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- 1 ITEM NUMBER : C 08/05/06**
- 2 OVERSIGHT REPORT IN RESPECT OF THE 2004/05 ANNUAL REPORTS FOR THE CITY OF CAPE TOWN AND ITS MUNICIPAL ENTITIES**

**INGXELO ENGEZIPHOSISO/ENGEEMPAZAMO NGOKUPHATHELENE  
KWIINGXELO ZONYAKA ZIKA-2004/05 ZESIXEKO SASEKAPA  
NEZAMAQUMRHU ASO AZIMELEYO**

**OORSIGVERSLAG TEN OPSIGTE VAN DIE 2004/05-JAARVERSLAE VAN DIE  
STAD KAAPSTAD EN SY MUNISIPALE ENTITEITE**

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- 3 RECOMMENDATION FROM SPECIAL FINANCE PORTFOLIO COMMITTEE  
(FUNCTIONING AS THE OVERSIGHT COMMITTEE) 16 MAY 2006  
SPFIN 03/05/06**

**RECOMMENDED TO COUNCIL**

- (a) that Council having fully considered the annual report of the municipality and representations thereon, adopts the oversight report and;
- (i) approves the annual report having noted the reservations as included in Annexure A of the oversight report;
  - (ii) that the reservations mentioned in (Annexure A) be submitted to the first meeting of SCOPA after establishment.
- (b) that Council having fully considered the annual report of the municipal entity, Cape Town International Convention Centre Company and representations thereon, adopts the oversight report and;
- (i) approves the annual report having noted the reservations as included in Annexure A of the oversight report;
  - (ii) that the reservations mentioned in (Annexure A) be submitted to the first meeting of SCOPA after establishment.
- (c) that Council having fully considered the annual report of the municipal entity, Khayelitsha Community Trust, and representations thereon, adopts

the oversight report and;

- (i) approves the annual report having noted the reservations as included in Annexure A of the oversight report;
- (ii) that the reservations mentioned in (Annexure A) be submitted to the first meeting of SCOPA after establishment.

**REPORT TO FINANCE PORTFOLIO COMMITTEE  
(Functioning as the OVERSIGHT COMMITTEE)**



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

**1 ITEM NUMBER :**

**2 SUBJECT**

**OVERSIGHT REPORT IN RESPECT OF THE 2004/05 ANNUAL REPORTS  
FOR THE CITY OF CAPE TOWN AND ITS MUNICIPAL ENTITIES**

**INGXELO ENGEZIPHOSISO/ENGEEMPAZAMO NGOKUPHATHELENE  
KWIINGXELO ZONYAKA ZIKA-2004/05 ZESIXEKO SASEKAPA  
NEZAMAQUMRHU ASO AZIMELEYO**

**OORSIGVERSLAG TEN OPSIGTE VAN DIE 2004/05-JAARVERSLAE VAN DIE  
STAD KAAPSTAD EN SY MUNISIPALE ENTITEITE**

**3 PURPOSE**

To enable the Committee to discharge its oversight responsibility in considering the 2004/05 annual reports for the City of Cape Town and its municipal entities in terms of Section 129 of the Local Government : Municipal Finance Management Act (Act 56 of 2003) (MFMA).

**4 STRATEGIC INTENT**

This report supports the Strategic Intent to achieve *Equitable and Effective Service Delivery*, as well as facilitating the accomplishment of Council's other 5 strategies.

**5 FOR DECISION BY**

Council.

**6 EXECUTIVE SUMMARY**

- 6.1 MFMA Circular Number 32 recommends the establishment of an oversight committee for the detailed analysis and review of the annual report(s), following their tabling in Council, receiving and reviewing representations made by the public, inputs from other councillors and council portfolio committees and then drafting an oversight report that may be taken to full council for discussion.

- 6.2 However, in the absence of an oversight committee, Council Resolved, *inter alia*, that the 2004/05 annual reports be submitted to the relevant Portfolio Committees. Accordingly, in terms of a generic covering item, all Portfolio Committees were requested to consider the 2004/05 annual reports with a view to providing comments to Council for inclusion in the oversight report to be adopted by Council on 31 May 2006. Relevant comments and resolutions made by the Council and the Portfolio Committees are contained in the schedule **attached as Annexure A**. In the interim, a special meeting of the Finance Portfolio Committee was arranged for 16 May 2006, at which meeting the Committee would assume the function of an "oversight committee" for purposes of the 2004/05 annual reports and making appropriate recommendations to Council.
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## 7 RECOMMENDATIONS

7.1 That Council resolves that:

7.1.1 The Council having fully considered the annual report of the municipality and representations thereon, adopts the oversight report; and

- Council approves the annual report without reservations; or
- Council approves the annual report with reservations as included in the comments in Annexure A of the oversight report; or
- Council refers the annual report back for revisions of the components listed in Annexure A of the oversight report; or
- Council rejects the annual report of the municipality for the reasons summarised in Annexure A of the oversight report.

