

Chapter 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

5.1 Overview of the Executive and Council functions and achievements

The Directorate Executive Support Services (DESS) covers the following support departments focusing on the inter-face of administration and political leadership:

- Offices of the Executive Mayor & Speaker;
- IDP/Budget/Performance Management & GIS;
- Communication & Development Cooperation;
- Public Participation & Special Programmes;
- Knowledge Management & Research.

The activities of the DESS are primarily focused on support for politically driven programmes – in the context of services delivery – and administrative compliance issues that are driven by or delegated through political principles of the municipality.

The services of the DESS therefore are determined at a political level through the Executive - the Executive Mayor and Mayoral Committee; the Office of the Speaker; and administratively through the Office of the Municipal Manager.

IDP 2009/10: Highlights and Challenges

The process to review the IDP for 2009/10 financial year was successfully carried out without any major challenges, and most milestones were achieved in terms of legislative compliance requirements such as development and approval of a process plan, convening of workshops, submission of draft reviewed IDP/Budget to national and provincial government as well as the district municipality within the stipulated times, consultation of communities and advertise for 21 days for public comment, and the final adoption of the reviewed IDP and budget .

A provincial assessment of the IDP was conducted in June 2010 and it gave the municipality a good rating in terms of credibility of the IDP. Within the Eastern Cape our IDP is regarded as being one of the best.

Despite the above mentioned achievements there were still a few recurring challenges which related to alignment of the Integrated Development Plan and Budget. Even though to a certain extent alignment could be established it still remains a challenge to explicitly demonstrate that all projects and programmes budgeted for address the strategic objectives and strategies of the institution as encapsulated in the IDP, thus ensuring a 100% alignment of the IDP and Budget.

Another persistent challenge encountered related to functioning of IDP Thematic Cluster Working Groups. Four Clusters, namely, Institutional and Finance; Economic Development; Infrastructure and Spatial; and Social and Environmental were established to serve as vehicles through which the IDP review process would be carried out but these had difficulty



functioning independently. Efforts aimed at ensuring that Clusters function independently included appointment of technical cluster leaders for each cluster.

Other challenges experienced generally relate to:

- Institutional location of the IDP Office within the Executive Support Services directorate as opposed to the Municipal Manager's office, provides the unit with limited authority to ensure co-operation and compliance by Directorates
- Limitations within the institution in terms of fully comprehending the concept of integrated development planning, particularly the fact that it should inform and guide all planning, decisions and developments within the municipality.

In light of these challenges, efforts are continuously being made to ensure that we have a 100% credible IDP as we move towards a Metropolitan Municipality status in 2011.

5.2 KNOWLEDGE MANAGEMENT & RESEARCH UNIT

The Knowledge Management and Research Unit is responsible for the following focal areas at BCM:

1. Research focal area

- Coordinating the research needs of all directorates and departments as well as conducting relevant organization-wide scientific research studies for BCM;

2. Policy focal area

Assisting the policy owners of various directorates with the development, alignment, reviewal and maintenance of all policies;

3. Knowledge Management and Multi-media products focal areas

- a) Coordinating the implementation of a Knowledge Management Strategy organization-wide in order to ensure that:
- BCM institutional memory is captured and shared;
 - Case studies are documented on best practices, lessons learnt, weaknesses and innovative projects for learning and sharing;
 - Knowledge assets are stored on a centralised knowledge portal for ease of access; and
 - Creating and nurturing a knowledge sharing culture and environment.
- b) The unit has knowledge Multi-media functionality (knowledge products), through which various BCM events, programmes and projects, as identified and requested by individual departments, are captured by means of digital camera, and transformed into DVD productions through the Unit's Multi-media editing equipment.



C) Strategic questionnaire administration

Administering, coordinating and consolidating of strategic questionnaires and information from external stakeholders (e.g. COGTA, National Treasury, SALGA, SA Cities Network, Academia, NGO's CBO's, Statistics SA) and return of all completed and quality assured questionnaire to respective senders.

Highlights: 2009/2010 Financial Year:

During the past year, the Knowledge Management and Research Unit has successfully undertaken numerous activities and tasks surrounding the knowledge management, research and policy functions at BCM. In this regard, the Unit would like to highlight the following achievements:

5.2.1 Research:

- During 2009/10, the Unit has continued its involvement with the Statistics SA NSS partnership. In this regard, the 2009/10 financial year has seen the compilation and analysis of the entire asset inventory for all relevant departments with respect to the assets owned by BCM and the type of information recorded on these assets, as well as the tools and systems utilised to store and access this data. In addition, work has commenced on the analysis of the data-holding inventory of primary data from BCM research studies.
- The *“IDP Service Delivery Impact Assessment Study”* has been uploaded onto the DBSA LG Net extranet for knowledge sharing. This study has also been widely accessed on the Knowledge Management Africa Website (international website), where it currently stands as the fifth (5th) most popular paper amongst the 3700 research papers uploaded onto this international website.
- Participation in Provincial Government Research Forum, aimed at collating, sharing and disseminating research produced by various provincial government departments and agencies, as well as the academic institutions located in the Eastern Cape province and facilitated by the Provincial Department of Social Development.

5.2.2 Policy development, aligned and facilitation

a) New Policies developed (6) in conjunction with relevant stakeholders included:

- A Draft Whistle-blowing policy for Councillors and Employees, with the support of the Council Speaker;
- A Draft Geographic Name Change Policy, which is currently being finalised by the Department of Development Planning;
- The Executive Mayoral Bursary Policy;
- A Draft BCM Catering Policy;
- Draft Executive Mayoral Vehicle Policy; and
- Language Policy.



b) Policies aligned, reviewed and facilitated (17)

The following policies were aligned according to the Policy Guidelines format:

- Housing Allocation; Housing Relocation; and ICT Policies X 15
- Facilitated further review (2) of the Travel and Subsistence policy for Councillors and Officials, with the Council Speaker, selected Councillors and relevant officials.
- Assistance for the Human Resources Department in relation to the development of BCM Succession Planning Policy.
- In addition the Unit coordinated the process concerning the scheduling of a series of eight (8) Policy workshops for Councillors, on a range of BCM policies, in conjunction with the Council Speaker.

5.3 Strategic comprehensive Questionnaires

The 2009/10 financial year has seen the Unit process a total of 14 (fourteen) strategic external Questionnaires without any negative reports, from the Eastern Cape legislature, Department of Cooperative Governance and Traditional Affairs, National Treasury, SALGA, SACN and Statistics SA.

a). Knowledge Management and innovation:

The following Knowledge Management and Innovation opportunities or projects were identified and implemented during 2009/10:

- The development of a Knowledge Management Framework and Strategy for BCM by a service provider commissioned by the Knowledge Management and Research Unit, has been completed and submitted to Mayoral Committee;
- A two day KM Strategic workshop for Mayoral Committee, Directors, General Managers and KM Champions conducted although attendance was poor particularly by political and administrative leadership;
- A task team comprising 28 representatives from across all BCM directorates has been formed to assist in taking the Knowledge Management Strategy forward;
- A further **Volume 2** of Institutional Memory has been completed and submitted to AMMDC

b). Knowledge products [Multi-Media] (19):

The Unit also produced a number of multimedia products for a range of BCM departments during 2009/2010, as illustrated in the table below:



