

Draft 2 (1 December 2005)

**REPORT OF THE PORTFOLIO COMMITTEE ON PROVINCIAL AND
LOCAL GOVERNMENT ON THE TABLING OF ANNUAL REPORTS AND
FINANCIAL STATEMENTS 2005**

The Committee on Provincial and Local Government, having considered Annual Reports and Financial Statements for 2005, reports as follows:

A. INTRODUCTION

1. The review and hearings on annual reports and financial statements of the statutory bodies has been undertaken and conducted in order to gain an understanding of progress that is being made to improve the levels of service delivery. In particular, the Committee wanted to uncover shortcomings, key areas of concrete improvement and assess the impact of government programmes in changing and improving the lives of the people.
2. The Committee resolved that its efforts would be increasingly directed in the area of monitoring performance and evaluating delivery.

B. PARTICIPANTS IN THE TABLING OF ANNUAL REPORTS

Those who appeared before the Committee included a delegation from the Department of Provincial and Local Government Ms L Msengana-Ndlela – Director-General, L Twaku, L Graham, M Rangali, Shiva Makotoko, Elroy Africa, C Clerihew and Veronica Mafoko; Mr. Malcolm Booyesen from Treasury; Ms Sophie Molokoana, P Raedani and R Baloyi a representative from SALGA; Ms Pumla Madiba, A Dockrat, M Seroux, M Bethlehem, Mongezi Guma and Sibusisiwe Dube from the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities (CRL Commission); the LGSeta was represented by Mr W Nkosi, Mr W Roberts, Mr H A Deysel, Mr S Japie, Ms Millicent Collins; MDB was represented by Dr Vuyo Molokoti, Mr Hillary Monare, Mr Richard Somamje; a delegation of the NHTL included Nkosi M B Mzimela, Chief F P Kutama, Morena MF Mopeli, Kgosi SV Suping, Kgoshi C E Mathebe, Prince Z S Makaula, Prof. Sobahle, Mr Z Matebese, Mr S Nkosi; MIIU was represented by Ms Danai Magugumela, Ms Laila Suryodipuro; and SALGA was represented by its CEO Dr M Khoza, Cllr H Jenkins, Mr S Wasa and Mr K Miullagie.

C. DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT

1. The department (DPLG) reported that the departmental budget under review was R13.1 billion. An amount of about R7.7 billion was transferred directly to municipalities for basic services, R4.5 billion for municipal infrastructure and job creation, R130 million for drought relief in South Africa and R20 million for financial needs related to the East Asian (Tsunami) Disaster.
2. The total amount of R17.3 million was transferred to the South African Local Government Association and R22.5 million to the Municipal Demarcation Board to prepare for the Local Government Elections. A total of R8.6 million went to the National House of Traditional Leaders, R4 million to the Commission on Traditional Leadership Disputes and Claims and R9.7 million to the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities. The R224 million was for the Department of Provincial and Local Government operational budget.
3. According to Project Consolidate, since April 2005 Service Delivery Facilitators (SDFs) have been mobilised and deployed to municipalities. The Department had been directly engaged with more than 40 municipalities through the Presidential and Ministerial Municipal Imbizo's Programme.

Expected outcomes would be:

- Improved capacity of provinces and municipalities to deliver on their mandate
 - Accelerated delivery of quality services to communities
 - Empowered participation of communities in the governance structures and processes
 - 136 municipalities would emerge out of Project Consolidate and graduate through to the sustainability phase in terms of Local Government Transformation process
4. The recent audit reports, both from internal and external auditors, point at instances of non-compliance with DoRA, especially as the framework for conditional grants by Provincial and Local spheres of government.
 5. While this appears to be a recurring finding, it has become apparent that there was a misalignment between the legislature and the processes currently followed by Provincial and Local Government in executing their tasks. The Committee noted the various items, which the Office of the Auditor-General has listed as impacting on the internal controls and must be addressed as a matter of priority by the department.