7.1.2 The Council having fully considered the annual report of the municipal entity, Cape Town International Convention Centre Company, and representations thereon, adopts the oversight report; and

- Council approves the annual report without reservations; or
- Council approves the annual report with reservations as included in the comments in Annexure A of the oversight report; or
- Council refers the annual report back for revisions of the components listed in Annexure A of the oversight report; or
- Council rejects the annual report of the municipal entity for the reasons summarised in Annexure A of the oversight report.

7.1.3 The Council having fully considered the annual report of the municipal entity, Khayelitsha Community Trust, and representations thereon, adopts the oversight report; and

- Council approves the annual report without reservations; or
- Council approves the annual report with reservations as included in the comments in Annexure A of the oversight report; or

- Council refers the annual report back for revisions of the components listed in Annexure A of the oversight report; or
- Council rejects the annual report of the municipal entity for the reasons summarised in Annexure A of the oversight report.

## 7 IZINDULULO

### 7.1 Zokuba iBhunga ligqibe ukuba:

#### 7.1.1 Ekubeni iBhunga liyiqwalasele ngokupheleleyo ingxelo yonyaka kamasipala kunye nogqithiso-ngxelo kamva, lamkela ingxelo yokuphosakeleyo; kwakhona

- IBhunga liphumeza ingxelo yonyaka ngaphandle koxhomekeko/intandabuzo; okanye
- IBhunga liphumeze ingxelo yonyaka ngokuxhomekeka njengoko kuqukiwe ku Annexure A kwizihlomlo kwingxelo yokuphosakeleyo; okanye
- IBhunga libuyisela ingxelo yonyaka ukuba iphengululwe ekwayinkxalenye yokudweliswe ku Annexure A engxelo yokuphosakeleyo; okanye
- IBhunga likhaba ingxelo yonyaka kamasipala ngokwezizathu ezishwankathelwe ku Annexure A engxelo yokuphosakeleyo.

#### 7.1.2 Ekubeni iBhunga liyiqwalasele ngokupheleleyo ingxelo yonyaka yamaqumrhu azimeleyo kamasipala, iNkampani yeZiko leNkomfa leZizwe laseKapa (i-CTICCC), kunye nogqithiso-ngxelo kamva, lamkela ingxelo yokuphosakeleyo; kwakhona

- IBhunga liphumeza ingxelo yonyaka ngaphandle koxhomekeko; okanye
- IBhunga liphumeze ingxelo yonyaka ngokuxhomekeka njengeko kuqukiwe kwizihlomlo kwingxelo yokuphosakeleyo ku Annexure A; okanye
- IBhunga libuyisela ingxelo yonyaka ukuba iphengululwe ekwayinkxalenye yokudweliswe ku Annexure A engxelo yokuphosakeleyo; okanye
- IBhunga likhaba ingxelo yonyaka yamaqumrhu azimeleyo kamasipala ngokwezizathu ezishwankathelwe ku Annexure A engxelo yokuphosakeleyo.

#### 7.1.3 Ekubeni iBhunga liyiqwalasele ngokupheleleyo ingxelo yonyaka yamaqumrhu azimeleyo kamasipala, iQumrhu loLuntu laseKhayelitsha, nogqithiso-ngxelo kamva, lamkela ingxelo yokuphosakeleyo; kwakhona

- IBhunga liphumeza ingxelo yonyaka ngaphandle koxhomekeko; okanye
- IBhunga liphumeze ingxelo yonyaka ngokuxhomekeka njengoko kuqukiwe kwizihlomlo kwingxelo yokuphosakeleyo ku Annexure A; okanye
- IBhunga libuyisela ingxelo yonyaka ukuba iphengululwe ekwayinkxalenye yokudweliswe ku Annexure A engxelo yokuphosakeleyo; okanye
- IBhunga likhaba ingxelo yonyaka yamaqumrhu azimeleyo kamasipala ngokwezizathu ezishwankathelwe ku Annexure A engxelo yokuphosakeleyo.