Programme	Department	Theme	Purpose	Task Completed
Second Creek DVD	BCM-Housing Department	To show the Ministerial delegation about progress on Second Creek project/programmes	Knowledge Management & Research Unit took some extract footage from the IDP Service Delivery Study material to produce copies of DVDs.	DVD was produced and copies distributed to Senior Management and Councillors'
Inauguration Of Executive Mayor and State of the City Address	Mayor's Office	Mayor's Inauguration and State of the City Address	To produce copies of DVDs	DVD was produced and copies distributed to Senior Management and Councillors
Beneficiaries of Mdantsane Urban Renewal Programme(MURP) projects/programmes	Mdantsane Urban Renewal Programm (MURP)	To have beneficiaries themselves telling people what MURP has done for them.	To produce copies of DVDs.	DVD was produced and copies distributed to Senior Management and Councillors
Take pictures of all infrastructural projects in all 45 Wards	IDP & Budget Integration	To showcase all infrastructure projects.	To produce a Slideshow of Infrastructure projects in all the Wards in BCM	DVD was produced and copies distributed to Senior Management and Councillors
Pre-Launch of John Dube Disability- Friendly Clinic	Specials Programmes	John Dube Disability Clinic	To produce copies of DVD.	DVD was produced and copies distributed to Senior Management and Councillors
Casual Day	Specials Programmes	Employees to dress up/down for good cause	To produce copies of DVDs.	DVD was produced and copies distributed to Senior Management and Councillors
Wellness Week	Occupational Risk Management	Health Awareness	To produce copies of DVDs.	DVD was produced and copies distributed to Senior Management and Councillors
2010 IDP/Budget Road shows	IDP	IDP projects	To produce slideshow presentation for each Ward	Slideshows produced and forwarded to IDP Department



In addition, the following projects (11) were filmed, but DVDs have not yet been produced due to the termination of a contract intern by HR:

- Graduation for Ward 7 Community;
- National Treasury Visit to BCM Project Launch;
- Cluster workshop ceremony in Mdantsane Sun;
- Switching on of Festive Lights;
- Provincial Ad-hoc Committee visit;
- Mdantsane Multiparty Ad-hoc Committee visit;
- Aids Day in King William's Town/East London;
- Business engagement with Institutions of Higher Education Conference at IDZ ;
- BCM Oversight Hearings and Oversight Committee meetings;
- State of City Address (2010);
- Multicultural Man-Re-Inauguration

5.4 CHALLENGES

- 5.4.1 While the Knowledge Management Strategy and Framework represents progress in efforts towards the development of a knowledge storing and sharing culture at BCM, the lack of available funding and insufficient staffing levels required for the implementation of the Knowledge Management Strategy and Framework continue to impede the entrenchment of an organisational culture of sharing and learning, the coordinated and consistent generation, management and dissemination of knowledge, skills and capacity building and transfer, integration of ITC and electronic management systems and networks the capturing of institutional memory, and case studies of best practice, lessons learnt, weaknesses and innovative projects for learning, benchmarking and sharing purposes.
- 5.4.2 Staffing and financial constraints are also preventing the optimal operation of the research and policy arms of the Unit. Of particular concern is the fact that out of the required compliment of six technical staff members (out of a total of 10), the Unit at present comprises only three, meaning that four extremely critical posts are currently not accounted for, leading to serious problems in the functionality of the Unit. Moreover, while the Knowledge Management and Research Unit is well capacitated in terms of multi-media knowledge management equipment, without a multi-media practitioner and other relevant staff, the unit (and thus BCM) is unable to profit from the multi-media functionality of the Unit.



5.5 Public participation and consultation

5.5.1 IDP/Budget/PMS External Representative Forums were held as follows:

30 September 2009

- to review progress made with regard to implementation of the 2008/09 IDP, provide a first quarter SDBIP report for 2009/10 and to outline the process to be followed during the IDP review towards 2010/11.

4 March 2010

- to consider the draft reviewed IDP and Budget for 2010/11. The meeting further served to update external stakeholders on BCM's readiness to assume a metro status.

5.5.2 IDP/Budget/PMS Workshops were held as follows:

4-12 November 2009: Cluster Workshops

- to finalise cluster situation analysis reports
- to commence with a review of objectives and strategies towards 2010/11

5.5.3 Public Notices

On the 9th and 14th April 2009 an advertisement was placed in the local newspaper informing members of the public that the IDP and Budget was open for public viewing and comment. From 10-30 April the said documents were made available in all Buffalo City libraries.

5.5.4 IDP/Budget Public Hearings

From 8-18 May 2009 Buffalo City Municipality embarked on a public consultation drive to present the draft IDP and Budget and solicit input from communities before adoption of the two important documents. 31 meetings were held throughout the length and breadth of the city and a total of 5 456 community members attended the meetings.

5.6 Ward committees' establishment and functionality

Public meetings and ward committee meetings process plan

Public meetings

Ward public meetings by legislation are supposed to be held quarterly but due to the vastness of Buffalo City Municipality some wards hold their public meetings according to their geographical areas to allow more and meaningful participation. For the financial year



2009/2010 One Hundred and Two (102) public meetings were convened in BCM Wards with the aim of reporting back to the public on the issues concerning the ward and communities. This year under review has been one of the most difficult years as far as public meetings are concerned as some wards were unable to convene public meetings due to variety of reasons i.e. general elections and removal of ward councillors etc.

Ward Committee Meetings Process Plan

Ward Councillors and Ward Committees submit an annual schedule of meetings with venues, dates and times at the beginning of each financial year

- These Ward Committee meetings are held monthly and minutes are compiled and kept at Public Participation Department.
- All Ward Committee minutes & attendance register are submitted to the relevant community facilitator monthly who in return co-ordinate responses on issues raised in the meetings around services delivery by forwarding those to the relevant Directorates for actioning and responses are reported to the next Ward Committee Meeting.

Number of fully functional Public meetings

During the year under review One Hundred and Two (102) Public Meetings in the BCM wards were convened. These meetings range from 2009/10 IDP & Budget hearing, Revenue policy consultation meetings, Ward Delimitation consultation meetings, and Ward general meetings.

Number of fully functional Ward Committee meetings

In 2009/2010 BCM experienced various challenges in terms of Ward Committee functionality as Ward Committee term came to an end on 30 June 2009. Further some of the difficulties were due to the fact that some wards had no ward councilor and or were still waiting for their ward councilor to be sworn in but delayed due to other legal challenges that were there at the time.

Financial Implications

In 2009/2010 about R429, 462.88 was used towards Ward Committee capacitation programmes and activities. However it should be noted that funding to support functionality of Ward Committees remains a challenge as the Department is under resourced.



Availability of Ward Committee functional reports

Approximately four (4) Ward Committee reports were tabled before Council. In the main these reports were focused at ward challenges and the process plan towards establishment of new Ward Committees.

Participation of Ward Committees in the Municipal Activities

During the year under review Ward Committees participated in the following municipal activities IDP hearings, State of the City Address, Revenue Management Policy consultation, Ward Delimitation, Council Open day and Ward Councillor feedback general meetings.

5.7 Community Development workers performance monitoring

Monitoring of Community Development Workers Performance (CDW's)

In 2009/2010 CDWs were trained in Diabetes awareness, Customer care, conflict management, introduction to special programmes and CDW took kit. All these programmes were initiated by the municipality at its own costs with a view of enhancing this mechanism towards realizing its full potential.

Availability of CDW monthly reports

CDW's submit their reports quarterly to the Department of Corporate Governance & Traditional Affairs and the role of BCM is to ensure preparation and co-ordination of such reports. About Five (5) quarterly reports were submitted to the department of Corporate Governance and Traditional Affairs.

