Chapter 2

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

Corporate governance is comprised of Risk Management and Fraud Mitigation, Internal Audit / Audit Committee, Compliance Services, Legal Services, Communication and Development Cooperation, Public Participation and Special Programmes, Knowledge Management, Research and Policy.

The preamble to the Local Government: Municipal Systems Act provides inter alia for the "core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities; to define the legal nature of a municipality as including the local community working in partnership with the municipality's political and administrative structures; to provide for the manner in which municipal powers and functions are exercised and performed; to provide for community participation; to establish an enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change which underpin the notion of developmental local government; to provide a framework for local public administration and human resource development; to put in place service tariffs and credit control policies by providing a framework for the provision of services, service delivery agreements; to provide for credit control and debt collection; and to provide for matters incidental thereto".

The importance of good governance is widely recognized. Good corporate governance generates the goodwill necessary to enable sustainable value creation. Other pieces of the legislative framework impact on the activities of the Municipality and for the purpose of this cluster the King III Report is considered important. The introduction of the King III Report on Corporate Governance necessitates increased attention being paid to compliance issues. This covers activities such as Internal Audit, Fraud and Risk Management as well as Information Technology.

Within this overall framework fall activities such as risk and fraud management, internal audit, legal and compliance, knowledge management as well as public participation.

T 2.0.1

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INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

Note: The Constitution section 151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

The Buffalo City Municipal Council is the ultimate political decision-making body of the municipality. The Executive Mayor of Buffalo City, Zukiswa Ncitha, takes overall strategic and political responsibility for the city, while the Municipal Manager, Andile Fani, heads the city's administration and provides the link between the political and administrative arms of city government. The heads of departments and officials are responsible for physically implementing policy. Ward councillors are the municipality's key link between the municipal government and the residents

T 2.1.0

2.1   POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

Note: MFMA section 52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality

The section 12 notice published by the Member of the Executive Council for Local Government & Traditional Affairs determined that Buffalo City Metropolitan Council, in terms of section 9(d) of the Municipal Structures Act 1998, would have an Executive Mayoral System combined with a Ward Participatory System.

The independent Audit Committee reports directly to Council, providing opinions and recommendations on financial processes and performance.

The Municipal Public Accounts Committee is in place to strengthen the oversight arrangements in the municipality and to ensure the efficient and effective use of municipal resources. Its key role is to consider and evaluate the content of the annual report and make recommendations to Council when adopting an oversight report on the annual report as required in terms of section 121 of the Local Government: Municipal Finance management Act and Circular no 32 issued by the Minister of Finance.

T 2.1.1

Photos

POLITICAL STRUCTURE

MAYOR

Z. Ncitha

Presides at meetings of the executive committee

Performs duties, including any ceremonial functions and exercise the powers delegated to the mayor by Municipal Council or the executive committee

DEPUTY MAYOR

T. Tinta

The deputy mayor exercises the powers and performs the duties of the Mayor if the mayor is absent or not available or if the office of the mayor is absent.

SPEAKER

L.E. Simon-Ndzele

Presides at the meeting of the Council

Ensure that the council meets at least quarterly

Must ensure that the council meetings are conducted in accordance with the rules and orders of the council

CHIEF WHIP

S. Matwele

Perfoms duties that are delegated to him/her by Council

Photos (optional)

MAYORAL COMMITTEE/ EXECUTIVE COMMITTEE

Pumla Nazo - Economic Development and Agencies

Rufus Rwexu - Public Safety and Health

Tembisa Zantsi - Support Services

Mthetheleli Sam - Development Planning and Management

Rufus Rwexu - Infrastructure Planning and Services

John Badenhorst - Finance

Ayanda Peter - Institutional Operations and Civic Relations

Nomfezeko Ngesi - Community Services

Nomiki Mgezi - Development Programmes and Projects

Temba Tinta - IDP and Operational Performance Management

COUNCILLORS

BCMM has one hundred Councillors: fifty Councillors were elected in terms of the system of proportional representation and fifty Councillors represent wards. The first Council Meeting elected the Executive Mayor, Deputy Mayor, Council Speaker and Chief Whip. The Executive Mayor has a nine member Mayoral Committee.

T 2.1.2

POLITICAL DECISION-TAKING

The political decision making at BCMM is supported by the Management Committee. All recommendations from the Management Committee are put forward to the relevant Portfolio Committees, who then make recommendations to the Mayoral Committee. Once the Mayoral Committee has accepted the recommendation, recommendations are made to the Council. Council is then in a position to take the final decision on the matter. In the few cases where there is no consensus on a matter within Council, the issue will go to vote. Once the Minutes of the Council meeting have been adopted, the responsibility lies with the Accounting Officer to ensure that actions are taken to implement such resolutions.

