

## **Annexure A**

**Comments and Resolutions from the Municipal Public  
Accounts Committee (MPAC) in respect of the  
2011/12 Annual Report for the City of Cape Town and  
its Municipal Entities**

**COMMENTS AND RESOLUTIONS FROM THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE(MPAC) IN RESPECT OF THE 2011/12 ANNUAL REPORT FOR THE CITY OF CAPE TOWN AND ITS MUNICIPAL ENTITIES**

Meeting	Date of Meeting	Comments and Resolutions		Reference – Previous Oversight Report
		City of Cape Town Annual Report	Municipal Entities Annual Report	
MPAC	26 February 2013	<p>Recommend to Council: That, having fully considered the 2011/12 Annual Report of the municipality and representations thereon, adopts the oversight report and approves the annual report, without reservations and note the following resolutions adopted by MPAC:</p> <p><b>CHAPTER 1: OVERVIEW OF THE CITY OF CAPE TOWN</b></p> <p>None</p> <p><b>CHAPTER 2: REVIEW OF THE 2011/12 FINANCIAL YEAR</b></p> <p>None</p> <p><b>CHAPTER 3: MANAGEMENT AND GOVERNANCE FRAMEWORKS</b></p> <p>None</p>	<p>Recommend to Council: That, having fully considered the 2011/12 Annual Reports of the Municipal Entities and representations thereon, adopts the oversight report and approves the annual report, without reservations and note the following resolutions adopted by MPAC:</p> <p><b>CAPE TOWN INTERNATIONAL CONVENTION CENTRE</b></p> <p><b>Key Performance Index (Page 13) – Sustainability energy consumption- KPI: Actual savings on electricity consumption compared to a budgeted target -</b> MPAC expressed concern that the targeted 5% was not achieved and requested that processes be implemented in order to achieve the target in the future.</p> <p><b>Debt 90 days and older (Page 73) -</b> MPAC expressed concern over the fact that 75% of the overall debt outstanding is older than 90 days, and indicated that processes should be embarked on to minimise the percentage outstanding.</p>	

Meeting	Date of Meeting	Comments and Resolutions		Reference – Previous Oversight Report
		City of Cape Town Annual Report	Municipal Entities Annual Report	
		<p><b>CHAPTER 4: LOOKING FORWARD</b></p> <p>None</p> <p><b>CHAPTER 5: FINANCIAL REPORTS</b></p> <p><b>Report of the Auditor-General – (Page 99)</b></p> <ul style="list-style-type: none"> <li>• <b>Material Misstatement - Lease Commitments (Paragraph 24)</b> - MPAC expressed concern over the material misstatement related to lease commitments which officials indicated was a result of the errors made during the transfer of lease commitments from a manual to a computerised system for accounting purposes. The committee indicated that written feedback should be provided to the committee to demonstrate whether the action plan to achieve accurate data by May 2013, was successful.</li> <li>• <b>Predetermined Objectives - Expanded Public Works Programme (EPWP) (Page 99) (also referred to in Annexure B – Indicator 1A.2 Number of EPWP jobs created)</b> – MPAC indicated that Councillors should also fulfil an oversight role with regards to EPWP and the placement of workers in this regard. MPAC recommended that the report provided to and considered by subcouncil 15 on a three monthly basis regarding the placement of jobseekers should be replicated to all other subcouncils.</li> </ul>	<p><b>Report from the Auditor General:</b></p> <ul style="list-style-type: none"> <li>• <b>Reliability of economic spin-off and jobs created, in the annual performance report – Accuracy (Page 56)</b> - MPAC enquired whether it is considered to be acceptable to remove predetermined objectives from scorecards which cannot be achieved, as it was understood by the Committee that these objectives are set upfront in order for it to be achieved and measured. MPAC expressed concern that this situation should not repeat itself in future financial years.</li> <li>• <b>Leadership (Page 57)</b> – MPAC expressed concern over the non-compliance with Section 89(a) of the MFMA, where the upper salary limits set by the City was exceeded for the retention of two key management positions. MPAC noted feedback by officials whereby it was indicated that this was corrected in the current financial year.</li> <li>• <b>Notes to the Financial Statements (Page 79) – Irregular and Fruitless and Wasteful expenditure</b> - MPAC recommended that a sub-committee be established to consider the action taken by the Board of Directors in respect of irregular, fruitless and wasteful expenditure as per note 43 in the Consolidated Annual Financial Statements for the year ended 30 June 2012.</li> </ul>	

Meeting	Date of Meeting	Comments and Resolutions		Reference – Previous Oversight Report
		City of Cape Town Annual Report	Municipal Entities Annual Report	
		<p><b>Consumer Debtors (Page 109)</b> - MPAC expressed concern over the errors on municipal accounts especially where these errors relates to meter reading estimations. Further concern was expressed over the time taken for these errors and account related queries to be resolved.</p> <p><b>Payments to Sporting Bodies</b> – MPAC requested that the list containing the payments to sporting bodies which were tabled at the MPAC meeting on 26 February 2013, be forwarded to the Community Services Portfolio Committee for consideration. The MPAC recommends that the portfolio committee should:</p> <ul style="list-style-type: none"> <li>• The audited financial statements and other related documents from the SRA Councils in District 1,2, 5 and 6 that received such payments be requested, to determine whether the money obtained had been spent on the intended purpose.</li> <li>• Investigate for what purpose the money received by Facility Management Committees (FMC's) (at the gate on event days) is used. The explanation is to be cross checked to City policies and contractual conditions.</li> <li>• The Portfolio Committee is to exercise oversight of the FMC's audited figures, monthly reports and quarterly reports and provide feedback to MPAC, on exceptions.</li> <li>• Community Development Portfolio Chairperson is</li> </ul>		

Meeting	Date of Meeting	Comments and Resolutions		Reference – Previous Oversight Report
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		<p>to task and monitor the ED: Community Services with the development of a facility check life-cycle for sustainability purposes <i>(also referenced in Annexure A (PAGE 197): Reason for variance – Sports fields that are non -compliant are undergoing repairs and maintenance in preparation for the soccer season)</i></p> <p><b>Note 43: Irregular, Fruitless and Wasteful Expenditure, Material Losses (Page 158)</b></p> <ul style="list-style-type: none"> <li>• <b>Irregular, Fruitless and Wasteful Expenditure -</b> MPAC recommended that sub-committees be established to investigate the irregular, fruitless and wasteful expenditure in Note 43 to the Consolidated Financial Statements for the year ended 30 June 2012.</li> <li>• <b>Material Losses (Page 158) –</b> MPAC recommended that the material losses be referred to the Utility Services Portfolio Committee for investigation in order to establish the reasons for these losses as well as how it can be minimised. Furthermore, MPAC also requested that a list of prominent affected areas be provided to the Portfolio Committee for consideration.</li> </ul> <p><b>Note 49.2 - Other Contingent Liabilities (Page 172) –</b> MPAC members requested that the outcome of the arbitration relating to the stadium Professional</p>		

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		<p>fees be provided i.e. arbitration judgement.</p> <p><b>ANNEXURES</b></p> <p><i>References to annexures also included in other chapters listed above due to concerns being duplicated in relevant chapters.</i></p> <p><b>Annexure A – Indicator 5B.1 – Number of housing opportunities provided per year</b></p> <ul style="list-style-type: none"> <li>• MPAC indicated that the communication between the City and Province should be continuously improved to ensure that the housing related concerns are addressed.</li> <li>• MPAC indicated that it should be investigated whether the upgrade of housing units should be reflected separately from the provision of new housing units. The committee indicated that as it currently stands it is an anomaly and could be misleading.</li> </ul> <p><b>Annexure G: Subcouncils: Ward Allocations Capital and Operating expenditure</b></p> <ul style="list-style-type: none"> <li>• <b>Capital Expenditure</b> – MPAC expressed concern over the low percentage capital expenditure for ward allocations and requested that Subcouncils 14 (52% spent) and 19 (51% spent) provide</li> </ul>		

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		<p>written feedback indicating the reasons for the under expenditure as well as how expenditure will be improved.</p> <ul style="list-style-type: none"> <li>• <b>Operating Expenditure</b> - MPAC expressed concern over the low percentage operating expenditure for ward allocations and requested that Subcouncils 8 (77% spent) and 10 (82% spent) provide written feedback indicating the reasons for the under expenditure as well as how expenditure will be improved.</li> </ul> <p>A report from the respective aforementioned Subcouncils is to be submitted to MPAC.</p> <p><b>GENERAL</b></p> <p><b>Capacitating the Performance Unit</b> – MPAC expressed concern over the budgetary constraints experienced in capacitating the Performance Unit. Furthermore the committee indicated that it is important that the Performance Unit is skilled to ensure that the audit requirements to manage information and tasks related to predetermined objectives are managed and achieved.</p> <p><b>Comments by the Public, Subcouncils and Portfolio Committees on the Annual Report</b> – MPAC indicated that the applicable line department(s) (responsible for public participation processes) should make a concerted effort to improve the quality of comments received on the</p>		

Meeting	Date of Meeting	Comments and Resolutions		Reference – Previous Oversight Report
		City of Cape Town Annual Report	Municipal Entities Annual Report	
		<p>Annual Report.</p> <p><b>Comments by the Audit Committee on the Annual Report</b> –MPAC agrees with the recommendations of the Audit Committee (Annexure D of this report.) The MPAC noted that the overall rating of the related audit reports were “effective” which is defined as “Control evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are managed and / or objectives are met.”</p>		



## **Annexure B**

**Minutes of the MPAC meeting held on 26 February  
2013 to discuss the Annual Report**

**- MINUTES -**

**OF THE MEETING OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE(MPAC)  
HELD IN MEETING ROOM 2, 6<sup>TH</sup> FLOOR, PODIUM BLOCK, CIVIC CENTRE, CAPE  
TOWN ON TUESDAY 26 FEBRUARY 2013 AT 10:00**

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**PRESENT****COMMITTEE MEMBERS****AFRICAN NATIONAL CONGRESS**

Cllr S Mxolose (Chairperson)  
Cllr D Khatshwa  
Cllr N Makasi  
Cllr C Scheepers

**DEMOCRATIC ALLIANCE**

Ald C Ipser  
Cllr E Anstey  
Cllr P Chapple  
Cllr S Diamond  
Cllr B van Dalen  
Cllr C Mhlanga

**OTHER COUNCILLORS PRESENT**

Cllr J van der Merwe

**OFFICIALS**

A Ebrahim	City Manager
M Marsden	Deputy City Manager
I Bromfield	ED: Health services
R Bosman	ED: Safety & Security
A Groenewald	ED: Tourism, Events and marketing
F Habib	ED: Corporate service
J Hugo	ED: Human Settlements
K Jacoby	CFO
G Kaiser	ED: Utility services
S Maqetuka	ED: Human Settlements
L Mtwazi	ED: Community services
M Whitehead	ED: Transport Roads and Stormwater
V Botto	Forensic services
W Claassens	IDP: OPM
R Cummings	Finance
R Garman	Forensic services

*W.S.M.*

**MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)  
MINUTES**
**26 FEBRUARY 2013**


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C January	IDP: OPM
G Postings	Internal Audit
K Kalam	Internal Audit
C Markram	Legal Services
P Lekay	Finance
S Thomas	Internal Audit
D A Valentine	Finance
M van der Merwe	IDP: OPM
A Vorster	OCM
R Wootton	Finance

AGSA

I J Fourie  
L Holland

**PUBLIC**

R Toefy : CTICC  
M Thirion : CTICC

**MPAC 01/02/13 OPENING**

The Chairperson, Councillor S Mxolose, welcomed everyone to the meeting and requested that a moment of silence be observed.

**MPAC 02/02/13 APOLOGIES / LEAVE OF ABSENCE**

The meeting was informed that Ms Z Abrams was on leave.