Number of cases identified and reported by CDWs

As per COGTA guidelines CDW are suppose to submit at least not less than 15 cases per month and in 2009/10 about Four Hundred (400) cases were reported by CDWs marking an increase from the 08/09 financial year statistics as reported.

Number of homes visited CDWs during the FY 09/10

Approximately 170 homes were visited during the 09/10 FY. Reports pertaining to issues raised from the homes visited have been submitted to the department of Local Government and Traditional Affairs.

Participation of CDWs in the Municipality activities e.g. IDP

Apart from focusing around Provincial matters and programmes, CDW's also assisted during IDP processes by supporting mobilization and co-ordinating signing of the attendance registers for communities who attend IDP programmes, Ward delimitation, Council Open day and State of the City address amongst the other areas they participate on.



5.8 Communication strategy

The Communication Strategy is in place and it has been adopted by Council on the 5th October 2010. Resources are required to implement the strategy that includes a provision for the broadcast equipment for Mdantsane FM. This will add value to the Institution as radio is the most important communication tool that can be easily accessed. Once this is achieved the Institution will be in a position to produce its news for the people of Buffalo City. The institution has also produced a Media Policy booklets that are going to assist with the training of councilors and senior management as the institution is unfortunately trapped in an environment of leaking information.

Communications department has successfully revamped institutions internal and external newsletter and have glaring difference in them in terms of content where focus is more on portraying service delivery achievements.

Our internal electronic newsletter (BCM Monday) that has turned one year is continuing to make strides within the institution and is well received by the employees. The website is enjoying high traffic and we receive reports on it monthly and/or when requested.

The Communication Unit is a full member of Amathole District Municipality Communicators Forum. The institution is in the process of forming its Local Communicators Forum (LCF) with the assistance of the OTP, GCIS and ADM. Communication played a vital role and continues to do so – we have successfully communicated efficiently the IDP/Budget Hearings, Mandela Day events. State of the City Address, Make A Difference Campaign, Water restriction campaign, Festive Activities etc.

5.9 Intergovernmental Relations

The Draft Intergovernmental Relations Framework has been approved by Council. One of its key endeavours is providing guidance for the establishment of BCM IGR Forum.

Purpose of the IGR Forum

The purpose of the forum will be to facilitate IGR within the Local Municipality, amongst (provincial and national government department within BCM), and State Owned Enterprises within BCM.

Functioning

BCM Local IGR Forum would adopt its own internal rules. The Secretariat of the forum would be provided by BCM.

5.10 International Partnerships

Municipal International relations is a policy framework which enables municipalities, communities, and community based organisations to develop and establish links with and among one another in different countries for purposes of sharing information, experiences



and expertise in matters of mutual interest in respect of Buffalo City's and South African foreign relations. Buffalo City Municipality has made a significant footprint in international relations. Some of the more prominent initiatives include twinning agreements with the Cities of Gävle (Sweden), Leiden (Netherlands) and Milwaukee (USA); partnerships with other international local government associations namely VNG (Netherlands) and SALAIDA and ICLD (Sweden); and ongoing development assistance through donor agencies such as SIDA, EU, GTZ and Kfw.

During the year under review Buffalo City Municipality (BCM) signed a Memorandum of Understanding with Amathole District Municipality (ADM) in order to pursue a tripartite partnership with Glasgow City Council in Scotland. This saw a successful application to the Commonwealth Local Government Fund who approved the funding of the three projects as part of the partnership agreement namely, a lighting strategy for Buffalo City, investigations into a joint marketing bureau for ADM and BCM and investigations into the concept of Credit Unions and Community benefit clauses.

As part of partnership activities with Milwaukee County in the United States, Buffalo City Municipality made application to Sister Cities International for project funding. The goal of the application is to perform collaborative projects in health, water, and sanitation through the sister city programs. The projects will aim to reduce poverty by addressing issues which hamper economic development and undermine sustainable development. This application was successful and will require implementation in the new financial year.

Buffalo City continues to successfully implement the Leiden (Netherlands) projects in Ward 6 Duncan Village. A sportsfield with irrigation facilities, netball court, road upgraded and tarred, and bridge across the Amalinda Stream and community garden has been established and the community have been trained in agricultural best practices.

Buffalo City also made successful application to the International Centre for Local Democracy (ICLD) who funds the Gävle (Sweden) and Buffalo City partnership. The Electricity Maintenance project and Good Governance Housing Projects are currently projects that both municipalities are working. This would assist BCM with problems regarding maintaining the electricity network and problems of housing in the city.

5.10.1 Partnerships with other International Role-players

5.10.1.1 Supported the South Africa Embassy in Helsinki Finland to facilitate of BCM schools in an International Art competition in Helsinki. 187 entrants were from BCM.

5.10.1.2 Accessed donation of books from Glasgow, Scotland through ACTSA and facilitated the distribution of books to 50 schools in Buffalo City in consultation with the Department of Education in the Province.



5.11 Legal matters

5.11.1 Setting up of Legal Units

- BCM has legal services available under the directorate of the Municipal Manager; and
- **Human Resource capacity.**

The Legal Services department, in terms of the applicable organogram (Annexure A), has three posts of legal advisors namely:

- 1 Senior Legal Advisor – funded and filled;
- 2 Legal Advisor – funded and filled; and
- 3 Assistant Legal Advisor – Unfunded but is at present filled by a temporary employee.

Due to workload the present structure is not adequate to meet the requirements of the institution. The section has human capital challenges.

A proposal from the Legal Section has been tabled seeking to amend the structure by increasing the number of legal advisors. The proposal is still being looked at by a Council Committee mandated with looking at the filling of critical vacant posts.

- In the case of outsourcing legal services, the list of service providers used in 2009 and 2010 is annexure B.

5.11.2 Management of litigation

1. Case Load Management with specific reference to:

Appended below is a summary of the matters handed over for debt collection as at 30 June 2010

ATTORNEY	CURRENT CASES	VALUE AS AT 30 JUNE 2010
BAX	300	5,392,893
SMITH TABATA	1,012	9,601,354
GRAVETT	1,118	11,363,749
POTELWA	102	535,177
MLONYENI & LESELE	193	1,591,149
TOTAL	2,725	28,484,322
NORMAN BISSETT	606	27,221
SNYMAN & PARTNERS	4,932	23,524,490
VVM	8,392	66,011,352
REVCO	9,400	70,555,751



<u>TOTAL</u>	<u>23,330</u>	<u>160,118,814</u>
<u>GRAND TOTAL</u>	<u>26,055</u>	<u>188,603,136</u>

The collection attorneys and debt collectors proceed with collection action on matters handed over and will pursue the debt until it is collected. Costs of collection are recovered from the defaulting debtor. Where debt is not collectable the matter is returned to BCM and the debt is placed on a write off list which is submitted to Council for approval.

5.11.2.1 Prevention mechanisms of current litigations:

The **impact of the National Credit Act** serves as a major constraint to the current debt collection process, where it slows down the relevant processes, and places a major strain on existing resources.

When the Municipality commences with legal action, it is compelled to send out a Section 129 notice (National Credit Act) incorporated into the registered letter of demand, informing the debtor of the debt and that the debtor may approach a Debt Counselor. In terms of the Act the debtor must be given 30 days notice of this. As the debt continues to grow, more and more debtors will approach Debt Counselors, who have been appointed in terms of the Nation Credit Act. When the debtor is successful in his/her application for debt review, it means that the debtor's total debt to all creditors is consolidated, and a payment plan is entered into with the Debt Counselor. This effectively means that the debtor now pays the entire debt off over an extended period of time, depending on his/her earnings. It means that the municipal debt will in some instances be paid off over many years.

