



BUFFALO CITY
METROPOLITAN MUNICIPALITY

2019/20 MPAC OVERSIGHT REPORT

ANNEXURE

SPECIAL COUNCIL 23 JUNE 2021

File No. 3/1/2/55

Author: Chairperson of the Municipal Public Accounts Committee (Cllr. Z. Kodwa-Gajula [wt])

2019/20 ANNUAL REPORT FOR BUFFALO CITY METROPOLITAN MUNICIPALITY: OVERSIGHT REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC).

1. PURPOSE:

The purpose of this report is to provide comments to the Council on the Annual Report for the 2019/2020 financial year referred to the Municipal Public Accounts Committee vide, Minute No. BCMC 338/21 dated 23 April 2021 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 previous financial period, which in this case is 2019/20.

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 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:

Entity	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



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 the Council.

3 LEGAL/ STATUTORY REQUIREMENTS

The Legislation listed below is relevant, and therefore applicable in the process of dealing, analysing and reviewing of the Annual Report leading to the development of the Oversight Report.

- 3.1. The Constitution (1996),
- 3.2. Local Government: Municipal Structures Act (1998),
- 3.3. Local Government: Municipal Systems Act (2000),
- 3.4. Local Government: Municipal Planning and Performance Regulations (2001),
- 3.5. Local Government: Municipal Finance Management Act (2003),
- 3.6. Local Government: Municipal Systems Amendment Act (2003),
- 3.7. Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006),
- 3.8. MFMA Circular 32,
- 3.9. MFMA Circular 63
- 3.10. Municipal Public Accounts Guidelines
- 3.11. King IV Report
- 3.12. 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 on the annual report and make proper recommendations to Council within the required period of sixty days (60). 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 a 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 against. 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 input



4. BACKGROUND/REASONING

The Annual Report for the financial year 2019/2020 was prepared by Management and tabled in the Council meeting dated 23 April 2020.

Arising therefrom, Council resolved vide BCMC 338/21 dated 23 April 2021, "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., 23 June 2021)"

5. EXPOSITION OF FACTS

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budget outlined in their strategic plans namely, the Integrated Development Plan (IDP). Annual reports demonstrate how the budget was implemented and the results of service delivery operations for that financial year. This is therefore a backward-looking exercise in order to report on planned versus actual initiatives or activities achieved.

As Per the MFMA Circular No. 11, "every municipality is required to prepare an annual report for each financial year in accordance with the MFMA and, during the MFMA transitional period, the Division of Revenue Act. (DORA) and MSA. The purpose of annual report is:

- to provide a record of the activities of the municipality
- to provide a report on performance in service delivery and against the budget; and
- to promote accountability to the local community for decisions made."

To provide guidance, National Treasury has issued Circular No. 63 which prescribes a uniform template for reporting to facilitate comparison by National Treasury and users. This template forms the basis for the current Annual Report as tabled in Council.

"The goals of the Annual Report format are to achieve the following:

- standardise reporting to enable municipalities to submit comparable Annual Reports;
- align financial and non-financial reporting in the Annual Report;
- create a standardised reporting structure that will enhance comprehensive oversight, meaningful evaluation and improved understanding of service delivery outputs;
- ensure the standardisation of terminology used in Annual Reports; and



- support the internal and external audit process.”

The Oversight Report is the final step in the Annual Reporting processes. Section 129 of the MFMA requires the Council to consider the Annual Report of its municipality and municipal entities and 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:

- has approved the annual report, with or without reservations;
- reject the annual report; or
- 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.

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 submitting 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 is to consider that 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 Circular 63.

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 process undertaken to examine the structure and content of the Annual Report relating to the 2019 /2020 financial year as presented to the Council by Management and incorporates the rationale for the recommendation of the MPAC.

5.1 MPAC PROCESSES AND FACTS:

The members of the MPAC

Councillors		
	Z. Kodwa-Gajula	Chairperson
	S. Skolo	Member
	Z. Tokwe	Member
	B Kalani	Member
	T. Mtya	Member
	P. Miza	Member
	G. Walton	Member
	C. Matiwane	Member
	O. Ntame	Member
	A. Majeke	Member

Meetings were conducted as follows:

External Stakeholder Engagement

External Stakeholders were notified via the print media, telephonically and email that virtual meetings of the Municipal Public Accounts Committee (MPAC) to consider the Buffalo City Metropolitan Municipality Annual Report for the Financial Year ended 30 June 2020 would be tabled in the Council Meeting of **23 April 2021**, in accordance with the extension provided by National Treasury for the submission of annual financial statements, annual reports, audits and other related matters in terms of the MFMA.

The context of the exemption flows from the announcement of the national state of disaster, in terms of the Disaster Management Act to enable the country at large to manage the spread of the Covid-19 virus. Whilst the lockdown and restrictions have been eased over time, they were still in force and in effect with direct implications for municipalities amongst others which impacted on their ability to prepare and submit quality reports that met the uniform norms and



standards, to discharge their accountability towards the public and to report on the utilization of public funds.

In light thereof, and in a bid to guarantee compliance with the legislation and COVID-19 Regulations, the MPAC hosted virtual departmental engagements via the municipal social media platform, local broadcaster and WhatsApp. Members of the public were invited to participate in the MPAC sessions through these media and comments were to be submitted via email, Facebook and WhatsApp, wherever possible and convenient.

The Departmental Engagements were advertised on 05 May 2021, in the Daily Dispatch. Refer to **Annexure A** for a copy of the advertisement.

