



REPORT TO COUNCIL

DATE

1. ITEM NUMBER : C 48/01/15

2. SUBJECT

OVERSIGHT REPORT IN RESPECT OF THE CAPE TOWN INTERNATIONAL
CONVENTION CENTRE'S 2013/14 INTEGRATED ANNUAL REPORT

ONDERWERP

TOESIGVERSLAG TEN OPSIGTE VAN DIE KAAPSTADSE INTERNASIONALE
KONFERENSIESENTRUM SE GEÏNTEGREERDE JAARVERSLAG VIR 2013/14

ISIHLOKO

INGXELO ENGOKUBEK'ILISO NGOKUJOLISWE KWINGXELO YOMNYAKA
EHLANGANISIWEYO YEZIKO LENKOMFA LEZIZWE/LEHLABATHI
ELISEKAPA YANGO-2013/14

LSU : F0217

3. STRATEGIC INTENT

The Strategic Focus Areas of the City are contained in the City's Integrated Development Plan (IDP) and are categorised into the following five pillars:

- ☐ - Opportunity City
- ☐ - Safe City
- ☐ - Caring City
- ☐ - Inclusive City
- ☒ - Well-run City

The City of Cape Town's vision includes serving the citizens of Cape Town as a well-governed and corruption-free administration. MPAC, as the mechanism through which Council exercises oversight over the expenditure of public money, aligns itself to the City's "Well-run City" strategic focus area with particular reference to:

- Objective 5.1: Ensure a transparent government, and work towards eradicating corruption
- Programme 5.1(a): Transparent government (oversight) programme

4. PURPOSE

170

To enable the Municipal Public Accounts Committee (MPAC) to discharge its oversight responsibility in considering the 2013/14 Integrated Annual Report of the Cape Town International Convention Centre (CTICC) in terms of Section 129 of the Local Government: Municipal Finance Management Act (Act No 56 of 2003) (MFMA).

5. FOR DECISION BY

- ☒ This report is for consideration/decision by:
- Council

6. EXECUTIVE SUMMARY

In terms of Delegation 1(2) of Part 24 of the Council approved System of Delegations (vide item C 47/01/14, last amended 29 October 2014 vide items C 24/10/14 and C 49/10/14), MPAC must consider the City and its municipal entity's annual report in order to perform the oversight function as prescribed by section 129 of the MFMA.

MPAC considered the 2013/14 Integrated Annual Report of the CTICC and raised matters of concern with the management of the CTICC at a meeting on 14 January 2015. Outstanding comments and resolutions from the oversight process are contained in the schedule attached as **Annexure "A"**.

MPAC will recommend to Council that the CTICC's Integrated Annual Report be approved without reservation.

7. RECOMMENDATIONS

Not delegated: for decision by Council:

- (a) It is recommended that Council, having considered the 2013/14 Integrated Annual Report of the municipal entity, Cape Town International Convention Centre and representations thereon, adopts the oversight report and approves the Annual Report without reservations.
- (b) The resolutions in Annexure "A" be supported for action and, where applicable, be referred to the Board of the CTICC and feedback, where applicable, be provided to MPAC.

AANBEVELINGS

Nie gedelegeer nie: vir besluitneming deur die Raad:

- (a) Daar word aanbeveel dat die Raad, na oorweging van die geïntegreerde jaarverslag vir 2013/14 vir die munisipale entiteit, die Kaapstadse

Making progress possible. Together.

internasionale konferensiesentrum, en vertoë daaroor, die toesigverslag goedkeur en die jaarverslag sonder behoud goedkeur.

- (b) Die resolusies in bylae "A" vir aksie gesteun word en, waar toepaslik, na die direksie van die Kiks terugverwys word en terugvoering, waar toepaslik, aan die MPAC verskaf word.

