

**1. OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE 2024/25 FINANCIAL YEAR / VERSLAG RAKENDE DIE OORSIGVERSLAG VIR DIE 2024/25 FINANSIËLE JAAR / INGXELO BANZI NGENGXELO YONYAKA KUNYAKAMALI KA 2024/25**

**REPORT FROM THE CHAIRPERSON OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) (CLLR J CORNELIUS)**

**2 PURPOSE**

This Oversight Report is prepared in compliance with Section 129 of the Municipal Finance Management Act (MFMA), 2003, and aims to provide a comprehensive review of the Garden Route District Municipality's Annual Report for the 2024/2025 financial year. It includes an analysis of the municipality's financial performance, audit findings, and recommendations for improvement.

**3. DELEGATED AUTHORITY**

Council

**4. EXECUTIVE SUMMARY**

The Oversight Report for the 2024/25 Annual Report of the Garden Route District Municipality (GRDM) was prepared in compliance with Section 129 of the Municipal Finance Management Act (MFMA), 2003. It provides a detailed review of the municipality's financial performance, audit findings, and areas for improvement.

The Annual Report process faced delays due to the late submission of the Auditor General's report, which was received on January 22, 2026, instead of the legislated deadline of November 30, 2025. Despite this, the municipality achieved an unqualified audit opinion with no material findings, reflecting sound financial management practices.

However, areas for improvement were identified, including irregular expenditure, unauthorised expenditure, and fruitless and wasteful expenditure. Recommendations were made to strengthen internal controls and compliance measures.

Significant impairments in receivables from exchange transactions were noted, with 75% related to uncollectable fire services accounts. Management is urged to develop strategies to address this issue. Additionally, a property ownership dispute with Knysna Municipality involving assets valued at R54.59 million remains unresolved, requiring formal negotiations.

The Audit and Performance Audit Committee (APAC) highlighted concerns regarding financial oversight, risk management, and unauthorised expenditures. The municipality achieved 75% of its service delivery targets, lower than the previous year's 90%, due to infrastructure challenges.

The municipality's financial viability remains stable, but the termination of the Road Agency agreement effective March 31, 2026, poses risks that need careful management. The report emphasizes the importance of maintaining clean audits through strengthened internal controls, regular financial reviews, and staff training.

The GRDM continues to prioritize transparency, accountability, and compliance to sustain its governance and financial performance.

## **5. RECOMMENDATIONS**

1. That Council, after having fully considered the Annual Report of the municipality and representations thereon, adopts the oversight report and the 2024/25 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 2024/25 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-2024/25 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 neyiNcitho 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 second year in a row, the Office of the Auditor General issued their report very late i.e. on 22 January 2026. This resulted in the delay in finalizing the oversight process, as planned by our council.

The Draft Annual Report for the 2024/25 financial year was tabled in Council on 22 August 2025. The report was also tabled and discussed by MPAC and the Audit and Performance Audit Committee (APAC) on 27 August 2025. The Annual Report was also made public on 2 September 2025, to invite public to comment on the report. The draft report was also sent to the provincial Treasury, National Treasury, and the Office of the Auditor General on 31 August 2025.

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—

- a) has approved the Annual Report with or without reservations;
- b) has rejected the Annual Report; or

- c) 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 targets
- 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 a 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	27 Aug 2025	05 February 2026	06 February 2026
Cllr J Cornelius	ICOSA	Present	Present	Present
Cllr D Acker	FF Plus	Present	Present	Present
Cllr K Malooi	DA	Present	No Longer a Member	No Longer a member
Cllr JG Meiring	DA	Present	Present	Present
Cllr M Kannemeyer	DA	Present	Present	Present
Cllr F September	DA	Present	Present	Present
Ald IC Kritzinger	DA	Present	No Longer a Member	No Longer a member
Ald CN Lichaba	ANC	Present	Present	Apology
Cllr CP Taute	ANC	Present	Present	Apology
Cllr A Oktober	DA	Present	Present	Present

Cllr MR Gericke	PBI	Present	No Longer a Member	No Longer a Member
Cllr A Marbi	PBI	Not a Member	Present	Present
Cllr MD Jansen	DA	Not a Member	Absent	Present
Cllr R Windwaai	DA	Absent	Absent	Present

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

- 25 November 2025
- 03 December 2025

## **6.2 DISCUSSION**

### **Annual Report Process and Public Participations**

The committee met on 27 August 2025 to discuss the Draft Annual Report and on 05 February 2026 to discuss the Final Annual Report and for compilation and approval of this report. The 2024/25 Annual Report was advertised for public inputs and comments from 2 September 2025.

