

BUFFALO CITY METROPOLITAN COUNCIL: 30 APRIL 2013

REPORT OF THE CHAIRPERSON: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

OVERSIGHT REPORT ON THE ANNUAL REPORT 2011/2012

1. PURPOSE

The purpose of the report is to table the Oversight Report and provide comment and recommendations to the Council on the Annual Report for the financial year ended 30 June 2012, as required in terms of section 129 of the Local Government Municipal Finance Management Act [No. 56 of 2003].

2. AUTHORITY

The Municipal Public Accounts Committee is a Council Committee established in terms of section 33 and section 79 of the Municipal Structures Act [No. 117 of 1998].

The Buffalo City Metropolitan Council Municipal Public Accounts Committee is constituted as follows:

Councillors:	N.G Madonono	[Chairperson]
	B.T. Jida	
	T.C. Mtintsilana	
	N.P. Peter	
	L.M. Quse	
	K.B. Twalingca	
	N. Mekane	
	S. Skolo	
	J. Smit	
	J. Mdyolo	
	L. Weyer	

3. LEGISLATIVES/STATUTORY REQUIREMENTS

The following legislative framework is applicable:

- The Constitution of the Republic of South Africa [1996]
- The Local Government: Municipal Structures Act [No. 117 of 1998]
- The Local Government: Municipal System Act [No. 32 of 2000], as amended
- The Local Government: Municipal Finance Management [Act No 56 of 2003]
- The Local Government: Municipal Finance Management Act: Circular Number 11
- The Local Government: Municipal Finance Management Act: Circular Number 32
- The Local Government: Municipal Finance Management Act: Circular Number 63
- National Treasury and Department of Cooperative Governance and Traditional Affairs: Final Guidelines for the Establishment of Municipal Public Accounts [August 2011].

4. BACKGROUND

Section 129 of the Local Government: Municipal Finance Management Act [No. 56 of 2003] requires that **“... the Council of a Municipality ...by no later than two months from the date on which the Annual Report was tabled in Council in terms of section 127 [of the MFMA], must adopt an Oversight Report containing the Council’s comments on the annual report....”**

The Buffalo City Metropolitan Municipality's Annual Report for 2011/2012 was tabled in Council by the Executive Mayor on the 31st January 2013 [**Appendix 1**].

Thereafter, the report was submitted to the Municipal Public Accounts Committee to consider and make recommendations to Council.

5. EXPOSITION OF FACTS

Subsequent to the consideration of the Annual Report by Council on the 31st January 2013, the Accounting Officer made public the Annual Report on the 5th of February 2013, and invited the public to submit comments with 21 days for the date of publication [Appendix 2].

The MPAC prepared an oversight programme and made public the dates and venues of the public seatings of the committee on the 6th, 9th and 12th February 2013 [Appendix 3].

In considering the Annual Report, the Committee assessed the following documents:

- Buffalo City Municipality Integrated Development Plan 2011/2012;
- Buffalo City Annual Report 2011/2012;
- MFMA Circular No 11: Annual Reports Guidelines;
- MFMA Circular No 32: Oversight Report; and
- MFMA Circular No. 63: Annual Report Update

During the public meetings, the Executive Mayor, Speaker, Chief Whip, Portfolio Heads, City Manager and Senior Officials of all Municipal Directorates appeared before the Committee to provide an account of the information contained in the Annual Report.

Stakeholders were also invited to present and make written input on the Annual Report. The following stakeholders participated and made representations to the committee during the public hearings:

- Congress of the People [COPE]
- African Independent Congress [AIC]

- South African Civic Organisation [SANCO]
- Gompo Hawkers Association

The Auditor General addressed the Municipal Public Accounts Committee and submitted recommendations for consideration [Appendix 4].

Minutes of all MPAC meetings where the Annual Report was discussed are attached for formal record of the proceedings in accordance with section 129 [2] [b] of the Municipal Finance Management Act [Appendix 5].

