

BUFFALO CITY METROPOLITAN MUNICIPALITY

TRUST CENTRE BUILDING
CRN NORTH & OXFORD STREET,
EAST LONDON,
5200

OVERSIGHT REPORT ON THE 2018/19 ANNUAL REPORT



Volume

ONE

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Cllr. Zameka Kodwa-Gajula - MPAC Chair

OVERSIGHT REPORT ON THE 2018/19 ANNUAL REPORT



Cllr. Chumani
Matiwane



Cllr. Thobile
Mtya



Cllr. Siyabonga
Skolo



Cllr. Phindile
Miza



Cllr. Anathi Majeke



Cllr. Geoffrey Walton



Cllr. Zandisile
Tokwe



Cllr. Olwethu Ntame



Cllr. Boy-Boy Kalani



FOREWORD BY THE CHAIRPERSON OF THE MPAC

It gives me great pleasure on behalf of the Buffalo City Metro Municipal Public Accounts Committee, to present the 2018/19 Oversight Report.

This is the fourth submission of the Oversight Report of the MPAC for the 2016 political term of this Council. In carrying out its oversight responsibility the MPAC has:

- Reviewed and analyzed the Annual Report
- Invited, received and considered inputs on the Annual Report
- Considered any written comments
- Received and considered Auditor General and Council's Audit Committee views and comments on the Annual Financial Statements and the Performance Report
- Conducted public hearing where the City Municipal Manager and Directorates were present throughout and was part of responding on MPAC questions as reported in the Annual Report
- Prepared the Oversight Report, taking into consideration, the views and inputs of the representatives of the Auditor General, Council's Audit Committee, Portfolio leaders and stakeholders.

The Committee commends Council, the Executive and Management of Buffalo City Metro Municipality, however much needs to be done in planning and reporting on performance information within the Integrated Development Plan for the 2020/2021 financial year. Emphasis also needs to be placed on improving in the area of Monitoring and Evaluation of Council Programs and Administrative Oversight.

This report would not have been complete without the support and inputs of different stakeholders.

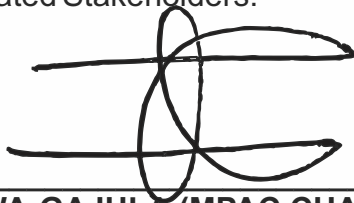
Let me therefore take this opportunity to express my gratitude to the community of Buffalo City Metro Municipality, members of MPAC, your hard work and commitment has not gone unnoticed.

Let me acknowledge the unconditional support received from the Office of the Auditor General, Audit Committee (Internal Audit and Risk Management Unit), the Office of the City Manager, the Office of the Speaker, the Office of the Executive Mayor, the Office of the Chief Whip, Portfolio Heads and Councillors.

Lastly, let me thank the support staff of the MPAC Support Office, for the contribution done towards this final product.

I therefore present the Oversight Report in which MPAC recommends for adoption with reservations of the 2018/19 Annual Report with the recommendations as recorded in this document.

The Committee has pleasure in presenting the Oversight Report to Council to consider the following resolutions and then to be forwarded to the relevant Provincial Department and key legislated Stakeholders.



COUNCILLOR: Z. KODWA-GAJULA (MPAC CHAIRPERSON)

DATE



1. PURPOSE

The purpose of this report is to provide comment to the Council on the Annual Report for the 2018/2019 financial year referred to the Municipal Public Accounts Committee vide council minute number **BCMC 129/20 dated 29 January 2020** and make appropriate recommendation thereon for adoption.

The Annual Report is the key instrument of transparent governance and accountability. It is a document which provides an overview of the process of financial and non-financial performance in respect of a previous financial period, which in this case is 2018/2019. The adoption of the Annual Report is a legislated requirement in terms of the Local Government: Municipal Finance Management Act 56 of 2000 (MFMA).

It is important to understand the accountability framework for local government in order to be able to fully and correctly comprehend the role of the Oversight Report as distinct from that of the Annual Report and any other report required in terms of the legislative framework.

The following table illustrates the accountability framework in local government:

	Responsible for	Oversight Over	Accountable to
Council	Approving policies and Budget	Mayor and Executive Committee	Community
Mayor & Executive Committee	Policy, Budget, outcomes, management of/ oversight over the Accounting Officer	Municipal Manager	Council
Accounting Officer	Outputs and Implementation	Administration	Council Mayor & Executive Committee
CFO and Senior Managers	Outputs and Implementation	Financial Management and operational functions	Accounting Officer

The oversight report is the report of the municipal council that follows consideration and consultation on the Annual Report by the council.

Therefore, in line with the above, the purpose of this report is to provide Council with the synopsis on the Annual Report for the 2018/2019 financial year as was referred to the Municipal Public Accounts Committee vide council minute number **BCMC 129/20** dated 29 January 2020 and make appropriate recommendation thereon for adoption.

2. AUTHORITY

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

3. LEGAL FRAMEWORK

The Legislation listed below is relevant and therefore applicable in the process of dealing, analyzing and review of the Annual report leading to the development of the Oversight report.

- The Constitution (1996),
- Local Government: Municipal Structures Act (1998),
- Local Government: Municipal Systems Act (2000),
- Local Government: Municipal Planning and Performance Regulations (2001),
- Local Government: Municipal Finance Management Act (2003),
- Local Government: Municipal Systems Amendment Act (2003),
- Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006),
- MFMA Circular 32,
- MFMA Circular 63
- Municipal Public Accounts Guidelines
- King IV Report
- Public Audit Act

Section 129 of the MFMA prescribes the process that must be followed by the Committee, as delegated by Council to undertake oversight to the annual report and make proper recommendations to Council within the required period of sixty days. The oversight report is the final major step in the annual reporting process of the Municipality.

In this regard the process to be undertaken by the Committee is further explained in terms of the guidelines in the National Treasury Circulars which breaks down how the Committee must perform its task and ensure that the executive and administration is held to account, for all the activities recorded in the annual report for the year under review.

The Committee must also ensure that it performs thorough analysis and review to determine whether the annual report reasonably and fairly represents the activities of the municipality in the year under review, over the broad range of performance areas that the municipality is measured upon. In this process the role of the public in making comments and inputs must not be overlooked as the guidelines clearly emphasize their role and inputs

4. BACKGROUND

The Annual Report for the financial year 2018/2019 was prepared by Management and tabled in the Council meeting dated 29 January 2020.

Arising therefrom, Council resolved vide **BCMC 129/20** dated 29 January 2020

“That the Municipal Public Accounts Committee (MPAC) report containing the Council's comments on the Annual Report be tabled within the Council within two (2) months hereof (i.e. 29 January 2020)”

5. EXPOSITION OF FACTS

The oversight report is the final step in the annual reporting process. Section 129 of the MFMA requires the council to consider the annual report of its municipality and municipal entities and to adopt an “oversight report” containing the council's comments on each annual report.

As per MFMA Circular 32:

“The oversight report must include a statement whether the council:

- i. has approved the annual report, with or without reservations;
- ii. reject the annual report; or
- iii. has referred the annual report back for revision of those components that can be revised.”

The oversight report is therefore clearly distinguishable from the Annual Report. The Annual Report is submitted to Council by the Accounting Officer and the Executive Mayor and is part of the process for discharging accountability by the executive management and administration of the municipality for their performance in achieving the goals that have been set by Council.

5.1 SEPARATION OF ROLES

There are essentially three parties / roles identifiable in the annual reporting process.

The role of Management:

Management is responsible for the preparation of the Annual Report and to submit the report to Council. The Council will thereafter refer the Annual Report to the Municipal Public Accounts Committee (MPAC) for consideration.

