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**55 OVERSIGHT REPORT OF THE MUNICIPAL
PUBLIC ACCOUNTS COMMITTEE (MPAC)
ON THE 2016/17 ANNUAL REPORT OF
THE CITY OF JOHANNESBURG
METROPOLITAN MUNICIPALITY AND ITS
ENTITIES**

1 STRATEGIC THRUST

A Responsive, Accountable, Efficient and Productive Metropolitan Government.

2 OBJECTIVE

To submit to Council in terms of Section 129 of the Municipal Finance Management Act 56 of 2003 (MFMA) the oversight report on the Annual Report 2016/17 of the City of Johannesburg and all its municipal entities. Section 129 of the MFMA provides for oversight on the annual report. It requires that Council consider the annual report and must within two months from the date on which it was tabled in Council in terms of Section 127, adopt an oversight report.

3 BACKGROUND

In terms of Section 121(1) of the Municipal Finance Management Act 56 of 2003 (MFMA) and Section 46 of the Municipal Systems Act 32 of 2000 (MSA), every municipality and municipal entity must prepare an Annual Report for each financial year. In addition Section 121(1) of the MFMA further stipulates that the council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipality entity under the municipality's sole or shared control in accordance with Section 129. Based on the above ACT, Council is vested with the responsibility to oversee the performance of their respective municipality. This oversight responsibility of Council is particularly important for the process of considering annual reports.

The Annual Report provides the City with the opportunity to report on the financial and non-financial performance of the City and all its entities. Performance of the City is reported against commitments in the Integrated Development Plan (IDP), Business Plans and other supporting planning documents. The purpose of the annual report is:

- to provide a record of the activities of the municipality or entity;
- to provide a report on performance (i.e. service delivery) against the budget;
- to provide information that supports the revenue and expenditure decisions made; and
- to promote accountability to the local community for decisions made.

The Council of the City of Johannesburg Metropolitan Municipality has delegated Municipal Public Accounts Committee (MPAC) the responsibility of the oversight role envisaged in Section 129 of the MFMA and Circular number 32 of the MFMA.

The ultimate function of MPAC is to exercise oversight on the use of public funds appropriated to the City's Departments and its entities. This function is thus enabled

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through the analyses of the City's 2016/17 Annual Report referred to by Council, at the Council meeting held on 31 January 2018 for oversight purposes. Upon receipt of the 2016/17 Annual Report, MPAC had to exercise oversight and table an oversight report in Council by 27 March 2018. Moreover, Circular 32 of the MFMA prescribes that the oversight report tabled in Council must include a statement indicating whether the council:

- has approved the annual report, with or without reservation;
- has rejected the annual report; or
- has referred the annual report back for revision of those components that can be revised.

4 OVERSIGHT CHALLENGES

MPAC is only provided two months to exercise its oversight on the Annual Report of the City and its entities as prescribed in Section 129(1) of the MFMA, thus limiting members of the Committee to thoroughly absorb the contents of the report.

In the meeting held 2 February 2018 representatives from the Auditor General's (AG) office were expected to make a presentation on the AG's Report, however that did not happen. Subsequent to that meeting a special meeting was held on 7 February 2018 solely for the AG to make a presentation on their findings to MPAC.

JCT and JRA did not submit detailed audited Financial Statements to MPAC, this resulted in the inability of MPAC to perform their oversight role in terms of the financial performance for the two entities. This therefore, affected the scrutiny role of MPAC during its analysis on the 2016/17 annual report.

There were special meetings held on 14, 19 and 23 March 2018, where executive members of different departments and entities were invited to respond to the questions that MPAC had posed to them. MPAC members in this regard expressed their heart felt concerns at the manner in which questions were addressed, they believe that executive members did not adequately answer the questions that they had asked both verbal and the written. MPAC had to request the executive members together with the City Manager to revise most of the responses that they had send to MPAC. MPAC members are of the view that members from the executive undermine the work of the Committee.

5 OVERSIGHT METHODOLOGY

The 2016/17 consolidated Annual Report of the City of Johannesburg was tabled in the Council meeting held on 31 January 2018 and referred to MPAC for oversight and scrutiny. An advertisement was placed in various newspapers informing the public and stakeholders to submit comments on the Annual Report.

