



nelson mandela bay
M U N I C I P A L I T Y

**2014/2015
OVERSIGHT REPORT**

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FOREWORD BY THE CHAIRPERSON OF MPAC

The Constitution of the Republic of South Africa, 1996, the Municipal Systems Act, 2000, and the Municipal Finance Management Act, 2003 and all other relevant legislative prescripts, enjoin a Municipal Council to oversee the performance of a municipality. The Nelson Mandela Bay Municipality is also compelled to submit its Annual Report to Council and in line with legal Constitutional obligations, the 2014/15 Annual Report was tabled on 28 January 2016 for review.

Council referred the 2014/15 Annual Report to the Municipal Public Accounts Committee (MPAC) for further interrogation so that an Oversight Report could be developed. This is a very important report of Council which will outline how Council will carry out oversight on the administration as it remedies the shortcomings identified in the Annual Report. The fulfilling of the responsibility assigned to it by Council, MPAC held its meetings on the following dates:

- 2 February 2016
- 16 February 2016
- 23 February 2016
- 3 March 2016
- 10 March 2016.

In considering the 2014/15 Annual Report, MPAC has noted that some of the findings that were in 2013/14 Oversight Report are repeated into the 2014/15 Oversight Report. The 2014/15 Annual Report will be subjected to public participation in cluster meetings once it is adopted at the end of March 2016. Copies of the 2014/15 Annual Report will be distributed to all municipal libraries and customer care offices as well as being placed on the municipal website. This will be done so that members of the public can have access to the report and be able to write their comments after reading the report.

MPAC will ensure that recommendations developed in the 2014/15 Oversight Report are fully implemented by the municipal administration and this will be monitored through quarterly reports to MPAC.

MPAC is still awaiting the outcome of its recommendation that it be made a stand-alone Committee to enable it to give its attention exclusively to the work required by the committee. This is receiving the attention of the Acting city Manager and relevant councilors who are working on the restructuring of the Standing Committees.

I would like to commend MPAC members for their dedication and hard work in ensuring that this report has been finalized in time for Council. Let me also commend the administration for their role in the development of the report. I lastly extend sincere thanks to the officials of the Auditor-General and the Audit Committee for their guidance and focus during the meetings to develop the report.

COUNCILLOR KG NTSHANYANA
CHAIRPERSON



1. INTRODUCTION

The Municipal Finance Management Act, No 56 of the 2003 (MFMA) provides for municipal councils to review the municipality's performance and to provide oversight over performance. These two functions are fulfilled through the consideration of the Annual Report by Council and the subsequent preparation and adoption of the Oversight Report by a committee mandated to provide such oversight.

On 28 January 2016, the 2014/15 Annual Report was tabled to the Council of the Nelson Mandela Bay Municipality for consideration. The main components of the Annual Report tabled to council were the following:

- The annual performance report as required by section 46 of the Municipal Systems Act (MSA)
- Annual Financial Statements submitted to the Auditor-General;
- The Auditor General's audit report on the financial statements in terms of section 126 (3) of the MFMA; and
- The Auditor-General's audit report on performance in terms of the section 45 (b) of the MSA.

In accordance with Section 129 of the MFMA, the council meeting of 28 January 2016 subsequently referred the 2014/15 Annual Report to the Municipal Public Accounts Committee to provide oversight over the Annual Report and develop an Oversight Report.

2. LEGAL FRAMEWORK

This oversight report is prepared in accordance with Section 129 (1) of the Municipal Finance Management Act (2003), which places a responsibility on all municipal councils to consider the annual reports. After considering the annual report a council must refer the annual report to an oversight committee, the oversight committee must prepare an oversight report containing its comments and recommendations. The oversight report 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.

In accordance with section 21 A of the Municipal Systems Act, the Accounting Officer is mandated to make the oversight report public within seven days of its adoption by council.

Section 129 (4) of the MFMA states that the National Treasury may issue guidelines on the manner in which municipal councils should consider annual reports and conduct public hearings. In this regard the National Treasury has issued MFMA Circular No. 32 of the National Treasury which identifies the oversight report as the final major step in the annual reporting process of a municipality.

The National Treasury's MFMA Circular No. 32 further provides for certain provisions with regard to the compilation of the Oversight report. These provisions cover the following areas:

- Managing the process and forming committees;
- Timing considerations;
- Understanding the annual report and determining conclusions.

The sections below will provide input on how the Nelson Mandela Bay Municipality approached each of the above elements as part of the oversight process.

3. STEPS IN THE ANNUAL REPORTING PROCESS

The following outlines the major steps in the annual reporting process, indicating responsibilities and dates prescribed in the MFMA and MSA. The table also indicates the status of the Nelson Mandela Bay Municipality in relation to each of the steps provided for.

Prescribed Dates	Actions	MFMA (MSA)	Responsibility of	Status
31 August	Submit municipality's AFS to Auditor-General	S126(1)(a)	Municipal Manager	Completed
31 August	Submit municipal entity AFS to parent municipality and to Auditor-General	S126(2)	Municipal Entity Accounting Officer	Completed
30 September	Submit consolidated AFS to Auditor-General (municipalities and entities)	S126(1)(b)	Municipal Manager	Completed
31 October and quarterly thereafter	Auditor-General submits to Parliament and the provincial legislature names of any municipalities, which have failed or continue to fail to submit AFS	S133(2)	Auditor-General	Not Municipal Responsibility
Within three months of receiving AFS (30 November or 31 December)	Audit report returned to Municipal Manager	S126(3)	Auditor-General	Completed
On receipt of audit report	Municipality must address any issues raised by the Auditor-General and prepare action plans to address issues and include these in annual report. Provide copy of report to Audit Committee.	S131(1)	Municipal Manager. Mayor must ensure compliance by municipality	Completed
31 December	Entity submits annual report to Municipal Manager	S127(1)	Municipal Entity Accounting Officer	Completed
31 January	Annual Reports of municipality and entities tabled in Council	S127(2)	Mayor	Completed

Immediately after annual report is tabled	Annual report made public and local community invited to submit representations	S127(5)(a) (MSA) - S21A and B	Municipal Manager	Completed
Immediately after annual report is tabled	Annual report submitted to Auditor-General, relevant provincial treasury and provincial department responsible for local government in the province.	S127(5)(b)	Municipal Manager	Completed
When meetings held to discuss the annual report	Attend meetings to respond to questions concerning the report	S129(2)(a)	Accounting Officer of municipality and entity	Public Meetings in Progress
Following meetings to discuss the annual report	Submit copies of minutes of the meetings to the Auditor-General, provincial treasury and provincial department responsible for local government	S129(2)(b)	Accounting Officer of municipality and entity	Public Meetings in Progress
Within two months of report being tabled (31 March)	Council to have considered the annual report and adopted an oversight report	S129(1)	Council	Oversight Report completed and ready to be tabled to Council
Within seven days of adoption of oversight report	Make public the oversight report	S129(3) S21A-MSA	Accounting Officer	Upon adoption of the oversight report
Within seven days of adoption of oversight report	Submit to the provincial legislature, the annual report of municipality and entities and the oversight reports on those annual reports.	S132(1) & (2)	Accounting Officer	Upon adoption of the oversight report
As necessary	Monitor compliance with submission of reports to provincial legislature	S132(3)	MEC for local government in the province	Not municipal responsibility
Within 60 days of receiving annual reports	Report to provincial legislature any omissions by municipalities in addressing issues raised by the Auditor-General.	S131(2)	MEC for local government in the province	Not municipal responsibility
Annually	Report to Parliament on actions taken by MEC's for local government to address issues raised by Auditor-General on municipal and entity AFS	S134	Cabinet member responsible for local government	Not municipal responsibility
Notes:				
<ul style="list-style-type: none"> MFMA section 133 provides for consequences of non-compliance with provisions relating to the submission of AFS and tabling of annual reports. All dates shown are the latest permissible in terms of the applicable legislation, earlier compliance is preferable. 				

4. MANAGING PROCESS AND FORMING COMMITTEES

4.1 Forming of Committees to perform oversight of Annual Report

The National Treasury's MFMA Circular 32 recommends that a council should consider the establishment of an oversight committee in terms of Sections 33 and 79 of the Municipal Structures Act 1998. This oversight committee should be responsible for the detailed analysis and review of the Annual Report and the subsequent drafting of the oversight report that must be taken to full Council for discussion and adoption.

Due to the principle of separation of powers between Council and the Executive Committee, members of the Mayoral Executive Committee cannot be members of the Oversight Committee.

The Nelson Mandela Bay Municipality has an established oversight committee in the form of the Municipal Public Accounts Committee (MPAC). In exercising oversight over the Annual Report it was deemed appropriate that the existing oversight committee, in the form of MPAC, was the appropriate committee through which Council could fulfill its oversight responsibilities in respect of its annual report. As such, MPAC performs the functions of the Oversight Committee, as contained in the MFMA Circular 32.

MPAC membership is constituted as follows:

African National Congress (ANC) – 7 members
 Democratic Alliance (DA) – 4 members
 Congress of the People (COPE) – 1 member

MPAC is constituted as follows:

1. Councillor K G Ntshanyana - COPE, (Chairperson)
2. Councillor X C Bisset - ANC
3. Councillor N R Captain - ANC
4. Councillor M Feni - ANC
5. Councillor M E G Harning - ANC
6. Councillor M E Jarvis - DA
7. Councillor B N Mafaya - ANC
8. Councillor B Naran - ANC
9. Councillor T S Noqoli - DA
10. Councillor R Odendaal - DA
11. Councillor L B Stemele - ANC
12. Councillor M G Steyn - DA

The Democratic Alliance has not yet replaced Councillor A P Dashwood consequently the number of councillors is 12 instead of 13.

5 TIME CONSIDERATIONS

5.1 Schedule of Meetings

The MFMA instructs that the council of a municipality must complete the oversight process and adopt an oversight report containing the council's comments and recommendation on the annual report by no later than two months from the date on which the annual report was tabled in council.

MPAC's schedule of meetings to consider the Annual Report was guided by the above stated time provision of the MFMA.

Council received the Annual Report on 28 January 2016, and subsequently referred the report to MPAC for oversight. In compliance with the two months' timeframe prescribed by the Act, MPAC meetings were arranged as follows:

DATE	TIME	VENUE
2 February 2016	09:00	Council Chambers, City Hall
16 February 2016	09:00	Council Chambers, City Hall
23 February 2016	09:00	Conference Centre, Military Road
3 March 2016	09:00	Council Chambers, City Hall
10 March 2016	09:00	Council Chambers, City Hall

The above meetings proceeded as scheduled.

6. PUBLIC PARTICIPATION IN OVERSIGHT PROCESS

Section 130 of the MFMA promotes that public participation be a central element in all processes relating to the Annual Report. In so doing, the aforementioned section instructs that the meetings of a municipal council or committee established by Council at which an Annual Report is to be discussed or at which decisions concerning an Annual Report are to be taken, must be open to the public and any organs of state.

As part of promoting public participation in the oversight process, municipalities are obliged to undertake the following additional actions:

- Invite written submissions from the local community or organs of state on the Annual Report
- Make public all meetings at which the Annual Report will be discussed
- Representatives of the Auditor-General are entitled to attend and to speak at any meeting that deals with the Annual Report.

In this regard, the Municipality undertook the following initiatives to promote public participation in the oversight process:

MECHANISM TO PROMOTE PUBLIC PARTICIPATION	STATUS	COMMENTS
Invitation to public to submit comments on the Annual Report	Done	Public was invited to submit comments on the Annual Report to the Municipality through the office of the Chief Operating Office. A relevant advert was published in the local media on 29 January 2016
Make public all meetings of council oversight committee that will consider the Annual Report	Done	All MPAC meetings convened to consider the Annual Report were advertised in the local media on 29 January 2016
Representatives of the Auditor-General invited to meetings of council that will consider Annual Report	Done	Auditor-General representatives invited and present in MPAC meetings convened to consider Annual Report
Annual Report printed and distributed to municipal offices for access by local communities.	Done	Copies of these reports lie open for inspection at all municipal libraries and customer care centres and was also published on the municipal website (www.mandelabay.gov.za)

7. OVERSIGHT COMMITTEE RECOMMENDATIONS

At the first meeting of MPAC held on 2 February 2016 to consider the Annual Report, the meeting agreed that it would exercise its oversight functions in the following manner:

That MPAC would attend as follows to its work in respect of the 2014/15 Annual Report and the Audit Report by the Auditor-General for the year ended 30 June 2015:

- First meeting: Auditor-General's Audit findings
- Second meeting: Annual Consolidated Financial Statements
- Third meeting: Performance Scorecard Reports
- Fourth meeting: Chapters 1 to 6 of the Annual Report
- Fifth and sixth meetings: Start developing Oversight Report

The discussions and recommendations of MPAC will be presented in accordance to the areas identified above, namely:

- Area 1 Auditor-General's Audit findings
- Area 2 Annual Consolidated Financial Statements
- Area 3 Performance Scorecard Reports
- Area 4 Annual Report (Chapters 1 to 6)

7.1 AREA 1: AUDITOR GENERAL'S AUDIT FINDINGS

AREA 1	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
<p>Auditor General's Audit findings</p>	<p>Basis for Qualified Opinion : Creditors – Exchange Transactions (Inadequate Staff Leave Management System) (2014/15 Annual Report, Volume III, para. 6)</p> <p>Matter of Emphasis : Irregular Expenditure : Non-compliance with Procurement Procedures (2014/15 Annual Report, Volume III, par. 10)</p> <p>Matter of Emphasis: Irregular Expenditure : Missing Tender Files and Related Documentation (2014/15 Annual Report, Volume III, par. 11)</p> <p>Matter of Emphasis : Unauthorized Expenditure : Impairment of Traffic Fines (2014/15 Annual Report, Volume III, par. 12)</p>	<p>(a) That the statement by the Acting City Manager that a service provider is to complete the rectification of the leave management system by 30 June 2016 be noted and supported.</p> <p>(b) That the Executive Director: Corporate Services submit progress reports on the work being done in respect of the leave management system to the ordinary MPAC meetings from April up to and including June 2016.</p> <p>That in respect of irregular expenditure, the processing of Section 32 Reports regarding irregular, unauthorized or fruitless and wasteful expenditure via the MPAC Subcommittee, MPAC and Council be accelerated in order to clear the backlog of such reports by not later than 30 June 2016.</p> <p>That the search for the missing files be continued until they are found, with a view to the possibility that the amount of R2,6 billion could be reduced, the Chief Financial Officer to give progress reports to MPAC meetings.</p> <p>That unauthorised expenditure on non-cash-flow items be avoided through effective planning to ensure that such items are submitted to Council for authorisation before the annual audit process.</p>

AREA 1	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
	<p>Matter of emphasis : Fruitless and Wasteful Expenditure: Operating Costs re IPTS (2014/15 Annual Report, Volume III, par. 13)</p>	<p>(a) That it be noted that the institution is awaiting final report by National Treasury on its investigation into the IPTS project.</p> <p>(b) That the office of the Executive Mayor and the Acting City Manager assist in attempting to expedite the release of the final report on the IPTS project to the NMBM, National Treasury.</p>
	<p>Matter of Emphasis : Material Losses and Impairments : Water Losses (2014/15 Annual Report, Volume III, para. 15)</p>	<p>(a) That the Water Losses Reduction Plan of the Infrastructure and Engineering Directorate be implemented to maximum effect and that the success thereof be continuously monitored.</p> <p>(b) That the Infrastructure and Engineering Directorate approach National Treasury and the Department of Water Affairs for once-off financial assistance to address some of the critical maintenance requirements in the Water and Sanitation Sub-directorate, such as the upgrading of the ageing water reticulation systems in various parts of the municipal area.</p> <p>(c) That the replacement of old, inaccurate water meters be prioritised, and that the installation of smart water meters for all high-volume water consumers be undertaken, where possible.</p>

AREA 1	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
		<p>(d) That officials physically monitor the water accounts of residents who were beneficiaries of the Assistance to the Poor (ATTP) programme for spikes in consumption, as such spikes in these cases most probably pointed to underground water leaks, which could be immediately repaired if detected soon.</p>
	<p>Matter of Emphasis : Material Losses and Impairments : Electricity Losses (2014/15 Annual Report, Volume III, par. 16)</p>	<p>That NMBM prioritises spending on the roll-out of formal electricity connections to informal settlements, as residents in those areas who were making use of informal and so-called illegal electricity connections were entitled to an electricity supply, and were likely to qualify for such a service in terms of the Assistance to the Poor programme.</p>
	<p>Matter of Emphasis : Significant Uncertainty : Lawsuits (2014/15 Annual Report, Volume II, para. 18)</p>	<p>That in dealing with the large number of lawsuits, the municipality assess each of these cases, establish the cost benefit analysis in term of financial loss/gain and in cases where costs are higher than benefits, attempt to settle out of court without admitting liability.</p>
	<p>Compliance with Legislation : Procurement and Contract Management : Failure to Declare Private or Business Interest in Contracts Awarded by NMBM (2014/15 Annual Report, Volume III, par.. 49)</p>	<p>That the Acting City Manager implement a process whereby all Executive Directors, Directors, Deputy Directors, Assistant Directors formally declare annually, at the beginning of the financial year, their own and their direct relatives' private or business interests in contracts awarded by the Municipality, and that such declarations be updated and adjusted in the course of the year as and when changes occur in respect of the declarations that were made.</p>

