# CORRUPTION RISK ASSESSMENT REPORT:

## BUFFALO CITY METROPOLITAN MUNICIPALITY

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## EXECUTIVE SUMMARY

This report presents the findings of a targeted corruption risk assessment for the Buffalo City Metropolitan Municipality (BCMM), focusing on identifying structural vulnerabilities within financial management, public procurement, and human resource recruitment systems. Situated in the Eastern Cape Province, BCMM operates as a critical economic and industrial hub. However, successive oversight reviews and audit outcomes highlight a severe exposure to corruption, structural mismanagement of public funds, and a widening accountability deficit.

Primary qualitative insights were gathered through focus group discussions with local civil society stakeholders, community representatives, and advice office networks. These findings were systematically corroborated with secondary source documentation, including statutory reports from the Auditor-General of South Africa (AGSA), parliamentary oversight reviews by Parliament's Standing Committee on Public Accounts (SCOPA), municipal anti-corruption frameworks, and local investigative journalism.

The diagnostic assessment reveals that while formal compliance policies and regulatory frameworks exist, major operational loopholes significantly weaken the internal control environment. In financial management, tokenistic public participation and low financial transparency mask substantial irregular expenditure, which reached R1.32-billion in the 2023/24 cycle. Procurement systems remain highly vulnerable to advance disclosures, political patronage, and a lack of post-award contract monitoring, resulting in incomplete infrastructure projects. Recruitment mechanisms suffer from a profound lack of procedural disclosure, politically mediated shortlisting, and weak candidate vetting.

This report maps these specific operational decision points, evaluates cross-cutting drivers, and delivers strategic recommendations designed to restore administrative integrity and public trust.

# 1. INTRODUCTION AND MUNICIPAL OVERVIEW

## 1.1 Municipal profile

The Buffalo City Metropolitan Municipality (BCMM) is positioned along the coastline of the Eastern Cape province, South Africa. Established as a metropolitan municipality in May 2011, BCMM encompasses the primary urban and administrative centres of East London, Bhisho, King William's Town, Mdantsane, and Zwelitsha. Following the August 2016 local government elections, its borders were expanded to encompass adjacent territories from the Great Kei, Amahlati, and Ngqushwa local municipalities, bringing its total geographic area to approximately 2 515 km² with a 68 km coastline.

As a category A municipality, BCMM holds direct legislative and executive authority over vital local government competencies, including general municipal planning, building regulations, public transport, electricity distribution, health services, and water and sanitation provision. The metropolitan economy is heavily anchored by the motor vehicle manufacturing sector, using East London as a principal maritime export corridor. Politically, the municipal council is led by an African National Congress (ANC) majority holding 61 seats, followed by the Democratic Alliance (DA) with 20 seats. The implementation of its statutory integrated development plan (IDP) is managed through administrative directorates reporting directly to the municipal manager.

## 1.2 Governance challenges and context

Despite its strategic economic position, BCMM has been subject to intensifying institutional scrutiny, forensic probes, and public accountability campaigns. Administrative instability and alleged systemic malfeasance have triggered active interventions and investigations by specialised law enforcement entities, including the Directorate for Priority Crime Investigation (the Hawks) and the Special Investigating Unit (SIU).

In March 2025, an oversight visit by SCOPA exposed severe governance regressions. The committee raised alarms regarding pervasive mismanagement, crumbling core infrastructure, delayed capital projects, high youth unemployment, and acute poverty. To mitigate these vulnerabilities, the municipality formally adopted an anti-corruption and fraud prevention policy. This framework commits the administration to safeguard revenue, municipal property, assets, and data from fraudulent exploitation through mechanisms such as:

- **Annual fraud risk assessments:** Geared toward mapping internal systemic exposures and evaluating control deficiencies.

- **Fraud awareness campaigns:** Disseminating anti-fraud material across municipal workspaces and service desks.
- **Independent whistle-blowing platform:** An anonymous, third-party managed reporting facility intended to shield employees, suppliers, and contractors from operational victimisation.

However, an immense disconnect persists between these formalised policy commitments and the lived operational realities of municipal administration.

## 2. CORRUPTION RISKS IN FINANCIAL MANAGEMENT: KEY FINDINGS

### 2.1 Overview of framework

Financial management within BCMM is statutory governed by the Municipal Finance Management Act (MFMA) No. 56 of 2003, National Treasury circulars, and localised fiscal policies, including the investment and cash management policy, long-term financial planning policy, and cost containment measures. The primary objective of these frameworks is to secure long-term financial sustainability and equitable service delivery.