The role of the Committee (MPAC):

MPAC is to consider the structure and content of the Annual Report to determine whether it complies with standards set by National Treasury, contains the information required in terms of Circular No 63 and if such content fairly represents the achievements of the municipality over the relevant financial year. After consideration of the Annual Report, MPAC must prepare an oversight report in terms of MFMA Circular 32.

The role of Council:

Council's role is to receive and consider the recommendations of the MPAC with a view of taking a final decision on the matter.

This report includes the processes undertaken to examine the structure and content of the Annual Report relating to the 2018/2019 financial year as presented to MPAC by Management and incorporates the rationale for the recommendation of the MPAC.

5.2. MANDATE OF THE BCMM PUBLIC ACCOUNTS COMMITTEE OVER THE Annual Report

- Undertake a review and analysis of the Annual Report.
- Invite, receive, and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- Consider written comments received on the Annual Report from the public consultation process.
- Conduct Public Hearing(s) 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

5.3. COMPOSITION OF THE BCMM MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

The Buffalo City Metro Municipal Public Accounts Committee comprises the following members appointed by the Municipal Council:



Councillor	Zameka Kodwa - Gajula	Chairperson
	Siyabonga Skolo	Member
	Zandisile Tokwe	Member
	Boy-Boy Kalani	Member
	Anathi Majeke	Member
	Thobile Mtya	Member
	Phindile Miza	Member
	Geoffrey Walton	Member
	Chumani Matiwane	Member
	Olwethu Ntame	Member
Officials	S. Caga	MPAC Programme Manager
	S. Handi	MPAC Technical Support
	Z. Manyisane	MPAC Technical Support
	S. Xoki	MPAC Technical Support
	N. Frans	MPAC Technical Support

5.4. PROCESS FOLLOWED TO UNDERTAKE OVERSIGHT ON THE ANNUALREPORT

5.4.1 Submission And Tabling Of The Draft Annual Report

The Draft Annual Report of the Buffalo City Metropolitan Municipality for the 2018/2019 financial year was tabled at a **Scheduled Council meeting, on 29 January 2020**, in terms of section 127(2) of the Local Government: Municipal Finance Management Act 56 of 2003.

Council resolved at its meeting held on 29 January 2020 on the following:

- (1) That the tabling of the Draft Annual Report be adopted; and
- (2) That the Municipal Manager in terms of section 127 (5) of the MFMA:
 - (a) Make public the Draft Annual Report for 2018/2019 financial year;
 - (b) Invites the local community and to submit representations in connection with the Annual Report on or before 31 March 2020;
 - (c) Submit the Draft Annual Report to the Auditor-General, the Provincial Treasury and the Provincial Department responsible for Local Government;
- (3) That the Annual Report and Oversight report on or before 31st March be presented to council for consideration and adoption;
- (4) That the Draft Annual Report be referred to MPAC for oversight.

5.4.2 Circulation Of The Annual Report

The Draft Annual Report was advertised as follows:

- The local community was invited via the Daily Dispatch and website of the Buffalo City Metro Municipality to submit comments / objectives in connection with the Report on or before 31 March 2020.
- The Annual Report was placed on the municipal website at www.buffalocity.gov.za
- The Annual Report was submitted to all relevant government departments.
- At the closing date for public comments on the 9 March 2020, few comments / representation were received.

5.4.3 Preliminary Planning Phase

Below is the approved schedule of activities approved by MPAC for the Oversight Report.

Date	Committee Activity	Key Stakeholders	Venue
4 Feb 2020	Stakeholder's briefing Session	MPAC Chair and Support Staff	ELIDZ
18-20 Feb 2020	Annual Report Analysis Session	MPAC, Support Staff, Audit Committee, Internal Audit, Auditor General	EMPHEKWENI HOTEL & RESORT
27 Feb 2020	Site Visits	MPAC Members and Support Staff	V A R I O U S PROJECTS
2 March 2020	Departmental Engagements	Spatial Planning & Developments Economic Development & Agencies Human Settlements	WAR MEMORIAL-KWT
4 March 2020	Departmental Engagements	Municipal Services Infrastructure Services	N O N D L W A N A METHODIST CHURCH – MDANTSANE
5 March 2020	Departmental Engagements	Corporate Services Health & Public Safety	C A M B R I D G E HALL
6 March 2020	Public Engagements	Stakeholders	ELIDZ
9 March 2020	Departmental Engagements	Finance Executive Support Services International Organizational & Civic Relations Office of the Executive Mayor Office of the Speaker Office of the City Manager	CITY HALL
11-13 March 2020	MPAC Work Session- Compilation of Oversight Report	MPAC and Support Staff	R O Y A L S T A N D R E W S HOTEL
17 March 2020	MPAC Review of draft oversight report	MPAC and support staff	Warm Karos B & B
19 March 2020	MPAC Review of draft oversight report	MPAC and support staff	Warm Karos B & B

5.4.4 Annual Report Review Session - Presentations By External Auditors & Municipal Providers Of Assurance Were As Follows:-

Stakeholder	Participatory Role
Office of the Auditor General	Presentation of the 2018/19 Audit Report
Audit Committee	Presentation of the Audit Committee 2018/19 Annual Report and 2019/20 First Quarter Report
Internal Audit	Presentation of the Review of the Annual Report

(i) Presentation By The Office Of The Auditor General

The AGSA conducted a presentation on the 2018/2019 financial year audit opinion including the overall control environment of the municipality. The AG Report was presented to Council in January 2020 and the Municipality got a Qualified Audit Opinion. (a copy of the Detailed Presentation by the AGSA is attached hereto as part of the minutes – **Annexure 1**).

The following issues were drawn from the presentation due to their direct relevance to different Chapters of the Annual Report to be analysed.

- The Municipality was qualified in two areas, Irregular Expenditure due to limitation of Scope as well as on Commitments. The recommendation of the AG has since been that the Municipality should perform the full review of the total population of Irregular Expenditure this year as a remedial measure
- Performance information review or audit was done for 3 Strategic Objectives of the Metro and the AG has since recommended that the Internal Audit Unit review all the Strategic Objectives.
- Circular 88 contributed to the disclaimer on the Performance Information of the Municipality and the limitation of not having the right POE.
- Also the Leadership of the Municipality did not adequately exercise its Oversight Role or Responsibility.
- The Audit Improvement Plan was not adequately designed, implemented and monitored and did therefore not address the root causes of audit findings and thus should be monitored in all Departments.

(ii) Presentation By The Audit Committee

The Audit Committee derives its mandate that sets out its subsequent roles and responsibilities through Section 166(2) and (3) of the Municipal Finance Management Act in conjunction with Treasury Regulations, National Treasury Internal Audit Framework, MFMA Circular 65 and Council Mandate.

The Chairperson of the Audit Committee presented both the 2018/19 Annual Report of the Audit Committee as well as the 2019/20 Quarter 1 Report to the Committee. Upon deliberations based on the reports, the Committee felt the Report by the Chairperson was lacking certain details since the Report was high-level.

One of the major concerns from the Committee is its continued non-representation and participation in the Audit Committee Meetings as well as not receiving the Reports of the Audit Committee.

Based on the Report of the Audit Committee, during the year under review 4 Ordinary Committee meetings were held and 3 Special Meetings were held. In its work the Audit Committee considered the work performed by the Internal Audit through the Quarterly Reports. The Audit Committee noted some system weaknesses and thus recommended corrective measures, however of concern to the Committee was the non-implementation of the Internal Audit Recommendations.

Below are issues lifted by the Audit Committee Reports which have since been confirmed during the Review of the Annual Report and the AG Report Analysis as continuing structural weaknesses that are still a challenge within the institution.