T 2.1.3

Chapter 2

2.2   ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Note: MFMA section 60 (b): The Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality.
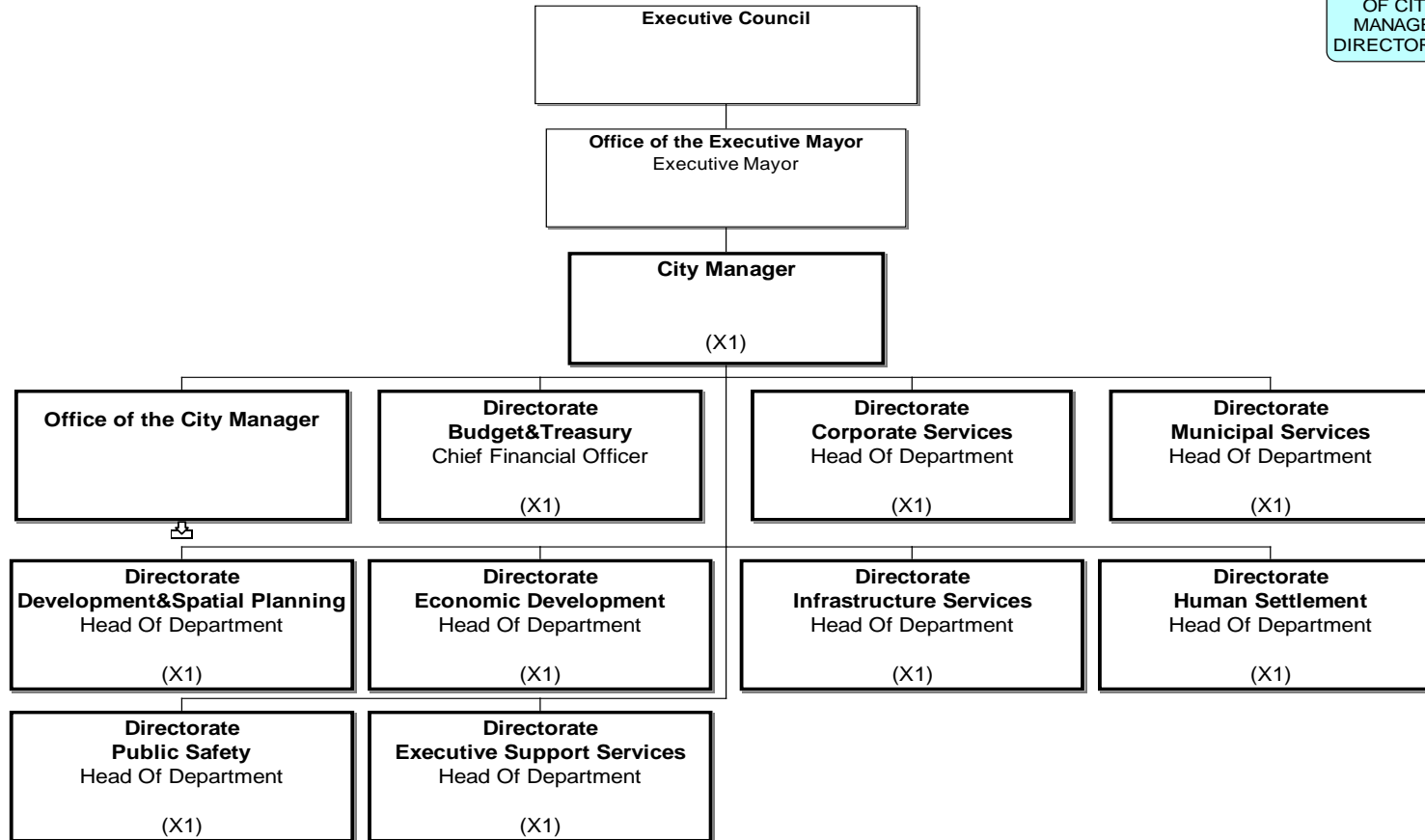

The 2012/2013 financial year marks the second year of Buffalo City as a Metro. The organisational changes required to enable BCMM to perform all its duties as a Metro effectively and efficiently are still underway. The following structure shows the macro organisational structure which was effective in the 2012/13 financial year.

City Manager
* Head of Administration
* Accounting Officer

Chief Financial Officer
* Budget and Treasury
* Revenue Management
* Expenditure Management
* Asset Management
* Supply Chain Management

Director: Corporate Services
* Human Resources Management
* Organisation Support
* Information Technology

Director: Development Planning
* Development Planning
* Spatial Planning
* Human Settlements Planning
* Land Administration
* Transport Planning and Operations

Director: Engineering Services
* Roads and Stormwater
* Electricity
* Water
* Sanitation

Chief Operations Officer
* Housing Delivery
* Mdantsane Urban Renewal Programme
* Duncan Village Redevelopment Initiative

Director: Public Health and Safety
* Law Enforcement
* Traffic Safety
* Disaster Management
* Fire and Rescue Services

Director: Executive Support Services
* Integrated Development Planning
* Institutional Performance Management
* Geographical Information Management
* Policy Development and Knowledge Management
* Political Offices Management

In the year under consideration, the organisational structure has also undergone a review and the following macro structure has been adopted by Council for implementation in the 2013/14 financial year:

PROPOSED STRUCTURE OF CITY MANAGER DIRECTORATE

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                          Executive Council

                     Office of the Executive Mayor
                          Executive Mayor

                            City Manager
                               (X1)
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Office of the City Manager	**Directorate Budget&Treasury** Chief Financial Officer (X1)	**Directorate Corporate Services** Head Of Department (X1)	**Directorate Municipal Services** Head Of Department (X1)
Directorate Development&Spatial Planning Head Of Department (X1)	**Directorate Economic Development** Head Of Department (X1)	**Directorate Infrastructure Services** Head Of Department (X1)	**Directorate Human Settlement** Head Of Department (X1)
Directorate Public Safety Head Of Department (X1)	**Directorate Executive Support Services** Head Of Department (X1)		

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In addition to the above, the Municipality has an established Internal Audit Unit, which conducts regular reviews of systems of control as well as compliance with legislated provisions and policies.

Photo	**TOP ADMINISTRATIVE STRUCTURE - <u>TIER 1</u>**
	MUNICIPAL MANAGER
	Mr A. Fani
	<u>**TIERS 2 AND 3**</u>
	Acting DIRECTOR: Executive Support Services
	Ms O. Mahlangu
	Acting Chief Operations Officer
	Mr T. Matiwane
	Chief Financial Officer
	Mr V. Pillay
	Acting Director: Executive Corporate Services
	Mr L. Wulff
	Director: Engineering Services
	Mr N. Ncunyana
	Director: Development Planning
	Ms N. Mbali-Majeng
	Acting Director: Public Health & Public Safety
	Mr S. Terwin
	Acting Director: Community Services
	Mr Z. Gijana

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Note: MSA section 3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisage in the Constitution section 41.

T 2.3.0

2.3   INTERGOVERNMENTAL RELATIONS

DEVELOPMENT COOPERATION& INTERNATIONAL RELATIONS

The role of local government in IR has moved significantly from the symbolism of the past to meaningful interaction of mutual benefit with far reaching implications for the image of South Africa and the development agenda at a local government level i.e attainable economic benefits.

In this regard it has been determined that the growing demands and complexity of South African municipal service- delivery imperatives have impacted significantly on the range and depth of skills and competencies required from within the municipal economy, thereby necessitating serious consideration of municipal international relations as an increasingly viable conduit for scarce skills and resources.

In the year under review 2012-2013 the following was achieved for International Relations:

Milwaukee County, Wisconsin USA partnership

Following the funding and handing over of the upgraded and extended Aspiranza clinic, located in Ward 10 of Buffalo City, the unit managed to secure funding for medical equipment and furniture for the additional rooms after the upgrade. Furniture to the value of R36 000 and equipment to the value of R54 000 were donated to Aspiranza Clinic in November July 2012.

City of Glasgow, Scotland partnership

Buffalo City Metropolitan Municipality on an annual basis has been afforded the opportunity to be a recipient of donated books from ACTSA in Glasgow, Scotland. Since the signing of the agreement in October 2010, BCMM has received two consignments totalling to 100,000 books for schools in the area. As part of the commemoration for former President Nelson Mandela's birthday, a handover of books ceremony took place at the East London City Hall. Approximately forty (40) schools in Buffalo City benefitted from the donation of books. Due to the popularity of the books drive, the Development Cooperation and International Relations Unit has made application for a third consignment of books to be handed over on 18 July 2013.