AREA 1	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
	<p>Compliance with Legislation : Consequence Management : Alleged Criminal Offences re Irregular Expenditure not reported to SA Police (2014/15 Annual Report, Volume III, par. 56)</p>	<p>(a) That the verbal report presented by the Acting City Manager in respect of consequence management measures instituted for the 2015/16 financial year, as referred to in the preamble in Minute No. 27.10/2016 of the MPAC minutes dated 2 February 2016, be submitted in writing to MPAC.</p> <p>(b) That the Action Plan in respect of the Auditor-General's findings, which is monitored monthly by Internal Audit, be submitted to the next meeting of MPAC.</p>
	<p>Internal Control : Financial and Performance Management : Lack of Financial Discipline and Monitoring (2014/15 Annual Report, Volume III, par. 64)</p>	<p>(a) That an Anti-Fraud Hotline should be implemented before 30 June 2016 in the institution, in order to enable Municipal employees and residents to provide telephonic tip-offs about suspected fraud anonymously.</p> <p>(b) That the vacancies of Chief Risk Officer and the vacancies in the Internal Audit Sub-directorate be prioritised for being filled as soon as possible, and not later than 30 June 2016, in order to ensure effective oversight throughout the institution.</p>

7.2 AREA 2: ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AREA 2	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
Annual Consolidated Financial Statements	Heritage Assets (2014/15 Annual Report, Volume II, p. 3)	<p>(a) That the processes required for finalising the Problem Buildings By-Law be undertaken and the By-Law be adopted by Council as a matter of urgency.</p> <p>(b) That the Heritage By-Law, which would empower the institution with certain rights in terms of the Heritage Resources Act, be promulgated to be enforced in tandem with the Problem Buildings By-Law.</p> <p>(c) That the Executive Director: Sports, Recreation, Arts and Culture continue requesting financial assistance from the Eastern Cape Provincial Government for the completion of the Heritage Asset Register for the NMBM.</p>
	Housing Revolving Fund (2014/15 Annual Report, Volume II, p. 38, Note 1)	That the state of the Housing Revolving Fund be addressed by eliminating the balance of the backlog on the Fund and bringing down the balance to within the limit set by Council.
	Kabuso Report (2014/15 Annual Report, Volume II, p. 74, Note 46.1)	That every effort be made to speedily finalise the implementation of the recommendations arising from the Kabuso Report on a forensic investigation into various matters at the NMBM involving possible irregular, unauthorised, fruitless and wasteful expenditure relating to the management and implementation of a number of projects and progress reports be given to MPAC

AREA 2	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
	<p>IPTS Investigation: Criminal Charges (2014/15 Annual Report, Volume II, p. 74, Note 46.2)</p>	<p>That the recommendations in the Draft Report by National Treasury adopted by Council on 27 August 2015 and the mandate given to the City Manager to proceed with criminal charges, be finalised as soon as possible.</p>
	<p>Morrison Report: Alleged Misconduct (2014/15 Annual Report, Volume II, p. 74, Note 46.3)</p>	<p>That the recommendations adopted by Council on 27 August 2015 based on the findings of Advocate Morrison's investigation into allegations of serious misconduct by two senior officials, be finalised as soon as possible.</p>
	<p>Reports Requested Arising from Financial Statements</p>	<p>(b) That reports on the matters listed in Min. No. 29:9, which fall beyond the period 1 July 2014 to June 2015 but which are relevant to MPAC's broader oversight function, be submitted to ordinary MPAC meetings after completion of the Committee's work on its Oversight Report on the 2014/15 Annual Report.</p>

7.3 AREA 3: PERFORMANCE REPORT

AREA 3	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
<p>Performance Report</p>	<p>Number of state subsidised housing units provided (KPI No. 1.1.1, p. 1); Number of defective houses rectified (KPI No. 1.1.5, p. 2); and Approval of Spatial Development Framework (KPI No. 1.1.6, p. 2)</p>	<p>(a) That whilst noting that the 2014/15 housing delivery target was achieved and exceeded, and in order to address the remaining housing backlog more effectively, an application be made for an increase in the allocation of gazetted funding for housing units to be delivered by the Municipality in every financial year.</p>

AREA 3	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
		<p>(b) That the Municipality apply to the National Department of Human Settlements for additional funding for the rectification of the existing backlog of 39 000 defective houses.</p> <p>(c) That the Acting Executive Director : Human Settlements ensure that the incidence of defective houses be minimised through rigorous monitoring and inspection of the entire construction process of state subsidised houses, in order to ensure that contractors comply with quality requirements.</p>
	<p>Reduction in water losses (KPI No. 1.2.2, p. 3)</p>	<p>That supply chain processes be managed efficiently to ensure that plumbing materials for repairing water leaks, and new water meters for installation in state subsidised houses or for the replacement of defective meters, are available from the Stores Department, when required.</p>
	<p>Electricity losses (KPI No. 1.6.3, p. 5)</p>	<p>That the Executive Director : Electricity and Energy get AMAT, the service provider that was appointed to manage and reduce electricity losses, to submit its long-outstanding progress report on its work to the Infrastructure and Engineering as well as Budget and Treasury Standing Committees</p>
	<p>Number of electricity substations upgraded through replacement/ refurbishment of switchgear (KPI No. 1.6.4, p. 5)</p>	<p>(a) That sufficient funding be made available on the 2016/17 Budget for the accelerated roll-out of formal electricity connections to informal settlements, and that the process be fast-tracked.</p>

AREA 3	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
		<p>(b) That sufficient funding be provided on the 2016/17 Budget for the maintenance of electricity infrastructure to ensure a reliable supply of electricity for local economic development and growth, and for sustaining the major industrial zones in Nelson Mandela Bay, especially in the Uitenhage and Despatch area.</p>
	Households receiving domestic waste collection service (KPI No. 1.7.1, p. 6); and	The Chief Operating Officer discuss with the Auditor-General's office a suggestion that more than two colours be used to indicate performance towards achieving Key Performance Indicators.
	Turnaround time re learners' licence test (KPI No. 1.9.1, p. 7); and Turnaround time re drivers' licence test (KPI No. 1.9.2, p. 7	That the Acting City Manager investigate the functioning of the Traffic and Licensing Services in respect of the turnaround time for obtaining learner's and driver's licences, and to make the necessary adjustments, if needed, to render an efficient and accessible service to the public.
	% recruitment completed within three-month turnaround period (KPI No. 2.1.6, p. 9)	That the Acting City Manager and the Acting Executive Director: Corporate Services make a concerted effort to improve the turnaround time of three months for the filling of vacancies from the date of receipt of recruitment notice to the date of appointment, and a plan to achieve that be submitted to the Human Resources and Corporate Administration Standing Committee.
	% households earning less than R2 700 per month with access to free basic services (KPI 3.2.6, p. 14)	That the Municipality undertakes more outreach programmes to inform communities, particularly in the historically disadvantaged areas, about the Assistance to the Poor (ATTP) programme.

AREA 1	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
	<p>Number of drowning incidents at municipal bathing beaches and municipal swimming pools (KPI No. 3.3.2, p. 15)</p>	<p>(a) That the Key Performance Indicator be changed to read as follows: "Number of drowning incidents at municipal bathing beaches and municipal swimming pools during normal bathing hours"</p>
	<p>% billed revenue collection rate (before write-offs) (KPI No. 4.1.1. p.16)</p> <p>Motherwell Thusong Service Centre (Phase 2) (KPI No. 6.1.2, p. 19)</p>	<p>That the collection of rate be increased for the 2016/17 financial year.</p> <p>That the office of the Chief Operating Officer submit a report in respect of the Motherwell Thusong Service Centre to the next ordinary MPAC meeting scheduled for 12 April 2016, focusing on the reasons for the delay in completing the centre, and the actions planned to make the centre operational.</p>
	<p>Red Location Singapi Road Upgrade (KPI No. 6.2.2.2, p. 21)</p>	<p>That the Office of the Director: Economic Development, Tourism and Agriculture, in consultation with the Office of the Deputy Executive Mayor and the Human Settlements and the Sports, Recreation, Arts and Culture Directorates and their respective Portfolio Councilors, submit a report on the current status of the Red Location Singapi Road Upgrading project, and the effect of the road construction work on service delivery in the area, to the next ordinary MPAC meeting scheduled for 12 April 2016.</p>

7.4 AREA 4: ANNUAL REPORT (CHAPTER 1 – 6)

AREA 4	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
Annual Report	<p>Bucket Eradication (Volume I, p. 77 and p. 86)</p> <p>Refuse Compactors (Volume I, p. 109)</p> <p>Kragga Kamma Refuse Transfer Station and Upgrading of Transfer Stations (Volume I, p. 109)</p>	<p>That details be provided as to how the number of 20 900 buckets as quoted in Chapter 3 of the 2014/15 Annual Report (p. 77) was calculated.</p> <p>That sufficient funds be provided in the forthcoming budget to ensure that the very old refuse compactors, of which the cost of repairing is not economically viable, be phased out to be replaced with new compactors, in view of the planned roll-out of a weekly solid waste collection service to all households within the urban edge.</p> <p>That efforts be made to provide sufficient funds, if possible on the forthcoming budget, to upgrade the Waste Transfer facilities in the NMBM area, particularly those in dire need of an upgrade, or those which had not been upgraded over the past number of years to conform to the standards of the Waste Management Act, and the National Environmental Management Act (NEMA).</p>
Annual Report	Assistance to the Poor Programme (ATTP) (Volume I, p. 125)	<p>(a) That an official or officials in the Budget and Treasury Directorate be assigned to monitor the accounts of Assistance to the Poor (ATTP) beneficiaries for significant spikes in water consumption, in order that probable underground water leaks can be reported and repaired without delay.</p>

AREA 4	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
<p>Annual Report</p>		<p>(b) That the processing of applications for assistance in terms of Assistance to the Poor (ATTP) be made more streamlined, in order to spare prospective beneficiaries a long waiting period, while also regularly verifying the financial position of existing ATTP beneficiaries.</p>
	<p>Rehabilitation of Roads : R5,8 million provided in 2014/15 (Volume I, p. 131)</p>	<p>That sufficient additional funding be identified and no further cut-backs in funding for roads infrastructure maintenance be made in the forthcoming budget, in view of the meagre allocation of R5,8 million for the rehabilitation of roads in the 2014/15 financial year, and the current maintenance backlog of over R4 billion, and that the 80/20 principle be strictly applied in terms of which funding is channelled to disadvantaged areas.</p>
	<p>Security Services : Pro-active and Re-active Law Enforcement Services (Volume I, p. 207)</p>	<p>That it be NOTED that MPAC questions the statement in the Annual Report that the Municipal Security Services discouraged By-Law contraventions by providing pro-active and re-active law enforcement services, as there was currently little By-Law enforcement in the NMBM area, which could, however, change once the Municipal Police Service was implemented.</p>
	<p>Security Services : Continued Utilisation of Technology such as CCTV (Volume I, p. 207) Councillor Welfare Policy (2014/15 Annual Report, Chapter 4, p. 301, no. 10)</p>	<p>That CCTV systems be utilised to maximum capacity throughout the Municipal area in order to strengthen security. That the review of the Councillor Welfare Policy be accelerated and that the Office of the Chief Operating Officer submit a progress report on the work done in that regard to MPAC by the end of April 2016.</p>

AREA 4	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
Annual Report	Financial Performance : New Revenue Stream (2014/15 Annual Report, Chapter 5, p. 315)	That the Chief Financial Officer, in consultation with the relevant Budget Planning Committee, identify a potential new revenue stream for the institution, in view of the current over-reliance on electricity sales as a source of income.
	Budgeted Revenue Collection Rate (2014/15 Annual Report, Chapter 5, p. 315)	That MPAC express support for the following measures to improve revenue collection and operational efficiency, namely: (i) the budgeted collection rate of 95% for 2016/17; (ii) the revenue enhancement work of the company EOH; and (iii) the monitoring tool that was developed to assist in the effective implementation of the Operational Efficiency Work Plan throughout the institution.
	Rental of Facilities and Equipment (2014/15 Annual Report, Chapter 5, p 318)	(a) That all leases of Council's land, buildings and equipment be finalised before the end of the 2015/16 financial year. (b) That efforts be accelerated to integrate the management of land and building leases, and that the establishment of a dedicated Division for that purpose be considered.

AREA 1	MATTER UNDER CONSIDERATION	RECOMMENDATIONS
	Total Outstanding Service Debtors (2014/15 Annual Report, Chapter 5, p. 390)	That a concerted effort be made to improve debt collection in order to impact positively on the institution's Debtors' Book.
	Repairs and Maintenance (2014/15 Annual Report, Chapter 5, p. 392)	That an attempt be made to address the infrastructure maintenance backlog by increasing the spending on such maintenance by as close as possible to a 10% expenditure ratio, without compromising the institution financially.

8. OVERSIGHT COMMITTEE RESOLUTIONS

Having fully considered the Nelson Mandela Bay Municipality's 2014/15 Annual Report, the Oversight Committee (MPAC) recommends to Council the following:

- (a) That the Council having fully considered the Annual Report of the NMBM for the 2014/15 financial year, adopts the Oversight Report as presented by the Municipal Public Accounts Committee.
- (b) That the recommendations of the Municipal Public Accounts Committee reflected in Section 7 be adopted and that the progress with the implementation thereof, be reported on in the Quarterly Reports to MPAC.
- (c) That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
- (d) That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.
- (e) That Council, having fully considered the Mandela Bay Development Agency's (MBDA's) Annual Report included in the NMBM's 2014/15 Annual Report, approves the MBDA Annual Report.

ANNEXURES

MINUTES OF PROCEEDINGS OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

(Meeting held on 2 February 2016)

PRESENT: Councillor K G Ntshanyana (Chairperson)

Councillor X C Bisset (09:50)
Councillor N R Captain
Councillor M Feni
Councillor M E G Harning
Councillor M E Jarvis
Councillor B N Mafaya (10:20)
Councillor B Naran
Councillor T S Noqoli
Councillor R Odendaal
Councillor L B Stemele

ALSO PRESENT: Councillor R Riordan

Acting City Manager (Mr J Mettler)
Acting Chief Operating Officer (Mr S Ndabeni)
Chief Financial Officer
Executive Director: Infrastructure and Engineering
Executive Director: Electricity and Energy
Executive Director: Public Health
Executive Director: Economic Development, Tourism and
Agriculture (EDTA)
Executive Director: Sport, Recreation, Arts and Culture (SRAC)
Acting Executive Director: Corporate Services (Ms V Zitumane)
Acting Executive Director: Human Settlements (Mr M Mabuza)
Director: Internal Audit and Risk Assurance (Ms B Chan)
Director: Legal Services (Office of the COO) (Mr T Motasi)
Acting Director: MURP (Special Programmes Directorate) (Mr S Mnyaka)
Deputy Director: MPAC (Mr S M Matyolo)
Deputy Director : Monitoring and Evaluation (Office of the COO)
(Mr M Sipuka)
Assistant Director: Committee Services (Mr J Sigonyela)
Performance Management Practitioner (Office of the COO)
(Ms N V Goqoza)
Acting Project Manager: IPTS (Mr T Arthur)
Audit Committee Chairperson (Mr G Billson)
Senior Manager: Office of the Auditor-General (Ms T de Wet)
Chief Committee Officer (Ms A Craighead)
Committee Officer (Ms S Joubert)
Committee Officer (Ms V Heera)

APPLICATIONS FOR LEAVE OF ABSENCE IN TERMS OF PARAGRAPH 3 OF THE CODE OF CONDUCT / APOLOGIES

It was reported that Councillor B N Mafaya had been at the Council Chamber earlier that morning, but had to leave in order to deal with a protest action in her Ward. She submitted an apology and undertook to return to the MPAC meeting as soon as possible.

Councillor M Feni requested permission to leave the meeting at 10:30.

It was reported that Councillor M G Steyn had submitted an application for leave of absence to the Speaker that morning, as he had to attend to an urgent matter.

NOTED AND RESOLVED:

That leave of absence from this meeting of the Committee be granted to Councillor M G Steyn.

DISCLOSURE OF INTERESTS BY COUNCILLORS IN TERMS OF PARAGRAPH 5 OF THE CODE OF CONDUCT (SCHEDULE 1 OF THE SYSTEMS ACT NO. 32 OF 2000)

There were no disclosures.

DISCLOSURE OF INTERESTS BY OFFICIALS

There were no disclosures.

OPENING

The Chairperson welcomed the Chairperson of the Audit Committee, Mr Greg Billson, at the meeting. He stated that Ms Tracy de Wet, Senior Manager in the Office of the Auditor-General would join the meeting later.

