

OVERSIGHT REPORT



**BUFFALO CITY
METROPOLITAN MUNICIPALITY**

FOR
2017/2018
FINANCIAL YEAR



**MUNICIPAL PUBLIC
ACCOUNTS COMMITTEE**

BUFFALO CITY METROPOLITAN MUNICIPALITY

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

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OVERSIGHT REPORT

REPORT TO COUNCIL: 27.03.2019

REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Author: Chairperson of the Municipal Public Accounts Committee (Councillor Z Kodwa - Gajula/sc)

File No:

2017/18 ANNUAL REPORT FOR BUFFALO CITY METROPOLITAN MUNICIPALITY: OVERSIGHT REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

1. PURPOSE OF THE REPORT.

The purpose of this report is to provide comment to the Council on the Annual Report for the 2017/2018 financial year referred to the Municipal Public Accounts Committee vide council minute number BCMC 12/19 dated 24 January 2019 and make appropriate recommendation thereon for adoption.

The Annual Report is the key instrument of transparent governance and accountability. It is a document which provides an overview of the process of financial and non-financial performance in respect of a previous financial period, which in this case is 2017/2018. The adoption of the Annual Report is a legislated requirement in terms of the Local Government: Municipal Finance Management Act 56 of 2000 (MFMA).

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

The following table illustrates the accountability framework in local government:

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

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

2. AUTHORITY

Council.

3. LEGAL/STATUTORY REQUIREMENTS

The following legislative instruments are considered to be applicable:

- 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
- 3.9. Municipal Public Accounts Guidelines

3.10. Public Audit Act

The legislation listed above is relevant in the process of dealing, analyzing and review of the annual report leading to the development of the Oversight report.

4. BACKGROUND

The Annual Report for the financial year 2017/2018 was prepared by management and tabled in the Council meeting dated 24 January 2019.

Arising therefrom, Council resolved vide BCMC 12/19 dated 24 January 2019

1. “...
2. ...
3. *That the Municipal Public Accounts Committee (MPAC) report containing the Council’ comments on the Annual Report referred to in Resolution No. 1 of BCMC 12/19 dated 29 January 2019 be tabled in the **Council within 2 Months of the tabling of the Annual Report (i.e 29 January 2019)***
4. ...”

5. EXPOSITION OF FACTS

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budgets 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 vs actual initiatives / activities achieved.

As per Municipal Finance Management Act No 56 of 2003 (MFMA) Circular No 11, “very 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 and the Municipal Systems Act 2000. The purpose of the annual report is:

- i. *to provide a record of the activities of the municipality;*
- ii. *to provide a report on performance in service delivery and against the budget; and*
- iii. *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 comparisons by National Treasury and users. This template forms the basis for the current Annual Report as tabled in Council.

“he goals of the Annual Report format are to achieve the following:

- i. *standardize reporting to enable municipalities to submit comparable Annual Reports;*

- ii. *align financial and non-financial reporting in the Annual Report;*
- iii. *create a standardized reporting structure that will enhance comprehensive oversight, meaningful evaluation and improved understanding of service delivery output;*
- iv. *ensure the standardization of terminology used in Annual Reports; and*
- v. *support the internal and external audit process.”*

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

As per MFMA Circular 32:

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

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

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

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

1. The role of Management:

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

2. The role of the Committee (MPAC):

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

3. The role of Council:

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

This report includes the processes undertaken to examine the structure and content of the Annual Report relating to the 2017/2018 financial year as presented to MPAC by Management and incorporates the rationale for the recommendation of the MPAC.

MPAC Processes and Facts:

The members of the MPAC are:

| | | |
|-------------------|-----------------------------------|----------------------------|
| Councillor | Z a m e k a K o d w a - Gajula | Chairperson |
| | Siyabonga Skolo | Member |
| | Zandisile Tokwe | Member |
| | Boy-Boy Kalani | Member |
| | Anathi Majeke | Member |
| | Thobile Mtya | Member |
| | Phindile Miza | Member |
| | Geoffrey Walton | Member |
| | Chumani Matiwane | Member |
| | Olwethu Ntame | Member |
| Officials | S. Caga | Programme Manager: MPAC |
| | S. Handi | MPAC Technical Support |
| | Z. Manyisane | MPAC Technical Support |
| | S. Xoki | MPAC Technical Support |
| | N. Frans | MPAC Technical Support |