Gävle, Sweden partnership

2012 marked the 10 year Anniversary for the Buffalo City-Gävle partnership. The commemorations took place in both Buffalo City and Gävle. In August 2012 Buffalo City participated in the commemorations in Gävle, Sweden. Buffalo City and Gävle also, during this period, supported project applications for Good Governance, Renewable Energy, Masimanyane Women's Support Centre and Blåklockan Women's Violence Against Women project. In May this year we were advised that the projects have been approved by the International Centre for Local Democracy. The partnerships are expanding on an annual basis to include other levels of government, NGO's and other partners in the city.

City of Oldenburg, Germany partnership

The City of Oldenburg partnership is a relatively new partnership that has been encouraged through the cooperation of the Eastern Cape Province with the Lower Saxony Province in Germany. In September 2012 Buffalo City took part in a Fashion Fair with Da Gama Textiles, Walter Sisulu University, Department of Sports, Arts, Recreation and Culture and the Eastern Cape Development Cooperation. The main aim of the Fair is to revive and revitalise the textile and crafting industries and, furthermore, to open doors for new talent in our city. The pieces of work of the students were modelled in Oldenburg, Germany as part of the South African Encounters 2012 Initiative hosted by the City of Oldenburg. Fashion Fair 2013 is in the pipeline hoping to be bigger and better than 2012.

Further to this, Buffalo City signed a new agreement with the City of Oldenburg for collaboration in areas including renewable energy and climate change. This will help secure funding for skills and other programmes for collaboration.

 Following the signing the BCMM-Oldenburg agreement the East London Industrial Zone has leveraged off the partnership and in April 2013 signed an agreement with BFE in Oldenburg for the training of master artisans at the Master Artisan Academy of South Africa. Furthermore, and more recently, a new agreement was signed with BBS at Museumsdorf. These agreements will not only assist the IDZ to increase the possibilities of internships for students from the newly established Master Artisan Academy of South Africa, but will also improve qualifications and much needed skills of our new generation of renewable energy experts.

Leiden, Netherlands partnership

With our Dutch Partnership, Buffalo City aims to realize the Safe Park in Ward 6 of Duncan Village before the end of this financial year. The Isibindi Safe Park will be implemented in collaboration with East London High Transmission Area. The aim of the Safe Park is to provide a safe haven for vulnerable and orphaned children who will be supervised by Social Workers from the ELHTA.

China partnership (City of Qinhuangdao and Jinhua City)

The partnership with China is historically linked to the former East London TLC and King Williams Town TLC period. During this reporting period BCMM renewed its partnership agreement with Jinhua City, China. Further to that, Jinhua City businesses participated in the Automotive Week in Port Elizabeth. Discussions are currently underway with our Chinese partners to collaborate with Buffalo City in our Agricultural sector.

T 2.3.1 (a)

NATIONAL INTERGOVERNMENTAL STRUCTURES

No National IGR Structures are attended

T 2.3.1

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

BCMM is involved in the following IGR programmes and structures:

GIS Provincial Steering Committee

GIS Provincial Steering Committee is attended on a quarterly basis chaired by the Office of the Premier, Spatial Management Unit (SMU). The benefit of the meetings is that the provincial, national regional departments and local municipalities interact and share spatial data, challenges, good practices and GIS projects within the province. These meetings provide the province with the ability to comply with the Spatial Data Infrastructure Act ,2003.

Eastern Cape Department of Education

Through Buffalo City Metro's international partnerships books have been secured from donors in Glasgow Scotland. The Eastern Cape Department of Education has partnered with the Metro to identify underprivileged schools in the Metro who do not have libraries or books to ensure a fully function library at the schools. Approximately 48 schools benefitted from the donation of books.

Department of Economic Affairs and Environment

The 5th Global Forum on Innovation and Technology Entrepreneurship was hosted by the South Africa's Department of Science and Technology, Department of Economic Affairs and Environment, and Buffalo City Metropolitan Municipality in East London, South Africa, from 26 – 30 May, 2013. The Global Forum attracted around 800 business incubator managers, policy-makers, SME entrepreneurs, financiers and development agencies from all continents for a unique south-south and north-south networking and knowledge-sharing experience. At least three councillors from the Metro attended the forum, and linkages were created with an Australian delegate - Carol Hanon of TFC Global - with interest in textiles and crafts. Visits

were undertaken to Walter Sisulu University, Da Gama Textiles and Amathole Craft Hub where local craft was purchased and where two TCF Global BPW Fashion Business Scholarships – valued at US$ 500 were awarded to two members of the Amathole Craft Hub.

Office of the Premier and BRICS

South Africa hosted the fifth BRICS (Brazil, Russia, India, China and South Africa) Summit at the Durban International Convention Centre from 26-28 March 2013. This completed the first cycle of BRICS summits which are convened to seek common ground on areas of importance for these major economies. It represents spheres of political and entrepreneurial coordination, in which member countries have identified several business opportunities, economic complementarities and areas of cooperation. The road show to the Eastern Cape was held on 7 & 8 March 2013. It was proposed that the event be held at the International Conference Centre in East London, Buffalo City, Eastern Cape, due to the number of target audiences invited and the suitability of the venue to accommodate the relevant numbers. The approach was in the format of panel discussion on BRICS with various stakeholders and Student community engagement on BRICS to be hosted by Walter Sisulu University. The focus gave opportunity for stakeholders to unpack BRICS and its potential in fighting triple challenges of inequality, unemployment and poverty. These were interactive sessions. Buffalo City together with the Office of the Premier hosted the event.

In addition, BCMM has worked closely with the departments of Home Affairs, Human Settlements and, Local Government and Traditional Affairs.

T 2.3.2

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION
Note: MSA section 17 (2): requires a municipality to establish and organise its administration to facilitate a culture of accountability amongst its staff. Section 16 (1): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. Section 18 (a) - (d): requires a municipality to supply its community with information concerning municipal governance, management and development.

The goal of the Buffalo City Metro on Good Governance and Public Participation is to realize a viable and caring institution that will promote and support a consultative and participatory local government. This is in keeping with the current municipal vision: "A responsive, people-centred and developmental City".

The following section outlines how this has been carried out in BCMM.

T 2.4.0

2.4   PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS
T 2.4.1

The Communications Unit continued with the implementation of its communications strategy throughout the financial year. The new Metro's communications strategy has gone through the management team for review and is progressing to council for adoption. This strategy is aligned to the new status of the Metro.