**MPAC 03/02/13 CHAIRPERSON'S REPORT**

Councillor Mxolose welcomed the members of Committee, the City Manager, Mr A Ebrahim and all members of the Executive Management Team (EMT), officials from AGSA as well as all other officials and visitors.

Cllr Mxolose said it is indeed a privilege to interact with EMT and expressed the view that the debate would be constructive and lively.

**MPAC 04/02/13 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 18 JANUARY 2013**

**RESOLVED** that the minutes of the meeting held on 18 January 2013 **BE CONFIRMED.**

W. S. M.

**MPAC 05/02/13****2011/2012 ANNUAL REPORT OF THE CITY'S MUNICIPAL  
ENTITY (CONVENCO)**

Cllr P Chapple referred to page 56 of the report and enquired what corrective action was taken regarding the securing of the two management positions (i.e. Chief Operations Officer / Director Finance) to ensure compliance with legislation.

Mr R Wootton (Acting Director: Stakeholder Management) introduced Messrs R Toefy and M Thirion of the Cape Town International Convention Centre (CTICC), he said that the comment from the Auditor General was badly drafted. He said that two personnel were employed by CTICC and at the time, their salaries exceeded the upper limits as determined by the City. He further indicated that as they were key personnel of the CTICC, the board decided to exceed the upper limits of their salaries. This has now been rectified and therefore no employees exceed the upper limits as determined by the City.

Cllr Chapple thanked Mr Wootton for the response and said that it is a relief to be informed of the outcome of this matter. He further said that the Convention Centre is an entity of the City and over the years it has been an integral part of the City's economic growth. He commented that recent governance issues have come to the fore and that MPAC will exercise closer scrutiny of the operations of the CTICC.

Cllr Khatshwa referred to the above matter and requested clarity whether the new appointments will result in the CTICC submitting reports when requested to do so by MPAC.

Mr Wootton responded referring to the item on the outstanding matters and said that the reason why the CTICC did not respond was that there was a disciplinary and criminal matter which was reported to SAPS - to institute further proceedings. He indicated that the SAPS processes are yet to be finalised the CTICC cannot submit a report to MPAC at this stage.

Cllr Chapple then requested that a quarterly written progress report on this matter be submitted to MPAC.

Cllr E Anstey enquired whether the architects for the extension of the Convention Centre have been appointed and what overseas convention centres have been visited before final preparations for the renovations.

W. S. M.

Mr Toefy, CEO CTICC responded by that since becoming CTICC CEO he has personally visited more than 30 convention centres around the world, he further stated that the tender was advertised in December 2011 and that the appointment of a team of South African architects was completed on 1 March 2012. He said that the architects have extensive experience and had visited convention centres in Australia, the Middle East and Europe. Mr Toefy said that the project is now in design stage 2.

Cllr Anstey proposed that the design team visit the Hong Kong convention centre during a big convention in order to gain first-hand experience.

Cllr Van Dalen referred to the question submitted by Cllr Chapple and requested clarity on when the anomaly was corrected.

Mr Wootton responded and said that the anomaly was corrected during the current financial year.

In turn Mr Toefy said that prior to the MFMA coming to effect salaries exceeded the upper limits and was personal to the incumbents. He indicated that after the City graded jobs and as no deductions could be made from salaries, the CTICC were non-compliant for the first six months, but since January, CTICC salaries are compliant.

Cllr S Diamond referred to the CONVENCO corporate scorecard specifically the indicator with regards to the reduction of water and energy consumption which was not achieved. He referred to the current building and the design of the future extension which is strategically located and asked what plans are in place to reduce water and energy consumption.

Mr Toefy responded and said this is one of the key areas where the CTICC leads worldwide and is one of two convention centres with an ISO 14000 certification. He said that environmental sustainability is a top priority of the CTICC and that the current building management system was upgraded in 2012. By switching from automatic to manual operations the CTICC are within the 5% reduction target of water and electricity usage.

Mr Toefy further said that the CTICC is aiming to become a green star rated building, and that it is problematic to aim for

W. S. M.

a six star rating. He said that the design for the new building is 4 star rated design.

He further said that there should be a balance between environmental sustainability issues and social matters and that if a choice should be made between more jobs and less green stars he would err. He said the aim is to become completely sustainable and to create jobs and economic opportunities.

Cllr E Anstey enquired about the CTICC's total debt outstanding.

Mr Toefy responded that the CTICC's total debt outstanding is R8m from an annual turnover of R70m, and further said that most of the debt is related to upcoming events.

Cllr S Diamond enquired about the percentage debt older than 90 days and related debt management actions.

Mr Toefy said that the CTICC has a zero tolerance approach to debt and are pursuing debt vigorously, with regards to the percentage debt older than 90 days. He said that he would circulate details electronically to members and the secretariat.

*(After conclusion of the meeting the CTICC informed via electronic mail that total debtors as at January 2013 was R4 005 955.00, of this amount R 3 015 959.00 (75%) is older than 90 days.)*

Councillor Mxolose referred to findings of the AGSA related to the CTICC's predetermined objectives where no clarity was forthcoming.

Cllr Mxolose requested clarity with regards to the processes for implementation, monitoring and rectification.

Mr Wootton said the objectives identified by AGSA related to a research study done by an outside company around job creation and contribution to gross domestic product of which the results and information could not be verified by the AGSA.

Mr Wootton said that as a result thereof and to rectify the situation the objectives were removed from the performance scorecard and other objectives were decided upon.

Cllr Mxolose enquired whether it is the norm to remove objectives which cannot be achieved and indicated that he

W.S.M.

has a problem with that behaviour. Objectives were included in the performance scorecard to be achieved and measured. (dropping the objectives was the easy way out.)

Mr Wootton said that the objectives were imposed for the last six years and that the City had no problem with the reports submitted by the CTICC. He further indicated that it was the first time that the AGSA raised the issue and that the CTICC cannot meet the criteria as set by AGSA in order to justify the figures and therefore had no choice but to change the objectives.

Mr Toefy added and said that the objectives under discussion forms part of his personal Key Performance Indicators (KPI) and therefore are not lost. He said that the research is based on assumptions made on the economic impact of the percentage spend (in dollar terms) by a delegate in South Africa. The assumption applied is not verifiable by the AGSA. He furthermore said that it is an accepted international assumption used by most convention centres. He indicated that this is still measured accurately as an Internal KPI.

Mr Toefy said that verification relies on the number of delegates attending or that are registered, which is not a verifiable objective unless all delegates are counted daily. It could be estimated but the cost for physical verification was not financially viable. The City delegate that attends the quarterly CTICC board meeting receives the progress made with regards to the objectives.

Cllr Mxolose referred to future reports and predetermined objectives and asked whether the scenario will not repeat itself in the next report.

Mr Toefy said that CONVENCO accepted the City's revised predetermined objectives which now exclude economic impact and job creation statistics. He said that the CTICC will continue to monitor and report on the economic impact and job creation statistics, based on assumptions and estimates that will form a key part of the integrated report but will not be an audit verifiable number.

Mr Toefy confirmed that the CTICC objectives were replaced by the following:

- A clean audit
- Profitability
- Service delivery agreement checklist

W.S.M.

Cllr Khatshwa enquired about the indicator which was not accurate and enquired whether there was any interaction between the CTICC and the City in this regard.

Mr Toefy referred to the discussion of the predetermined objectives whereby indicators could not be verified by AGSA.

**MPAC 06/02/13****2011/2013 ANNUAL REPORT OF THE CITY OF CAPE TOWN AND ITS MUNICIPAL ENTITIES**

Cllr Mxolose indicated that apart from the MPAC questions, there are also questions that were referred to MPAC by the sub councils and the portfolio committees. Councillor Mxolose further indicated to the Executive Management Team that where additional time is required to research a response that this should be indicated to the committee.

Cllr Chapple referred to material losses in the Utility Services Directorate and requested a breakdown of the R225m as well as the steps to be taken to minimise such losses in future.

Cllr Chapple thanked Cllr van der Merwe, Chairperson of the Finance Portfolio Committee, for his participation and also referred to the question submitted by Cllr J van der Merwe, i.e. *"What are the reasons for electricity losses"*.

Cllr Chapple expressed his surprise that the Utility Service Portfolio Committee did not see the reported losses as a major issue (no comments received from the Utility Services Portfolio Committee on oversight of the annual report).

Cllr Chapple proposed that this matter be referred to the Utility Services Portfolio Committee for investigation and that a full report on the outcome thereof be submitted to MPAC.

Ms G Kaiser (ED: Utility Services) responded and said that she would address both questions simultaneously as it is related to each other.

Ms Kaiser said that it is not possible to calculate the losses as referred to and indicated that the loss was restated to exclude the technical loss which constitutes 4.5% of the overall loss and that the remaining loss is a combination of theft, vandalism as well as timing of differences between the purchase and sale of prepaid electricity.

W.S.M.



She said that in terms of theft and bypassing of meters, as electricity prices increase more and more people find devious ways to obtain electricity without paying, therefore theft and bypassing of meters constitutes the majority of the loss of R225m.

In terms of purchases and consumption she said that households purchase a certain rand value amount of prepaid electricity every month without ever consuming the full quota and therefore stockpiling electricity happened in the past. She further said as electricity prices increase the City pays more for electricity from ESKOM but that the income remains stable as households still bought the same amount of prepaid electricity.

Ms Kaiser further said that the electricity step tariff introduced in 2009 now discourages users from stockpiling electricity.

With regards to remedial action to theft and meter bypassing Ms Kaiser informed the committee that six new teams of revenue protection staff (currently only 3 teams) can now be appointed with effect from 1 July 2013 when funding becomes available. She advised that every 1 in 2 interventions by these teams results in a recovery to the City.

Cllr Chapple said he was glad to hear the response, but was disappointed that it took a year to sort out the situation. He thanked the officials for obtaining the funds to appoint the six new revenue protection teams and he furthermore stated that Cllr Anstey posed the questions in 2012 with regards to the bypassing of meters.

Cllr Chapple confirmed that he understood the explanation on the prepaid electricity stockpiling and reiterated that this matter as well as the responses by the ED be submitted to the Utility Services Portfolio Committee. In addition, he referred to the commitment by the ED – who indicated that the material losses will decrease and said that he would remember this commitment and hoped the losses will decrease to R100m.

Cllr van Dalen requested clarity with regards to the explanation by the ED on stockpiling of prepaid electricity and indicated that according to him it should be a plus balance and not a minus balance as it is money not paid over to Eskom.

W. S. M.

Cllr Khatshwa requested which areas are more affected in material losses and if the ED could explain technical losses, as well as an explanation on the duties and responsibilities of the revenue protection teams as there is a dire need for education of the local communities with regards to vandalism.

With regards to the question by Cllr van Dalen, Ms Kaiser explained that prepaid electricity is purchased from Eskom which is then sold to consumers. There are no processes to monitor when prepaid electricity is consumed from the point of purchase, therefore the time disjuncture exists.

With regards to the questions by Cllr Khatshwa, Ms Kaiser responded that

- That information on material losses is available for the City as a whole, but that the information could be made available where the losses are the highest.
- Technical losses occur during the transmission of electricity from the various substations. (heat loss)
- The duties of the revenue protection teams consist of the following information campaigns:
  - how to apply for a legal service
  - impact of pilferage on the community and electricity rates
  - health and safety risk of interfering with electricity supply

Cllr Anstey questioned whether it is normal process to allow for 51% of debtors to be written-off for non-recovery of revenue and whether this is expected to be written off over a period of time.

Mr K Jacoby, Chief Financial Officer (CFO), referred to the written response that was provided (Attached as Annexure "A" to the minutes) and further responded where he said it is normal business practice to impair. The 51 % is scientifically calculated in relation to the City's debt exposure.

Mr Jacoby said a monthly report on the City's consumer debtors are submitted to the Finance Portfolio Committee (FPC). This report is reflected in an aged environment subdivided into

- domestic and commercial debtors; and
  - provincial and national government debtors.
- The high end energy users' debtors are also reflected as it is of interest to the FPC.