Source	Issues Raised
Audit Committee Report	Lack of Proper Record Keeping
	Lack of Effective Communication and Co-ordination between Directorates -Silo
	Deficiencies in Performance Reporting
	Inadequate or Slow Response to Internal Audit Findings
	Capacitation of Risk Management and Internal Audit Units
Audit Committee Report based on Internal Audit Assurance	Delays and Quality of Management Comments
AG Management Report	

For the Detailed Report of the Audit Committee (Annexure 2).

(iii) Presentation by Internal Audit

As indicated earlier in this report, Internal Audit's review was mainly a compliance review to give management an idea of the areas which did not meet the required standards as set out in the template associated with Circular No 63 (**Annexure 3**). This report assisted the Committee during their review and discussions of the draft Annual Report.

The 2018/2019 Internal Audit report sets out that, of the total number of Three Hundred and Sixty three (363) issues in the relevant six (6) Chapters (highlighted below), that were reviewed – Two Hundred and Fifty-one (251) issues or 73% were fully addressed by Management. Five (5) issues or 2% were not addressed and Ninety (90) issues or 24% were partially addressed. Seventeen (17) or 1% of the issues were not applicable to the institution.

The above details per Chapter are hereby summarised as follows:-

Chapter 1: Mayor's Foreword and Executive Summary

A total number of twenty four (24) issues were reviewed under Chapter 1. Out of these, 17 or 71% of the issues were fully addressed by Management in the Draft Annual Report. One issue or 4% was not addressed and 6 or 25% was partially addressed.

Chapter 2: Governance

Thirty Governance issues were reviewed under Chapter 2, there were 21 issues or 70% that were addressed by Management in the Draft Annual Report. Two or 1% of these were not addressed, 6 or 25% were partially addressed, whilst 17 or 7% was not applicable to the institution.

Chapter 3: Service Delivery Performance

235 Service Delivery Performance issues were reviewed under Chapter 3. 156 or 67% of the issues were fully addressed by Management in the Draft Annual Report, 2 or 1% was not addressed, 60 issues or 25% was partially addressed, with 17 not applicable to the institution.

Chapter 4: Organizational Development Performance

30 Organizational Performance issues were reviewed under Chapter 4 . There were 25 issues that were fully addressed by Management whilst 4 issues or 13% were partially addressed.

Chapter 5: Financial Performance

44 Financial Performance issues were reviewed under Chapter 5. 30 or 68% were addressed, 2 were not addressed whilst 12 or 27% were partially addressed.

Chapter 6: Auditor General Findings

NOTE: at the time of the review the auditor general finding was not attached to the report submitted to the Internal Audit, during the analysis of the Annual Report MPAC reviewed Chapter 6 and the following were noted:

There was a 44% increase in the number of findings raised which clearly indicates weakness in the control environment as indicated by AG.

- Out of the total number of findings raised, 26% (37) findings are repeat findings. (Refer to detailed findings attached)
- BCMM has maintained a qualified outcome from 2017/2018 to 2018/2019 which is not painting a good picture to the Metro especially after receiving an unqualified report outcome for 2016/2017 financial year
- Leadership has not ensured that there is credible in year reporting on financial and performance management
- The information Technology remains an area of concern as the municipality systems are still not fully utilised and not integrated.
- The control environment with respect to the monitoring and reporting of predetermined objectives has not improved from the prior period.
- The Annual Financial Statements submitted for auditing were not prepared in all material respects in accordance with the requirement of Section 122 (1) of the MFMA.
- Leadership did not adequately oversee financial and performance reporting and compliance with legislation, in this regard, leadership did not appropriately monitor the implementation of policies and procedures to support the achievement of credible reporting and compliance with legislative requirement.

5.5 ANALYSIS AND INTERROGATION OF THE 2018/19 ANNUAL REPORT CHAPTERS BY THE COMMITTEE

The Analysis of the Annual Report for 2018/19 was conducted through group work based on the Chapters that make up the Annual Report. The Annual Report was considered along with the 2018/19 Revised SDBIP as well as the Audited Performance Report. Commission reviews also included subsequent independent verification of the issues that Internal Audit had noted based on the use of Circular 63 on Compliance.

In addition to the Internal Audit Report and the Audited Performance Report, the Auditor General's Report was extensively analyzed independently so as to bring harmony to the work of the Committee on areas of both Financial and Performance Information covering all the 6 Chapters of the Annual Report that had a direct bearing on different areas including Good Governance and Oversight within the Metro's performance environment.

The findings of this review were then used to prepare questions of clarity or concerns and statements of items to be corrected by management. (Copies of the minutes are attached hereto – **Annexure 4**)

The sessions for the review of the Annual Report took the form of Commissions which were then allocated certain Chapters of the Annual Report as follows:

Commission Reference	Commission Members	Allocated Chapter	Chapter Title
Group A	Cllr Majeke (Leader) Cllr Tokwe Cllr Gajula Mr Moonsamy(Support) Ms Xoki(Support) Ms Lerato(Support)	3	Service Delivery
Group B	Cllr Matiwane (Leader) Cllr Mtya Cllr Miza Mr Handi (Support) Ms Tyali(Support) Mr Mzamo (Support)	1 & 2	Mayor's Foreword and Executive Summary Governance
Group C	Cllr Skolo (Leader) Cllr Kalani Cllr Walton Ms Frans(Support) Mr Jongwana (Support) Ms Songelwa (Support)	4 & 5	Organizational Development Performance Financial Performance

5.6 OVERSIGHT HEARINGS QUESTIONS TO DEPARTMENTS

Subsequent to the detailed analysis of the Annual Report, the Committee reconvened and prepared draft questions to the different Directorates based on the Chapters that affect them individually. From the different Chapters, different Directorates were affected, thus cutting across. The questions also incorporated matters of further clarity by the Committee, issue or Comments as well as matters for further rectification on the Annual Report.

For the Detailed Questions sent to Departments based on the Committee Independent Analysis and Review of the Annual Report, see attached (Annexure 5)

Below are the various Directorates to which the MPAC Questions on the Annual Report were sent:

Department	Total Number of Questions	Confirmation of Receipt by HOD	Questions Responded to through Written and Oral Replies
Spatial Planning & Development	7	Y	Y
Human Settlements	5	Y	Y
Municipal Services	7	Y	Y
Infrastructure and Basic Services	16	Y	Y
Economic Development & Agencies	2	Y	Y
Executive Support Services	1	Y	Y
Public Safety & Health	8	Y	Y
Corporate Services	11	Y	Y
Finance	33	Y	Y
Office Of the City Manager	21	Y	Y
Office of the Executive Mayor	7	Y	Y
Office of the Speaker	8	Y	Y

5.7 SITE VISITS

Based on the review of the Annual Report, the Committee decided on key Service Delivery areas or Projects that were to be visited to further verify or substantiate certain matters on the Report.

This is part of independent verification that is inherent in the MPAC Work on every review of Performance Targets against the Actual Performance. The approach adopted by the Committee was primarily based on judgement and the second basis to complement the approach was based on the review findings around a particular project or area of service delivery where the Committee felt a need to also independently verify. This was meant to confirm their completeness and also to check their impact to the Community.