The copies of the annual report were also placed on the City's website and at all regional offices. Moreover MPAC developed a process plan as a guideline on how to execute the activities of MPAC when considering the 2016/17 Annual Report.

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The Annual Report of the City of Johannesburg together with MPAC process plan were tabled at the ordinary meeting held on 2 February 2018. The committee adopted the process plan and referred it to the Office of the City Manager, the Auditor General (AG) and other Section 79 Committees to note the dates of meetings and information expected from them. At the same meeting a representative from the office of the Accounting Officer was given an opportunity to make a presentation on the 2016/17 Consolidated Annual Report. The presentation included an action plan on corrective measures to be taken by management to resolve AG's findings.

On 16 February 2018 the committee researcher presented the analysis of the Annual Report to the Committee. MPAC thereafter compiled detailed questions arising from the consolidated Annual Report of the City of Johannesburg and its entities for submission to the office of the City Manager for written responses. On 21 February 2018, the Committee requested a presentation from the Chairperson of the Group Audit Committee, Group Risk committee and Group Performance committee on their oversight reports on the 2016/17 Annual Report, as a mechanism to enhance MPAC's oversight role.

The reports from Group Audit Committee, Group Risk Committee and Group Performance and Governance Committee are attached as Annexures to this report. However the reports that are attached from Group Risk Committee and Group Performance and Governance Committee is on fourth quarterly report and not on the 2016/17 Annual Report analysis. This is a concern to the Committee since it did not assist them with their oversight and scrutiny. On 28 February 2018 a session was held that allowed Chairpersons from the various section 79 Portfolio Committees to present their findings, observations and concerns to MPAC. The reports from these Committees are attached as an Annexure to this report.

The committee's oversight report is therefore prepared by incorporating all the relevant information, including the written and oral replies received from management and comments from South Africa Institute of Chartered Accounts (SAICA) that were presented to MPAC in relation to the 2016/17 Annual Report of the City of Johannesburg.

6 SUMMARY OF MPAC'S FINDINGS, OBSERVATIONS AND RESERVATIONS

(1) Audit Outcomes

The City of Johannesburg maintained an unqualified audit opinion with matters of emphasis for 2016/17 financial year, maintaining the same status since 2012/13 financial year.

MPAC is of the view that the City can achieve a clean audit in the near future, only if various structures in the City can work together in addressing issues raised by the AG and if proper plans are in place to enable the City to obtain a clean audit. With regards to the audit outcome of the City's entities, five municipal entities achieved a clean audit in comparison to the four Municipal Entities that achieved a clean audit in 2015/16 financial year. Johannesburg City Parks and

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Zoo (JCPZ) received a clean audit opinion for 2016/17 for the first time and a step upwards from the unqualified audits opinions from 2011/12 to 2015/16.

MPAC expressed a great concern with regards to the inconsistencies in reporting. The annual report in 2015/16 clearly indicated that only four of City's Entities had clean audits but in 2016/17 annual report it is indicated on Page 41 that five Municipal Entities received clean audits, one of those entities being Joburg Water. Since 2011/12 financial year Joburg Water has never received a clean audit.

(2) Predetermined objectives

MPAC expressed a concern that there were numerous repeat findings that the AG reported on, in respect of predetermined objectives and compliance. The Annual Report indicated that 48% of predetermined objectives were achieved against a target of 85%. The response by the City with regards to the underperformance was that it will improve the percentage of predetermined objectives by having a robust monitoring and implementation of City's SDBIP. MPAC's concern is that such underperformance hinders service delivery in the City. MPAC further emphasised that oversight role of other section 79 Committees, especially during the process of approving Business Plans of Departments and Entities needs to be strengthened to ensure that approved strategic documents contain objectives and targets that are specific, measurable, attainable, and realistic and time bound.