IZINDULULO

Azigunyaziswanga: isigqibo seseBhunga:

- (a) Kundululwe ukuba iBhunga, xa lithe lathathela ingqalelo iNgxelo yoNyaka eHlanganisiweyo yango-2013/14 engequmrhu elizimeleyo likamasipala, eliliZiko leNkomfa leZizwe laseKapa neengxelo-nkcaza, kwaye lamkele ingxelo engobek'iliso kwakhona liphumeze iNgxelo yoNyaka ngaphandle kwemiqathango.
- (b) Makuxhaswe izisombululo/izigqibo ezikwisihlomelo-A ukuze zimiselwe kwaye apho oko kufanelekileyo, kugqithiselwe kwiBhodi ye-CTICC kwakhona kubonelelwe ngengxelo apho kufanelekileyo kwi-MPAC.

8. DISCUSSION/CONTENTS

In terms of Delegation 1(2) of Part 24 of the Council approved System of Delegations MPAC is the oversight committee as envisaged by section 129 of the MFMA and MFMA Circular No. 32 of March 2006 (The Oversight Report) issued by National Treasury. Although this circular has not been adopted by Council the following principles are applied:

- The MFMA gives Council a number of financial management tasks to fulfil its oversight role. The adoption of an "Oversight Report" is one such task.
- The oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the Council to consider the annual reports of its municipality and municipal entities and to adopt an "oversight report" containing the Council's comments on each annual report.
- The oversight report must include a statement whether the Council:
 - has approved the annual report, with or without reservations;
 - has rejected the annual report; or
 - has referred the annual report back for revision of those components that can be revised.
- It is recommended that Councils consider the establishment of an oversight committee under sections 33 and 79 of the Municipal Structures Act 1998.
- Assistance from the municipality's Audit Committee in the review process is also recommended as a major source of independent specialist advice.
- All meetings of Council and the oversight committee at which an annual report is considered must be open to the public and a reasonable time must be allowed for discussion of any written submissions received and for members of the community and organs of state to address the meetings.
- In order to approve the annual report without reservations, Council should be able to agree that the information contained in the report is a fair and

reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon.

- Should the Council have reservations on any matter in the report then these reservations should be outlined in the oversight report and the executive and administration should address these as determined by council.

MPAC considered the 2013/14 Integrated Annual Report of the CTICC and raised matters of concern with the management of the CTICC at a meeting on 14 January 2015. Outstanding Comments and Resolutions from the MPAC Oversight Process in respect of the CTICC's 2013/14 Integrated Annual Report are contained in the schedule attached as **Annexure "A"**.

The CTICC's Integrated Annual Report was prematurely tabled at the Council meeting on 3 December 2014 and therefore the Oversight Report must be tabled at the Council meeting of 28 January 2015 as required by section 129 of the MFMA. Due to Council's recess period (i.e. 5 December 2014 to 12 January 2015) no comments could be obtained from the Subcouncils and Portfolio Committees as these meetings are scheduled from 14 January 2015 as per the approved Council calendar.

MPAC will recommend to Council that the CTICC's Integrated Annual Report be approved without reservation.

8.1. Constitutional and Policy Implications

In terms of section 129 of the MFMA the City must consider the annual report of the municipality and its municipal entities, as prescribed by section 127 of the MFMA, and adopt an oversight report two months from the date when the annual report was tabled in the Council.

MPAC is the mechanism through which Council exercises oversight over the expenditure of public money in terms of section 79 of the Local Government: Municipal Structures Act, Act 117 of 1998.

MPAC's delegations are defined in Part 24 of the City's System of Delegations as adopted by Council on 29 January 2014 (as per section 59 of the Local Government: Municipal Systems Act, Act 32 of 2000).

8.2. Sustainability Implications

Does the activity in this report have any sustainability implications for the City?

No ☒ Yes ☐

8.3. Legal Implications

Section 127(2) of the MFMA

The mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.

Section 129 of the MFMA

173

The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council—

- (a) has approved the annual report with or without reservations;
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.

Section 79(1) of the Municipal Structures Act

A municipal council may establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers.

Section 79(2)(b) of the Municipal Structures Act

The municipal council may delegate duties and powers to it in terms of section 32.