5.1 COMMITTEE FINDINGS AND RECOMMENDATIONS

ENGINEERING SERVICES		
Performance Area.	Issue.	Recommendation.
Infrastructure Assets [Water, Electricity and Roads].	The reported state of deferred maintenance and the ailing infrastructure across the Municipality.	That a comprehensive infrastructure asset management and maintenance plan be developed and submitted to Council by December 2013. That a long term infrastructure asset financing strategy or re-capitalisation strategy be investigated and reported to Council.
Water Losses.	The reported levels of water losses in the audit report [non -revenue water].	That the Administration budget for sufficient maintenance budgets in the 2013/14 financial year. That the Administration develops a clear and measurable water loss mitigation strategy, with quarterly targets and incorporate this in the IDP and SDBIP review for the 2013/14 financial year. That quarterly reports on the implementation of this strategy should be submitted to the committee

		<p>detailed the achievement of the targets set in the IDP.</p>
<p>Compliance with Generally Recognized Accounting Practice [GRAP].</p>	<p>The audit qualification regarding Property Plant and Equipment as it relates to the completeness of the Fixed assets Register [FAR], impairment of assets, physical verification of assets and depreciation.</p>	<p>That the Administration must submit quarterly progress reports to the Audit Committee, MPAC and Engineering Standing Committee on how they are addressing this qualification in accordance with the Audit Improvement Plan.</p>

HEALTH & PUBLIC SAFETY

Performance Area.	Issue.	Recommendation
<p>Public Safety.</p>	<p>The finalization of the Crime Prevention Strategy.</p>	<p>That the department should ensure adequate capacity to implement the proposed Crime Prevention Strategy during the review of the IDP 2013/14.</p> <p>That Quarterly progress reports on the implementation of the strategy should be reported to the Public Health and Safety Standing Committee and MPAC respectively.</p>
<p>Public Health.</p>	<p>The finalization of the second phase of the provincialisation of health care [asset transfer] as well as any outstanding matters from the first phase [staff transfer]</p>	<p>That Quarterly progress reports on the provincialisation of health care should be submitted to the Public Health and Safety Standing Committee and MPAC respectively.</p>

<p>Liquor By Laws.</p>	<p>The long-outstanding finalization of the Liquor By Law</p>	<p>That the proposed Liquor By-Law be finalized, gazetted and implemented before the end of the 2013/14 financial year, noting that there are currently legal challenges to the content and application of the by-law.</p> <p>That the Administration considers what other measures can be put in place to comprehensively address the matter of alcoholism.</p> <p>That Quarterly progress reports on the By Law development should be submitted to the Public Health and Safety Standing Committee and MPAC respectively.</p>
<p>Metro Police.</p>	<p>The slow progress in the application for the metro police status</p>	<p>That the Executive Mayor and Portfolio Head are urged to pursue the application process with the MEC of Safety and submit quarterly progress reports to Council.</p>

CHIEF OPERATIONS OFFICER

Performance Area.	Issue.	Recommendation
<p>Housing Allocation and Relocation Policy.</p>	<p>The long outstanding finalisation of the Housing Allocation and Relocation Policy and that the original recommendation on this matter was not adhered to.</p>	<p>That the Housing Allocation and Relocation Policy be finalized and approved by Council by the 30th June 2013.</p> <p>That a progress report on this matter be submitted to MPAC within fourteen [14] days.</p>
<p>Illegal Occupation of houses.</p>	<p>The prevailing situation where houses have been illegally occupied.</p>	<p>That the Administration must submit a report to Council through the Housing Standing Committee with alternative solutions in dealing with the matter by 31st August 2013.</p>
<p>Project Planning and rate of Service Delivery.</p>	<p>The reported low expenditure on the Human settlements Development Grant [HSDG] and Urban Settlements Development Grant [USDG] and the non-accreditation of the Municipality at level 2.</p>	<p>That the Administration submit monthly reports to the Housing Standing Committee and MPAC on the progress and compliance with implementation of HSDG and USDG in the 2103/14 financial year.</p> <p>That the Executive Mayor in conjunction with the City Manager interact at a political level to</p>

		determine if level 2 accreditation can be afforded to the Municipality.
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DEVELOPMENT PLANNING

Performance Area.	Issue.	Recommendation
<p>Land.</p>	<p>The lengthy delays in the convening of a Land Summit for the Municipality as it is impeding economic developments within the City.</p>	<p>That a progress report on the preparations for the Land Summit be reported to both the Council and MPAC with definitive dates for the convening of the Summit and reasons why this summit was not convened as originally proposed.</p> <p>That the Administration ensure that the Land Summit is convened by the defined date.</p>
<p>Land Use.</p>	<p>The reported cases of non-compliance with the Municipality's By Laws regarding Land-Use and the apparent lack of action to deal with such contraventions.</p>	<p>That the Administration submit a Land Use By Law enforcement programme by the 30th June 2013.</p>
<p>Plan Approval Process.</p>	<p>The lengthy lead times experienced by developers in seeking development planning approvals as it impacts on the economic development of the City.</p>	<p>That the Administration submit a plan approval turnaround plan including a strategy to address the current backlogs to the Development Planning Standing Committee and MPAC by the 30th June 2013.</p>