Furthermore, the AG's findings highlighted the unreliability of reported performance information and that it was due to lack of supporting documentation. The reliability and usefulness of performance information remains a concern to the Group Audit Committee as well and Group Audit Committee stated the need for a Progress Report on Reliability of Performance Information to be submitted on a quarterly basis. MPAC also requires Progress Report on Reliability of Performance Information to be submitted on a quarterly basis, detailing how the reliability and usefulness of performance information is addressed.

The Committee is of the view that lack of consequence management to employees who neglect their official responsibilities seems to be one of the contributing factors to the recurrence of the AG findings. Action plans to address the AG findings are developed every year but recurrence of findings could only mean that the corrective actions are not effective or implementation is not happening. There is a need to emphasis that this matter has been raised in previous MPAC oversight reports yet the City has not improved in addressing this.

Furthermore, Group Audit Committee noted that the resolution of audit findings for both the AG and Internal Audit unit are not attended to adequately. Group Internal Audit also noted the slow rate of resolution of audit findings and implores Management to attend to this issue urgently to improve the control environment. In this regard it is imperative that Section 79 Committees and Entities board sub Committees rigorously monitor and oversee the work of Departments and Entities through oversight visits to assist in ensuring reliability of evidence or source information.

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Another significant finding that is a concern to MPAC and the Group Audit Committee are the internal control weaknesses raised in the AG's report. Poor monitoring controls and a lack of proper record management system prevents financial and performance reports from being complete and accurate thus hindering the City from achieving a clean audit. The City is instructed to implement the recommendations made by the Group Performance Audit Committee specifically in ensuring the implementation of performance software.

(3) Compliance with Legislation

The City's failure to comply with applicable legislation relating to procurement and contract management, expenditure management and consequence management is a concern to MPAC. As a result, a number of Departments and entities had incurred fruitless and wasteful expenditure amounting to R205.7 million mainly due to interest paid on late payments made to SARS and other supplier's. MPAC is highly concerned with the increase in fruitless and wasteful expenditure, as this money would have been used to strengthen service delivery. In the previous year fruitless and wasteful expenditure had a cumulative balance of R45.5 million.

It should be noted that fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised, as per section 1 of MFMA, as such measures needs to be placed in order to avoid such expenditure. The opening balance for fruitless and wasteful expenditure of R45.5 million is currently under investigation. Pending the results of the investigation this figure (R45.5 million) might be condoned or recovered in 2017/18 financial year.

Irregular expenditure of R1.3 billion was incurred during the 2016/17 financial year resulting in a cumulative balance of R3 billion at year end. The main cause continues to be supply chain management deficiencies resulting in irregular awarding of contracts. The AG's report further adds that some of the irregular expenditure incurred by the City was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA. The City further mentioned that due to time limitations and the extent of the population it was impracticable to quantify the full extent of the irregular expenditure. MPAC highly condemns incurring of irregular expenditure regardless of whether goods or services were delivered/rendered.

MPAC further noted that R49.1 million worth of contracts were awarded to people who are employed by the state and this added to the cumulative irregular expenditure. On annexure D3 on questions and answers template it is stipulated that an official was awarded a contract amounting to R48 773 362. MPAC is of the view that such conduct of incurring irregular expenditure can be prevented if proper systems are put in place to detect irregular contracts and that perpetrators are being held accountable. MPAC notes with concern the continuation of the City's employee's awarding contracts to service providers who are close family members of employees or Councillors contrary to SCM Policy. MPAC stresses the need for the City to develop a mechanism to block suppliers or contractors who are employed by the state.

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The unauthorised expenditure incurred during the 2016/17 financial year amounted to R674.6 million and was as a result of over-expenditure on the budgeted amount of Group Forensic Investigation (R12.1 million); Housing Department (R138.5 million); Johannesburg Water (R244.7 million); Johannesburg City Parks and Zoo (R19.6 million); Group Finance(R138.9 million); Metrobus (R48.3 million) and; Emergency Management Services (R72.2 million). At the end of 2016/17 financial year the cumulative balance of authorised expenditure amounted to R4.2 billion compared to the cumulative balance of R3.5 billion incurred in 2015/16 financial year.