Site visits groups comprised all the MPAC Committee members and the relevant officials of such visited or selected sites. The Detailed Site Visits Report is contained in

(Annexure 6)

Below is the date of sites visited:

Site Visit Date	Area Visited	Specific Project / Place
27 February 2020	Postdam	Potsdam/Needs Camp Bridge
27 February 2020	Mdantsane	MdantsaneQumza Highway Road
27 February 2020	Mdantsane NU2	Mdantsane Swimming Pool
27 February 2020	Egoli	EgoliHighmast Lights
27 February 2020	Braelyn	Traffic Mechanical Workshops
27 February 2020	Braelyn	Braelyn Traffic Department Refurbishment and Security
27 February 2020	Arcadia	Bus Depot Workshop
27 February 2020	East London-CBD	East London Fire Department CCTV Cameras

5.8 DEPARTMENTAL ENGAGEMENTS ON THE ANNUAL REPORT

Having submitted their written responses to the MPAC Questions, the Departments were engaged through Internal Sessions that were held in Public view. The Public as part of the processes, were also afforded an opportunity to engage through asking Questions and sponsoring comments as well as recommendations. The inputs from the Public as stakeholders are contained on a separate report contained in **(Annexure7)**.

As per the Planning document, there were no deviations from the scheduled dates of the Departmental Engagements, with the exception of re-arrangement of Departments within the same dates. The Departmental Hearings including the Stakeholder Engagement Session were held from the 2nd to the 9th of March 2020.

Below is the revised Schedule of the Departmental Hearings which took place:-

Date	Department	Venue
2 March 2020	Spatial Planning & Developments Human Settlements Economic Development & Agencies	WAR MEMORIAL-KWT
4 March 2020	Municipal Services Infrastructure Services	NONDLWANA METHODIST CHURCH – MDANTSANE
5 March 2020	Corporate Services Health & Public Safety	CAMBRIDGE HALL
6 March 2020	Stakeholders	ELIDZ
9 March 2020	Finance Office Of the Executive Mayor Office of The Speaker Executive Support Services Office Of the City Manager	CITY HALL

5.9 PUBLIC ENGAGEMENTS ON THE ANNUAL REPORT

Stakeholders formed part of the Review of the Annual Report as part of Public Engagements on the process. The session with the Stakeholders was as highlighted in the schedule above, held on the 6th of March 2020 at the ELIDZ.

Initial stakeholder consultation was held on 4th Feb 2020 and the Annual Report Session comes as a sequel to the request of Stakeholders towards contributing to the improvement of the Annual Report and taking forward some concerns that will arise in discussions.

The aim was for the stakeholders to express an opinion around the operations of the Municipality with the aim of improving Accountability.

(i) Key Stakeholders represented on the day were as follows:-

Key Stakeholder Name/Organization

Mercedes Benz of South Africa

Eskom

People's Movement for Land Revolution

BCMM Ward Committee Organization

SANCO

PAC

Kwanele Peoples Movement Agenda 7

(ii) The following Stakeholders tendered their apologies for the day:-

- CEO of ECDC
- Border Kei Chamber of Business

(iii) Presentations By Stakeholders

Each stakeholder represented was given up to 15 minutes to present issues based on the review of the Annual Report.

1. Eskom - Stakeholder Management and Communication
2. SANCO (did not have a presentation as it was for the first time attending)
3. BCMM Ward Committee Organisation
4. Kwanele Youth Organisation
5. People's Movement for Land

5.10 INDEPENDENT EVALUATION OF THE DEPARTMENTAL REPOSNSSES BY THE COMMITTEE

Subsequent to the submitted Written Replies to the Committee as well as Oral Responses entertained during the hearings, the Committee evaluated the Departmental Responses based on the collective of the criteria listed below. This was meant to enable the Committee to arrive at a fair decision as to whether the Questions were Adequately Addressed, Partially Addresses or Not Addressed, so as to ensure follow up and remedial measures are taken by the Departments:-

Adequacy of the Responses

Relevance of the Responses to initial questions

Completeness of the Information submitted as per request of the Committee

Resubmission of Information to the Committee where such request was made during the hearings

Requested information during the Hearing, to be further submitted for the purposes of the Compilation of the Oversight Report

Submission of Written Responses by the Departments

Satisfactory or Non-Satisfactory state of Responses

Uncleared Findings Status

Plan on Questions Responded to but Findings Still remaining

A Clear Plan of Action to deal with the Issues even though unresolved

Committees Assessment of Departmental Responses

Below are the written submissions from different departments in response to the Questions that were sent to them. These have also be presented as Oral Replies during the Departmental Hearings. Based on the assessments that have been done after the completion of all the Hearings, the Committee has evaluated these and the final verdict per Department is contained below, with other departments having to further effect the changes or recommendations from the Committee

See Attached Annexures (ANNEXURES 8 a-h)

Department	No of Issues Raised	Adequately Addressed	Partially Addressed	Not Addressed
Office of the Executive Mayor	7	7	0	0
Office Of the Speaker	8	8	0	0
Office Of the City Manager	22	19	3	0
Finance	33	28	5	0
Human Settlements	5	5	0	0
Municipal Services	8	7	1	0
Spatial Planning & Development	5	5	0	0
Health & Public Safety & Emergency	9	6	3	0
Infrastructure Services	13	13	0	0
Corporate Services	12	8	4	0

5.11 SUMMARY OF THE CORRECTIVE ACTIONS REQUIRED:

The findings of the Committee which provide support for the recommendations of the Committee are detailed hereunder:

5.11.1 Summary of the Committee's Review:

The review conducted by the Committee included checking the text and tables within the annual report, however, it should be noted that this was not done for 100% of the draft Annual Report.

The committee considered the initial report that was submitted to the council, and adopted by the council on the 29 January 2020, therefore no assurance can be provided on whether the areas highlighted had been corrected or not.

The Committee is concerned with the financial well-being of the Institution which is affected by the financial reporting included in the Annual Report. There were instances where financial information was not consistently reported on.

During the initial review of the report, it was clear that management has placed more emphasis on the importance and compliance to the requirements relating to the 2018/2019 Annual Report, notable areas of improvement from the 2017/2018 to the 2018/2019 Annual Report can be highlighted as:

1. Tables included in the 2018/19 Annual Report reflect the relevant financial year, and not merely “Year -3”, “Year -2”, etc;

2. Narratives relate to the 2018/2019 financial year (except for a few instances noted);

3. Management appears to have applied their mind better in the preparation of the Annual Report, however, the perception that the report is merely compiled for compliance purposes, has not been dispelled;

4. Majority of valuable information has been included in the report.

Other examples of data appearing to be incorrect is incorporated below per chapter or appendix where applicable. It should be noted that although certain chapters may appear to relate to one specific department, the information contained in each chapter could relate to other departments as well, in other words the chapters should not be seen in isolation but rather as inter-departmental reporting.

CORRECTIVE ACTIONS REQUIRED TO BE CORRECTED IN THE ANNUAL REPORT.

