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**BRIEF ANALYSIS OF INGONYAMA TRUST BOARD ANNUAL
REPORT, 2005/06****1. Introduction¹**

The Ingonyama Trust was established in terms of KwaZulu-Natal (KZN) Trust Act (No. 3 of 1994), which was amended by National Act 9 of 1997. The KZN Ingonyama Trust Amendment Act provided for the establishment of the Ingonyama Trust Board. The main objective of the Board is to administer Ingonyama Trust Land, which is about 2.7 million hectares spread throughout KZN on behalf of traditional authorities and communities residing thereon.

The Chairperson of the Board is His Majesty the King or his nominee. The members of the Board are appointed by the Minister, subject to consultative procedures laid down in the Act.

2. Vision²

The vision of the Trust is to improve the quality of life of the people living on Ingonyama Trust land by ensuring that the land usage is to their benefit and in accordance with the laws of the land.

3. Objectives³

The objectives of the Trust are:

- To formulate and implement policy
- To provide an effective land administration system
- To create a climate that encourages development
- To extend security of tenure in accordance with both customary and statutory law but always subject to the Constitution.

¹ Information below is sourced from Ingonyama Trust Board Annual Report, 2005/06.

² Information below is sourced from Ingonyama Trust Board Annual Report, 2005/06.

³ Information below is sourced from Ingonyama Trust Board Annual Report, 2005/06.

Based on the above objectives the strategic objectives of the Trust for 2005/06 were⁴:

- Development of assets register and land tenure information system.
- Transfer of former KwaZulu towns to Local Authorities
- Transfer of land used for State Domestic purpose to relevant organs of State
- Registration of land vesting in the Trust and consolidation of titles.
- Privatisation of State forests
- Implementation of the Communal Land Rights Act, No.11 of 2004 (CLRA).
- Monitoring of land claims on Trust land
- Assistance to communities in addressing firebreak, alien vegetation and fencing obligation.
- Allocation and provision of land for housing and infrastructure purposes
- Granting of leases
- Agreeing to the granting of Permissions to Occupy (PTOs)
- Granting of mining rights and royalties administration
- Disbursements of funds to Traditional Authorities
- Establishment of an Audit Committee and appointment of Internal Auditors.

5. PERFORMANCE

The performance with to regards the Trust strategic objectives and specific targets are set below. The strategic objectives and targets are identified from the Trust's business plan for 2005/06.

- **Development of an assets register and a Land Tenure Information System**

During the year under review the Board commissioned a service provider to set up a computerised Land Tenure Information System. Approximately 15 510 records have thus far been identified. This exceeded the target of 4 000 records to be identified by 31 March 2006.

A professional land surveyor was contracted to update the real estate register. As 31 March 2006 the asset register reflected the 1491 properties presently registered in the name of the Ingonyama Trust.

- **Transfer of former KwaZulu towns to Local Authorities**

The task of the Board was and is to transfer former R293 KwaZulu towns to various Municipalities, as provided by the Ingonyama Trust Act, 1994 (as amended). By the end of the financial year under review, a total of 15

⁴ Ingonyama Trust Board: Business Plan, 2005/06

townships had been transferred. The Trust exceeded the target of transferring 6 townships in 2005/06.

- **Transfer of land used for State Domestic purpose to relevant organs of State**

To date a total of 2 700 State Domestic properties have been surveyed. During the coming year, the Board intends to take more stringent measures to ensure that relevant departments take action to register these properties in their name.

The target for 2005/06 was to transfer 500 properties used for State domestic purposes to relevant organs of state. The report failed to report on this target.

- **Registration of Land vesting in the Trust and consolidation of titles**

The Department of Land Affairs (DLA) has to complete the transfer of some 341 parcels of land to the Trust. No single parcel of Land was transferred to the Trust during the year under review. The target for 2005/06 was to register 200 properties vested in the Trust.