He said that MPAC would attend as follows to its work in respect of the 2014/15 Annual Report and the Audit Report by the Auditor-General for the year ended 30 June 2015:

- First meeting: Auditor-General's Audit findings
- Second meeting: Annual Consolidated Financial Statements
- Third meeting: Performance Scorecard Reports
- Fourth meeting: Chapters 1 to 6 of the Annual Report
- Fifth and sixth meetings: Start developing Oversight Report

NOTED

REPORT BY ACTING EXECUTIVE DIRECTOR : CORPORATE SERVICES

25. 2014/15 ANNUAL REPORT : MEETINGS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (3/2/9/1) (Item 1, Agenda p. 3)

NOTED

26. 2014/15 ANNUAL REPORT OF NELSON MANDELA BAY METROPOLITAN MUNICIPALITY (10/1/1/1) (Item 2, Agenda p. 3)

NOTED

27. AUDITOR-GENERAL'S REPORT FOR 2014/15 (5/20/2/6/1) (3/2/9/3) (Item 3, Agenda p. 4)

The Committee considered the 2014/15 Audit Report of the Auditor-General, focusing mainly on the following points in the Report:

- 27.1 Basis for Qualified Opinion : Creditors – Exchange Transactions (Inadequate Staff Leave Management System) (2014/15 Annual Report, Volume III, para. 6)

The Committee enquired as to what progress was being made in rectifying the institution's leave management system, in respect of which the Municipality had received an audit qualification.

Response by Acting City Manager:

The Acting City Manager stated that the institution was about to appoint a service provider to assist in completing the rectification of the staff leave records for the past three financial years, which were in disarray. It was envisaged that the work would be completed by the end of the current financial year, to avoid a similar audit qualification in the next financial year. MPAC and other oversight bodies would be kept informed of progress made in that regard.

NOTED AND RESOLVED:

- (a) That the statement by the Acting City Manager that a service provider is to complete the rectification of the leave management system by 30 June 2016, be noted and supported.
- (b) That the Executive Director: Corporate Services submit progress reports on the work being done in respect of the leave management system to the ordinary MPAC meetings from April up to and including June 2016.

27.2 Matter of Emphasis : Irregular Expenditure : Non-compliance with Procurement Procedures (2014/15 Annual Report, Volume III, para. 10)

With reference to the R1,3 billion in irregular expenditure incurred in the 2014/15 financial year, Councillor Odendaal stated that the point to be made was that the money was not lost, but what was lost, was the opportunity for the institution to show that it was committed to good governance. Services had been procured in a manner that was not regular and acceptable, and as a result, SMMEs and other service providers possibly lost out. Irregular procurement practices also opened the process to possible fraud and corruption.

Councillor Naran referred to the new IT system for managing the procurement process and asked whether progress had been made with the implementation of the system.

Response by Acting City Manager:

The Acting City Manager said that the irregular expenditure incurred in 2014/15 was clearly the result of poor financial management. It was very important for management to follow through on all administrative processes. That had not been done, for example, Section 32 reports were not submitted to Council in order to regularise the irregular expenditure.

It was emphasised that if management in future failed to fulfil their responsibility of ensuring that irregular expenditure was regularised, there would be consequences in respect of such non-action.

Response by Chief Financial Officer:

The Chief Financial Officer stated that in the 2013/14 financial year there was an audit qualification because the Auditor-General could not find that the irregular expenditure was "complete". In order to rectify that, the Budget and Treasury Directorate, assisted by Internal Audit, had to review all the expenditure of the past five years. The review was done on the basis that any shortcoming, for example, a missing tax clearance certificate, would automatically be taken to represent irregular expenditure. A considerable part of the irregular expenditure therefore related to the period dating back to 2010.

NOTED AND RESOLVED:

That in respect of irregular expenditure, the processing of Section 32 Reports regarding irregular, unauthorised or fruitless and wasteful expenditure via the MPAC Subcommittee, MPAC and Council be accelerated in order to clear the backlog of such reports by not later than 30 June 2016.

27.3 Matter of Emphasis: Irregular Expenditure : Missing Tender Files and Related Documentation (2014/15 Annual Report, Volume III, para. 11)

The Committee pointed out that the issue of missing tender files and related documentation had also featured in the previous Audit Report as an audit qualification. The matter had now recurred in the 2014/15 Audit Report.

There was also a question concerning the implementation of the new IT system and whether it was assisting in improving document management.

Response by Chief Financial Officer:

In respect of the amount of R2,6 billion which was related to missing tender files and documentation, the Chief Financial Officer said that before 2013, tender files were kept in the offices of the respective Directorates, but since 2013 all such files were kept in the Supply Chain Management offices.

The tender files in question could not be found yet, but the search would not be stopped and once they were found, the amount of R2,6 billion could probably be reduced. It was emphasised that it had to be remembered that this process went back five years.

It was confirmed that the new IT system had been installed in the Supply Chain Management offices and tender documentation, including the minutes of the Bid Adjudication and Bid Evaluation Committees, were captured on the electronic management system.

(See also **Minute No. 27.15/2016** in these minutes in respect of the new IT system.)

Response by Acting City Manager:

The Acting City Manager stated that a company, PWC, was appointed recently to review all the supply chain management processes in the institution. The purpose was not only to ensure legal compliance, but also to ensure that any form of non-compliance that was detected would be corrected immediately.

Input by Councillor Riordan:

Councillor Riordan referred to Note 44.2, paragraph 1 in the Notes to the Financial Statements in the Annual Report, dealing with irregular expenditure resulting from the breach of the Supply Chain Management Policy.

Note 44.2 (1) involved R214 million that was registered as irregular expenditure because of a breach of the policy "that occurred as certain contracts were awarded to persons in the service of the state where he/she may have a significant influence over the financial or operating policies of the entity".

Councillor Riordan stated that he obtained details regarding this statement from the Budget and Treasury Directorate, which revealed names of persons who could not reasonably be considered to influence the policies or spending of the institution. He explained that during the auditing process, the Auditor-General took the entire list of persons being paid in the service of the state, and matched it with anybody who was a director of an organisation that had somehow or other traded with the Municipality, and then arrived at a set of figures constituting the value of the business ties.

Councillor Riordan cited by way of example the name of a local attorney who once did business with the Municipality and who became an acting judge during that period. Because he was then paid by the state, the financial value of everything that the Municipality had ever had to do with the law firm to which he was attached was registered as irregular expenditure.

Councillor Riordan said that too many people were caught up in this process, and a way should be found of trimming the list of persons down to people who genuinely could influence the institution's policies or spending. Such people would be the Municipality's own staff, and information was needed as to which Municipal staff members were members of companies that were trading with the Municipality.

NOTED

27.4 Matter of Emphasis : Unauthorised Expenditure : Impairment of Traffic Fines (2014/15 Annual Report, Volume III, para. 12)

The Acting City Manager pointed out that the unauthorised expenditure of R34 million relating to the impairment of traffic fines was authorised by Council at its meeting held on 28 January 2016.

However, he pointed out that it should have been dealt with earlier, even during the Auditor-General's auditing process, by submitting an item to Council stating that provision had not been made for the impairment of traffic fines and putting the matter to Council to be authorised. The unauthorised expenditure was a matter of inadequate financial management on the part of the relevant Directorates.

NOTED AND RESOLVED TO RECOMMEND:

That unauthorised expenditure on non-cash-flow items be avoided through effective planning to ensure that such items are submitted to Council for authorisation before the annual audit process.

27.5 Matter of Emphasis : Fruitless and Wasteful Expenditure : Operating Costs re IPTS (2014/15 Annual Report, Volume III, para. 13)

Councillor Naran said that the overexpenditure of R146 million on the IPTS project in the 2013/14 financial year impacted on the 2014/15 financial year and adversely affected the institution's cash flow, as provision for the amount had to be made in the Adjustments Budget.

He asked whether there had been any consequences, or actions taken by the administration, in respect of the management of the project. Regarding the fact that the final report by National Treasury on its investigation into the IPTS project was still outstanding, he said that the matter needed to be followed up.

Councillor Stemele requested that the Acting City Manager engage with National Treasury regarding the submission of the final report on the IPTS investigation. Councillor Captain said that progress made on the matter in the form of the investigation by National Treasury should be acknowledged. Councillor Jarvis asked whether the institution was exposed to any additional or further legal liability in respect of the R146 million relating to the IPTS project. He furthermore commented that the positive actions being taken by the Acting City Manager were appreciated, but he added that what was more important than what was done, was what happened as a consequence of the actions.

Response by Acting City Manager:

The Acting City Manager stated that the final report by National Treasury on its investigation into the IPTS project had not yet been received, but that the matter was being followed up. As soon as the final report was received, any further action required would be taken on the basis of that report.

Response by Chief Financial Officer:

The Chief Financial Officer stated that an amount of R26 million incurred in respect of the IPTS consisted of interest paid on VAT, which constituted fruitless and wasteful expenditure. Consultants assisted the Budget and Treasury Directorate in re-calculating the VAT. They submitted returns to SARS, and SARS refunded the Municipality, but after having conducted an audit, it was found that they should not have issued the refund, and therefore the Municipality was charged interest of R26 million.

He explained that regarding the balance of the expenditure on the IPTS project, the Auditor-General's opinion was that because the bus system was not operational, all the operational expenditure incurred on the project was fruitless and wasteful.

The Chairperson requested the assistance of the office of the Executive Mayor and the Acting City Manager in attempting to expedite the submission by National Treasury of the final report on the IPTS investigation to the NMBM.

(In response to an earlier question, it was pointed out that other fruitless and wasteful expenditure in the 2014/15 financial year, beside that which was incurred on the IPTS project, was reported in the Annual Report in Note 44.3 to the Economic Entity's Financial Statements.)

NOTED AND RESOLVED:

- (a) That it be noted that the institution is awaiting the final report by National Treasury on its investigation into the IPTS project.
- (b) That the office of the Executive Mayor and the Acting City Manager assist in attempting to expedite the release of the final report on the IPTS project to the NMBM, by National Treasury.

27.6 Matter of Emphasis : Material Losses and Impairments : Water Losses (2014/15 Annual Report, Volume III, para. 15)

In response to a question, the Chief Financial Officer stated that the amounts quoted in paragraph 15 of the Audit Report in respect of water losses, namely R148 million in 2014/15 and R113 million in 2013/14, were calculated at the cost price, and not at the selling price, as had been done before.

Councillor Captain requested that the Executive Director: Infrastructure and Engineering submit a report to MPAC with a breakdown of the water losses amounting to R148 million as quoted in paragraph 15, as well as a practical plan for fixing the causes of the losses.

(It was agreed that the requested report would be submitted to the next ordinary MPAC meeting on 12 April 2016.)

Councillor Naran commented that although there was a refurbishment programme in respect of water meters, there were still ageing water meters which caused problems, and it should be a basic principle that water meters were replaced in good time before becoming inaccurate.

Councillor Odendaal stated that the Water Losses Reduction Plan of the Infrastructure and Engineering Directorate was good, but seemed not to be well implemented. He said that the plan had to be implemented and the success thereof continuously monitored.

He recommended that the Infrastructure and Engineering Directorate approach National Treasury and the Department of Water Affairs for once-off financial assistance to address some of the critical maintenance requirements in the Water and Sanitation Sub-directorate. The ageing water reticulation systems in various parts of the municipal area needed to be upgraded, and the Directorate's maintenance budget was insufficient for the work required.

He further proposed that the replacement of old, inaccurate water meters be prioritised, and that the installation of smart water meters for all high-volume water consumers be considered, where possible.

Councillor Odendaal also recommended that officials physically monitor the water accounts of residents who were beneficiaries of the Assistance to the Poor (ATTP) programme for spikes in consumption. He said that it had been found that excessive water use by ATTP households was unlikely and very high accounts most probably pointed to underground water leaks. By carefully monitoring such accounts, leaks could be identified and repaired immediately, and not only after two to three months, as was often the case at present.

Response by Acting City Manager (also covering para. 15 re electricity losses)

Operational matters: In addressing the comments made in respect of both water and electricity losses, the Acting City Manager said that there were system failures on the part of the institution in respect of both water and electricity.

As for water losses, there was a problem with the NMBM's infrastructure, and because of poor planning, the stock levels were also very low, so that the institution could not always repair the water leaks that were reported.

A service provider, EOH, had been appointed for a period of three years to deal with revenue enhancement. Eventually, this would result in having a functioning water meter on every erf, so that the institution would receive all the income from the sale of water that was due to it. There would also be an extensive data clean-up of the system across the board.

Illegal electricity connections would be addressed, as part of the actions to be taken systematically over the next three years.

The NMBM would have to improve its own internal systems to ensure that once EOH had completed its work, the municipal systems would be able to provide the type of information which would identify anomalies in consumption in any particular house. In that regard, the institution would definitely have to invest in smart metering, which would make information about leaks, excessively high or extremely low usage, etc. immediately available, for such to be

addressed without delay. It was confirmed that the acquisition of smart metering was currently receiving attention.

Performance management to be improved: Performance management would be improved to ensure that targets were reached. Monthly reporting would be required in order to identify undesirable trends as they emerged. Quarterly reports would be submitted to standing committees and the Executive Mayor's meetings in respect of achieving targets, so that there could be immediate intervention, if necessary.

(See also Minute No. 27.15/2016 in these minutes regarding the provision of smart water meters.)

RESOLVED TO RECOMMEND:

- (a) That the Water Losses Reduction Plan of the Infrastructure and Engineering Directorate be implemented to maximum effect and that the success thereof be continuously monitored.
- (b) That the Infrastructure and Engineering Directorate approach National Treasury and the Department of Water Affairs for once-off financial assistance to address some of the critical maintenance requirements in the Water and Sanitation Sub-directorate, such as the upgrading of the ageing water reticulation systems in various parts of the municipal area.
- (c) That the replacement of old, inaccurate water meters be prioritised, and that the installation of smart water meters for all high-volume water consumers be undertaken, where possible.
- (d) That officials physically monitor the water accounts of residents who were beneficiaries of the Assistance to the Poor (ATTP) programme for spikes in consumption, as such spikes in these cases most probably pointed to underground water leaks, which could be immediately repaired if detected soon.

27.7 Matter of Emphasis : Material Losses and Impairments : Electricity Losses (2014/15 Annual Report, Volume III, para. 16)

Councillor Odendaal stated that it was a concern that electricity losses had increased in the year under review, despite the fact that a service provider had been appointed to curb non-technical losses. He proposed that the contract of the service provider be reviewed, since same was only supposed to be paid for actually saving the institution money.

Councillor Captain requested that a report by the Executive Director: Electricity and Energy on the work being done and the challenges experienced by the service provider tasked with managing electricity losses be submitted to MPAC.

(It was agreed that a report would be submitted to the ordinary MPAC meeting on 12 April 2016, and that a proposed review of the service provider's contract could only be considered after receipt of that report.)

Councillor Naran commented that instead of improving, the situation regarding electricity losses seemed to have worsened. He cited the visible increase in illegal electricity connections above the road in Struanway, but pointed out that electricity theft did not only occur in the form of illegal and dangerous wire connections in poor areas, but also through wasteful usage in more affluent residential areas and in the business sector.

Councillor Odendaal proposed that MPAC recommend that, where possible, smart meters be installed for the approximately hundred high-energy users in Nelson Mandela Bay, in cases where that had not yet been done, before the end of the next financial year, in order for budgetary provision to be made for that purpose.

He also recommended that Council prioritise spending on the roll-out of formal electricity connections to informal settlements, stating that all residents who were making so-called illegal, or informal connections, were entitled to electricity and would most probably qualify for an electricity supply in terms of the Assistance to the Poor programme.

(See **Minute no. 27.7/2016** above for the response by the Acting City Manager in respect of both water and electricity losses.)

Response by Chief Financial Officer: (See **Minute No. 27.15/2016** in these minutes for comments on provision of smart electricity meters.)

RESOLVED TO RECOMMEND:

That Council prioritise spending on the roll-out of formal electricity connections to informal settlements, as residents in those areas who were making use of informal and so-called illegal electricity connections were entitled to an electricity supply, and were likely to qualify for such a service in terms of the Assistance to the Poor programme.

27.8 Matter of Emphasis : Significant Uncertainty : Lawsuits (2014/15 Annual Report, Volume III, para. 18)

The Committee agreed that the large number of lawsuits in which the NMBM was a defendant were a concern. Many of the lawsuits arose from injuries or damage sustained because of defective municipal infrastructure, such as open drains, uncovered manholes and potholes. The view was expressed that in such cases, where the institution was clearly at fault, it would be better to admit liability and at least avoid the legal costs involved in defending the action. It was added that the institution should be able to rely on its Legal Services Sub-directorate, or an outside legal source, if necessary, for the correct advice in this regard.

NOTED

27.9 Compliance with Legislation : Procurement and Contract Management : Failure to Declare Private or Business Interest in Contracts Awarded by NMBM (2014/15 Annual Report, Volume III, para. 49)

Councillor Naran proposed that every employee, to the lowest level, should formally declare any private and or business interest which they themselves and/ or their direct family members had in contracts awarded by the Municipality.

A recommendation was eventually formulated that all Executive Directors, Directors, Deputy Directors, Assistant Directors and senior managers formally declare annually, at the beginning of the financial year, their own and their direct relatives' private or business interests in contracts awarded by the Municipality, and that such declarations be updated and adjusted in the course of the year as and when circumstances changed.