Any further legal action therefore has to be suspended. Also to be taken into consideration is the monthly current account that also needs to be paid. The positive aspects of the National Credit Act are that the debtor is not permitted to go further into debt, and the Act also does not apply to property rates debt or where a summons has already been issued to the debtor. In this process the municipality is also not obligated to supply electricity and can restrict the water supply.

5.11.2.2 Criminal matters emanating from corruption and fraud

Criminal matters arising or emanating from possible corruption and fraud are still being investigated e.g. Waste Tender Irregularities.

5.11.2.3 Management of Legal Risks

- An Institutional Risk Framework is still being developed and has been tabled before Council;
- Management of risk involves also the management of possible exposure to litigation which is in itself an aspect of the broader Institutional Risk Management Framework which is still in draft format.



5.12 Cross Cutting

- The Public Participation and Special Programmes Department have developed a Community Development Worker (CDW) Toolkit. The pocket size toolkit will increase the ability of CDW's to provide communities with information regarding various government services e.g. access identity documents, social grants, municipal services i.e. Indigent benefits and frequently asked questions regarding the municipality. This toolkit is the first of its kind and will be updated on an annual basis or as needed.
- The Reviewed BCM Youth Development Strategy was adopted by BC Council. The Strategy will focus greater attention on orphans and vulnerable children. The Strategy continues to guide BCM's youth development initiatives in general.
- The BC Council approved the BCM Youth Forum Code of Conduct and Constitution was developed and printed in line with national and provincial youth directives and policies. This is the first time such a Code of Conduct and Constitution has been produced within BCM.
- The BCM Bursary Fund with its BC approved Policy is now an annual own funded project and in 17 deserving youth in need of financial assistance benefitted during the 2010 academic year. The bursary seeks to assist youth who are studying in scarce skills disciplines of engineering, finance, planning and economic development, health and environmental services, information technology/ computer sciences and agriculture.
- The BCM – National Youth Development Agency's 3 Youth Advisory Centres continue to operate in KWT, Mdantsane and Gompo/ East London. The Centres provide both career guidance and access to entrepreneurial and employment opportunities for youth till age 35 years. In addition to youth, the Centres offer their services to women and persons with disabilities of all ages.
- The BCM Older Persons Strategy which was adopted by BC Council has been printed in both isiXhosa and English. The Strategy will afford older persons a voice at ward level including the establishment of the BCM Older Persons Forum which will assist BCM in forging partnerships to benefit the older person. Annually the Executive Mayor hosts Older Persons Christmas lunches in EL and KWT as part of spreading good will during the festive season.
- BCM is in the process of reviewing its HIV and AIDS Cross-Cutting Strategy. It is further anticipated that in the next financial year, BCM will establish a Local AIDS Council (LAC).
- Introductory Project and Financial Management Training provided for 100 representatives from NGO's, CBO's and FBO's on the BCM Special Programmes Focal Areas database – capacitation of these entities towards sustainability.



- One of the major highlights in this financial year has been the drive to ensure that in each ward committee, there is representation for youth, women, and older persons, persons with disabilities, health / HIV and AIDS. In the next financial year it is envisaged that Forums will be established for all these marginalized groups in order to increase their participation within municipal and IDP processes.
- The Public Participation and Special Programmes along with the IDP department have embarked on a mainstreaming awareness raising process within IDP clusters to ensure that vulnerability of marginalized groups is reduced and that all directorates understand their role in this process from access to water, sanitation, housing, health, financial policies etc

5.13 Overview of the Executive and Council functions and achievements

Statistics for Meetings: July 2009 to June 2010

Name of Committees	Ordinary Meetings	Special Meetings
Council	12	8
Mayoral Committee	18	6
Constituency, Community Participation and Special Programmes Strategic Committee	7	
Community Services Standing Committee	6	
Corporate Services Standing Committee	9	
Development Planning Standing Committee	10	
Engineering Services and Infrastructure Development Standing Committee	5	
Finance Standing Committee	11	
Health and Public Safety Standing Committee	9	
Housing, MURP and DVRI Standing Committee	8	
IDP, Budget Policy and Performance Management Strategic Committee	6	
LED, Tourism and Rural Development Strategic Committee	6	
Sub-committees such as Audit Committee, Employment Equity and Training, Political Multi-party, Restructuring Grant etc.	41	

TERMS OF REFERENCE FOR STANDING / STRATEGIC COMMITTEES

Corporate Services

Membership	Quorum
14 members, representatives as proposed by all parties represented on the Council, provided a member does not serve on more than 1 operational standing committee.	7 (50% of the members, including the chairperson)



Terms of Reference

- To consider and to make recommendations to the Council on the measures necessary in respect of the recruitment, selection and remuneration of all employees with particular reference to the application of Council policies in relation to affirmative action; to consider industrial relations matters; to consider the conduct of negotiations in respect of salary increases and fringe benefits; to supervise measures generally in respect of the avoidance of strike and other conflict actions; to investigate questions relating to job evaluations and the submission thereof to the Bargaining Council; to consider measures relating to Bargaining Council, CCMA and Labour Court hearings; to consider manpower planning; to consider measures relative to personnel administration, salaries and payrolls; to consider and make recommendations relating to financial aspects on matters relating to staff policy, including general conditions of service and the recruitment, utilization and development of staff; to advise the Council on policy regarding the appointment of Directors, General Managers and Heads of Departments and confirmation of their appointments;
- To consider measures relative to the Workmens' Compensation claims; to consider measures to ensure safe working conditions in terms of the Occupational Health and Safety Act; to consider measures for the provision of the Occupational Health services; to consider measures for the provision of safety training; to consider measures for the provision of services for investigations relating to accidents;
- To consider and recommend such measures as may be necessary from time to time relative to the provision of Work study facilities to improve productivity in the municipal workforce;
- To consider such measures as may be taken in respect of the training and staff development of municipal personnel of various levels together with the provision of such services as may be desirable to other local authorities or regional authorities in respect of training;
- To consider and recommend matters pertaining to Employment equity and Skills development;
- To recommend policy guide-lines and strategy for the Institutional Cluster in respect of services, programmes and plans, to provide the broad framework for Councillors and officials concerned with the preparation of a single, inclusive and strategic Integrated Development Plan for Buffalo City;



- To consider any particular item or any matter of policy referred to it by the Executive Mayor, Mayoral Committee, the Municipal Manager or relevant Director;
- To formulate and recommend proposals on priorities and policy objectives over the whole range of the Council's activities and make recommendations to the Council with particular reference to Administrative, Management Information, Tele-communication systems and procedures;
- To review and comment on the effectiveness and appropriacy of the Council's policies in relation to Administrative matters, Management Information Systems and Tele-communications Systems;
- To inform the Council on legal matters, appropriate legislation and its promulgation as well as provide advice on matters such as rules of order, standing orders and the terms of reference of Committees; and
- To ensure that effective Committee support services are rendered to the Council, the Mayoral and all Operational and Strategic Standing Committees.