*W.S.M.*

Mr Jacoby further stated that the FPC and the Finance directorate concentrate on the domestic category, where the indigent users contribute to the 51 % write off.

The CFO indicated that there is a programme supported by Council policy to install water management devices (WMD) at those households who cannot afford to pay their municipal accounts and they are classified as indigent households.

Mr K Jacoby stated that the reason why Council embarked on this programme is because there is an intention to impair and write off the debt. This is a behaviour practice applied by other Cities but they have no control over future consumption and the indigent household falls into debt again in a short period of time. The City has followed this WMD to ensure that once debt is written off the indigent households does not fall into debt again thereby allowing the debt to escalate. He indicated that the City has been very responsible with that policy and it does not only talk WMD but also prepayment electricity meters that are installed in households to reduce the risk of arrears.

Mr Jacoby said there is a programme to install WMD is monitored by the FPC as well as the Utility Services Portfolio committee that looks after the infrastructure component of the City. He indicated that there is a target to install 2000 water management devices per month but there are constraints and obstacles which primarily relate to a lack of understanding from communities, but there is a parallel intervention underway to inform communities of the process and benefits.

Mr Jacoby further said that the Mayoral Committee and Council will consider the report on the write off of the debt as well as the continued accrual of interest as this will help with the percentage impairment.

Mr Jacoby informed the committee of a City in the Eastern Cape who has received a Vuna award for achieving an annual 91% collection rate whereas the City of Cape Town's regularly achieves a collection ratio of 95% and above, which is a reflection of what is generated from an accrual basis into cash for the City which can be utilised elsewhere.

Cllr Chapple thanked Mr Jacoby for the response he said he was pleased with the write off of debt and interest charges. He said that he worked as a ward councillor in the poorer areas of the City and said that one of the major contributors to debt is the interest charged on top of the debt. He said that they will never be able to pay off the debt as they are

currently paying off attorneys at R50 per month for the next thirty years and therefore it is not viable to further pursue this matter.

Mr Jacoby responded and said that the write off of interest is relevant to the indigent debtors.

Cllr Khatshwa enquired whether the interest will be written off immediately or when the WMD's are installed and he further requested clarity with the situation where persons other than the owner reside on a property. He also asked what would happen to the debt of the owner of the property.

Mr Jacoby responded and said that the debt and interest will be written off immediately. He further indicated that the original or base debt will be written off after the installation of the WMD on the property and the relevant administrative processes have been completed.

Cllr Mxolose referred to the estimation of water meter readings he said that residents are complaining on receiving accounts reflecting estimated accounts as well as the water consumption reflected thereon is not the actual reading hence the accumulated debt as the true usage is not reflected and he enquired what the City is doing in this regard.

Mr Jacoby responded he said that 90% of water meters in the City are read regularly, the 10% not read are in areas where the City is in the process of installing WMD. He said it is important for the City to read the meters from a water balance perspective to determine whether there are any losses in the system. He said that the installation of the WMD will contribute to the eradication of situations as mentioned (in terms of debt management) as consumption will be managed.

Ald C Ipser informed the meeting of his personal experience indicating that he has two water meters on his property which has been unread for nineteen months accumulating debt of R18 000 on one meter and a credit balance of R25 000 on the other meter.

Cllr Ipser further said that he felt that the City is not functioning as well as perceived, based on his personal experience.

Mr Jacoby responded, he stated that he is concentrating on statistics and that Cllr Ipser's experience is definitely not the norm and might be an anomaly within the system within in the

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City. He requested that the details be submitted to his office for investigation and resolution, with a definite answer.

Cllr Mxolose requested that this situation be addressed urgently as it becomes a problem for households specifically the indigent and single parent families where they have to pay R1 000.00 for water.

Cllr Diamond enquired on the time frame for the resolution of these types of complaints to be resolved, he informed the meeting of a complaint that was reported up to Director Level, but after months is still unresolved at this stage.

Mr Jacoby responded and said that every complaint has its own level of complexity and he requested that these matters be submitted to his office to be resolved as he would be able to pick up inefficiencies in the City and escalate it accordingly.

Ms Kaiser added and said that meters located within property boundaries are more difficult to read but that the monthly accounts reflect the status of the meter reading. She informed the meeting of the E/portal site currently being piloted which allows customers and residents to interact with the City on meter readings and related transactions, including the logging of the water meter reading by the consumer.

Mr Jacoby referred to the C3 notification system and advised that residents and communities should utilise this system to submit complaints or enquiries. He said that all Executive Directors are performance managed on their responsiveness to C3 notifications and he also referred to the Community satisfaction survey against which the City directorates are being evaluated.

Cllr Chapple commented that he would definitely pursue the E/Portal site and encourage residents with internet services to utilise the site. He further said that a single digit error by a meter reader could result in an incorrect account.

Ald Ipser informed the meeting of the situation whereby the revenue department blocks an account when it cannot reconcile the invoice amount with the records. He indicated that this leads to the blocking of the account. In the past when enquiring on the account and why a statement was not sent out, the resident is informed that the account is blocked and that it is not the practice to send out the statement until it is finally resolved.

W.S.M.

Ald Ipser said that if the resident wants to know what the total amount payable on the account is, enquiries should be done telephonically and thereafter the account is dispatched.

Ald Ipser said recently two conflicting statements were made; one is that the above practice still persists and the other is that the practice no longer exists and that after reconciliation the account is dispatched, he requested clarity on this confusing situation.

Mr Jacoby responded and said that he will clarify this matter with the relevant department in order to resolve the issue. He requested that Ald Ipser submit relevant details to his office.

Cllr Mxolose requested that all responses be submitted to the secretariat for minute purposes.

Cllr Chapple requested a breakdown on the R54 059 114 000 which occurred for lease commitments referred to by the AG as a material misstatement.

Cllr Chapple said he was relieved with the written answer submitted (Attached as Annexure "A" to the minutes) however he said that the report confirming the implementation of the action plan as well as the accuracy of data must be submitted to the MPAC meeting in May / June 2013.

Mr Jacoby provided clarity and indicated that the referred action plan included him as part of the review process for the financial statements, incorporating leases. CFO confirmed that the report on the process for compilation of annual statements will be submitted.

Cllr Chapple referred to the statement "The New Performance Management Unit lacks capacity" and enquired what steps are being taken to increase the capacity and by whom and by when.

Cllr Chapple referred to the change in the approach by the AGSA to performance management, he referred to comments by Sub councils and quoted:

*"that the information is not enough as the delivery is to be matched on change of people's lives".*

Cllr Chapple said this is the impact of what this committee does and he thanked the City Manager for clear financial figures – he referred to the last question and the submission by Cllr J van der Merwe and said that irregular expenses,

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deviations and fruitless and wasteful expenses have declined, as a result of controls that have been implemented.

Cllr Chapple said audit is moving into performance management and he is concerned about the staff numbers in the performance management unit, as it is an important component to the functioning of the City.

Dr M van der Merwe (Director: Integrated Development Planning (IDP) and Organisational Performance Management Systems (OPMS)) responded indicating that the unit consists of two auditors and that a request was submitted to appoint additional staff which was declined due to budgetary constraints and therefore the status quo remains.

Dr van Merwe further said the extent of work is comprehensive and intensive and that unless the decision not to appoint additional staff could be reviewed and rescinded the current constraints will remain.

Cllr Chapple said that he is aware of the budgetary constraints but that it has become important to develop performance management capacity, he said he will continue to monitor the situation.

Councillors Chapple & Khatshwa enquired on the reason for the late submission of Human Settlements and EPWP project statements/information to the AG and what is being done to remedy the situation in respect of Predetermined Objectives (PDOs).

Dr M van der Merwe responded and said that notifications, communications and other measures have been put in place to ensure that the EPWP Unit no longer accepts unsigned labour reports, thereby improving recordkeeping.

The EPWP Unit is in the process of finalising an action plan that should be followed in preparation for future audits. He indicated that an EPWP indicator measurement sheet spelling out the audit standards has been prepared for sign off. Communication (Memo) of the EPWP Indicator audit standards has been forwarded to all coordinators within implementing line departments.

The unit has put in place a dedicated resource to check and verify all EPWP contracts, labour report, start and end dates, quality control of all incoming EPWP reports before they are captured on MIS. A detailed standard operating procedure

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(SOP) has been compiled for the department. This SOP has been communicated to all line departmental EPWP coordinators.

The Bi monthly EPWP coordinators meeting have been scheduled to discuss any updates on matters affecting the programmes implementation.

The EPWP Unit in collaboration with IS&T are in the process of setting up an intranet reporting system that would allow project managers to view their projects and make comments and query their data on the system.

The EPWP Unit is ensuring that all EPWP employees earning beyond the EPWP payment threshold are not captured. This instruction forms part of the Unit's communication to all EPWP coordinators and project managers. Conducting spot checks on project sites to ensure project managers are complying with AG's requirements with record keeping of supporting evidence of information reported to the EPWP office for capturing.

Cllr Chapple informed the meeting that Sub council 15 circulates monthly reports of EPWP employees and projects to Councillors he requested whether such a report can be generated for all other Sub councils.

Cllr Chapple further said it is the role and responsibilities of all councillors as well as officials to monitor EPWP projects. Councillors confirmed that the monthly EPWP reports are not being compiled and circulated to all Sub councils

Ald Ipser explained the cumbersome situation of confirming the addresses for EPWP employment and he requested whether there is no other method to confirm home addresses.

Mr A Ebrahim (The City Manager) confirmed that monthly report with regards to EPWP employees and projects will be compiled and circulated to all Sub councils.

*(At this stage Cllr F van Der Merwe Finance Portfolio Chairperson had to leave the meeting (11h30), Cllr Mxolose thanked Cllr van der Merwe for his attendance and the opinion was expressed that more portfolio chairperson should have attended the meeting).*

Ald Ipser questioned whether the Chairpersons of the Human Settlements Portfolio Committee and Corporate Services



Committee advised of the problem areas. If not, the question on how it will be dealt with in future was asked.

Mr Seth Maqetuka (ED: Human Settlements) responded indicating that two weekly meetings between himself and the Human Settlements Portfolio Committee Chairperson have been taking place. At these meetings the challenges and problems within the portfolio are discussed as well as issues related to Human Settlement development and delivery and the monitoring of the performance of the directorate and committee.

Cllr Chapple questioned whether the Human Settlements Directorate are currently monitoring their project managers, who are collating performance information and what processes will be implemented to standardise the monitoring and review processes.

Cllr Chapple said that housing delivery is an important discussion point in all IDP meetings and he said the perception is that the data provided and what is experienced on the ground does not match, he referred to a statement from Cllr Mabandla who commented "*The pictures attempt to say houses are built, which are not visible*".

Cllr Chapple further elaborated on the various terminologies used by the directorate and therefore he had the question.

Cllr Khatshwa reaffirmed that it is general perception that housing delivery is invisible as projects are not reflected on Sub council agendas, he requested that the Human Settlements Directorate improve the communication with the Provincial Government in order to speed up housing delivery.

Cllr Khatshwa further requested that the term "*housing opportunity*" should be properly defined in order to give the councillors as well as the general public a better understanding of housing delivery.

Mr Maqetuka responded and said it might seem that housing delivery is invisible because of the big challenges faced in the supply of housing. Supply and demand has a direct relationship to resources available which plays an important role in housing delivery on the ground level.

Mr Maqetuka said that housing is supplied to young, older families and disabled people across the City and he said the directorate is limited in resources and therefore cannot

address all the needs, giving the perception that the directorate is not providing housing opportunities.

Mr Maqetuka further said that the directorate's budget provides for the creation of 7 550 opportunities per year where as the annual backlog is grows by around 16 000 per annum.

