

Annexure “A”

ANNEXURE TO ITEM
C 32/03/15

**Minutes of the MPAC meeting
held on 17 February 2015 (MPAC 03/03/15)**

- MINUTES -

OF THE MEETING OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE HELD IN
COMMITTEE ROOM A, 5TH FLOOR, PODIUM BLOCK, CIVIC CENTRE, CAPE TOWN
ON TUESDAY 17 FEBRUARY 2015 AT 10:00

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

Cllr S Mxolose (Chairperson)
Cllr D Khatshwa
Cllr B Majingo
Cllr C Scheepers

DEMOCRATIC ALLIANCE

Cllr E Anstey
Cllr P Chapple
Cllr V Isaacs
Cllr S Pienaar
Cllr K Southgate
Cllr B van Dalen

VISITING COUNCILLORS

Cllr S Diamond
Cllr J van der Merwe

OFFICIALS

A Ebrahim	: City Manager
R Bosman	: Safety and Security
I Bromfield	: Human Settlements
M Cele	: Tourism, Events and Economic Development
T Cullen	: Tourism Events and Economic Development
N Damane	: Utility Services
R Garman	: Forensic Ethics and Integrity
J Hugo	: Energy, Environmental and Spatial Planning
K Jacoby	: Finance
G Kaiser	: Utility Services
J Kilian	: Office of the Speaker
Z Mhlanga	: City Health
A Markram	: Legal Services
C Maurer	: Compliance and Auxiliary Services
A Moolman	: Internal Audit

W.S.M.

L Mtwazi	: Community Services
L Muller	: Finance
G Postings	: Internal Audit
G Ras	: Compliance and Auxiliary Services
E Sass	: Social Development and Early Childhood Development
D Valentine	: Finance
A Vorster	: Office of the City Manager
R Vosloo	: Compliance and Auxiliary Services
A Wilton	: Compliance and Auxiliary Services
M Whitehead	: Transport for Cape Town
R Tippoo	: Executive Committee Services

PRESS

None

PUBLIC

I Fourie	: Auditor General of South Africa
A Oikers	: Auditor General of South Africa
J Celliers	: Provincial Government: Western Cape
L Dyabooi	: Breede Valley Municipality
L Richards	: Breede Valley Municipality
N Bushuqa	: Breede Valley Municipality
J Schneider	: Breede Valley Municipality
G Jaftha	: Breede Valley Municipality
E Cloete	: Breede Valley Municipality

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MPAC 01/02/15 OPENING

The Chairperson, Councillor S Mxolose, welcomed everyone to the meeting especially the Councillors from the Breede Valley Municipality.

He requested that a moment of silence be observed.

MPAC 02/02/15 APOLOGIES / LEAVE OF ABSENCE

None

**MPAC 03/02/15 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON
30 JANUARY 2015**

RESOLVED that the minutes of the meeting held on 30 January 2015, be confirmed subject to it reflecting that the briefing by Mr I Fourie of the Office of the Auditor-General of South Africa had taken place in the pre-meeting.

MPAC 04/02/15 MATTERS RECEIVING ATTENTION**(1) FULLSWING TRADING**

RESOLVED that it be noted that the date of the trial was awaited.

ACTION: A MARKRAM

(2) AFRICAN JEWELLERY CITY

RESOLVED that it be noted that the section 65 enquiry had been postponed to 6 March 2015.

ACTION: A MARKRAM

(3) FACILITY MANAGEMENT COMMITTEE POLICY

RESOLVED that it be noted that the draft policy had been referred to Alderman Walker and thereafter would be referred to the Strategy and Policy Unit.

ACTION: L MTWAZI

W.S.M.

(4) 2012/13 ANNUAL REPORT OF THE CITY'S MUNICIPAL ENTITY (CTICC): OUTSTANDING DEBT

Ms L Muller advised that despite arrangements having been made with the debtor, payment had not been received by the CTICC in November 2014.

RESOLVED that it be noted that the quarterly report would be submitted to the next Committee meeting.

ACTION: R WOOTTON / L MULLER

(5) UNLAWFUL COMMENCEMENT OF ACTIVITIES IN TERMS OF THE NATIONAL ENVIRONMENTAL ACT AND PAYMENT OF ADMINISTRATIVE FINES

Councillor Chapple said that with the death of Councillor Mhlanga, the subcommittee was short of a member. However he requested that the membership remain the same as it would be difficult for a new member to catch up with all the work already done by the subcommittee. It was agreed.

RESOLVED that

(a) it be noted that the subcommittee was continuing its investigation and would submit a report to the Committee in due course;

(b) the late Councillor Mhlanga not be replaced on the subcommittee.

ACTION: R TIPPOO

MPAC 05/02/15 RESPONSES TO THE QUESTIONS ASKED ON THE CAPE TOWN INTERNATIONAL CONVENTION CENTRE (CTICC) ANNUAL REPORT FOR 2013/14

RESOLVED that the responses from the Cape Town International Convention Centre to the questions asked on the CTICC Annual Report for 2013/14, be noted.

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**MPAC 06/02/15 RESPONSES TO THE QUESTIONS ASKED ON THE CITY'S
ANNUAL REPORT FOR 2013/14**

Councillor van Dalen said that the City should consider the quality of its water and should look at ways to prevent the loss of water which flowed into rivers. He also enquired why the programme for young people to obtain a driver's license had been stopped and what action was taken against errant private security companies who protected City property. Mr Bosman responded that the driver's license programme would be resuscitated and the tenders for private security made provision for action to be taken against the companies and as a result, R30m had been recovered from non-performing service providers.

With regard to investigations conducted by the Forensics, Ethics and Integrity Department, Councillor Mxolose thanked the department for the responses to the questions. Councillor van Dalen said that more staff was possibly needed to cope with the volume of work.

Councillor van Dalen requested clarity on the relationship between the Municipal Public Accounts Committee and the Audit Committee.

Councillor J van Der Merwe enquired about the decommissioning of the Athlone Power Station and was advised that it was completed. He further enquired about the 60 leases entered into with sporting bodies which were being investigated by Community Services. Ms Mtwazi responded that a Task Team had been established to consider each case. Where leases have expired, new leases have been entered into with new conditions being imposed. She considered the project to be a "work in progress". Ms Mtwazi further advised that a report would be submitted to the Finance Portfolio Committee providing more details. She expected the project to be completed within 3 years. Councillor van der Merwe said that 3 years was too long as a considerable time had already lapsed. The City Manager advised that he had issued a directive that all leases had to be uniform and every effort was being made to reduce the 3 year period as the City was losing money.

Councillor Diamond said that some of the answers given were too short. He referred to the answer with regard to the question on contracted services and said that insufficient information had been provided. With regard to the question of loans to sporting bodies, he enquired which bodies still owed the City money and how much was paid in the last financial year. Mr Jacoby undertook to engage with Councillor Diamond and provide him with the information related to contracted services due to the volume of information. The

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answer to the question of loans to sporting bodies would be provided.