Development Planning Standing Committee

Membership	Quorum
14 members, representatives as proposed by all parties represented on the Council, provided a member does not serve on more than 1 operational standing committee.	7 (50% of the members, including the chairperson)

Terms of Reference

- To make recommendations to the Mayoral Committee and Council on transportation, town and regional planning, architectural, land survey and land administration matters allocated to it and to report and make recommendations thereon to the Council and to investigate strategic land and property use;
- To recommend policy guide-lines and strategy for the Spatial Cluster in respect of services, programmes and plans, to provide the broad framework for Councillors and officials concerned with the preparation of a single, inclusive and strategic Integrated Development Plan for Buffalo City;
- To consider any particular item or any matter of policy referred to it by the Executive Mayor, Mayoral Committee, the Municipal Manager or relevant Director;



- To advise the Council on the overall management, allocation, alienation and control of land, resources and buildings owned by the Council; and
- To advise the Council on policy and procedures in regard to Transport Planning, Transport Operations and Traffic Engineering;

ENGINEERING SERVICES AND INFRASTRUCTURE DEVELOPMENT STANDING COMMITTEE

Membership	Quorum
14 members, representatives as proposed by all parties represented on the Council, provided a member does not serve on more than 1 operational standing committee.	7 (50% of the members, including the chairperson)

Terms of Reference

- To consider and to make recommendations on all matters affecting the civil engineering and electrical infrastructure, associated designs and mechanical and scientific services with particular reference to roads construction and maintenance, stormwater drainage, wastewater and water services, electrification and distribution thereof, mechanical and scientific services;
- To consider all matters affecting the built environment with the exception of town planning building control and metropolitan transportation matters falling under the jurisdiction of the Development Planning Standing Committee;
- To consider nuisances relating in particular to the safety of persons in or about public streets and places but with the exception of those matters under the jurisdiction of the Social Services Standing Committee;
- To consider and make recommendations on fleet management and mechanical undertaking and other matters falling within the Committee's terms of reference and all matters incidental to the above;
- To recommend policy guide-lines and strategy for the Infrastructure Cluster in respect of services, programmes and plans, to provide the broad framework for Councillors and officials concerned with the preparation of a single, inclusive and strategic Integrated Development Plan for Buffalo City; and
- To consider any particular item or any matter of policy referred to it by the Executive Mayor, Mayoral Committee, the Municipal Manager or relevant Director.



FINANCE STANDING COMMITTEE

Membership	Quorum
14 members, representatives as proposed by all parties represented on the Council, provided a member does not serve on more than 1 operational standing committee.	7 (50% of the members, including the Chairperson)

Terms of Reference

- To formulate recommendations to the Executive Mayor (Mayoral Committee) on financial matters. As an Operational Committee the scope of these financial matters would include considerations of the financial position of Council in terms of the budget from an accrual as well as a cash flow perspective;
- To make recommendations to the Mayoral Committee and Council on appropriate actions to be taken to achieve Budgetary objectives;
- To report monthly to the Mayoral Committee and Council on the financial position of the Municipality; and
- To make recommendations to the Mayoral Committee and Council on the basis of the financial performance of the Municipality in terms of the report referred to in paragraph 4.3.3 above.

Financial matters within the ambit of this Committee include:

- Asset and Risk Management;
- Revenue Management and Treasury Management;
- Credit Control;
- Income and Expenditure on Revenue and Capital Accounts;
- Writing off of Arrears;
- Adjustments and Virements;
- Claims by and to Council;
- Dog Tax;
- Fund Transfers and Investments;
- Raising and Repayment of Loans;
- Refunds and Compensation;
- Remuneration Staff and Councillors;
- The Municipal Market;
- Trade and Road Traffic Licences;
- Assessment of Rates;
- Valuation of Properties and Maintenance of Valuation Roll; and
- Financial Matters pertaining to Housing.



BUDGET ACTIONS OF THE FINANCE COMMITTEE

THE FINANCE BUDGET COMMITTEE

The Finance Budget Committee will fulfil the following Operational functions. It must be emphasized that the interface with the IDP, Budget Strategy and Performance Management Committee is central to the achievement of delivery objectives and must be closely monitored.

FUNCTIONS OF THE FINANCE BUDGET COMMITTEE

- Budget Implementation
- Monitoring and Budget Progress
- Control Measures of Budget Implementation
- In-year Financial Reporting

INTERACTION WITH OTHER COMMITTEES OF COUNCIL

AUDIT COMMITTEE

- To receive reports from the Audit Committee and formulate recommendations to the Mayoral Committee and Council of action to be taken on the basis of the report.

IDP, BUDGET POLICY AND PERFORMANCE MANAGEMENT COMMITTEE

- To provide the IDP, Budget Policy and Performance Management Committee with information regarding tariff performance and revenue performance with the purpose of establishing the quantum of the Budget;
- Budget Issues being dealt with by the IDP, Budget Strategy and Performance Management Committee regarding the Budget;
- Budget and IDP alignment;
- Budget Policy formulation;
- Service levels;
- Rural / urban issues;
- Roll-out of services plan;
- Capital projects for delivery; and
- To consider any particular item or any matter of policy referred to it by the Executive Mayor, Mayoral Committee, the Municipal Manager or relevant Director.



COMMUNITY SERVICES STANDING COMMITTEE

Membership	Quorum
14 members, representatives as proposed by all parties represented on the Council, provided a member does not serve on more than 1 operational standing committee	7 (50% of the members, including the chairperson)

- To consider and make recommendations to the Mayoral Committee and Council in respect of all environmental services matters as provided for in any relevant legislation; to consider all matters relating to the natural environment, horticulture, parks and recreation and related amenities under the control of the Director of Community Services; to consider and make recommendations on matters relating to the regulation and control of sanitary and cleansing matters, cemeteries and health.
- To consider and make recommendations to the Council in respect of all matters related to libraries, art galleries and matters relating to music, to consider and make recommendations on matters relating to entertainment and other cultural activities; the regulation and control of sporting facilities and activities.
- To recommend policy guide-lines and strategy for the Social Cluster in respect of services, programmes and plans, to provide the broad framework for Councillors and officials concerned with the preparation of a single, inclusive and strategic Integrated Development Plan for Buffalo City.
- To consider any particular item or any matter of policy referred to it by the Executive Mayor, Mayoral Committee, the Municipal Manager or relevant Director.

IDP, BUDGET POLICY, PERFORMANCE MANAGEMENT AND INTEGRATED ENVIRONMENTAL MANAGEMENT

Membership	Quorum
7 representatives as resolved by Council.	4 (50% of the members, including the chairperson). Councillors who are not members of the standing committee are not counted towards a quorum.

- To oversee on behalf of the Executive Mayor the process of integrated development planning (strategic planning) in Buffalo City, including annual reviews of the IDP, and to make recommendations to the Executive Mayor in



this regard in terms of chapter 5 of the Municipal Systems Act and section 56 of the Municipal Structures Act;

- To assist the Executive Mayor to ensure that municipal strategic planning is aligned with constitutional values and oriented towards the progressive achievement of equity in Buffalo City in terms of section 23 of the Municipal Systems Act;
- To make recommendations to the Executive Mayor that aim to ensure that the resources and capacity of the municipality are mobilized to achieve the strategic developmental priorities and objectives as reflected in the IDP;
- To make recommendations to the Executive Mayor on all aspects of the performance management systems in terms of chapter 6 of the Municipal Systems Act;
- To make recommendations to the Executive Mayor aimed at ensuring an acceptable level and quality of public participation in municipal strategic planning, budgeting and institutional performance management in terms of section 16 of the Municipal Systems Act;
- To make recommendations to the Executive Mayor aimed at ensuring that the municipality gives effect to, and conducts its affairs in a manner which is consistent with its IDP (section 36, Municipal Systems Act);
- To assist the Executive Mayor in promoting the sustainable utilisation, development and protection of Buffalo City's natural, social, cultural and economic resources throughout all sectors of the municipal community [section 4(2)(d) of the Municipal Systems Act];
- To oversee on behalf of the Executive Mayor the process of preparing and implementing integrated environmental management policies and plans for Buffalo City, including regular reviews, and to make recommendations to the Executive Mayor in this regard;
- To make recommendations to the Executive Mayor on modes of service delivery that are equitable, affordable and sustainable;
- To make recommendations to the Executive Mayor on budget policies and processes; and
- To make recommendations to the Executive Mayor that aim to ensure that the budget is in line with the IDP.