RESOLVED TO RECOMMEND:

That the Acting City Manager implement a process whereby all Executive Directors, Directors, Deputy Directors, Assistant Directors and senior managers formally declare annually, at the beginning of the financial year, their own and their direct relatives' private or business interests in contracts awarded by the Municipality, and that such declarations be updated and adjusted in the course of the year as and when changes occurred in respect of the declarations that were made.

27.10 Compliance with Legislation : Consequence Management : Alleged Criminal Offences re Irregular Expenditure not reported to SA Police (2014/15 Annual Report, Volume III, para. 56)

Councillor Stemele stated that non-compliance in respect of Supply Chain Management matters had been raised for a long time in the Auditor-General's Audit Reports, but up to now, it seemed that nothing was being done by the institution to address such matters.

He proposed that a report be submitted to MPAC with details of what would be done to put an end to non-compliance in respect of procurement and contract management, and the culture of a lack of consequence management.

He referred to a recent incident when files were illegally removed from a Directorate by certain officials, and no action had been taken, as far as he knew. It was a concern that matters that should be reported to the Police were not reported. That was a culture that had to be rooted out, and managers had to take strong action.

Councillor Jarvis agreed, and appealed to the Acting City Manager to put every effort into demonstrating to the people of Nelson Mandela Bay that when things went awry, the institution acted quickly and decisively.

Councillor Naran referred to paragraphs 56, 57 and 58 in the Audit Report, and said that it was of great concern that the institution had failed to take the appropriate action of reporting cases of alleged wrongdoing to the South African Police Service during the previous financial year. He urged the Acting City Manager and his team to continue taking the required action with which they had commenced since, and to report on action taken to the Committee, in the confidential section of the agenda, if necessary.

Councillor Odendaal stated that all vacancies in the Supply Chain Management Sub-directorate should be filled in order to strengthen the capacity of the Sub-directorate. He commended the Chief Financial Officer for a lot of positive action taken regarding supply chain management, but asked for the filling of the remaining vacancies by 30 June 2016.

Response by Acting City Manager:

Filling Supply Chain Management vacancies: The Acting City Manager stated that all the Executive Directors had identified vacancies which in their view had to be filled for operational purposes. A report in that regard went through Council, and the vacancies were therefore being dealt with and the process was being monitored by the Human Resources and Corporate Administration Committee, where regular reports on the matter were submitted.

Non-compliance with Legislation : Procurement and Contract Management, Budget, Expenditure Management and Consequence Management (paragraphs 34 to 58): The Acting City Manager said that all the matters listed in paragraphs 34 to 58 in the Audit Report were process matters that would not have been there if Supply Chain matters had been managed in accordance with regulations and the MFMA prescripts. The fact of the matter was that the management during that period, i.e. the 2014/15 financial year, had allowed these things to happen, and that was why they were referred to in the Audit Report.

He went on to say that since then, a number of steps had been taken in order to deal with matters of that nature. Firstly, processes had been reviewed to ensure that such things do not happen. Secondly, investigations and disciplinary proceedings had taken place, and people were suspended or had resigned. It remained to be seen to what extent measures taken would prove to be sufficient to have dealt with issues, but the process of starting to fix what was wrong had certainly started.

The Audit Action Plan: The Audit Action Plan would also help deal with problem issues. Every instance where the Auditor-General had identified a problem was recorded in the Audit Action Plan, which was monitored by the Audit Committee.

Performance Management System: In terms of the Performance Management System, a minimum of an 80% success rate was allocated for dealing with these matters. It was an instrument of measuring to what extent the administration dealt with the matters raised by the Auditor-General. It was not there in 2014/15, but was implemented for this financial year, and was included in the performance agreements of the Acting City Manager himself and all the Executive Directors.

Register of Investigations: All infringements would be entered on such a Register. The Register was normally dealt with by the Risk Committee, and reported to the Audit Committee, so that there was transparency. If the process should not run smoothly, Council could refer it to MPAC to investigate what the problem was. The Register did not reflect who the person being investigated was, because the investigation was still in progress, but other information, such as the value of the offence, whether it was reported, and if the Risk Committee, or another committee was dealing with it, would be on the Register. The Acting City Manager also confirmed that persons who were involved in the incident referred to by Councillor Stemele in which files were illegally removed, had been suspended.

The Committee noted the verbal report by the Acting City Manager and it was requested that the Acting City Manager submit the information to MPAC in writing as well.

The Director: Internal Audit, Ms B Chan, added that Internal Audit every year extracted all the findings of the Auditor-General and put it into a template or matrix, and filled in the causes and the required management actions. That was followed up by Internal Audit with the Executive Directors on a monthly basis to monitor their implementation of the action plans, and the progress reported to the Executive Management Committee.

Ms Chan said that the Acting City Manager had now implemented a Performance Scorecard that would hold the Executive Directors accountable in terms of the percentage that they should be clearing per quarter. It was believed that that would assist considerably in holding every Directorate accountable for addressing the audit findings.

NOTED AND RESOLVED:

- (a) That the verbal report presented by the Acting City Manager in respect of corrective management measures instituted for the 2015/16 financial year, as referred to in the preamble in Minute No. 27.10/2016 of the MPAC minutes dated 2 February 2016, be submitted by the Acting City Manager in writing to MPAC.
- (b) That the Action Plan in respect of the Auditor-General's findings, which are monitored monthly by Internal Audit, be submitted to the next meeting of MPAC.

27.11 Compliance with Legislation : Consequence Management : Alleged Criminal Offences re Financial Misconduct not reported to SA Police (2014/15 Annual Report, Volume III, para. 57)

(See Minute No. 27.10/2016 above.)

27.12 Compliance with Legislation : Consequence Management : Alleged Theft / Fraud / Extortion / Forgery / Uttering Forged Documents exceeding R100 000 not reported to SA Police (2014/15 Annual Report, Volume III, para. 58)

(See Minute No. 27.10/2016 above.)

27.13 Internal Control : Leadership : Failure to Lead by Example (2014/15 Annual Report, Volume III, para. 60)

The Acting City Manager stated that the sections at the end of the Auditor-General's Report about Leadership (para. 60); Financial and Performance Management (para. 64 and 65); and Governance (para. 67) were summarising statements reflecting on parts of the Municipality where there had been failures, which had given rise to the matters referred to in paragraphs 30 to 58.

He pointed out that he had already indicated what was being done to ensure that the normal day-to-day operations of the institution took place through a number of reviews, etc. being undertaken.

He emphasised that it had to be remembered that the Audit Report referred to the previous financial year, i.e. 2014/15. Therefore the question about meter reading, and having meters to

read, and looking at the review of the contractor tasked with managing electricity losses - all those things were now in the process of being addressed.

The Acting City Manager stated that the question of leadership from the top was being addressed and as he had indicated, setting the tone from the top was taking place unapologetically.

NOTED

27.14 Internal Control : Financial and Performance Management : Lack of Financial Discipline and Monitoring (2014/15 Annual Report, Volume III, para. 64)

It was pointed out that although the institution had an Anti-fraud and Anti-corruption Strategy, it did not yet have an Anti-fraud Hotline.

Reference was made to the need to appoint a Chief Risk Officer and to strengthen the capacity of the Internal Audit Sub-directorate by appointing more forensic investigators, but it was pointed out that such matters would be covered by the plan for the filling of vacancies that had been approved by Council.

The Chairperson stated that the process of the filling of vacancies had commenced. He proposed that, as it was a matter that had been championed by MPAC, the Committee recommend that the vacancies of Chief Risk Officer and the vacancies in the Internal Audit Sub-directorate be prioritised to be filled as soon as possible, to have effective oversight throughout the institution.

RESOLVED TO RECOMMEND:

- (a) That an Anti-Fraud Hotline be implemented before 30 June 2016 in the institution, in order to enable Municipal employees and residents to provide telephonic tip-offs about suspected fraud anonymously.
- (b) That the vacancies of Chief Risk Officer and the vacancies in the Internal Audit Sub-directorate be prioritised for being filled as soon as possible, and not later than 30 June 2016, in order to ensure effective oversight throughout the institution.

27.15 Internal Control : Financial and Performance Management : Inadequate Monitoring of Meter Reading and Billing (2014/15 Annual Report, Volume III, para. 65)

It was enquired whether there were any checks and balances in the system to ensure a reliable meter reading system.

Response by Chief Financial Officer:

The Chief Financial Officer stated that the Committee would recall that it was reported during the previous oversight process that the current financial reporting system was forty years old and antiquated. The new mSCOA was currently being rolled out through Sebata Municipal Solutions. It was envisaged that implementation of some of the mSCOA items would start in July 2016, and the implementation was expected to take up to June 2017.

In response to an earlier proposal that a new Billing System be procured, it was pointed out that a part of the Sebata Municipal Solutions system was the new Billing System.

The Chief Financial Officer said that 10% of the water meters accounted for 50% of the water consumption, and it would therefore make sense to install smart water meters for that 10% of consumers, while the provision of smart meters for the other consumers would also have to be considered.

The Executive Director: Infrastructure and Engineering stated that a presentation on smart water meters would be made at the Infrastructure, Engineering and Energy Committee meeting later that week, and that thereafter the procurement of smart meters would start, which would hugely reduce non-revenue water.

The Chief Financial Officer stated that one thousand electricity meters accounted for 50% of electricity consumption, and all of those consumers already had smart meters. The provision of smart meters for the other consumers would have to be considered as well. Smart readers would also make metering at industrial premises far more effective.

NOTED

27.16 Comments by Audit Committee Chairperson, Mr G Billson

Mr Billson referred to the audit qualification for the leave accrual, and said that one of the policies of the Municipality in terms of restricting employees to a maximum of forty days' leave had not been strictly applied, so that the accrual was calculated on a total number of days which in many cases was well over that number. He asked whether it was possible that if the forty day policy had been enforced, the audit qualification could have been avoided from a value point of view. He was not sure whether that was indeed so, but said that it was something to look at closely during the course of the current financial year.

Mr Billson added that the Audit Committee would like to see effective consequence management in the institution, and was heartened by already seeing a focused approach in dealing with particular problem areas. This raised expectations of positive results in future.

NOTED

27.17 Comments by Senior Manager in Office of the Auditor-General, Ms T de Wet

Ms De Wet stated that the issue of the leave accrual of more than forty-eight days by some employees had indeed been an issue for the auditors, but there were substantially more issues than that which caused the audit qualification.

Regarding the irregular expenditure incurred, it was explained that the main problem was a "completeness issue" in the past, meaning that the Municipality had not been able to accurately identify and disclose all the irregular expenditure incurred. The institution then went through a process which enabled it to identify all the irregular expenditure, so that it could be disclosed; hence the huge increase in irregular expenditure. However, through that process the Municipality also discovered that a large number of tender files were missing, which related to a big amount disclosed under "missing documentation".

The Municipality had therefore now dealt with the irregular expenditure of the prior year by having disclosed how many items were missing and what the actual irregular expenditure was, and because of the disclosure, there was no audit qualification in respect of irregular expenditure. However, the fact that irregular expenditure was still being incurred remained a problem.

The irregular expenditure for the current year was still a huge amount, but it had to be kept in mind that most of that came from prior years' contracts which were not entered into during the 2014/15 financial year. So, irregular expenditure was still being incurred, although it was decreasing.

Ms De Wet supported the recommendation by MPAC that the irregular expenditure needed to be cleared before the end of June 2016. Reports on the investigations into the expenditure would have to be submitted to Council to be dealt with in terms of the MFMA, so that the amount of irregular expenditure did not accumulate and increase again in the following financial year.

Responding to earlier questions, it was stated that unauthorised expenditure for the previous financial year amounted to R743 million, and related to a huge impairment on buildings and land.

Ms De Wet concluded by saying that the good recommendations made at the MPAC meeting were encouraging, and needed to be followed up. She also recommended that the Action Plan drawn up by Internal Audit be provided to MPAC in writing. It was a very comprehensive document, but the matters that actually came from the Audit Report should be extracted so that there were fewer items to deal with than those contained in the Management Report. The Acting City Manager and the Chief Financial Officer could then report at every MPAC meeting what progress had been made in respect of the audit items.

NOTED

28. 2014/15 ANNUAL REPORT : PUBLIC PARTICIPATION PROCESS (3/2/9/1) (Item 4, Agenda p. 4)

NOTED

CLOSURE

The Chairperson stated that the Committee could conclude that "the tide has turned" in respect of working towards good governance, in view of the rectification processes outlined by the Acting City Manager and other officials.

The meeting terminated at 12:00.

**COUNCILLOR K G NTSHANYANA
CHAIRPERSON**

MINUTES OF PROCEEDINGS OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**(Meeting held on 16 February 2016)****PRESENT:** Councillor B Naran (Acting Chairperson)

Councillor X C Bisset
 Councillor N R Captain
 Councillor M Feni
 Councillor M E G Harning
 Councillor M E Jarvis (10:20)
 Councillor B N Mafaya
 Councillor T S Noqoli
 Councillor R Odendaal
 Councillor L B Stemele
 Councillor M G Steyn

ALSO PRESENT: Councillor R Riordan

Acting City Manager (Mr J Mettler)
 Chief Financial Officer
 Executive Director: Infrastructure and Engineering
 Executive Director: Public Health
 Executive Director: Sport, Recreation, Arts and Culture (SRAC)
 Acting Executive Director: Corporate Services (Ms V Zitumane)
 Acting Executive Director: Safety and Security (Mr A de Ridder)
 Director: Monitoring and Evaluation (COO's Office) (Mr S Ndabeni)
 Director: Sector Development (EDTA) (Ms L Mxenge)
 Acting Director: Legal Services (Mr M Ganyaza)
 Deputy Director: MPAC (Mr S M Matyolo)
 Deputy Director: Monitoring and Evaluation (COO's Office) (Mr M Sipuka)
 Assistant Director: Committee Services (Mr J Sigonyela)
 Chief Auditor: Internal Audit (Mr W Alexander)
 Financial Officer: Human Settlements (Ms R Smit)
 Acting Public Transport Planning Officer: IPTS (Mr L Ntshebe)
 Performance Management Practitioner (COO's Office) (Ms N Gogoza)
 COGTA National Support Team (Mr P Maseko)
 Audit Committee Chairperson (Mr G Billson)
 Chief Committee Officer (Ms A Craighead)
 Committee Officer (Ms S Joubert)
 Committee Officer (Ms V Heera)

BEREAVEMENT IN FAMILY OF CHAIRPERSON

It was reported that the Chairperson, Councillor Ntshanyana, was unable to attend the meeting because of the passing away of his sister. The meeting observed a minute of silence as a token of respect for the bereaved family.

ELECTION OF ACTING CHAIRPERSON

Councillor Captain proposed that Councillor B Naran be elected as Acting Chairperson for this meeting of the Committee, in the absence of the Chairperson. The proposal was seconded by Councillor Mafaya.

RESOLVED:

That Councillor B Naran act as Chairperson at this meeting of MPAC in the absence of the Chairperson, Councillor Ntshanyana, because of a family bereavement.

APPLICATIONS FOR LEAVE OF ABSENCE IN TERMS OF PARAGRAPH 3 OF THE CODE OF CONDUCT / APOLOGIES

There were no applications for leave of absence. It was reported that Councillor Jarvis had submitted an apology, as he had to attend to an urgent matter, but would join the meeting as soon as possible. Councillor Jarvis entered the meeting at 10:20.

Apologies were submitted on behalf of the Chief Operating Officer, who was represented at the meeting by the Director: Monitoring and Evaluation, Mr S Ndabeni, and on behalf of the Acting Executive Director: Human Settlements, who was represented at the meeting by the Financial Officer: Human Settlements, Ms R Smit.

NOTED

DISCLOSURE OF INTERESTS BY COUNCILLORS IN TERMS OF PARAGRAPH 5 OF THE CODE OF CONDUCT (SCHEDULE 1 OF THE SYSTEMS ACT NO. 32 OF 2000)

There were no disclosures.

DISCLOSURE OF INTERESTS BY OFFICIALS

There were no disclosures.

CONFIRMATION OF MINUTES : MEETING HELD ON 2 FEBRUARY 2016

The following errors were pointed out and corrections supplied:

- (i) The words: "... but is was..." in Minute No. 27.14, second paragraph, must read: "...but it was..."
- (ii) The word "exceeded" in Minute No. 27.16 must be replaced by the word "avoided"

- (iii) In **Minute No. 27.7**, second paragraph, the words "submit a report" and the words "be submitted" are a faulty duplication. The paragraph must read as follows:

"Councillor Captain requested that a report by the Executive Director: Electricity and Energy on the work being done and the challenges experienced by the service provider tasked with managing electricity losses be submitted to MPAC."

- (iv) In **Minute No. 27.10**, in the paragraph on the **Register of Investigations**, the word "should" in the third line must be replaced by the word "does", in order for the sentence to read: "When the process does not run smoothly..."

RESOLVED:

That the Minutes of Proceedings of the Municipal Public Accounts Committee at its meeting held on 2 February 2016, as circulated, and as amended in the corrections set out above, be hereby confirmed.

