

**REPORT OF THE PORTFOLIO COMMITTEE ON PROVINCIAL AND LOCAL
GOVERNMENT ON THE TABLING OF ANNUAL REPORTS AND FINANCIAL
STATEMENTS FOR 2006**

The Committee on Provincial and Local Government, having considered Annual Reports and Financial Statements for 2006, reports as follows:

RECOMMENDATIONS

A. INTRODUCTION

The review and hearings on annual reports and financial statements of the statutory bodies was conducted on 17 and 24 October 2006 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 assessing the impact of government programmes in changing and improving the lives of the people.

B. PARTICIPANTS IN THE TABLING OF ANNUAL REPORTS

Those who appeared before the Committee from the Department of Provincial and Local Government (DPLG) included Mr C Clerihew, Mr E Africa, Adv S Kholong, Mr D Powell, Mr T Faba, Ms B Leon, Mr M Sigaba, Ms T Mketi, Mr W M Sobahle, and Mr Y Patel; the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities (CRL Commission) was represented by Dr M Guma, Mrs M Bethlehem, Mrs P Madiba and Mr C Smuts; the Local Government: Sector Education and Training Authority (LGSETA) was represented by Mr E S Mnyakeng, Ms J M Davies, Mr G K Lobelo and Mr L S Mofokeng; the Municipal Demarcation Board (MDB) was represented by Dr V Mlokoti, Mr R Monare and Mr R Somjanje; the National House of Traditional Leaders (NHTL) was represented by Mr A M Sithole, Khosi F Kutama, Kgosi S V Suping, Inkosi M S Mahlalela, Morena M F Mopeli, Mr R S Khandhela, Adv H Chiloane and Mr C Nemalale; the Municipal Infrastructure Investment Unit (MIIU) was represented by Mr V Mathada and Mr C Clerihew from DPLG

C. DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT (DPLG)

1. The Department of Provincial and Local Government (DPLG) had received an unqualified audit opinion. DPLG's expenditure outcomes against the budget were at 99.98%. Underspending amounted to R 2.8 million which represented 0.02% of the budget. DPLG had received an unqualified audit opinion from the Auditor-General. Other figures included.
2. R 9.6 billion was transferred directly to municipalities as equitable share for basic services while R 5.4 billion was transferred as a conditional grant i.e. MIG for municipal infrastructure and job creation. Others included: R 342 million for disaster relief and R 200 million as a conditional grant for municipal systems improvement.
3. The following bodies received as follows:
 - R 18.3 million to the South African Local Government Association.

- R 24.9 million to the Municipal Demarcation Board.
- R 8.3 million to the National House of Traditional Leaders.
- R 7.1 million to the CRL Commission and
- R 273 million for DPLG operational budget.

4. Programme 1 – Administration

- The purpose of the programme was to provide for the management leadership and administration of the Department.
- The Internal Audit and Risk Management Plans and Charters were developed, and best audit practices further institutionalised.
- The approval of the Leadership Development model enabled a structured approach to staff development.
- The establishment of the Communication for a across the three spheres of government and the development of guidelines for local government communicators enhanced the communication.
- The programme provided enabling systems in support of Project Consolidate and the co-ordination of the Izimbizo Programme.
- The development of a comprehensive marketing strategy for all programmes and the consistent utilisation of service delivery enhancement systems will receive more attention in the current financial year.

5. Programme 2 – Governance, Policy and Research

- The focus was on providing policy advice and research support for the development and monitoring of intergovernmental relations and the performance of provincial government, provincial municipal relations, integrated development planning, local economic development, the institutions of traditional leaders and international and donor relations.
- On the Intergovernmental Relations Framework Act – 15 MinMecs were established nationally, 9 Premiers IGR Forums were established provincially and out of 46 districts, only 2 remain outstanding. Toolkits and guidelines have been developed to assist with implementation.
- A comprehensive assessment of all 283 municipal IDPs was undertaken jointly by national departments and provinces in April 2006. This improved adoption rate to 98% in 2005/06 compared to 74% adoption in 2004/05.
- The outlook was to consolidate the impact of intergovernmental delivery in municipal spaces, the strengthening of information flows between spheres of government and the consolidation of the development partnerships between the Institution of Traditional Leaders and all three spheres of government.