To facilitate such participation, MPAC over a period had reminded the External Stakeholders of the process to ensure maximum participation and that such written comments on the Annual Report 2019/20 Financial Year be submitted by the **25 May 2021** and directly on the various platforms on the day of the Departmental Engagements, however, two (2) written responses were submitted from the total of 47 notifications sent out. (Attached here as **Annexure B**).

Site Visits

09 April 2021

John Harrison Swimming Pool
Ruth Belonsky Swimming Pool
Water World Development Project
Court Crescent Development Project
Fire Department (Coastal)
ICT Department Munifin Building

12 April 2021

Solid Waste Management (Cambridge Depo)
King Williams Town Civic Centre (Credit Control Office, Revenue Management, ICT)
Fire Department (Inland)

07 May 2021

Follow-up visit with the City Manager: King Williams Town Civic Centre
(Revenue Management & ICT)

(A copy is attached **Annexure C**)

**13 to 16 May 2021:**

The MPAC examined and discussed the Annual Report in detail. The MPAC also obtained the views of the following individuals on the 13 May 2021, in order to facilitate the consideration of the Annual Report:

- Auditor General of South Africa (AGSA)
- Audit Committee; and
- Internal Audit

The AGSA conducted a presentation on the 2019 / 2020 financial year audit opinion including the overall control environment of the municipality (a copy of the presentation made by the AGSA is attached hereto as part of the minutes — **Annexure D**).

The Audit Committee presented a report based on the Internal Audit reviews on the Annual Performance Report, however, the presentation was generic and did not have any comments on the Internal Audit presentation.

The MPAC raised concern that the Audit Committee had not prepared their report initially until MPAC raised the matter of not having a report from the Audit Committee.

Subsequently, a report was received from the Audit Committee the following day (14 May 2021), (a copy of the presentation and the report is attached hereto as part of the minutes - **Annexure E**).

Internal Audit conducted an independent review on the draft Annual Report dated 29 January 2021, and a follow up of a high-level compliance review the outcome of which was a report dated April 2021, which detailed the findings that were cleared from the initial draft and other findings that were not cleared by Management.

Both reports were tabled to the Committee. (a copy of the presentation and the report is attached hereto as part of the minutes - **Annexure F**). The report relates more to a compliance review of MFMA Circular 63.

The MPAC, following these inputs, reviewed each of the Chapters of the Annual Report in further detail. The findings of this review were used to prepare questions of clarity or concern, and statements of items to be corrected to be put to management. Questions were forwarded to the various administrative principles, including the Executive Mayors Office, the Office of the Speaker, Office and all Portfolio Heads for response. (Copies of the minutes are attached hereto - **Annexure G**)



19, 26 and 28 May 2021:

The MPAC held Departmental Engagements and in abiding with the lockdown Regulations invited participation from the public via live streaming on the BCMM Facebook page and on the WhatsApp application. On each of these days, the political leadership and management either answered questions relating to the Annual Report or provided needed clarity and explanations.

Details of the specific meetings are as follows:

19 May 2021. Carnegie Hall, Gonubie:

- Directorate: Infrastructure Services;
- Directorate: Human Settlement;
- Directorate: Health and Public Safety & Emergency Services; and
- Directorate: Spatial Planning & Development Services

Refer to **Annexure H** for minutes of the meeting.

26 May 2021. Carnegie Hall, Gonubie:

- Directorate: Executive Support Services;
- Directorate: Finance Services;
- Executive Mayor's Office; and
- Office of the Speaker.

Refer to **Annexure I** for minutes of the meeting

28 May 2021. Carnegie Hall, Gonubie:

- City Manager's Office;
- Directorate: Corporate Services;
- Directorate: Economic Development and Agencies; and
- Directorate: Municipal Services.

Refer to **Annexure J** for minutes of the meeting

09 to 13 June 2021:

The MPAC convened in order to discuss Management's responses to the questions of clarity or concerns with POE's and comments posed to them at the departmental engagements. Once discussions on the responses were discussed and agreed upon at the session, the MPAC considered its recommendation regarding the Oversight Report (refer to **Annexure K** for minutes of the meeting).



5.2 MPAC ANALYSIS:

The findings of the Committee which provide support for the recommendations of the Committee are detailed hereunder, and are divided into two components:

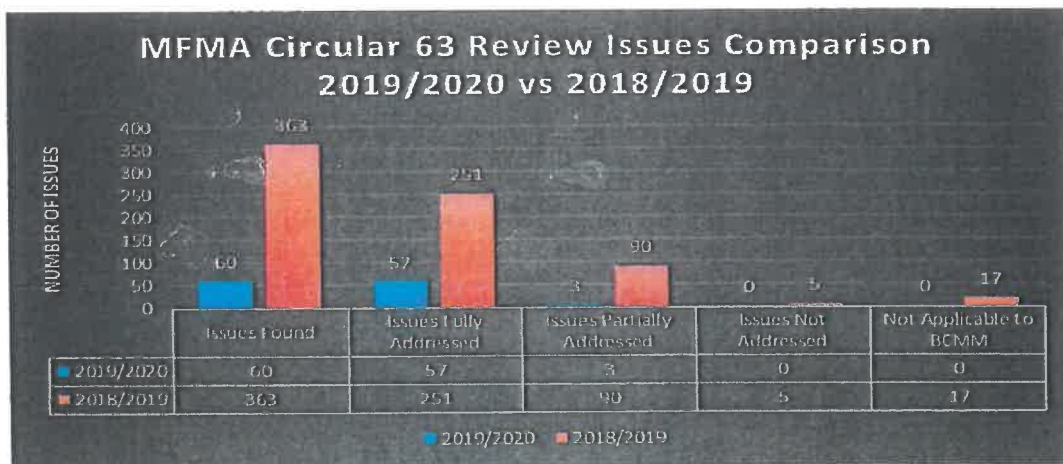
- Internal Audit Findings (MFMA Circular 63 Review); and
- Findings of the Committee’s review (Chapter’s and Appendix Review).