CHAPTER	CORRECTIVE ACTIONS REQUIRED
<p>Chapter 1: Mayor's Foreword & Executive Summary</p>	<ul style="list-style-type: none"> • The signature of the City Manager is appended mid way the summary (page 20) however the content proceeds to page 49. – <u>Page 16</u> • Circular 63 clearly indicates that risk information should be included in the executive summary but it is included under governance in the report and the explanation from the office of the city manager says it was meant to curb duplication of information.
<p>Chapter 2: Governance</p>	<ul style="list-style-type: none"> • T2.6.1 No information on how mitigation is undertaken and the table does not have a column to report on mitigation. – Page 88
<p>Chapter 3: SERVICE DELIVERY PERFORMANCE (PART 1)</p>	<ul style="list-style-type: none"> • Service Delivery Introduction: Electricity is reflected on the APR but not in the AR. This must be included – Page 119. • Source of water: the Annual Report reflects Blue Drop and the Management said that it no longer applies and that the new rating system is SANS 241 therefore, it must be updated in the Annual Report – Page 130. • Table incomplete and must be filled in appropriately – Page 165. • Table T.3.4.9 needs to be corrected and all the tables must be aligned– Page 172. • Paragraph 3 introduction to housing: 450 top structures 67 achieved – recorded as over achievement. Contradiction of fact noted. This must be corrected. – Page 175. • Paragraph 6 Overview on Human Settlements: Targets need to be included – Page 183. • Paragraph (b): Qumza Highway - reporting in the incorrect financial year. This information must be removed – Page 203. • Introduction to planning: Introductions are exactly the same this must be corrected/amended so that it reads correctly that BCMM are implementing agents. This must be corrected in Annual Report – Page 235-239. • Paragraph 4: Figures don't corelate with page 165 and ought to be fixed in the Annual Report – Page 282. • Paragraph 3: reference to biodiversity environment, the reporting narrative is noted but targets need to be included in A/R – Page 317. • Paragraph 4: introduction to police the targets and the actual performance recorded need to be included in the Annual Report – page 335. • Paragraph 1- Targets set in IDP: Performance fire services overall and this must be included in the Annual Report -Page 369.

**Chapter 4:
Organisational
Development
Performance
(Performance II)**

- Component B: Managing the Municipal Workforce - T 4.2.0 under reporting on the outcomes on issues such as job evaluation process including labour meetings, and this must be included in the Annual Report – Page 460.
- Comment on Workforce Policy Development: T 4.2.1.1The policy table and comment provided under the T4.2.1.1 are not aligned, rectify this must be amended on the Annual Report - Page 463.
- Component C: Capacitating the Municipal workforce - No clear progress provided on what reviews had been done on the retention, talent and change management policies. This ought to be included in the Annual Report.- Page 469.
- Skills Development Expenditure: No reporting on ISDG program and its impact for the FY under review. This ought to be included the Annual Report – Page 473.
- Component D: Managing the workforce expenditure - No highlights provided on the status of the job evaluation process and reporting on absenteeism Such information must be included in the Annual Report – Page 474.

**Chapter 5:
Financial
Performance**

- Liquidity Ratio:T.5.4.1 - MPAC is concerned that the ratios are not going in the correct direction. Can this be put in context and explained in the A/R – Page 499.
- Component C: No reporting on successes and failures on debtors, issues related to billing and valuation as flagged out by the AG Noting the concerns expressed in the AG report, provide clarity with the billing problems, collections, etc. include the same in Annual Report – Page 508.
- No reporting made in terms of the action plans on the AIP, MSCOA, Interns as well as the Indigent Register campaign and cost reflective tariffs. Noting the concerns expressed in the AG report, provide clarity with the billing problems, MSCOA, interns, indigent register campaign, cost reflective tariffs etc. include the same in Annual Report – Page 508.
- SCM: The roll out of EDMS and E-Procurement is not reported indicating non-implementation of the commitments made by Management. Inadequate reporting Unauthorised, Irregular Expenditure, Fruitless and Wasteful Expenditure. No reporting on the commitments, contractual register and Work in progress. Such ought to be included in the Annual Report. – Page 512.

**Chapter 6:
Auditor General
Audit Findings**

- AG: Report 17/18 Financial Year: Action Plan - No reporting on the achievements/outputs on the AIP for the year under review. This ought to be rectified in the Annual Report – Page 515

Appendices

- Appendix A: Councillors, Committee allocation & Council attendance - The information provided is inaccurate and it ought to be corrected in the Annual Report – Page 535.
- Appendix B: Committee & Committee purpose - The information provided is incomplete such as ethics Committee, petitions committee and the Women`s Caucus Committee and it ought to be corrected in the Annual Report – Page 535
- AppendixJ: Disclosures in financial interest - The table provided in the A/R does not follow the template.
- Appendix Q: Service backlogs - Table ought to be completed since it is a cross-cutting function and it ought to be corrected in the Annual Report.

5.12 FINDINGS

Without attempting to set out all the issues / findings within the report, the following noticeable issues are recorded.

5.12.1 REGRESSION

The following comments and findings are extracted from the Auditor General's Management letter:

The Committee concurs therewith.

- "8. The audit outcome of the group (Buffalo City Municipality and its entity) remained qualified for a consecutive year. Disciplines and processes necessary to ensure coordination between departments and ensuring alignment with strategic objectives were not instilled. Those charged with oversight did not investigate all transgressions relating to unauthorized, irregular and fruitless and wasteful expenditure"*
- "9. The slow response to our messages and failure to adequately implement the audit intervention plan to address the root causes of the prior year audit findings, resulted in a number of repeat findings. There is a continued dependence on the external audit process to identify material misstatements which are then subsequently adjusted for by Management. The information technology remains an area of concern as the municipal systems are still not fully utilized and are also not integrated."*

“10. There is a regression in the implementation of Supply Chain Management (SCM) related controls which resulted in a qualification on the completeness of irregular expenditure and SCM non-compliance being reported in the audit report. This was as a result of instability in the key monitoring positions of the SCM unit.”

“11. The control environment with respect to the monitoring and reporting of predetermined objectives has not improved for the prior period. As reported in the prior financial year, the unit responsible for this area does not have an adequate system to collate and report on their performance. In addition, the unit does not work in an integrated manner with other directorates. As a result, there were numerous material misstatements identified within the reported annual performance report.”

1. Notwithstanding that the Accounting Officer was involved in the Audit process and ensured that the control process was sufficiently capacitated, the overall audit outcome stagnated and further regressed in certain areas.
2. The Executive Mayor provided political guidance on budgeting and other aspects of financial planning on a consistent basis, but the 37 repeat findings for the year under review indicate that the Executive Mayor did not ensure compliance with Section 131 (1) of the MFMA which states that *“A Municipality must address any issues raised by the Auditor General in an Audit Report. The Mayor of a Municipality must ensure compliance by the municipality with this subsection.”*.
3. Leadership demonstrated a slow response to the AGSA messages and failed to implement the audit intervention plan to address the root causes of the prior year audit findings. (repeat)
4. The control environment with respect to the monitoring and reporting of predetermined objectives has not improved from the prior year)
5. The lack of capacity of the Internal Audit for the year under review has contributed to the unit not completing all its planned audits. (Paragraph 85 on page 23 of the Management Report)
6. Management committed in the previous financial year, to address the root causes of the audit findings through the implementation of the Audit Improvement Plan (AIP) and the establishment of the Operation Clean Audit Committee, however, it has become clear that the AIP that the management had prepared as an intervention for the year under review did not address the root causes of the audit findings. The Operation Clean Audit Committee appears to be ineffective in carrying out its function of addressing the actions contained in the AIP as the status quo to the audit opinion remains.

5.12.2 LACK OF ACCOUNTABILITY WITHIN THE INSTITUTION

There is no indication that the Executive Mayor played his oversight role over the Accounting Officer in relation to monitoring and implementation of policies and procedures to support the achievement of credible reporting and compliance with legislation which has been confirmed by the AG under note 87.

The following comments made by the Auditor General further highlight the challenges with regards to Accountability:

- The executive mayor provided political guidance on budgeting and other aspects of financial planning on a consistent basis to the relevant officials in the municipality. However, the number of repeat audit findings indicates that the action required to be taken by the executive mayor in terms of section 131 of the MFMA was not adequate.
- Management's lack of integrated systems to account and report on financial and performance management had resulted in the information being unreliable.
- The Management has not ensured that there is credible in year reporting on financial and performance management. The lack of credible reporting by the management has a bearing on accountability.
- It appears that the Speaker and/or the Chief Whip of the Council did not adequately monitor the functioning of the Portfolio Committees, as well as the ward committee functionality.