CONSTITUENCY, COMMUNITY PARTICIPATION AND SPECIAL
PROGRAMMES STANDING COMMITTEE

Membership	Quorum
7 representatives as resolved by Council	4 (50% of the members, including the chairperson). Councillors who are not members of the standing committee are not counted towards a quorum.

Terms of Reference

- To make recommendations to the Executive Mayor pertaining to the formulation of policies, strategies and programmes aimed at increasing equity for vulnerable, marginalized or special interest groups, with specific focus on:
 - Young people;
 - The aged;
 - The disabled;
 - Gender-related issues (including women and children); and
 - Special projects.
- To oversee on behalf of the Executive Mayor the implementation of such strategies and programmes
- To make recommendations to the Executive Mayor on corporate strategies and programmes and the development of partnerships to address the challenge of HIV/AIDS in Buffalo City;
- To provide guidelines and policies in relation to community participation and Ward Committees;
- To ensure that effective support services are rendered to the offices of the Executive Mayor, the Speaker, the Mayoral Committee members and all other Councillors;
- To recommend policy guide-lines and strategy for the relevant Cluster in respect of services, programmes and plans, to provide the broad framework for Councillors and officials concerned with the preparation of a single, inclusive and strategic Integrated Development Plan for Buffalo City;
- To consider any particular item or any matter of policy referred to it by the Executive Mayor, Mayoral Committee, the Municipal Manager or relevant Directors;



- To make recommendations to the Executive Mayor aimed at empowering the Buffalo City public, communities and organizations through participation, environmental education, capacity building, research and information services; and
- To formulate and recommend proposals to the Executive Mayor aimed at ensuring an acceptable level and quality of public participation in matters related to the sustainability of development strategies, programmes and projects.

LOCAL ECONOMIC DEVELOPMENT, TOURISM AND RURAL DEVELOPMENT COMMITTEE

Membership	Quorum
7 representatives as resolved by Council.	4 (50% of the members, including the Chairperson).

Terms of Reference

- To assist the Executive Mayor in ensuring that the economic development including rural development of the whole community of Buffalo City is promoted (sections 152 & 153 of the Constitution);
- To make recommendations to the Executive Mayor aimed at ensuring that local economic development, including rural development is sustainable and contributes to job creation and a better quality of life for all;
- To assist the Executive Mayor to formulate appropriate and feasible local economic and rural development aims, priorities and objectives in terms of section 26(c) of the Municipal Systems Act;
- To make recommendations to the Executive Mayor relating to Council's policy on the procurement of goods and services;
- To make recommendations to the Executive Mayor on strategies to:
 - Facilitate job creation
 - Stimulate local markets
 - Promote the development of small, medium and micro-enterprises
 - Market the municipality holistically
 - Promote tourism
 - Promote industrial and commercial activities
 - Attract foreign or domestic capital investments
 - Increase the mobility of people, goods and services in Buffalo City.
 - Promote and facilitate rural development.
- To consider any matter referred to it by the Executive Mayor, the Municipal Manager or relevant Director that has a bearing on the economic development of Buffalo City; and



- To recommend policy guide-lines and strategy for the Economic Cluster in respect of services, programmes and plans, to provide the broad framework for Councillors and officials concerned with the preparation of a single, inclusive and strategic Integrated Development Plan for Buffalo City.

HOUSING, MURP and DVRI STANDING COMMITTEE

Membership	Quorum
14 representatives as resolved by Council	7 (50% of the members, including the chairperson)

Terms of Reference

- To make recommendations to the Mayoral Committee and Council on housing matters allocated to it and to report and make recommendations thereon to the Council and to investigate strategic use of housing resources;
- To recommend policy guide-lines and strategy in respect of housing services, MURP and DVRI programmes and plans, to provide the broad framework for Councillors and officials concerned with the preparation of a single, inclusive and strategic Integrated Development Plan for Buffalo City;
- To consider any particular item or any matter of policy referred to it by the Executive Mayor, Mayoral Committee, the Municipal Manager or relevant Director;
- To advise the Council on the overall management, allocation, alienation and control of housing owned by the Council; and
- To advise the Council on policy and procedures in regard to housing issues, MURP and DVRI.



5.14 REPORT OF THE ACTING CHAIRPERSON OF THE AUDIT COMMITTEE.

ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010.

INTRODUCTION.

In terms of section 166 [1] of the Local Government: Municipal Finance Management Act, No. 56 of 2003 the municipality and each of the municipal entities must have an audit committee.

In terms of legislation, an audit committee is an independent advisory body appointed by the Council which must —

advise the council, political office-bearers, accounting officer and management staff of the municipality, [or the board of directors, accounting officer and management staff of the municipal entity], on matters relating to, inter alia, internal financial control and internal audits, risk management, accounting policies, the adequacy, reliability and accuracy of financial reporting and information, performance management, effective governance, compliance with the Local Government: Municipal Finance Management Act, the Annual Division of Revenue Act and any other applicable legislation and performance evaluation.

The Committee is also required to review the annual financial statements to provide the council [and, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity], with an authoritative and credible view of the financial position of the municipality [or municipal entity], its efficiency and effectiveness and its overall level of compliance with the Local Government: Municipal Finance Management Act and any other applicable legislation and respond to the council on any issues raised by the Auditor-General in the audit report.

The Audit Committee is required to report in the Annual Report of the Municipality on their perception of the overall control environment and whether or not they consider that the Annual Financial statements should be accepted by the Council.

APPOINTMENT OF AUDIT COMMITTEE

The Audit Committee was appointed by Council following recommendation by the Executive Mayor.

The members of the Audit Committee during the period under review were:



Member	Position
Ms. B Randall	Acting Chairperson
Ms. P Ndamase	Member [Deceased]
Mr. D Sonamzi	Member [Relocated and resigned during the year]
Professor H Kanyane	Member [Appointed during the year and resigned having relocated after the end of the 2009/10 financial year.]

Ms. B Randall was appointed as Acting Chairperson in January 2008.

Two [2] vacancies exist on the Committee and the recommendation is that the vacancies be filled as soon as is possible to enable the Committee to effectively carry out its mandate. In the absence of the required number of members, the Committee is of the view that its effectiveness is compromised. Legally, there should be at least three [3] members on the Audit Committee. This process has commenced and an additional member was appointed with effect from 1 November 2010. Efforts to identify a further two [2] members have commenced.

TERMS OF REFERENCE OF AUDIT COMMITTEE

The Audit Committee has adopted appropriate terms of reference which are encapsulated in an Audit Committee Charter, approved by Council. The Committee has, in addition, approved an internal audit charter which regulates the operations of the Internal Audit Unit.

The Audit Committee is also the Performance Audit Committee of the Municipality as well as the Audit Committee for the one Municipal entity, the Buffalo City Development Agency.

The Manager: Internal Audit reports operationally to the Audit Committee and functionally to the Director: Corporate Services.

MEETINGS OF THE COMMITTEE

The Audit Committee convened regularly during the financial year.