Findings of the Internal Audit Review:

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. This report assisted the Committee during their review and discussions of the draft Annual Report.

Of the total number of sixty (60) for 2019/2020 (2018/2019:363) Circular 63 compliance requirements that were previously reviewed and reported as deficiency by Internal Audit review, fifty-seven (57) (2018/2019:251) issues or 95% (2018/2019:73%) were, subsequent to the initial review, fully addressed by management. Three (3) (2018/2019:90) issues or 5% (2018/2019:24%) were partially addressed. No issues were left unaddressed (2018/2019:5) or 0% (2018/2019:2%). In 2019/2020 no issues (2018/2019:17) or 0% (2018/2019:1%) were not applicable / relevant to BCMM.

Internal Audit Review Findings-Comparative Graphic Presentation between 2019/2020 and 2018/2019



As can be seen from the above graphic presentation, Management has performed well in meeting the requirement of Circular 63 compared to 2018/2019. Although there remains room for improvement in certain areas.

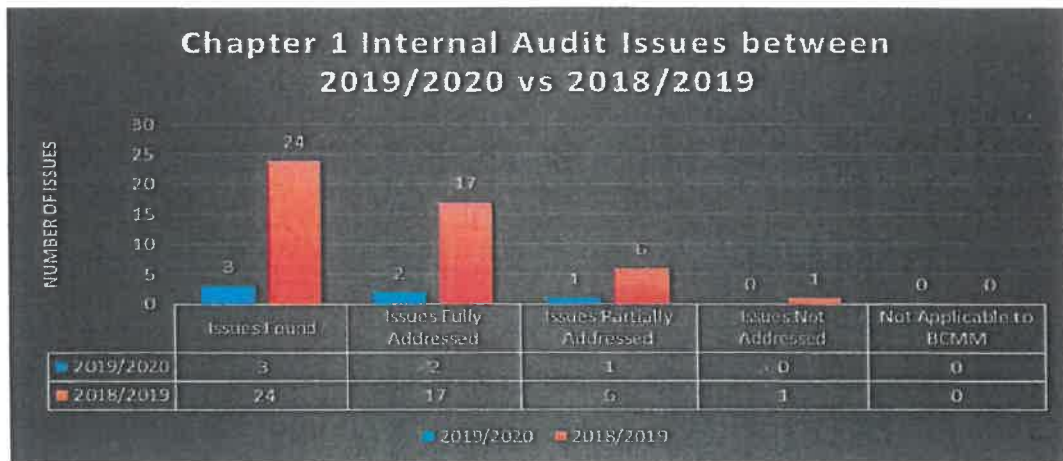


Details per Chapter are summarised below.

Chapter 1: Mayors Foreword and Executive Summary

For total number of three (3) (2018/2019:24) previous internal audit findings reviewed under chapter 1, two (2) (2018/2019:17) or 77% (2018/2019:71%) of the issues were fully addressed by management in the Draft Annual Report. One (1) (2018/2019:6) issue or 33% (2018/2019:25%) was still only partially addressed. Zero (0) (2018/2019:1) or 0% (2018/2019:4%) of the issues were not addressed.

Chapter 1 MFMA Circular 63 Review issues graphic Presentation.



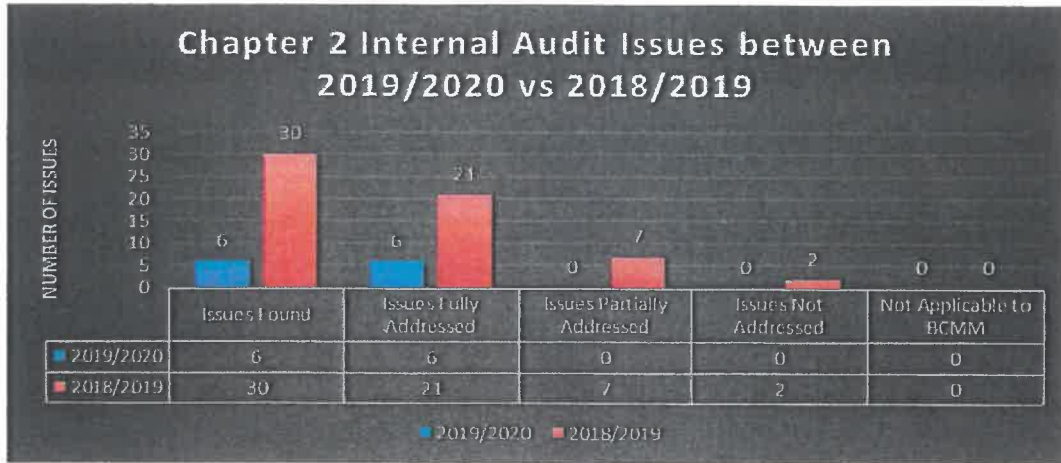
This Chapter has improved from twenty-four (24) issues to three (3) in the 2019/2020 financial year and a 77% from 71% addressed issues. However, there are issues that remain partially addressed. A huge improvement is noted, but there is more to improve on.

Chapter 2 Governance

Six (6) (2018/2019:30) governance issues were reviewed under chapter 2, there were six (6) (2018/2019:21) issues or 100% (2018/2019:70%) that were addressed by management in the draft annual report. Zero (0) (2018/2019:7) or 0% (2018/2019:23%) were patially addressed. Zero (0) (2018/2019:2) or 0% (2018/2019:7%) were not adressed by management.