5.12.3 MATERIAL LIMITATIONS EXPERIENCED BY THE AUDITOR GENERAL WHICH ADVERSELY AFFECTED THE AUDIT OUTCOME.

1. Management did not submit sufficient appropriate audit evidence which contributed to the limitations placed on the scope of work by the Auditor General and that in turn resulted in the disclaimer pronounced on the strategic objectives of the Institution. The Municipality received a disclaimer on the 5 strategic objectives of the MGDS.
2. The Auditor General has raised concern in relation to the slow response to messages and that the information submitted was not always sufficient, accurate and did not provide assistance. The lack of urgency in responding to the Auditor Generals messages appears to have negatively impacted on the Audit Outcome

5.12.4 SERVICE DELIVERY

1. The Committee raises with concern the repeat findings as a result of non-implementation of oversight recommendations adopted by Council. Below are the repeat findings that are relevant for the year under review:

- Concern is expressed regarding the poor oversight role by the leadership over the administration in relation to service delivery with emphasis on the areas listed below amongst others:
 - Electrification of informal settlements
 - Waste management
 - Electricity and Water losses
 - The effects of silo mentality by management, the lack of adequate monitoring and implementation and poor planning have all impacted negatively on service delivery and added to the cost of projects or the loss of revenue.
 - The lack of integrated planning between Infrastructure Services and Spatial Planning & Developments Directorates in relation to electrification of informal settlements has contributed to the failure of meeting the targets set in the SDBIP's.
 - BCMM has no Service Level Agreement with Eskom which impacts on the delivery of services (Electricity) to several areas.
2. The Finance and Infrastructure Services Directorates demonstrate a lack of integration (silo) relating to the accounting treatment of electricity and water losses.
 3. It appears that poor planning and poor project management are the primary contributing factors that led to the non-implementation of the NU 2 swimming pool project.

5.12.5 INACCURATE AND UNDER REPORTING

Failure by management in addressing issues raised by the Municipal Public Accounts Committee in previous Oversight reports in relation to inaccurate and under reporting, demonstrates lack of commitment in implementing the council resolutions. This has led to repeat findings by the committee in this regard.

The committee notes that the management is yet to address the inaccurate reporting and under reporting which has compromised the content and context of the report.

5.12.6 SUPPLY CHAIN MANAGEMENT

1. The Committee notes with concern the regression in the Supply Chain Management (SCM) operations for the year under review which has resulted in a qualification on Irregular Expenditure. Management has shown no commitment to the implementation of SCM policies with regular monitoring and reporting thereof. The following are the areas of regression on the SCM unit:

- Irregular Expenditure- Section 125 requires that the irregular Expenditure be fully recorded in the Consolidated Financial Statements. The Auditor General found this was not done, and the full extent of the Irregular Expenditure was impractical to determine.
 - Commitments- The Auditor General found that the municipality did not fully comply with GRAP 17 which prevented the AG from fully determining the extent of the misstatements. The Auditor General also noted that there was no reconciliation between the contracts register, commitments register and the work- in - progress register which contributed to the qualified opinion.
- 2.The lack of monitoring and implementation of SCM policies with regard to Procurement processes and Contracts Management still remains a challenge and a clear indicator that the previous oversight recommendations were not implemented.
- The following have been cited by the Auditor General:
- The provisions of the PPPFA and the preferential procurement regulations were not adhered to in the award of contracts and the contract performance and monitoring measures and methods were not sufficient to ensure effective contract management as envisaged in section 116 (2) (c) of the Municipal Finance Management Act.
 - Preferential procurement regulation 8(2) and 8(5) of 2017 requires that bid documentation for the procurement of commodities designated for local content and production stipulate the minimum threshold for local production and content. Some of the bid documentation did not comply with this regulation.
 - SCM regulation 19 (a) was not complied with in certain instances where procurement of goods and services above the value of R200 000 was done without inviting competitive bids, giving rise to potential irregular expenditure.
- 3.The Irregular, Fruitless and Wasteful Expenditure transgressions identified further highlights the non-implementation of SCM policies and previous years' oversight recommendations.
- It appears that no consequence management in terms of Section 32 (2)(b) of the MFMA had been undertaken in the year under review. A.G has highlighted that no investigation had been undertaken to determine whether any one is liable for the irregular or fruitless and wasteful expenditure. This demonstrates a lack of commitment by Management to address this increase in transgressions.
 - It appears that the Accounting Officer has not complied with the provisions of Section 62(1)(d) of MFMA which states that *“(1) The Accounting Officer of a municipality is responsible for managing the financial administration of a municipality, and must for this purpose take all reasonable steps to ensure – (d) that unauthorised, irregular fruitless and wasteful expenditure and other losses are prevented”* as he did not take reasonable steps to prevent Unauthorized, Irregular, Fruitless and Wasteful Expenditure.

5.12.7 FAILURE TO IMPLEMENT THE AUDIT INTERVENTION PLAN

1. The management has failed to adequately implement the audit intervention plan to address the root causes of the prior year audit findings and this has resulted in a number of repeat findings. There is a continued dependence on the external audit process to identify material misstatements which are then subsequently adjusted for by Management.
2. The Committee has noted with concern the continued deficiencies in internal controls which are not addressed by the Audit Improvement Plan. It is not clear whether this is as a result of Audit Improvement Plan having limitations or non-implementation of the Audit Improvement Plan. The AG highlighted the following areas of concern some of which are repeat findings of MPAC over a period of years which have not been addressed:

- Poor work ethic within the Municipality resulting in misalignment with the strategic objectives and vision of the Municipality.
- Continued siloism which do not integrate the efforts of the Municipality as a whole resulting in misalignment with operating procedures of departments
- Lack of consequence management which sets the tone that the culture of transgressions of relevant laws and regulations are acceptable.
- Lack of oversight and inadequate reviews performed resulting in material misstatements in Annual Financial Statements and Performance Reports
- The lack of adequate implementation of policies and procedures contributed in instances of non-compliance
- Inadequate monitoring of the implementation of the Audit Improvement Plan

5.12.8. Ineffectiveness of the Internal Audit Unit

1. The ineffectiveness of the Internal Audit Unit to complete its planned audit during the year contributed to the lack of monitoring of the implementation of the Risk Management Strategy and Fraud Prevention Plan and further hampered the functioning of the Audit Committee.
2. Management appears to be ineffective in addressing resolutions made by the Internal Audit Unit. In addition, the Council resolution regarding the capacitation of the Internal Audit Unit has been only partially addressed through a co-sourcing arrangement.

5.12.9. Declining liquidity position of the Institution

1. The Committee raises concerns with regards to institutional financial viability. This is evident from the AG's assessment on page 29 finding 112 of the Management Report where the following are highlighted:
 - Debtors collection period has increased from the prior period which indicates that the Municipality is struggling to collect from its debtors.
 - Management continues to impair almost 50 % of its debtors.
 - Liquidity position has deteriorated
 - Cash reserves have decreased by one third of its value compared to the prior the year.

Recognising that considerable financial resources have been sunk into Asset renewal, it is the view of the Committee that challenges in relation to billing, revenue collection and the ineffective implementation of remediation plans to improve Revenue Collections are key contributing factors to the deterioration of financial viability in the institution.

Buffalo City Metropolitan Municipality Development agency:

This report has not been compiled in accordance with National Treasury Circular No 63, but does contain many of the issues required. However, large parts of the report provided to the Committee were incomplete and the Committee did not engage on the content of the report. The components of the report which were not completed must now be updated before the Annual Report can be published.

The Committee provides no assurance on this part of the Annual Report.