The escalation of unauthorized, irregular and fruitless and wasteful expenditure has become a matter of concern for MPAC and in that regard MPAC requests that a report on progress that has been made in resolving unauthorized, irregular and fruitless and wasteful expenditure be provided. To ensure accountability and good governance, MPAC expects the Accounting Officer to enforce Section 32(2)(b) and 99(2)(b) of the MFMA together with the City of Johannesburg approved guidelines on unauthorised, irregular and fruitless and wasteful expenditure. Group Internal Audit further suggested that a rigorous systems to pro-actively identify and prevent the re-occurrence of irregular, fruitless, wasteful and unauthorised expenditure be designed, including the reporting and investigation thereof.

As stated in previous MPAC reports, the Committee is still of the opinion that non adherence to supply chain management policy, regulations and act exposes the municipality to illegal acts such as taking bribes and appointment of preferential service providers. MPAC emphasises that Internal Audit needs to increase the number of audits in supply chain management environment so that deficiencies can be identified and implementation of the corrective action taken timely. The Group Audit Committee also noted that a huge number of findings on non-compliance with the supply chain policy contributes to the non-achievement of a clean administration.

MPAC is also concerned with the increase in the number of deviations reported by the Acting Group Chief Financial Officer. For 2016/17 deviations increased to R812 million from R152 million in 2015/16 financial year.

MPAC further notes with concern that material misstatements of assets, liabilities and disclosure items were identified by the AG in the submitted financial statements, and subsequently corrected by management. MPAC urges management to improve compliance with the requirements of section 122 of the MFMA in the preparation of the financial statements. MPAC also emphasises that the City must comply with laws and regulations such as MFMA (Sections: 62(1) (d) & 32(2) (a)), SCM regulations (36(1) &19(a)) and MSA.

(4) Other challenges

Loss of money due to fraudulent activities is still a great concern to MPAC. What worries the Committee is that some of reported fraudulent activities could have been prevented, had internal disciplines such as the segregation of duties and timeous reconciling of financial control accounts being exercised at all times.

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The gross consumer debtor's amounts to R18.5 billion compared to the R15.5 billion in 2015/16 financial year. Total consumer debtors increased by 18% from the previous year. MPAC questions the effectiveness of the credit control policy since the gross debtors book keeps on growing. Furthermore, allowance for impairment amounted to R12.5 billion in 2016/17 financial year, which represents 68% of total consumer debtors.

In the year under review the City collected 94% of debtors in respect of service billing against a target of 93%. The revenue collected is lower than revenue collected in 2015/16 of 94.7%. The challenging macro-economic environment continues to negatively impact on our customers' ability to pay for services. Therefore, improvement strategies in Revenue collection needs to be prioritized.

Another challenge that MPAC identified is the unspent grants for 2016/17 financial year that amounted to R736 million. What is more disturbing is that Urban Settlement Development Grant and Social Housing Grant, unspent grant amounted to R266.8 million and R136.5 million, respectively. This is a concern as the key mandate of these grants is to fund infrastructure and upgrade existing infrastructure to the poorest households. MPAC suggested that spending action plans need to be prioritised to mitigate under-spending especially on infrastructure projects.

It was further mentioned that the roll-over application amounting to R284 million for grants was not approved by National Treasury, resulting in the City losing that money. The reason why the roll over application was rejected, is that the City failed to submit the pre-audit financial statements before 31 August 2017. The Committee members expressed their deepest concern in that regard.

Unspent R2.2 billion Capex budget is another concern for MPAC, as capital investment is a key tool for improving service delivery and transformation of the urban environment. The reason provided for the under expenditure is mainly due to delays in procurement processes.

MPAC suggests that spending actions need to be prioritized to mitigate under-spending especially on infrastructure projects. Therefore, the City Manager must facilitate mechanisms to resolve this issue.

Water losses for 2016/17 financial year amounted to R1.1 billion compared to the R895.5 million in 2015/16 FY. The level of water losses is 26.8%, these losses are higher than both the industry norm of 18% and the benchmark rate of South African Water and Research Commission of 20%. Furthermore, Electricity non-technical losses amounted to R1.1 billion (2015/16: R1.4 billion), indicating an improvement of R261 million. The non-technical losses are due to: billing errors; customers without meters; damaged meters and theft. Even though there was a decline in non-technical losses, these losses could be easily avoided, especially since these losses arise due to billing errors and damaged meters.