Meetings were conducted on the following dates:

7 and 8 February 2019:

Site visits were undertaken on these dates at the following sites:

1. West Bank - Waterworld
2. Amalinda Forest –Illegal Electrical Connections
3. Amalinda –Haven Hills Cemetery
4. Buffalo Flats –Buffalo Flats Cemetery
5. Mdantsane –Mtsotso Cemetery
6. Mdantsane –Silvertown –Land Invasion
7. Mdantsane –NU2 Swimming Pool
8. Mdantsane –Highway Taxi Rank
9. Mdantsane –Community Park

10. Mdantsane –Duluxolo Housing Project
11. Mdantsane –NU5-6 Bridge (Roads)
12. Ginsberg –Ginsberg & Steve Biko Cemeteries
13. King Williams Town - Taxi Rank & Bus Terminus upgrade
14. Zwelitsha –Zwelitsha Cemetery
15. Fort Jackson –Fort Jackson Cemetery

(A copy of the notes and images of the sites visited are attached hereto as part of the minutes –**Annexure A**).

13 to 15 February 2018:

The MPAC examined and discussed the Annual Report in detail. The MPAC also obtained the views of the following stakeholders on 13 February 2019 in order to facilitate the consideration of the Annual Report:

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

The AGSA conducted a presentation on the 2017/2018 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 B**).

The Audit Committee presented its report on the 2017/2018 draft Annual Report. (a Copy of the Audit Committee Report is attached hereto as part of the minutes **Annexure C.**)

Internal Audit conducted an independent review on the draft Annual Report and tabled their report to the Committee. It was communicated that a final report had not been discussed with management (a copy of the presentation and the report is attached hereto as part of the minutes –**Annexure D**). The report relates to a compliance review.

The MPAC, following these inputs, reviewed each of the chapters of the Annual Report in further detail. The findings of this review were then used to prepare questions of clarity or concerns and statements of items to be corrected to be put to management. (Copies of the minutes are attached hereto –**Annexure E**)

20, 21, 22, 28 February and 9 March 2019:

The MPAC held public meetings on these days where management and political leadership either answered questions relating to the Annual Report or provided needed clarity and explanations. (The base questions or comments posed are attached hereto)

The advertisement for these meetings was placed on 18 February 2019 in the Daily Dispatch. Refer to **Annexure F** for a copy of the advertisement.

Details of the specific meetings are as follows:

20 February 2019, Zwelitsha, OR Tambo Community Hall at 09:00:

1. Corporate Services
2. Spatial Planning & Developments

3. Economic Developments & Agencies
4. Institutional Operations & Civic Relations

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

21 February 2019, East London, Robbie de Lange Hall at 09:00:

1. Health, Public Safety and Emergency Services
2. Municipal Services

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

22 February 2019, Mdantsane, Nondlwana Methodist Church at 09:00:

1. Infrastructure Services
2. Human Settlements
3. Finance (*adjourned to 28 February 2019*)

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

28 February 2019, East London City Hall at 09:00:

1. Finance (continued from 22 February 2019)
2. Executive Support services

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

9 March 2019:

1. Executive Mayor, Speaker, Chief Whip and City Manager
2. External Stakeholders submission (civic organisations, trade unions, political parties, organized businesses and organs of state)

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

13, 14 and 15 March 2019:

The MPAC convened in order to discuss management' responses to the questions of clarity or concerns and comments posed to them at the public engagements. Once discussions on the responses were discussed and agreed at this session, the MPAC considered its recommendation regarding the Oversight Report.

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

5.1 Internal Audit Review:

As indicated earlier in this report, Internal Audit' review was mainly a compliance review to give management an idea of the areas which did not meet the required standards as set out in the template associated with Circular No 63 (**Annexure D**). This report

assisted the Committee during their review and discussions of the draft Annual Report. The 2017/2018 Internal Audit report sets out that of the total number of Three Hundred and Seventy-one (371) in the relevant six (6) Chapters (highlighted below), that were reviewed – Two Hundred and Seventy-one (271) issues or 73.05% were fully addressed by Management. Thirty-five (35) issues or 9.43% were not addressed and Forty-eight (48) issues or 12.93% were partially addressed. Seventeen (17) or 4.58% issues were not applicable to the institution.