Nevertheless, for the 2023/2024 financial year, AGSA issued a **qualified audit opinion** for BCMM. Presented officially to Parliament in March 2025, the AGSA report flagged persistent material failures across public procurement, ongoing contract mismanagement, and a near-total collapse of internal consequence management systems.

### 2.2 Corruption risks in budget formulation and public participation

The budget formulation process is structurally overseen by a budget steering committee chaired by the executive mayor (or their delegate), comprising portfolio committee chairs and Section 57 senior executives. While internal bureaucratic steps align with Chapter 4 of the MFMA, rendering the structural risk of upfront budget manipulation minimal due to dual signatures from the chief financial officer (CFO) and municipal manager, severe risks emerge during the public participation phase severe risks emerge during the public participation phase.

Focus group participants uniformly characterised public consultation within the IDP and budgeting processes as a tokenistic "tick-box exercise". Civil society groups and ordinary residents reported being systematically excluded from understanding how capital project allocations are derived. Specific findings include:

- **Political manipulation of meetings:** Focus group data revealed that public consultation spaces are routinely captured to serve the personal interests of officials or political networks. One civic representative stated explicitly: "They invite their comrades. They don't invite the public," thereby silencing dissenting community voices.

- **Information asymmetries:** The strategic and technical language of published budget proposals and financial statements alienates ordinary citizens, rendering meaningful oversight impossible.
- **Oversight gaps and ghost projects:** This deliberate exclusion of genuine public scrutiny allows municipal planners to quietly channel capital budgets toward heavily inflated or non-viable projects such as the contentious Mdantsane swimming pool project, without community consent.

### 2.3 Corruption risks in spending authorisation and financial reporting

Significant, high-level corruption risks plague the spending authorisation and financial reporting phases at BCMM. Despite extensive policy controls, the municipality is characterised by widespread irregular expenditure, project inflation, and a lack of transparency.

The primary vulnerabilities identified include:

- **Massive irregular expenditure:** BCMM accumulated a staggering R1.32-billion in irregular expenditure during the 2023/24 financial cycle, indicating a severe breakdown in expenditure verification controls.
- **Diversion and waste of public capital:** Millions of rands allocated for the maintenance of essential services such as municipal roads, water provision, electricity, and sanitation networks are systematically diverted, mismanaged, or lost to stalled capital developments.
- **Inconsistencies and falsification risks:** The AGSA 2023/24 report explicitly flagged severe contradictions between budgeted amounts and actual operational expenditure, noting poor financial statement quality. These recurring adjustments raise significant risks of financial statement falsification, designed to mask unauthorised transfers.

### 2.4 Corruption risks in payroll management

BCMM's payroll administration operates within high-frequency transactional environments governed by the MFMA. Focus group data and secondary reviews indicate that the overarching environment of weak internal controls exposes the payroll system to ongoing fraud. Stakeholders expressed significant anxiety regarding localised vulnerabilities, including:

- **Fictitious appointments:** Weak verification protocols create a permissive environment for payroll manipulation, with community groups raising concerns over unauthorised appointments and potential "ghost workers" on the municipal register.
- **Historical salary irregularities:** Past control overruns regarding unearned benefits and acting allowances have failed to result in strict recovery or disciplinary measures, creating a culture of financial impunity.

### 2.5 Factors driving or enabling financial risks

1. **Opaque reporting formats:** The presentation of highly technical financial statements prevents external civil society structures from tracing fund flows, shielding officials from citizen-led social accountability.
2. **Normalised impunity:** Oversight structures within the municipal council fail to implement consequence management, meaning officials can execute irregular transactions or overspend budgets without facing administrative sanctions or criminal referrals.

## 3. CORRUPTION RISKS IN PROCUREMENT: KEY FINDINGS

### 3.1 Overview of framework

Public procurement within BCMM represents the primary financial interface between municipal funds and private market entities. It is structurally governed by South African public finance legislation, most notably the MFMA, and the municipality's supply chain management (SCM) policy which mandates that all acquisitions be fair, equitable, transparent, competitive, and cost-effective. Despite these statutory guardrails, deep operational loopholes compromise every stage of the SCM lifecycle.