Councillor Diamond also requested the schedule of operating and capital expenditure together with the budget for subcouncils. Mr Ras undertook to provide the necessary schedules to the Committee.

Councillor Anstey was of the opinion that the City should look at ways to increase the amount of fines collected.

Councillor Anstey noted that the National government debt had increased as well as the electricity debt which was increasing yearly. He enquired whether Utility Services staff returned to houses to check on meters where tampering had previously occurred. Mr Jacoby advised that the National Government debt was a focal point. The debt was reported to the Minister of Public Works and National Treasury. He said that every effort was being made to get the government officials to engage on the matter. He further advised that with regard to Provincial government debt, the City engaged with provincial officials and the debt had been settled. Councillor Pienaar said that when residents defaulted on accounts the City cut off the electricity supply and questioned why the same principles was not applied. Mr Jacoby said that unfortunately the City could not do so with government buildings as the accounts were subject to dispute. He however undertook to look at different ways to address the problem. With regard to the tampering of meters, Ms Kaiser advised that tampered meters were replaced with other meters that were more difficult to tamper with. Staff constraints did not permit staff to return to houses to check on tampered meters but tampering high-risk areas were visited.

Councillor Anstey said that he could not access the reports listed on page 35 of the agenda and Ms Tippoo undertook to forward the reports to the members of the Committee.

Councillor Chapple said that he would take the matter regarding grants and subsidies received by sporting bodies to the Community Services Portfolio Committee for further consideration.

Councillor Pienaar voiced his concern at the increase in debt and said that it must be carefully monitored.

Councillor Khatshwa enquired why only 70 of the 288 event proposals had been supported to which Ms Cullen responded that the City could only afford to support the 70 events with the budget provided and this was the first year to create a performance baseline.

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Councillor Khatshwa said that not all the People's Housing Projects (PHP) had been listed, specifically the project in Kayelitsha. He said that some of the houses were left unfinished. Dr Bromfield said that the PHP had been identified as an area of concern but was managed by the Provincial government and therefore a process to improve it was being considered by the City. He requested Councillor Khatshwa to provide the details of specific projects of which he was aware where structures were left unfinished.

In response to an enquiry from Councillor Majingo regarding the identification of Spaza shops, Mr Bosman advised that it was estimated that the project would cost approximately R61m and a submission had been made for the funding.

Mr Ras undertook to provide Councillor Majingo with a copy of the City's poverty profile.

RESOLVED to recommend to Council that:

- (a) having fully considered the 2013/14 Annual Report of the City of Cape Town, Council adopt the oversight report and approve the Annual Report without reservations, and
- (b) the following resolutions be supported for action and where applicable, be referred to the relevant Portfolio Committees and feedback be provided to the Municipal Public Accounts Committee:
 - MPAC be provided with the list of loans to sporting bodies, the amounts still owed and how much had been paid in the last financial year;
 - Clarity be obtained regarding the relationship between the Municipal Public Accounts Committee and the Audit Committee;
 - The schedule of operating and capital expenditure together with the budgets for subcouncils be submitted to MPAC by the Compliance and Auxiliary Services Directorate;
 - Councillor Chapple raise the matter regarding grants, caretaker grants and subsidies received by sporting bodies at the Community Services Portfolio Committee to monitor progress and plans of action;
 - The Human Settlements Portfolio Committee monitor the People's Housing Projects and establish a process to deal with houses that have been left unfinished;

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- The City's poverty profile be forwarded to Councillor Majingo by the Compliance and Auxiliary Services Directorate;
- The reports on the initiatives and plans to reduce security costs as well as the service providers per site be forwarded to the members by Committee Services;

(c) the unauthorised, irregular, fruitless and wasteful expenditure and material loss as contained in note 42 to the Annual Report be investigated by the Municipal Public Accounts Committee and its Task Teams, including note 44.2.3 in terms of circular 68.

**ACTION: A MOOLMAN / R BOSMAN / L MTWAZI /
I BROMFIELD / A GROENEWALD / K JACOBY /
R TIPPOO / CLLR P CHAPPLE**

MPAC 07/02/15

REPORT OF THE AUDIT COMMITTEE OF THE CITY OF CAPE TOWN ON THE CITY'S INTEGRATED ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

Councillor Mxolose thanked the Audit Committee for the work which they had done.

Councillor Chapple said that the Committee needed to have a closer relationship with the Audit Committee and needed to understand how the Committee operated.

Councillor van Dalen enquired whether the post of Chief Audit Executive had been filled. Mr Ras reported that no suitable candidate had been found despite the City having advertised twice. A process of head-hunting was underway and a list of candidates had now been forwarded to the City Manager for short-listing. Councillor van Dalen enquired who had been acting in that position and whether there was not any staff in the department who qualified for the position. Mr Ras responded that the staff members who had acted in that position had been interviewed and assessed and had been found to be unsuitable. Mr V Botto was now acting Chief Audit Executive and he, Mr Ras, was satisfied that Mr Botto was knowledgeable enough on audit matters to occupy the post.

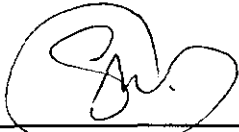
RESOLVED that the Audit Committee's conclusion that the City's Integrated Annual Report presents performance against all key commitments and correctly reflects its performance against the targets, be noted

W. S M

ACTION: G POSTINGS

The meeting was followed by the in-committee meeting

MEETING ENDED AT 11:00



CHAIRPERSON: COUNCILLOR S MXOLOSE

10/03/2015

DATE

Annexure “B”

**Outstanding Comments and Resolutions
from the MPAC Oversight Process Meetings**

30 January 2015

17 February 2015 and

10 March 2015

in respect of the

City of Cape Town’s 2013/14 Annual Report

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

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
42	<p><i>Invasive Alien Species Clearing</i> – On the Cape Flats and in Blue Downs the Port Jackson is a big problem for all the reasons mentioned in the report. They grow on huge tracts of land, mostly allocated for housing and belonging mostly to Province, City and private enterprise. These need to be cleared urgently as people are raped, robbed and murdered in these forests. Council has a policy whereby we can appoint a contractor to clear this land and bill the owner. This does not happen because the department of health that does this function only has a limited budget that is not topped up by the moneys paid by the owners for clearing their property by Council. The result is that these properties are not cleared and become more of a problem every year. This is a great concern and what is the solution?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	Z Mahlangu	
50	<p><i>Ensuring water quality</i> – At the moment we have 10 Waste Water Works with a green drop status – this is the best in South Africa – but we also have about as much WWTW that have not achieved this standard. Why not and what is being done to achieve this 90% only standard?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	G Kaiser	
56	<p><i>Water reuse</i> – The reuse of treated wastewater is only 10% this is also a matter of concern as water is a very scarce commodity – how can we promote the use of this commodity as the 90% left is now wasted into the natural water system whilst there are many more instances where this water could be used? Is the cost low enough of treated effluent to encourage reuse? Is a separate water system viable for increasing reuse?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	G Kaiser	
65	<p><i>Safe City Objective</i> – At the moment our law-enforcement complement spends a lot of time doing the work that SAPS must do – this while Council property like halls and plaza's and other property are vandalized due to lack of security – this costs the line department's a lot of money that they do not have. This is a matter of great concern – what is the solution to this problem?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	R Bosman	
70	<p><i>Youth development</i> – This financial year there was a program from Economic Development Department to provide young people with a code 10 driver's license with ward allocation money (a code 14 driver's license</p>	A. Groenewald	C 34/03/14 (pages 883, 909)