REPORT BY ACTING EXECUTIVE DIRECTOR : CORPORATE SERVICES

29. 2014/15 ANNUAL REPORT OF NELSON MANDELA BAY METROPOLITAN MUNICIPALITY (10/1/1/1) (Item 1, Agenda p. 20)

The Committee discussed the following matters arising from the Audited Consolidated Financial Statements for the year ended 30 June 2015 (2014/15 Annual Report, Volume II):

29.1 Heritage Assets (2014/15 Annual Report, Volume II, p. 3)

Councillor Harning stated that whilst a Land Asset Register had been developed, the Heritage Asset Register had not yet been completed, and an amount of over R2 million was required for that purpose. An application for assistance had been submitted to the Eastern Cape Government, and had been followed up with correspondence.

Relevant By-Law

Councillor Harning said that the so-called "problem buildings", i.e. neglected and decaying buildings, were causing an eyesore amid fine heritage buildings, although some heritage buildings were also in disrepair. Councillor Harning said that the Draft Problem Buildings By-Law, which would again be subjected to public participation, did not cover heritage buildings. She stated that the Municipality needed to act decisively against offending landlords. It was therefore necessary to pursue the finalising of the Problem Buildings By-Law diligently and to continue requesting assistance from Province in respect of heritage issues.

Councillor Steyn, in whose ward many heritage buildings as well as problem buildings are located, said that there was currently no legal instrument for dealing with landlords who allowed buildings to fall into decay. As matters stood, some heritage buildings were being lost, but many ordinary buildings were also dilapidated, contributing in some instances to crime, and leading to property depreciation in the city centre.

Councillor Odendaal pointed out that another By-Law, which complemented the Problem Buildings By-Law, was the Heritage By-Law, which had been withdrawn at Council some years ago. The Heritage By-Law would empower the institution with certain rights in terms of the Heritage Resources Act, and it was of critical importance that that By-Law be promulgated as well.

The Acting City Manager confirmed that he had given an instruction that the public participation process in respect of the Draft Problem Buildings By-Law be started afresh, after it was reported to MPAC on 18 January 2016 that there had been inadequate public participation at the original public meetings held some years ago. He stated that it would be appropriate for MPAC to recommend to Council that the Problem Buildings By-Law go through the required processes in order to be adopted by Council as soon as possible.

RESOLVED TO RECOMMEND:

- (a) That the processes required for finalising the Problem Buildings By-Law be undertaken and the By-Law be adopted by Council as a matter of urgency.
- (b) That the Heritage By-Law, which would empower the institution with certain rights in terms of the Heritage Resources Act, be promulgated to be enforced in tandem with the Problem Buildings By-Law.
- (c) That the Executive Director: Sports, Recreation, Arts and Culture continue requesting financial assistance from the Eastern Cape Provincial Government for the completion of the Heritage Asset Register for the NMBM.

29.2 Housing Revolving Fund (2014/15 Annual Report, Volume II, p. 38, Note 1)

Councillor Riordan reported that the situation regarding the Housing Revolving Fund had greatly improved through the efforts of the Acting Executive Director: Human Settlements, Mr Mabuza.

The NMBM had an outstanding balance of approximately R260 million on the Housing Revolving Fund, and had submitted applications to the value of R160 million to the Provincial Human Settlements Department. It had also been arranged that the National Human Settlements Department would provide R100 million to the Provincial government to be ring-fenced for the NMBM to eliminate the balance of the backlog on the Housing Revolving Fund.

Councillor Riordan said that he had been given the assurance that these measures would materialise as planned, which would enable the NMBM to bring down the balance of the Fund to within the correct limit.

RESOLVED TO RECOMMEND:

That the state of the Housing Revolving Fund be addressed by eliminating the balance of the backlog on the Fund and bringing down the balance to within the limit set by Council.

29.3 Rehabilitation of Swartkops River (2014/15 Annual Report, Volume II, p. 40, Note 4.2)

Councillor Harning stated that the Municipality had a plan, which would unfortunately cost R2 billion, to address the severe pollution in the Swartkops River. She added that pollution entered the river from many sources, but all was not negative, as the river cleansed itself to an extent, and the *E.coli* contamination was not constantly at the extreme levels that were measured at times.

Sewage was a major polluter, and work done by the Infrastructure and Engineering Directorate in repairing the pipes was undermined by the fact that in the past, less durable pipes were installed in some areas, resulting in piping that was failing now.

Businesses that dumped effluent were also not regulated in past years, and some were persisting in acting illegally.

Councillor Harning said that she believed that the Executive Directors of Infrastructure and Engineering and of Public Health would cooperate for the improvement of the state of the Swartkops River.

Councillor Riordan reported that provision had been made on the Adjustments Budget for improved capital spending on sewerage infrastructure and dealing with sewage pollution. Budget increases in respect of the following items were mentioned:

Improvement of the sewerage system:	Increased from R9 million to R28,3 million
Chatty Valley Collector Sewer, Stage 1:	Increased from R2 million to R15,8 million
Motherwell North Bulk sewerage system:	Increased from R1 million to R5,6 million
Motherwell Coega Wastewater Treatment Works and Outfall Sewer:	Increased from R0 to R6,6 million
Sewage pump-station maintenance:	Increased from R7 million to R14 million
Fishwater Flats:	Increased from R87 million to R103 million

NOTED

29.4 Consumer Debtors (2014/15 Annual Report, Volume II, p. 47, Note 15)

Councillor Odendaal stated that it was believed that the institution was being owed approximately R1,6 billion, and if considerable strides were not made in collecting that debt, the institution would not be able to achieve financial stability.

NOTED

29.5 Irregular Appointments (2014/15 Annual Report, Volume II, p. 70, Note 44.2.8)

Councillor Odendaal pointed out that in the year under review, concern about the appointment of the "mayoral satellite office coordinators", in contravention of Section 66 of the Municipal Systems Amendment Act, had been raised in Council and in letters to the MEC for Local Government and Traditional Affairs. The coordinators were former Councillors who had lost their seats in the wards, and were then appointed to work in office structures that were established in those wards and which functioned parallel to the Ward Councillor offices.

Councillor Odendaal stated that he had also provided the institution with a legal opinion on the matter, but no legal action against the institution was taken, as that was an option that was avoided as far as possible.

NOTED

29.6 Kabuso Report (2014/15 Annual Report, Volume II, p. 74, Note 46.1)

The lack of progress made in finalising the implementation of the Kabuso Report recommendations arising from a forensic investigation into various matters at the NMBM was deplored. It was proposed that MPAC recommend that the Kabuso recommendations, which were adopted by Council in December 2011, be finalised.

RESOLVED TO RECOMMEND:

That every effort be made to speedily finalise the implementation of the recommendations arising from the Kabuso Report on a forensic investigation into various matters at the NMBM involving possible irregular, unauthorised, fruitless and wasteful expenditure relating to the management and implementation of a number of projects.

29.7 IPTS Investigation: Criminal Charges (2014/15 Annual Report, Volume II, p. 74, Note 46.2)

RESOLVED TO RECOMMEND:

That the recommendations in the Draft Report by National Treasury adopted by Council on 27 August 2015 and the mandate given to the City Manager to proceed with criminal charges, be finalised as soon as possible.

29.8 Morrison Report: Alleged Misconduct (2014/15 Annual Report, Volume II, p. 74, Note 46.3)

RESOLVED TO RECOMMEND:

That the recommendations adopted by Council on 27 August 2015 based on the findings of Advocate Morrison's investigation into allegations of serious misconduct by two senior officials, be finalised as soon as possible.

29.9 Reports Requested Arising from Financial Statements

In response to a question by Councillor Captain as to why the institution took out loans from various banks, and not just a single bank, Councillor Riordan explained that in taking out loans, the Municipality invited tenders from banks, and was then obliged to accept the lowest tender. Every loan was taken out through the tender process. Because money was often borrowed over a five-year or ten-year period, the loan and the name of the relevant bank remained on the Municipality's books for the duration of the loan period.

Councillors Captain, Feni and Mafaya requested reports with details on the following matters:

- (i) Contract Security (Volume II, p. 58. Note 30.1)
- (ii) Meter Reading Contracts (Volume II, p. 58. Note 30.1)
- (iii) Stadium Management Operational Cost (Volume II, p. 58. Note 30.1)
- (iv) Housing Revolving Fund (Volume II, p. 38. Note 1)
- (v) Construction Contract Retention (Volume II, p. 39, Note 3)
- (vi) Unspent Conditional Grants – the reasons (Volume II, p. 42, Note 8)
- (vii) Status Quo re Investment properties – Resorts, etc. (Volume II, p. 45, Note 12)

Input by Acting City Manager

The Acting City Manager stated that the purpose of the MPAC meetings on the Annual Report was to deal with the document that was before the Committee, i.e. the 2014/15 Annual Report which reflected the activities that occurred in the **period from 1 July 2014 to 30 June 2015**. The task of MPAC in this exercise was to deal with the information relating to that period only; not with what had happened since.

He explained that if reports dealing with the current situation were brought into this process, MPAC would be moving far beyond what Council requires the Committee to do here. All the requested progress reports belonged with the relevant Standing Committees.

In dealing with the Annual Report, the approach should be: This is what happened from 1 July 2014 up to 30 June 2015, and MPAC recommends to Council, for example, that the Problem Buildings By-Law be implemented as a matter of urgency. Then MPAC has dealt with that matter. If MPAC, during this process, wanted feedback reports, it would focus on those reports, and there would be no report to Council on the 2014/15 Annual Report, which was the purpose of the meetings on the Annual Report.

Councillor Odendaal thanked the Acting City Manager, but stated that there were some issues arising from the present meeting that had to be flagged and in respect of which MPAC had to propose action, for example, the investment properties (holiday resorts) that were in a poor state and not financially profitable. In his view, that was an oversight function, but it fell outside of MPAC's mandate regarding the Annual Report. MPAC should turn its attention to such oversight matters after having completed its Oversight Report on the Annual Report.

NOTED AND RESOLVED:

- (a) That it be noted that the task of MPAC in respect of the 2014/15 Annual Report is to focus on the activities in the period from **1 July 2014 to 30 June 2015**, and to compile recommendations in its Oversight Report to Council on matters pertaining to that period only.
- (b) That reports on the matters listed in Minute No. 29.9 above, which fall beyond the period 1 July 2014 to 30 June 2015 but which are relevant to MPAC's broader oversight function, be submitted to ordinary MPAC meetings after completion of the Committee's work on its Oversight Report on the 2014/15 Annual Report.

30. ANNUAL REPORT : CHAPTER 2: GOVERNANCE (Volume I, p. 31)

The Committee proceeded to discuss the first section of the Annual Report.

30.1 Status of Municipal Public Accounts Committee (p. 52, para. 2.1.4)

Councillor Odendaal recalled that there had been several previous recommendations to Council that MPAC be made a stand-alone Committee, with dedicated members who did not have to divide their energies between MPAC and another Standing Committee of Council, as was the case at present. The current situation was problematic for Councillors, because of their other work commitments and the time that was required to spend on the work of MPAC. He proposed that it be again recommended to Council that MPAC be afforded the status of a stand-alone Committee.

RESOLVED TO RECOMMEND:

That MPAC be granted the status of a stand-alone Committee to enable Councillors to give their exclusive attention to the work required by the Committee, and thereby relieving them of having to serve on another Committee of Council as well.

30.2 Public Participation Programme (p. 62, para. 2.4)

Councillor Odendaal stated that despite some improvement in attendance at public meetings, there were in his view still serious weaknesses in the process. New approaches were required to create greater public involvement.

Councillor Naran said that in his experience, meetings in the suburbs were mostly sparsely attended, while attendance in the northern areas and townships was far better.

Councillor Harning stated that the African National Congress announced municipal meetings by working through its strong branch structures, as well as by making use of loud-hailing, word of mouth and email communication, and meetings were very well attended.

Councillor Odendaal proposed that the Municipal IDP Office develop a comprehensive plan to strengthen public participation processes and ensure better attendance of public meetings by members of all communities. He said that currently, Ward Councillors were not involved in the arrangements for public participation meetings on the IDP. They were only being told the date and times of such meetings.

Councillor Naran pointed out that the Local Government: Municipal Systems Act was very clear that various technologies and formats could be used to ensure maximum participation at public meetings.

In response to an earlier statement by Councillor Odendaal about the tiny percentage of the entire population of the NMBM area who actually attended municipal public participation meetings according to his calculation, Councillor Harning proposed that rather than calculating the overall attendance percentage, the percentage of attendance by the population in each of the clusters be calculated and disclosed. She said that if the attendance percentage in every hall, ward and cluster was shown, it would be seen how skewed public attendance was in respect of the different communities.

Councillor Jarvis stated that all parties could work to make the public participation process function more efficiently. Without proper public participation, MPAC would be failing in its role. He said that officials in the IDP Office were working on a new strategy to improve public participation. No Councillors were involved, and any proposals by the IDP officials would finally be submitted to Council, where Councillors could express their views in debating the merits of what was put forward.

Councillor Stemele commented that people could not be forced to attend meetings; they would only come to meetings if they had reasons to do so. He said that what frustrated people most about municipal public participation meetings (e.g. on the Annual Report), was that after they had raised certain issues in the first round of meetings, there had still been no response or feedback to their issues by the second round.

Councillor Stemele called on Councillors to make sure that in the round of meetings in April, they were able to give a meaningful response to people on what would be done to address the matters that they had raised.

He furthermore pointed out that documents, such as the Annual Report, should be presented to people in a clear way. Documents should be adjusted to enable all to understand the contents, taking into account different levels of education.

Councillor Feni stated that Ward Committees could play an important role in assisting with the public participation process, and all parties should make use of such assistance.

RESOLVED TO RECOMMEND:

That the work being done by the IDP Office in developing a new strategy to improve attendance at municipal public participation meetings, be expedited to ensure maximum attendance by members of all communities as a matter of urgency, whilst acknowledging the very good attendance of such meetings by some communities.

**31. ANNUAL REPORT : CHAPTER 3 : SERVICE DELIVERY PERFORMANCE
(Volume 1, p. 76)**

31.1 Provision of Solid Waste Management Services (p. 76, para. (j))

Councillor Odendaal considered the statement in paragraph (j) that "99.98% of households within the urban edge received a domestic waste collection service" to be misleading.

He said that the NMBM had set a target of rolling out a weekly solid waste collection service to every household within the urban edge. The 99.98% looked impressive, but was in his view inaccurate, as a third of households within the urban edge only received a solid waste collection service once every two weeks.

RESOLVED TO RECOMMEND:

That the statement in Chapter 3 of the Annual Report, p. 76, para. (j) be qualified to read as follows:

- (j) Two-thirds of households within the urban edge receive a weekly solid waste collection service, while a third of households receive a solid waste collection service every two weeks, pending the completion of the current roll-out of a weekly service to all households within the urban edge.

31.2 Bucket Eradication (Volume I, p. 77 and p. 86)

Councillor Odendaal contended that the number of 20 900 buckets (p. 77) still being used seemed inaccurate, as that same number had been reported for several past years. It was believed that the true number was closer to 30 000 buckets. He asked for an indication as to how the number of 20 900 buckets had been calculated.

Turning to the medium-term plan (p. 87) for the relocation of households to serviced sites with a house slab and bathroom, Councillor Odendaal stated that toilets had been built in Reservoir Hills outside Despatch, and in other areas, but that the Municipality had not been successful in assisting people by moving their informal houses to these facilities, where they would at least have waterborne facilities and a tap connected to the stand, pending the building of formal houses.

RESOLVED:

That details be provided as to how the number of 20 900 buckets as quoted in Chapter 3 of the 2014/15 Annual Report (p. 77) was calculated.

31.3 Refuse Compactors (Volume I, p. 109)

Councillor Odendaal stated that it was believed that some of the refuse compactors required for solid waste collection were so old that it was too costly to repair them. He proposed that budget provision be made for the phasing out of such old equipment.

RESOLVED TO RECOMMEND:

That sufficient funds be provided in the forthcoming budget to ensure that the very old refuse compactors, of which the cost of repairing is not economically viable, be phased out to be replaced with new compactors, in view of the planned roll-out of a weekly solid waste collection service to all households within the urban edge.

31.4 Kragga Kamma Refuse Transfer Station and Upgrading of Transfer Stations (Volume I, p. 109)

It was stated that the Kragga Kamma Refuse Transfer Station had been closed for more than a year after having been upgraded, and had still not been re-opened. It was requested that the Director: Public Health provide an indication as to when the said Transfer Station would be re-opened.

Councillor Odendaal also said that many Transfer Stations across the NMBM area were in a very poor state because of being mismanaged. The upgrading that was done at the Kragga Kamma Transfer Station provided an example of how Transfer Stations could be greatly improved. He proposed that funding be made available for the upgrading of Transfer Stations in dire need of improvement.

RESOLVED TO RECOMMEND:

That efforts be made to provide sufficient funds, if possible on the forthcoming budget, to upgrade the Waste Transfer facilities in the NMBM area, particularly those in dire need of an upgrade, or those which had not been upgraded over the past number of years to conform to the standards of the National Environmental Management Act (NEMA).

31.5 Assistance to the Poor Programme (ATTP) (Volume I, p. 125)

It was proposed that officials be assigned to monitor the accounts of Assistance to the Poor (ATTP) beneficiaries to identify significant spikes in water consumption, which most probably always pointed to an underground water leak. If such spikes were properly monitored, the matter could be investigated without delay and the leak repaired.

