

1. O V E R S I G H T R E P O R T O N T H E A N N U A L R E P O R T F O R T H E 2 0 2 3 / 2 4 F I N A N C I A L Y E A R / V E R S L A G R A K E N D E D I E O O R S I G V E R S L A G V I R D I E 2 0 2 3 / 2 4 F I N A N S I Ē L E J A A R / L W E N G X E L O E Y O N G A M E L E Y O Y O N Y A K A Y O N Y A K A M A L I K A 2 0 2 3 / 2 4

R E P O R T F R O M T H E C H A I P E R S O N O F M U N I C I P A L P U B L I C A C C O U N T S C O M M I T T E E (M P A C) (C L L R C O R N E L I U S)

2 P U R P O S E

To present the Oversight Report on the Annual Report of the Garden Route District Municipality (GRDM), as required by legislation, and submit the recommendations to Council for consideration.

3. D E L E G A T E D A U T H O R I T Y

Council

4. E X E C U T I V E S U M M A R Y

The 2023/24 Annual Report was presented to the Municipal Public Accounts Committee (MPAC) on 28 August 2024 and 28 January 2026. The Annual Report was advertised for public inputs and comments on 29 August 2024 and no comments were received from the public/communities. The Draft Annual Report was also submitted to Provincial Treasury and the Provincial Department of Local Government as well as the Office of the Auditor General.

In addition to the above platforms, the Annual Report was also placed on our communications channels, including our website and Official GRDM Facebook, Eden FM, local newspapers, as well as distributed to all our satellite offices. This was to ensure that those who do not have access to media can also access the report. Furthermore, a live podcast was aired on Eden FM to encourage the public to review the annual report.

MPAC would like to take this opportunity to congratulate the administration on obtaining the fourth consecutive Clean Audit Outcomes, which we will discuss later in this report.

5. RECOMMENDATIONS

1. That Council, after having fully considered the Annual Report of the municipality and representations thereon, adopts the oversight report and the 2023/24 Annual Report without reservations.
2. That the Accounting Officer, in accordance with Section 21 (a) of the Municipal Systems Act, make the oversight report public within seven days of its adoption.
3. That the Accounting Officer submits the Oversight Report to the Provincial Legislature within seven days.
4. That the Accounting Officer develops action plans to address issues raised in the Auditor General Report and monitor progress.
5. That the Audit Action Plan progress be presented to APAC and MPAC quarterly.
6. That Council refer Irregular Expenditure disclosed in the Annual Financial Statements to MPAC for investigation.
7. That Council refer Unauthorised Expenditure disclosed in the Annual Financial Statements to MPAC for investigation.
8. That Council refer Fruitless and Wasteful Expenditure disclosed in the Annual Financial Statements to MPAC for investigation

AANBEVELINGS

1. *Dat die Raad, nadat die Jaarverslag van die munisipaliteit en vertoë daaroor volledig oorweeg het, die oorsigverslag en die 2023/24 Jaarverslag sonder voorbehoude aanvaar.*
2. *Dat die Rekenpligtige Beampte, ooreenkomstig Artikel 21 (a) van die Munisipale Stelselwet, die oorsigverslag binne sewe dae na die aanvaarding daarvan openbaar maak.*
3. *Dat die Rekenpligtige Beampte die Oorsigverslag binne sewe dae by die Provinsiale Wetgewer indien.*
4. *Dat die Rekenpligtige Beampte aksieplanne ontwikkel om kwessies wat in die Ouditeur Algemene Verslag geopper word aan te spreek en vordering te monitor.*
5. *Dat die vordering van die Ouditaksieplan kwartaalliks aan APAC en MPAC voorgelê word.*
6. *Dat die Raad onreëlmatige uitgawes wat in die finansiële jaarstate geopenbaar is na MPRK verwys vir ondersoek vir die huidige jaar.*
7. *Dat die Raad ongemagtigde uitgawes wat in die finansiële jaarstate geopenbaar is na MPRK verwys vir ondersoek.*
8. *Dat die Raad vrugtelose en verkwistende uitgawes wat in die finansiële jaarstate geopenbaar is na MPRK verwys vir ondersoek.*

IZINDULULO

1. Sesokuba iBhunga, emva kokuba liyithathele ingqalelo ngokupheleleyo iNgxelo yoNyaka kamasipala nokumelwa kuyo, lamkele ingxelo yokongamela kunye neNgxelo yoNyaka wama-2023/24 ngaphandle kwamathandabuzo.