With regards to capacity issues, Group Audit Committee raised a concern related to high vacancy rate (48%) in the Internal Audit unit and Group Audit Committee stressed that in order for the Internal Audit function to operate at optimal level as expected, the shortage in human resources should be addressed without delay.

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MPAC has noted with concern that the position of the CIO and CRO remains vacant despite repeated assurances by management that the position will be filled. It is however stipulated on the Annual Report that the change in the organizational structure, that brought about changes in the responsibilities of the CIO. This resulted in the position being re-advertised to accommodate these changes. With regards to the CRO position it is stated that the interviews have already been held and the position will be filled by March 2018.

Staff turnover for the City as Group has decreased to 4.41% from 7.3% in the previous year. Resignations accounted for 1.5% of the turnover rate, with the balance comprising retirements, deaths, contract terminations, dismissals and medical boarding. The turnover rate for Section 56 Senior Managers was 16.7%. The relevant positions include City Manager, Heads of Departments and MDs/CEOs of ME. The MPAC notes with concern the challenge to appointing candidates with scarce and critical skills in certain career groups, for example nurses, medical doctors, emergency services trainers, valuers, town planners, environmental specialists, urban designers and engineers.

The Committee continues to place emphasis on strengthening skills programmes offered to the City's unemployed communities, through internships, learnerships, bursaries, and skills programmes.

Performance Management currently uses a manual system, which makes monitoring, evaluation and reporting difficult. The City needs an automated electronic system to improve efficiency, relieve the administrative burden, and improve reporting accuracy. The automation of all leave processes and accurate attendance recording through biometric attendance systems linked to the payroll system is crucial for accurate administration.

Automation will also reduce the risk of attendance fraud and adverse Auditor-General findings for incorrect leave accruals. Another challenge lies in the differences between rewards systems for MEs, Core Administration and Section 56 employees. The CoGTA Staff Regulations Performance Management Chapter ensures standardized implementation of rewards across municipalities. However, differences are likely to remain between Section 56 senior managers and other employees, as the performance of the former is regulated through the Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Managers. A gratifying 16% of the City's employees received performance awards in the financial year under review.

MPAC has noted with concern that the targets for the Soweto Infrastructure upgrade and renewal were not met in the financial year under review. The non-achievement of targets for the year is attributed to delays in the commencement of the project due socio-political challenges, project interruptions due to community protests and further the termination of a contract in Diepkloof following the liquidation of the Contractor.

The JDA performance against the 2016/17 business plan of 21 Strategic KPIs: 38% performance targets were achieved, 10% partially achieved and 52% not

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achieved. The performance of the JDA has decreased considerably since the 2015/16 FY where it managed to achieve 54% of its KPIs and 38% was achieved in the 2016/17 financial year end. There were also delays in the Orlando East project due to dissatisfaction by the community members, this resulted in the cancellation of the project, as reported in the JDA's Annual Report.

As per the AG's findings, two hundred and fifty cases of alleged irregularities relating to financial misconduct, fraudulent acts, theft and non-compliance were investigated during the financial year under review. The majority of these cases were investigated internally by the group's forensic department. All the cases are in progress and are planned to be issued in the following financial year. MPAC suggests that investigations be completed timeously and necessary action be taken against responsible persons. The process of finalising disciplinary hearings/investigations takes too long.

With regards to disciplinary action, the committee has noted that in the consolidated Annual Report, a total of 214 fraud and corruption cases are pending for core administration. There are two group disciplinary hearings stemming from investigations conducted by Group Risk and Assurance Services and an external service provider. Both hearings were scheduled up until September 2017. Furthermore, fraud and corruption investigations for Municipal entities resulted in 1 041 disciplinary cases. Of these, 624 were finalised and 417 are still in progress. Some of the 48 suspensions related to disciplinary cases are finalised, and others await further investigation and ongoing disciplinary hearings.