- **Privatisation of State Forests**

There are four forests on Trust Land. During the year under review the Board continued negotiations with the Department of Water Affairs and Forestry (DWAF), the communities and the Land Claims Commission in order to assist DWAF and communities deal with the restructuring and privatisation exercise embarked on by DWAF.

- **Implementation of the Communal Land Rights Act, No.11 of 2004 (CLRA)**

During the year under review the Board held meetings with DLA in connection with implementation and now awaits the publication of the Draft Regulations.

- **Monitoring of Land Claims on Trust Land**

During the year under review the details of 9 claims were received but no titles were transferred.

- **Assistance to communities in addressing firebreak, alien vegetation and fencing obligation**

During the year under review the Board continued to assist communities by liaising with Fire Protection Associations and the Working for Fire Project administered by DWAF.

A pilot firebreak scheme involving traditional authority areas in Port Shepstone was partly funded by the Board during the year under review and

is planning to roll out similar projects in other high risk fire areas. Such projects have provided employment opportunities and later will include fencing, eradication and control of alien vegetation in future projects.

- **Allocation and Provision of Land for Housing and Infrastructure Purposes**

During the year under review, the Board agreed in principle to 38 housing schemes and signed 14 Development Rights Agreements. The latter provided 19 770 housing units to be upgraded in rural areas throughout the Province. In addition, the Board continued to negotiate with the Department of Transport regarding upgrading and realignment of roads in Trust Land and with Eskom on the construction of power lines. The target to have 30 development rights agreements in 2005/06 was not met.

- **Granting of Leases**

To date, the Board has granted some 117 leases generating R 102 569 per annum. During the financial year under review a total of 29 new leases were entered. The new leases generated an additional income of R165 929.02 for the year. The Board almost achieved the target to enter 30 leases in 2005/06.

- **Agreeing to the granting of Permissions to Occupy (PTOs)**

Ministerial delegation to issue PTOs in respect of residential, agricultural and commercial sites on Ingonyama Trust was given to the MEC for Traditional and Local Government in KwaZulu-Natal.

The Board was advised that during the year under review 29 commercial and 525 residential PTOs were granted by the MEC of Traditional and Local Government. The target for residential PTOs, which was 450 was exceeded while the target for commercial 75 PTOs was not achieved.

- **Granting of Mining Rights and Royalties Administration**

During the year under review, the Service Provider appointed by the Board completed an audit of all mining assets and processed new applications for mining permits and mineral leases for submission to the Board.

During the year under review R7 009 681 income was derived from royalties. This was lesser than the R8 013 157 targeted for 2005/06.

- **Disbursements of Funds to Traditional Authorities**

During the year under review 40 Traditional authorities qualified for funding accrued from mining or other commercial activity.

- **Disbursements of Funds to Traditional Authorities**

Actions were taken during the year under review to improve the system of recording debtors and debt collection. Debt collectors were appointed to assist with the debt collection process. The Board has also approved a credit control policy and action was taken against defaulters.

- **Establishment of an Audit Committee and appointment of Internal Auditors**

During the year under review, the Audit Committee and Internal Audit service Provider were appointed. The Board also approved the internal Audit Charter. The Board achieved the target for 2005/06.

6. REPORT OF THE AUDITOR-GENERAL (AG)

The AG issued a qualified report. The AG indicated the following limitations in the Board's financial statements:

- **Land holdings:** The asset register in Deeds Registry does not have updated proper records of properties owned by the Trust.
- **Completeness of Income:** Completeness of royalty income and income of PTO could not be verified.