5.2 MPAC FINDINGS:

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

5.2.1. Summary of the Committee' Review:

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

The committee considered the initial report that was submitted to the council, and noted by the council on the 30 January 2019, therefore no assurance can be provided on whether the areas highlighted had been corrected or not.

During the initial review of the report, it was clear that management has placed more emphasis on the importance and compliance to the requirements relating to the 2017/2018 Annual Report, notable areas of improvement from the 2016/2017 to the 2017/2018 Annual Report can be highlighted as:

1. Tables included in the 2017/18 Annual Report reflect the relevant financial year, and not merely “ear -3” “ear -2” etc;
2. Narratives relate to the 2017/2018 financial year (except for a few instances noted);
3. Management appears to have applied their mind better in the preparation of the Annual Report, however, the perception that the report is merely compiled for compliance purposes, has not been dispelled;
4. Majority of valuable information has been included in the report.

The review of the tables resulted in findings relating to the information populated and variances indicated. It was further noted that in some instances the relationship between the representation and the narratives were not coherent and lacked substance.

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. It could also not be established whether all aspects of financial reporting is consistent with the audited Annual Financial Statements for the 2017/2018 financial year, and the fact that the Annual Financial Statements remained unsigned in the Annual Report.

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

seen in isolation but rather as inter-departmental reporting.

Summary of the corrective actions required:

5.2.2. FINDINGS

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

5.2.2.1 REGRESSION

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

The Committee concurs therewith.

“ Buffalo City Metropolitan Municipality has regressed to a qualified audit outcome for 2017/18 from the unqualified audit outcome for the 2016-17 financial year. Leadership has not ensured that there is credible in year reporting on financial and performance management. Leadership demonstrated a slow response to the AGSA messages and failed to implement the audit intervention plan to address the root causes of the prior year audit findings. As a result, there were a number of repeat findings. There is a continued dependence on the external audit process to identify material misstatements which is then subsequently adjusted for by management. The information Technology remains an area of concern as the Municipal Systems are still not fully utilised and also not integrated.”

“ The Municipality has put measures in place to ensure that those causing SCM transgressions are being dealt with through consequence management. However, there is a regression in the implementation of SCM related controls which resulted in material non-compliance being reported in the audit report (in the previous financial year, no material non-compliance findings were identified relating to SCM). The instances of Fruitless and Wasteful Expenditure still need to be investigated, since the focus was on investigating the Irregular Expenditure dating back to the 2013 Financial Year.”

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

1. Management and the Executive Mayor have indicated in their submissions that they are unable to justify the reason/s for the metro having regressed in the audit opinion and that the audit qualification was a new finding. They further suggest that strategies they had adopted were effective and that none of the previous findings had recurred as they had been addressed by the AIP. The committee has found this to be misleading in that should the strategies referred to have been effective, the Auditor General would not have identified 51% of repeat findings and the Institution would not have received the qualified audit opinion.

CHAPTER

Chapter 1:

Mayor' Foreword & Executive Summary

CORRECTIVE ACTIONS REQUIRED

- Reference is made to efforts to improve local economic development and projects initiated, but no reference is made to the value added / contribution to the economics of the city or whether it has been sustainable –Page 12.
- It is stated that the natural resources within BCMM' demographic are ocean and coastline, agriculture land, bushveld and grasslands, however, the relevance of these resources and the manner in which they make a positive impact on the local community through the municipality' initiatives do not find expression in the Annual Report. –Page 15.
- A table with the proportion of households with access to basic services T1.3.2 requires that the relevant information is fully documented in the Annual Report –Page 18
- A brief overview of the financial health of the Institution has been provided T1.4.1, however, the challenges and the remedial action is not documented neither is there evidence of efforts to address challenges. Page 19
- The Auditor General' report –through the inspection of the Annual Report it was confirmed that no work had been provided regarding the audit opinion in the municipality and the issues leading up to the opinion given by the Auditor General. Page 23