With regards to project managers Mr Maqetuka said that project managers:

- have individual performance contracts
- submits monthly project progress reports
- report to managers
- that monthly project reports are submitted to Human Settlements Portfolio Committee and Sub councils with regards to projects
- implemented within the department the project readiness matrix to monitor the progress of projects
- Monitor on an on-going basis projects by physically visiting all project sites

With regards to communication with the Provincial Government Mr Maqetuka explained that bi monthly (Inter-governmental Relations) IGR meetings were held during the last six months, and that the relations are improving (minutes and records are available for information).

Mr Maqetuka said housing opportunities are defined in the Corporate Scorecard and SDBIPS, of which the AGSA have been informed. He said housing opportunities consist of the following; B & G housing, social housing and serviced plots although the City provides a range of services which include serviced sites, rental stock and home ownership and temporary housing.

Mr Maqetuka said it would be difficult to provide one definition of what a housing opportunity is.

Ald Ipser said that there is an anomaly in the reporting of housing opportunities where the upgrading of rental units are reflected under housing opportunities delivered. Upgrading of rental units is not a new housing opportunity and is misleading, the upgrading/refurbishment of units should be reflected under a separate category as it inflates the statistics.

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Cllr C Scheepers requested that land be made available to people who can afford to build their own houses.

Dr M van der Merwe responded with regards to the standardisation of the monitoring process in the City. He said 22 new KPA's have been included in the corporate scorecard and reporting was standardised to ensure the validity accuracy and completeness of the indicators. He further advised that descriptions were developed in consultation with the line departments and a comprehensive exercise was done with regards to this base data including how information is captured and where the invoice and other documents are located in order to streamline the auditing process.

Dr van der Merwe said with regards to quarter 1 a high level review of all quarterly targeted indicators was performed. The review was on the summary sheet and supporting detail list. It was done on a sample basis on the Utilities and Housing indicators; these directorates take up the bulk of the budget of the City and are core mandate deliverables of the City of Cape Town.

A monitoring oversight report was submitted to the Directors on the indicators it was work shopped with Human Settlement Utilities and Spatial Planning to ensure compliance and validity.

The IDP & OPMS department will embark on a capacity building process to ensure that the process is entrenched in the top 300 managers in the City.

Cllr Makasi enquired how the Mpeta square, City housing project could become a Provincial project, and referred to the waiting list database and enquired whether a different database will be used.

Mr Maqetuka referred to housing opportunities and the refurbishing of existing units and said that he agrees with Ald Ipser that it is not a new opportunity and that it needed to be reflected as such.

Mr Maqetuka said that at the moment when utilising the National housing grant it has been insisted that refurbishing must be recorded as a new housing opportunity, he said that he would consult with the relevant officials of IDP & OPMS to ascertain if this could be recorded differently.

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Mr Maqetuka reminded the meeting that all definitions or the recording of a housing opportunity must comply with the AGSA and National Human Settlement Department requirements.

With regards to making land available to persons who can build their own houses Mr Maqetuka referred to the following:

- That there is no program to make land available
- The backyarder program in Langa, Facreton and Hanover Park provided for basic services;
- The successful pilot project for serviced plots was completed in Elita Park, where development plots were sold to the community for People's Housing Project (PHP) initiatives

The department is currently exploring the compilation of a policy to develop sites to sell to the general public especially people that are interested in building the houses themselves.

Mr Maqetuka referred to the N2 gateway project and said that the Provincial Government is the developer of the project so therefore it is their responsibility. He further said that the City of Cape Town waiting list database will be utilised for the allocation of homes.

Mr L Holland from AGSA explained the process of auditing the predetermined objectives and said that the objectives are that of National Treasury and that AGSA ensures compliance thereof.

Cllr Chapple questioned whether EPWP projects are being monitored and are documents submitted to support performance information accurate, valid and complete?

This question was addressed earlier by Dr M van der Merwe.

Cllr van Dalen questioned why 80% of housing opportunities equal to R166m was not spent and what is being done to expedite expenditure and what is the reason for non-expenditure.

Cllr van Dalen further stated that at the beginning of the financial year it was estimated that 8 800 housing opportunities were to be provided but in the end only 7 141 housing opportunities were delivered. He further referred to the confirmation by Mr Maqetuka that the directorate can only

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provide 7 550 housing opportunities per year, he requested clarity on this situation.

Cllr van Dalen mentioned the influx of people from the rest of the country to the Western Cape and specifically to Cape Town, most of whom own houses from where they moved from and there are no records available of the ownership. He said on their arrival they are included on a waiting list and provided a house to the detriment of persons who live in Cape Town and whose lifelong wish was to own their first own home. He requested clarity on this situation.

Cllr Mxolose cross referenced this question with the question submitted by Cllr JF van der Merwe.

Mr Maqetuka referred to the above questions and confirmed that problems were experienced at the following housing projects, thereby delaying the achievement of housing deliverables:

- Pelican Park, after allocation of the tender the developer withdrew from the project resulting in a six month delay to appoint the new developer
- Scottsdale integrated housing project, delay in the approval by Provincial Government due to the fact that it was a mixed housing project. The project consisted of B&G housing, Rental Housing, CRU, PHP and Social housing and due to a lack of systems at Provincial Government to accommodate the housing scheme options a delay of six months was experienced.

Delays with projects in Happy Valley and Bardal were a result of quality dynamics which impacted negatively on the progress of the project where the contractor had to cease operations.

Mr Maqetuka said that 450 housing units were delivered by the City of Cape Town through PHP projects and he said that the units could not be recorded as provided by the City as it was Provincial Government projects and inadequate evidence was provided. He said that plans are underway to record future PHP housing units as delivered by the City, with appropriate evidence (monitoring and reporting).

Lastly Mr Maqetuka reported positive progress for the future. He also indicated that underperformance with the

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implementation of the abovementioned housing projects does not have a direct relation with under spending. The buying of land and the provision of bulk services to the sites are paid from the housing grant and therefore the under expenditure has no direct correlation with the provision of housing opportunities.

Cllr van Dalen agreed that Housing provision is long term projects with many pitfalls along the way and he requested the relevant officials to increase their efforts in the provision of housing opportunities and manage their challenges accordingly.

Councillor Chapple referred to the question raised by Cllr van der Merwe, i.e. "What is the reason(s) for the higher net surplus of R877m against the budgeted surplus of R36m?

Councillor Chapple indicated that a response was received from the Finance Directorate with regards to this question however he still required this to be responded to formally at the meeting (Refer to Annexure "A" to the minutes).

Mr Jacoby responded indicating that the written response was provided. He further indicated that the MFMA section 71 environment is used in this case to report to the Portfolio Committee. He advised that what was important to note was that they reported on the employee costs and the related savings. He further mentioned that the 51% impairment was debated and indicated that this would have been higher had the debt collection rates not been as high as it currently is. The impairment costs represented a saving for the City. He stated that the external loan money was not used in the past year resulting in funding for the City being saved and a surplus being declared. CFO indicated that the City has recently signed the AFD loan agreement and that the money will flow to the City from April/May 2013. He referred to general expenses and indicated that the City Manager is strict in terms of fiscal discipline and matters of prudence within the City. He indicated that savings on general expenses are usually celebrated as it is not regarded as a failure in the City. He emphasized that what the City is able to achieve in its operating budget is in the interest of the ratepayer. He indicated that due to these savings, large contributions can be made to the revenue contributions and the capital programme, i.e. the CRR contributions towards capital investments. He indicated that the City has a R6 billion capital stream.

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Cllr Chapple referred to the questions raised by Cllr van der Merwe, i.e. "What is the percentage capital and operating expenditure of Ward Allocations per Sub-Council?" He indicated that this was positive reading and that he wanted to commend Sub councils' 1, 2, 8 and 17 for 100% capital spent.

He referred to the capital expenditure of Sub councils 14 (52%) and 19 (51%) and recommended that a written report be submitted to MPAC by the Sub council Manager providing reasons for the low capital spending, as this is not regarded as good performance.

He referred to the operating expenditure and indicated that the results are excellent. He stated that there are however two sub councils i.e. 8 (77%) and 10 (82%) where the results are not satisfactory. He requested that the Sub council Managers of these exceptions submit a written report to MPAC providing reasons for the low operating expenditure spending.

Cllr Chapple referred to the question raised by Cllr van der Merwe, i.e. "What is the reason for the increase in the Auditors Cost?" Cllr Chapple referred to the response submitted by the Finance Directorate and indicated that this was in fact a decrease.

Cllr Chapple referred to the question raised by Cllr van der Merwe i.e. "What is the reason(s) for the increase of Contributions; transfers and others from R521 762 (2011) to R641 748(2012)?"

Cllr Mxolose referred to the response provided by the Finance Directorate and indicated that the committee was satisfied with the response that was provided.

Cllr Chapple referred to the question raised by Cllr van der Merwe i.e. "Which Sporting Bodies received Grants and Subsidies and what amounts did they receive?"

Cllr Chapple requested confirmation on whether or not sporting bodies receive funding through the Community Services Portfolio Committee. Ms Mtwazi confirmed that there are no sporting loans and that this practice was stopped before City of Cape Town was formed. She indicated that the loans indicated are in the process of being retrieved. Cllr Chapple requested a written report and indicated that he was concerned about SRA councils in District 1, 2, 5 and 6 and

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stated that he has never seen audited figures or financial statements from these organisations in order to understand what these organisation intend spending the money on. Cllr Chapple referred to the amounts and indicated that there are specific rules that apply to Grants. He indicated it raises a red flag when the same amount is received by various organisations. He asked that this be referred to the Community Services Portfolio Committee. He referred to the Western Province Lifesaving partnership and indicated that it has served before Council and can be excluded.

Cllr Chapple indicated that there is currently a draft policy for Facilities Management Committees (FMCs). He indicated that he is concerned that payments are made to a FMC in terms of a draft policy. He indicated that the amount of money that is paid to FMC's who manage the facility on behalf of the City also receives gate money, fees from participating clubs and are then further subsidised by the City. He asked what was happening to the money that the FMCs raised at their own fields, as resident complaints are received about having to pay to enter at open sports facilities. He asked that this be referred to the Portfolio Committee where these FMCs have to submit their audited figures to the Portfolio Committee for inspection in terms of the Grants in Aid Policy. He stated that he was of the opinion that this had been sorted out, but seeing the report at the meeting is of concern to him. He indicated that once the Portfolio Committee has considered the information a report should be submitted to MPAC.

Cllr Diamond indicated that in Sub council 12 the previous week a grant to Tafelsig FMC had to be repaid because the actual expenditure did not tie up with the intended purpose for funding to be spent as per the business plan. He indicated that he has serious reservations when grants are handed out to clubs and whether they are actually meeting the business plan. He further requested that the actual expenditure be checked to the intended purpose as per the business plan. He further indicated that he was concerned about the basis and criteria used for businesses to receive such funding. He referred to the list and indicated that some of the clubs have strong membership and are in affluent areas that raise a lot of money as opposed to other clubs in different areas of the City that contribute to the caring city initiative (e.g. to bring the youth to facilities) and these clubs do not get money from the sub council. He stated that the money does not come from the Portfolio Committee but from the sub council. He indicated that he was concerned about how the selection and



monitoring process functioned. He referred to the example used by Cllr Chapple and indicated that some clubs with parking lots would charge parking fees. He indicated that once you enquire with the FMC regarding the funding raised, then the information is not forthcoming. He indicated that some clubs get more, while other deserving clubs are not being considered. Cllr Diamond indicated that at the previous Oversight Report meeting he already raised the issue of sport field facilities. He indicated that there are many clubs that do not meet the basic sports facility requirements and who have finished a soccer season and still await receipt of their topsoil and fertiliser processes. Cllr Diamond asked that all sporting facilities are audited for basic needs required and available at the facility, i.e. toilets, lights etc. He indicated that he hopes that he does not have to raise this issue again next year as sport is mechanism to bring communities together, to keep the youth away from drugs and to educate young men to respect not only women but the society within which we exist and unfortunately these tools are not provided to the people.