Chapter 2 MFMA Circular 63 Review Issues graphic Presentation.

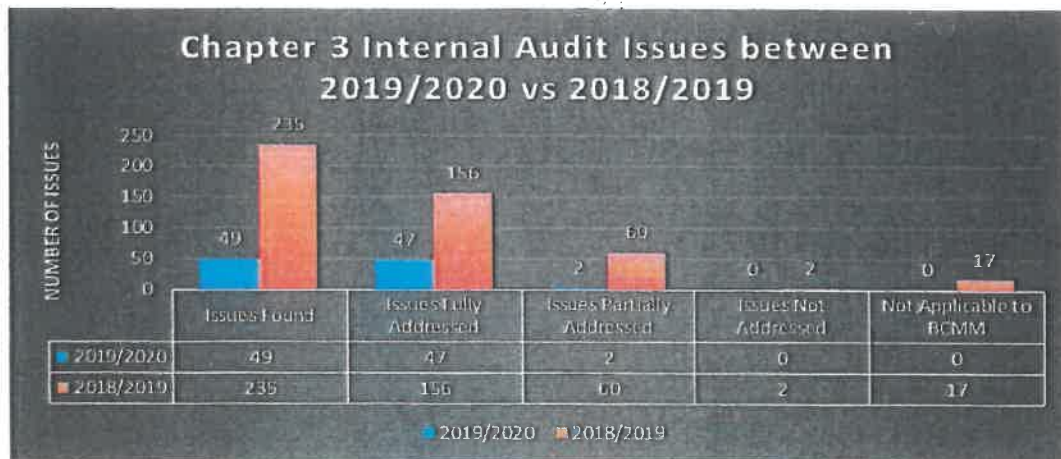


here has been a huge improvement noted in the Management performance in Chapter 2 from 30 issues in 2018/2019 to 6 issues in 2019/2020. But there is still room for improvement as Management should strive to clear the issues picked up on Circular 63 compliance.

Chapter 3: Service Delivery Performance

Forty-nine (49) (2018/2019:235) Service Delivery Performance issues were reviewed under chapter 3, there were forty-seven (47) (2018/2019:156) or 96% (2018/2019:67%) of issues were fully addressed by management in the draft annual report. Two (2) (2018/2019:60) or 4% (2018/2019:25%) were partially addressed by management. Zero (0) (2018/2019:2) or 0% (2018/2019:1%) were not addressed by Management. With zero (0) (2018/2019:17) or 0% (2018/2019:7%) were not relevant to BCMM.

Chapter 3 MFMA Circular 63 Review issues graphic Presentation.



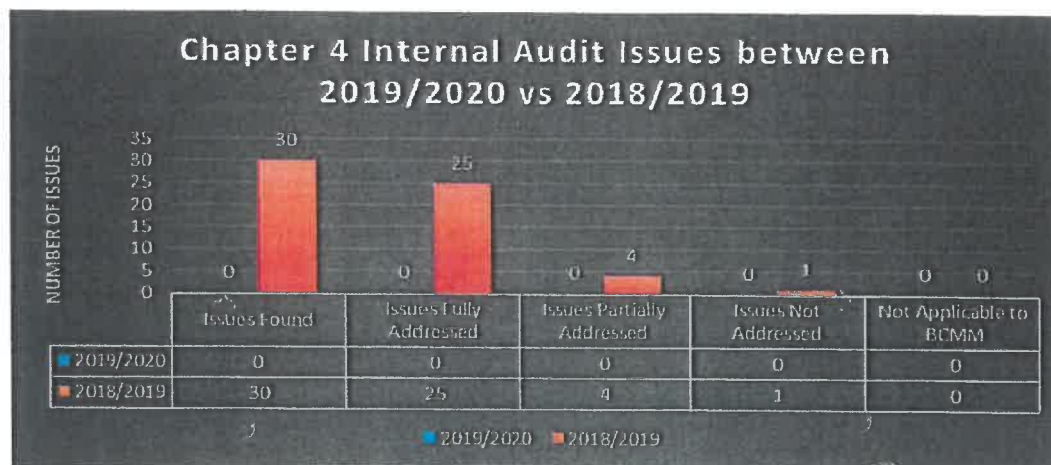


There has been an improvement from the issues raised for Circular 63 compliance from the prior year and in addition no issue had not been addressed, however, there are issues still partially addressed but that has been reduced from 60 to 2 in the current Annual Report. Management can improve as it appears that Internal Audit prepares the Annual Report for Management and Management only adjust issues raised by the Internal Audit unit.

Chapter 4: Organisational Development Performance

Zero (0) (2018/2019:30) issues chapter 4 for this follow up review, zero (0) (2018/2019:25) or 0% (2018/2019:83%) issues were fully resolved by management, zero (0) or (2018/2019:4) or 0% (2018/2019:13%) were partially addressed by management. Zero (0) (2018/2019:1) or 0% (2018/2019:4%) were left unaddressed.

Chapter 4 MFMA Circular 63 Review issues graphic Presentation.