Conclusions:

For the reasons advanced in this section of the report, the Committee recommends that the Annual Report 2018/19 be adopted by Council with reservations.

In reaching this conclusion, the Committee expresses disappointment that the advice provided in the Oversight Reports of previous years appears not to have been taken to heart by Management. The Committee believes that the Annual Report is compiled by Management as a compliance matter, rather than as a report to stakeholders and potential investors.

The lack of clear, comprehensive and complete reporting continues to compromise the quality of the Annual Report. This can be overcome.

6. CHALLENGES

This section of the report deals with the challenges that the MPAC faced whilst dealing with the review of the Annual Report.

- 6.1 Information requested by the Committee was not always submitted by the Directorates within the required timeframes.
- 6.2 The ongoing under-reporting and quality of the information provided in the annual report was a challenge during the entire process and the Committee is unable to advise the Council on critical matters as a result of the approach to reporting by Management. The information submitted to the Committee was not always adequate, useful and up to the standard expected by the Committee. The view remains that Directorates tend to report in a silo manner as opposed to institutionally as encouraged by the Annual Report format.
- 6.3 Written responses to questions posed at hearing does not include the verbal responses which affects the effectiveness of evaluation. The timing of the period of starting the analysis of the Annual Report is to the disadvantage of the work of the Committee and it would be advantageous to start the analysis earlier during the draft stage of the Annual Report to allow MPAC to complete the processes with less time constraints.
- 6.4 Processes followed might not be effective or productive due to the inadequate time that is given per directorate within the same day, instead of spreading the Departmental Hearings over a fair period of time
- 6.5 Responses by some of the HOD's and Portfolio heads are not satisfactory during the hearings due to the element of being defensive and providing responses that were considered indirect, not addressing the thrust of the matters raised.
- 6.6 Insufficient time between analysis and questions to Directorates, to effect follow up on the questions raised.
- 6.7 Oversight Process in relation to the Terms of Reference is not effective – as it is not financed; only analysis seems to be catered for and this has had an effect on the dates of the process with no space in-between the Departmental hearings and analysis of responses by Departments.
- 6.8 All Portfolio Heads attended the Departmental hearings and cooperated, with the exception of the Portfolio Head: Spatial Planning & Development who did not cooperate with the Committee during the process of doing its work by not attending MPAC sessions
- 6.9 The work of the Committee was compromised by the non-attendance of a senior official from the Internal Audit Unit to provide input and elaboration on the work done by that Unit on the Annual Report. This affected the work of the Committee during the analysis phase.
- 6.10 The Auditor General indicated that in developing the Audit Improvement Plan, Management had tended to look at the finding and develop actions around the finding as opposed to looking at the underlying cause of the finding. This compromised the quality of the remedial actions, giving rise to repeat findings of a similar nature.

- 6.11 The Committee, in an effort to improve the quality of the Oversight Report, created a special window for stakeholders to engage the Committee. This included key stakeholders with influence, such as the chambers of business, universities, large business such as MBSA, trade unions, religious bodies. etc. The stakeholder engagements were fruitful, however, some of the stakeholders that could have effectively contributed could not attend.
- 6.12 While the Accounting Officer had established a process to quality assure the information included in the Annual Report, the Committee gained the impression that some Heads of Departments still believed that it was the duty of another unit to ensure that the information submitted was adequate and credible. Noting that the Annual Report is read by international investors, poor or inadequate quality reporting compromises the Annual Report.
- 6.13 The Committee finds it disappointing that it, once more, is required to recommend to Council that the Annual Report be adopted with reservations as if it had made no recommendations to improve the content, context and quality of reporting in previous years.
- 6.14 This report was due to be tabled at the Council meeting scheduled for the 25 March 2020, however, it could not be submitted due to the measures of the lockdown in response to the COVID 19 pandemic.

7. STAFF IMPLICATIONS

The committee noted several staff implications and the details in that regard are appended in the recommendations.

8. FINANCIAL IMPLICATIONS

All the financial implications or costs relating the Annual Report Oversight Process have been budgeted for under the MPAC Operational Expenditure Budget

9. OTHER PARTIES CONSULTED

- Auditor General South Africa
- Audit Committee
- Internal Audit
- Executive Mayor
- Speaker
- Chief Whip
- Portfolio Heads
- Office of the City Manager
- Chief Financial Officer
- Heads of Department / Directors
- External Stakeholders

10.RECOMMENDATIONS

It is recommended:

1. That Council, having fully considered the Annual Report of the municipality and representation thereon, adopts the Oversight Report of the MPAC as required in terms of Section 129 of the Municipal Finance Management Act No 56 of 2003 (MFMA);
2. That Council approves the Annual Report with reservations as included in the comments of the Oversight Report pages 26 to 32.
3. That the Accounting Officer ensures that all outstanding amendments, corrections and information not contained in the 2018/19 Annual Report be included as contained on pages 22 to 25 of the Oversight Report of the Municipal Public Accounts Committee to the Council meeting held on 29 June 2020.
4. That the Accounting Officer make public the Oversight Report within seven (7) days of adoption of the report, as required in terms of Section 129(3) of the MFMA;
5. That the Office of the Accounting Officer submit the Annual Report and the Oversight Report relating to the 2018/2019 Annual Report to the Provincial Legislature, Auditor General South Africa, the relevant provincial treasury and the provincial department responsible for local government in the province,
6. That the following findings of the Committee be adopted as resolutions of the council:
 - 6.1. That Council, as Leadership, strengthens its Oversight processes at Committee level to ensure that findings in the Annual Report are cleared during the 2019/20 financial period.
 - 6.2. That Council pays close attention to the advice of the Audit Committee and its impact on playing its advisory and assurance role over the Performance Information of the Council.
 - 6.3. That the Council considers what steps should be taken to improve the adequacy of oversight over the rectification of the findings contained in the Auditor General's Report in accordance with the provisions of Section 131 of the MFMA which provides that the Executive Mayor has a responsibility to ensure compliance with regards to addressing any issues raised by the Auditor General in an Audit Report.
 - 6.4. That the Executive Mayor be held accountable for failure to hold the Accounting Officer to account (in terms of Section 56 sub-section (3) (d) and (e) of the Municipal Structures Act 117 of 1988 as well as Section 52 (b) of the Municipal Finance Management Act 56 of 2003) for the non-implementation of recommendations that became resolutions of council based on the previous Oversight Report and further thereto that the adopted resolutions be implemented and reported on a quarterly basis.
 - 6.5. That the Accounting Officer report to Council on the long outstanding amounts contained in the Debtors Book with a view to taking a decision on how that historical debt will be dealt with i.e. collected or written off.

6.6. That the Executive Mayor and the Accounting Officer develop a Turn-around Plan to action the recommendations made in this report and report to Council within 30 days of this report and thereafter quarterly.

6.7. That the Executive Mayor strengthens the Monitoring and Evaluation including Oversight of the Municipality to improve good governance and accountability.

6.8. That the Council Speaker reviews the Ward Committee functionality and reporting and reports thereon to the Council within 90 days.

6.9. That the Council Speaker develops a Public Participation Policy in all official languages to enable communities to engage in Municipal issues with ease.

6.10. That the Office of Speaker accelerates the implementation of the outstanding Petitions from the Petitions Register and reports thereon in Council

6.11. That consideration be given to ensuring that a Customer Satisfaction Survey is conducted for the period 2020/2021 and budget provision therefore be allocated in the 2020/21 financial year.

6.12. That the Council Speaker submits the outstanding Public Participation Quarterly Public Engagement Reports to the Committee.