The Labour Relations Department has observed that for both Core Administration and the MEs, major acts of misconduct involve corruption, fraud, dishonesty, maladministration, negligence, insubordination and absence without leave. An external service provider has been engaged to do further analysis. Although the Labour Relations Unit within GCSS emphasises the importance of resolving a dispute promptly and expeditiously, some matters are technical and/or raise complex questions of law. These may take a long time to conclude, in comparison with more straightforward matters.

MPAC acknowledges the efforts of Group Risk and Assurance Services in undertaking investigations on a number of allegations reported to the City during the financial year. However the Committee is not pleased with how some of the Departments respond to the Group Risk and Assurance Services recommendations. There are instances where perpetrators are given warning letters of limited duration whereas the Committee believes that such outcomes warrant harsher sanctions.

Another serious concern raised by members of MPAC is the inconsistencies in reporting. In some instances the figures reflected in the City's consolidated Annual Report do not tally with the ones reflected by entities. In note 32 on page 69 of the audited financial statements of Joburg Market R15 million was reflected for transformers (multi-year).however, on the City's consolidated annual report transformers (multi-year) amounted to R18 million. Joburg Market had to rectify the error and correct the entities annual report, to reflect the correct amount (R15

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million). MPAC concluded that most of the inconsistencies that result can be avoided only if proper internal controls are in place. MPAC believes that all these discrepancies arise due to weak internal controls.

In conclusion, MPAC noted that some of the contributing factors to the AG findings is a lack of monitoring and performance review, lack of actual performance supporting documents and inability to apply the requirements of the Framework for Managing Programme Performance Information (FMPPI) by management. In addition the following are some of the factors that the City should consider:

- The City should strengthen the implementation of supply chain management policy;
- Proper record keeping system;
- Strengthen the oversight role by the Accounting Officer and other respective structures such as Committees;
- Spending actions needs to be prioritized to mitigate under-spending especially on infrastructure projects;
- Improvement strategies in revenue collection need to be prioritized and;
- The City needs to develop a mechanism to block suppliers or contractors who are employed by the city and the state.

Stakeholder input

An advert was placed in various newspapers informing the public and stakeholders to submit comments on the 2016/17 Annual Report process. This therefore resulted in MPAC receiving comments from South African Institute of Chartered Accountants (SAICA), see Annexure G for a detailed letter.

MPAC noted the following concerns raised in the letter from SAICA:

SAICA identified that on Pages 109 to 118 the municipality only achieved 20 out of 42 (47.6%) planned targets for the year. This is indicative of inadequate planning and monitoring by the municipality in terms of its target and budget as the municipality underspent its budget and at the same time did not manage to meet its performance targets. The municipality should review its project management principles and processes to ensure that it is able to achieve its targets and ensure that it meets its service delivery targets. This further means that management needs to be held accountable to achieve the performance targets of the Municipality.

It should be noted that although The City has achieved an unqualified audit opinion, it has not been able to meet its service delivery obligation as it has only been able to achieve 47.6% of its planned targets. In order for The City to be more effective, it needs to ensure that there are proper plans in place so that it is able to achieve both its service delivery obligations and to obtain a clean audit.

Based on the current ratio calculation, the City has more current liabilities than current assets which indicates that it will not be able to cover its current liabilities

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when and as they become due. Furthermore there has been a regression in the ratio from the previous year. Controls should be implemented by the City to improve the current ratio and prevent it from regressing further.

The quick ratio or acid test ratio is a liquidity ratio that measures the ability of a company to pay its current liabilities when they come due with only quick assets. Based on the ratio, the City currently does not have enough quick assets to convert into cash in order to pay off their current liabilities, meaning that if the current liabilities become due at the same time the municipality might be forced to sell off its capital assets to pay the debts. This ratio has also regressed from the prior year.

The City should analyse its current debtors' books and identify a practical plan to improve the current debtors' collection time e.g. negotiate payment terms with long outstanding debtors. If this is not done, the long repayment period by debtors will impact negatively on the City's cash flow. The above ratios reflects poor financial health of the City.