<p>Compliance with Generally Recognized Accounting Practice [GRAP].</p>	<p>The audit qualification regarding Investment Property as it relates to the completeness of the Municipal Property Assets Register [MPAR].</p>	<p>That the Department submit quarterly progress reports to the Audit Committee, MPAC and Development Planning Standing Committee on how they are addressing this qualification in accordance with the deadlines set out within the Audit Improvement Plan.</p>
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LOCAL ECONOMIC DEVELOPMENT

Performance Area.	Issue.	Recommendation
<p>Tourism.</p>	<p>The implementation and monitoring of the impact of the Tourism Master Plan.</p>	<p>That the Administration finalise the review of the Tourism Master Plan and submit a detailed implementation plan by end April 2013 to MPAC together with reasons for the failure to implement as indicated in the previous Oversight Report.</p> <p>That the implementation plan be reported on a quarterly basis and monitored to determine the impact such projects are having such reports to be reported to both Council and MPAC.</p>
<p>Municipal Entities.</p>	<p>The slow pace in establishing municipal entities to implement the tourism [Buffalo City Tourism] and development [Buffalo City Development Agency] functions as previously resolved by Council as they impact on the economic development of the City.</p>	<p>That the Administration submits quarterly reports to the Local Economic Development, Tourism and Rural Development Standing Committee and MPAC on the progress of establishing the entities Buffalo City Tourism and Buffalo City Development Agency.</p>

<p>Business Retention and Expansion.</p>	<p>The lack of municipal initiated business retention and expansion strategies.</p>	<p>That the Administration analyses the costs associated with doing business within the City compared with other centres to determine the how advantages which the City enjoys can be utilized to attract and retain business activities.</p> <p>That the Administration co-ordinate the development of area based incentives and packages to retain and expand businesses and industry in West Bank including IDZI, Wilsonia, Fort Jackson, Zwellitsha and Dimbaza.</p> <p>That Quarterly progress reports on the development of the strategies be reported to the Standing Committee on Local Economic Development, Tourism and Rural Development and MPAC respectively.</p>
<p>Small Business Support and Cooperatives Development.</p>	<p>The impact of SMME development as well as the Cooperatives Development programmes, against the backdrop of high rate of unemployment and poverty in the</p>	<p>That the Administration pursue programmes to capacitate, support and sustain small businesses and cooperatives in the Municipality through inter alia the Supply Chain Management Policy by end</p>

Municipality.

November 2013.

That Quarterly progress reports on the implementation of the programmes be reported to the Standing Committee on Local Economic Development, Tourism and Rural Development and MPAC respectively.

CORPORATE SERVICES

Performance Area.	Issue.	Recommendation
Organisational Structure.	The long outstanding finalization of the organizational structure.	<p>That the Administration ensure that the revised Macro organisational structure as consulted with the Local Labour Forum is submitted to Council on or before 31st May 2013.</p> <p>That Council approve the amended Macro Organisation Structure as agreed with the LLF on or before 31st May 2013 to align with the adopted IDP and MTRFF.</p> <p>That the Administration ensures that the revised Micro organisational structure is submitted to Council on or before end September 2013.</p>
Municipal website.	The state of the municipal website.	<p>That the Administration submit a report on the progress by end May 2013 with regard to managing the website internally to ensure that the content is managed correctly and updated timeously to ensure compliance with s 21 of the M</p>

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<p>Information Communication Technology.</p>	<p>The state of ICT issues within the Municipality.</p>	<p>That the Administration submits a detailed report by end June 2013 on the status, utilization and improvements necessary within the ICT system to ensure adequate integration of systems.</p>
<p>Overtime / Attendance.</p>	<p>The lack of managerial controls in the administration of employee overtime as well as delays in implementing an electronic attendance control system.</p>	<p>That the Administration develops systems to monitor staff productivity to inter alia ensure the reduction of overtime worked and prevent the abuse thereof, linked to the performance of Managers / Directors and the Employee Performance Management System.</p> <p>That the Department ensures the phased implementation of the electronic attendance system and submits progress reports to the Corporate Services Standing Committee and MPAC quarterly.</p>

<p>Bursary Scheme.</p>	<p>The policy gap in the Bursary Scheme to compel beneficiaries to provide time-bound compulsory service to Buffalo City after they have completed their studies.</p>	<p>That the Administration review the conditions for the Bursary Scheme to ensure that it targets scarce skills and consider if it is not desirable to make it a condition that beneficiaries provide time-bound compulsory service to Buffalo City after they have completed their studies and report thereon to Council with financial considerations.</p>
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FINANCE

This section of the document must be read with the Audit Improvement Plan and the recommendations contained therein. The recommendations contained within that plan constitute part of this report and are included here by reference.