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
	<p>would be even more suitable with very little extra cost). This is a very worthwhile programme that helps these young people to obtain jobs and put bread on their table. On applying for the same program for the next financial year I was told that the tender finished this year and that the department did not intend to do this program any more. Why is that and what is the solution as this is one of the best programmes creating certain job opportunities?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>		
108	<p><i>Material impairments/losses</i> – These figures seem high for a post like losses – we are talking of several billions – Are these figures of a normal magnitude? And how much of this is irrecoverable, if any? What is being done to minimize these posts?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	C 34/03/14 (pages 878, 879)
108	<p><i>Material under spending of the capital budget of R1.1 billion (20%)</i> – What is the overall reason and is this money rolled over or lost and what are the figures for this. Also if the overall reason is not rectified this would have an aggravated effect on the next year's capital budget not spent. What steps have been taken to solve this problem?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	A Ebrahim	C 34/03/14 (pages 880, 882)
109	<p><i>Other reports, Investigations</i> – If we look at the workload and cases still under investigation, we can conclude that the backlog of cases not investigated yet is increasing yearly. This is a matter of great concern as our clean audit, as a City, is very important to us. What is the reason and what is the solution?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	G Ras	
109	<p><i>Investigations</i> – MPAC to be updated on the investigations mentioned in the report.</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	G Ras	
113	<p>Under <i>Conclusion</i> it is reported that the Audit Committee reports to MPAC – These reports could have much more meaning if the MPAC was allowed visiting rights to the Audit Committee meetings. Can this be arranged?</p> <p>MATTER RESOLVED at MPAC meeting on 10 March 2015</p>	G Ras	

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
178	<p>Bids awarded to family of Employees in Service of the State – There are 7 instances of this where the amounts involved were over R1m. What was the relationship of these employees to the tenderer? Were these relationships prohibitive for the tenderer or not?</p> <p>MATTER TO BE INVESTIGATED BY MPAC</p> <p>There is no mention of the Athlone Power Station in the Annual Report. This is a project on which the City spent a large amount of money on consultants a few years back to find a use for these buildings. What happened to date? Was this money fruitless spending if nothing is happening? Can another worthwhile use be found for this property?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	G Ras	C 34/03/14 (page 880)
210	<p>How many building plans were approved per planning district and what was the monetary value of these plans per district?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	J Hugo	
42	<p>How many jobs were created by the Invasive Alien species Cleaning Programme and what was the cost to:</p> <p>(a) City of Cape Town (b) National Government</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	J Hugo	
42	<p>What awards were won by the City of Cape Town during the 2013/14 financial year?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	A Ebrahim	C 34/03/14 (page 873)
122	<p>What is the reason(s) for the increase in "<i>fine income</i>" from R100 525m in 2012/13 to R729m in 2013/14?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	
122	<p>What is the reason(s) for the decrease in <i>Government Grants and Subsidies</i> from R5,3 billion in 2012/13 to R4,4 billion in 2013/14?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	C 34/03/14 (page 885)

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
122	<p>What is the reason(s) for the increase in <i>Public Contributions</i> from R42 928m in 2012/13 to R86 058m in 2013/14?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	
122	<p>What is the reason(s) for the decrease in <i>Other Income</i> from R751 851m in 2012/13 to R368 368m in 2013/14?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p> <p>How many leases between the City of Cape Town and Sports facilities are up to date and how many are not up to date?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	
54	<p>What was the value of land banking in the Atlantis Industrial Incentive Scheme for the 2013/14 financial year?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	L Mtwazi	
102/103	<p>What was the amount spent on MURP projects in the 2013/14 financial year in comparison to the amount spent in the 2012/13 financial year?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	J Hugo	
	<p>The highlights in the Annual Report show an organisation on top of its game. What approaches will be taken so that we continue to meet and exceed our service delivery targets in our various departments?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	G Ras	C 34/03/14 (page 873)
128	<p>In 2014 the question of the effect on alternative energy supplies and its effect on the revenue structure was raised. In the answer the author stated that a report would come to Council on the matter. What progress has been made in this regard? On page 128 the CFO reports that the major revenue streams that support the entities programmes and activities were</p> <ul style="list-style-type: none"> • Property rates • Service charges made up of 	G Ras	G Kaiser C 34/03/14 (page 874)

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
	<p>Electricity Sales Water Sales Wastewater management Waste management</p> <ul style="list-style-type: none"> • Fuel Levy • Government Grants and subsidies <p>With the increasing cost of the service items and the push to reduce usage and alternative technologies, surely a report on the effect on our revenue cycle is required?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>		
120	<p>What impact will the continued down grading's of the credit rating have on the City of Cape Town?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	
132	<p>What progress has been made in the City of Cape Town in terms of creating an asset register / book that is up to date and will allow us to properly manage our assets?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	
132	<p>What was the reason for the downward shift in the heritage assets?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	
133	<p>What work has been done by the various departments to ensure that we see an increase in our revenue collection?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	C 34/03/14 (pages 883, 877, 907)
	<p>The City of Cape Town has spent great amounts of funds on developing new facilities to the benefit of the citizens of Cape Town. Can the departments tell us how the City of Cape Town plans to keep these venues safe and has a repairs and maintenance budget been allocated for future work?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	L Mtwazi	C 34/03/14 (page 876)
119	<p>R1,1 billion (20%) underspent on the Capital budget is a massive issue with effects hardest felt on the citizens of Cape Town. What management tools have been put in place to ensure that the City of Cape Town</p>	A Ebrahim	C 34/03/14 (pages 880, 882)