Ms Mtwazi indicated that she noted the input from the two councillors and indicated that the same concerns are shared of inequitable distribution of resources as well as the concern around the gatekeeping. She referred to Cllr Chapple's reference to the policy and indicated that it is being drafted and will be circulated for public participation. She indicated that this policy will be addressing the issue of equity and governance round gatekeeping by the FMCs. She further indicated that the Community Services will facilitate the audit. She further stated that once the policy is approved it will change the current situation in terms of allocating resources and the link between the expenditure to the business plans. She indicated that the aspect of contract management should be improved in order to ensure that the intended deliverable in the business plan was actually delivered in terms of the money spent. She indicated that she is hopeful that during 2014/15 these issues would be resolved.

Cllr Mxolose indicated that the issues raised around the policy formulation and discussion and the sporting facility audit would have to be monitored by the Community Services Portfolio Committee. He indicated that that the MPAC should perhaps consider quarterly feedback around the management of the financial matters to verify that progress has been made.

Cllr Chapple referred to the question raised by Cllr van der Merwe i.e. "What is the reason(s) for the decrease in irregular

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expenditure from R187 164 (2011) to R122 568 (2012); Deviations R1 108 012 (2011) to R775 474 (2012); and Fruitless and Wasteful Expenditure R986 000 (2011) to R288 (2012).

Cllr Chapple indicated that he was pleased with the decrease and that this meeting will end off on a good note. He referred to the answers submitted by Finance (attached as Annexure "A") and indicated that it is regarded as a positive indicator. He agrees that it is a result of the increase in internal controls related to the declarations of interest, promoting of better planning for expenditure contracts and emphasis on avoiding deviations. He further indicated that the role of MPAC in this is important but also the fact that the officials have taken the recommendations of the AG seriously and have implemented recommendations and additional controls to prevent the recurrence of similar breaches. He indicated that the City Manager and team have to be commended on the good progress. Mr Jacoby indicated that the comment is appreciated and indicated that it is vital that the subcommittees of MPAC are continued with going forward in order to resolve issues.

Cllr Mxolose referred to Note 43 of the consolidated financial statements and the irregular expenditure and indicated that it is resolution of this committee that subcommittees be established to investigate the items in note 43.

Cllr Mxolose referred to Note 45 of the Consolidated Financial Statements, and indicated that there are no councillors in arrears. He indicated that there is no mention of staff arrears and enquired what the current situation is with regards to staff arrears. Mr Jacoby indicated that there would be staff arrears but indicated that the disclosure notes contained in the financial statements are prescribed according legislation. He further indicated that as far as staff arrears are concerned, the City knows who they are and there are arrangements that have been signed by the relevant staff. Monthly payment arrangements are in place as well. He indicated that this is reported to the FPC on a monthly basis when the debt management report is provided. Cllr Mxolose indicated that his comment is positive in nature and that he asked the question for certainty as the staff arrears are not specifically mentioned and therefore open to interpretation.

Cllr Mxolose referred to Note 49.2 in the consolidated financial statements and asked how far the City is with dealing with contingent liabilities.

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Mr Jacoby indicated that the biggest contingent liability is the matter of the stadium. He indicated that the Deputy City Manager is managing the arbitration on behalf of the City Manager. Mr Marsden (Deputy City Manager) indicated that the arbitration is currently underway to resolve the issue of the professional fees that have been claimed by the professional team who designed the stadium. He further indicated that Senior Counsel will present the argument in March 2013 and thereafter the arbitrator will give his judgement. He indicated that he is hopeful that it will be resolved before the end of the current financial year. Cllr Mxolose requested that MPAC receive an update on the progress of the matter as it is received. Mr Marsden indicated that he will be able to report to this committee and Council once he has the outcome of the judgement.

Cllr Mxolose indicated that comments from the members of the public had not been received as yet, as the process runs until the end of February. He indicated that should there be any issues contained in these public comments then he will send it to the administration for further comment. He referred to past comments and the lack of quality of these responses. He stated that he indicated to Council previously that the oversight process is incomplete without the comments from the public. He indicated that as members of the committee, there is a responsibility to ensure that the public participates. This has to be taken up by the relevant line department. The lack of public participation has been mentioned in previous oversight reports.

Cllr Mxolose thanked the City Manager and the Executive Management Team for their attendance and input and indicated that their participation will assist in finalising the oversight report for Council. He also thanked the Office of the AG as being reliable partners to the committee.

Cllr van Dalen asked how the comments from the Sub councils will be dealt with. Cllr Mxolose indicated that he has asked councillors to ask these questions.

Cllrs Mxolose and Van Dalen proposed and agreed that this be incorporated into the minutes.

**RECOMMENDED THAT:**

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- (i) Feedback should **BE PROVIDED** to MPAC demonstrating whether the action plan to achieve accurate data by May 2013 by resolving the errors regarding lease commitments, was successful or not.
  - (ii) The report provided to and considered by sub council 15 on a quarterly basis, regarding the placement of jobseekers, should **BE REPLICATED** to all other sub councils.
  - (iii) With regards to the Payments to Sporting Bodies that the list containing the payments to sporting bodies which were tabled at the MPAC meeting on 26 February 2013, **BE FORWARDED** to the Community Services Portfolio Committee for consideration. The MPAC recommends that the portfolio committee should:
    - a. Request that the SRA Councils for district 1, 2, 5 and 6 be required to present audited figures or financial statements for oversight purposes. Investigate for what purpose the money received by Field Management Committees (FMC's) (at the gate on event days) is used. The explanation is to be cross checked to City policies and contractual conditions.
    - b. Exercise oversight of the FMC's audited figures, monthly reports and quarterly reports and provide feedback to MPAC, on exceptions.
    - c. Task the ED: Community Services with the development of a facility check life-cycle for sustainability purposes
  - (iv) Sub-committees **BE ESTABLISHED** to investigate the irregular, fruitless and wasteful expenditure in Note 43 to the Consolidated Financial Statements for the year ended 30 June 2012.
  - (v) The material losses **BE REFERRED** to the Utility Services Portfolio Committee for investigation in order to establish the reasons for these losses as well as how it can be minimised. Furthermore, MPAC also requested that a list of prominent affected areas be provided to the Portfolio Committee for consideration. A full report on the outcome of the Utility Services Portfolio Committee investigation should **BE PROVIDED** to MPAC.
  - (vi) the outcome of the arbitration relating to the stadium Professional fees **BE PROVIDED** i.e. arbitration judgement.
  - (vii) the undertaking by the ED: Housing Settlements to

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- continuously improve communication between the City and Province **BE NOTED** to ensure that the housing related concerns are addressed.
- (viii) it should **BE INVESTIGATED** whether the upgrade of housing units should be reflected separately from the provision of new housing units. The committee indicated that as it currently stands it is an anomaly and could be misleading to the reader of the City's Annual Report.
  - (ix) Sub councils 14 (52% spent) and 19 (51% spent) **BE REQUIRED** to provide written feedback indicating the reasons for the under expenditure of ward allocations as well as how expenditure will be improved.
  - (x) Sub councils 8 (77% spent) and 10 (82% spent) **BE REQUIRED** to provide written feedback indicating the reasons for the under expenditure of ward allocations as well as how expenditure will be improved.
  - (xi) the Performance Management Unit **BE RESOURCED** to ensure that the audit requirements to manage information and tasks related to predetermined objectives are managed and achieved.
  - (xii) the applicable line department(s) (responsible for public participation processes) **BE REQUIRED** make a concerted effort to improve the quality of public comments received on the Annual Report.

#### Cape Town International Convention Centre

- (xiii) that a sub-committee **BE ESTABLISHED** to consider the action taken by the Board of Directors in respect of irregular, fruitless and wasteful expenditure as per note 43 in the Consolidated Annual Financial Statements for the year ended 30 June 2012.

MPAC 07/02/13

#### MATTERS RECEIVING ATTENTION

##### (1) FULL SWING TRADING CC

Ms A Markram reported that nothing has changed since the last update and that feedback will be provided at the next meeting.

**RESOLVED** that it **BE NOTED** that feedback will be provided at the next meeting on the progress made.

**ACTION: A MARKRAM / V BOTTO**

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**(2) AFRICAN JEWELLERY CITY**

**RESOLVED** that it **BE NOTED** that feedback will be provided at the next meeting on the progress made.

**ACTION: A MARKRAM / V BOTTO**

**(3) IRREGULAR EXPENDITURE IN 2009/10 ANNUAL REPORT: SUPPLY CHAIN REGULATIONS**

Ms S Thomas indicated that the Executive Director will be liaised with regarding the involvement of the officials.

**RESOLVED** that it **BE NOTED** that the Executive Director will be contacted.

**ACTION: S THOMAS**

**(4) BUSINESS CONDUCTED WITH A COUNCILLOR**

Ms S Thomas indicated that a subcommittee report will be submitted at the next meeting.

**RESOLVED** that the report from the sub-committee be submitted to the next Committee meeting.

**ACTION: S THOMAS**

**(5) BUSINESS CONDUCTED WITH STAFF**

Mr V Botto indicated that the Forensic Services department will submit a report to the committee on the recommendations made to the line departments in respect of the relevant staff members.

**RESOLVED** that it **BE NOTED** that a report will be submitted to the committee at the next committee meeting.

**ACTION: S THOMAS / V BOTTO**

**(6) BIDS AWARDED TO FAMILY OF EMPLOYEES IN THE SERVICE OF STATE AND IRREGULAR EXPENDITURE**

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Councillor Mxolose advised that the sub-committee would meet immediately after this meeting to finalise the matter.

**RESOLVED** that the report from the sub-committee be submitted to the next Committee meeting.

**ACTION: S THOMAS**

**(7) ALLOWANCES PAID TO COUNCIL EMPLOYEES**

Councillor Mxolose indicated that this item will be dealt with on the confidential agenda.

**RESOLVED** that this item is dealt with on the in-committee agenda.

**(8) CAPE TOWN INTERNATIONAL CONVENTION CENTRE**

Mr Wootton indicated that the matter is currently being dealt with by the SAPS.

**RESOLVED** that quarterly feedback on the progress made should be provided to the committee.

**(9) SPORT AND RECREATION FACILITIES**

**RESOLVED** that it **BE NOTED** that this matter is still with the Community Services Portfolio Committee and feedback will be provided to this committee once they have completed their review.