Section 59(1) of the Municipal Systems Act

A municipal council must develop a system of delegation that will maximise administrative and operational efficiency and provide for adequate checks and balances.

Delegation 1(2) of Part 24 of the Council approved System of Delegations

In terms of the delegations MPAC must consider and evaluate the City's Annual Report, and the Annual Report of any municipal entity under the City's sole or shared control, and as an oversight committee make recommendations to Council when it adopts the oversight report related to the annual report in terms of section 129 of the Municipal Finance Management Act.

8.4. Staff Implications

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

No ☒
Yes ☐

8.5. Other Services Consulted

- CTICC management team
- Office of the Auditor-General
- Shareholding Management (Finance Directorate)

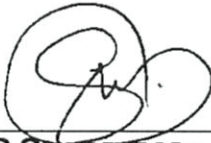
ANNEXURES

174

Annexure "A": Outstanding Comments and Resolutions from the MPAC Oversight Process held on 14 January 2015 in respect of the CTICC's 2013/14 Integrated Annual Report

FOR FURTHER DETAILS CONTACT:

NAME	Antoinette Moolman / Gayle Postings <i>Antoinette Moolman</i> 8/1/15
CONTACT NUMBERS	021 400 9297 / 021 400 9375
E-MAIL ADDRESS	Antoinette.Moolman@capetown.gov.za / Gayle.Postings@capetown.gov.za
DIRECTORATE	Compliance and Auxiliary Services
FILE REF NO	
SIGNATURE: ACTING CHIEF AUDIT EXECUTIVE	<i>[Signature]</i>

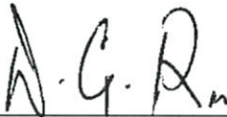


MPAC CHAIRPERSON

COMMENT:

NAME COUNCILLOR W S MXOLOSE

DATE 15/01/2015


EXECUTIVE DIRECTOR: COMPLIANCE AND
AUXILIARY SERVICES
☒ SUPPORTED FOR ONWARD SUBMISSION
TO MAYOR ☐ / MAYCO ☐ / COUNCIL ☒
☐ NOT SUPPORTED☐ REFERRED BACK

NAME G RAS

DATE 20/1/2015

COMMENT:

Making progress possible. Together.




175

☒ REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.

☐ NON-COMPLIANT

[Signature]

LEGAL COMPLIANCE

NAME Sarah van Zyl
R-SAYED / J-ROMAN / A-DHANSAY

TEL 021 400 5446

DATE 19.01.2015

Comment:

Certified as legally compliant:
Based on the contents of the report. *[Signature]*

[Signature]

THE SPEAKER

COMMENT:

NAME D SMIT

DATE _____

ANNEXURE "A"

OUTSTANDING COMMENTS AND RESOLUTIONS FROM THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) IN RESPECT OF THE 2013/14 ANNUAL REPORT FOR THE CAPE TOWN INTERNATIONAL CONVENTION CENTRE

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
19	<p>What had caused the revenue to increase while the number of events had decreased? What was the occupancy rate of the venue for the year? / How much space (venue usage) was booked for the year?</p> <p>RESPONSE RECEIVED AT MPAC MEETING ON 14 JANUARY 2015</p> <ul style="list-style-type: none"> • Event multiplier implications need to be considered for performance monitoring. • The number of events was therefore not important but rather the nature of events. • The occupancy levels and length of events would be addressed. • The performance indicator raised by the Councillor regarding occupancy management was noted and would be further investigated. <p>ADDITIONAL INFORMATION REQUIRED BY MPAC How will venue/facility occupancy management as a performance indicator be addressed?</p>	L. Muller (Director: Shareholding Management)	None
19	<p>What benefit had been received by Cape Town suppliers?</p> <p>RESPONSE RECEIVED AT MPAC MEETING ON 14 JANUARY 2015</p> <ul style="list-style-type: none"> • 90% of the suppliers were from Cape Town. • Measures to report this information will be addressed going forward. <p>ADDITIONAL INFORMATION REQUIRED BY MPAC What performance indicator has been formalised to ensure that Cape Town based organisations are benefiting from CTICC business?</p>	L. Muller (Director: Shareholding Management)	None
75	<p>Did the former Chief Executive Officer receive a termination package?</p> <p>MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015</p>		None
77 / 127	<p>Why had the directors attended so few Board meetings, yet Directors Remuneration had increased?</p>		