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
	is not placed in this position again? MATTER RESOLVED at MPAC meeting on 17 February 2015		
127	The amount of government grants and subsidies received has risen. How have we managed to ensure that we spend grant and subsidies received from government? MATTER RESOLVED at MPAC meeting on 17 February 2015	A Ebrahim	C 34/03/14 (page 885)
127	A list is required of what the contracted services are as there has been an increase of 16,98%. MATTER RESOLVED at MPAC meeting on 17 February 2015	K Jacoby	C 34/03/14 (pages 876, 907)
127	A list is required of what the employees benefits were as there has been an increase of 16,03%. MATTER RESOLVED at MPAC meeting on 17 February 2015	K Jacoby	
157	Provide a list of the sporting bodies which are outstanding. Confirmation to be given that no further loans were given. ADDITIONAL INFORMATION REQUIRED BY MPAC: Provide the list of loans to sporting bodies, the amounts still owed and how much was paid in the last financial year.	L Mtwazi	C 34/03/14 (pages 877, 908)
157	What is the reason for no movement in the pubic organisation's and housing selling development's figures? Provide a list of these organisations or individuals who still owe funds? MATTER RESOLVED at MPAC meeting on 17 February 2015	I Bromfield	
158/159	What is the plan to ensure we collect our revenue from our housing rental stock? MATTER RESOLVED at MPAC meeting on 17 February 2015	I Bromfield	
181	In terms of the grants and subsidies paid, have we ensured that all who were given funds have submitted the necessary documentation and audited financial statements to the City of Cape Town? MATTER RESOLVED at MPAC meeting on 17 February 2015	K Jacoby	C 34/03/14 (page 877)

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
224	<p>What controls have been put in place at sub-councils to ensure that they spend their budgets? Provide a list that highlights the Capital and Operating expenditure percentages to budgets.</p> <p>ADDITIONAL INFORMATION REQUIRED BY MPAC: The schedule of operating and capital expenditure together with the budgets for subcouncils be submitted to MPAC by Compliance and Auxiliary Services.</p>	G Ras	C 34/03/14 (pages 884, 909)
55	<p><i>General</i> – Is the City of Cape Town in a position to quantify the success to date of the installation of water meter devices?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	G Kaiser	C 34/03/14 (page 879)
	<p><i>General</i> – With the increase in security costs and repairs and maintenance costs, has a discussion been held in the various departments to rationalise and/or group facilities together?</p> <p>MATTER RESOLVED at MPAC meeting on 10 March 2015</p>	G Ras	C 34/03/14 (page 876)
116	<p>“Other” revenue was R783m over budget. This helped towards changing a budget deficit turn into a surplus. What was the main reason? Is it due to restatement of traffic fines? The City needs to identify these changes going forward, if not only caused by the fines increase.</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	
122	<p>Following on this point fines increased R100m to R729m due to new accounting procedures. We can only collect around 15% of fines. Have we provided sufficient impairment costs? And what was the amount provided?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	C 34/03/14 (page 907)
119	<p>Of the R8.54 billion outstanding consumer debtors</p> <p>(a) Why is the debt owed from National and Provincial Government of R106m exactly the same as last year – Has no action taken place?</p> <p>(b) What plan, "if any", is being considered to halt the annual creep in the total outstanding debt despite massive write off over last 2 years of R1.5 billion plus?</p> <p>(c) Rates overdue – why have properties not been attached for auction? – it is growing by R275m in last</p>	K Jacoby	C 34/03/14 (pages 877, 883, 907)

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
	<p>year alone.</p> <p>(d) Are there any agreements in place with owners of properties with outstanding rates that the City would be paid in full on sale of property e.g. pensioners?</p> <p>(e) If electricity is not paid it gets disconnected – how do these electricity debts keep growing?</p> <p>(f) Property rentals R41m – why no eviction? Why are the outstanding amounts so high?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>		
120	<p>Happy to see repayment on borrowing of R1.63 billion programed. Is this from the sinking fund deposits? Is there a plan to repay at similar levels going forward or was this a once-off occurrence?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	
127	<p>Impairment costs up on last year – what is the main reason? Traffic fines? (Note 31)</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	
169	<p>Reimbursement of travel claims by Councillors has increase by 50%? I suggest all claims submitted by Councillors by more than 20% on the previous year gets reported to the Speaker.</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	G Ras	
175	<p>What is our total lease annual bill for properties and provide a list of the City leases – broken up into offices, warehouses and retail centres?</p> <p>ADDITIONAL INFORMATION REQUIRED BY MPAC: A report on the assessment of office space and external leases be submitted to the April 2015 Committee meeting.</p>	G Ras	C 34/03/14 (pages 878, 908)
170	<p><i>General Expenses</i> – Security services increased by 16%. The Mayor requested a review on the necessity and number of guards. Provide a breakdown of service providers and venues. What attempts are there to reduce the security service amount?</p> <p>MATTER RESOLVED at MPAC meeting on 10 March 2015</p>	G Ras	C 34/03/14 (page 876)
175	<p>1) Electricity loss 47% increase on last year!</p>	G Kaiser	C 34/03/14

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
	<p>(a) What is the progress in checking non-working prepaid meters? (b) How many meters were detected as being tampered with? (c) How many meters were inspected? (d) How many meters were replaced?</p> <p>Comment: Need to start with all our own electricity staff in the electricity department – need to check who is not buying electricity.</p> <p>2) Production losses – what is the plan to stem the tide?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>		(page 878)
175	<p><i>Material Losses</i> – Water losses – still no progress to reduce production losses. What would be the estimated costs to replace all City meters or test all meters for accuracy?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	G Kaiser	C 34/03/14 (page 879)
132	<p><i>Heritage Assets</i> – What is the definition of a heritage asset? Can a tree be considered a heritage asset e.g. over 60 years old? What protection of these potential heritage assets is being taken by developers?</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	J Hugo	
146	<p><i>Long-Term Receivables</i> – How much was paid on loans by sporting bodies? Provide a breakdown of the amount. When are these loans coming to an end?</p> <p>Provide a breakdown of grants and subsidies received by Sporting Bodies, the names of the Sporting bodies and the amounts they received.</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	L Mtwazi	C 34/03/14 (pages 877, 908) C 34/03/14 (pages 877, 908)
176	<p>Arrear rates by Councillors amounted to R208m. Have arrangements been made with the Councillors to pay the arrears or has the amount been paid in full? Amount to be verified with the circumstances around the arrears being provided.</p> <p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p>	K Jacoby	

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
203	Does the City give money to the Table Mountain Nature Reserve and if so, how much? MATTER RESOLVED at MPAC meeting on 17 February 2015	J Hugo	
177	<i>Deviations</i> – Provide a breakdown of the companies used and the reasons for the deviations. MATTER RESOLVED at MPAC meeting on 17 February 2015	A Ebrahim	
177	Provide a breakdown of the percentage of supply chain expenditure that was the subject of deviation. MATTER RESOLVED at MPAC meeting on 17 February 2015	K Jacoby	
	The outstanding debt of R4,6 billion remains high. What is the plan to reduce the debt? How does this impact on the 1 000 top debtors? What is the realisable debt value? MATTER RESOLVED at MPAC meeting on 17 February 2015 With regard to the Annual Report: What has happened in the City? Why did it happen? What did we learn? How can the learning be used to assist the City? How does the clean audit affect service delivery? MATTER RESOLVED at MPAC meeting on 17 February 2015	K Jacoby	C 34/03/14 (pages 877, 883)
35	How many buildings were built by the City without plans? What were the losses? MATTER RESOLVED at MPAC meeting on 17 February 2015	J Hugo	
35	<i>Attracting Investment</i> – Why was the balance of the Capital Budget for Infrastructure R1,1 billion not spent and what plans are in place to spend the balance? MATTER RESOLVED at MPAC meeting on 17 February 2015	A Ebrahim	C 34/03/14 (pages 880, 882)
35	Why was the full Capital Budget not spent?	A Ebrahim	C 34/03/14 (pages 880, 882)