### 3.2 Risks across the procurement lifecycle

- **Needs assessment:** Manipulation occurs at the very genesis of procurement planning. Rather than aligning acquisitions with genuine community priorities via the Service Delivery and Budget Implementation Plan (SDBIP), needs are frequently manufactured to favour specific political factions or commercial syndicates. The Mdantsane swimming pool serves as a prime example: the project was imposed on the community without a legitimate needs assessment, resulting in millions misallocated away from critical sanitation and water infrastructure.

- **Tender advertisement:** While invitations to bid are formally published across various online platforms (e.g., tender alerts, online tenders, BCMM vendor portal, and the BCMM Development Agency website) and local print media like the *Daily Dispatch*, the process is frequently compromised in practice. Focus group evidence from interviewed stakeholders revealed that tender outcomes are often implicitly predetermined before advertisement. Preferred bidders are covertly provided with privileged, advantageous technical details regarding specification design and submission locations, creating an uneven playing field.
- **Shortlisting and evaluation:** Bid evaluation committees face significant capture. Stakeholders reported that committee members are heavily dominated by individuals selected for their political alignment with the ruling party, routinely influencing scores to favour well-connected applicants. Furthermore, the AGSA 2023/24 report confirmed widespread non-compliance with SCM codes of conduct, documenting multiple instances where municipal officials actively conducted commercial business with the municipality without declaring acute conflicts of interest.
- **Tender award:** The final contract award phase is highly vulnerable to political patronage networks, bribes, and financial kickbacks. Loopholes within the central supplier database cross-referencing system allow officials to award major service delivery contracts to front companies or unqualified close associates, completely undermining competitive market principles.
- **Contract management and implementation:** This phase represents an area of maximum vulnerability and loss. A near-total absence of rigorous performance monitoring and progress tracking allows contractors to deliver substandard infrastructure or completely abandon project sites while continuing to receive full municipal payouts. Focus group respondents pointed to visible community infrastructure failure, such as crumbling, potholed road networks and unfinished public assets like the Court Crescent recreational park and the Mdantsane pool. Contracts are routinely inflated, and cheap, low-quality materials (such as substandard water pipes) are accepted, leading to frequent pipeline bursts and severe service delivery disruptions.

### 3.3 Factors driving procurement risks

1. **Strategic opacity:** SCM evaluation registers, procurement plans, and definitive scoring sheets are actively withheld from public view, preventing civil society from monitoring the legality of awards.

2. **Erosion of internal controls:** Factional political relationships insulate non-performing contractors from financial accountability or blacklisting, completely neutralising internal SCM compliance checks.

## 4. CORRUPTION RISKS IN RECRUITMENT: KEY FINDINGS

### 4.1 Overview of framework

The BCMM does not maintain a unified, comprehensive document outlining its 2025 Human Resource (HR) recruitment policy. Instead, its hiring practices are guided fragmentally by the Employment Equity Act, standard public service protocols, and affirmative action measures. Structurally, final hiring decisions for senior management (Section 56/57 executives) rest with the municipal council based on selection panel inputs, while general administrative staffing remains the competency of the corporate services manager.

### 4.2 Risks across recruitment stages

- **Job advertisement and vacancy mapping:** While vacancies are publicised through local print media (e.g., *Daily Dispatch* Wednesday and Sunday editions), the municipal website, and public sector job agencies, structural manipulation occurs early on. Stakeholders raised alarms that job descriptions and specialised qualification matrices are routinely tailored ("job-crafting") to align perfectly with pre-selected political allies or relatives, creating a false appearance of open competition.
- **Candidate shortlisting:** The shortlisting process operates in complete opacity, with no public disclosure of evaluation rationales or rejection criteria. Deserving and highly qualified external applicants are routinely eliminated without justification, allowing political alignment to function as the primary unwritten filter.
- **Interview process:** Interview panels lack independent oversight or external, trained observers, severely increasing the risk of subjective evaluation and score manipulation. There are no publicly verifiable or standardised scoring frameworks, meaning personal networks routinely override objective candidate performance.
- **Background checks and vetting:** Background and reference checks are highly vulnerable to internal pressure and manipulation. Historically, BCMM has faced pervasive "cadre deployment," with the ruling political administration bypassing mandatory qualification vetting to place politically loyal individuals into technically demanding roles. This vulnerability was confirmed by desktop research exposing an

active SIU investigation into a senior BCMM municipal transport official who secured their administrative post using completely fraudulent qualifications.