**ACTION: R TIPPOO**

**MEETING ENDED AT 12:32 FOLLOWED BY THE IN-COMMITTEE MEETING**



**CHAIRPERSON: COUNCILLOR S MXOLOSE**

8/03/2013  
DATE

## **Annexure C**

### **Comments from the Portfolio Committees, Sub-Councils and the Public**



# COMMENTS RECEIVED FROM PORTFOLIO COMMITTEES, SUBCOUNCILS AND THE PUBLIC IN RESPECT OF THE 2011/12 ANNUAL REPORT

## A: PORTFOLIO COMMITTEES

	PORTFOLIO COMMITTEE	COMMENTS
1.	Finance Portfolio Committee	<p>FIN/29/02/13</p> <p>RESOLVED that all members of the Committee submit its questions and comments with regards to the Annual Report and Executive summary for 2011/2012 to the Municipal Public Accounts Committee</p>
2.	Utility Services Portfolio Committee	<p>UTS 23/02/13</p> <p>RESOLVED</p> <p>That the City's Annual Report and Executive Summary for 2011/12 as per Annexure A &amp; B attached to the report be supported and comments be stipulated for consideration during the annual report oversight process</p>
3.	Human Settlements Portfolio Committee	<p>HUMSET 13/02/13</p> <p>RESOLVED that the members of the Committee forward their comments on the Annual Report to Councillor Slabbert.</p>
4.	Economic, Environmental and Spatial Planning Portfolio Committee	<p>EESP07/02/13</p> <p>Ald. M Nieuwoudt commended the lay out and compilation of the annual report, she however indicated that the Economic initiatives by EESP and the City to enhance economic growth are not given enough coverage i.e. approval of the district plans.</p> <p>Ald. C Sitonga concurred and said that economic development must be central to all City operations in order to enhance job creation.</p> <p>RESOLVED that the above comments be considered during the oversight process</p>
5.	Community Services Portfolio Committee	<p>CS 15/02/13</p> <p>No further comments were submitted.</p> <p>RESOLVED that the report BE NOTED.</p>
6.	Corporate Services Portfolio Committee	<p>COR 16/02/13</p>

	PORTFOLIO COMMITTEE	COMMENTS
		<p>Councillor Abrahams advised that he would first consult with the community before commenting on the Annual Report.</p> <p>RESOLVED that the 2011/12 Annual Report and Executive Summary BE NOTED.</p>
7.	Social Development and Early Childhood Development Portfolio Committee	<p>SOCDEV 10/02/13</p> <p>Members of the Socdev &amp; ECD PC noted that matter without comment.</p> <p>RESOLVED</p> <p>That the City's Annual Report and Executive Summary for 2011/2012 as per Annexure A &amp; B be noted.</p>
8.	Tourism, Events and Marketing Portfolio Committee	<p>TEVMAR 21/02/13</p> <p>The matter was supported without comment.</p> <p>RESOLVED</p> <p>That the report be noted.</p>
9.	Transport, Roads and Stormwater Portfolio Committee	<p>TR &amp; S 09/02/13</p> <p>Cllr X Sotashe requested that the monitoring systems be strengthened in terms of staff doing business with the City. He further reiterated that the issues raised by the Auditor-General be rectified. The ANC noted that report with reservations.</p> <p>RESOLVED</p> <p>a) The City's Annual Report and Executive Summary for 2011/12 (Annexure A &amp; B to the report on the agenda), BE NOTED.</p> <p>b) The members of the Portfolio Committee forward their comments to the Secretariat for submission to the relevant Department.</p>
10.	Safety and Security Portfolio Committee	<p>SAFS 17/02/13</p> <p>RESOLVED that the City's Annual Report and Executive Summary for 2011/12 be noted.</p>

	<b>PORTFOLIO COMMITTEE</b>	<b>COMMENTS</b>
11.	Health Portfolio Committee	HEA 12/02/13  RESOLVED that the City's Annual Report and Executive Summary for 2011/12 BE NOTED.

**B: SUB-COUNCILS**

ISSUE	COMMENT
Subcouncil 1	<p>The Chairperson addressed the meeting as follows:</p> <p>I would like to just say that this was tabled at the City's January Council Meeting. It has now devolved down to Subcouncils for comment and also in the public domain. Adverts have been placed in the press that the reports are available at the Cape Town Civic Centre, Subcouncil offices, Libraries and the City's Website from 1 February 2013. Members of the community are invited to make written comment or a representations in respect of the Annual Reports y 28 February 2013 either to the Director: IDP and OPM City of Cape Town, Private Bag X9181, Cape Town, 8000, Fax 0866277910 or email Performance.Management@capetown.gov.za . I would also like it to be noted, that although advertised in the media , people could make representations under certain prescribed conditions and that no person or organisation reserved a time a slot to make a verbal representation during the meeting of this Subcouncil in respect of these two documents.</p> <p>Cllr Mc Carthy addressed the meeting as follows:</p> <p>I would like to congratulate the City under the heading Shared economic growth and development. We created 26 403 job opportunities through the EPWP programme. The City's Spatial Development Framework (CTSDF) was approved by Council on 28 May 2012. In addition the Draft Economic Development Strategy was completed and 92,8% was spent of the City's Budgeted Capital. So in total we spent R4 233 billion.</p> <p>In addition we spent R1,883 billion on infrastructure repairs and maintenance and the Blue Drop score is 97,61% for drinking water quality. So I really think we do need to be congratulated.</p> <p>I have a comment under Energy efficiency for a sustainable future. In contrast, the City is putting all sorts of methods to save electricity and even retro fitting some of our buildings, but in contrast to the City's efforts to save electricity, Eskom is giving away electricity to international conglomerates at 9 cents per kilowatt per hour across our borders. While we in fact, the people that are actually paying are having dip into their pockets deeper and deeper. Electricity is increasing in price at the average of 16%. So while the City is trying to reduce its electricity we are bleeding on the other side because we are supplying or Eskom is supplying outsiders with electricity. I think we need to have a look at this because charity begins at home.</p> <p>The Integrated Human settlements. We have created 7 141 housing opportunities, maintained 3 132 community parks, 68 libraries operated according to minimum set operating hours and 160 community centres were maintained to agreed standards. Then there is a backyarder's service programme. Unfortunately, this falls under the City's rental stock and I would like to know when this going to be rolled out to informal settlements like Joe Slovo, Dunoon and Doornbach so they can also have electricity, flush toilets etc. Due to the poor marketing people perceive that they are being deprived of facilities in terms of the setting up of sports recreation hubs, because of the poor marketing and lack of public participation in my community of Joe Slovo definitely, they are actually being deprived of their all, not that is being an additional benefit to them and it's taken a lot of pushing and shoving and arguing and discussing to say, the community is actually benefitting, it has not been taken away, but I think the City must appoint there.</p>

ISSUE	COMMENT
	<p>Cllr L Makeleni addressed the meeting as follows:</p> <p>On page 121, 7141 housing opportunities were provided. As much as this is over 7 000 there is much more needed to be done, I see that the City of Cape Town is now especially in some areas, focussing on the DRA's. We want those DRA's turned into brick houses than what they are now. I personally wish that number could go to 15 000 per year instead of 7 000.</p> <p>With regard to the toilets and stuff, the City is doing well there, but the slow pace of some officials, is really dragging the process along. I wish that process could be speeded up as well as our people are really struggling.</p> <p>Cllr F Abrahams addressed the meeting as follows</p> <p>The public transport system that speaks to the My Connect card. I wish that there could be some other kind of way to accessing the transport system or then should not be any fee for the card. As I said previously, if you want to travel with the My Citi Bus, for instance, if you come with all your children and you need five cards, that's R22 per card, not even for your fare, that's only to get access on the bus. So we should to that system so that it is fairly accessible for all and not only those that can afford to buy the card.</p> <p>Mr J Martheze responded as follows:</p> <p>The Smart card costs money to produce. We are looking at a single fare system. I cannot give any detail at the moment but I believe there will be presentation at the next finance committee and when my colleagues have put that presentation together I can forward all the information through.</p> <p>The Chairperson indicated that if there were any more comments, they are to be submitted by 28 February 2013.</p> <p>It was unanimously</p> <p><b>RESOLVED</b></p> <p>1. That the contents of the report regarding the Tabling of the City's Annual Report and Executive Summary 2009/10 for comment BE NOTED.</p> <p>2. That it FURTHER BE NOTED that no person or organisation reserved a time a slot to make a verbal representation during the meeting of the Subcouncil in respect of the two documents referred to in 1 above.</p>
Subcouncil 2	<p><b>RESOLVED</b> unanimously by the Subcouncil 2</p> <p>a) That the report on the City's Annual Report and Executive Summary for 2011/12 (Annexure A &amp; B) BE NOTED;</p> <p>b) That the comment of the Subcouncil 2 be as follows:</p> <p>i) That compliments are conveyed regarding the annual report because it is easily readable and user friendly;</p> <p>ii) That more attention be given in terms of the valuation role and income side of the City. Attention is mostly focus on the expenses but not</p>

ISSUE	COMMENT
	on the income side. The percentage income on rates, the value of the roll and how many even evaluated should also be outlined.
Subcouncil 3	Report was Noted and that all the Councillors of this Subcouncil indicated that they have no comments regarding the report.
Subcouncil 4	<ul style="list-style-type: none"> <li>• The 2011/12 Annual Report is the achievements to Council's five year plan;</li> <li>• 7 141 housing opportunities were provided;</li> <li>• 26 403 EPWP job opportunities were created;</li> <li>• The City maintain excellent credit rating;</li> <li>• The City of Cape Town received an honourable mention at the 2012 Sustainable Transport awards;</li> <li>• Finalised 83% of land use management applications;</li> <li>• The City of Cape Town has spent 92.8% on the capital budget;</li> <li>• 3 354 toilets were installed in informal settlements;</li> <li>• 1 050 additional subsidised electricity connections were installed;</li> <li>• R1 883 billion were spent on infrastructure repairs and maintenance;</li> <li>• Maintained citywide electricity consumption at 2007 levels;</li> <li>• The MyCITI busses were rolled out to the west and airport;</li> <li>• The MyCITI busses is the only public transport that is disable friendly;</li> <li>• Maintained 3 132 community parks;</li> <li>• 22% increase in arrests for drug related crimes;</li> <li>• 82% of fire incidents responded within 14 minutes, from call to arrival;</li> <li>• Opened eight new community recreational hubs;</li> <li>• Installed 57 FreeCall lines;</li> <li>• The Cape Town International Convention Centre (CTICC) is a City of Cape Town's entity. The CTICC achieved a net profit of R11m, before tax deduction.</li> </ul> <p>RESOLVED</p> <p>a) That NO COMMENTS were received in respect of the report: Tabling of City's Annual Report and Executive Summary 2011/12 for comment;</p> <p>b) The presentation conducted by Ms Isaacs (Integrated Development Plan) BE NOTED.</p>
Subcouncil 5	<p>No comments has been received on "Public Notification of the City of Cape Town's 2011/12 Annual Report", kindly find subjoined Resolution</p> <p>RESOLVED</p> <p>(i) That the City's Annual Report and Executive Summary for 2011/12 (Annexure A &amp; B) be considered by all Subcouncils, and comments be stipulated for consideration during the annual report oversight process.</p>

ISSUE	COMMENT
Subcouncil 6	<p>Cllr Sonnenberg said the Annual report served before Council and Subcouncil 6 compliments the City of Cape Town for the excellent work thus far.</p> <p>Cllr Jaftha requested that all community organisations be informed of the Annual Report.</p> <p><b>RESOLVED</b> That the City's Annual Report and Executive Summary for 2011/12 (Annexure A &amp; B of the report) BE CONSIDERED AND NOTED and the abovementioned comments be considered during the annual report oversight process.</p>
Subcouncil 7	<p><b>UNANIMOUSLY RESOLVED</b></p> <p>(a) That it BE NOTED that no requests for hearings relating to the City's Annual Report and Executive Summary for 2011/12 had been received.</p> <p>(b) That the contents of the report be NOTED only.</p> <p>It was noted that no requests for hearings had been received.</p>
Subcouncil 8	<p>Cllr Pringle urged all residents and civic organizations to study the report and to forward their comments by not later than 31 March 2013 to the relevant official.</p> <p>That the City's annual report and executive summary for 2011/2012 BE NOTED and that comments, if any, BE SUBMITTED during the annual report oversight process.</p>
Subcouncil 9	<p>Cllr Thuynsma mentioned that the report seeks information as to how many buckets still available in the City, what jobs have been created and also allow public to speak at a public meeting.</p> <p>Cllr Nqulwana raised a concern based on report on what the city is doing that the information is not enough as the delivery is to matched on change of people's lives. He went on by saying that when the report talks of toilets, it does not make sense to Ward 89: QQ area which currently has no toilets and not even the bucket system and the area consists of 700 shacks with only 4 taps. Therefore the report does not change people's lives. It can only measure the delivery by the change of people's lives. Drainage system is no longer working and Khayelitsha has high rain fall and we are approaching winter.</p> <p>Cllr Mabandla commented that the report does not give a true reflection of Khayelitsha. The pictures attempt to say houses are built, which are not visible. People live in damp and congested areas.</p> <p>Cllr Thuynsma proposed that when public meeting takes place, relevant departments should be invited to take comments and understand the frustration from the community. When speaking of services rendered, to whom does the report talk to as it is clearly not Subcouncil 09.</p> <p><b>Resolved</b></p> <ul style="list-style-type: none"> <li>• That Tabling of City's Annual Report and Executive Summary 2011/12 BE NOTED;</li> </ul>