It was also considered that it was still taking too long for applications for ATTP assistance to be approved. Efforts were being made, based on consultation with other metropolitan municipalities, to make the process more streamlined. There also had to be a regular verification of the financial circumstances of beneficiaries, but the streamlining process was aimed at making it as easy as possible for those who qualified, to be approved as beneficiaries without waiting for months.

RESOLVED TO RECOMMEND:

- (a) That an official or officials in the Budget and Treasury Directorate be assigned to monitor the accounts of Assistance to the Poor (ATTP) beneficiaries for significant spikes in water consumption, in order that probable underground water leaks can be reported and repaired without delay.
- (b) That the processing of applications for assistance in terms of Assistance to the Poor (ATTP) be made more streamlined, in order to spare prospective beneficiaries a long waiting period, while also regularly verifying the financial position of existing ATTP beneficiaries.

31.6 Rehabilitation of Roads : R5,8 million provided in 2014/15 (Volume I, p. 131)

Councillor Odendaal stated that the allocation of R5,8 million in the 2014/15 financial year for the rehabilitation of roads had simply not been enough. The backlog in infrastructure maintenance was currently well over R4 billion, and serious trouble was foreseen if more money was not made available for such maintenance.

He recalled that in the current financial year (2015/16) the maintenance budget had been cut back drastically to ensure that the budget was cash-backed. He said a stage had now been reached where cut-backs on roads infrastructure maintenance could no longer be made. Spending on the maintenance of roads was imperative in order to try eradicating the backlog, although it was hard to see how, on the current budget, a start could be made in addressing the over R4 billion backlog.

RESOLVED TO RECOMMEND:

That no further cut-backs in funding for roads infrastructure maintenance be made in the forthcoming budget, in view of the meagre allocation of R5,8 million for the rehabilitation of roads in the 2014/15 financial year, and the current maintenance backlog of over R4 billion.

At this stage, Councillor Harning stated that the ANC Councillors had not caucused the part of the Annual Report from which Councillor Odendaal was raising points. She said that in terms of the programme that had been set, only the Financial Statements would be considered at the meeting on 16 February 2016.

Councillor Naran, as Acting Chairperson, replied that all Councillors had agreed that the Committee continue with its set roadmap after the discussion of the Financial Statements. He ruled that the meeting use the remaining time in order not to fall behind with its work in respect of the Annual Report.

The Acting City Manager stated that Councillor Odendaal could continue with the input and recommendations, and that the ANC Councillors could make their input thereon at the next meeting.

31.7 Security Services : Pro-active and Re-active Law Enforcement Services (Volume I, p. 207)

Councillor Odendaal stated that he had a problem with the statement (p. 207) that the Municipal Security Services discouraged "By-Law contraventions by providing pro-active and re-active law enforcement services". He stated that in his view there was currently little to no By-Law enforcement in the NBMB area, which it was hoped would change once there was a fully-fledged Municipal Police Service.

RESOLVED TO RECOMMEND:

That it be **NOTED** that MPAC questions the statement in the Annual Report that the Municipal Security Services discouraged By-Law contraventions by providing pro-active and re-active law enforcement services, as there was currently little By-Law enforcement in the NMBM area, which could, however, change once the Municipal Police Service was implemented.

31.8 Security Services : Continued Utilisation of Technology such as CCTV (Volume I, p. 207)

It was called into question whether the institution was using its CCTV systems to maximum capacity, and it was requested that clarity be provided. It was pointed out that it was critically important as a security measure to have as many areas as possible covered by CCTV cameras.

RESOLVED TO RECOMMEND:

That CCTV systems be utilised to maximum capacity throughout the Municipal area in order to strengthen security.

31.9 Response to Input and Recommendations re Chapters 2 and 3

In response to the matters highlighted by Councillor Odendaal, several ANC Councillors indicated that all, or almost all, the issues raised had already been addressed.

Councillor Bisset stated that a plan to eventually provide a weekly solid waste collection service for every household within the urban edge was being rolled out.

Councillor Naran said the Security Service matters had been raised and answered in the Safety and Security Standing Committee.

Councillor Stemele said that Councillor Odendaal contested the number of bucket toilets quoted in the report, but did not tell the meeting what the correct number was. He added that the ANC had delivered services in ensuring that it would eradicate the bucket system. He said that Councillor Odendaal himself had referred to the toilets that were built in Reservoir Hills and Khayamnandi. Councillor Stemele added that toilets were also built in KwaNobuhle Area 11. The relocation of beneficiaries from informal areas to where the toilets were, and where formal houses would eventually be built for them, had to take place in accordance with policy procedures, which took time.

He stated that the ANC regarded the Annual Report as a true reflection of the work done during 2014/15. He concluded by saying that issues that had been addressed in the Standing Committees should not be rehashed at MPAC.

Councillor Captain supported Councillor Stemele's statements. He proposed that the meeting be closed, and that further matters be considered at the next meeting, without responding to the input made by Councillor Odendaal at the current meeting in respect of Chapters 2 and 3 of the Annual Report. The proposal was seconded by all the ANC Councillors.

In response, Councillor Jarvis, on behalf of the DA, stated that what had been said, as reported in the preceding paragraphs, amounted to being told that the Committee had to accept the view of the ANC and take it as gospel. That implied that the Annual Report was not supposed to be debated, or any aspect of it questioned. If that was so, there was no purpose in having an MPAC at all, and also no purpose in allowing the community to engage with the document. That amounted to a complete disregard for the rights of the community and the different interest groups to have a view of the document and to raise questions where questions were merited.

He indicated that the fact that positive action was being taken, did not take away from the fact that there remained issues that required attention, as were highlighted by Councillor Odendaal.

The Acting Chairperson stated that Councillor Jarvis was welcome to air his views, but was out of line in having raised his voice.

In closing, the Acting Chairperson stated that at the next MPAC meeting, the section of the Annual Report dealing with the Performance Scorecard Report would be considered, and if time allowed, the discussion of Chapters 1 to 6 of the Annual Report would then be continued. If that discussion was not completed within the time set for the meeting, it would be carried over to the meeting thereafter.

In a final comment, Councillor Odendaal said that in highlighting matters as he had done, he was questioning certain statements in the Annual Report, and that was a part of the oversight function of MPAC. However, he suggested that the ANC caucus decide whether or not they were interested in the DA's contributions in drafting the Oversight Report.

The Acting Chairperson reminded the Committee that MPAC was a Council Committee, established by Council, and that all Councillors were welcome at its meetings.

The meeting terminated at 11:30.

**COUNCILLOR B NARAN
ACTING CHAIRPERSON**

MINUTES OF PROCEEDINGS OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

(Meeting held on 23 February 2016)

PRESENT: Councillor K G Ntshanyana (Chairperson)

Councillor X C Bisset
Councillor N R Captain
Councillor M Feni
Councillor M E G Harning
Councillor M E Jarvis
Councillor B N Mafaya
Councillor B Naran
Councillor T S Noqoli
Councillor R Odendaal

ALSO PRESENT: Councillor M Bobani

Chief Operating Officer
Chief Financial Officer
Executive Director: Infrastructure and Engineering
Executive Director: Electricity and Energy
Executive Director: Public Health
Executive Director: Economic Development, Tourism and Agriculture
Acting Executive Director: Corporate Services (Ms V Zitumane)
Acting Executive Director: Safety and Security (Mr A de Ridder)
Acting Executive Director: Human Settlements (Mr M Mabuza)
Director: Internal Audit and Risk Assurance (Ms B Chan)
Director: Monitoring and Evaluation (COO's Office) (Mr S S Ndabeni)
Director: Legal Services (COO's Office) (Mr T Motasi)
Acting Director: Special Programmes Directorate (Mr S Mnyaka)
Deputy Director: MPAC (Mr S M Matyolo)
Deputy Director: Monitoring and Evaluation (COO's Office) (Mr M Sipuka)
Assistant Director: Libraries (SRAC) (Ms B Chigumbu)
Head: Research Unit (Chief Whip's Office) (Mr G Ngqondi)
Performance Management Practitioner (COO's Office) (Mr W Obeng)
Senior Manager: Office of the Auditor-General (Ms T De Wet)
Chief Committee Officer (Ms A Craighead)
Committee Officer (Ms S Joubert)
Committee Officer (Ms V Heera)

ABSENT

WITHOUT LEAVE: Councillor L B Stemele

APPLICATIONS FOR LEAVE OF ABSENCE IN TERMS OF PARAGRAPH 3 OF THE CODE OF CONDUCT / APOLOGIES

An application for leave of absence had been submitted to the Speaker by Councillor M G Steyn.

The Chairperson reported that the Acting City Manager was unable to attend the MPAC meeting, as he was engaged in other Council business. He would join the meeting later, if possible.

The Secretariat received an apology on behalf of the Executive Director: SRAC, Ms N Nqwazi, who was out of town on Council business and was represented at the MPAC meeting by the Assistant Director: Libraries, Ms B Chigumbu.

NOTED AND RESOLVED:

That leave of absence from this meeting of the Committee be granted to Councillor M G Steyn.

DISCLOSURE OF INTERESTS BY COUNCILLORS IN TERMS OF PARAGRAPH 5 OF THE CODE OF CONDUCT (SCHEDULE 1 OF THE SYSTEMS ACT NO. 32 OF 2000)

There were no disclosures.

DISCLOSURE OF INTERESTS BY OFFICIALS

There were no disclosures.

REPORT BY ACTING EXECUTIVE DIRECTOR : CORPORATE SERVICES

40. 2014/15 ANNUAL REPORT : PERFORMANCE SCORECARD FOR THE 2014/15 FINANCIAL YEAR (10/1/1/1) (Item 1, Agenda p. 1)

The Committee discussed the following matters arising from the 2014/15 Annual Performance Scorecard Report as reflected in the colour-coded spreadsheets that were circulated.

The same Scorecard Report, but without colour-coding, is also set out the **amended** pages 279 to 298 which were circulated to replace the original pages 279 to 298 in the 2014/15 Annual Report.

Please note: The page numbers quoted below are the page numbers of the colour-coded spreadsheets.

KPA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

- 40.1** Number of state subsidised housing units provided (KPI No. 1.1.1, p. 1);
40.2 Number of defective houses rectified (KPI No. 1.1.5, p. 2); and
40.3 Approval of Spatial Development Framework (KPI No. 1.1.6, p. 2)

(Note: The above three KPIs were considered together.)

Councillor Odendaal stated that it was noted that the annual target of 835 housing units had been exceeded by the delivery of 1 282 houses in the 2014/15 financial year, but that delivery at that rate was not enough to address the huge housing backlog. He also pointed out that the Municipality was allowed to spend only 10% of its annual funding allocation on rectification. It was therefore proposed that the Municipality apply to the National Department of Human Settlements for additional funding to address the backlog of 39 000 defective houses that required rectification. Furthermore, the revised Draft Spatial Development Framework had to be submitted to Council without further delay.

Councillor Captain commented that there had been challenges in the Human Settlements Directorate during the year under review, but thanks to the intervention by Provincial and National Government Human Settlements officials in the Directorate, good progress had since been made in respect of housing delivery as well as the rectification of defective houses.

Councillor Naran stated that construction defects could be avoided through rigorous monitoring and inspection throughout the building process to ensure that contractors complied with quality requirements, and by penalising those contractors who did not comply. He also called on the office of the Acting City Manager to accelerate the approval of the revised Draft Spatial Development Framework, in compliance with the Spatial Planning and Land Use Management Act (SPLUMA).

Councillor Bobani called for the cases of the suspended officials in the Human Settlements Directorate to be finalised speedily. He also pointed to the importance of finalising the reviewed Draft Spatial Development Framework in the interest of transformation.

Councillor Jarvis said that as an oversight body, MPAC needed to put recommendations in place to "change the level of urgency" that was expressed by the targets created in the KPIs. He supported the calls for strict monitoring and evaluation of the construction of state subsidised houses, and for more funding. He also pointed out that none of the KPIs made any mention of the corruption that had taken place in the past, which, it was hoped, had since been addressed, but if MPAC ignored such issues, it would be failing in its duty of exercising oversight.

Councillor Bisset said that the intervention by the National Department of Human Settlements in the Human Settlements Directorate in the NMBM had brought positive change. National Department officials visited the Municipality regularly for monitoring meetings, and action had been taken to address cases of corruption. The Human Settlements Directorate was being overhauled. Contractors had been appointed and there was liaison between developers and Municipal officials.

The Chief Operating Officer made the following statements:

- The targets in the KPIs for housing were informed by the funding that the Municipality received from the Provincial Department of Human Settlements. The existing backlog was being dealt with in a piecemeal manner, depending on the budget allocation.

- Through the intervention of the National Department of Human Settlements, the Municipality was also assisted with a review of supply chain management procedures relating to housing matters, and the NHBRC had been brought in to assist with quality checks and assurance.
- The Acting City Manager was dealing with the cases of the suspended officials in the Human Settlements Directorate, and a report on the outcome would be issued.

RESOLVED TO RECOMMEND:

- (a) That whilst noting that the 2014/15 housing delivery target was achieved and exceeded, and in order to address the remaining housing backlog more effectively, an application be made for an increase in the allocation of gazetted funding for housing units to be delivered by the Municipality in every financial year.
- (b) That the Municipality apply to the National Department of Human Settlements for additional funding for the rectification of the existing backlog of 39 000 defective houses.
- (c) That the Acting Executive Director : Human Settlements ensure that the incidence of defective houses be minimised through rigorous monitoring and inspection of the entire construction process of state subsidised houses, in order to ensure that contractors comply with quality requirements.
- (d) That the Acting City Manager accelerate the adoption by Council of the revised Draft Spatial Development Framework, in compliance with the Spatial Planning and Land Use Management Act (SPLUMA).

40.4 Reduction in water losses (KPI No. 1.2.2, p. 3

Concern was expressed at the statement in the report that in the year under review, water losses increased because of the unavailability of plumbing materials and new water meters at the Stores Department.

The Committee emphasised that supply chain process had to be managed properly to ensure that contracts were renewed and orders placed timeously in order to have all the basic equipment available for repairing water leaks and installing meters. It was emphasised that losses suffered because of faulty meters or un-metered water connections also meant a loss of revenue.

In response to questions about whether the Water Loss Reduction Strategy had had any impact on water losses in the year under review, the Executive Director: Infrastructure and Engineering reported as follows re actions that were taken after the end of the 2014/15 financial year as part of implementing the Strategy.

- 214 Water Ambassadors were appointed after the end of the 2014/15 financial year to monitor and report water leaks, illegal dumping, electricity-related problems, etc. in the wards.
- By end April/ beginning of May 2016, 300 plumbers – five per ward – would be appointed to work closely with Ward Committees members and to repair water leaks.

- Smart water meters (10 000) would be bought and installed at the premises of consumers who accounted for 60% of the water consumption in the NMBM area.

In the week of 22 to 26 February 2016, Water & Sewerage Teams and Road Maintenance Teams would work in the wards to collect data for an Action Plan for the systematic monitoring of service delivery problems, which Plan would be submitted to the Portfolio Councillor and the Acting City Manager in the following week.

An official from the Department of Water Affairs would visit Nelson Mandela Bay during the same week to assess the Strategy. The Executive Director noted time was needed for the implementation of the strategy, but that plans were now being translated into actions.

Councillor Mafaya requested that it be recorded that the Executive Director: Infrastructure and Engineering had given a commitment at the MPAC meeting held on 23 February 2016 that Water & Sewerage Teams and Road Maintenance Teams would visit the wards in that week to collect data for an Action Plan that would be submitted to the Portfolio Councillor and the Acting City Manager in the following week for the systematic monitoring of service delivery repairs.

RESOLVED TO RECOMMEND:

That supply chain processes be managed efficiently to ensure that plumbing materials for repairing water leaks, and new water meters for installation in state subsidised houses or for the replacement of defective meters, are available from the Stores Department, when required.

FURTHER RESOLVED:

That the Executive Director: Infrastructure and Engineering submit a report, with time-frames, on the practical implementation of the strategy to manage water leaks, to the next ordinary MPAC meeting, scheduled for 12 April 2016.

40.5 Households with basic sanitation (excluding bucket system) (KPI No. 1.3.1, p. 3)

Councillor Noqoli noted that the Scorecard Report did not refer to the bucket system, but enquired what progress was being made in respect of the eradication of the bucket toilet system.

The Chief Operating Officer pointed out that reports on this, and other matters raised by Councillors in this meeting, were being submitted to the relevant Portfolio Standing Committees.

The Chairperson stated that a three-prong plan in that regard had been approved by Council, and the Executive Director: Infrastructure and Engineering reported that 1 771 foundation slabs with waterborne toilets had been built in Daleview, Reservoir Hills, Khayamandi and Motherwell as part of the approved plan. Formal houses would eventually be built on these stands. The relocation of beneficiaries to these stands had started, but a challenge arose when persons from informal settlements in nearby wards started invading the stands. The relocation process to ensure that the correct beneficiaries were relocated to the stands was currently being dealt with by the Human Settlements Directorate.