6. The department's commitments to the Portfolio Committee and to Parliament for 2004/5 was that, the Department would pay priority attention to:

- Leading and facilitating policy coherence on matters of provincial and local government
- Raising awareness and recognition of the depth of capacity challenges
- Follow a systematic approach in addressing critical capacity challenges arising from decades of neglect, poverty and underdevelopment in poor and rural municipalities.
- The department's approach in addressing Key Performance Areas (KPA's) for municipalities, included the following:

KPA 1: Municipal Transformation and Institutional Development - by stabilizing administrative and political components within municipalities, implementing a systematic programme of capacity building, strengthening the performance Management System etc.

KPA 2: Municipal Financial Viability and Management – by improving municipal capacity in the following areas: Long range Financial Planning and Budgeting, Revenue and Debt Management, Financial controls, Implementation of MFMA and Regulations and Financial Reporting.

KPA 3: Basic Service Delivery and Infrastructure – by monitoring implementation, particularly in areas highlighted in the IDP Hearing Report

KPA 4: Local Economic Development – by mandating the Economic and Employment Clusters both at National and Provincial levels to accelerate the implementation of Local Economic Development strategies.

KPA 5: Good Governance – by improving the functionality of Ward Committees and rollout of the Community Development Workers Programme, the three spheres of government should provide the necessary support to ensure effectiveness of Ward Committees and Good Governance.

7. The Committee welcomed the Imbizo initiative however, wanted assurance in a form of a monitoring mechanism that would be put in place to ensure progress in addressing identified challenges. The Committee further mentioned that the department should seriously consider the information coming out of reports from Imbizos and such information needed to be incorporated into departmental strategic plan. The Committee also wanted copies of the report from Imbizo's to be made available in order to assist members in their oversight responsibilities.

8. The Committee felt that the department should compile a list of issues raised by traditional leaders to assist local government in address issues of rural development and that the department needs to monitor the implementation of legislation designed to transform traditional governance systems.
9. The Committee was concerned about the future status of the MIU and pointed out that the department needs to play its role in this regard. The Committee felt that the good relationship and openness between the department and its Entities is very important and that such a relationship must be sustained.
10. The Committee agreed that the department should investigate the state of readiness of municipalities for the 2010 FIFA Soccer World Cup.

D. SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION (SALGA)

1. The South African Local Government Association (SALGA) received a qualified audit opinion from the Auditor-General for 2005/06 financial year. Salga's budget in 2003 was less than R 60m, and in 2005 it was over R 100m. The breakdown of income for 2005 was as follows:
 - 16% from DPLG
 - 65% from Municipal Levies
 - 8% from Donor Funding
 - 11% from Other Income
2. Salga complained about a very low payment rate from Metros and that remuneration packages accounted for 31% of the budget and was below the general norm of 35%.
3. Regarding the disclaimer, Salga plans to address all issues raised by the Auditor-General and hopes to receive a better report in the next financial year.
4. SALGA wanted to see full-time councillors appointed in rural areas to enable devotion to development and achieve better results.
5. Salga acknowledged that many municipal facilities/buildings were not user-friendly for people with disabilities. Municipalities had been sensitised about the shortcomings and budgets would reflect the need to improve the situation for most-frequented areas and buildings. A database of user-friendly municipalities for people with disabilities would be compiled. Best practices would be exchanged amongst municipalities to promote compliance with acceptable standards. All councillors would be trained including proportional representation councillors, but ward councillors would receive specific training as they had an important role to play in development.

6. The Committee point-out that Local Economic Development in so far as it-relates to local communities remains a challenge and that Salga needs to find ways of ensuring that the LED becomes the beneficitation of local communities.
7. The Committee congratulated Salga on successfully hosting the Founding Congress of the United Cities and Local Governments of Africa in Tshwane in May 2005. SALGA is also a member of the Commonwealth Local Government Forum and the partnership with the UK-based Local Government International Bureau has assisted SALGA with funding to develop the association's International Relations strategy.
8. For the year under review, Salga established a new directorate called Strategic Affairs Directorate, whose strategic objectives are to:
 - Ensure that SALGA enhances and maintains a high profile position locally, regionally and internationally
 - Mainstream issues of gender, youth, people with disabilities and HIV and Aids
 - Facilitate and support the capacity of member municipalities.

E. MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT (MIIU)

1. The MIIU received an amount of R12 342 from grants and disbursements amounting to R15 341 for the 2005/06 financial year.
2. The Cabinet Memorandum No. 14 of 1997 created the MIIU in 1998 as a short-term arrangement whose term would come to an end in five years (April, 2003). The MIIU reported that this term was then extended by Cabinet Memorandum 4A of 2003 for an additional three years, ending in 31 March 2006.
3. Due to MIIU's term coming to a close, they are reducing and downsizing their operations towards closure in 2006. During 2005/06 financial year, the MIIU will be executing their exit plan in preparation for closure. This plan will then be implemented as follows:
 - Closure of projects on the pipeline
 - Archiving of projects deliverables
 - Packaging of institutional memory for the DPLG as executive authority.
4. The MIIU was concerned about the capacity of the municipal market in absorbing and taking optimal advantage of private sector investment through Municipal Service Partnerships (MSP).
5. The MIIU reported that heavy reliance in MIG and lack of skills to borrow caused reluctance on borrowing and this trend resulted into a decline in private sector involvement in municipalities.

6. The MIU explained that a chief directorate responsible for MSP in the DPLG would absorb some of their functions. While the Committee welcomed this undertaking, the Committee was nonetheless concerned about the degree of the vacuum that would exist in terminating MIU and who would then be responsible for performing the functions and continue the work that has been started by the MIU. The committee further wanted to know the actual handover of functions when MIU's work is being concluded. While the MIU is preparing for closure, the committee pointed to strong indications of a growing demand for the work and projects provided by the MIU.
7. The Committee welcomes the clarity of the report and presentation by the MIU and further expressed its appreciation for the valuable work undertaken by the MIU. The Committee further expressed concern about the future of the MIU and the relevance of its institutional memory when they have closed shop.
8. The committee believes that the work of the MIU is most relevant within the context of Project Consolidate and if closure goes through, a transitional measure should be initiated with the Department of Provincial and Local Government (DPLG).
9. The Committee explained that lack of technical expertise from municipalities created and necessitated the creation of MIU. The Committee wanted to know whether the closing of MIU presupposes that the conditions that informed the creation of the MIU no longer exist. Due to this, the Committee believes that this need still exists. The Committee therefore, emphasized its position that the MIU is still relevant today.
10. The MIU report showed that all their projects were in urban areas, the Committee then felt that the work of the MIU is biased towards urban municipalities, while the issue of infrastructure investment is more challenging in rural areas.
11. The Committee indicated that it is going to pursue the possibility of extending the MIU term with the DPLG to determine whether there is a process in the executive to review this decision with the possible view of extending the term of the MIU.
12. The Committee agreed that the following issues needed further discussion with MIU and DPLG:
 - Progress on the response they are waiting for, from the DPLG
 - DPLG to elaborate on what plans do they have in place in taking over the functions of the MIU
 - If there is any possibility in reversing the closing down decision of MIU.

13. The MIU promised to give answers on issues that they were unable to respond to on the next workshop that will be arranged for more engagement.