## 7 AANBEVELINGS

7.1 Die raad besluit dat:

7.1.1 Die raad, nadat dit die jaarverslag van die munisipaliteit en die vertoë daaroor deeglik oorweeg het, die oorsigverslag aanvaar; en

- Die raad die jaarverslag sonder voorbehoud goedkeur; of
- Die raad die jaarverslag goedkeur met die voorbehoude soos uiteengesit in die kommentaar in die oorsigverslag in Aanhangsel A; of
- Die raad die jaarverslag terugverwys vir hersiening van die komponente gelys in Aanhangsel A van die oorsigverslag; of
- Die raad die munisipaliteit se jaarverslag afkeur op grond van die redes soos opgesom in Aanhangsel A van die oorsigverslag.

7.1.2 Die raad, nadat dit die jaarverslag van die munisipale entiteit, Kaapstadse Internasionale Konferensiesentrum, en die vertoë daaroor deeglik oorweeg het, die oorsigverslag aanvaar; en

- Die raad die jaarverslag sonder voorbehoud goedkeur; of
- Die raad die jaarverslag goedkeur met die voorbehoude soos uiteengesit in die kommentaar in die oorsigverslag in Aanhangsel A; of
- Die raad die jaarverslag terugverwys vir hersiening van die komponente gelys in Aanhangsel A van die oorsigverslag; of
- Die raad die munisipale entiteit se jaarverslag afkeur op grond van die redes soos opgesom in Aanhangsel A van die oorsigverslag.

7.1.3 Die raad, nadat dit die jaarverslag van die munisipale entiteit, Khayelitsha Gemeenskapstrust, en die vertoë daaroor deeglik oorweeg het, die oorsigverslag aanvaar; en

- Die raad die jaarverslag sonder voorbehoud goedkeur; of
- Die raad die jaarverslag goedkeur met die voorbehoude soos uiteengesit in die kommentaar in die oorsigverslag in Aanhangsel A; of
- Die raad die jaarverslag terugverwys vir hersiening van die komponente gelys in Aanhangsel A van die oorsigverslag; of
- Die raad die munisipale entiteit se jaarverslag afkeur op grond van die redes soos opgesom in Aanhangsel A van die oorsigverslag.

## 8 DISCUSSION/CONTENTS

### 8.1 Constitutional and Policy Implications

8.1.1 The process is driven by legislation.

### 8.2 Legal Implications

8.2.1 Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) (Chapter 12) (MFMA).

8.2.2 Local Government : Municipal Systems Act, 2000 (Act 32 of 2000) (Chapter 6), as read with the Local Government : Municipal Systems Amendment Act, 2003 (Act 44 of 2003).

8.2.3 Local Government : Municipal Structures Act, 1998 (Act 117 of 1998).

### 8.3 Other Services Consulted

Nil.

### 8.4 Background

8.4.1 MFMA Circular Number 32, issued by National Treasury on 15 March 2006, provides guidelines on the preparation of an oversight report in respect of a municipality's annual report and those of its municipal entities. The processes recommended, *inter alia*, in terms of the Circular are:

- (a) The establishment of an **oversight committee** under Sections 33 and 79 of the Municipal Structures Act, 1998. This committee and, if needed, sub-committees could be responsible for the detailed analysis and review of the annual report(s), following their tabling in Council, and then drafting an oversight report that may be taken to full council for discussion. Such a committee may receive and review representations made by the public and also seek inputs from other councillors and council portfolio committees.
- (b) The oversight committee should be comprised of only non-executive councillors and community representatives. Municipal officials cannot be members of an oversight committee as this would pose a conflict of interest. Assistance from the municipality's Audit Committee in the review process is also recommended as a major source of independent specialist advice.

8.4.2 However, when the 2004/05 annual reports for the City of Cape Town and its municipal entities, namely, Cape Town International Convention Centre Company and Khayelitsha Community Trust, were tabled in Council on 31 March 2006, an oversight committee had not been formally established. The Chief Audit Executive has submitted a report proposing the incorporation of the oversight committee role with the newly created Standing Committee on Public Accounts (SCOPA) but this will only be considered by Council on 31 May 2006. In the absence of a formal oversight committee, the process followed by the City of Cape Town was as follows:

- (a) Council Resolved, *inter alia*, that the 2004/05 annual reports be submitted to the relevant Portfolio Committees.
- (b) Accordingly, in terms of a generic covering item, all Portfolio Committees were requested to consider the 2004/05 annual reports with a view to

providing comments to Council for inclusion in the oversight report to be adopted by Council on 31 May 2006. Relevant comments and resolutions made by the Council and the Portfolio Committees are reproduced in the schedule **attached as Annexure A**. In the interim, a special meeting of the Finance Portfolio Committee was arranged for 16 May 2006, at which meeting the Committee would assume the function of an "oversight committee" for purposes of the 2004/05 annual reports and making appropriate recommendations to Council.