Comments were received from the George Ratepayers Association and were considered. These comments mainly related to governance, service delivery, functions of districts and locals, and will be incorporated in the planning process of the next reporting cycle.

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 Newspaper and was also made available in main libraries across the district. On 20 November 2025, the Executive Mayor invited public, through Eden FM Radio to make comments to the Annual Report.

Comments were also 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 had been made.

The Final Annual Report, with all its components, was discussed on 05 February 2026.

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 22 January 2026.

## **7 AGSA Audit Report**

While the report was legislatively due by November 30, 2025, it was only received on January 22, 2026, due to delays caused by late investigations requested from the auditors, which impacted the release of the audit findings.

The Auditor General's report for the Garden Route District Municipality (GRDM) for the financial year ending June 30, 2025, provides an unqualified audit opinion with no material findings, indicating compliance with key legislative requirements and sound financial management practices.

The report highlights the municipality's adherence to the going concern basis of accounting and the absence of significant deficiencies in internal controls.

However, it identifies areas for improvement, such as the need for enhanced financial statement review processes and expanded narrative explanations for budget variances. The report also notes irregular expenditure, primarily due to non-compliance with supply chain management regulations.

Additionally, the report addresses delays in project completion due to contractor performance issues and emphasizes the importance of formal extension of time claims for accurate penalty assessments.

Report recommendations include strengthening internal controls, improving financial reporting processes, and addressing irregular expenditure through better compliance measures.

### **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 69 877 737 compared to R 50 591 262 for 2024 financial year.

#### Impairment Provisions

<b>Category</b>	<b>Debt Impaired</b>	<b>Percentage</b>
Rental Agreements	R 5 151 309	7%
Fighting Fees	R 52 435 277	75%
Other Arrears	R 12 291 150	18%
<b>Total Impairment</b>	<b>R 69 887 736</b>	<b>100%</b>

As can be seen from the table above, 75% 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 to explore possible ways to collect the fire accounts.

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 2026.

### **Property Dispute With Knysna Municipality**

According to the annual Financial statement (Note 50.4), Knysna Municipality is challenging the ownership of certain properties registered in the name of Garden Route District Municipality (GRDM). The disputed properties include:

1. Erf 20, 21 & 22 Belvedere
2. Farm 185, Portion 0-2 George Road (Swartvlei)
3. Farm 215, Portion 1-3 Knysna Road (Buffalo Bay)
4. Erf 2790, Knysna
5. Farm 191, Portion 22, Knysna Road Westford

The parties are in discussions to find a resolution to the dispute. The contingent liability related to these properties is valued at **R54,586,454** as at June 2025.

GRDM and Knysna Municipality should expedite the resolution of the property ownership dispute by prioritizing formal discussions. A dedicated task team comprising representatives from both municipalities should be established to facilitate negotiations and ensure progress.

Both municipalities should agree on a framework for resolving the dispute, including timelines, responsibilities, and potential outcomes. This framework should be documented and signed by both parties to ensure accountability.

## **Restatement of corresponding figures**

The auditors have raised several concerns regarding the restatement of figures in the financial statements and have provided recommendations for internal control improvements to address these issues.

Key concerns include material misstatements in contingent liability disclosures, budget statement variances, and irregular expenditure disclosures.

These issues were primarily caused by inadequate review processes after the processing of period 13 journals, which led to incomplete and inaccurate variance explanations and misaligned disclosures.

To address these deficiencies, the auditors recommended implementing a structured review plan with specific timelines and responsibilities for reviewing financial statements after adjustments.

This plan should ensure that all variance explanations are complete, valid, and accurate, and that disclosures align with underlying financial data before submission.

Additionally, the auditors emphasized the need for enhanced controls over financial reporting, including regular and detailed reviews of financial data, compliance checks for accounting standards, and improved oversight by internal audit and the audit committee.

These measures aim to prevent future misstatements and ensure the reliability and accuracy of financial reporting.

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, Unauthorised and Fruitless and Wasteful Expenditure**

The annual financial statements for the Garden Route District Municipality for the year ending June 30, 2025, identified the following expenditures requiring investigation under the Section 32 process of the Municipal Finance Management Act (MFMA):

1. **Unauthorised Expenditure:** Totalling R21,426,918, this includes R18,038,825 in operational overspending due to non-cash items like impairment losses and depreciation, and R2,891,661 in capital overspending across various departments.
2. **Irregular Expenditure:** Amounting to R 26 581 328, this is mainly due to non-compliance with SCM regulations.