Highlights:

The communications department has produced numerous communication plans for all departmental activities in the Metro. This is guided by what is contained in the Service Delivery Budget Implementation Plan (SDBIP). The main objective is to improve communications internally and externally, through the development and institutionalization of communication plans. The communication plans comprise tools and channels of communication that are used to reach to the communities we serve. The following major activities were conducted successfully:

1. IDP/Budget Roadshows

2. Council Open Day

3. State of the Metro Address

The above activities are critically important in the Institution and the Metro is obliged by law to communicate and encourage public participation.

In addition, the following campaigns are ongoing or in the process of being planned for implementation:

1. Illegal Connections awareness campaign: The metro is currently electrifying informal settlements as per identified hotspots areas. Once a sizable number have been electrified, the awareness campaign, which is a soft approach, will commence. This campaign is expected to roll out in the next financial 2014/2015013/14.

2. Consumer Data Update: This is a yearlong campaign by the Finance Directorate, which has made use of radio, print media, flyers and taxis to communicate this important campaign.

3. Bank changes: this critical move from Standard Bank to ABSA saw BCMM embarking on a massive awareness campaign, which yielded positive results as the transition went of smoothly.

BCMM has also convened all the quarterly meetings of the Metro Communicators Forum. These meetings strengthen communication between sector departments in the metro as well as empowering community development workers (CDWs). These meetings also assist the Communications Department in the improvement of communication with the communities we serve.

The BCMM Communications Unit also played a vital role in the Home Affairs-Buffalo City Stakeholders Forum. BCMM facilitated the photo-shoot of the ID photos for the fire victims of Duncan Village. The Communications Unit is currently working on the Communication's Strategy for the Home Affairs campaigns within the Metro.

Challenges:

The leakage of information puts the Metro in a risky situation. Leaked information tends to mislead the public. The Communications Unit has developed a policy that is yet to be approved by Council around this matter. This is part of Media and Communications Policy.

WARD COMMITTEES

Ward Committees are the appropriate channel through which communities can lodge their complaints. In a broader sense a Ward Committee should be a communication channel for the entire community residing in the respective ward.

Major Issues Dealt with by the Ward Committee System

The following key issues were addressed through the ward committee and public meetings

- Ward Budget allocations

- Ward issues raised pertaining to the service delivery issues per ward.

T 2.4.2

Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrator	Number of community members	Issue addressed (Yes/No)	Dates of manner of feedback given to community
Ward Committee meeting	Bi-monthly	Ward Councillor	1	10	Yes	Public meetings / Area meetings
Public meetings	Quarterly	Ward Councillor	1	All	Yes	Public meetings / Area

Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrator	Number of community members	Issue addressed (Yes/No)	Dates of manner of feedback given to community meetings
EXCO				All	Yes	
World AIDS Day	01 Dec 2012	100		All	Yes	
State of Nation Address	14/02/2013	100		500		
Budget Speech	27/02/2013					
State of Province Address	01/03/2013	2	3	400	Yes	
IDP & Budget Roadshows	11-26/ 04/2013	100		All	Yes	17/05/2013 Council Open Day
Council Open Day	17/05/2013	100		500	Yes	
State of the Metro Address	14/06/2013	100	All	500	Yes	Public meetings

T 2.4.3

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

The Municipality makes more appropriate decisions based on the priority needs of the community.

T 2.4.4

2.5   IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
Section 26 Municipal Systems Act 2000	T 2.5.1

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

T 2.6.0

2.6   RISK MANAGEMENT

RISK MANAGEMENT
Note: MFMA section 62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management.

Risk Management is a statutory imperative which must be complied with. The municipality is therefore required by law to develop proper systems of risk management for purposes of mitigating further risk and to encourage and promote a risk management culture in the Institution.

Management of Legal Risk

The Legal Service Department's role within risk management is to:

- Engage proactively in the development of a vibrant risk management framework;

- Develop and promote strategies that assist in the achievement of the broader risk management objectives of the municipality;

- Flag areas of potential risk and engage other stake holders to introduce best practice models; and

- Engage meaningfully in the review processes relating to risk management.

The top five risks to the municipality in terms of legal matters / litigation are:

Risk Description	Controls	Mitigation Measures
Lack of understanding of the legal and compliance framework within which the Municipality operates.	Access to LexisNexis (30 users). New compliance requirements tabled to Top Management. Policies are subjected to a compliance review. Compliance included in the induction process.	Development of a Draft Compliance Framework for the institution in conjunction with the Compliance Section, with in the current financial year being 2013/2014. Legal Services to arrange training courses on compliance and policies together with the training department.
Inadequate feedback/communication and information on critical legal issues.	Correspondence is directed to the CM's office by Departments, and legal matters are referred to the Legal Services Department. Register of legal matters maintained at Legal Services. Reporting on status of legal matters to Top Management and Council.	Memo's to be sent to management, as required, and copied to the CM. Quarterly reminders on legal process to be sent to management. Legal to develop a process manual on management of legal documents by all Departments.
Inadequate implementation of recommendations made by Legal Services.	Recommendations are documented, and the Office of the CM is copied on this.	Directors and Managers will be requested to formally respond to Legal Services on advice/ recommendations given. Legal Reports to make provisions for inputs from Departments which must indicate whether the advice is accepted or not and supporting reasons.
Non-compliance with legislation and regulations.	Access to LexisNexis (30 users). New compliance requirements tabled to Top Management. Policies are subjected to a compliance review. Compliance included in the induction process. Audits on compliance performed by internal or external audit. Register of legal matters maintained at Legal Services. Reporting on status of legal matters to Top Management and Council.	Development of a Draft Compliance Framework for the institution in conjunction with the Compliance Section, with in the current financial year being 2013/2014. Legal Services to arrange training on compliance and policies together with the training department.

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Risk Description	Controls	Mitigation Measures
Non-involvement of legal and compliance in contracts and agreements.	Contracts and agreements are reviewed by Legal Services. Secondment of Mr Vumazonke to Supply Chain Management. Increased interaction between Legal and SCM Unit.	Regular and constant co-operation with the SCM Managers.

The remedy and solution here is that all the officials have to acquaint and familiarise themselves with the rules governing their work environment.