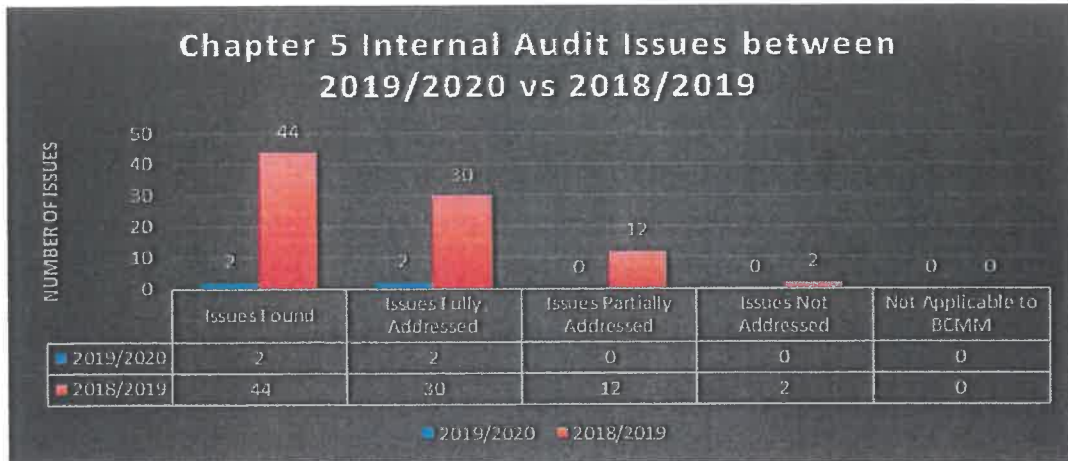
BCMM has improved as there are no findings on chapter 4 in the current financial year.

Chapter 5: Financial Performance

Two (2) (2018/2019:44) financial performance issues were reviewed under this chapter, two (2) (2018/2019:30) or 100% (2018/2019:68%) of requirements were fully addressed. Zero (0) (2018/2019:12) or 0% (2018/2019:27%) were partially addressed by management. Zero (0) (2018/2019:2) or 0% (2018/2019:5%) were not addressed by management



Chapter 4 MFMA Circular 63 Review issues graphic Presentation.



There has been a huge improvement from 44 findings to 2 in the current year and no issues were left unresolved in the current year compared to 2 in the prior year. Management could further improve as in chapter 4 above where there were no issues raised.

Chapter 6: Auditor General Findings

No issues were reviewed under Chapter 6 in this follow up review as there were no Internal Audit recommendation from the initial review on which to follow up. It is to be noted that, as at the date of the initial Internal Audit report on the high-level review of the draft Annual Report for the 2019/2020 financial period. The external audit was still in process and therefore the Chapter could not be populated by Management.

Appendices

The Internal Audit review did not extend to the examination of appendices listed as from A to S and BCMDA Annual Report of the report. As the role of Internal Audit is to test compliance of MFMA Circular 63 of the municipality and its entity.

The were no recommendation by Internal Audit to Management.



Findings of the Committee's Review (Chapter's and Appendix)

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 23 April 2021, 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 emphasis on the importance and compliance to the requirements relating to the 2019/2020 Annual Report.

- 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.
- 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 should not be seen in isolation but rather as inter- departmental reporting.

The Annual Report on the Municipal Entity (BCMDA) did not meet the outcomes of the Circular 63 and the Committee was unable to analyse the report submitted in accordance with the Circular.



5.3 CORRECTIVE ACTIONS REQUIRED TO BE APPLIED TO THE ANNUAL REPORT.

CHAPTER	PAGE NO	CORRECTIVE ACTION REQUIRED
Chapter 2: Governance	36	<p>Political Structure and Administrative Leadership to be corrected</p> <ul style="list-style-type: none"> Deputy Mayor and Speaker were not appointed in the year under review. Cllr Caga was not then appointed as MMC for Finance Portfolio. Councillor Maxhegwana Chairperson of the Rules Committee was not appointed at that time. Miss Y Sinyanya was not HOD of Solid Waste and Environmental Services. Councill Neil -May was not the Deputy Mayor during the year under review. <p>The names that appears under the Political Structure are not a true reflection of the political leadership of the year under review.</p>
	37	<p>Political Decision Taking</p> <ul style="list-style-type: none"> Paragraph 3 – to be deleted from the Annual Report.
Chapter 3: Service delivery performance (Part 1)	73 & 91	<p>Electrification of Informal areas</p> <ul style="list-style-type: none"> The information provided herein does not reflect targets and implementation plans.
	96	<p>T3.3.8 Bulk Electricity Provision</p> <ul style="list-style-type: none"> Verify figures reflected therein (Quality assurance of all tables.)
	122	<p>Fleet/Transport</p> <ul style="list-style-type: none"> T3.7.6 Verify the information in the table (Quality Check)



CHAPTER	PAGE NO	CORRECTIVE ACTION REQUIRED
	155	T3.10.6 <ul style="list-style-type: none"> The table therein must be verified Quality check
	181	Last 2 points on T3.11.10 are incorrect <ul style="list-style-type: none"> It must be amended.
	182	Under reporting – provide comprehensive detail.
	274	Meter Installation <ul style="list-style-type: none"> T3.25.3 Target not provided, however actual is provided. The table is a depiction of over reporting and details that are evident of poor planning (no planning)
	130	Municipal Fleet Data <ul style="list-style-type: none"> No data is provided under “estimated” – insufficient reporting throughout table.
	188	Service Statistics for Cemeteries and Crematorium <ul style="list-style-type: none"> Under reporting – provide comprehensive detail.
Chapter 4: Organisational Development Performance (Performance II)	312	Organisational Development Performance INTRODUCTION <ul style="list-style-type: none"> Correct the information to read more coherently
	313	T4.1.1 EMPLOYEE TOTALS, TURNOVER & VACANCIES <ul style="list-style-type: none"> Table headings – Sub-headings 17/18; 18/19 Appear incorrect verify the content. Correct the headings and remove 17/18; 18/19
	315	T4.1.4 <ul style="list-style-type: none"> This is an important aspect of the report and more detail is required in this regard. The table should be included.