3. **Fruitless and Wasteful Expenditure:** Totalling R95,867, this includes interest on late payments to creditors and penalties.

It is strongly recommended that all instances of unauthorised, irregular, and fruitless and wasteful expenditure be thoroughly investigated under the Section 32 process of the MFMA. This process will ensure accountability, determine the root causes, and establish appropriate corrective actions, including recovery of funds or disciplinary measures where applicable.

## 8 Audit Committee Report

The Audit and Performance Audit Committee (APAC) report for the financial year ending June 30, 2025, provides critical insights into the governance, financial management, and performance evaluation of the Garden Route District Municipality (GRDM). Below are key observations and points of interest for the Council:

### Key Observations

1. **Oversight and Advisory Role:** The APAC plays a vital role in advising the Council on financial reporting, internal controls, risk management, and compliance with laws and regulations. The committee operates under a written charter aligned with Section 166 of the Municipal Finance Management Act (MFMA).
2. **Internal Audit and Risk Management:** The APAC reviewed the implementation of the Risk-Based Audit Plan (RBAP) and noted that 90% of the planned audits and tasks were completed by June 30, 2025. The strategic risk register was not submitted to the Council on time, with corrective measures planned for submission in July 2025. The Council should ensure timely submission of critical documents like the risk register to enhance risk management.
3. **Performance Management:** The APAC reviewed quarterly performance management reports and emphasized the importance of addressing deficiencies in performance information. The Council should ensure that performance management systems are robust and aligned with strategic objectives.

4. **Financial Oversight:** The APAC highlighted concerns regarding unauthorised, irregular, and fruitless and wasteful expenditure. The Council should prioritize investigations under Section 32 of the MFMA to address these issues and ensure proper consequence management.
5. **Litigation and Policy Compliance:** The APAC reviewed the status of litigation matters and policy compliance. The Council should ensure that litigation risks are managed effectively and that policies are regularly updated and adhered to.

By addressing these observations and implementing the recommendations, the Council can strengthen its governance framework, improve financial management, and enhance overall accountability and transparency.

## 9. **General Matters**

### **Financial Viability**

The Municipality has been evaluated as a going concern, which is a fundamental accounting principle that assumes the institution will continue its operations, fulfil its current plans, utilize its existing assets, and meet its financial obligations during and beyond the next fiscal period. However, the Municipality has received a notice from the Department of Infrastructure regarding the termination of the Road Agency agreement between the two parties, effective March 31, 2026. It is crucial for the Council to closely oversee this process to ensure that it does not compromise the financial stability and sustainability of the Municipality. Additionally, the Council must take proactive measures to protect the interests of affected employees and ensure that their transfer is conducted in accordance with applicable labour relations principles.

### **Performance Information**

As far as performance information is concerned, no findings were raised. The Municipality achieved 75% of its service delivery targets, which is lower than the 90% in the previous year. The major contributor to targets not achieved is due to the infrastructure objectives relating to the capital spending on the regional

landfill site and the regravelling and regrading of roads targets. The contract between the Municipality and the service provider appointed to construct the regional landfill site has since been terminated.

In conclusion, the Chairperson of MPAC extends heartfelt gratitude to the committee members, management, and the Council for their unwavering support, which has been instrumental in ensuring the smooth functioning of the committee. It is with immense pride that we commend the Council, Chairpersons of the various Section 80 and 79 Committees, members of the Audit Committee, management, all officials, and fellow MPAC members for achieving the fifth consecutive clean audit. To sustain this commendable achievement, it is essential to continue strengthening internal controls and conducting regular financial reviews. Furthermore, investing in ongoing training and development for staff in compliance and reporting standards will ensure that the Municipality maintains its high standards. Promoting a culture of transparency and accountability at all levels of the organization will be key to preserving these clean audit outcomes in the future.

#### **6.4 Legal Implications / Legal Framework**

The Oversight Report is prepared in accordance with:

- Section 129 of the MFMA: Requires Council to adopt an Oversight Report on the Annual Report.
- Section 130 of the MFMA: Ensures public participation in the review process.
- Section 21A of the Municipal Systems Act: Mandates the publication of the Oversight Report within seven days of adoption.

No Compliance to MFMA Circular 63

Section 129 of the Local Government: Municipal Finance Management Act.

#### **6.5 Staff Implications**

None

**6.6 Previous / Relevant Council Resolutions:**

A similar report was tabled during a Council meeting of 30 January 2025.

**6.7 Risk Implications**

Failure to adopt or not adopt may result to no compliance MFMA Circular 63.