Another part of the plan consisted of the building of communal toilet blocks for communities currently living in informal settlements, on flood-plains and under power-lines. Security would be provided at the communal blocks. It was hoped that contracts would be awarded soon and that construction work would commence in April 2016.

The Chairperson stated that the three-prong plan for the eradication of the bucket system had been approved by Council, and the relevant Directorates (Infrastructure & Engineering and Human Settlements) had to submit progress reports on the implementation thereof to their respective Standing Committees.

NOTED

40.6 Number of new erven connected to electricity (KPI No. 1.6.1, p. 4)

It was noted that the target that was erroneously set did not relate to low-cost houses, and that the actual target for such houses was in fact achieved.

NOTED

40.7 Electricity losses (KPI No. 1.6.3, p. 5)

It was raised as a concern that the service provider, Amat, that was appointed to assist in reducing electricity losses, had neglected to submit a report on its work that had been requested months ago.

It was agreed that both the Infrastructure, Engineering and Energy Committee and the Budget and Treasury Committee should again request the Executive Director : Electricity and Energy to get Amat to supply the report, and that, if no report was forthcoming, the matter be reported to MPAC.

RESOLVED:

That the Infrastructure, Engineering and Energy Committee and the Budget and Treasury Committee again request that the Executive Director : Electricity and Energy get Amat, the service provider that was appointed to manage and reduce electricity losses, to submit its long-outstanding progress report on its work to the aforesaid Committees, and that if no report is received, the matter be reported to MPAC.

40.8 Number of electricity substations upgraded through replacement/ refurbishment of switchgear (KPI No. 1.6.4, p. 5)

It was proposed that MPAC recommend that sufficient funding be made available for the roll-out of formal electricity connections to informal settlements, and that the process be fast-tracked.

It was furthermore pointed out that the institution was very reliant on the income received from electricity sales, and that it was worrying that not more funding was spent on the maintenance of electricity infrastructure. A sustainable electricity supply was essential for local economic development and growth, and for local industry. Reference was made to a recent power failure that affected Uitenhage, and particularly the major industrial zone in that town. It was therefore agreed to recommend that the Electricity and Energy Directorate receive sufficient funding to ensure that a reliable supply of electricity was provided throughout the Municipal area, but especially in Uitenhage and Despatch.

RESOLVED TO RECOMMEND:

- (a) That sufficient funding be made available on the 2016/17 Budget for the accelerated roll-out of formal electricity connections to informal settlements, and that the process be fast-tracked.
- (b) That sufficient funding be provided on the 2016/17 Budget for the maintenance of electricity infrastructure to ensure a reliable supply of electricity for local economic development and growth, and for sustaining the major industrial zones in Nelson Mandela Bay, especially in the Uitenhage and Despatch area.

**40.9 Households receiving domestic waste collection service (KPI No. 1.7.1, p. 6); and
40.10 Households receiving weekly waste collection service (KPI No. 1.7.2, p. 6)**

(The above two KPIs were considered together)

The Chief Operating Officer agreed to discuss with the Auditor-General's office a suggestion that the colour orange be used, in addition to green for "Achieved" and red for "Not Achieved", in cases such as KPI 1.7.1, where the target had very nearly been met, being 99.98%.

Councillor Odendaal disputed the achievement of 99.98%, pointing out that it was Council's intention to provide a weekly service to all households, and at this stage 99.98% of households did not receive a weekly service. He stated that KPI 1.7.1 should be changed to refer to a weekly service.

The Executive Director: Public Health stated that the KPI was approved by Council, and that the target as described in the Council-approved KPI was for waste collection, without stipulating the frequency of the service. The Chief Operating Officer added that the KPIs in the Scorecard arose from legislation.

It was agreed that the achievement in respect of KPI 1.7.2 should be commended, as the target of a weekly domestic waste collection service to 30 000 households, had been exceeded by rendering the weekly service to 31 592 households.

NOTED

40.11 Number of play parks provided with playground equipment (KPI No. 1.8.1, p. 6)

Councillor Harning stated that the Parks Division had acted in the interest of children's safety by having removed the substandard play park equipment that was delivered by a supplier. New equipment could not be installed until such time as a service provider was found. The tender process started in the new financial year and it was expected that new equipment would be supplied by the end of June 2016.

NOTED

- 40.12 Turnaround time re learner's licence test (KPI No. 1.9.1, p. 7); and**
40.13 Turnaround time re driver's licence test (KPI No. 1.9.2, p. 7

(The above two KPIs were considered together.)

The Acting Executive Director: Safety and Security (Mr De Ridder) said that the statistics regarding the turnaround time from the booking of appointments for learner's and driver's licence tests, to the time of performing the tests, were drawn from the Traffic Information System, which it was believed could not be manipulated.

The Chairperson pointed out that it was known that many people took their learner's and driver's licence tests in neighbouring towns because of the often long waiting period at the local Traffic and Licensing Services, and it was agreed that the local service should be made user-friendly for the public.

The Committee queried the reference to "Metro Police" in the Key Performance Element (KPE) column, as it did not relate to the above-mentioned KPIs.

RESOLVED TO RECOMMEND:

That the Acting City Manager investigate the functioning of the Traffic and Licensing Services in respect of the turnaround time for obtaining learner's and driver's licences, and to make the necessary adjustments, if needed, to render an efficient and accessible service to the public.

40.14 Emergency Services – Response Time (KPI No. 1.10.1, p. 7)

The Committee praised the Fire and Emergency Services Sub-directorate for their dedication in overcoming challenges with equipment etc., to render an essential service very successfully.

NOTED

KPA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

40.15 Mentors and mentees participating in Electricity and Energy and Infrastructure Skills Development Programme (KPI No. 2.1.2, p. 8)

It was pointed out that as 41 of the targeted number of 43 mentees participated, the colour-coding for this KPI should have been orange rather than red.

Councillor Naran considered that a reprimand had to be directed at the Infrastructure and Engineering Directorate and the Human Settlements Directorate for not having had any mentors participating in the programme.

The Executive Director: Infrastructure and Engineering stated that because of staff constraints, the Directorate did not have staff members available who could act as mentors.

NOTED

40.16 % recruitment completed within three-month turnaround period (KPI No. 2.1.6, p. 9)

The Committee expressed concern at the failure to achieve the target of filling vacancies within a three-month turnaround time from the date of receipt of recruitment notice to the date of appointment.

Councillor Odendaal referred to the statement in the Performance Analysis that one of the reasons for the underperformance in the year under review was the “backlogs as a result of the previous moratorium on the filling of vacancies”. He considered that the statement should be removed from the Performance Analysis, as it was regarded as misleading, as even the filling of critical vacancies, which were not affected by the moratorium at the time, had taken from nine to eleven months to be finalised. It was pointed out that such delays in the appointment process hampered the functioning of the administration, and had a knock-on effect on all service delivery.

However, it was believed that the new Acting City Manager and the new Acting Executive Director: Corporate Services, who were commended for their work thus far, were determined to improve operations in the Corporate Services Directorate (including Human Resources Management).

RESOLVED TO RECOMMEND:

That the hope be expressed that the new Acting City Manager and the new Acting Executive Director: Corporate Services succeed in improving the functioning and effectiveness of the Corporate Services Directorate, including achieving a turnaround time of three months for the filling of vacancies from the date of receipt of recruitment notice to the date of appointment.

KPA 3: LOCAL ECONOMIC DEVELOPMENT

40.17 % households earning less than R2 700 per month with access to free basic services (KPI 3.2.6, p. 14)

Councillor Odendaal pointed out that recommendations had been made earlier during this oversight process in respect of the Assistance to the Poor programme (See Min. No. 31.5/2016). He added that it was concerning that the target had not been met, but he believed that once the problems with the current system of applications had been resolved, it would be possible to achieve the target.

Councillor Feni called for officials to take poverty eradication very seriously. He rejected the explanation given in the Performance Analysis about a backlog caused by verification processes and limited human resources to perform such processes. He called for more outreach programmes in the formerly disadvantaged areas in order to spread awareness of the Assistance to the Poor (ATTP) programme.

RESOLVED TO RECOMMEND:

That the institution undertake more outreach programmes to inform communities, particularly in the formerly disadvantaged areas, about the Assistance to the Poor (ATTP) programme, in terms of which households earning less than R2 700 per month are entitled to free basic municipal services.

40.18 Number of drowning incidents at municipal bathing beaches and municipal swimming pools (KPI No. 3.3.2, p. 15)

Councillor Harning stated that the following words should be added to the wording of the above KPI: "...during hours that these facilities were staffed by municipal staff".

She pointed out that the one drowning incident which caused the non-achievement of the target for this KPI, happened outside of municipal bathing hours and in an area where no life-guard was on duty at the time. She stated that the Municipality could not take responsibility for a drowning that occurred in such circumstances, and proposed that the Committee object to the drowning being recorded in the report on KPI No. 3.3.2.

RESOLVED TO RECOMMEND:

- (a) That the following words be added to KPI No. 3.3.2 in order for it to read: "Number of drowning incidents at municipal bathing beaches and municipal swimming pools during hours that these facilities were staffed by municipal staff."
- (b) That an objection be recorded against the inclusion of the one drowning incident that caused the non-achievement of KPI No. 3.3.2, as the Municipality cannot be held liable for a drowning that occurred outside of the hours of duty of municipal life-guards.

40.19 Mendi Multi-purpose Cultural Centre (KPI No. 3.3.3, p. 15)

Councillor Harning reported that the work on the Mendi Multi-purpose Cultural Centre had often been delayed because of numerous problems on the site, including thefts. Oversight had been poor, as the site agent was located in Johannesburg. However, the project had now been ceded to a local contractor, unused funds had been carried over to the 2015/16 financial year, and the project was moving forward with pace.

NOTED

KPA 4: FINANCIAL SUSTAINABILITY AND VIABILITY

40.20 % billed revenue collection rate (before write-offs) (KPI No. 4.1.1, p. 16)

Councillor Odendaal commented that the current collection rate of 92% was even lower than the 94.27% (before write-offs) achieved in the year under review, which was a concern, and which had allowed the Debtors' Book to go up significantly in the year under review.

The Chief Financial Officer responded that the collection rate was expected to start improving from March 2016 onwards, and to reach 95% to 96% by June 2016.

NOTED

- 40.21 % revenue collection from traffic and licensing services (excluding fines) (KPI No. 4.1.2, p. 16); and**
40.22 % of traffic fines collection (as per the set budget target) (KPI No. 4.1.3, p. 16)

(The above two KPIs were considered together.)

Councillor Odendaal asked whether 100% had been a realistic target to set for the above KPIs, in view of the 92.40% achieved in the year under review in respect of traffic and licensing services (excluding fines) and, in the case of KPI 4.1.3, the continuous reports submitted to the Budget and Treasury Committee regarding the underperformance in collecting traffic fines.

The Chief Financial Officer responded that the target was considered to be realistic, as the budgeted income for the current financial year was R6 million to R7 million, whereas the income for the first half of the financial year had already been R14 million, and the target now was to reach R28 million. In the Adjustments Budget provision had been made for more than R200 million in actual fines, which now needed to be collected.

Councillor Jarvis stated that credit had to be given for the huge improvement in the traffic fines issuing system over the past twelve months.

NOTED

KPA 5: GOOD GOVERNANCE AND PUBLIC ADMINISTRATION

NOTED

KPA 6: SPECIAL CROSS-CUTTING PROJECTS

40.23 Motherwell Thusong Service Centre (Phase 2) (KPI No. 6.1.2, p. 19)

Councillor Captain said that it was very concerning that the Motherwell Thusong Service Centre was standing closed and was not operational at all.

RESOLVED:

That the office of the Chief Operating Officer submit a report in respect of the Motherwell Thusong Service Centre to the next ordinary MPAC meeting scheduled for 12 April 2016, focusing on the reasons for the delay in completing the centre, and the actions planned to make the centre operational.

40.24 Red Location Singapi Road Upgrade (KPI No. 6.2.2.2, p. 21)

Councillor Captain stated that the upgrading work being done on Singapi Road was hampering service delivery in the Red Location area. It was noted that the Office of the Deputy Executive Mayor was tasked with dealing with the Red Location project.

It was agreed that a report on the current status of the work being done in respect of the Red Location Singapi Road Upgrade and the effect of the project on service delivery in the area, be submitted to the next ordinary MPAC meeting by the office of the Director: Economic Development, Tourism and Agriculture, in consultation with the Office of the Deputy Executive Mayor and the Directorates of Human Settlements and of Sports, Recreation, Arts and Culture, and their respective Portfolio Councillors.

RESOLVED:

That the Office of the Director: Economic Development, Tourism and Agriculture, in consultation with the Office of the Deputy Executive Mayor and the Human Settlements and the Sports, Recreation, Arts and Culture Directorates and their respective Portfolio Councillors, submit a report on the current status of the Red Location Singapi Road Upgrading project, and the effect of the road construction work on service delivery in the area, to the next ordinary MPAC meeting scheduled for 12 April 2016.

The meeting terminated at 11:40.

**COUNCILLOR K G NTSHANYANA
CHAIRPERSON**

MINUTES OF PROCEEDINGS OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

(Meeting held on 3 March 2016)

PRESENT: Councillor K G Ntshanyana (Chairperson)

Councillor X C Bisset
 Councillor N R Captain
 Councillor M Feni
 Councillor M E Jarvis
 Councillor B N Mafaya
 Councillor B Naran
 Councillor R Odendaal
 Councillor L B Stemele
 Councillor M G Steyn

ALSO PRESENT: Councillor M Bobani

Chief Operating Officer
 Chief Financial Officer
 Executive Director: Infrastructure and Engineering
 Executive Director: Public Health
 Executive Director: Sports, Recreation, Arts and Culture
 Acting Executive Director: Electricity and Energy (Mr P Neilson)
 Acting Executive Director: Safety and Security (Mr S Sibiyi)
 Director: Internal Audit and Risk Assurance (Ms B Chan)
 Director: Monitoring and Evaluation (COO's Office) (Mr S S Ndabeni)
 Director: Sector Development (EDTA) (Ms L Mxenge)
 Director: Office of the City Manager (Ms N Xali)
 Acting Director: Strategic Coordination and Programme Management
 (Corporate Services) (Ms V Zeelie)
 Deputy Director: MPAC (Mr S M Matyolo)
 Assistant Director: Human Settlements (Mr Z Nkayitshana)
 Audit Committee Chairperson (Mr G Billson)
 Chief Committee Officer (Ms A Craighead)
 Committee Officer (Ms S Joubert)
 Committee Officer (Ms V Heera)

APPLICATIONS FOR LEAVE OF ABSENCE IN TERMS OF PARAGRAPH 3 OF THE CODE OF CONDUCT / APOLOGIES

No applications for leave of absence were received. Apologies were submitted on behalf of Councillor M E G Harning and Councillor T S Noqoli.

It was reported that the Acting City Manager had an engagement with the Executive Mayor, and would be represented at the meeting by the Chief Operating Officer. The Executive Director: Corporate Services was engaged on other Council business, and was represented by the Acting Director: Strategic Coordination and Programme Management, and the Executive Director: EDTA was also unable to attend because of other Council business, and was represented by Ms L Mxenge.

NOTED

DISCLOSURE OF INTERESTS BY COUNCILLORS IN TERMS OF PARAGRAPH 5 OF THE CODE OF CONDUCT (SCHEDULE 1 OF THE SYSTEMS ACT NO. 32 OF 2000)

There were no disclosures.

DISCLOSURE OF INTERESTS BY OFFICIALS

There were no disclosures.

CONFIRMATION OF MINUTES – MEETING HELD ON 16 FEBRUARY 2016

RESOLVED:

That the Minutes of Proceedings of the Municipal Public Accounts Committee at its meeting held on 16 February 2016, as circulated, be hereby confirmed.

(See also Minute No. 41/2016 below.)

The Chairperson welcomed Mr G Billson, Chairperson of the Audit Committee, and Ms N Xali, the new Director in the Office of the City Manager, at the meeting.

REPORT BY ACTING EXECUTIVE DIRECTOR : CORPORATE SERVICES

41. CONFIRMATION OF MINUTES : 16 FEBRUARY 2016 : CLARIFICATION OF KPI : PROVISION OF SOLID WASTE MANAGEMENT SERVICES (Item 1, Agenda p. 18)

RESOLVED:

That the recommendation re Provision of Solid Waste Management Services reflected in Minute No. 31.1/2016, of this Committee dated 16 February 2016, be hereby rescinded.

42. 2014/15 ANNUAL REPORT OF NELSON MANDELA METROPOLITAN MUNICIPALITY – ANNUAL REPORT, CHAPTERS 1 – 6 (10/1/1/1)

As the Committee had considered Chapters 1 to 3 and Chapter 6 of the 2014/15 Annual Report at previous meetings, the discussion at this meeting focused on Chapters 4 – 5.

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE (Annual Report p. 299)**42.1 Councillor Welfare Policy (2014/15 Annual Report, Chapter 4, p. 301, no. 10)**

In response to a question as to when the Councillor Welfare Policy would be adopted, the Chief Operating Officer reported that the Policy had not yet been finalised, as it was being work-shopped with Councillors. It was pointed out that the Policy, which would contain an Exit Plan, was necessary also to assist Councillors who were not re-elected in the Local Government Elections later in the year.