CHAPTER	PAGE NO	CORRECTIVE ACTION REQUIRED
	316	<p>Component B, MANAGING THE MUNICIPAL WORKFORCE T.4.2.0 Macro Structure status</p> <ul style="list-style-type: none"> • Paragraph 3 the paragraph commencing with the following "There is a memo..." must be revised • Last paragraph to provide more information
	317-318	<p>T4.2.1</p> <ul style="list-style-type: none"> • Table to include last review dates of the policy <p>Comment on injury and sick leave</p>
	319	<p>Prevalence Statistics</p> <ul style="list-style-type: none"> • If no further survey had been undertaken, indicate as such, otherwise do not include survey figures that have no bearing on the comparatives for the year under review.
	320	<p>SICK LEAVE COMMENTS 2018/19</p> <ul style="list-style-type: none"> • Correct the figures to read R 33 456 million, 2019/20 R 28 963 million respectively
	322	<p>Chapter 4: COMMENT ON PERFORMANCE REWARDS</p> <ul style="list-style-type: none"> • T4.4.1.1 Paragraph 1 lines 3 & 4 as well as Paragraph 3-line 1 are conflicting. Correct the information as it is inconsistent.
	312	<p>INTRODUCTION</p> <ul style="list-style-type: none"> • Correct to read more coherently in the Annual Report
Appendices	401	<p>APPENDIX C</p> <ul style="list-style-type: none"> • THIRD TIER ADMINISTRATIVE STRUCTURE - Sports Arts & Culture to be included.



CHAPTER	PAGE NO	CORRECTIVE ACTION REQUIRED
	406	APPENDIX E WARD REPORTING 18 CLLR Viaene (McDowell) 19 CLLR Rooy (Green) <ul style="list-style-type: none">• To correct and verify• MPAC queries the accuracy of the data included in Appendix E based on the fact that 2 Councillors at least are no longer Councillors and had not been Councillors for the last year. Where no meetings were held during the year it is indicated that 9 reports were submitted to the Speakers office on time.• This information is inconsistent.• Table to be reviewed in its entirety.
	423	APPENDIX H LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS <ul style="list-style-type: none">• The information contained in this Appendix is inconsistent with known contractual obligations extending beyond 1 year.• All these contracts are classified as long term and should be reflected.
	426	APPENDIX J DISCLOSURE OF FINANCIAL INTEREST <ul style="list-style-type: none">• Cllr David Peter Viaene to be removed (To correct and verify)

5.4. INDEPENDENT EVALUATION OF THE DEPARTMENTAL REPOSNSSES BY THE COMMITTEE

After the submitted written replies to the Committee as well as oral responses entertained during the Departmental Engagements, 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, to ensure that 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 engagements.
- Requested information during the engagements, to be further submitted for the purpose of the compilation of the Oversight Report.
- Plan on questions responded to but findings remaining.
- A clear plan of action to deal with the issues even though unresolved.
- Committee's assessment of departmental responses.

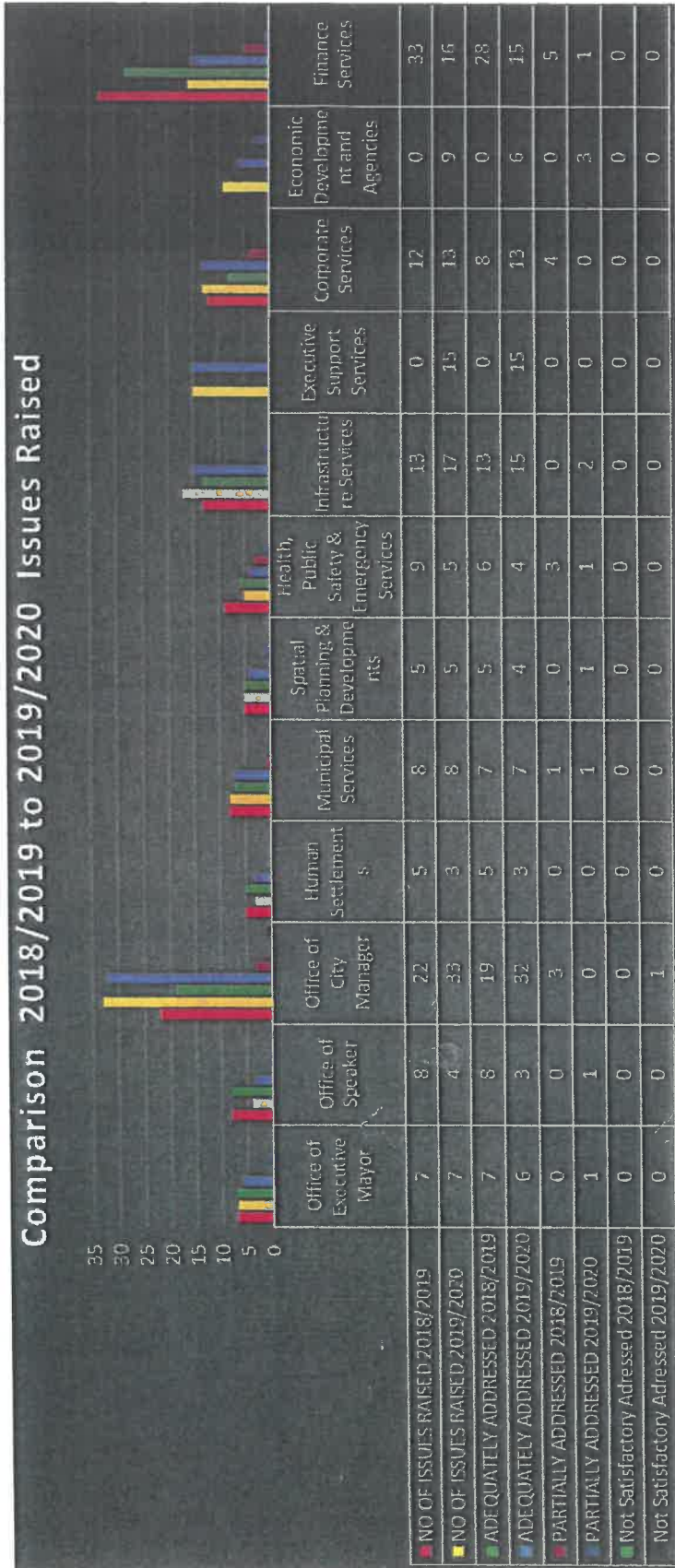
Below is a summary of the written submissions from different departments in response to the questions that were sent to them. These have also been presented as oral replies during the Departmental Engagements. Based on the assessments that have been done after the completion of all the Engagements, the Committee has evaluated these and the final analysis per Department is contained below, with other departments having to further effect the changes or recommendations from the Committee.