2. Sesokuba iGosa eliNika iNgxelo, ngokungqinelana neCandelo lama-21 (a) loMthetho weNkqubo zikaMasipala, lenze ingxelo yokongamela esidlangalaleni kwiintsuku ezisixhenxe zokwamkelwa kwayo.
3. Sesokuba iGosa eliNika iNgxelo lingenise iNgxelo yoLwaphulo-mthetho kwiNdlu yoWiso-mthetho yePhondo kwiintsuku ezisixhenxe.
4. Sesokuba iGosa eliNika iNgxelo liqulunqe izicwangciso zamanyathelo okujongana nemiba ephakanyiswe kwiNgxelo yoMphicothi-zincwadi Jikelele kunye nokubeka iliso kwinkqubela phambili.
5. Sesokuba isiCwangciso soMsebenzi woPhicotho-zincwadi sinikezelwe kwi-APAC nakwi-MPAC qho ngekota.
6. Sesokuba iBhunga lidlulisele iNkcitho eNgagunyaziswanga edizwe kwiiNgxelo-mali zoNyaka kwi-MPAC ukuze iphandwe kulo nyaka.
7. Sesokuba iBhunga lithumele iNkcitho engagunyaziswanga edizwe kwiiNgxelo zeMali zoNyaka kwi-MPAC ukuze iphandwe.
8. Sesokuba iBhunga lithumele iNkcitho engenaziqhamo neyiNkcitho ebhengezwe kwiiNgxelo zeMali zoNyaka kwi-MPAC ukuze iphandwe.

6. DISCUSSION / CONTENTS

6.1 Background

In terms of section 129 of the Local Government: Municipal Finance Management Act, 2003, Council must adopt an oversight report of the municipality, which must include comments on the Annual Report. The Municipal Public Accounts Committee (MPAC) is the committee of Council that is tasked with the responsibility of drafting such a report.

Council has adopted an Annual Report Process Plan that is in line with MFMA Circular 63, which requires that the whole process of the Annual Report be finalised in December each year. GRDM is the only municipality that has been complying with MFMA Circular 63 in the region, if not the whole Western Cape. However in the period under consideration, for the first time in the history of this institution, the Office of the Auditor General, issued their report very late i.e. on 26 January 2025. This resulted in the delay in finalizing the oversight process, as planned by our council.

The Draft Annual Report for the 2023/24 financial year was tabled in Council on 21 August 2024 and to MPAC and Audit and Performance Audit Committee (APAC) on 28 August 2024, as well as discussed on 28 January 2025. The Annual Report was also made public on 29 August 2024, to invite public to comments on the report.

The MFMA section 127 states that: " The council in terms of section 129, adopt an 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; or
- has referred the Annual Report back for revision of those components that can be revised.

It further states in section 130 that:

"(1) The meetings of a municipal council at which an Annual Report is to be discussed or at which decisions concerning an Annual Report are to be taken, must be open to the public and any organs of state, and a reasonable time must be allowed—

- a) for the discussion of any written submissions received from the local community or organs of state on the Annual Report; and
- b) for members of the local community or any organs of state to address the council.

- (2) Representatives of the Auditor-General are entitled to attend, and to speak at, any council meeting referred to in subsection (1).

- (3) The accounting officer must in accordance with section 21A of the Municipal Systems Act make public an oversight report within seven days of its adoption.

6.2 Purpose Of An Annual Report

The purpose of the Annual Report is:

- to provide a record of the activities of the municipality;
- to provide a report on performance against pre-determined target
- to promote accountability to the local community for decisions made.

The Annual Report of a municipality must include—

- (a) the annual financial statements of the municipality as submitted to the Auditor-General for audit;
- (b) the audit report of the Auditor-General in terms of both section 126(3) of the MFMA and section 45(b) of the Local Government: Municipal Systems Act, 2000 (MSA);
- (c) municipality's annual performance report as per section 46 of the MSA;
- (d) assessment of any arrears on municipal taxes and service charges;
- (e) 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;
- (f) particulars of corrective action taken or to be taken on issues raised in audit reports;
- (g) explanations to clarify issues on financial statements;
- (h) any other information determined by the municipality including recommendations made by APAC and any other information as may be prescribed.

6.3 Municipal Public Accounts Committee (MPAC)

MPAC is responsible, amongst other functions:

- (a) To consider and evaluate the Annual Report as tabled in Council and thereafter make recommendations to Council in this regard.