In addition, the following risks are identified across the organisation as a whole: (see overleaf):

Risk Sub-Category	Risk Description	Consolidated Inherent Risk Assessment			Controls	Consolidated Residual Risk Assessment			Mitigation Measures/ Action Plans	Timeframe	Action Owner
		Likelihood	Impact	Total		Likelihood	Impact	Total			
Survey	The existence of informal settlements and the threat of land invasions on land reserved for township development causes delays in the survey of such land.	5	5	25	No controls	5	5	25	The construction of TRA's to be speeded up.	2013/ 2014	Director: Planning and Economic Development
Communication	Sensitive and confidential information being leaked to the media may result in reputational damage	5	5	25	A draft media and communication policy. Sensitive information is controlled within the responsible directorate. However, re-distribution of such documents from recipients is not adequately controlled	5	5	25	Measure as documented in the Draft Media and communications policy are followed to deal with such instances.	2013/2014	Director: Executive Support Services

Risk Sub-Category	Risk Description	Consolidated Inherent Risk Assessment			Controls	Consolidated Residual Risk Assessment			Mitigation Measures/ Action Plans	Timeframe	Action Owner
		Likelihood	Impact	Total		Likelihood	Impact	Total			
Law Enforcement	By-laws are fragmented across BCMM, which results in certain areas within BCMM not being subjected to the provisions of the by-laws.	5	5	25	Majority of By-laws are only applicable in certain area within BCMM. (Refer for additional mitigating controls to legal services)	5	5	25	Centralization of the development and review of all by-laws (Corporate Services (Legal)	Ongoing	Director: Health and Safety
Crematoria and Cemeteries	Lack of suitable land/ crematorium being under-utilised and uncontrolled burials within municipal boundaries (rural area)	5	5	25	Existing space available is being used at municipal cemeteries. No controls other than by laws applicable	5	5	25	Investigate suitable land and promote the use of the crematorium as an alternative to conventional burial methods.	2 years	Director: Community Services
Waste Management	Illegal dumping due to distant landfill sites.	5	5	25	Currently no controls, other than the fine system. Illegal dumping is a criminal offence	5	5	25	Department to strengthen cooperation with law enforcement to enforce environmental by-laws	on-going	Director: Community Services

Risk Sub-Category	Risk Description	Consolidated Inherent Risk Assessment			Controls	Consolidated Residual Risk Assessment			Mitigation Measures/ Action Plans	Timeframe	Action Owner
		Likelihood	Impact	Total		Likelihood	Impact	Total			
Integrated Environmental Services	Climate Change implications (Sustainability of the City and Resources)	5	5	25	Strategy will be developed by independent service provider	5	5	25	Strategy will be developed by independent service provider	2013/2014	Director: Community Services
Electricity	Constraints to electrify informal dwellings and informal settlements.	5	5	25	1. DOE and INEP provides funding to upgrade the electrical network if it is required to supply electricity connections to low income areas. 2. A pilot project has commenced in Duncan Village.	5	5	25	Council has taken a decision to pilot electrification in Duncan Village and then roll out the programme to the whole of BCM. BCM will investigate the possibility of DOE funding the additional costs.	10 years	Director: Engineering Services
Electricity	Illegal electricity connections/ theft/ non-metered connections/ tampering.	5	5	25	A meter sweep of all domestic meters has commenced, with 14 000 already being inspected .Installation of AMR meters has	5	5	25	The Electricity Department has an Internal Revenue Protection Section, this Section needs to be properly capacitated both inters of manpower as well as financially	10 years electrification 2 years meter sweep	Director: Engineering Services

Risk Sub-Category	Risk Description	Consolidated Inherent Risk Assessment			Controls	Consolidated Residual Risk Assessment			Mitigation Measures/ Action Plans	Timeframe	Action Owner
		Likelihood	Impact	Total		Likelihood	Impact	Total			
					commenced for all industrial and commercial consumers.						
Human Settlements	No funding allocation for emergency housing projects (disasters - fire, storm etc)	5	4	20	Application to provincial human settlements for emergency relief.	5	4	20	This is an institutional strategic risk that the institution has to find a solution around it going forward	2014/2015	Chief Operations Officer
Roads and Storm Water	Ageing roads and storm water infrastructure.	5	4	20	Submit motivation for additional funding	5	4	20	1) Sourcing additional funding to fund backlogs 2) Source funding to carry out implementation assessment of roads has been done.	On-going exercise of infrastructure rehabilitation	Director: Engineering Services

T 2.6.1

Chapter 3

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

Note: See Chapter 4 for details of Disciplinary Action taken on cases of financial mismanagement (T4.3.6). MSA 2000 s 83 (c) requires providers to be chosen through a process which minimizes the possibility of fraud and corruption.

The Municipality has, during the year under review, adopted a comprehensive Fraud Mitigation Strategy, which replaces the existing Fraud Policy that had been in place for a number of years. The emphasis of this strategy is on proactive preventative techniques.

The strategy sets out an aggressive and firm attitude towards fraud and corruption; undertaking to aggressively seek it out, investigate allegations, prosecute offenders, and encourage staff to report any incidences. The document is worded in such a way as to achieve "buy-in". It seeks to create a level of fraud awareness among staff and encourage them to report suspected fraud in the workplace. It highlights that the primary means of detecting fraud is a sound system of internal control. Other measures include highlighting red flags, setting out details of fraud assessment questioning, mandatory vacations, surprise audits, investigative techniques, training, etc.

It also sets out details of the "who, what, where, when, why and how" of responding to fraud or allegations of fraud.

The plan defines "damage control" processes, sets the action plan in motion, and controls the investigation and recovery procedures. Implicit in this is the institution of disciplinary action when required and improved internal control procedures. It is the overall "game plan".

The emphasis is on the creation of awareness that fraud is a possibility, which must not be taken lightly, and that management has a duty to actively seek out fraud.

As part of the fraud prevention strategy, awareness workshops are planned for the 2013/14 financial year and departments considered at risk will be assessed, to highlight areas of concern.

The Fraud Mitigation Strategy is being rolled out in the 2013 / 2014 year with a detailed investigation into the requirements for the operation of a Fraud Hotline as well as Fraud Awareness sessions. This will be followed up with Fraud Risk assessments in Directorates.

Chapter 3

This fraud susceptibility assessment is intended to highlight any "fraud friendliness" in the control environment. The work in this area is the subject of the implementation plan.

The Municipality has been reluctant to introduce this mechanism without the capacity to handle the investigations that would follow its introduction. Notwithstanding, tips and reports are followed up.

The Municipality has an established Internal Audit Unit, which conducts regular reviews of systems of control as well as compliance with legislated provisions and policies. As set out in part 2.6 above, key risks facing the Municipality are contained in a Risk register. The Internal Audit Plan is derived from the risks contained in this register.

Aligned therewith, the Municipality established an Audit Committee a number of years ago. The membership of the Committee is from outside the Municipality (i.e. no Councillors or officials form part of this Committee) and it is considered independent. This Committee reports directly to Council.

As a general principle, segregation of duties is of common application to reduce the likelihood of irregularities. This process is under constant review.