Based on notes 52, 53 and 54 of the annual financial statements, the balance on fruitless and wasteful expenditure, unauthorised and irregular expenditure has increased drastically from 2016. Furthermore, based on information contained in these notes to the financial statements, it appears that The City had not completed their investigation on irregular and fruitless and wasteful expenditure from the prior year which has resulted in the year in balance increasing. The City is therefore not currently taking appropriate action to recover the money from the losses incurred as a result of irregular and fruitless and wasteful expenditure.

This indicates that the City has not implemented proper internal control processes to prevent and detect irregular, unauthorised and fruitless and wasteful expenditure, as well as good consequence management principles which has resulted in non-compliance with section 32 of the MFMA.

We recommend that the City revisits its internal control processes to prevent unauthorised, irregular and wasteful expenditure. Furthermore, investigations should be concluded in the year that the unauthorised, irregular and fruitless and wasteful expenditure has taken place and appropriate action should be taken to condone or recover the loss from the individual who permitted it. This will assist in strengthening the internal control environment and preventing future losses.

... The following Annexures are attached to the report:

- (1) Detailed reports on Section 79 Committee inputs are attached as Annexure A2 to this Report.
- (2) The report of the Auditor General is attached as Annexure B.
- (3) The responses of the City Manager to the questions of MPAC is attached as Annexure C.
- (4) Copies of Minutes of the Municipal Public Accounts Committee meetings is attached as Annexure D.

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- (5) Oversight report of Group Audit Committee; Group Risk Committee and Group Performance Committee for the 2016/17 Annual Report is attached as Annexure E.
- (6) Action plan on Corrective Action Taken / To Be Taken to Resolve Auditor General Findings is attached as Annexure F.
- (7) Comments from South African Institute of Chartered Accountants (SAICA) is attached as Annexure G.

7 POLICY IMPLICATIONS

This report is in line with the terms of references of the Municipal Public Accounts Committee.

8 LEGAL AND CONSTITUTIONAL IMPLICATIONS

None.

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9 FINANCIAL IMPLICATIONS

None.

10 COMMUNICATIONS IMPLICATIONS

The 2016/17 Annual Report of the City of Johannesburg was distributed to the Gauteng Provincial Government, Gauteng Department of Cooperative Governance and Traditional Affairs, National Treasury and the Auditor General. Advertisements were placed in various newspapers mentioned in the body of the report notifying the public that the 2016/17 Annual Report of the City of Johannesburg was made available for inspection as well as calling for public comments. The Annual Report was placed at the entrances of all regional offices. The oversight report on the 2016/17 Annual Report of the City of Johannesburg will be available on the City's website.

11 OTHER DEPARTMENTS/ BODIES CONSULTED

The following departments were consulted by MPAC to ensure effective oversight:

- Office of the City Manager of CoJ.
- Office of the Auditor General.

IT IS RECOMMENDED

- 1 That Council approve the 2016/17 financial year annual report of the City of Johannesburg Metropolitan Municipality together with annual reports of its Municipal Owned Entities.**
- 2 That Council approve the oversight report on the 2016/17 Annual Report of the City of Johannesburg Metropolitan Municipality and its entities noting the observations cited in the body of the report.**
- 3 That GRAS submit a report on all investigations on irregular expenditure incurred in the 2016/17 financial year, to the Municipal Public Accounts Committee by May 2018.**
- 4 That the Office of the City Manager provides Municipal Public Accounts Committee with a progress report on expenditure for grants, conditional grants and CAPEX on a quarterly basis.**
- 5 That the Office of the City Manager provides Municipal Public Accounts Committee with a detailed report on the conditional grants that were not rolled over and reasons for delayed spending, by May 2018.**
- 6 That the Office of the City Manager give a detailed report on the**

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consequence

management applied with regards to conditional grants not being rolled over, by May 2018.