- (b) To compile an Oversight Report and table in Council and make recommendation for Council's consideration.

For purposes of complying with the requirements listed above, MPAC met on the following dates to consider and discuss the content of the Annual Report.

MPAC Member	Affiliation	28 Aug 2024	28 January 2024
Cllr J Cornelius	ICOSA	Present	Present
Cllr D Acker	FF Plus	Apology	Present
Cllr K Malooi	DA	Present	Present
Cllr JG Meiring	DA	Present	Present
Cllr Kannemeyer	DA	Present	Present
Cllr F September	DA	Present	Present
Ald IC Kritzinger	DA	Present	Present
Ald CN Lichaba	ANC	Present	Present
Cllr A October	Good	Apology	Present
Cllr Gericke	PBI	Not a Member	Present
Cllr Taute	ANC	Apology	Present

In addition to the above meetings, MPAC also met on the following dates:

- 24 July 2023
- 29 August 2023
- 28 November 2023
- 07 December 2023
- 03 April 2024

6.2 DISCUSSION

The committee met on 28 August 2024 to discuss the Draft Annual Report and on 28 January 2025 to discuss the Final Annual Report and for compilation and approval of this report. The 2023/24 Annual Report was advertised for public inputs and comments from the 29 August 2024 . No comments were received from the public/communities. The Draft Annual Report was also submitted to Provincial Treasury and Provincial Department of Local Government as well as to the Office of the Auditor General. Further to the above platforms, the Annual Report was also placed on our communications channels, including website, Official GRDM Facebook page and Newspapers. On 12 September 2024, public was invited through the Eden FM Radio to make comments to the Annual Report.

Comments were received from the office of the Auditor General and were all addressed by the administration. The final report was then sent back to the Office of the Auditor General to confirm that all the changes have been made.

The Final Annual Report, with all its components, was discussed on 28 January 2024. We would like to commend the administration for being able to compile the final set of the Annual Report with all the chapters and Annexures that are required in terms of section 127 of MFMA. The final report from the Office of the Auditor General was received on Saturday, 26 January 2025. The MPAC members were informed that the Special Council Meeting to deal with the oversight report was scheduled to take place on 30 January 2025. This meant that the administration and MPAC had to work under very tremendous pressure to ensure that the whole process is completed before that meeting. We would like to thank the speaker and council for allowing this report to be included as an addendum to the council agenda. MPAC also apologised for the late submission as this is a matter beyond their control.

7 AGSA Audit Report

The Office of the Auditor General presented their report to the MPAC on 28 January 2025. Garden Route District Municipality again received a Clean Audit for the fourth consecutive time. The committee would like, again, to congratulate Management and Political leadership for maintaining a Clean Audit.

The report of the Auditor General did not raise any material findings on the Municipality. However, there are three issues that the auditor would like to bring to the attention of the Council.

These issues are

Material impairments – receivables from exchange transactions

As disclosed in note 8 to the financial statements, receivables from exchange transactions were significantly impaired. The impairment allowance was R 50 591 262 versus R 46 817 805 for 2023 financial year.

Impairment Provisions

CATEGORY	INCL VAT	EXL VAT	VAT	%
Property Rentals	3 917 401	3 527 268	390 132	8%
Fire Fighting Fees	44 513 660	40 570 416	3 943 243	88%
Other Arrears	2 160 199	2 096 216	63 983	4%
Total	50 591 261	46 193 901	4 397 359	100%

As can be seen from the table above, 88% of this impairment relates to Fire Services Accounts which are not collectable. This has been the case for quite a number of years. Management must continue explore possible ways to collect the fire accounts. About R9 00 000 of this fire account relates to Eskom. Management should consider intergovernmental relations to address this matter.

Given the Financial Status of this Municipality, Management is encouraged to find ways to decrease the debtor's impairment provision and ensure that there are effective controls in place to ensure that debt owed to the municipality is recovered.

Our municipality is heavily dependent on equitable share allocation and failing to collect the little that we can, may be disastrous in the long run.

This impairment is always part of this oversight report, and it seems that these fire accounts are not always collectible. Management is urged again to look at possible collection methods for fire accounts. A strategy on how to deal with these fire accounts should be submitted to MPAC before June 2025.

Property Dispute With Knysna Municipality

In terms of property disputes with Knysna Municipality, Management and Council is urged to prioritise the discussion between the two municipalities to speedily address the issue of ownership of these properties. It is noted that Knysna Municipality has formally lodged a dispute.