ISSUE	COMMENT
	<ul style="list-style-type: none"> <li>• That Public Participation meeting BE CONVENED for public comments before the closing date; and</li> <li>• That relevant department/s BE INVITED to a Public meeting to take comments and understand the frustration of the community.</li> </ul>
Subcouncil 10	<p>Mr M. Coto from the IDP office gave a brief overview of the report and further explained that the Annexures A and B were distributed to the Councillors and Subcouncil office late last year.</p> <p><b>Comments from the Councillors</b> The Councillors were not happy because the Annexures where not attached.</p> <p>RESOLVED That the Sub council resolved that the item BE DEFERRED</p>
Subcouncil 11	Subcouncil 11 RESOLVED that report regarding the City's 2011/12 Annual Report and Executive Summary Annexure A and B, BE NOTED
Subcouncil 12	<p>That Subcouncil 12, having taken due cognisance of the City's Annual Report and Executive Summary for 2011/12 (Annexure A &amp; B attached to the departmental report) highlighted comments in respect of developmental projects for Mitchells Plain to be considered as follows:</p> <ul style="list-style-type: none"> <li>**The Realignment of Baden Powell Drive;</li> <li>**Upgrade to the Coastal Development (business and property) encapsulating Mnandi Beach; Blue Waters and Strandfontein Pavilion;</li> <li>**Development of a stadium with athletic track;</li> <li>**Construction of an Arts and Culture Centre;</li> <li>**Lighting for the bridge spanning Baden Powell Drive to Mnandi Beach.</li> </ul> <p>Kindly note that members of public or organisations did not request a time slot to speak to the item.</p>
Subcouncil 13	<p>Councillor Elese noted and supported the report and he emphasized that projects must be implemented fully so that there will be no roll overs at the end of financial year.</p> <p>RESOLVED</p> <p>That the Tabling of City's Annual Report and Executive Summary 2011/12 BE NOTED</p>
Subcouncil 14	That the Sub council resolved that the item <b>BE DEFERRED</b>
Subcouncil 15	The official stated that the purpose of the report was for the Subcouncil to consider the City's 2011/2012 Annual Report and Executive Summary and stipulate comments for consideration during the annual report oversight process.



ISSUE	COMMENT
	<p>She further stated that an advert had been placed in local community newspapers to inform the public of the process and invite them to give input. The closing date for comments is 28 February 2013.</p> <p>The Manager indicated that the Subcouncil had communicated with all registered organizations on the database and informed them that they could reserve a timeslot to make verbal comment at the Subcouncil meeting, however, no timeslots were requested.</p> <p>Councillor Raymond commented that water quality must be the City of Cape Town's priority for the future. As a tourist destination, Cape Town should ensure clean beaches and rivers.</p> <p>Councillor Chapple pointed out that it is a challenge to solicit public involvement and requested that the Ward Councillors refer community members to the Municipal Public Accounts Committee (MPAC) should they still wish to make comments regarding the City's Annual Report.</p> <p>It was RESOLVED that the report be NOTED.</p>
Subcouncil 16	<p>The official stated that the purpose of the report was for the Subcouncil to consider the City's 2011/2012 Annual Report and Executive Summary and stipulate comments for consideration during the annual report oversight process.</p> <p>She further stated that an advert had been placed in local community newspapers to inform the public of the process and invite them to give input. The closing date for comments is 28 February 2013.</p> <p>The Manager indicated that the Subcouncil had communicated with all registered organizations on the database and informed them that they could reserve a timeslot to make verbal comment at the Subcouncil meeting, however, no timeslots were requested.</p> <p>Councillor Raymond commented that water quality must be the City of Cape Town's priority for the future. As a tourist destination, Cape Town should ensure clean beaches and rivers.</p> <p>Councillor Chapple pointed out that it is a challenge to solicit public involvement and requested that the Ward Councillors refer community members to the Municipal Public Accounts Committee (MPAC) should they still wish to make comments regarding the City's Annual Report. It was RESOLVED that the report be NOTED.</p>
Subcouncil 17	No comments received from subcouncil.

ISSUE	COMMENT
Subcouncil 18	That Subcouncil 18 <b>NOTES</b> the City's Annual Report and Executive Summary for 2011/12.
Subcouncil 19	Report was Noted
Subcouncil 20	<ol style="list-style-type: none"> <li>1. The executive summary of the Annual Report be placed on the Ward Committee agenda</li> <li>2. Councillors submit their comments to the Subcouncil Manager.</li> </ol>
Subcouncil 21	<p>21SUB14/02/12</p> <p>1.1 That it BE NOTED that the City's Annual Report and Executive Summary for 2011/12 was considered by Subcouncil</p> <p>1.2 That it BE NOTED that no further input on the City's Annual Report and Executive Summary 2011/12 has been received</p>
Subcouncil 22	<p><b>RECOMMENDATION:</b></p> <p>6.1 That the City's Annual Report and Executive Summary for 2011 / 12 (Annexure A &amp; B) be considered by all Subcouncils and comments be stipulated for consideration during the annual report oversight process.</p> <p>• <b>RESOLVED</b> that no comments were raised by the Councillors to the Annual report and they unanimously accepted recommendations as set out to the Report.</p>
Subcouncil 23	<p>Subcouncil <b>RESOLVED</b> that:</p> <p>a) The content of the report be noted.</p> <p>b) All comments are to be submitted on or before Friday 22 February 2013.</p>
Subcouncil 24	<p>Some general achievements of COCT during 2011/12</p> <ul style="list-style-type: none"> <li>• 7141 Housing opportunities provided</li> <li>• 26 403 EPWP job opportunities created</li> <li>• Capital spend 92,8 % (R4,233 billion) of the City's capital during 2011/12</li> <li>• City maintains excellent credit rating</li> <li>• Community satisfaction survey showed that residents and business think that the City's service delivery is improving</li> <li>• 5,1 % decrease in unaccounted – for water losses</li> <li>• 277 taps were installed, exceeding target of 250</li> <li>• 3 354 toilet installations – exceeding target of 2000</li> <li>• 12,13 % (243 818 tons) of waste successfully diverted from landfill sites</li> <li>• Ninth consecutive unqualified audit opinion from the Auditor General of South Africa</li> </ul> <p>Mr Mziwamadoda Coto presented the report and noted the comments made</p> <p><b>RESOLVED</b></p>

ISSUE	COMMENT
	<ul style="list-style-type: none"> <li>• Subcouncil NOTED the report with serious concerns.</li> <li>• The report is misleading and confusing in certain instances.</li> <li>• Human Settlement should be invited for questions of clarity on housing opportunities.</li> <li>• Human Resources should be invited for questions of clarity on gender parity.</li> <li>• The Subcouncil will issue a media release in due course</li> </ul>

## C: PUBLIC

On 4 March 2013,

- The Head: Interdirectorate and Liaison confirmed that no comments were received from the public via the subcouncil offices.
- The Head Reporting (IDP.OPMS) indicated that no comments were received from the public via email, facsimile or post.

## **Annexure D**

### **Report from the Audit Committee**

## REPORT TO MPAC



1. **ITEM NUMBER :** To be inserted by Executive Support

2. **SUBJECT**

**REPORT OF THE AUDIT COMMITTEE OF THE CITY OF CAPE TOWN ON  
THE CITY'S INTEGRATED REPORT (ANNUAL REPORT) FOR THE YEAR  
ENDED 30 JUNE 2012**

**ONDERWERP**

**VERSLAG VAN DIE OUDITKOMITEE VAN DIE STAD KAAPSTAD OOR DIE  
STAD SE GEÏNTEGREERDE VERSLAG (JAARVERSLAG) VIR DIE JAAR  
GEËINDIG 30 JUNIE 2012**

**ISIHLOKO**

**INGXELO YEKOMITI YOPHICOTHO YESIXEKO SASEKAPA EPHATHELENE  
NENGXELO EHLANGANISIWEYO YESIXEKO (INGXELO YONYAKA)  
YONYAKA OWAPHELA NGOMHLA WAMA-30 JUNI 2012**

**LSIC0676**

3. **PURPOSE**

To provide an Audit Committee Report to the MPAC for consideration during the MPAC engagements on the oversight report of the City of Cape Town's Integrated Report (Annual Report) for the year ended 30 June 2012.

4. **FOR CONSIDERATION BY**

The Municipal Public Accounts Committee (MPAC).

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## 5. EXECUTIVE SUMMARY

The Audit Committee has considered the work performed by Internal Audit and the Auditor-General on the Integrated Report (Annual Report) in arriving at the report to the MPAC for the financial year ended 30 June 2012. Attached are two reports of the Audit Committee that address the legislated role required of the Audit Committee in terms of the MFMA Circular 32: The Oversight Report –

Annexure "A": Report of the Audit Committee to the Municipal Public Accounts Committee (MPAC) on the City's Annual Report (2011/2012); and

Annexure "B": Report of the Audit Committee for the Year Ended 30 June 2012

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## 6. RECOMMENDATIONS

For consideration by the MPAC:

Recommended that MPAC notes that the Audit Committee is satisfied with the integrity of the information included in the City's Integrated Report (Annual Report) based on the work performed by Internal Audit and the Auditor General.

### AANBEVELINGS

Vir oorweging deur die MPAC:

Aanbeveel dat die MPAC kennis neem dat die ouditkomitee tevrede is met die integriteit van die inligting wat in die Stad se geïntegreerde verslag (jaarverslag) vervat is, op grond van die werk wat deur interne oudit en die ouditeur-generaal verrig is.

### IZINDULULO

Zingeniselwa ukuqwalaselwa yi-MPAC:

Kundululwe ukuba i-MPAC mayiqwalaselwe ukuba iKomiti yoPhicotho yonelikile kukufezeka kweenkcukacha ezibandakanywe kwiNgxelo eHlanganisiweyo yesiXeko (iNgxelo yoNyaka), ngokubhekiselele/ngokusekelezelwe kumsebenzi oqhutywe zezoPhicotho lwangaPhakathi noMphicothi-zincwadi Jikelele.

## 7. DISCUSSION/CONTENTS

### 7.1. Constitutional and Policy Implications

In terms of Paragraphs 4.2.5 / 4.2.9 / 4.8.9 / 5.9 / 5.10 and 5.11 of the Audit Committee's Terms of Reference approved by Council on 31 October 2012 (C58/10/12):

- Review the integrity of the information included in the annual report before release, by considering the work/results of assurance providers (e.g. external and internal audit) relating to the validity, accuracy and completeness thereof;
- The Committee should recommend the Integrated Report (Annual Report) for approval by Council;
- The Committee should review and recommend disclosures on matters of risk and risk management in the annual report;
- The Committee should have regard to all factors and risks that may impact on the integrity of the Integrated Report (Annual Report); and
- The Committee should review the disclosure of sustainability issues in the Integrated Report to ensure that it is reliable and does not conflict with the financial information.

The Audit Committee is mandated in terms of section 166 of the Municipal Finance Management Act (MFMA), Act 56 of 2003 and updated in July 2011.

The Audit Committee, as an oversight activity, is further confirmed in terms of

- The MFMA Circular No. 65 of November 2012, which stipulates reporting requirements and the need for the chairperson of the audit committee to submit a copy of its report to the MPAC, for consideration during the MPAC engagements on the oversight report; and
- The MFMA Circular No. 32 of March 2006, which stipulates that the audit committee – provides independent specialist advice on financial performance, efficiency and effectiveness, performance management and compliance with legislation.

### 7.2. Environmental implications

Does your report have any environmental implications:      No ☒      Yes ☐

### 7.3. Legal Implications

7.3.1. Municipal Finance Management Act (MFMA), Act 56 of 2003 and updated in July 2011, section 166 – Audit Committees.

7.3.2. MFMA Circular No. 65 of November 2012 – Internal Audit and Audit Committee.

7.3.3. MFMA Circular No. 32 of March 2006 – The Oversight Report.

**7.4. Staff Implications**

Does your report impact on staff resources, budget, grading, remuneration, allowances, designation, job description, location or your organisational structure?