Date	B Randall	Prof H Kanyane	D Sonamzi
13 August 2009	√		Apology



26 August 2009	✓		✓
30 October 2009	✓		✓
25 January 2010	✓	*✓	Apology
30 March 2010	✓	✓	Resigned
23 June 2010	✓	✓	
Total	6/6	3/3	2/4

* Appointed November 2009.

The Accounting Officer [Municipal Manager] attended and participated in Audit Committee meetings.

EFFECTIVENESS OF INTERNAL CONTROL.

The Audit Committee has reviewed reports from the Internal Audit Unit in terms of the approved internal Audit Plan.

The findings of these reports continue to give rise to the view that the control environment is stressed, as recorded in previous reports. The Committee records a serious concern that the findings and recommendations contained in internal audit reports have not received the appropriate level of attention by management and in most cases have not been implemented.

The importance of findings and recommendations contained in Internal Audit reports should not be down played by management. The control weaknesses set out in such reports are considered to be the cause of a number of issues raised by the Auditor-General. Control and other weaknesses identified by the Internal Audit Unit require to be addressed by management. Supervisory control and monitoring are also identified as matters which require attention by management.

A number of the qualifications set out in the Report of the Auditor General could have been either avoided or reduced in importance had the findings contained in Internal Audit Reports been addressed by Management in a timeous manner.



The Committee is once again of the opinion that the control environment within many sections of the Municipality is currently stressed and that an urgent and concerted effort needs to be put in place to deal with this situation. A failure to do so may result in further audit qualifications.

The Audit Committee accordingly concludes that the effectiveness of internal controls within the Municipality is not of the standard expected. The rationale for this statement are apparent from the matters set out in this report.

No assurance is provided.

RISK MANAGEMENT, FRAUD AND LOSS CONTROL.

Risk Management

It is unfortunate to have to once again report that no formal risk assessment exercise was performed by management during the period under review. The original risk assessment performed in June 2005 remains in place. This assessment is outdated and in need of revision.

While a Risk Management Framework was compiled, this Framework has not been submitted to the Audit Committee for evaluation. In discussion with the Manager: Internal Audit, the view is adopted that while a step in the right direction, the document is incomplete and implementation is lacking.

The lack of ownership of the process by senior management appears to be the major reason for the process not becoming embedded within the institution. An annual risk assessment exercise is considered to be an important informant of the Integrated Development Planning process, as well as the development of the Internal Audit Plan. Ongoing risk assessment exercises during the year are also part of the management of the institution. There is no co-ordinated approach to the principle of enterprise wide integrated risk management based on uniform standards. It is accordingly likely that material risks facing the institution have not been identified, correctly ranked or dealt with. As a result the Integrated Development Plan is compromised as is the management of the institution and its activities.

The failure to implement this process leads to a number of the findings of both the Internal Audit Unit as well as the Auditor General.

In the current economic climate, the importance of this process cannot be sufficiently stressed. It is therefore of considerable concern to the Committee that the process has not been taken forward. Emerging risks associated with the economic downturn could have a serious impact on the operations of the Municipality, an eventuality which management appears not to be taking serious note of.



The committee therefore once more reports that the principles of effective risk management appear not to be apparent in the institution. To improve this situation it is important that the Municipal Manager and Directors assume the role of risk champions. If this is not done, then it is unlikely that the principles of risk management will become embedded within the Municipality.

The risks associated herewith are considered serious.

No assurance in this regard is provided.

Fraud and loss control.

On the matter of fraud, the existing Fraud Policy prepared some years ago does not meet the expectations of the Audit Committee. In the previous year, the Committee reported that a revised draft document was prepared by the Manager: Internal Audit. This document has still not received the expected level of attention by Management.

While a perception exists that the Internal Audit Unit should take responsibility for this activity, this is not acceptable. Management has to own the processes to deal with fraud and fraud risks. It is the responsibility of management to establish a fraud policy.

In the current difficult times, fraud risks escalate and need to be effectively managed. The absence of proper internal control processes create opportunities for fraud and irregularities. Internal Audit Reports submitted to management over the past few years have highlighted the possibility of fraud occurring in various systems. Certain of these activities have experienced fraud or related irregularities. Theft of cable and fuel and possible unauthorized alterations to documentation have been reported but it is not apparent that the required level of attention has been paid thereto. The responsibility to investigate fraud rests with management and not with the Internal Audit Unit.

The committee therefore reports that an effective fraud mitigation strategy is not apparent in the institution. It is considered that the instances reported in Internal Audit Reports and from other sources may be but the “tip of an ice berg”.

Without an effective strategy to identify, investigate and prosecute fraud, there will be no disincentive to those bent on fraud. It is therefore imperative that the Municipal Manager and Directors assume a proactive role in this matter. If this is not done, then the likelihood of further cases of fraud cannot be ruled out.

The risks associated herewith are considered serious.

No assurance in this regard is provided.



COMPLIANCE WITH LEGISLATION

In general, the Committee believes that management is aware of, and has, in a number of cases adopted a proactive approach to compliance issues. This is more apparent in the Finance Directorate. However, concern is expressed that compliance with legislation is being looked at simply as “compliance” and that the rationale for the “compliance” is not being considered in many cases.

However, matters such as the lack of appropriate delegations from the Accounting Officer to Senior Managers and from these Senior Managers to operational levels remains a concern as expressed in the previous year’s report. It is apparent that an appropriate delegations framework is not in place. The risks associated with a failure to set appropriate delegations, include possible legal challenges to administrative actions, and may have a negative impact on service delivery.

Other important governance issues not apparent include the lack of a process to manage potential conflicts of interest through inter alia declarations and gifts registers. The risks associated with a failure to establish appropriate systems to underpin governance and compliance issues remain a concern to the Committee.

The Committee is accordingly not satisfied that governance and compliance issues are being dealt with in an appropriate manner.

The risks associated herewith are considered serious.

No assurance in this regard is provided.

PERFORMANCE MANAGEMENT.

Institutional

The Audit Committee has reviewed reports from the Internal Audit Unit and reports that a performance management system has been approved by Council.

Quarterly reports of the Internal Audit Unit, however, indicate a non-functional system. The failure to set clear objectives and strategies and determine appropriate indicators continues to bedevil the process. Many of the indicators do not meet the expected criteria of being specific or measurable. Where measurements were performed, many were either inadequately or inaccurately measured.

This mitigates against the use of the system as a tool to assist with the review of the Integrated Development Plan. The reports laid before the Committee indicate that considerably more attention requires to be given to the indicators and targets set out in the institutional scorecard. In addition, the lack of ownership of the system is a material concern



to the Committee. Discussion on this matter at Audit Committee Meetings gives rise to an impression that the Performance Management System and its associated measurement is considered to be the responsibility of the Integrated Development Planning Unit. It is important that this perception be dealt with. The Institutional Scorecard is the official tool to measure the achievement of the objectives set in the Integrated Development Plan. These objectives are owned by management for all practical purposes and should be used to drive the budget process.

The failure to establish a functional and operational Institutional Performance Management System has a direct impact on the achievement of goals set by Council in the Integrated Development Plan.

The findings contained in reports in the current year are not substantially different to those reported in the previous years. The Committee therefore expresses a serious concern that findings and recommendations are not being considered and dealt with by management, resulting in the continuation of a system which is not operationally effective or in compliance with the requirements of legislation.

For the financial year 2009 / 2010, it is understood that the Auditor General will not express an opinion on the Performance Management system. If the Auditor General were to do so, the prognosis is not favourable. It is therefore important that the Municipal Manager and Directors pay close attention to this matter to avoid an audit qualification in the next financial year.