Chapter 2: Governance

- Introduction to governance –a brief introduction on the nature of the governance has been provided in T2.0.1 and it has been noted that the relationship between the political and administrative, intergovernmental relations, public accountability and participation and corporate governance components have not been provided in the Annual Report. Page 26
- Top Administrative Structure, T2.2.2 –Management has not provided the requirements in terms of the template as at 30 June 2018. Page 34
- National Intergovernmental Structures –a brief introduction has been provided T2.3.1 however, the benefits derived from attending national forums have not been included. Page 35
- Relationship with Municipal Entities –in as much as the outlined information responds to part of the template T2.3.3, it does not indicate decision making and accountability for the quantity, quality and value for money of the services they deliver. Page 39
- Overview of public accountability –benefits derived from disability forum -T2.4.0, Improvements made during the year as well as the benefits derived from these activities ought to be reported on. Page 41
- Communication, Participation and Forums –T2.4.1, methods used to improve efficiency and effectiveness have not been reported on neither has reference been made to the number of attendees, the purpose of the meetings and the groups usually represented at each meeting. Page 41

Chapter 3: SERVICE DELIVERY PERFORMANCE (PART 1)

- Comment on the Performance of Stormwater Drainage Overall –T3.9.9, it was noted that a comment on the “erformance of stormwater drainage overall”was provided, however, it was not indicated how the year 5 targets as set out in the IDP would be attained within the approved budget provision, and should it be unattainable, how the matter was intended to be rectified. Furthermore, there was no explanation on the priority of the 4 largest capital projects and an explanation of the variances from budget for net operating and capital expenditure. Page 127
- Comment on Local Economic Development Performance Overall –T3.11.11, much of the information required by the template had been noted, however, there was no explanation to confirm that the year 5 targets set out in the IDP could be attained within the approved budget provision, and if not, how it was intended to be rectified. Page 147
- Introduction to Community and Social Services –The introduction is noted, however, the introductory comments do not indicate the support given to communities living in poverty. Page 148
- Libraries- to be placed under heading 3.12 pg 149. Statistics to be provided. Page 148

- Art Gallery-Information on Art Gallery needs to be included in the Annual Report. Page 148
- Marine and Zoological Services-Heading must be removed. Page 148
- Libraries- the last paragraph on libraries must be moved to page 149. Page 148
- Introduction to Cemeteries and Crematorium –T3.13.1, the comments were noted, however, the top 3 service delivery priorities and the impact of each during the year are not included neither was there evidence of an explanation of the measures taken to improve performance and the major efficiencies achieved by the service during the year and the support given to communities living in poverty. Page 153
- Introduction to Child Care, Aged Care, Social Programmes –T3.14.1, brief introductory comments were noted, however, the top 3 service delivery priorities and the impact of each during the year are not included neither was there evidence of an explanation of the measures taken to improve performance and the major efficiencies achieved by the service during the year and the support given to communities living in poverty –Page 156.
- Financial Performance Child Care, Aged Care, Social Programmes –T3.14.5, no financial performance for the unit for the year under review. Financial performance should be included in the Annual Report. Page 157.

- Capital Expenditure for Child Care, Aged Care, Social Programmes –T3.14.6, no capital expenditure for the unit for the year under review. Capital expenditure should be included in the Annual Report. Page 157.
- Bio-diversity, Landscape, and other Coastal Protection –T3.16.3, on inspection of the Annual Report it was noted that no landscaping was included in the SDBIP. This ought to be included on the SDBIP for the year under review. Page 162
- Comment on the Performance of Bio-diversity, Landscape, and other Overall –T3.16.7, on inspection of the Annual Report it was noted that a very brief explanation was provided, furthermore, there was no explanation on the priority of the 4 largest capital projects and an explanation of the variances from budget for net operating and capital expenditure. Page 164
- Comment on the Performance of Health Inspections Overall –T3.19.7, a comment under the heading was noted—an explanation on the priority of the 4 largest capital projects and an explanation of the variances from budget for net operating and capital expenditure was not included, as well as the likelihood of any variation to the total approved project value (arising from year 0 and/or previous year actuals or expected future variations), further, no year 5 targets set out in the IDP schedule could be attained within the approved budget provision and if not, how the matter was intended to be rectified. Page 169.