6. Programme 3 – Urban and Rural Development

- This programme aims to manage, co-ordinate, monitor and measure the effectiveness of the integrated implementation of the urban renewal programme (URP) and the integrated sustainable rural development programme (ISRDP) across all spheres of government.
- Implementation frameworks for the URP and ISRDP have been completed as well as guidelines for sector departments participation in URP and ISRDP.
- The strategic outlook was to focus on documenting the achievements and lessons learnt at the mid-term period of the programmes and strengthening the technical support to nodal municipalities and in particular the former cross boundary municipalities.

7. Programme 4 – Systems and Capacity Building

- a. The aim was to provide capacity building and hands-on support programmes to local government and provide a national disaster management centre. The programme also promotes intergovernmental fiscal relations and regulates and monitors the local government institutional and administrative framework.
- b. The programme highlights included:
 - Realignment of provincial boundaries.
 - Phased implementation of the Property Rates Act.
 - Approval of overhauled council remuneration framework.
 - Development of HIV and Aids framework for local government.
- c. It also supported National Treasury with the implementation of the MFMA with direct assistance to 57 non complying municipalities to submit financial statements, within the context of Project Consolidate.
- d. This programme aimed to accelerate various local government capacity building efforts, through targeted focus on good governance/anti-corruption, financial management, implementation of property rates and strengthening management accountability in local government.

8. Programme 5 – Free Basic Services and Infrastructure

- a. To strengthen local government capacity to increase access to basic services, including free basic services for all communities, to enable municipalities to meet their constitutional mandate.
- b. There was the national launch of the Community Development Workers Programme and the finalisation and distribution of the Resource Book and Handbook on public participation.
- c. There were 5 292 MIG Projects registered by March 2006.
- d. Indigent guidelines was approved for implementation to accelerate delivery of free basic services with a free basic services campaign rolled out to 283 municipalities.
- e. R 5.4 billion was transferred and R 3.9 billion spent by March 2006.
- f. 290 MIG Projects were captured as Extended Public Works Programme Projects to the value of R 1.34 billion.
- g. A total of 73 269 jobs have been created through MIG Projects.
- h. 67 Project Management Units were established in municipalities.

9. Programme 6 – Provincial and Local Government Transfers

100% of grants were transferred with the total value of transfers being:

• Disaster Relief: Provincial	-	R 40 million
• Disaster Relief: Municipal	-	R 311 million
• Equitable Share	-	R 9.643 million
• MSIG	-	R 200 million
• MIG	-	R 5.436 million

10. Programme 7 – Fiscal Transfers

- a. SALGA fully participated in the system of intergovernmental relations with a separate Annual Report in December 2006.
- b. SA Cities Network held various seminars, a conference and a symposium; prepared toolkits for cities on skill shortages and prepared for the Cities Report for 2006.

The 2005/06 financial year was a key year in entrenching the Project Consolidate approach across government. The five year Strategic Agenda for Local Government was adopted with the three strategic priorities:

- Mainstreaming hands-on support to local government to improve municipal governance and accountability.
- Addressing the structure and governance agreements of the State to better strengthen, support and monitor local government.
- Refining and strengthening the policy, regulatory and fiscal environment for local government to give greater attention to enforcement measures.

D. MUNICIPAL DEMARCATION BOARD (MDB)

1. The Municipal Demarcation Board had received an unqualified audit opinion but the Auditor-General has raised some of the following issues:

- irregular expenditure due to procurement policies not being in accordance with requirements of Treasury Regulation 16A and supply chain management practice notes issued by National Treasury
- irregular expenditure due to entering into a finance lease transaction in contravention of Treasury Regulation 13.2
- non-compliance of audit function with all standards set by Institute of Internal Auditors as per Treasury Regulation 3.2.6
- password control in Information Systems not up to standard

2. Receipts for the Year 2005/06 included the following:

- MTEF Allocation	- R 24 959 000
- Donor Funding	- R 650 000
- Map & Explorer Sales	- R 67 000
- Disposal of Assets	- R 130 000
- Other income	- R 67 000

The Total Income for 2005/06 - R 25 873 000

3. Expenditure for the year 2005/06 amounted to R 22 408 000 broken down as follows:

- Administrative Expense	- R 5 786 000
- Staff Costs	- R 7 840 000
- Audit Fees	- R 578 000
- Project Expenses	- R 6 143 000
- Payments from Donor Funding	- R 647 000
- Other operating expenses	- R 702 000
- Finance Costs	- R 30 000
- Depreciation and Amortisation	- R 682 000

4. Expenditure on Municipal Capacity Assessments for 2005/06 was significantly cut through decommissioning important work with respect to the 9 provincial reports and the national report.