BUFFALO CITY METROPOLITAN MUNICIPALITY

A city growing with you!

Graphic Representation of current (2019/2020) and prior year (2018/2019) issues analysis





5.5. FINDINGS

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

5.5.1. LACK OF PROGRESSION IN AUDIT OPINION

The overall audit opinion on the Institutional performance has not improved over a period of four (4) years. The committee attributes the stagnation in the audit opinion to non-implementation of council resolutions as it pertains to the matters raised by the Auditor General. It further appears that disciplines and processes necessary to ensure coordination between departments and ensuring alignment with strategic objectives were not instilled. The Auditor General has indicated that the basis for the qualified opinion relates to the "Revenue- service charges and receivables from exchange transactions" and "irregular expenditure".

5.5.2. NON-IMPLEMENTATION AND MONITORING OF OVERSIGHT RECOMMENDATIONS AND COUNCIL RESOLUTIONS

The Council has failed to monitor the implementation of past Oversight recommendations as well as the Council resolutions which has resulted in the repeat findings. Below are the repeat findings that are relevant for the year under review:

- **Failure to adequately implement the audit intervention plan**
The Accounting Officer has once again failed to adequately implement the audit intervention plan to address the root causes of prior year audit findings. Inadequate monitoring of the implementation of the audit improvement plan remains a challenge.
- **Ineffectiveness of the Internal Audit Unit**
The Committee's finding in this matter remains as the Internal Audit once again failed to complete its planned audits for the year under review.
- **Declining liquidity position of the institution**
The Committee raised this matter as a concern in the previous year, and drew attention to the fact that challenges related 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.
- **Inaccurate and under reporting**
The Committee once again notes that the Management has again not addressed the inaccurate reporting and under reporting which has compromised the content and context of the Annual Report.



- Material limitations experienced by the Auditor General which adversely affected the audit outcome.

The Auditor General has again 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 which also indicates that there is no quality assurance on the information submitted. The lack of urgency in responding to the Auditor General's messages appears to negatively impacted on the audit outcome.

5.5.3. IRREGULAR EXPENDITURE FRUITLESS AND WASTEFUL EXPENDITURE

The irregular expenditure disclosed in the Annual Financial Statement is not complete. The Auditor General noted in their finding that they could not rely on the disclosed irregular expenditure (Note 57). This a repeat unresolved finding.

5.5.4. UNAUTHORIZED EXPENDITURE

The failure by management to investigate Unauthorized expenditure is a concern for the Committee supported by the Auditor Generals concern related to the ability of management to budget correctly.

5.5.5. UNDERSTATEMENT OF REVENUE

The full extent of the material understatement on the sale of water revenue was said to be impractical to determine as properties identified by the AG for which water was not billed could not be verified and quantified by management.

The substantial electricity and water losses are of concern to the Committee.

5.5.6. UNCOORDINATED APPROACH TO PERFORMANCE REPORTING

The lack of standard operating procedures by the municipality to enable accurate and complete reporting against targets set in the SDBIP.

5.5.7. SUPPLY CHAIN MANAGEMENT

Continued non-compliance to Supply Chain Management regulations as reported in the previous year in relation to goods and services to the value above R200 000.



5.5.8. SERVICE DELIVERY

The Auditor General was unable to obtain sufficient information to express an opinion in respect of service delivery indicators.

The lack of coordinated effort between directorates with regard to the electrification of Mdantsane cluster 2 project cases in point are Ward 11 Sisulu and Ward 20 Daluxolo.

While noting that there have been improvements with regard to waste collection concerns remain regarding the utilization of plant and equipment.

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 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.
- 6.2 Written responses to questions posed at public hearings do not include the verbal responses which affect 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.
- 6.3 Responses by some of the HOD's and Portfolio heads are not satisfactory during the public hearings due to the element of being defensive and providing responses that were considered indirect, not addressing the thrust of the matters raised.
- 6.4 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.



6.5 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.

6.6 This report was due to be tabled at the Council meeting scheduled for the 31 March 2021, however, it could not be submitted due to the management not meeting the deadline with the AG.