Restatement of corresponding figures

As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2023 were restated in the financial statements of the municipality as well as for the year ended, 30 June 2024. This is because of errors found in the AFS.

The Municipality should strengthen controls to minimize the misstatements on the AFS. This should form part of the Audit Action Plan that should be developed by the administration to address all the issues raised in the AG's Report.

Irregular Expenditure

The Office of the Auditor General did highlight that the Municipality incurred an irregular expenditure amounting to R 35 158 500 (2023: R36 419 842). The causes are disclosed in the financial statements. MPAC recommends that MFMA section 32 process be followed to deal with the matters raised.

8 Audit Committee Report

On 28 January 2024, the Audit Committee presented its report to MPAC. We have considered the Audit Committee report when we prepared this oversight report. Council should also consider the extensive issues raised in that report.

7 General Matters

Financial Viability

The Municipality is assessed as a going concern. The going concern concept is a fundamental principle of accounting. It assumes that during and beyond the next fiscal period an institution will complete its current plans, use its existing assets, and continue to meet its financial obligations.

The Municipality should continue to find ways of exploring alternative revenue sources.

The Municipality should continue to leverage on its asset base, especially properties, to ensure that they generate the required revenue.

The other projects that should be prioritized are:

- Municipal Resorts
- Alternative Energy Initiatives

- Fresh produce Market
- Student Accommodation

It is important for Council to closely monitor these projects in order to ensure their success. Regular progress meetings and comprehensive reporting tools will help identify potential issues early. These tools can enhance accountability and facilitate more effective decision-making. In order to determine the effectiveness of the resorts, an assessment should be conducted. Assessments should be conducted in order to determine whether it is better for the municipality to operate these resorts or if they should instead be operated by the private sector. Private sector operation could bring increased efficiency and innovation due to competitive market pressures. This might result in improved services and facilities for guests, ultimately boosting tourism and local economy. Additionally, it could reduce the financial burden on the municipality, allowing it to allocate resources to other community projects. However, private sector management may also pose certain risks. There is the possibility that profit-driven motives could lead to cost-cutting measures that compromise the quality of services or the maintenance of facilities. Moreover, the community's needs and priorities might be overshadowed by the pursuit of financial gain, potentially leading to a disconnect between the resort's operations and the local residents' interests. To ensure community involvement in decision-making, the municipality could establish advisory committees that include local residents, business owners, and other stakeholders.

Unauthorised Expenditure

The municipality incurred unauthorised expenditure in the year under review, of R 11 965 380. This expenditure will be investigated by MAPC and detailed report, with recommendations will be submitted to council.

Fruitless and wasteful expenditure

The Municipality incurred fruitless and wasteful expenditure to the value of R 149 141. The value is immaterial; however it will be investigated by MPAC and a report will serve to council.

Performance Information

As far as performance information is concerned, no findings were raised. The Municipality achieved 86% of its planned objectives. It is commendable that this achievement has been achieved. According to the assessment conducted by the Provincial Government on performance information, there are no material concerns and the municipality is commended in this regard. There were, however, two service delivery Key Performance Indicators (KPIs) that were not met as indicated in the report. To achieve all KPIs, the municipality should conduct a thorough analysis of the factors that led to the shortfall in these areas. Implementing targeted strategies, such as reallocating resources or enhancing staff training, could address specific challenges. Regular monitoring and feedback mechanisms can also be put in place to ensure timely adjustments and improvements. The progress on this action plan should be closely monitored and reported to MPAC and APAC.

To conclude, the Chairperson of MPAC would like to thank the members of the committee, the management, and the council for their continued support and for ensuring that the work of this committee is not hindered. It is with great pleasure that we congratulate the Council, Chairpersons of the different Sections 80 & 79 Committees, the members of the Audit Committee, Management, all officials, and fellow MPAC Members on achieving our fourth consecutive clean audit. To maintain this status, it is crucial to continue implementing robust internal controls and regular financial reviews. Ongoing training and development for staff in compliance and reporting standards will also ensure that everyone is equipped to uphold the high standards set. Additionally, fostering a culture of transparency and accountability across all levels of the organization will help sustain the clean audit outcomes.

6.4 Legal Implications

No Compliance to MFMA

6.5 Staff Implications

None

6.6 Previous / Relevant Council Resolutions:

There are no previous or relevant Council resolutions related to this matter.

6.7 Risk Implications

None compliance to MFMA