No ☒

Yes ☐

**7.5. Risk Implications**

Non-compliance with legislated guidelines

**7.6. Other Services Consulted**

Auditor-General of South Africa: Ignatius Fourie and Mohamed Bhayat

**FOR FURTHER DETAILS CONTACT:**

<b>NAME</b>	Gayle Postings
<b>CONTACT NUMBERS</b>	021 400 9375
<b>E-MAIL ADDRESS</b>	Gayle.Postings@capetown.gov.za
<b>DIRECTORATE</b>	Deputy City Manager
<b>FILE REF NO</b>	

  
**CHIEF AUDIT EXECUTIVE (ACTING)**  
 Kulsum Kalam

Comment:

DATE

5/3/13



**REPORT OF THE AUDIT COMMITTEE  
TO THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)  
ON THE CITY'S ANNUAL REPORT (2011/2012)**

**PURPOSE**

Provide an Audit Committee Report to the MPAC for consideration during the MPAC engagements on the oversight report.

**MANDATE AND AUTHORITY**

The Audit Committee is mandated in terms of section 166 of the Municipal Finance Management Act (MFMA), Act 56 of 2003 and as updated in July 2011.

The Audit Committee, as an oversight activity, is further confirmed in terms of:

- The MFMA Circular No. 65 of November 2012, which stipulates reporting requirements and the need for the chairperson of the audit committee to submit a copy of its report to the MPAC, for consideration during the MPAC engagements on the oversight report; and
- The MFMA Circular No. 32 of March 2006, which stipulates that the audit committee – provides independent specialist advice on financial performance, efficiency and effectiveness, performance management and compliance with legislation.

In terms of Paragraphs 4.2.5 / 4.2.9 / 4.8.9 / 5.9 / 5.10 and 5.11 of the Audit Committee's Terms of Reference approved by Council on 31 October 2012 (C58/10/12) the Committee has the following responsibilities related to the Integrated Report (Annual Report):

- Review the integrity of the information included in the annual report before release, by considering the work/results of assurance providers (e.g. external and internal audit) relating to the validity, accuracy and completeness thereof;
- The Committee should recommend the Integrated Report (Annual Report) for approval by Council;
- The Committee should review and recommend disclosures on matters of risk and risk management in the annual report;
- The Committee should have regard to all factors and risks that may impact on the integrity of the Integrated Report (Annual Report); and
- The Committee should review the disclosure of sustainability issues in the Integrated Report to ensure that it is reliable and does not conflict with the financial information.

**RELATED AUDIT REPORTS**

The Audit Committee has considered the work performed by Internal Audit and the Auditor-General on the Integrated Report (Annual Report) in exercising its responsibilities as required by its Terms of Reference.

The report presented by Internal Audit focused on Financial Controls – General Ledger Key accounts. Two phases to the engagement were completed, for the period 1 June to 29 July 2011 and 1 August to 30 September 2011 respectively.

Three Internal Audit findings were identified as -

- Inadequate evidence of review of accounting policies is retained;
- Inadequate controls ensuring completeness of journal entries captured and released; and
- Inadequate monitoring control regarding significant increase in creditor account

The overall rating attributed to the internal audit was "Effective" which is defined as "Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are managed and / or objectives are met."

The Auditor-General has performed a consistency review on the Annual Report in terms of International Standards on Auditing (ISA 720). The Auditor's responsibilities relating to other information in documents containing audited

financial statements) No material inconsistencies remained in the annual report and there are no recommendations.

Processes followed include -


- Read the annual report and confirm that all information included agrees to the annual financial statements that was audited;
- Ensure that the information in the CFO, Municipal Manager and Mayor reports is consistent to the financial statements;
- Ensure that the page references are correct; and
- Ensure that the audit report included agrees to the final signed audit report that is issued.

## CONCLUSION

In terms of the MFMA Circular No. 32 of March 2006 – The Oversight Report, the Audit Committee has the following to bring to the attention of the MPAC –

- A Report of the Audit Committee for year ended 30 June 2012 (as included in the Annual Report) is attached that addresses the Oversight Report requirements of financial performance, efficiency and effectiveness, performance management and compliance with legislation.
- An outstanding matters schedule is being maintained by the Audit Committee to continuously monitor control environment shortcomings, business process issues and potential emerging risks. A succinct summary of these matters, related to the 2011/2012 Annual Financial Statements and Annual Report –
  - MFMA: Supply Chain Management (SCM) Regulation 44, clarity is to be obtained from the Accountant General (via a Circular) on stakeholder definitions and guidelines on the rectification of irregular expenditure (Chief Financial Officer).
  - Audit Reports affecting the City directorates collectively relate to project management and record management. Multi-year management interventions are underway and progress reports will be presented to the audit committee until the matters are adequately resolved (Office of the City Manager).
  - Control Environment will be enhanced by the City's proposed Ethics Officer Certification Programme to be rolled out by the end of the 2012/2013 financial year (Office of the City Manager).
  - Outcome on the irregular expenditure, related to the Human Resources allowances (Municipal Public Accounts Committee).
- Emerging Risks being monitored are –
  - National Transport Authority: The future structure, management and operational requirements with other stakeholders and the implications for the City.
  - World Design Capital (WDC 2014): Internal Audit review of the structure, the function and operational support from the City, as well as what role it would perform within the City.
- Continuous monitoring of the Integrated Rapid Transport (IRT) - patronage, capital expenditure, operating expenditure and revenue (actuals and forecasts).

The City's Integrated (Annual) Report adequately presents performance against all key strategies, represents sustainability issues, but needs to continuously strive to be more integrated.



**Z I Manjra**  
Chairperson of the Audit Committee

**Date: 5 March 2013**

## REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2012V

### REPORT OF THE AUDIT COMMITTEE TO THE EXECUTIVE MAYORAL COMMITTEE AND COUNCIL OF THE CITY OF CAPE TOWN

The Audit Committee has been established as an independent Committee, in terms of section 166 of the MFMA Act No. 56 of 2003. The Committee has adopted formal terms of reference, which are regularly updated and approved by Council.

The Committee presents its report for the financial year ended 30 June 2012.

### AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Committee's terms of reference requires a minimum of five members, and consists of the members listed below. During the year under review, four Audit Committee meetings were held, as well as other meetings with the City Manager, Internal Audit, Senior Management, and Mayoral Committee (Mayco). The Auditor-General is invited and are in attendance at all Audit Committee meetings.

Name of member	Meetings attended
Mr Z Manjra (Reappointed April 2012)	8
Ms K Moloko	8
Mr M Burton (Term completed 30 March 2012)	6
Mr M Kaje	7
Ms M Rops	7

### AUDIT COMMITTEE RESPONSIBILITY

The Committee reports that it has, as far as possible, complied with its responsibilities arising from its terms of reference, including relevant legislative requirements.

### REVIEW AND EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Committee has:

- reviewed and discussed the annual financial statements of the City to be included in the annual report, with the Auditor-General and management;
- reviewed the Auditor-General's management letters and management's responses thereto;
- reviewed and discussed the report and audit opinion of the Auditor-General with the Auditor-General and management;
- reviewed changes in accounting policies and practices;
- reviewed the department's compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The Committee is pleased that the Auditor-General issued an unqualified audit opinion on the Consolidated Financial Statements of the City for the year ended 30 June 2012. These financial statements are prepared in accordance with the South African Standards of Generally Recognised

Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA).

The Committee draws attention to the 'emphasis of matters', predetermined objectives, and other paragraphs contained in the Auditor-General's report.

### EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROL

The Committee has considered the work performed by Internal Audit on a quarterly basis and has reviewed the Internal Audit Annual Report on Internal Controls for the year ended 30 June 2012.

An internal audit opinion of "Major Improvement Needed" was expressed based on the results of the various audit engagements completed during the year under review. The Committee of Sponsoring Organisations of the Treadway Commission (COSO) internal Control Framework was used as the reporting framework against which the audit results were applied to form an opinion on each of the COSO components, namely the control environment, risk assessment, control activities, information and communication and monitoring.

The majority of audit findings reported to the Committee related to the Control Activities and Monitoring components of the COSO framework. The results of audits performed indicated inadequate record management, a lack of documented policies and procedures, inadequacy of existing policies and policies being poorly understood, therefore not properly implemented.

In relation to the aspect of Monitoring, the audits indicated a lack of management and supervisory reviews to ensure:

- compliance with legislation, regulations, policies and procedures;
- the design and implementation of adequate controls; and
- that implemented controls operate effectively.

Significant management intervention is required to effect improvement in these areas. Focus and prioritisation should be given to identified control areas that puts at risk the City achieving its key objectives.

While a similar internal audit opinion was expressed for the 2010/11 financial year, it should be noted that the trend in respect of the overall audit ratings as per the audit reports issued in the latter part of the financial year indicates a shift from the Major Improvement Needed category to the Some Improvement Needed category.

The Committee wishes to draw attention to the following areas flowing from the Internal Audit Annual Report on Internal Controls:

### Information Systems

In respect of the Committee's responsibilities regarding Information Systems and Technology within the

organisation, the Committee noted that an ICT subcommittee and ICT governance framework exist, with defined roles and responsibilities of the different governance structure elements. Areas identified for improvement include the need for the ICT subcommittee to prioritise risks and establish a formal IT risk reporting system, to define what IT policies should exist and to identify the delegated authority to approve IT policies, frameworks and procedures.

The audits also indicated a concern with regards to information system backup processes.

### **Resolving Internal Control Findings**

The Committee noted an improvement in the percentage of audit findings resolved in comparison to the prior financial year. However, further improvements are required to achieve the target.

### **Combined Assurance Framework**

Regular engagements occurred between assurance providers to give effect to the Combined Assurance Framework. These engagements continue to be developed and enhanced to make combined assurance in the City more effective. The Committee regularly reviews developments in this area.

### **PERFORMANCE MEASUREMENT**

The Committee had submitted biannual reports to Council reporting on the Committee's assessment of the City's Performance Management System for 2011/12. The Committee had reviewed and given consideration to the quarterly reports and quarterly performance results reported by management.

Significant improvements were noted in the effectiveness of the processes and the quality and evidence of information reported. The Committee commends the work that has been done to enable the Auditor-General to report no material findings concerning the usefulness and reliability of the information.

The Committee's review of the City's Performance Management System focused on the need for the City to improve the effectiveness of processes relating to the setting of targets in line with criteria that would enable the measurability of corporate performance indicators. The Committee recommends that management continue to address other deficiencies in the performance management

process as highlighted by Internal Audit and the Auditor-General.

### **RISK MANAGEMENT**

Risk management has been formalised within the City, with the establishment of various structures, processes and systems to give effect to Risk Management.

Further initiatives are required to further embed Risk Management in the City's processes. This includes further clarifying roles and responsibilities, improving training, developing performance measurements, monitoring compliance with the integrated risk management policy and framework, and consistent application of approach.

### **GOVERNANCE**

The City has adopted the corporate governance principles of the King Code and King III report. Further efforts are necessary to achieve full alignment with this Code particularly with regard to communication and monitoring of ethics.

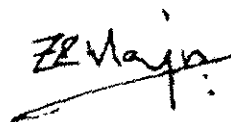
We believe that the City is fully committed to good governance and will do whatever is necessary to achieve it.

### **CONCLUSION**

The Committee is pleased with the progress made by the City in improving overall governance, internal control, risk management and performance management.

The Committee concurs and accepts the conclusions of both Internal Audit and the Auditor-General. The Committee is of the opinion that the audited Annual Financial Statements should be accepted and read together with the Report of the Auditor-General.

The Committee fully supports the City in its vision, as embodied in the IDP, and in its journey of improved service delivery to the residents of Cape Town.



**ZI Manjra**  
Chairperson of the Audit Committee  
21 December 2012