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 following votes where funds were available:

05362270340GFMRCZZE3 - C&PS: B&A BUSINESS & FIN MANAGEMENT

05362305110GFMRCZZE3 - OC: REG FEES NATIONAL

05362305760GFMRCZZE3 - OC: T&S DOM – ACCOMMODATION

05362281220GFMRCZZE3 - CONTR: EVENT PROMOTERS

9. OTHER PARTIES CONSULTED

9.1 Auditor General South Africa

9.2 Audit Committee

9.3 Internal Audit

9.4 Executive Mayor

9.5 Speaker

9.6 Chief Whip

9.7 Portfolio Heads

9.8 Office of the City Manager

9.9 Chief Financial Officer

9.10 Heads of Department / Directors

9.11 External Stakeholders



10. RECOMMENDATIONS

It is recommended

- 10.1. 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).
- 10.2. That Council approves the Annual Report with reservations as included in the comments of the Oversight Report pages 5 to 23.
- 10.3. That the Accounting Officer ensures that all outstanding amendments, corrections and information not contained in the 2019/20 Annual Report be included as contained on pages 13 to 18 of the Oversight Report of the Municipal Public Accounts Committee to the Council meeting held on 23 June 2021.
- 10.4. 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.
- 10.5. 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.
- 10.6. That the following findings of the Committee be adopted as resolutions of the council:
 - 10.6.1 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
 - 10.6.2 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, and thereafter quarterly.
 - 10.6.3 That the Council Speaker develops mechanisms to ensure easy access to information for the public in order to strengthen Public Participation.




- 10.6.4 That the Speaker of Council takes appropriate action to ensure that the Petitions Committee sits as required by legislation and the calendar of meetings and report thereon in Council on a quarterly basis.
- 10.6.5 That the Accounting Officer facilitates the development of an institutional monitoring and evaluation risk management policy in line with the IDP and the SDBIP to improve the Risk Management within the institution and that the Risk Management Unit be capacitated within a period of three (3) years and that progress in this regard be reported to the Council on quarterly basis.
- 10.6.7. That the Accounting Officer submits reports on the nine (9) investigations raised by the Auditor General in the Annual Report 2019/20 financial year to MPAC within 30 days and that such report includes the respective portfolio of evidence.
- 10.6.8 That the Accounting Officer reviews the Water Services Master plan to address the shortage of water supply in the rural areas and that such strategy includes the introduction of means test to identify the indigents in rural areas.
- 10.6.9 That the means test referred to in recommendation 6.8 above be encompassed in the water master plan of the institution.
- 10.6.10 That the Accounting Officer expedite the process of transfer of land and assets to the Buffalo City Metropolitan Municipality to fast track the infrastructure development planned for such areas
- 10.6.11 That the Accounting Officer expedite the dry sanitation project for all the rural areas that have been transferred to Buffalo City as a result of demarcation and submit quarterly progress reports to the Council.
- 10.6.12 That the Accounting Officer facilitates the centralization of the core functions of the Health and Public Safety directorate as it pertains to the installation and monitoring of the CCTV cameras within the institution.
- 10.6.13 That the Accounting Officer ensures that the properties that had been identified and not billed, are billed for services rendered.
- 10.6.14 That the Accounting Officer investigates and reports on the challenges within the billing system within 60 days and report to MPAC thereon.



- 10.6.15 That the Accounting Officer commission a study to identify the root causes of the losses on the electricity trading account and that a report thereon be submitted to the Council within six months hereof.
- 10.6.16 That the Accounting Officer addresses the challenges experienced in the Mdantsane Cluster 2 housing project, in particular the electrification and sanitation challenges at Sisulu and Daluxolo housing settlements and submit quarterly progress reports to the council.
- 10.6.17 That the Accounting Officer facilitates the upgrading of the road, to the Kiwane resort, including the ICT infrastructure and that an effective strategy is developed to manage and market the municipal asset and that progress be reported to the Council every six months.
- 10.6.18 That the Accounting Officer ensures that the ICT systems are maintained in operational status and that the staff in the King Williams Town office is appropriately capacitated and that the server room and office constraints be addressed as a matter of urgency.
- 10.6.19 That the Accounting Officer ensures that the Annual Report of the BCMDA is compliant with Circular 63 in the 2020/2021 Financial Year.
- 10.7. That the council in exercising its oversight in relation to the implementation of resolutions monitor the implementation of the prior years oversight recommendation to the council as it pertains to the following:
- 10.7.1. Implementation of consequence management as recommended in the 2017/18 and 2018/19 oversight reports.
- 10.7.2. Address the inaccurate and under reporting in the Annual Reports as recommended in prior years oversight reports
- 10.7.3. Effective implementation of quality assurance and proof reading of the Annual Reports as recommended in the prior years of the oversight report.
- 10.7.4. Implementation of a coordinated approach to address "silo mentality" in the institution and that the Accounting Officer report on the progress hereof to the council quarterly.

- 10.8. That all reports setout herein proceeds to the council via the relevant portfolio committees.
- 10.9. That the Office of the Speaker ensures that all resolutions emanating from this report are find expression in the council within the time frames as stipulated.



Councillor Z. Kodwa-Gajula
Chairperson: Municipal Public Accounts Committee

- ANNEXURE A: PRINT MEDIA ADVERTISEMENT
- ANNEXURE B: STAKEHOLDER SUBMISSIONS
- ANNEXURE C: SITE VISITS NOTES
- ANNEXURE D: AUDITOR GENERAL PRESENTATION
- ANNEXURE E: AUDIT COMMITTEE REPORT
- ANNEXURE F: INTERNAL AUDIT REPORT
- ANNEXURE G: DEPARTMENTAL QUESTIONS
- ANNEXURE H: MINUTES-DEPARTMENTAL ENGAGEMENTS 19 MAY 2021
- ANNEXURE I: MINUTES-DEPARTMENTAL ENGAGEMENTS 26 MAY 2021
- ANNEXURE J: MINUTES-DEPARTMENTAL ENGAGEMENTS 28 MAY 2021
- ANNEXURE K: MINUTES OF THE OVERSIGHT PROCESS