6.13. That the Executive Mayor, Speaker and / or the Chief Whip of Council take appropriate action to ensure that all Committees inclusive of Portfolio Committees sit as required by legislation and the calendar of meetings and report thereon in Council on a quarterly basis.

6.14. That the Accounting Officer be held accountable for failure to comply with the provisions of Sections 62 (1) (a), (b), (c) (i) and (d) that requires the Accounting Officer to take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically, amongst other things as well as Section 64 (1) and (2)(a) of the MFMA.

“Section 62 (1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure— (a) that the resources of the municipality are used effectively, efficiently and economically; (b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards; (c) that the municipality has and maintains effective, efficient and transparent systems— (i) of financial and risk management and internal control; (d) that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented;”

“Section 64 (1) The accounting officer of a municipality is responsible for the management of the revenue of the municipality. (2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure— (a) that the municipality has effective revenue collection systems consistent with section

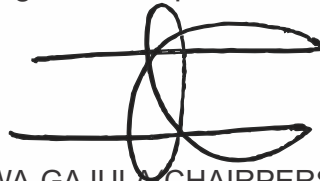
95 of the Municipal Systems Act and the municipality's credit control and debt collection policy;”

- 6.15 That consequence management steps be taken against the Accounting Officer for having failed to take reasonable steps to prevent Unauthorized, Irregular, Fruitless and Wasteful expenditure as required by Section 62 (1) (d) of the MFMA.
- 6.16 That the Accounting Officer ensures strict monitoring of the Audit Implementation Plan to address all findings in the Auditor General's Report 2018/19
- 6.17 That the Accounting Officer reports to Council on the status of the Council Resolutions implementation bi-annually.
- 6.18 That the Accounting Officer considers the budget implication of the Audit Improvement Plan mitigating Strategies together with the Chief Financial Officer.
- 6.19 That the Accounting Officer ensures that monitoring and evaluation of projects be effectively implemented and that an integrated approach be adopted.
- 6.20 That the Accounting Officer develops and implements monthly administrative oversight tools to improve monitoring of key Departmental performances to ensure that the audit of performance information improves in the 2019/20 and 2020/21 financial years.
- 6.21 That the Accounting Officer provides the necessary support to the Internal Audit Unit by ensuring that recommendations of the Unit are implemented as agreed by management.
- 6.22. That the Accounting Officer ensures an improved integrated planning process between the Directorates Spatial Planning and Development and Infrastructure Services to ensure that detailed layout planning for the electrification of informal settlements and other areas are conducted prior to the allocation of budgets.
- 6.23. That the Accounting Officer ensures that the land audit is prioritized and expedited, and reported to Council within the agreed timeline.
- 6.24. That the Accounting Officer urgently engage with Eskom with a view to finalising the Service Level Agreement with Eskom.
- 6.25. That the Accounting Officer accelerates measures or mechanisms to deal with the prevention of further illegal electrical connections and that strategies be developed to circumvent the challenges indicated including the cost of electricity theft.
- 6.26. That the Office of the Accounting Officer ensures integrated planning and working by all Directorates to end the Silo working.
- 6.27. That the Accounting Officer seek to implement alternative security measures within the Institution and that the security analysis and reporting thereon be expedited.
- 6.28. that the Accounting Officer ensures that the local economic development strategy is reviewed and implemented
- 6.29 That Accounting Officer considers the implementation of a dedicated Unit dealing

with the MFMA Legislative Compliance matters with the objective of improving the audit outcome of the Municipality.

- 6.30 That the Accounting Officer engage with the Auditor General to gain a common understanding and agreement on how the provisions of National Treasury Circular 88 and the audit of performance information will be conducted to prevent a disclaimer on Performance Information Objectives.
- 6.31 That the Internal Audit Unit provide the MPAC with updated Status Reports on the Auditor General Dashboard quarterly.
- 6.32 That the Accounting Officer expedite the outstanding disciplinary processes within the municipality and ensure resolving all pending cases of suspensions and labour issues and that a report detailing the delays and financial implications thereto be submitted to the MPAC within 30 days of the adoption of this report.
- 6.33 That the Accounting Officer ensures that the MPAC receive invitations to the Audit Committee meetings and that the circulation of agendas and minutes for the said meetings follow the processes of the council.
- 6.34 That the Accounting Officer in consultation with the Chief Financial Officer develop a single overarching SCM Turn-around-plan to address the SCM challenges and that it be reported to the Council within 3 months hereof.
- 6.35 That the Chief Financial Officer implements the developed Finance Turnaround Plan and report to Council on a monthly basis.
- 6.36 That the Chief Financial Officer Implements the SCM Turnaround Plan inclusive of dealing with Commitments, Contracts Management, Project Management, Irregular Expenditure, Fruitless and Wasteful Expenditure, eProcurement as well as the staffing within the Unit.
- 6.37 That the Chief Financial Officer reports to Council monthly on the developed Revenue Improvement Plan and the Implementation of the Credit Control Policy
- 6.38 That the Finance and Infrastructure Services Directorates convene a meeting to address the accounting treatment around electricity and water losses and report thereon to Council.
- 6.39 That a Roads Master Plan be submitted to the council and that included therein be the manner in which the strategic objectives will be achieved and that a funding model be attached thereto.
- 6.40 That the Council notes the lack of management and accountability regarding the NU2 Swimming pool project which has been implemented over more than 21 years, and consider approving a forensic investigation into the matter and that the necessary consequence management be applied where necessary.
- 6.41 That the councils note the concerns raised by the MPAC in relation to its technical support and in particular, the non-representation of the Internal Audit and that the City Manager ensures that the matter be addressed urgently

- 6.42 That the Accounting Officer ensures that the BCMDA Annual Report is revised to ensure completeness before the Annual report is published.
- 6.43 That the Accounting Officer reports on the limitation placed on the scope of work of the Auditor General as alluded to in the Auditor General's report, such report to be submitted directly to the Committee for consideration in the first instance within sixty (60) days of the adoption of this report.
- 6.44 That all investigations conducted by the Municipality be now tabled in Council for consideration within sixty (60) days of this report.
- 6.45 That council take note that the Auditor General has indicated that leadership (meaning Council) did not adequately oversee financial and performance reporting and compliance with legislation, nor monitor the implementation of policies and procedures to support the achievement of credible reporting and compliance with legislative requirements.



COUNCILLOR: Z. KODWA-GAJULA (CHAIRPERSON)

ANNEXURES IN SUPPORT OF THE OVERSIGHT REPORT TO COUNCIL BY MPAC ON THE 2018/19 ANNUAL REPORT

SCHEDULE OF ANNEXURES

ANNEXURE NO	DESCRIPTION
Annexure 1	MINUTES OF ANALYSING THE ANNUAL REPORT
Annexure 1 A	AUDITOR GENERAL'S REPORT
Annexure 1 B	REPORT OF INTERNAL AUDIT
Annexure 1 C	REPORT OF THE AUDIT COMMITTEE
Annexure 1 D	QUESTIONS TO DEPARTMENTS
Annexure 2	SISTE VISIT REPORT/LIST
Annexure 3	DEPARTMENTAL ENGAGEMENTS
Annexure 3 A	INPUTS FROM STAKEHOLDERS
Annexure 4	COMMITTEE EVALUATION OF DEPARTMENTAL REPOSES
Annexure 5	REVIEW OF THE DRAFT OVERSIGHT REPORT



MUNICIPAL PUBLIC
ACCOUNTS COMMITTEE

BUFFALO CITY METROPOLITAN MUNICIPALITY OVERSIGHT REPORT ON THE 2018/19 ANNUAL REPORT



Masichume, sande, siphumelele

Volume ONE