The AG further draws attention to the following matters:

- **Contingent liability arrear rates:** There is no clarity on the exact amount of potential liability owed to Municipalities. It was noted with concern that an accumulated amount in the region of R25 million during 2004/05 financial year, in respect of rates arrears claimed by eThekweni Municipality is disclosed as contingent liability in the report.
- **Change in Accounting Policy:** The Board has change its accounting policy regarding the valuation of land with effect of 1 April 2005. As a result of this change, the Board has departed from Statements of Generally Accepted Accounting Practice IAS 16(AC 123).
- **Performance Information:** The Board does not monitor performance against predetermined objectives as required by PFMA. As a result the performance information was not submitted to the AG for audit purpose by 15 June 2006 as required.
- **Supply Chain Management:** The Board has not developed or implemented a supply chain management for acquisition and disposal of goods and services and the letting of state assets.
- **Materiality and Significance Framework:** The Board has not developed and agreed on a framework of acceptable levels of materiality and significance with the Minister of Land Affairs.
- **Financial Management:** A number of weaknesses were identified in the Financial Management of the Board such as a lack of segregation of duties in the accounting function, lack of a fraud prevention plan and risk management policy.

7. FINANCIAL PERFORMANCE

7.1 Funding

The operational activities of the Board are mainly funded through revenues generated from mineral leases and leases of commercial land. The policy of the Board is that 90% of the revenue flow accrues to the Traditional Community in whose area the revenue is generated. The internal administrative costs of the Board are met from the grant-in-aid from National Department of Land Affairs. The operational costs are met from 10% of funds accruing through the Trust.

7.2. Income and Expenditure

| | 2005/06 R | 2004/05 R |
|---------------|--------------|--------------|
| Total Income | 13,977,063 | 12,327,609 |
| Expenditure | 13,398,144 | 12,206,666 |
| Spending as % | 95.9% | 99.0% |

The table above shows that the spending capacity of the Trust is good. However, it would be interesting to see that about 90% of the income is disbursed to Traditional Authorities in line with the policy of the Board. A provision for the disbursement of funds to Traditional authorities has been catered for in the financial statement for an amount of R12 554 822.

8. COMMENTS/QUESTIONS

- According to the Strategic Plan, 2005/06 15 townships have already been transferred, which resulted in 11 townships to be transferred, in which 6 had to be transferred in 2005/06 and the remaining 5 in 2006/07. However, in the report it is reported that 15 townships were transferred in 2005/06. The Trust should provide clarity on this.
- The Report did not report on the target to transfer 500 of the 2700 State Domestic properties to relevant organs of State.
- How many job opportunities were created in the firebreak schemes?
- The report does not indicate the number of mining leases or permits issued during the year under review. It also fails to report on the number of BEE or Joint Ventures established through granting of mining rights.
- What percentage of the R12 554 822 catered for disbursement to Traditional Authorities has actual been disbursed and how many Traditional Authorities benefited? For what kind of projects were these monies used?
- There is an increase in the amount of bad debt written off, it increased from R12 715 in 2004/05 to R16 576 in 2005/06. This implies that the debt collection system has not improved. What measures have been taken to improve the debt collection system?

- Many of the matters raised in the report of the AG have been raised several times before especially the issue on arrear rates, lack of accurate records for land holdings, internal control weaknesses in financial management, and poor recording of royalty income and income of PTO. Some of these concerns go far back as 2002/03⁵. What measures have been taken or are going to be taken to resolve these issues?
- It is reported that the Board will seek alternative methods to monitor mining extractions in the future to address the problem of lack complete records on royalty income. The Board should provide progress on this considering that there are only five months left before the end of this financial year.
- Regarding the issue of arrear rates it is reported that the Board has requested Ministerial intervention. The Board should provide progress on this and possible time frames for resolving this issue as it has been going on for a long time.
- The Trust should provide progress report on the privatisation of forests on Trust land.

SOURCES

Ingonyama Trust Board Annual Report, 2005/06.

Ingonyama Trust Board Annual Report, 2004/05

Ingonyama Trust Board. Strategic Plan 2005/06

First Report of the Standing Committee on Public Accounts (SCOPA):
Ingonyama Trust Board, dated 18 March 2006.
<http://www.pmg.org.za/docs/2006/comreports>

⁵First Report of the Standing Committee on Public Accounts (SCOPA): Ingonyama Trust Board, dated 18 March 2006. <http://www.pmg.org.za/docs/2006/comreports>