- Introduction to Police –T3.20.1, a brief introduction to police has been provided and that the metro police had not been established is noted, however, Management should provide a brief that include the set out top 3 service delivery priorities and the impact had on them during the year. Explain the measures taken to improve performance and the major efficiencies achieved by your service during the year and refer to support given to those communities that are living in poverty. Page 171
- Concerning T3.21.2 - The comment included under T 3.21.2.1 has been taken straight from the explanation in the template and has not been updated with the required information. Page 182
- Introduction to Disaster Management, Animal Licensing and Control, Control of Public Nuisances etc. –T3.22.1, as much as disaster management is defined, management ought to confirm that the year 5 targets set out in the IDP schedule can be attained within approved budget provision and if not then state how they intend to rectify the matter. Explain the priority of the four largest capital projects and explain variances from budget for net operating and capital expenditure. Explain any likely variation to the total approved project value (arising from year 0 and/or previous year actuals, or expected future variations). Page 186
- Concerning T3.25.2 The comment included under T 3.25.2. has been taken straight from the explanation in the template and has not been updated with the required information. Page 182

- Comment on the Performance of Financial Services Overall –T.25.7, management ought to confirm that the year 5 targets set out in the IDP schedule can be attained within approved budget provision and if not then state how they intend to rectify the matter. Explain the priority of the four largest capital projects and explain variances from budget for net operating and capital expenditure. Explain any likely variation to the total approved project value (arising from year 0 and/or previous year actuals, or expected future variations). –Page 199
- Comment on Performance of property services overall- Last 3 paragraphs need further elaboration- Page 211

Chapter 4:

Organisational Development Performance (Performance II)

- Comment on the Vacancies and Turnover –T4.1.4, on inspection of the Annual Report, it was noted that the comment on vacancies and turnover was provided, however, the following topics ought to be addressed: There is no mention of how long, at a minimum, the section 57 vacancies have remained unfilled. There is no explanation on the measures taken to successfully attract and retain staff. Page 226
- Disclosures on Financial Interest –T4.6.6, on inspection of the Annual Report, it has been noted that a paragraph on disclosure of financial interest had been included in Chapter 4, however, details of financial interest

Chapter 5:

Financial Performance

- Comments on Conditional Grants Received from other sources –T5.2.5, it has been noted that additional information on grants benefits or conditions have been provided, however, comments on grants surrendered to the National Revenue Fund with reasons that led to this have not been provided. [Page 247](#)
- Provide a Brief Overview of Asset Management –T5.3.1, it has been noted that a brief overview has been provided, however, the areas listed have not been covered as required by the Annual Report:
 - Key elements of the Asset Management Policy
 - Details of how asset management is organized and include information of the staff involved with their delegations
 - Expand on capacity development initiatives. [Page 248](#)
- Three largest Assets Acquired- Table needs to be completed as per NT requirements. [Page 249](#)
- Comment on the Adequacy of Repairs and Maintenance Expenditure –T5.3.4.1, a comment on the repairs and maintenance expenditure has been provided, however, the following has not been documented:
 - The adequacy of Repairs and Maintenance Expenditure
 - The implications of the proportion of operating budget spend on repairs and maintenance over the past four years. [Page 250](#)
- Source of Finance and Capital Expenditure- Graph needs to be corrected. [Page 258](#)
- Paragraph 2: 5.8, Water and Sanitation services-The paragraph not factual, needs to be removed. [Page 260.](#)

- Public Private Partnerships –T5.11.1, on inspection of the Annual Report, it was noted that nothing had been documented in this regard. Page 264
- Narrative on the Progress Made in Developing and Implementing SCM Policies and Practices –T5.12.1, comments have been provided, however, the following have not been fully documented:
 - Provide a brief narrative that describes the progress made by your municipality in developing and implementing policies and practices in compliance with the guidelines set out in SCM Regulations 2005.
 - Set out any remarks made in the previous Auditor General' report or the report for year 0 concerning the quality of Supply Chain Management and detail the remedial action. Page 264

Chapter 6:
Auditor General
Audit Findings

- Comment on the MFMA Section 71 Responsibilities –T6.2.5, Through the inspection of the Annual Report it was confirmed that comments in terms of Section 71 of the MFMA as per the requirement of the Annual Report template had not been included. Page 275