- 8.4.3 Following the tabling of the annual reports in Council on 31 March 2006, a notification was placed in the local newspapers (daily and community papers), advising the community of the availability of the annual reports on the City's website, at the City's libraries, subcouncil offices and Cape Town Civic Centre, and inviting written representations or comments in respect thereof in terms of Section 127 (5) of the MFMA. However, no representations or comments were received by the closing date of 30 April 2006.
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**ANNEXURES**

Annexure A : Schedule containing comments and resolutions from the Council and Portfolio Committees

**FOR FURTHER DETAILS CONTACT :**

Comment:

**CHAIRPERSON : FINANCE PORTFOLIO  
COMMITTEE (FUNCTIONING AS THE  
OVERSIGHT COMMITTEE)  
[Councillor Iversen]**

*Jan Loken*

DATE

*12 May 2006*

ANNEXURE A

COMMENTS AND RESOLUTIONS FROM THE COUNCIL AND COUNCIL'S PORTFOLIO COMMITTEES IN RESPECT OF THE 2004/05 ANNUAL REPORTS FOR THE CITY OF CAPE TOWN AND ITS MUNICIPAL ENTITIES

Council / Portfolio Committee	Date of Meeting	Comments and Resolutions		Reference
		City's Annual Report	Municipal Entities' Annual Reports	
Council	31 March 2006	<p>Resolved that:</p> <p>(a) the City's Annual Report for 2004/05 be noted,</p> <p>(b) whilst noting the timelines prescribed by the MFMA, coupled with the Council resolution of December 2005, relative to no Council meetings being held during the run-up to the local elections, that the following processes be followed:</p> <p>(i) the annual report for 2004/05 now be made public</p> <p>(ii) representations be invited from the local community</p> <p>(iii) copies of the annual report be distributed to the institutions referred to in Section 127.(5) of the MFMA.</p> <p>(c) Council deal with the annual report in accordance with the steps contained in Sections 129 and 130 of the MFMA and that an oversight report in respect thereof be adopted by Council by 31 May 2006.</p> <p>Further Resolved that the City's Annual Report for 2004/05 also be submitted to the relevant Section 79 Portfolio Committees.</p>	<p>Resolved that:</p> <p>(a) the municipal entities annual reports for 2004/05, namely that of the Cape Town International Convention Centre and Khayelitsha Community Trust, be noted by Council.</p> <p>(b) in the same manner and within the same timelines in which the City's annual report is being noted:</p> <p>(i) that the municipal entities annual reports for 2004/05 now be made public and representations be invited from the local community together with that of the City's.</p> <p>(ii) that Council deal with the municipal entities' annual reports in accordance with the steps contained in Sections 129 and 130 of the MFMA and that an oversight report in respect thereof be adopted by Council by 31 May 2006 together with that of the City.</p> <p>Further Resolved that:</p> <p>(a) the 2004/05 Annual Report of the Municipal Entities of the City of Cape</p>	C 25/03/06 C 26/03/06

<p>Finance</p>	<p>11 April 2006</p>	<p>Recommended to Council that                  (a) the contents of the Annual Report 2004/05 as reflected in the report dated 5 April 2006 be noted;                  (b) that the public participation process on this matter be supported.</p>	<p>Town also be submitted to the relevant Section 79 Portfolio Committee/s.                  (b) a report on the SPM Housing Micro Loan Trust which has been dissolved, and the Philippi East Trading Company which was dormant and was in the process of being deregistered, be submitted to Mayco, via the Section 79 Economic and Social Development and Tourism Portfolio Committee.</p>	<p>FIN 10/04/06                  FIN 11/04/06</p>
		<p>Recommended to Council that                  (a) the municipal entities annual reports for 2004/05; namely that of the Cape Town International Convention Centre and Khayelitsha Community Trust be considered by Council;                  (b) in the same manner and within the same timelines in which the City's annual report is being considered:                  (i) the municipal entities annual reports for 2004/05 now be made public and representations be invited from the local community together with that of the City's; Council deal with the municipal entities' annual reports in accordance with the steps contained in Sections 129 and 130 of the MFMA and that an oversight report in respect thereof be adopted by Council by 31 May 2006</p>		