595

ANNEXURE TO ITEM
C 48/01/15

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
104	MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015 What was included in the inventory of R1m?		None
125	MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015 Because of the amount of cash on hand (R350 million), would a dividend be paid to the shareholders (or what is the intention of the cash on hand)?		None
127	MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015 Who decided on the remuneration of the directors?		None
127	MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015 Why had the directors remuneration doubled?		None
127	MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015 Why had the overtime doubled?		None
131	MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015 What had been done to ensure that the calculation error of the gearing ratio did not reoccur? RESPONSE RECEIVED AT MPAC MEETING ON 14 JANUARY 2015 None ADDITIONAL INFORMATION REQUIRED BY MPAC What controls have been implemented to prevent a reoccurrence of calculation errors, e.g. gearing ratio?	L Muller (Director: Shareholding Management)	None

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
131	Why had the gearing ratio increased to 64%? MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015		None
133	What was the nature of the minor breaches (deviations) which amounted to R14m (how is this minor but cumulatively there could be cause for concern for the existing controls)? MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015		None
136	Why the significant increase in expenditure (16%)? MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015		None
136	Why had the banking charges doubled to R1m and why were there so many bank accounts? MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015		None
136	Consulting fees are increasing, why can these skills not be procured? MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015		None
136	Why had the fines and penalties doubled? MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015		None
136	Why was R800 000 spent on hiring of equipment – common equipment use should be procured? RESPONSE RECEIVED AT MPAC MEETING ON 14 JANUARY 2015 <ul style="list-style-type: none"> Equipment was hired based on due to satisfy client requirements. Carrying IT equipment is also costly. 		None

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
	<ul style="list-style-type: none"> The request to review the costs and identify common items for procurement will be assessed. 		
	ADDITIONAL INFORMATION REQUIRED BY MPAC What management interventions will be taken to address / reduce hiring costs, e.g. procurement of frequently utilised items?	L. Muller (Director: Shareholding Management)	None
136	Why had the legal fees trebled and who were the legal advisers? RESPONSE RECEIVED AT MPAC MEETING ON 14 JANUARY 2015 The increase in legal costs was due to the forensic report that required legal clarity.		
	ADDITIONAL INFORMATION REQUIRED BY MPAC A list of legal advisors to be provided.	L. Muller (Director: Shareholding Management)	None
136	Why had rates and refuse costs increased? MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015		None
136	What benefits had been derived from the travelling costs of R860 000? MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015		None
136	Was the traveling of staff was guided by policy? MATTER RESOLVED Information provided at MPAC meeting on 14 January 2015		None

EXTRACT FROM MINUTES

**OF THE MEETING OF THE COUNCIL OF THE CITY OF CAPE TOWN HELD IN
THE COUNCIL CHAMBER, 6TH FLOOR, PODIUM BLOCK, CIVIC CENTRE, 12
HERTZOG BOULEVARD, CAPE TOWN, ON WEDNESDAY, 28 JANUARY 2015
AT 10:00.**

**C 48/01/15 OVERSIGHT REPORT IN RESPECT OF THE CAPE TOWN
INTERNATIONAL CONVENTION CENTRE'S 2013/14 INTEGRATED
ANNUAL REPORT**

RESOLVED that:

(a) having considered the 2013/14 Integrated Annual Report of the municipal entity, Cape Town International Convention Centre and representations thereon, the oversight report be adopted and the Annual Report without reservations, be approved

(b) the resolutions in Annexure "A" attached to the report on the agenda, be supported for action and, where applicable, be referred to the Board of the CTICC and feedback, where applicable, be provided to MPAC.

ACTION : A MOOLMAN, G POSTINGS, G RAS