Appendices

- Appendix A –Councilors Committee Allocation and Council Attendance –the information appears to be inaccurate (e.g. Cllr A. Majeke with effect from 18 October 2017)- accuracy must be confirmed. Page 278
- Appendix E –Ward Reporting –given the information provided to Council, the correctness of the information tabulated bears no correlation and requires confirmation. Page 286
- Appendix F –Ward Information –it is questioned whether the information tabulated reflects the year under review as it is dated 2016/17. Page 298
- Appendix H –Long Term Contracts and Public Private Partnerships –some annual contracts endure for 2-3 years as long term contracts. BCMM had contracts with MBSA and the ELIDZ. Is this factually correct. Page 300
- Appendix J –Disclosure of Financial Interest –completion of the table is inconsistent, too many blank spaces. Page 312
- Appendix P –Service Connection Backlogs at Schools and Clinics –just saying it is not applicable is inappropriate. BCMM services such amenities. Page 343
- Appendix Q –Services Backlogs experienced by Communities where Another Sphere of Government is Responsible for Service Provision –the response is not applicable and requires investigation and documentation. Page 344
- Appendix R –Declaration of Loans and Grants made by the Municipality –the information ought to be corrected as it appears to be misleading. Page 345
- Appendix S –National and Provincial outcome for Provincial Government –such information appears in the template for a reason and ought to be furnished as it is readily available. Page 346.

The following areas of regression are highlighted from the Auditor General' Report:

- Planning –status of action plans - regressed
- Implementing –overall internal controls - regressed
- assurance –Senior Management and Municipal Manager remained regressed
- Action –compliance with consequence management legislation –regressed

Refer to the Auditor General' "Ilan-Do-Check-Act Cycle:



2. The Executive Mayors failure to monitor the municipalities administration in accordance with the directions of the Council as required by Section 56 (3) (d) and (e) of the Municipal Structure Act 117 of 1998. There is no evidence of political guidance that had been provided to assist with accountability over the year under review.
3. The strategic planning by management with regard to the audit opinion is reactive instead of being proactive as the submission in response to the opinion indicates that an Operation Clean Audit Committee had only been established after the audit and that the Committee would sit once a month to reflect on the progress of addressing the actions contained in the AIP and furthermore, that the Internal Audit Unit would monitor and review the implementation on a quarterly basis. It is the view of the Committee that all of the above should have been implemented already.

4. The committee finds it difficult to accept that incorrect material water consumption reading had not been detected and corrected before accounts had been issued. Abnormalities of this nature should have been detected as a matter of course.
5. Leadership demonstrated a slow response to the AGSA messages and failed to implement the audit intervention plan to address the root causes of the prior year audit findings.
6. The control environment with respect to the monitoring and reporting of predetermined objectives has not improved from the prior year. (Paragraph 64 on page 19 of the Management Report.)
7. The lack of capacity of the Internal Audit for the year under review has contributed to the unit not completing all its planned audits. (Paragraph 79 on page 20 of the Management Report)
8. Management committed in the previous financial year 2016/17, to address the root causes of the audit findings through the implementation of the Audit Improvement Plan (AIP), however, it has become clear that they had failed to implement the same in a timely manner as the committee has noted that the AIP that the management had prepared as an intervention for the year under review had not been implemented as well as per the Auditor General. (Paragraph 62 On page 18 of the Management Report.)

5.2.2.2 PERFORMANCE MANAGEMENT

1. The Executive Mayor is required by law to evaluate progress against key performance indicators and review the performance of the municipality. Senior management is reported as not having implemented AG and Internal Audit recommendation on performance information which resulted in a finding by AG against the municipality. Again there is no evidence that the Executive Mayor has exercised his statutory obligation in relation to performance information especially if early warnings by the Audit Committee and Internal Audit were ignored by management. This resulted in the lack of effective implementation of effective performance management that allows the leadership to hold officials accountable for financial and performance reporting as well as compliance with laws and regulations.
2. Findings under Performance Information that were raised by the Internal Audit and recommendations were not implemented by management resulting in the same findings in the report of AGSA (examples on page 14 of the Management report paragraph 34, This was further raised by the AG verbally during the Annual Report Analysis).

