of the Division of Revenue Act.



5.3 MUNICIPAL SYSTEMS ACT

LEGISLATIVE REQUIREMENTS	PERFORMANCE	COMMENTS
a) The performance report must be inclusive in the annual report as per section 46(2) of the Municipal Systems Act no.32 of 2000	Complied	The performance report is inserted in the annual report. Refer to Chapter 3 of the annual report.
b) The performance target included in the annual report as per the section 44 of the Municipal Systems Act.	Complied	The performance targets are inclusive in the performance report in Chapter 3 of the annual report
c) The performance evaluation in the annual report compares actual with the planned performance in terms of section 46(b) of the Municipal Systems Act.	Complied	A comparison of the performance and targets have been highlighted in the performance report in Chapter 3
d) It must be reflected in terms of Section 41 of Municipal Systems Act, on how municipality performed on its functions or services as per the Key Performance Areas	Complied	The performance as per Key Performance Area is as follow: KPA 1 = 100% KPA 2 = 95% KPA 3 = 100% KPA 4 = 88% KPA 5 = 96% KPA 6 = 100%
e) The extent to which targets have been achieved	Complied	The targets achieved is 96%
f) Actions that have been taken and planned to improve performance	Complying	The performance management system is now in place to improve the performance. AGSA action plan is being implemented to assist the municipality to improve the performance.



g) The correlation with the targets for the municipality and the target set for the municipal manager and heads of departments	Complied	The correlation exists for municipal manager and senior management only. The head of departments are not directly affected because there is no mechanism to measure their performance as compared to the municipal targets.
h) The report should evaluate the efficiency of mechanisms applied to deliver the performance outcomes	Complied	The comparisons of the performance between the previous and the under review financial years determine the efficiency of mechanisms applied to deliver the performance outcomes.
i) The audit report and opinions and the views of the Audit Committee must be considered as to consider the performance to be efficient and effective	Complied	The audit report and opinions and the views of the Audit Committee are taken into consideration.

6. OTHER FINDINGS ON ANNUAL REPORT

This document reflects several standout aspects of the Makhuduthamaga Local Municipality's performance for the year ended June 30, 2025:

6.1 Financial Performance: The municipality achieved a net surplus of R19 million, with strong revenue collection at 97% of the budgeted amount. Capital expenditure reached 81% of the budgeted amount, and the municipality reported improved financial health compared to the previous year.



- 6.2 Audit Opinion:** The Auditor-General issued an unqualified audit opinion, reflecting positive financial and performance management, although material misstatements in the annual performance report were corrected.
- 6.3 Service Delivery Achievements:** The municipality achieved 96% of its annual targets, including infrastructure development, electrification projects, waste management, disaster relief, and community services.
- 6.4 Governance and Compliance:** The municipality implemented a performance management system, conducted risk assessments, and maintained functional governance committees such as the Audit and Performance Committee and Municipal Public Accounts Committee.
- 6.5 Community Engagement:** Extensive public participation was conducted through social media, public meetings, and outreach programs to improve accountability and engagement.
- 6.6 Infrastructure Development:** Major capital projects included road construction, electrification, and infrastructure development, with significant expenditures on projects like the Kome Internal Street Phase 2 and Mathapisa/Soetveld access road.
- 6.7 Local Economic Development (LED):** Support for SMMEs, funding for youth-owned businesses, and capacity-building workshops were provided to stimulate economic growth.
- 6.8 Risk Management:** The municipality actively managed risks such as land invasion, financial unsustainability, and environmental pollution, with mitigation measures in place.
- 6.9 Challenges and Corrective Measures:** Strategic challenges such as low revenue collection, land acquisition issues, and infrastructure maintenance were identified, along with proposed solutions.



6.10 Irregular, Fruitless, and Wasteful Expenditure: Unauthorized expenditure of R1.5 million were identified, investigated and written off.

Overall, the document emphasizes the municipality's efforts to improve financial management, governance, service delivery, and community engagement while addressing challenges and implementing corrective measures.

7. PUBLIC CONSULTATION MEETINGS ON 2024/2025 ANNUAL REPORT

The public consultation meetings on annual report were held on from the 11th of February to 6th of March 2026.

8. GENERAL DISCUSSION

The municipality has made commendable progress but must address ongoing challenges to achieve sustainable development and enhance community engagement. There plans to continue improving service delivery, financial sustainability, and governance, with corrective measures and strategic interventions in place.

9. RECOMMENDATIONS

The committee having fully considered the Annual Report of the municipality and recommends to Council to:

- adopts 2024/2025 Annual Report without Reservations
- adopts Oversight Report on 2024/2025 Annual Report

SIGNATURE:

**CLLR DIKETANE SP
MPAC CHAIRPERSON**

DATE: 23/03/2026