Details relating thereto are included in Annexure A hereto.

Performance Area.	Issue.	Recommendation
Expenditure.	The low expenditure levels which create service delivery and community challenges.	That measures be devised to ensure that expenditure levels in 2013 / 14 are increased through inter alia improved planning for expenditure.
Supply Chain Management.	The problems within the Supply Chain Management System which appear to impede the expenditure of funds and create service delivery and community challenges.	That a detailed turnaround plan with targets and timeframes to address the supply chain management challenges be incorporated in the review of the institutional Audit Improvement Plan. That the City Manager submit quarterly progress reports to MPAC, Audit Committee and Mayoral Committee regarding the implementation of the

		Audit Improvement Plan. That the Executive Mayor exercise oversight over the implementation of the institutional Audit Improvement Plan
Audit Outcomes.	Noting that the Audit outcome has improved there remain serious challenges including Assets [Property Plant and Equipment / Investment Properties], Irregular Expenditure, Service Charges, Strategic Planning and Performance Management, Expenditure, Asset Management, and Procurement and Contract Management which all impact on the operations of the Municipality.	That the Administration develop systems to prevent the incurrence of irregular expenditure in the 2013 / 14 financial year and submit a report in this regard to both Council and MPAC by 30 June 2013.
Repairs and Maintenance.	The maintenance of the Municipality's assets appears to be fragmented and compromised by a lack of adequate resources for repairs and maintenance.	That the Administration develops a repairs and maintenance policy to fund the repairs and maintenance as set out in the Asset Management Policy, including the integration where fragmentation exists.

<p>Revenue Enhancement.</p>	<p>Noting the current payment / collection rate, there is a need to ensure that this rate improves over the next financial period to provide development funds for the Municipality.</p>	<p>That the Administration submits the Revenue Enhancement Strategy to the MPAC before end June 2013.</p>
<p>Electricity and water losses.</p>	<p>The value of both electricity and water losses, whether arising from technical or billing losses result in financial losses to the Municipality.</p>	<p>That the Administration develops a clear and measurable electricity and water loss mitigation strategy, with quarterly targets and incorporate this in the IDP and SDBIP review for the 2013/14 financial year.</p> <p>That quarterly reports on the implementation of these strategies be submitted to the committee detailing the achievement of the targets set in the IDP.</p>
<p>Compliance with legislative requirements, including MFMA, MSA, etc.</p>	<p>The levels of non-compliance with legislated requirements including MFMA and MSA.</p>	<p>That the Administration develop systems to ensure compliance with legislated requirements.</p>

<p>Internal Controls / Systems.</p>	<p>The lack of adequate internal controls / systems has the potential to undermine the work done to date in improving the audit outcome.</p>	<p>That the Administration develop systems to ensure compliance to MFMA conditions as well as operational controls all as envisaged within the Audit Improvement Plan.</p>
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EXECUTIVE SUPPORT SERVICES

Performance Area.	Issue.	Recommendation
<p>IDP and Public Participation.</p>	<p>The effectiveness of the current IDP consultative processes.</p>	<p>That Public participation during the IDP process should be encouraged at ward level as compared to cluster level in line with the requirements of the MSA. Chapter 5 section 23 [1].</p> <p>The Administration ensure that prioritized ward needs are allocated budgets and implementation timeframes in the IDP.</p>
<p>Performance Management.</p>	<p>The functionality and effectiveness of the performance management system as reported in the Auditor General's report</p>	<p>The Administration implement performance management systems capable of ensuring compliance with the Audit of Predetermined Objectives [AOPO] as well as generating the performance data required in terms of MFMA Circular 63 by the 1st July 2013.</p>
<p>Knowledge Management.</p>	<p>The activities and outputs of the department with regard to research being done by students</p>	<p>That the Administration submit six monthly reports to MPAC on relevant research outputs</p>

	in the municipality.	intended to improve municipal policies, processes and systems. That the Administration develop a policy to govern the research environment of the municipality.
Customer Care.	The state of the call-centre and the effectiveness of the overall customer care activity.	That a comprehensive review of the customer care activity be undertaken to determine the most appropriate mechanisms to improve the functionality, efficiency and effectiveness of the customer care activity in accordance with Chapter 7 of MSA.
International Relations.	The reported number of international relations and the frequency of international travel by the Municipality delegations	That the Administration review the International Relations Portfolio of Buffalo City Municipality and submit a detailed cost / benefit analysis of each relationship or partnership. A policy on International Relations must be developed and submitted to Council by the