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
36	<p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p> <p>An Events Committee was established and a policy was approved. How did the committee and the policy improve matters? If there was no improvement, then what was wrong with the Committee and the policy? What are the guiding principles and focus areas for events? How did the plans compare to the actual activities that took place?</p>	A Groenewald	
38	<p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p> <p>Is there a plan to attract tourists to areas outside the Central Business Districts i.e. to townships?</p>	A Groenewald	
71	<p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p> <p>77,3% was spent on an innovative housing programme. What was the target set by the City and can it be achieved? Where are the 5 718 housing sites and how far are the projects? Is there a housing programme and what are the challenges to develop the 5 718 sites? Where are the 351 top-structures to be built and what are the challenges? There are 2 048 other housing opportunities. What is "other"? How much has been spent on housing maintenance? How much has been spent on the CRU programme? Where are the 180 hectares of land earmarked for housing development, what progress has been made, what are the time-frames for achieving the programme and has the community been consulted?</p>	I Bromfield	C 34/03/14 (page 885)
	<p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p> <p>How much would it cost to ascertain the number of Spaza shops in the City? How many informal shops are there in informal settlements and where are they?</p>	A Groenewald	
119	<p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p> <p>Is there a cap on the amount of arrears one can have before action is taken?</p>	K Jacoby	C 34/03/14 (page 883)
216 - 221	<p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p> <p>What has been done to ensure that targets are met by the directorates?</p>	G Ras	C 34/03/14

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
	MATTER RESOLVED at MPAC meeting on 17 February 2015		(page 873)
121	What is included in the total cash and cash equivalent? Has this value increased or decreased and why?	K Jacoby	
	MATTER RESOLVED at MPAC meeting on 17 February 2015		
121	What is included in the accounts receivable? When will these accounts be paid? Are there any amounts that have been outstanding for a long time? Are there any amounts likely to be uncollectable or written off? Has this value increased or decreased?	K Jacoby	
	MATTER RESOLVED at MPAC meeting on 17 February 2015		
121	Why does the City of Cape Town have borrowings? When will it be paid?	K Jacoby	
	MATTER RESOLVED at MPAC meeting on 17 February 2015		
122	What stock is being leased? When will the lease end? Are there caps on the arrears of the leases?	K Jacoby	
	MATTER RESOLVED at MPAC meeting on 17 February 2015		
122	Are there any shortfalls due to inadequate revenue forecasting or due to changes in expected economic growth?	K Jacoby	
	MATTER RESOLVED at MPAC meeting on 17 February 2015		
	Due to the GDP not doing well, what challenges has this put on the budget?	K Jacoby	
	MATTER RESOLVED at MPAC meeting on 17 February 2015		
	What is the City of Cape Town's poverty profile?	G Ras	

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
	<p>MATTER RESOLVED at MPAC meeting on 10 March 2015</p> <p>How has the budget allocation been in relation to redistribution patterns to address poverty?</p>	G Ras	
	<p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p> <p>What percentage of the budget is for health education?</p>	Z Mhlanga	
	<p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p> <p>How effective and efficient has the delivery of social safety programmes been?</p>	R Bosman	C 34/03/14 (pages 883, 909)
	<p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p> <p>ADDITIONAL QUESTIONS RECEIVED AFTER 30 JANUARY 2015 FROM THE CORPORATE SERVICES PORTFOLIO COMMITTEE</p> <p>1) On Safe City Objectives Pages 65 – 67 and Well run City Objectives - Savings on security and resulting lack of security at Council buildings so that buildings are closed off hampering excess to offices for staff thus impairing productivity - What is the solution?</p>	G Kaiser	C 34/03/14 (pages 876)
	<p>MATTER RESOLVED at MPAC meeting on 17 February 2015</p> <p>2) On Caring City Objectives - On Repairs and Maintenance – How many times will the City repair and maintain infrastructure that gets vandalized regularly by a community that does not take responsibility for the infrastructure in the Community – What is the solution?</p>	G Kaiser	
	<p>MATTER RESOLVED at MPAC meeting on 10 March 2015</p> <p>3) On Ward Allocations – Festive lights are bought from ward money as an asset but no budget is allocated by the line department for installation and removal every season – than the money spent on the asset is wasted – What happened to the lights in the mean time? Can this be solved?</p>	G Ras	
	<p>MATTER RESOLVED at MPAC meeting on 10 March 2015</p> <p>4) On a Caring City Objective – Call centre call abandonment is 38% and climbing – this is very high – what is the solution?</p>	G Ras	

ANNUAL REPORT PAGE NO.	COMMENTS AND RESOLUTIONS	RESPONSIBLE OFFICIAL	REFERENCE TO PREVIOUS OVERSIGHT REPORT
	<p>MATTER RESOLVED at MPAC meeting on 10 March 2015</p> <p>5) On Staff matters – With 40% increase of population over the last few years the Staff must be complimented on how well the city is still run in the light that the staff compliment has not increased by 40% over the same period – is this problem of short staffing receiving enough attention?</p> <p>MATTER RESOLVED at MPAC meeting on 10 March 2015</p> <p>ADDITIONAL QUESTIONS RECEIVED AFTER 30 JANUARY 2015 FROM MPAC</p> <p>Why do the various departments in the City and Province concerned not work together when planning housing developments. Houses are built and populated when schools are not planned yet, Street lighting not planned yet, civic halls not planned, parks not planned, ECD centres not planned, Churches not available etc. This has all to be fought for, planned and built years afterwards instead of being supplied from the start for a more satisfied new community?</p> <p>MATTER RESOLVED at MPAC meeting on 10 March 2015</p>	<p>G Ras</p> <p>I Bromfield</p>	<p>C 34/03/14 (page 885)</p>

Annexure “C”