F. MUNICIPAL DEMARCATION BOARD (MDB)

1. The Municipal Demarcation Board (MDB) indicated that they have created 4 clusters and a staff compliment of about 24 distributed in the following category:
 - 4 vacant
 - 85.7% black
 - 38% female
 - 4.7% people with disabilities.
2. For the 2004/05 financial year, total expenditure amounted to R28 million with a net deficit of about R1.9 million at 31 March 2005, which is 5.97% of their total budget.
3. The MDB explained that logical support for the ward delimitation process is the primary reason for this deficit and that the Board with the support of DPLG has requested the Finance Committee to approve an additional amount of about R15 670 000 for the delimitation of wards. However, the Finance Committee only approved an additional R5.5million.
4. The process of ward delimitation and cross boundary would be completed by December and that elections needed to take place no later than April in 2006.
5. The Committee strongly felt that the Voting Districts that were being used by the IEC were causing confusion and that user-friendly maps should be considered and disseminated. The Board acknowledged that VDs are a problem, but pointed out that the IEC focussed on VDs while the Board concentrates on ward demarcation.
6. The Committee further felt that the net deficit of R1.944 million was a huge amount, and was worried about the financial management principles of the PFMA that are being ignored purposely, at the expense of completing the process of ward delimitation. The Committee wanted to get a sense of the Auditor General's response on this consistent net deficit.
7. The MDB confirmed that they have a sound working relationship with IEC and that a national technical committee that included DPLG was currently in place.
8. The board reported that their assets register and asset management system is in place.

9. The Committee suggested that MDB, IEC and DPLG work together in the formulation of boundaries as they are going to impact on elections. The DPLG to assist and give guidelines on issues beyond their authority e.g. the inflexible criteria of Municipal Structures Act, which authorises the board to take into account the security, which does not fall under the board.

G. NATIONAL HOUSE OF TRADITIONAL LEADERS (NHTL)

1. The NHTL reported that mechanisms had to be devised for the House to monitor the creation of traditional legislation and that no province had completed implementation of the Traditional Leadership and Governance Framework Act of 2003 to meet the deadline of September.
2. The budget of the National House has been controlled by the department (DPLG) but it is hoped that the newly appointed CEO would have the capacity to improve the financial position of the House.
3. Regarding the establishment of regional Houses, the National House reported that only the Eastern Cape has done some good progress. Provinces like North West, Mpumalanga, Free State and KZN have not started yet, meaning that the regional Houses were not going to be erected by the set target of 24 September. The NHTL said it was not possible for them to operate in Provincial level until Provincial Houses are established.
4. The NHTL explained that gender issues have been addressed but the tradition and the custom of communities are not flexible in this regard, they felt that the implementation of gender balancing would however, be implemented over time.
5. The NHTL had made valuable contributions by making submissions in several Bills and were involved in drafting legislation in provinces.
6. Regarding the NHTL Chamber, the Department of Public Works and DPLG must work together in order to ensure that the Amakhosi are housed within close proximity to Parliament.
7. The Committee was unclear with the strategic plan and the budget of the National House, as there was no indication on the presentation of any substantial information regarding their financial status and their accountability to the Auditor General.
8. The Committee continued to express its concern about the financial status of the National House and said that the current reporting format before it requires revision and more clarity on key performance areas. Moreover, reports should clearly indicate how the House had utilised

the amount allocated to it and how they managed to improve the lives of rural dwellers and added value to rural communities.

9. The Committee emphasised the importance of having an action plan supplementing the strategic plan including timeframes for implementation.
10. Again the Committee expressed its concern over lack of clarity on corrective action that had to be taken after previous Committee recommendations.

Resolution

The committee requested NHTL to take note and correct the following:

- Their format of report writing.
- Programme for the year to be tabled in the Committee.
- To put time frames on key performance areas
- Clearly identify the link between the budget, the expenditure and what is to be done.
- Clarity on their contribution and role in service delivery.
- DPLG to assist the NHTL in all the above.