5.2.2.3 SERVICE DELIVERY

1. Concern is expressed regarding the poor oversight role by the

leadership over the administration in relation to service delivery with emphasis on the areas listed below amongst others:

- Electrification of informal settlements
 - Waste management
 - Electricity and Water losses
2. Concern is raised regarding the non-availability of a system to record and track customer complaints.
 3. There is no effective resolution tracking mechanism and reporting of the implementation of Council resolutions.
 4. The effects of silo mentality by management, the lack of monitoring and implementation and poor planning have all impacted negatively on service delivery and added to the loss of revenue.
 5. The lack of integrated planning between Infrastructure Services and Spatial Planning & Developments Directorates in relation to electrification of informal settlements has contributed to the failure of meeting the targets set in the SDBIP'.
 6. BCMM has no Service Level Agreement with ESKOM which impacts on the delivery of services (Electricity) to several areas.
 7. It appears that Management is not taking illegal occupation of houses seriously and it affects service delivery.
 8. Oversight Report recommendations for the 2016/17 Financial Year relating to Local Economic Development & Agencies had not been implemented.
 9. It appears that poor planning and monitoring are the primary contributing factors that led to the failure to effectively manage the operations of waste management, e.g. the purchase of 20 trucks without sufficient drivers. Clearly there was no scientific analysis or in depth study conducted to inform how the trucks would be operated in order to effectively manage expenditure and mitigate departmental challenges. These purchases appear to be fruitless and wasteful expenditure, on the face of it and requires urgent and in-depth investigation on a broader scale.
 10. Failure by the leadership in addressing issues raised by the Municipal Public Accounts Committee (MPAC) in previous Oversight Reports in relation to Waste Management. This is another area which demonstrates total ignorance of the Accounting Officer towards implementation of Council resolutions that requires investigation.
 11. The lack of integration (Silo) between the Directorates: Municipal Services and the Health and Public Safety and Emergency Services in relation to the security of Municipal Properties have left municipal properties without insurance.

12. Management has failed to implement the Rapid Service Delivery Improvement Plan, particularly with reference to the maintenance of cemeteries.
13. There appears to be a lack of planning towards the expansion of cemeteries which raises concern for the future development of cemeteries.

5.2.2.4 INACCURATE AND UNDER REPORTING

1. No definition provided for youth development. Information provided by management does not assist to guide the function.
2. Job Evaluation and the Biometrics System had not been reported on in the Annual Report and the Committee believes that the same had severe impact on labour relations in the institution.
3. The leadership has not ensured that there is credible in year reporting on financial and performance management.
4. It is noted with concern that the Annual Report failed to report on the matters of Council and the functioning of its committees. No statistics of meetings quorate or otherwise had been reported on.
5. There were numerous instances where Directorates / Departments had performed well, but failed to report on those achievements.

5.2.2.5 SUPPLY CHAIN MANAGEMENT

1. The Committee has noted the improvement in the Supply Chain Management (SCM) operations for the year under review, however, more effort is required from management in the implementation of SCM policies with regular monitoring and reporting thereof.
2. The poor management of contracts and the lack of monitoring and implementation of SCM policies with regard to Contract Management is as a result of the non-implementation of previous MPAC recommendations regarding Contract Management in the Oversight Report.
3. The increase in Fruitless and Wasteful Expenditure transgressions identified further highlights the non-implementation of SCM policies. (Paragraph 9 on page 7 of the Management Report)

5.2.2.6 General:

1. The audited consolidated annual financial statements for the year ended June 30, 2018 has not been signed in the Annual Report. Page 349
2. The integrated annual report 2017/18 of the Buffalo City Metropolitan Development Agency: The Foreword has not been signed by the Executive Mayor –Page 7 and neither the Chairpersons Statement –Page 8

The Committee' recommendation on the 2017/2018 Annual Report is included under section 7 of this report.

6. CHALLENGES

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

The Committee experienced challenges relating to clash of dates arising from engagements which were not in the approved municipal diary as adopted by Council in December 2018. All the MPAC dates were in the municipal diary. This resulted in public meetings having to be rescheduled which further filtered down to the lack of available time for MPAC to meet with all departments.

Information requested by the Committee was not always submitted by the departments within the required timeframes. Information submitted was not always up to the standard expected by the Committee.

The Technical support team appointed to assist the Committee did not provide the required assistance as they did not attend most of the sessions.

The Committee was unable to engage with the office of the City Manager as a result of his absence throughout the process. The continued absence of the Accounting Officer in important committee engagements is not new and the committee views it as dereliction of duty which requires decisive action.

7. STAFF IMPLICATIONS

Currently, there are no staff implications envisaged by the Committee.