- 7 That Internal audit investigate the R159 million increase in motor vehicle expenses and R54 million spent on software expenses for 2016/17 financial year under general expenses of City power and present the finding to Municipal Public Accounts Committee, by June 2018.**
- 8 That Johannesburg Development Agency provide Municipal Public Accounts Committee with an updated progress report on the objection lodged with SARS regarding the December 2016 VAT interest and penalties of R2.99 million, on a quarterly basis.**
- 9 That the City Manager implement a consequence management process to ensure that action is taken against those failing to implement the audit recommendations from the AG and Group Audit and report to MPAC by June 2018.**
- 10 That Council approve the recommendations from other section 79 committees' reports that are annexures to the oversight report and recommends that the Section 79 committees actively implement these recommendations and report progress on issues raised on the Auditor General's Report and include progress in their quarterly reports to Council.**
- 11 That MPAC receive a detailed quarterly report from the City Manager on the progress of the corrective measures to be taken by management to resolve AG's findings.**
- 10 That a detailed report on the progress of the monitoring the SDBIP per Department and Municipal Entity be submitted quarterly by the City Manager.**
- 11 That MPAC require a progress report on the Reliability of Performance Information to be submitted on a quarterly basis, detailing how the reliability and usefulness of performance information is addressed.**
- 12 That the City Manager provide MPAC with a detailed report on the nature and extent of the internal control weaknesses raised in the AG's report and thereafter to report to MPAC on the progress made in strengthening the internal controls, by June 2018.**
- 13 That the City Manager provide a report which quantifies the full extent of unresolved UIFW and a quarterly report on the consequence management steps taken.**

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14 That the City Manager report on the progress of the recommendations made by the Group Performance Audit Committee on the implementation of the performance software by June 2018.

15 That a full investigation be done on the implementation of the Supply Chain Management Policy by June 2018.

16 That proper systems are put in place to detect irregular contracts and that perpetrators are being held accountable and be immediately blocked in the Supply Chain Management Database and the recovery of the money lost and for City Manager to report to MPAC by June 2018.

17 That the City Manager report to MPAC on resolution of the high vacancy rate at Senior Management level by May 2018

18 That MPAC be provided with progress from City Manager for the development integrated transport plan to address the strategic concerns raised in MPAC in the light of the poor performance and significant losses incurred by metrobus and high cost of running Reya Vaya by June 2018.

19 That City Manager implements a plan on how to address the regression on the various financial performance ratios: Current Ratio; Quick Ratio and Debtor repayments days, by May 2018.

20 That City Manager provide MPAC with a report on the action plan taken to address the capacity constraints within Internal Audit, by June 2018.

21 That City Manager provide MPAC with Management Letter in the first meeting of MPAC during the Annual report process by February 2019.

22 That City Manager provide MPAC with a detailed report on the R17 billion mentioned in the Mayoral's foreword in the 2016/17 Annual Report, by May 2018.

23 That Risk Committee and Group Performance and Governance Committee to submit detailed reports on the 2016/17 Annual Report analysis, by June 2018.

(COJ LEGISLATURE)

(M Motaung)

(Tel. (011) 407-7106)

(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM

COJ LEGISLATURE

ANNEXURE A1

Title of the Report: Oversight report of the municipal public accounts committee on the 2016/17 annual report of the City of Johannesburg Metropolitan Municipality and its Entities

What are the major benefits to the Communities of Johannesburg?

An effective oversight committee which ensures that rates payers' money is effectively utilized.

Which communities will primarily benefit (if relevant state the region, ward, suburb, or socio economic group etc.)?

City of Joburg community as a whole.

If relevant, when will implementation take start?

N/A.

If relevant, when will work be completed?

N/A.

What is the total cost of implementation?

N/A.

How will communities be informed of the contents of this report?

Once adopted by Council, the oversight report on the Annual Report becomes a public document and can be made available.

How can communities be involved in the implementation of this report?

Community can attend Council Sitting to observe and track the recommendations of this report.

Who can be contacted to provide additional information and/or clarity?

Ms M Motaung (011 407 7106).

What other information can be given to assist Councilors to communicate the contents of this report to communities?

COJ : MUNICIPAL PUBLIC ACCOUNTS COMMITTEE 2018-03-19

COJ LEGISLATURE

Committee terms of reference, 2016/17 Annual Report of the City and its Entities, Previous Annual Reports and Oversight Reports on the annual reports, Integrated Development Plan (IDP), and Service Delivery and Budget Implementation Plan (SDBIP).