- **Hiring decisions:** Focus group participants characterised the final appointment stage as highly compromised, likening the municipality's dual role to "being the player and the referee at the same time". Senior officials deliberately select unqualified candidates who lack the technical capacity to challenge irregular administrative directives, entrenching clientelism.

### 4.3 Factors driving recruitment risks

1. **Broad discretionary powers:** HR personnel and selection committee members exercise excessive unchecked discretion, allowing them to disregard eligibility criteria or waive background vetting without penalty.
2. **Acute capacity constraints:** The near-total absence of independent external observers or digital verification infrastructure leaves the entire employment registry open to nepotistic capture.

## 5. CROSS-CUTTING ISSUES AND SYSTEMIC DRIVERS

The specialised findings across financial management, public procurement, and HR recruitment reveal three profound, cross-cutting systemic drivers that impair accountability throughout BCMM:

### 5.1 Systemic lack of institutional transparency

Across all reviewed directorates, critical administrative information including detailed budget formulations, complete tender evaluation sheets, and interview score charts are systematically hidden from public scrutiny. This severe information asymmetry completely neutralises public oversight and fosters a deep-seated culture of mistrust, leading communities to assume that resources are distributed through political connections rather than objective public merit.

### 5.2 Failure of monitoring and evaluation systems

A massive divide exists between compliance mechanisms on paper and their actual execution. BCMM has failed to implement robust performance tracking systems mandated by the Municipal Systems Act 32 of 2000. This has resulted in a complete collapse of internal accountability, allowing substandard infrastructural delivery, extensive irregular spending, and unqualified hiring to go completely unchecked by internal risk management structures.

### 5.3 Political interference and collapsed consequence management

Contrary to the Municipal Systems Act, which explicitly prohibits political overreach into administrative structures, BCMM is defined by severe, regular clashes between administrative managers and local political leaders. Procurement and recruitment outcomes are heavily captured by patronage networks. Because the municipal council and the municipal public accounts committee are politically aligned with the executive leadership, consequence management has effectively dissolved, creating a culture of total administrative impunity.

## 6. RECOMMENDATIONS AND MITIGATION STRATEGIES

To systematically dismantle the corruption risks identified within BCMM, the following multi-stakeholder interventions must be implemented immediately:

### 6.1 For provincial government (COGTA and provincial treasury)

- **Enforce section 106 investigations:** Move swiftly to conclude all outstanding SIU and Hawks investigations into qualification fraud, blacklisting non-compliant officials across all provincial databases.
- **Mandated independent vetting:** Standardise recruitment oversight by mandating that all senior municipal appointments (Section 56/57) use independent, external selection panels and direct SAQA verification tools before any contract is finalised.
- **Sanction repeat control failures:** Implement fiscal penalties and withhold discretionary allocations from departments that fail to resolve AGSA qualified audit findings or continue to accumulate irregular expenditure.

### 6.2 For Buffalo City Metropolitan Municipality (administrative and council levels)

- **Establish digital transparency portals:** Mandate the immediate public disclosure of all municipal procurement plans, upcoming tender specifications, final bid award evaluation registries, and interview scoring matrices on an open online vendor portal.
- **Reconstruct the internal control environment:** Institutionalise a rigorous combined assurance model, introducing layered oversight across the financial reporting and SCM lifecycles to separate duties and prevent conflicts of interest.
- **Revitalise public participation:** Restructure the IDP and budgeting notification framework to guarantee local community forums and civil society actors a minimum 30-day review period with accessible, non-technical financial documentation.

- **Enforce strict consequence management:** Initiate immediate disciplinary and payroll recovery processes against any official who authorises irregular expenditure, overruns a departmental budget line, or fails to declare a commercial conflict of interest.

### 6.3 For civil society, community-based organisations (CBOs), and residents

- **Deploy social accountability audits:** Form local civic coalitions to actively monitor capital infrastructure project sites (such as the Court Crescent and Mdantsane projects), documenting contract delays and reporting substandard implementation directly to the AGSA and SCOPA.
- **Use PAIA mechanisms:** Systematically request access to hidden municipal financial records and recruitment scoring sheets using the Promotion of Access to Information Act (PAIA) where administrative disclosure remains blocked.
- **Mobilise via whistle-blowing facilities:** Actively report suspected instances of nepotism, ghost workers, bid-rigging, and political kickbacks through the independent, anonymous whistle-blowing platform.

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