The Committee is, therefore, of the opinion that the institutional performance management system was not functional during the period under review and this has resulted in the Council and stakeholders not being in a position to accurately measure the performance of the municipality against predetermined and agreed targets as required by legislation.

This has serious operational and reputational risks. If the Council is not in a position to assess the achievement of their objectives, service delivery may be impacted resulting in longer-term political consequences.

It is imperative that this matter receive urgent attention.

No assurance in this regard is provided.

Individual.

It is understood that no process to review the performance of Directors was established. The Committee therefore reports that performance management at individual level appears to have regressed when compared with previous years.

The implications of this are considered serious.



The Committee cautions again that the perception is that the process is used to deal with the matter of bonuses payable. The view is expressed that the management of performance and the payment of bonuses should, to the extent possible, be separated.

EVALUATION OF FINANCIAL STATEMENTS.

The Audit Committee reports that the annual financial statements for the year under review were compiled as required by legislation and were submitted to the Auditor General for statutory examination. After submission, the Audit Committee was afforded an opportunity to query various matters relating to the Annual Financial statements. This process is not acceptable to the Audit Committee. Queries posed, while considered relevant, may not have covered all aspects of the statements. The Committee noted the comments of management, but indicated reservations.

The Audit Committee was not engaged with the Audit Steering Committee during the Audit process for the year under review and expresses concern regarding this..

The Audit Committee's consideration of the Auditor General's Report is set out in detail in a separate report to the Council. This full report is contained in the Annual Report for the financial year ended 30 June 2010.

The main issues appear to the Committee to be:

1. The interpretation and application of the Financial Accounting Standards;
2. The incomplete implementation of the Buffalo City Municipality Supply Chain Management System;
3. The status of the Buffalo City Development Agency;
4. Material under spending of the budget seen to be linked to failures with the Supply Chain Management System;
5. Risk Management framework and strategies not operational;
6. The control environment and key governance responsibilities;
7. Non implementation of the Performance Management System; and
8. Reported performance information not reliable.

REPORTS BY THE COMMITTEE

During the period under review, the Audit Committee submitted quarterly progress reports to the Executive Mayor on the operations of the Audit Committee and the Internal Audit Unit. These reports include commentary on the Performance Management System as required by legislation.



BUFFALO CITY DEVELOPMENT AGENCY

The Buffalo City Development Agency [an entity] did not have an internal audit activity during the year.

The Committee is of the view that the Management of the entity should be more proactive and ensure that appropriate internal audit and related reviews are conducted at regular intervals.

No reports were received by the Committee relating to the operations of this entity.

MANAGEMENT ASSURANCES

Other than for the comments of management relating to the report of the Auditor General, Management has provided no assurances relating to the status of controls within the institution. This is a matter of concern to the Audit Committee. Requests for reports to be tabled by management have not in all cases been actioned at that level.

The principle of combined assurance has accordingly not been met.

INTERNAL AUDIT PLAN

The staff situation in the unit is severely strained. The existing complement cannot hope to adequately serve the interests of the institution. As a result, the Manager: Internal Audit is required to perform execution work in order to complete the workload. The Manager: Internal Audit is required to perform management tasks and develop strategy. This cannot be performed effectively if the Manager: Internal Audit is required to perform execution work on assignments such as performance management, design audit procedures for assignments, supervise staff and perform ad hoc activities.

The current staff situation complicates efforts to comply with the Standards of the Institute of Internal Auditors and a caution is issued that the operations of the Internal Audit Unit are not sustainable with the current staff levels. Unless additional resources are allocated to the Internal Audit Unit, the Unit will not be in a position to continue to deliver on its mandate. The overall control environment within the institution is then likely to decline further, increasing the risks associated therewith.

Nevertheless, the Committee is satisfied with the progress being made by the Internal Audit Unit. The quality of reports is high and adds value to the operations of the Municipality. Many of the issues highlighted by the Auditor General are matters already reported on by the Internal Audit Unit.

Details of some of the reports reviewed during the year under review are set out hereunder:



No	Assignment
1	Performance Management System – Review of measurements conducted by management.
2	Report on Supply Chain Management System: Handling, opening and recording of bids received..
3	Report on Supply Chain Management System: Creditors.
4	Report on Supply Chain Management System: Specification, advertising and contract administration cycle.
5	Report on Supply Chain Management System: Bid Evaluation / Adjudication.
6	Report on Supply Chain Management System: Period [Annual] Contracts.
7	Performance Management System – Review of Institutional Scorecard.
8	Performance Management System – Review of objectives and strategies set in the Integrated Development Plan.
9	Consideration of the Report of the Auditor General as well as the Management Report.
10	Performance Management System – Review of alignment with legislation and assessment of indicators.
11	Report on Supply Chain Management System: Annual Inventory Count.
12	Report on Supply Chain Management System: Informal bids greater than R30 000 in value.
13	Performance Management System – Review of measurements conducted by management.
14	Report on Supply Chain Management System: Informal bids less than R30 000 in value.
15	Report on Archiving System and security of records.



The Supply Chain Management System, in particular, is considered to present substantial reputation and service delivery risks and requires urgent and concerted interventions to bring it back on course. The reviews set out above indicate high levels of non-compliance with legislation as well as policy and procedure. The likelihood of a qualification arising from the defects within the Supply Chain Management System was highlighted in the previous year and is repeated here again.

The financial implications include irregular, unauthorized and fruitless and wasteful expenditure. Where they arise from inadequate evaluation and adjudication processes, the costs associated with litigation are considered to be fruitless and wasteful expenditure.

Although it may not currently result in an audit qualification, the Performance Management system is again identified as being in need of urgent attention to ensure that it complies with legislation and can be considered functional.

It is unfortunate to have to again report that the recommendations of the Internal Audit Unit, which also represent the recommendations of the Committee, have in the majority of cases either not been implemented, or have been inadequately implemented. Evidence of this is apparent in the continuing problems associated with the Supply Chain Management System, the Performance Management System as well as various compliance issues such as delegations and review and monitoring activities. This is unfortunate, as the implementation of these recommendations, or the consideration of the cautions contained in these recommendations of the Committee have the potential to lead to findings of the Auditor General which could have been avoided had these recommendations been heeded.

The Internal Audit Unit does not currently utilize the wording “work conducted in accordance with the Standards of the Institute of Internal Auditors” as no external assessment has been conducted.

As an aspirant Metro, it is considered that the time has now come for the required resources to be allocated to the Unit to enable it to better perform its mandate.

CONCLUSIONS

While the contents of this report paint a bleak picture, it would be remiss of the Committee to indicate that they are satisfied with the control environment present within the Municipality. The Committee accordingly feels constrained to report in this manner in the interests of facilitating an improvement in the current situation.

No assurance is provided in respect of the entity.



APPRECIATION

The Committee expresses its sincere appreciation to the Council, Executive Mayor, Accounting Officer [Municipal Manager], Directors and General Managers, as well as other management officials, for their support and interest in the activities of the Committee during the year under review. The support and advice of the Business Executive of the Provincial Office of the Auditor – General, Mr. Singa Ngqwala and his staff is also acknowledged as are the untiring efforts of my committee members in furthering the cause of effective corporate governance and sound accountability within Buffalo City Municipality.

Appreciation is also extended to the staff who minuted meetings of the Committee.

A special word of appreciation is extended to Mr. Geoff Walton and his staff in the Internal Audit Unit for their steadfast efforts during the year under review, despite the limited resources at their disposal.



B. RANDALL

ACTING CHAIRPERSON OF THE AUDIT COMMITTEE.