**Comments from the
Portfolio Committees,
Subcouncils
and the Public**

**COMMENTS FROM PORTFOLIO COMMITTEES, SUBCOUNCILS AND THE PUBLIC
IN RESPECT OF THE 2012/13 ANNUAL REPORT**

PORTFOLIO COMMITTEE	COMMENTS
Community Services	CS 14/02/15 RESOLVED that the City's Annual Report and Executive Summary for 2013/14 as reflected on Annexure A & B to the report on the agenda, be noted.
Corporate Services	COR 08/02/15 RESOLVED that (a) the members of the Committee submit their question on the City's 2013/14 Annual Report to Councillor van Dalen by no later than Tuesday 10 February 2015. RECOMMENDED that (b) the Annual Report be regionally focused; (c) Employment Equity feature more prominently in the Annual Report. <i>Questions received have been included in Annexure "B"</i>
Economic, Environmental & Spatial Planning	EESP 10/02/15 RESOLVED that members submit comments on the Annual Report to the secretariat before 27 February 2015.
Finance	FIN 14/02/15 RESOLVED that members submit comments on the Annual Report by 27 February 2015 to the secretariat.
Health	HEA 07/02/15 RESOLVED that the City's Annual Report and Executive Summary for 2013/14 (attached as Annexure A & B to the report on the agenda) be noted by the Health Portfolio Committee and that comments be stipulated for consideration during the annual report oversight process.
Human Settlements	HUMSET 08/02/15 RESOLVED that the City's Annual Report and Executive Summary for 2013/14 be noted.
Safety and Security	SAFS 07/02/15 RECOMMENDED that the City's Annual Report and Executive Summary for 2013/14 be noted.
Social Development & Early Childhood Development	SOCDEV 09/02/15 RESOLVED that the CITY'S ANNUAL REPORT AND EXECUTIVE SUMMARY FOR 2013/14 be noted.
Tourism, Events and Economic Development	TEED 09/02/15 RESOLVED that the report and comments be noted.
Transport for Cape Town	TCT 08/02/15 RESOLVED that the City's Annual Report and Executive Summary for 2013/14

PORTFOLIO COMMITTEE	COMMENTS
	be noted
Utility Services	UTS 07/02/15 RECOMMENDED that the City's annual report and Executive Summary for 2013/14 as per Annexure A and B attached to the report be noted.

SUBCOUNCILS AND THE PUBLIC

On 16 January 2015 the Head: Reporting & Monitoring confirmed that the Annual Report is only tabled at Council (28 January 2015) and Portfolio Committee meetings during February 2015. Although it is not tabled at the Subcouncils, members of the public may submit written comments or make representations or request to make verbal presentations at the Subcouncil meetings. Written comments may also be submitted to the IDP.OPM department.

The Head: Inter-Directorate Liaison (Subcouncils) and the Head: Reporting & Monitoring confirmed on 4 March 2015 that no public comments were received at the Subcouncils or the IDP.OPM department respectively.

Annexure “D”

Report from the Audit Committee (MPAC 07/02/15)



REPORT TO MPAC

DATE

1. ITEM NUMBER : **MPAC 07/02/15** rt
2. SUBJECT

REPORT OF THE AUDIT COMMITTEE OF THE CITY OF CAPE TOWN ON THE CITY'S INTEGRATED ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

ONDERWERP

VERSLAG VAN DIE OUDITKOMITEE VAN DIE STAD KAAPSTAD OOR DIE STAD SE GEÏNTEGREERDE JAARVERSLAG VIR DIE JAAR GEËINDIG 30 JUNIE 2014

ISIHLOKO

INGXELO YEKOMITI YOPHICOTHO YESIXEKO SASEKAPA EPATHELENE NENGXELO EHLANGANISIWEYO YONYAKA YESIXEKO OWAPHELA NGOMHLA WAMA-30 JUNI 2014

F0523

3. **STRATEGIC INTENT**

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

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

The City of Cape Town's vision includes serving the citizens of Cape Town as a best-run administration with efficient, effective and development-orientated public service and empowered, fair and inclusive citizenship. Audit Committee aligns itself to the City's "Well-run City" strategic focus area with particular reference to:

- Objective 5.1: Ensure a transparent government, and work towards eradicating corruption, through
 - Transparent government (oversight) programme
 - Maintain an independent, effective Audit Committee

4. PURPOSE

To provide an Audit Committee Report to the MPAC for consideration during the MPAC engagements on the oversight report of the City of Cape Town's Integrated Annual Report for the year ended 30 June 2014.

5. FOR NOTING BY

- This report is for consideration/decision by
- The Municipal Public Accounts Committee (MPAC).

6. EXECUTIVE SUMMARY

The Audit Committee has considered the work performed by Internal Audit and the Auditor-General on the Integrated Annual Report in arriving at the report to the MPAC for the financial year ended 30 June 2013. Attached are two reports of the Audit Committee that address the legislated role required of the Audit Committee in terms of the MFMA Circular 32: The Oversight Report –

Annexure "A": Report of the Audit Committee to the Municipal Public Accounts Committee (MPAC) on the City's Annual Report (2013/14); and

Annexure "B": Report of the Audit Committee for the Year Ended 30 June 2014

7. RECOMMENDATIONS

For consideration by the MPAC:

It is recommended that the MPAC note that the Audit Committee's conclusion is: The City's Integrated Annual Report presents performance against all key commitments and correctly reflects its performance against the targets.

AANBEVELING

Vir oorweging deur die munisipale komitee oor openbare rekeninge (MPAC):

Daar word aanbeveel dat die munisipale komitee oor openbare rekeninge (MPAC) daarvan kennis neem dat die ouditkomitee se gevolgtrekking is: Die Stad se geïntegreerde jaarverslag toon prestasie in al die sleutelverbintenisse aan en weerspieël sy prestasie korrek in ooreenstemming met die doelwitte.

ISINDULULO

Singeniselwa ukuqwalaselwa yi-MPAC:

Kundululwe ukuba i-MPAC mayiqwalasele ukuba iKomiti yezoPhicotho iquke: Ingxelo yoNyaka eHlanganisiweyo yeSixeko inikezele ngendlela yokusebenza ejoliswe kuxanduva lwayo yonke imibandela ephambili kwaye ibonakalisa ngokuchanekileyo indlela yayo yokusebenza ngokujoliswe kwiinkato ekujoliswe kuzo.

8. DISCUSSION/CONTENTS

8.1. Constitutional and Policy Implications

In terms of Paragraphs 4.2.4 / 4.2.9 / 4.6.9. / 4.8.11 / 5.9 / 5.12 / 5.13 and 5.14 of the Audit Committee's Terms of Reference last approved by Council on 25 September 2014 (C34/09/14), the Committee has the following responsibilities related to the Integrated Report (Annual Report):

- Review the integrity of the information included in the final annual report before release, by considering the work and results of assurance providers (e.g. external and internal audit) relating to the validity, accuracy and completeness thereof;
- The Committee should recommend the Integrated Annual Report for approval by Council;
- Review and comment on the City's, its municipal entities and its funds annual reports with the stipulated timeframes;
- The Committee should advise on disclosures on matters of risk and risk management in the annual report;
- Report to the Council on how it has fulfilled its duties during the financial year. This report is included in the Annual Report of the City and the Fund;
- The Committee should have regard to all factors and risks that may impact on the integrity of the Integrated Annual Report;
- The Committee should review the disclosure of sustainability issues in the Integrated Annual Report to ensure that it is reliable and does not conflict with the financial information.
- The Committee must provide the municipal council with its comments on the Annual Report prior to the approval by the Municipal Council of the Annual Report.