T 2.7.1

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT
Note: MFMA section 110 - 119; SCM Regulations 2005; and relevant MFMA circulars set out the required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption.
T 2.8.1

BCMM adopted its Supply Chain Management Policy in 2009, which is reviewed annually and which was last reviewed in June 2012. The system of Supply Chain Management Unit at BCMM consists of the following sections:

- Acquisitions Section

- Contracts and Risk Section

- Logistics and Warehousing Section

Chapter 3

An SCM Procedure Manual has been developed. It is in a draft stage, and will be approved by the end of 2012/13. An SCM Movable Asset Disposal Procedure and a Committee are in place to ensure proper disposal of Municipal assets. The SCM institution uses a quotation and an open bid system to procure services and goods required for the service delivery requirements of the Institution. A total of 281 tenders were awarded under the open bid system in 2012/2013, to a total value of R1 026 992 836.59.

The Institution has all three Supply Chain Management Committees (the BSC, BEC and BAC), appointed, all with proper written and signed delegations.

The following were additional notable achievements for the SCM unit during the 2012/13 F/Y:

i.   Publication of awards in the Municipal website as per MFMA requirements.

ii.   Development of a diagnostic report for the centralization of SCM stores.

iii. Implementation of a Vendor database system (E-Supplier).

iv.   Appointment in June 2013 of service provider for the E- Procurement Project, to eliminate manual systems.

v.   Appointment in June 2013 of a service provider for the E-Fuel System, to eliminate pilferage and unaccounted fuel losses.

vi.   Formal appointments and delegations to bid committee members, by the Accounting Officer.

vii. Movement of Trade Creditors section from SCM to Asset & Risk Unit, for separation of duties.

viii. Skills audit assessment of the Supply Chain Management personnel.

ix.   Completion of the contracts and commitment registers.

x.   Completed archiving and safe storage of tender documentation.

Challenges at Supply Chain Management Unit

i.   BCMM SCM Unit Structure is not in line with SCM system as per the MFMA .

ii.   Existence of satellite stores within the Metro results in stock inventory discrepancy.

iii. Manual system of SCM procurement.

iv.   Irregular expenditure transaction within the supply chain system as a decentralized system, and non-separation of duties or powers.

v. Non- compliance with the all the SCM system's requirements in line with the implementation checklist, as set in National Treasury MFMA Circular 40.

Remedial action

i.   Adoption and implementation of the proposed structure in line with the MFMA requirements.

ii. Integration of all stores under SCM (implementation of the diagnostic report recommendations);

iii. Implementation of an automated SCM Procurement System.

iv. Centralization of procurement processes through SCM and full implementation of a system of delegation and separation of duties and powers, and elimination of irregular expenditure.

v.   To be fully compliant with the all the SCM system's requirements, in line with the implementation checklist as set in National Treasury MFMA Circular 40, by the end of 2013/14.

2.9   BY-LAWS

Newly Developed	Revised	Public Participation conducted prior to by-laws (yes/no)	Dates of public participation	By-laws Gazetted (yes/no)	Date of Publication
Draft Liquor By-law	Yes	Yes		No	N/A

COMMENT ON BY-LAWS:

Note: MSA 2000 s11 (3) (m) provides municipal councils with the legislative authority to pass and implement by-laws for the betterment of the community within the terms of the legislation.
T 2.9.1.1

The review of the Municipality's by-laws has been projectised. BCMM is currently in the process of appointing a project manager who will:

- Interact with the various directorates to establish their needs in this regard.

- Do research on the subject matter of the by-laws.

- Draft the by-laws.

- Verify with the relevant directorates.

- Workshop the by-laws with officials and councillors.

- Engage stakeholders in public participation.

- Have the by-laws adopted by Council; and

- Arrange for promulgation of the by-laws.

It must be noted that this is a multi-year project.

2.10   KNOWLEDGE MANAGEMENT

BCMM has included the entire ambit of Knowledge Management under this section, which was previously referred to as "Websites". The municipal website is one of a number of Knowledge Management tools available to the Metro.

The Metro website is currently under construction. There are a number of issues that need to be included on the website but cannot, because of the limited scope of work within the current website contract. This contract has lapsed and he Institution has allowed a grace period for the migration of data. The BCMM website will be maintained in- house for a period of two years until the transition to a fully fledged Metropolitan municipality is realized.

2.10 (A)   WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipal's/ Entity's Website	Yes/No	Publishing Date
Current annual and adjustments budgets and all budgets-related documents	Yes	2011/12 and 2012/13
All budget-related policies	Yes	2012
The previous annual report	Yes	2011/12
The annual report (2011/2012) published/to be published	Yes	2012/13
All current performance required in terms of section 57(1)(b) of the municipal systems act and resulting scorecards	Yes	2010/11
All service delivery agreements	Yes	2008/09
All long term borrowing contracts	Yes	Monthly
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14(2) or (4) during the year	No	
Contracts agreed in 2012/2013 to which subsection (1) of	No	

section 33 apply, subject to subsection (3) of the section		
Public-private partnership agreements referred to section 120	Yes	2010
All quarterly reports tabled in council in terms of section 52(d) during Year	Yes	2007/08

COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS:

The Communications department is struggling to get information fed into the website. It is critical that each directorate assigns someone to assist with the loading of documents on the website, especially those that are mandated by law to be made available on the website.

Currently the Metro only has public access to the website through the Youth Advisory Centres.

T 2.10.1.1

2.10 (B)   KNOWLEDGE MANAGEMENT AND RESEARCH

The Knowledge Management and Research Unit is responsible for four focal areas at BCMM:

1. **Research**: Conducting, Coordinating and Facilitating Research Institution-wide.

2. **Policy:** Assisting the policy owners of various directorates with the development, alignment, review and maintenance of all policies.

3. **Knowledge Management:**

   a. Coordinating the implementation of a Knowledge Management Strategy organization-wide in order to ensure that:

   b. BCMM institutional memory is captured and shared;

   c. Case studies are documented on best practices, lessons learnt, weaknesses and innovative projects for learning and sharing;

   d. Knowledge assets are stored on a centralized knowledge portal for ease of access; and

   e. A Culture and Environment of Knowledge- sharing is created and nurtured in the process.

4. **Strategic external questionnaire administration:** Administering, coordinating and consolidating of strategic questionnaires and information from external stakeholders, and return of all completed and quality assured questionnaire to respective senders.