Housing	11 April 2006	Resolved that the Annual Report 2004/05 BE NOTED.	Resolved that the Annual Report of the Municipal Entities of the City of Cape Town 2004/05 BE NOTED.	together with that of the City.	HOU 13/04/06 HOU 14/04/06
Transport, Roads and Stormwater	11 April 2006	Resolved that the City's Annual Report for 2004/05 be noted.	Resolved that the annual report for municipal entities for 2004/05, namely that of the Cape Town International Convention Centre and Khayelitsha Community Trust be noted.		TR&S 12/04/06 TR&S 13/04/06
Trading Services and Infrastructure	11 April 2006	Resolved that the Annual Report 2004/05 be noted and referred to Council for consideration.	Resolved that the Annual Report of the Municipal Entities of the City of Cape Town 2004/05 be noted.		TSI 13/04/06 TSI 14/04/06
Safety and Security	12 April 2006	Attention was drawn to the incorrect statement on page 7 of the report that the former Safety and Security Portfolio Committee had 7 meetings whilst in fact it only met 5 times. Resolved that the report be NOTED.	It was pointed out that the audit of the Khayelitsha Development Trust was not included in the report. Resolved that the report be NOTED.		SAFS 14/04/06 SAFS 15/04/06
Economic and Social Development and Tourism	12 April 2006	<p>Clir M. Mngasela referred to the following issues in Chapter 4 of the Annual Report 2004/05 and requested that it be addressed:</p> <ul style="list-style-type: none"> <li>• Operating expenditure – Procurement Policy Initiative (4.3.1)</li> <li>• Tender evaluation and adjudication process (4.3.2)</li> <li>• Official housing (4.4)</li> </ul> <p>Resolved that the Annual Report 2004/05 be noted and referred to Council for consideration.</p>	<p>The Chairperson referred to the Detailed Income Statement of the Cape Town International Convention Centre for the year ending 30 June 2005. He pointed out the loss of R10 595 655,00 in the year 2004 and the loss of R24 850 948,00 in the year 2005 and questioned whether this entity is sustainable. He also requested that a presentation be given to the next meeting of this Committee on municipal entities with reference to the following:</p> <ul style="list-style-type: none"> <li>• What they are</li> <li>• Council shareholding</li> <li>• Board members</li> <li>• Profitability</li> <li>• Plan for devolution to appropriate</li> </ul>		ESDT 15/04/06 ESDT 16/04/06

			operating portfolios	
			<p>Cllr M. Mngasela referred to the Human Resource and Organizational Management of the Khayelitsha Community Trust and the support provided to this entity by a City official. He questioned whether the City could be held liable in the case of mismanagement. He also asked when a full-time official will be appointed to assist the Trust.</p> <p>Resolved that</p> <p>(a) the Annual Report of the Municipal Entities of the City of Cape Town 2004/05, be noted;</p> <p>(b) a presentation be made at the next Portfolio Committee meeting addressing the concerns raised by the councillors.</p>	AMS 10/04/06 AMS 11/04/06 PLAN 12/04/06 PLAN 13/04/06
Amenities and Sport	12 April 2006	Recommended that the report be NOTED.	Recommended that the report be NOTED.	
Planning and Environment	13 April 2006	It was pointed out that steps should be in place to address the shortcomings. Recommended that the report be NOTED.	It was suggested that a member of this Portfolio Committee should be the representative of Council. Recommended that (a) A Committee member be the Council representative on this committee; and (b) The report be NOTED.	
Health	13 April 2006	Resolved that this matter be discussed at a workshop to be arranged for the members of this Portfolio Committee together with the relevant Directors and District Managers on Tuesday 25 April 2006.	Recommended to Council that (a) the municipal entities annual reports for 2004/05; namely that of the Cape Town International Convention Centre and Khayelitsha Community Trust be	HEA 10/04/06 HEA 11/04/06

<p>Corporate Services and Human Resources</p>	<p>4 May 2006</p>	<p>N.B. The workshop on 25 April 2006 raised no issues in respect of the 2004/05 annual report, which was noted.</p>	<p>considered by Council;                  (b) in the same manner and within the same timelines in which the City's annual report is being considered:                  (i) the municipal entities annual reports for 2004/05 now be made public and representations be invited from the local community together with that of the City's;                  (ii) Council deal with the municipal entities' annual reports in accordance with the steps contained in Sections 129 and 130 of the MFMA and that an oversight report in respect thereof be adopted by Council by 31 May 2006 together with that of the City.</p>	<p>CORHR 12/05/06                  CORHR 13/05/06</p>
<p>The committee NOTED the report subject to the following concerns:                  1. Lack of a proper Performance Management system in relation to Key Performance Indicators, the method utilised in measuring the KPI's.                  2. Cross reporting lines and duplication of posts.                  3. Disconnecting between the transformed levels 1-3, in process level 4 and level 5 downwards.                  4. The non-compliance issue, like the IDP non-compliance issue.                  5. KPI's set should be clear, measurable and simplified.</p>		<p>The committee adopted the recommendation as it is outlined in the report.</p>		