8.2. Sustainability Implications

Does the activity in this report have any sustainability implications for the City? No Yes

8.3. Legal Implications

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

8.4. Staff Implications

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

No

Yes

8.5. Risk Implications

Non-compliance with legislated guidelines


8.6. Other Services Consulted

None

ANNEXURES

- Annexure "A" : Report of the Audit Committee to the Municipal Public Accounts Committee (MPAC) on the City's Annual Report (2013/14); and
- Annexure "B" : Report of the Audit Committee for the Year Ended 30 June 2014

FOR FURTHER DETAILS CONTACT:

NAME	Gayle Postings / Vincent Botto
CONTACT NUMBERS	021 400 9375 / 021 400 1337
E-MAIL ADDRESS	Gayle.Postings@capetown.gov.za / Vincent.Botto@capetown.gov.za
DIRECTORATE	Compliance and Auxiliary Services
FILE REF NO	
SIGNATURE: ACTING CHIEF AUDIT EXECUTIVE – VINCENT BOTTO	



act
EXECUTIVE DIRECTOR: COMPLIANCE AND
AUXILIARY SERVICES (ED: CAS)

SUPPORTED FOR ONWARD SUBMISSION
TO MAYOR / MAYCO / COUNCIL MPAC

NOT SUPPORTED

DATE 10.02.2015

REFERRED BACK

COMMENT:

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

Jiangsu

LEGAL COMPLIANCE

NON-COMPLIANT

NAME A.C. JIANGSU

Comment:

TEL (021) 400 4536

FOR NOTING.

DATE 02-02-15

**REPORT OF THE AUDIT COMMITTEE
TO THE MUNICIPAL PUBLIC
ACCOUNTS COMMITTEE (MPAC)
ON THE CITY'S ANNUAL REPORT
(2013/14)**

PURPOSE

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

MANDATE AND AUTHORITY

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

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

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

In terms of Paragraphs 4.2.4 / 4.2.9 / 4.6.9. / 4.8.11 / 5.9 / 5.12 / 5.13 and 5.14 of the Audit Committee's Terms of Reference last approved by Council on 25 September 2014 (C34/09/14), the Committee has the following responsibilities related to the Integrated Report (Annual Report):

- Review the integrity of the information included in the final annual report before release, by considering the work and results of assurance providers (e.g. external and internal audit) relating to the validity, accuracy and completeness thereof;
- The Committee should recommend the Integrated Annual Report for approval by Council;
- Review and comment on the City's, its municipal entities and its funds annual reports with the stipulated timeframes;
- The Committee should advise on disclosures on matters of risk and risk management in the annual report;
- Report to the Council on how it has fulfilled its duties during the financial year. This

report is included in the Annual Report of the City and the Fund;

- The Committee should have regard to all factors and risks that may impact on the integrity of the Integrated Annual Report;
- The Committee should review the disclosure of sustainability issues in the Integrated Annual Report to ensure that it is reliable and does not conflict with the financial information.
- The Committee must provide the municipal council with its comments on the Annual Report prior to the approval of the Annual Report, by the Municipal Council.

RELATED AUDIT REPORTS

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

The Internal Audit plan focus with regard to the review of financial internal controls was limited to procedures incorporated within the scope of the normal audit engagements. The Committee was encouraged by the level of financial controls in place in the City.

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

The Auditor-General has rendered an opinion that states the consolidated and separate financial statements present fairly, in all material respects, the financial position of the City of Cape Town as at 30 June 2014.

The Auditor General's audit efforts involved

- Performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements;
- Procedure reviews based on auditor's judgement, including the assessment of risk of material misstatements (due to fraud or error);

- Internal control considerations relevant to the preparation and fair presentation of financial statements;
- The evaluation of the appropriateness of accounting policies used;
- Reasonableness of accounting estimates; and
- The assessment of the overall presentation of the financial statements.

The Audit Committee is pleased with the AG's unqualified audit opinion with no findings, on the City of Cape Town's Financial Statements, for the year ended 30 June 2014.

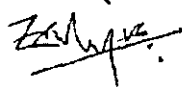
The committee concurs and accepts the AG's opinion regarding the Annual Financial Statements, and proposes that the audited Annual Financial Statements be accepted and read together with the Report of the Auditor General of South Africa.

CONCLUSION

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

- A Report of the Audit Committee for year ended 30 June 2014 (as included in the Integrated Annual Report) is attached that addresses the Oversight Report requirements of financial performance, efficiency and effectiveness, performance management and compliance with legislation.
- An outstanding matters schedule is being maintained by the Audit Committee to continuously monitor control environment shortcomings, initiatives to enhance governance and potential emerging risks, including prominent City projects.
- A succinct summary of these matters, related to the 2014/15 Annual Financial Statements and Integrated Annual Report –
 - Regulatory Compliance Reporting (Executive Director: Compliance and Auxiliary Services).
 - City By-laws and Policies (Executive Director: Compliance and Auxiliary Services and Office of the City Manager)).
- MFMA: Supply Chain Management (SCM) Regulation 44 (Chief Financial Officer).
- Record management project plans and milestones (Executive Director: Corporate Services and City Manager)
- Governance enhancements, such as –
 - Combined Assurance framework implementation and application (Executive Director: Compliance and Auxiliary Services).
 - Management of internal control findings and risks (All Combined Assurance Providers).
 - Good governance principles and interventions where necessary (City Manager).
 - City's Ethics Office, including an ethics programme (Executive Director: Compliance and Auxiliary Services).
 - Information Technology governance (Executive Director: Corporate Services).
- Continuous monitoring, via quarterly reporting, of potential emerging risks related to -
 - Transport for Cape Town: Integrated Rapid Transport project milestones
 - Housing Accreditation – assignment process progress
 - Performance Statistics and Trends for the City – Quarterly Corporate Scorecard reviews

The City's Integrated Annual Report presents performance against all key commitments and correctly reflects its performance against the targets.



Z I Manjra
Chairperson of the Audit Committee

Date: 31 January 2015

ANNUAL REPORT 2013/2014

REPORT OF THE AUDIT COMMITTEE

for the year ended 30 June 2014

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

The Audit Committee has been established as an independent Committee, in terms of S166 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003. The Committee is governed by a formal terms of reference, which is regularly updated and approved by Council.

The Committee presents its report for the financial year ended 30 June 2014.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Committee's terms of reference requires a minimum of 4 independent members, and consists of the members listed below. During the year under review, four Audit Committee meetings and two special meetings were held.

Other meetings with the City Manager, Internal Audit, Senior Management, Mayoral Committee (MayCo) and the Mayor were also held. The Auditor-General is invited and is in attendance at Audit Committee Meetings. The Chairperson is also a member of the Risk Committee of the City.