		31 st August 2013.	
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COMMUNITY SERVICES

Performance Area.	Issue.	Recommendation
	<p>The Committee was unable to assess the Directorate of Community Services because the Annual Report did not contain any section on the activities of the Department.</p>	<p>That the City Manager ensure the revision of the Annual Report to include a section on the Performance Information for Community Services for the year under review.</p> <p>That the City Manager take such action as may be appropriate in this matter, including without stipulation or limitation, investigation and possible disciplinary action in accordance with the requirements of the MSA.</p>
	<p>The Committee has met with the Executive Mayor, Portfolio Head, City Manager and Director Community Services regarding the challenges of the Department.</p> <p>However, the committee is still concerned with the management of the Department as</p>	<p>That the City Manager addresses the management issues of the Directorate and submit a report to MPAC on measures to correct the situation and submit same to the Council for consideration.</p>

	evidenced in the standards of services provided.	
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LEADERSHIP

Performance Area.	Issue.	Recommendation
<p>Relations between the Executive Mayor and City Manager.</p>	<p>The current state of working relations between the Executive Mayor and the City Manager</p>	<p>That the Council ensures that the key offices of the Executive Mayor and the City Manager jointly work together to address and improve governance issues of the Municipality.</p> <p>That the MPAC monitor and report to Council thereon on a quarterly basis.</p>
<p>Disagreement regarding the Grade 6 Application.</p>	<p>The delays in addressing the disagreement regarding the Grade 6 application to the MEC for Local Government in the 2011/12 financial year.</p>	<p>That the Executive Mayor finalize the outstanding disagreement regarding the Grade 6 application with the MEC for Local Government and report thereon to Council in the May 2013 Council Meeting, unless dealt with prior to that date.</p>
<p>Ward Committees.</p>	<p>The effectiveness of ward committee structures.</p>	<p>That the Speaker assisted by the Chief Whip develop a system of empowering Ward Committees to exercise their activities, monitor</p>

		and reporting on the activities of ward committees.
		That quarterly assessment reports be submitted to Council.
Code of Conduct for Ward Committees.	The reported ill-discipline of certain ward committee members and the impact to the functionality of ward committees as a tool to deepen democracy	That the Speaker ensure the adherence of ward committee members to the code of conduct for ward committees and periodically report to Council.
Attendance of Councillors to Meetings of Council and its structures.	The non-seating of certain standing committees due to unavailability of committee members.	That the Speaker present a report to Council regarding attendance / nonattendance at all Council / Committee Meetings as well as any other breaches of the Code of Conduct of Councillors, for the current financial year together with actions taken or to be taken regarding any breaches if applicable.

6. CHALLENGES

The approved schedule of MPAC meetings was interrupted on the 28th February 2013 due to a clash in the diary with the Mayoral Lekgotla. This session was however re-scheduled for the 4th March 2013, after the committee had engaged the Speaker and Executive Mayor's offices. However, inadequacies with regard to administrative support for the Committee impacted negatively on the operations of the Committee.

7. STAFF IMPLICATIONS

The committee is assisted by officials who provide secretariat, logistical and technical support to the committee. The Committee is however, inadequately resourced and assisted. The Committee thanks all those who have assisted the Committee in the performance of the work under difficult circumstances.

8. FINANCIAL IMPLICATIONS

The operational activities of MPAC were funded from the funds allocated by Council for this activity.

9. OTHER PARTIES CONSULTED

The following parties were consulted during the consideration of the Annual Report. However, all Political parties were invited to attend meetings, as were the public.

- Auditor General
- Audit Committee
- Executive Mayor
- Speaker
- Chief Whip

- Portfolio Leaders.
- City Manager
- All Directors and Acting Directors
- Congress of the People [COPE]
- African Independent Congress [AIC]
- Pan Africanist Congress [PAC]
- South African Civic Organisation [SANCO]
- Gompo Hawkers Association

10. RECOMMENDATIONS

It is recommended that Council resolves as follows:

1. That the Council having fully considered the annual report of the municipality and representations thereon, adopts the Oversight Report; and
2. That Council approves the Annual Report without reservations as included in the comments and recommendations in the oversight report pages 5 to 29; and
3. That the City Manager ensures the relevant corrective actions as well as revisions of the components listed in section 5.1 of the oversight report;
4. That each Directorate submits progress reports as requested by MPAC on how they are addressing the findings and recommendations of the Municipal Public Accounts Committee.



Cllr. N.G. MADONONO.

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE.