H. COMMISSION FOR THE PROMOTION AND PROTECTION OF THE RIGHTS OF CULTURAL, RELIGIOUS AND LINGUISTIC COMMUNITIES (CRL)

1. The Commission reported that in implementing its mandate it formulated five distinct but closely related strategic objectives:
 - Organizational Development
 - Human Resource Development
 - Public Education and Advocacy
 - Research and Policy Development
 - Investigation and Conflict Resolution
2. The Commission indicated that the post of CEO and CFO have since been filled. The CRL Commissioners were organized into functional committees to facilitate effectiveness in policy development, delivery and monitoring of activities.
3. The Commission in its brief period of existence received a substantial amount of complaints and submissions for investigation. After the investigation and analysis, the Commission discovered that all the complaints were related to the issues of Language in Education, Community rights and cultural rituals, religious Education, Marriage laws and rights etc.
4. The Commission hosted a National Consultative Conference (NCC) in their first twelve months of establishment. The NCC provided a platform for a display of diverse cultural, religious and linguistic

communities. Some of the recommendations of the NCC were that, CRL should interact with religious leaders to promote interracial religious dialogue, bridge general gaps caused by the influence of western culture, religion and language etc.

5. The Committee felt that the Commission should be introduced to all other relevant department in Parliament and the challenges to the Committee was to direct this process.
6. The Committee felt that the Commission is still in its infancy and has to be nurtured by all relevant role-players; nonetheless the Committee would follow-up on policy direction applied to the Commission by the department (DPLG).
7. The Committee emphasised that the activities of the Commission should be linked to the Presidency Cluster programme to enhance effectiveness.

I. LOCAL GOVERNMENT SECTOR EDUCATION AND TRAINING AUTHORITY (LG-SETA)

1. The LG-SETA reported that last year 2004, the Minister of Labour sent them a letter seeking explanation for continued underperformance and requesting and immediate improvement on standards and turn-around strategy.
2. As a consequence they declared 2004 as a year of consolidation to remove all the inefficiencies and improve their activities hence the new the LG-SETA as oppose to the previous LG-Water and related SETA.
3. SETA explained that 1550 municipal employees would be trained within the EPWP and the training for traditional leaders would be undertaken after initial research.
4. SETA said that service providers responded slowly to requests for registration and that SETA would attempt to use newly and emerging service providers and discourage the continuous use of well-established entities. However, certain new service providers displayed capacity weaknesses that had to be considered.
5. The Committee was worried about the 160 learner' dropout during training programme. Due to this, the Committee wanted to know if there were any strategies in place to correct the situation or whether the dropouts were just left out. What has been done to prevent the wastage of money?
6. The Committee further wanted to know whether LGSETA had assessed learners before taking them for training? Questions were raised around the training of LGSETA's Academy staff, municipal workers, ward committees and Traditional Leaders, and how efficient

they were in terms of training, equipment and placement of trained people.

7. The Committee wanted sufficient information regarding progress in the area of training within the context of the Expanded Public Works Programme, the participation of SALGA, and to what extent do they train Councilors. The Committee was also interested in knowing whether LGSETA has a service provider or training package for municipal managers and senior staff members.
8. The Committee wanted to get a better sense of how LGSETA measures its improvements, on numbers or outcomes, and whether follow ups are being conducted after training. The Committee was concern about indication of duplication regarding training provided by different government department and LGSETA and whether linkages can be forged for greater impact.
9. We don't seem to hear the kind of training that talks to the type of training that intends to correct the intrinsic behavior and attitude of public servants along the lines of Batho Pele.

J. CONCLUSION

1. The hearings on annual reports have presented the Committee with an opportunity to gain the necessary information and detail that relates to the mandate of the statutory bodies in so far as the implementation of core government programmes is concerned.
2. The hearings have also presented a picture of where we are as local government to enable us to look at the progress and challenges we are faced with. This session has given us an opportunity to deliberate on issues with the aim of finding practical ways of coordinating our efforts in moving forward with an efficient machinery of service delivery. They have provided us with a broad preview of the strategic priorities of government in the fight against poverty.
3. The Committee is thus focusing on implementation of service delivery, building and strengthening capacity; developing human and financial resources and having the necessary skills required in implementing government programmes.
4. The Committee conveys its appreciation to the department (DPLG) and all the statutory bodies for their participation and co-operation in the hearings. The Committee emphasized the need to further engage with the statutory bodies on the recommendations made.