The performance of the Knowledge Management and Research Unit in the 2012/13 Financial Year against the set targets in the IDP is reflected in the table below:

OBJECTIVE	KEY PERFORMANCE INDICATORS (KPI)	BASELINE	TARGET 12/13	ACHIEVEMENT
Grow the Municipality's Knowledge, creativity and innovative base and implementation of KM Strategy	Number of knowledge sharing session held	No baseline	1 Knowledge sharing session	Highly successful Knowledge Sharing Session of South African Cities Network (SACN) Knowledge Management Reference Group (KMRG) held on 12-13 June 2013
	Number of Case Studies documented	3 Case Studies Documented	1 Case Study Documented	Case Study on Better Practice: Achievement of Blue Drop Water Quality Status documented, for replication at other local government institutions. The Case Study documented how BCMM has been the best performing Municipality in the Eastern Cape for 3 years at its 2 major Water Treatment Plants, Umzonyana and King Williams Town, achieving Gold Status for Water Quality by the Department of Water Affairs (DWA) in terms of the Blue Drop Certification process.

The following were additional notable achievements for the Knowledge Management and Research Unit during the 2012/13 F/Y:

1. Identification of Basic KM Training for Councillors as a "Best Practice"

The Basic KM Councillor Training conducted during the 2011/12 Financial Year was identified as a "Better Practice" in March 2013, by The South African Local Government Association (SALGA), South African Cities Network (SACN) and the Department of Cooperative Government and Traditional Affairs (COGTA), for replication in other similar settings.
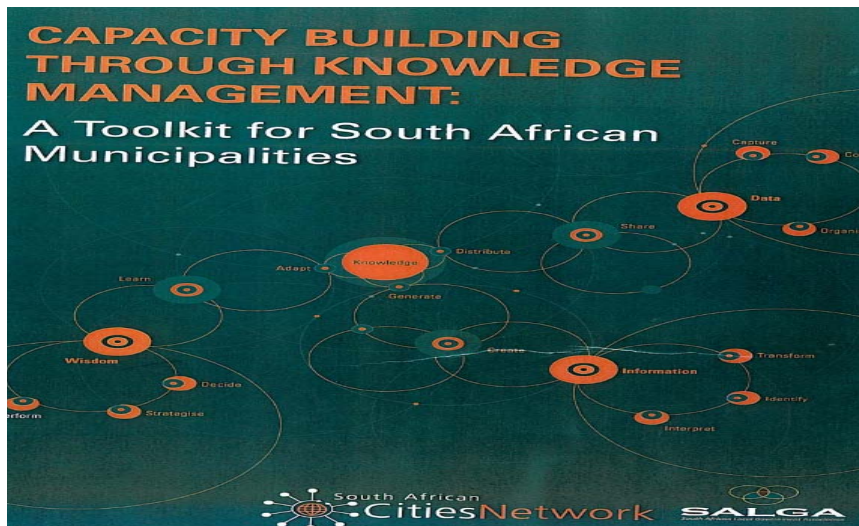
In this respect, BCMM was the first Municipality in South Africa to undertake Basic KM Training for councillors at NQF Level 5, as part of its implementation of the institutional KM Framework & Strategy.

BCMM has also now established a partnership with COGTA, in that this training is included as part of their Capacity Building Programme for councillors in all local governments throughout the country.

2. Knowledge Management (KM) Toolkit

BCMM was also intricately involved in the process of developing the South African Cities Network (SACN)/South African Local Government Association (SALGA) Toolkit for KM Managers in Local Government in South Africa
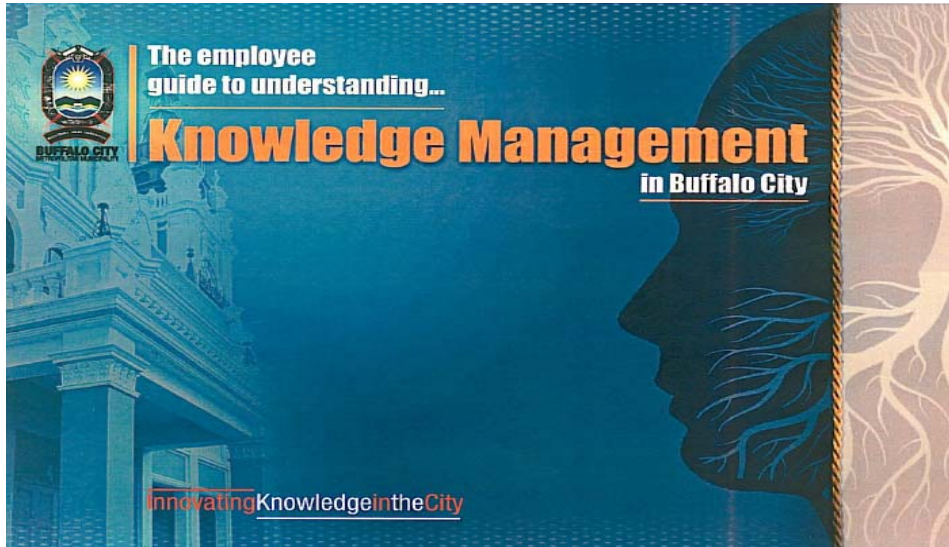

3. SACN Urban indicators Scoping Exercise

BCMM was also specifically singled out for the valuable assistance and contribution made with respect to the SACN Urban Indicators Scoping Exercise

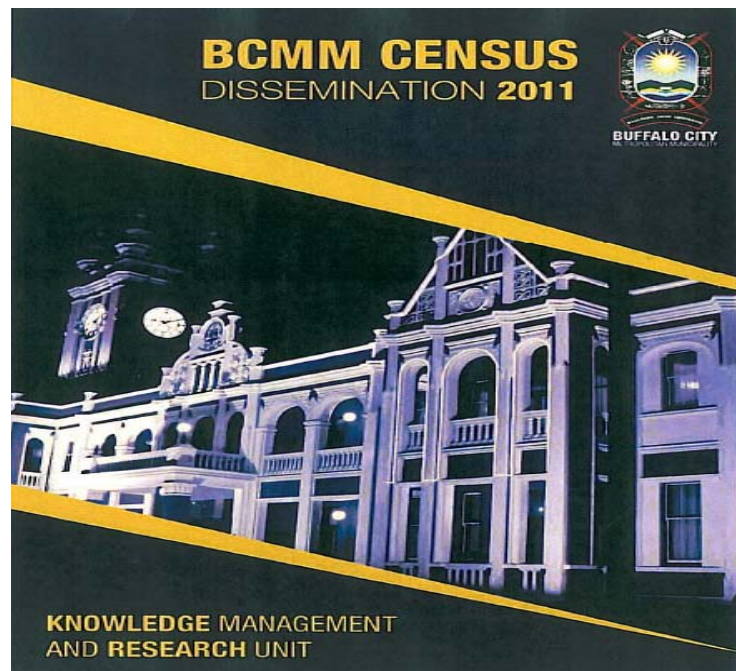### 4. Production of Knowledge Management (KM) Employee Guide (Booklet) for BCMM

In order to institutionalise the practice of KM at BCMM, the Knowledge Management and Research Unit has produced a booklet for all BCMM Employees, summarising the main aspects of KM, its relevance for their jobs and how they could implement the concept

5. Census 2011 Packaging for BCMM

The Knowledge Management (KM) and Research Unit in the 2012/13 Financial Year also completed the exercise of packaging and disseminating the Census 2011 data and information of relevance to BCMM; and presenting such data up to the Ward Level, where the relevant data was extracted and analyzed for each of the 50 Wards of BCMM. This knowledge was then captured in the form of a Booklet covering the entire municipal jurisdiction.