Name of Member	Number of meetings attended
Mr Z Manjra	8
Ms M Roos (Reappointed: effective 1 February 2014)	7
Ms J Gunther	7
Dr S Fisher	4
Mrs F Essa (Resigned 18 February 2014)	3

The tenure and qualifications of the members are as follows:

NAME	QUALIFICATIONS	TENURE PERIOD (1)	TENURE PERIOD (2)
Mr Zaid Manjra	CA(SA), Masters in Business Leadership	30/03/2009 to 30/03/2012	01/04/2012 to 31/03/2015
Ms Manaan Roos	CA (SA), H Dip Co Law, Masters of Commerce in Auditing, Certified Sustainability Master Class	01/02/2011 to 31/01/2014	01/02/2014 to 31/01/2017
Ms Judy Gunther	B.Compt Honours, Masters in Cost Accounting, Certified Internal Auditor (CIA)	01/11/2012 to 31/10/2015	
Dr S Fisher	M.B., Ch.B. (UCT), M.Med (Community Health)	01/11/2012 to 31/10/2015	
Mrs Fawza Essa	B.Sc (Computer Science and Mathematics)	01/11/2012 to 18/02/2014	

AUDIT COMMITTEE RESPONSIBILITY

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

The Audit Committee has compiled an annual work-plan that assists in carrying out its responsibilities.

Quarterly reporting on the Audit Committee activities were presented to the Strategic MayCo and for the 3rd and 4th quarters written reports have been submitted to Council.

The Audit Committee terms of reference (ToR) was subjected to a revision process and was approved by Council after the end of the financial year, with some substantial changes to its mandate. The revised ToR will, therefore, influence the Audit Committee work-plan.

REVIEW AND EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Committee has:

- Reviewed and discussed the Annual Financial Statements of the City with the Auditor General and Management, to be included in the Annual Report;
- Reviewed the Auditor General's management letters and management's responses thereto;
- Reviewed and discussed the report and audit opinion of the Auditor General with the Auditor General and Management;
- Reviewed changes in Accounting Policies and Practices;
- Reviewed the City's compliance with legal and regulatory provisions;

The Committee is extremely pleased that the Auditor General has issued an unqualified audit opinion on the Entity's Financial Statements of the City of Cape Town, for the year ended 30 June 2014, with no findings.

The committee concurs and accepts the Auditor General of South Africa's opinion regarding the Annual Financial Statements, and proposes that the audited Annual Financial Statements be accepted and read together with the Report of the Auditor General of South Africa.

The Financial Statements are prepared in accordance with the South African Standards of Generally Recognised Accounting Practice, and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act no 12 of 2009) (DORA). The Committee draws attention to the 'emphasis of matter', predetermined objectives, and other paragraphs contained in the Auditor General's report, noting that these do not affect the opinion in any way.

EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROL

The Committee has considered the work performed by Internal Audit on a quarterly basis and has reviewed the Internal Audit Annual Report on Internal Controls for the year ended 30 June 2014.

An internal audit opinion of "Some Improvement Needed" was expressed on Internal Controls, based on the results of the various audit engagements completed during the year under review. This opinion is an improvement on the preceding years. The Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control Framework was used as the reporting framework against which the audit results were applied to form an opinion on each of the COSO components, namely, the control environment, risk assessment, control activities, information and communication and monitoring activities. The Committee was also encouraged by the level of financial controls in place in the City.

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

Information Systems

The committee noted the significant improvement in the controls in IT&S, with internal Audit having performed a large number of Continuous Audits (CAs) during the course of the year. Internal Audit performed audit engagements related to:

- Active Directory;
- IT Systems Business Continuity Review;
- SAP Basis Review; and
- ICT Governance (COBIT) Review.

INTERNAL AUDIT EFFECTIVENESS

The Internal Audit activities are completed by an in-house Department operating in terms of an Internal Audit Charter. There appears to have been no compromise of the independence or objectivity of the Internal Audit function, during the year under review. However, with the change of the reporting lines of Internal Audit and the changes in the Audit Committee ToR, the Committee had raised its concerns regarding the potential impairment of the independence of Internal Audit. The Committee was given assurances of Internal Audits independence, and will continue to closely monitor the impact of the revised reporting lines of IA, to ensure that its independence is not being impaired.

The Committee reviews audit quality throughout the year with an emphasis on audit governance, methodology, independence, scope of work and outputs. The Committee believes that the Internal Audit function has been effective in carrying out its function in the City, having achieved or exceeded most of their performance targets.

The Chief Audit Executive position has been vacant since April 2014. The Committee has raised its concern regarding the length of time it has taken to fill this key leadership position.

PERFORMANCE MANAGEMENT

The Audit Committee also acts as the Performance Audit Committee for the City. The Audit Committee is pleased to note that there were no material findings, raised by the Auditor-General, on the usefulness and reliability of the reported performance information for the selected development objectives.

The Committee had reviewed and given consideration to the quarterly reports and quarterly performance results as reported by management. The internal audit quarterly reports on selected City Performance Management System Information were reviewed and the recommendations for continuous improvement are supported in an effort to ensure compliance, functionality and effectiveness of the system, as prescribed by the legislative framework.

The Committee recommends that management continue to address other deficiencies in the performance management process as highlighted by Internal Audit, Auditor-General and bi-annual Audit Committee reports to Council.

Subsequent to the year-end, the Council has appointed a separate Performance Audit Committee.

RISK MANAGEMENT

The City continues to show good progress in embedding risk management processes in its operations and enhancing the understanding of risk management in its strategy.

The Audit Committee Chairperson serves as a member of the Risk Committee thereby facilitating the Audit Committee's understanding of the City's risk intervention processes.

GOVERNANCE

The City has adopted the principles of the King 3 report on corporate governance. The Committee continues to monitor key City-wide governance interventions required such as the communication and monitoring of the ethics office and compliance reporting. These initiatives are evolving within the City and are welcomed to ensure compliance with legislative frameworks.

The Committee continues to review the development of the City's Combined Assurance framework to ensure that all significant risks are addressed.

MUNICIPAL ENTITY

The Cape Town International Convention Centre (CTICC) is the City's Municipal Entity. The Committee plays an oversight and advisory role of the Municipal Entity, with the CTICC Audit Committee meeting minutes and Annual Report being reviewed at the City's Audit Committee meetings.

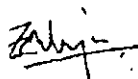
CONCLUSION

The Committee is very pleased with the progress made by the City during the financial year, in all the areas outlined in this report.

An Audit Committee report to the Municipal Public Accounts Committee (MPAC) was also submitted to the MPAC for the annual report oversight process.

The Committee fully supports the City in its vision and strategies, giving due consideration to the economic and social challenges facing the City and its residents on the journey for sustainable service delivery, and to build and grow a citizen centric culture.

The Committee wishes to express its appreciation to the Management of the City, the Auditor General of South Africa and Internal Audit to enable the Committee to perform its function.



ZI Manjra
Chairperson of the Audit Committee

Date: 9 December 2014