8. FINANCIAL IMPLICATIONS

Costs associated with Oversight Process had been budgeted for in the MPAC operational budget under vote numbers:

05362301870GFMRCZZE3 - OC: HIRE CHARGES

05362305760GFMRCZZE3 - OC: T&S DOM -ACCOMMODATION

05362305110GFMRCZZE3 - OC: REG FEES NATIONAL

05362304510GFMRCZZE3 - OC: PRINTING & PUBLICATIONS

05362260600GFMRCZZE3 - OS: CATERING SERVICES

9. OTHER PARTIES CONSULTED

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

10. RECOMMENDATIONS

It is **RECOMMENDED**:

- 10.1 That 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 8 to 24.
- 10.3 That the Accounting Officer ensures that all outstanding amendments, corrections and information not contained in the 2017/18 Annual Report be included as contained on pages 9 to 18 of the Oversight Report of the Municipal Public Accounts Committee to the Council meeting held on 27 March 2019.
- 10.4 That the Office of the City Manager 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; and
- 10.5 That the Office of the City Manager submit the Annual Report and the Oversight Report relating to the 2017/2018 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 all challenges highlighted under 6 above be addressed by Council;
- 10.7 That the recommendations of MPAC as contained herein are addressed without

exception;

- 10.8 That the following findings of the Committee be adopted as resolutions of the council:
- 10.9 That the Accounting Officer provides a comprehensive report on the repeat findings in the Auditor General' Report to the Council meeting scheduled for April 2019, with proposed actions to deal therewith.
- 10.10 That the Council holds to account the Executive Mayor for the lack of oversight and political guidance over the Accounting officer and management during the period under review and not effectively playing his oversight role to ensure that regression is avoided and or prevented.
- 10.11 That appropriate Action be taken against the Accounting Officer for, among other grounds, failing to act with prudence, fidelity, diligence and proactivity to ensure that the municipality' financial and non-financial affairs over the relevant period do not result in regression and for the reasons that led to the regression.
- 10.12 That the Accounting Officer expedite the finalisation of the Memorandum of Understanding with Eskom with regards to the supply area issues.
- 10.13 That an improved integrated planning process between the Directorates Spatial Planning and Developments and Infrastructure Services be conducted to ensure that detailed layout planning for the electrification of informal settlements and other areas are conducted prior to the allocation of budgets.
- 10.14 That the Council consider if the City Manager should be held accountable for the failure to monitor and effectively manage the functions of the Municipal Services Directorate and furthermore for the failure to address issues raised by MPAC in the previous Oversight Report.
- 10.15 That an investigation be conducted on the purchase of the 20 trucks for the Waste Management department to determine whether such purchase did not result in Fruitless and Wasteful expenditure and if so, the Accounting Officer be held to account and appropriate action be taken accordingly.
- 10.16 That the implementation of the Rapid Response Intervention Plan for the maintenance of the cemeteries be expedited to improve the conditions of the midland and coastal regions within 6 months of the adoption of the Oversight report.
- 10.17 That the failure by the Accounting Officer and the relevant management of the Directorate Municipal Services to effectively bring about change in the face of the city be noted, and that the Executive Mayor reports to the Council within the next 2 months the means of intervention implemented in this regard.
- 10.18 That the City Manager seek to implement alternative security measures within the Institution and that the security analysis and reporting thereon be expedited.
- 10.19 That the IGR platform be utilized to unlock the process of establishing the metro

- police and other relevant service delivery backlogs.
- 10.20 That the review of the ward committee function be undertaken and that a policy be developed to evaluate and assess the performance of ward committees.
- 10.21 That the City Manager ensures that precautionary measures are put in place to prevent further illegal electrical connections and that strategies be developed to circumvent the challenges indicated including the cost of electricity theft.
- 10.22 That the City Manager ensures that the land audit is prioritized and expedited.
- 10.23 That the City Manager ensures that the local economic development strategy is reviewed and job creation opportunities be invested in. Noting the fact that no progress has been made in terms of implementing previous MPAC recommendations regarding the reengineering of the Economic Development and Agencies Directorate.
- 10.24 That Council takes appropriate action against the Accounting Officer for his continued absence in important committee engagements and that council investigates whether his actions do not amount to dereliction of duty.
- 10.25 That the City Manager submits progress reports as well as Portfolio of Evidence to the Council on a monthly basis on the progress made in the implementation of the Oversight recommendations.

COUNCILLOR: Z. KODWA-GAJULA

CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