Chapter 3

6. Facilitation of Data Collection by Students at BCMM

During the 2012/13 Financial year, the Knowledge Management and Research Unit has processed a total of 26 requests from Postgraduate Candidates and Students, registered for Honours, Masters and Doctoral degrees at various Academic Institutions across the country, and internationally, to conduct part of or their entire research study at BCMM, as per the table below:

Course of Study	Research Topic	Relevant Dept/s	Comment
BAdmin (Hons)	The causes, constraints and contribution of the informal sector to socio-economic development of Buffalo City. A case study of informal trade in King Williams Town	LED	In Progress
MPA	Enhancing the accountability of Ward Councillors through Public Participation in Buffalo City Metropolitan Municipality (BCMM)	Public Participation	In Progress
PhD	Creating wealth on land and environmental sustainability: the case of East London Industrial Development Zone (IDZ), South Africa	LED, IEMP	In Progress
M. Dev. Studies	Managed Land Settlement as a mechanism for the provision of sustainable settlements	Housing, Land Admin	In Progress
B Admin (Hons)	Performance Management System at BCMM	IDP, HR	In Progress
PhD (Sociology)	The cultural and institutional impacts of progressive women's movements: a comparative study of East London and Cape Town	Special Programmes	In Progress
PhD (Education)	Appropriateness of municipal workers' job behaviour and performance in the Buffalo City Metropolitan Municipality (BCMM)	HR	In Progress
MPA	Skills Development Programmes in addressing unemployment in Buffalo City Metropolitan Area	HR	In Progress
B Admin (Hons) Public Admin	Implementation of Development Planning Policy for Poverty Alleviation in BCMM	Dev. Planning, LED	In Progress
BSC (Hons)	People's perceptions and attitudes towards the public urban green spaces in King Williams Town.	IEMP, Finance	In Progress
B Admin (Hons)	Public Participation in Local Economic Development (LED) in Buffalo City Metropolitan Municipality (BCMM)	LED, Public Participation	In Progress
BSC (Hons) (Environ. Science)	Water use and conservation by households of different economic status in the Amatola water system	Water, Sanitation & Scientific Services	In Progress
B Admin (Hons)	The effectiveness of Ward Committees as Public Participation Mechanisms: A case study of Bhisho	Public Participation	In Progress
PhD (Public Admin)	An Evaluation of Women's Participation in housing delivery in South Africa- the case of Mdantsane Township, Eastern Cape Province since 1962, pre-1994 up 2012 in the following units: N.U.1 to N.U.9	Housing	In Progress

Course of Study	Research Topic	Relevant Dept/s	Comment
MBA	Small Businesses in the Buffalo City Metro Municipality (BCMM)	LED	In Progress
MA (Dev. Studies)	An Evaluation of the Mdantsane Urban Renewal Project (MURP) as a mechanism to alleviate poverty	Urban Renewal	In Progress
MPA	Assessment of SCM Policy at KWT district of BCMM and its effects on Service Delivery in the Eastern Cape	SCM	In Progress
MBA	An Investigation into the Contribution of Small Scale Business with Job Creation in King Williams Town	LED	In Progress
M.Soc Science (Sociology)	Designed to Disable/ assessing re disability Friendliness of Public Amenities: BCMM	Special Programmes	In Progress
MBA	Investigating challenges faced by Water Service Authorities towards achieving Green Drop Certification for Wastewater Treatment Catchment Systems	Water, Sanitation and Scientific Services	In Progress
MPA	The Impact of the Mdantsane Urban Renewal Programme (MURP) on the lives and livelihoods of the beneficiaries: The Case of Buffalo City Metropolitan Municipality (BCMM)	Urban Renewal	In Progress
MPA	The Role of Tourism in Promoting Economic Development in BCMM	LED	In Progress
MBA	Adequacy of Cash Flow Forecasting for Management of South African Municipalities: A Case Study Approach	Finance	In Progress
D Phil	Leadership and Accountability of ward Councillors in South African Municipalities: a Case Study of Buffalo City Metropolitan Municipality	Office of the Speaker	In Progress
MPA	Enhancing Public Participation: on the Ward Committee System: The case of Buffalo City Metropolitan Municipality	Public Participation	Completed : Copy of Research Report Provided to Unit & disseminated to Dept.
B Admin (Hons)	Effectiveness of Local Economic Development Strategies in Sustainable Employment	LED	Completed : Copy of Research Report Provided to Unit & disseminated to Dept.

7. Administration of Strategic Questionnaires

The Unit has received, processed and administered a total of 11 (eleven) completed strategic external Questionnaires without any negative reports, during the 2012/13 financial year from external stakeholders, as indicated in the table below:

ORGANISATION	THEME
South African Cities Network	Municipal Knowledge Management Survey
Statistics SA	Financial Census
Department of Science and	National Research and Experimental Development

Technology	
Statistics SA	Non-Financial Census
Department of Rural Development and Land Reform	Audit of Spatial Planning and Land Use Management System and Capacity Review of Town and Regional Planning and GIS Specialists for all Districts and Local Municipalities Country-wide
South African Cities Network	Smart Cities
Department of Trade and Industry	Broad Bases Black Economic Empowerment (BB-BEE)
PALAMA	Municipal Employee Capacity Survey
National Treasury	MTREF Annual Financial Information
Department of Science and Technology	Waste Sector Survey
Department of Justice and Constitutional Development	Promotion of Access to Information Act Compliance Questionnaire

CHALLENGES

Insufficient staffing levels from the inception of the Unit in 2005 continue to impede the effective and efficient implementation of the institutional KM Framework and Strategy, as well as the research, policy and multi-media functionality of the Unit.

REMEDIAL ACTIONS

Council acceptance and implementation of Unit's proposed organisational Micro-Structure will assist in remedying this challenge.

2.11   PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFCATION LEVELS

No public satisfaction surveys were undertaken during the 2012-2013 financial year.

T 2.11.1