It was agreed that a time-frame of end April 2016 be set for the submission by the Office of the Chief Operating Officer of a progress report to MPAC, stating at what stage the work on the Policy was, and when it was expected to be ready for adoption by Council.

RESOLVED TO RECOMMEND:

That the review of the Councillor Welfare Policy be accelerated and that the Office of the Chief Operating Officer submit a progress report on the work done in that regard to MPAC by the end of April 2016.

CHAPTER 5: FINANCIAL PERFORMANCE (Annual Report p. 314)**42.2 Financial Performance : New Revenue Stream (2014/15 Annual Report, Chapter 5, p. 315)**

Councillor Odendaal pointed out that in the year under review, the institution had a budgeted deficit of R466,53 million, which resulted in the Budget for the current year having had to be slashed to make it cash-backed. He argued that in order to make the institution economically viable, more revenue sources would have to be identified, as the funding received from National Government and the money generated by the institution itself was too little.

In planning for the future, it was proposed that the Budget and Treasury Directorate, in consultation with the Budget Planning Committee, identify a new revenue stream for the institution. It was stated that there was a significant risk in being too reliant on the income derived from electricity sales. Such sales might become smaller as electricity became more expensive in the coming years, causing companies to start curbing their electricity usage.

RESOLVED TO RECOMMEND:

That the Chief Financial Officer, in consultation with the relevant Budget Planning Committee, identify a potential new revenue stream for the institution, in view of the current over-reliance on electricity sales as a source of income.

42.3. Budgeted Revenue Collection Rate (2014/15 Annual Report, Chapter 5, p. 315)

Councillor Odendaal commented that it was encouraging that the institution had, in the current financial year, succeeded in passing an Adjustments Budget with a R39 million surplus. He said that that had been a difficult task, for which the relevant officials deserved to be commended. Arising from that, he proposed that MPAC recommend that whereas the institution had in the year under review budgeted for a 94% collection rate, a rate of at least 95% had to be budgeted for in the 2016/17 financial year. The Chief Financial Officer, in responding to this point, stated that the collection rate for 2016/17 had indeed been set at 95%, and that it would be set at 96% for the 2017/18 financial year.

Revenue Enhancement and Debt Collection Strategy: Councillor Naran expressed support for more efficient revenue collection methods, and pointed out that more innovative thinking was required, particularly in respect of arrear debt. The Chief Financial Officer stated in response to a question that it was believed that the services of the panel of attorneys appointed by Council to assist with debt collection, benefited the institution and justified the cost involved. He added that the revenue enhancement company EOH that was recently appointed, would look at the collection methods of the panel, and that a new, adjusted strategy might be crafted.

Operational Efficiency Work Plan: Councillor Odendaal proposed to recommend that the institution work towards achieving a stricter application of its Operational Efficiency Work Plan. The Chief Operating Officer said that it was concerning that the Plan was not having the desired effect on operational efficiency, especially in relation to telephone and fuel costs. However, a monitoring tool had been developed in conjunction with the Budget and Treasury Directorate to measure the savings achieved through the Operational Efficiency Work Plan. The Chief Financial Officer pointed out that the Internal Audit Sub-directorate was undertaking a forensic audit of the cost implications of the use made of the municipal telephone system and municipal vehicles.

RESOLVED TO RECOMMEND:

That MPAC express support for the following measures to improve revenue collection and operational efficiency, namely:

- (i) the budgeted collection rate of 95% for 2016/17;
- (ii) the revenue enhancement work of the company EOH; and
- (iii) the monitoring tool that was developed to assist in the effective implementation of the Operational Efficiency Work Plan throughout the institution.

42.4 Rental of Facilities and Equipment (2014/15 Annual Report, Chapter 5, p. 318)

Councillor Odendaal said that it was a big concern that a number of municipal properties were still leased on leases dating back to the 1980s, without ever having been renewed, which meant that the institution was not receiving the revenue that was due to it. He proposed that in order to improve revenue generation, all leases of Council's land, buildings and equipment had to be finalised before the close of the current financial year, i.e. 30 June 2016.

The question of which Directorate was best placed to be tasked with the administration of all the leases, was a subject for further debate, but it was considered that the management of land and building leases had to be integrated, and could even be assigned to a dedicated section in the institution to be established for that purpose.

The Assistant Director: Strategic Coordination and Programme Management in the Corporate Services Directorate, Ms V Zeelie, reported that in terms of a Mayoral resolution, a Task Team for integrated lease management was being established. In terms of a mandate given by the Acting City Manager to the Acting Executive Director: Corporate Services, an initial meeting was held on 26 February 2016. Representatives of the Corporate Services and the Budget and Treasury Directorates were unable to attend, but would form part of the Task Team, along with representatives of the Human Settlements Directorate (Properties Division) and the Chief Operating Officer's Office.

Ms Zeelie said that the work in respect of the Task Team was added to the revised Performance Agreement of the Executive Director: Corporate Services.

The target for the next quarter would be the establishment of the Task Team and the development of its Terms of Reference. A meeting would be held in March 2016. Ms Zeelie stated that this was work in progress aimed at bringing together the management of land and building leases. Included in the work of the Task Team would be integrating the work that had been done by Lamacs Solutions into the management of the Municipality itself, after the ending of the Lamacs contract on 31 October 2016.

MPAC expressed its support for this work in progress.

RESOLVED TO RECOMMEND:

- (a) That all leases of Council's land, buildings and equipment be finalised before the end of the 2015/16 financial year.
- (b) That efforts be accelerated to integrate the management of land and building leases, and that the establishment of a dedicated Division for that purpose be considered.

42.5. Total Outstanding Service Debtors (2014/15 Annual Report, Chapter 5, p. 390)

It was noted that the outstanding service debtors increased to R2,932 billion in 2014/15, and it was pointed out that in that year, there was also the problem that the panel of attorneys to assist the institution with debt collection had not been appointed, so that very little debt collection actually occurred, causing the Debtors' Book to go up substantially.

Councillor Odendaal stated that he was not making a recommendation on this matter, but wished to note that it was important to collect as much of that debt as soon as possible, bearing in mind that the older the debt became, the more expensive it was to collect it.

NOTED AND RESOLVED TO RECOMMEND:

That a concerted effort be made to improve debt collection in order to impact positively on the institution's Debtors' Book.

42.6 Repairs and Maintenance (2014/15 Annual Report, Chapter 5, p. 392)

Councillor Odendaal referred to the statement in the report that in the year under review the Municipality's cash position was unable to support an expenditure ratio of more than 7% on the infrastructure maintenance backlog, whereas a ratio of at least 10% was required in view of the extent of the backlog.

He proposed that in the current year, the institution should endeavour to address the infrastructure maintenance backlog by increasing spending on infrastructure maintenance by as close as possible to the required 10% ratio, without compromising the institution financially.

He pointed out that the maintenance expenditure on property, plant and equipment similarly had to be increased, as the 3.5% level budgeted for the current financial year was considered to be far too low.

RESOLVED TO RECOMMEND:

That an attempt be made to address the infrastructure maintenance backlog by increasing the spending on such maintenance by as close as possible to a 10% expenditure ratio, without compromising the institution financially.

CLOSURE

In closing, it was agreed that the input made at the oversight meetings, as reflected in the minutes of the said meetings, would be submitted to the Office of the Chief Operating Officer for the development of the Draft Oversight Report on the 2014/15 Annual Report. The Draft Report would be considered at the next MPAC meeting scheduled for 10 March 2016. All role-players were thanked for their commitment to the process.

The meeting terminated at 10:00.

COUNCILLOR K G NTSHANYANA
CHAIRPERSON

MINUTES OF PROCEEDINGS OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**(Meeting held on 10 March 2016)****PRESENT:** Councillor K G Ntshanyana (Chairperson)

Councillor X C Bisset (09:20)
 Councillor N R Captain
 Councillor M Feni
 Councillor M E G Harning
 Councillor M E Jarvis
 Councillor B N Mafaya
 Councillor T S Noqoli
 Councillor R Odendaal
 Councillor L B Steremele
 Councillor M G Steyn

ALSO PRESENT: Acting City Manager (Mr J Mettler)
 Chief Operating Officer
 Executive Director: Infrastructure and Engineering
 Executive Director: Economic Development, Tourism and Agriculture
 Executive Director: Public Health
 Acting Executive Director: Corporate Services (Mr T Mgwana)
 Acting Executive Director: Safety and Security (Mr S Sibiya)
 Acting Executive Director: Human Settlements (Mr M Mabuza)
 Director: Internal Audit and Risk Assurance (Ms B Chan)
 Director: Monitoring and Evaluation (COO's Office) (Mr S S Ndabeni)
 Director: Office of the Chief Financial Officer (Mr M Nogqala)
 Director: Legal Services (Mr T Motasi)
 Director: Office of the City Manager (Ms N Xali)
 Deputy Director: MPAC (Mr S M Matyolo)
 Acting Assistant Director: Electricity and Energy (Mr H Hobongwana)
 Chief Curator: Red Location Art Gallery (Mr U Baduza)
 Head: Research Unit (Chief Whip's Office) (Mr G Ngqondi)
 Performance Management Practitioner (COO's Office) (Ms N Goqoza)
 COGTA National Support Team Member (Mr P Maseko)
 Assistant Audit Manager: Office of the Auditor-General (Mr N Mancoba)
 Audit Committee Member (Mr J Neves)
 Chief Committee Officer (Ms A Craighead)
 Committee Officer (Ms S Joubert)
 Committee Officer (Ms V Heera)

(Leave of absence granted in respect of Councillor B Naran was noted.)

APPLICATIONS FOR LEAVE OF ABSENCE IN TERMS OF PARAGRAPH 3 OF THE CODE OF CONDUCT / APOLOGIES

No applications for leave of absence were received.

It was reported that the following Executive Directors were unable to attend the meeting, but were represented by the officials indicated below:

Chief Financial Officer (represented by Mr M Noggala); Executive Director: Sport, Recreation, Arts and Culture (represented by Mr U Baduza); Acting Executive Director: Corporate Services (represented by Mr T Mgwanza); and Acting Executive Director: Electricity and Energy (represented by Mr H Hobongwana).

NOTED

DISCLOSURE OF INTERESTS BY COUNCILLORS IN TERMS OF PARAGRAPH 5 OF THE CODE OF CONDUCT (SCHEDULE 1 OF THE SYSTEMS ACT NO. 32 OF 2000)

There were no disclosures.

DISCLOSURE OF INTERESTS BY OFFICIALS

There were no disclosures.

CONFIRMATION OF MINUTES

MEETING HELD ON 23 FEBRUARY 2016

RESOLVED:

That the Minutes of Proceedings of the Municipal Public Accounts Committee at its meeting held on 23 February 2016, as circulated, be hereby confirmed.

MEETING HELD ON 3 MARCH 2016

(Note by Secretariat: In the minutes of the MPAC meeting dated 3 March 2015, it was reported that Councillor T S Noqoli had submitted an apology for being unable to attend that meeting. However, the Secretariat afterwards received documentation indicating that Councillor Noqoli had submitted a formal application for leave of absence to the Speaker in respect of the meeting on 3 March 2016.)

RESOLVED:

That the Minutes of Proceedings of the Municipal Public Accounts Committee at its meeting held on 3 March 2016, as circulated and as amended in the Note by Secretariat above, be hereby confirmed.

The Chairperson welcomed Mr Ndabezitha Mancoba, Assistant Audit Manager in the Office of the Auditor-General, and Mr Jose Neves, member of the NMBM Audit Committee, at the meeting.

REPORT BY ACTING EXECUTIVE DIRECTOR : CORPORATE SERVICES**43. DRAFTING OF 2014/15 OVERSIGHT REPORT (Item 1, Agenda p. 22)**

The meeting did not consider the copy of the 2014/15 Draft Oversight Report attached as Appendix "A" to the MPAC agenda dated 10 March 2016, but proceeded to review the **new, adjusted** Draft Oversight Report, copies of which were distributed by the Office of the Chief Operating Officer after the issuing of the first Draft Report. A copy of the adjusted Draft Oversight Report is attached as **Annexure "A"**, for record purposes to the file copy only of these minutes.

In considering the **new** draft, the Committee did not support the following proposed amendment made by Councillor Odendaal:

Area 2, Housing Revolving Fund, New Draft p. 21: That the recommendation be amended to include "and eliminating all issues in respect of the Housing Revolving Fund by 30 June 2016".

Area 2, Kabuso Report, New Draft p. 21: by including in the recommendation a deadline of 30 June 2016.

The Committee agreed upon the amendments as set out in the resolutions below:

43.1 Area 3, KPI No. 2.1.6, New Draft, p. 26: Recruitment: Turnaround time for filling of Vacancies**RESOLVED:**

That the recommendation in respect of KPI No. 2.1.6 be amended as follows:

That the Acting City Manager and the Acting Executive Director: Corporate Services make a concerted effort to improve the turnaround time of three months for the filling of vacancies from the date of receipt of recruitment notice to the date of appointment, and a plan to achieve that be submitted to the Human Resources and Corporate Administration Standing Committee.

43.2 Area 4, Annual Report, New Draft, p. 28: MPAC stand-alone Committee**RESOLVED:**

That as the matter of MPAC being a stand-alone Committee had already been submitted to Council and was currently being investigated, a statement in this regard be removed from the schedule and included in the Chairperson's Forward in the Oversight Report.

43.3 Area 4, Annual Report, New Draft, p. 29: Upgrading of Transfer Stations

RESOLVED:

That the recommendation in respect of the upgrading of Transfer Stations be amended as follows:

That efforts be made to provide sufficient funds, if possible on the forthcoming budget, to upgrade the Waste Transfer facilities in the NMBM area, particularly those in dire need of an upgrade, or those which had not been upgraded over the past number of years to conform to the standards of the Waste Management Act and the National Environmental Management Act (NEMA).

43.4 Area 4, Annual Report, New Draft, p. 30: Rehabilitation of Roads

RESOLVED:

That the recommendation in respect of the rehabilitation of roads be amended as follows:

That sufficient additional funding be identified and no further cut-backs in funding for roads infrastructure maintenance be made in the forthcoming budget, in view of the meagre allocation of R5,8 million for the rehabilitation of roads in the 2014/15 financial year, and the current maintenance backlog of over R4 billion, and that the 80/20 principle be strictly applied in terms of which funding is channelled to disadvantaged areas.

44. OVERSIGHT COMMITTEE RESOLUTIONS

RESOLVED TO RECOMMEND:

- (a) That the Council, having fully considered the Annual Report of the NMBM for the 2014/15 financial year, adopts the Oversight Report as presented by the Municipal Public Accounts Committee.
- (b) That the recommendations of the Municipal Public Accounts Committee reflected in Section 7 of its 2014/15 Annual report, be adopted and that the progress with the implementation thereof, be reported on in the Quarterly Reports to MPAC.
- (c) That the Oversight Report be made public in accordance with Section 129(3) of the Local Government: Municipal Finance Management Act, Act 56 of 2003.
- (d) That the Oversight Report for the 2014/15 financial year be submitted to the Provincial Legislature in accordance with Section 132(2) of the Local Government: Municipal Finance Management Act, Act 56 of 2003.

- (e) That Council, having fully considered the Mandela Bay Development Agency's (MBDA's) Annual Report as included in the NMBM's 2014/15 Annual Report, approves the Municipal Entity's Annual Report.

The meeting terminated at 10:30.

**COUNCILLOR K G NTSHANYANA
CHAIRPERSON**



**NOTICE OF 2014/15 ANNUAL REPORT AND
2015/16 MID-TERM REPORT
OPEN FOR INSPECTION**

The 2014/15 Draft Annual Report and the 2015/16 Mid-Term Report of the Nelson Mandela Bay Metropolitan Municipality were tabled in Council on 28 January 2016. The 2014/15 Draft Annual Report was referred to the Municipal Public Accounts Committee for review. The Municipality hereby invites comments from the public on these two reports.

Copies of these reports are open for inspection at all municipal libraries and customer care centres, as well as on the municipal website www.nelsonmandelabay.gov.za

Any comments on the reports must be submitted to the Office of the City Manager (Attention: Chief Operating Officer) at PO Box 116, Port Elizabeth 6000; or fax: 041 505 4524; or e-mail: cooadmin@mandelametro.gov.za by not later than **MONDAY, 29 FEBRUARY 2016**.

The schedule of meetings of the Municipal Public Accounts Committee where the 2014/15 Annual Report will be discussed is as follows:

DATE	TIME	VENUE
2 February 2016	09:00	Council Chambers, City Hall
16 February 2016	09:00	Council Chambers, City Hall
23 February 2016	09:00	Conference Centre, Military Road
3 March 2016	09:00	Council Chambers, City Hall
10 March 2016	09:00	Council Chambers, City Hall

It should also be noted that members of the public are welcome to attend any of the scheduled oversight meetings of the Municipal Public Accounts Committee, during which the 2014/15 Annual Report will be discussed, in the capacity of observers.

Ref. 11 – 1 February 2016

Under the hand of the Acting City Manager, Mr Johann Matlier

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