5. The Board has put in place measures to effect severe cuts with respect to the 2006/07 budget which included:

- Imposing a moratorium on commissioning of all research at the Board. Only reports on municipal capacity assessments would be done, subject to availability of funds.
- Minimising the costs of printing the Annual Reports by doing the printing internally.
- Using teleconferencing and video conferencing for Board Meetings.

6. The Board had successfully spent their 2005/06 budget without a deficit. The surplus of R 3 465 000 was not due to underspending but as a result of receiving a few days before the end of the financial year, an amount of R 3 million from DPLG for the repayment of expenses we incurred while doing work related to the phasing out of cross boundary municipalities. The Board also decided to set aside R 1.8 million to pay the government printers for the gazettes.
7. The Board has approved a strategic plan for 2006/07 to 2009/10 which became effective on 1 April 2006. The plan identifies primary stakeholders who have an interest in the Board, what it does and how the Board carries out its functions. The Plan also identifies strategic themes to focus and guide the organisation over the next five financial years.
8. The Board had been successful in respect of achieving pre-determined objectives and have carried out their mandate without fail despite budgetary constraints. All queries raised by the Auditor-General in 2004/05 and by the Committee in the past have been resolved and queries for 2005/06 were being attended to. Adequate funding from the fiscus remained a challenge.

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

1. The Commission, during the year of review, revisited its strategic plan generated in January 2004 to sharpen its focus. It began a review of complaints received, consolidated procedures generated and finalised the organisational structure to improve service delivery and optimise resources. The Commission identified three major areas of concern namely Language in Education, Cultural Practices and the Traditional Authority in modern democracy.
2. The Commission also conceptualised and developed the "CRL Dialogue" programme and the "Public Education and Advocacy" programme for conversing on CRL-related issues and focusing on the youth.
3. The Commission has identified five broad research areas during the course of 2005/06 which included:
 - Language in Education
 - Rites of Passage
 - Equality of Religion
 - Marriage and the Bill of Rights
 - Land and Spirituality

4. Very few complaints were received regarding linguistic human rights violations with the highest number of complaints from rural areas in respect of religion and culture. All complaints related to the right of language were from urban areas.
5. The Commission visited a number of communities to understand the concerns of communities regarding issues of culture, religion and language. Other than creating visibility of the Commission it also assisted in identifying niche areas of research to focus on.

The Commission has determined an audited annual audited figure of R 114 000.00, which is 8% of the budgeted expenditure for the period April 2005 to 31 March 2006.

7. The Commission received an unqualified audit opinion but areas of attention included:

- Non-compliance with laws and regulations
- Financial management and staff establishment
- Performance management
- Control environment
- Conditions of appointment for commissioners
- Performance information
- Computer environment control weaknesses

11. The Statement of Financial Performance indicates a total revenue of R 11 685 000.00 with total expenses of R 11 432 000.00. There was a net cash flow from operating activities of R 4 199 000.00.

F. NATIONAL HOUSE OF TRADITIONAL LEADERS (NHTL)

1. The NHTL has requested House to align their plans with that of the NHTL to monitor and evaluate the successes of the Provincial Houses of Traditional Leaders (PHTL) in meeting their objectives, identify challenges faced by PHTL so as to provide support and meet the objectives of the Act of the NHTL.
2. The NHTL sourced its membership from the provinces and it was up to them to send at least one female traditional leader to the NHTL. This challenge could be solved by making provision for the powers of the NHTL over other structures for monitoring, evaluation and guidance.
3. The NHTL feels that they were not adequately resourced in terms of finance, capacity and infrastructure. They also felt that they were not involved in matters of Local Economic Development and IDPs.
4. The NHTL was in the process of linking its committees with Cabinet Clusters and Parliament. The issue regarding the Chamber was still being pursued with the Department of Public Works through DPLG. The NHTL requested that the Committee assist in facilitating a meeting of the House and the Speaker of Parliament to discuss the co-operation strategy.
5. It was noted that the House did not have a programme of transforming the traditional councils due to provincial governments not having finalised the legislative

process. The Commission was still investigating the matter of kingship and queenship and the Department was working on regulations for kings and queens to give clarity and improve the cooperation and roles of kings and queens.

6. The NHTL was positive that the Continental House of Traditional Leaders (COHTLA) would be established in 2007 to ensure that Traditional Leaders of Africa contribute in the governance of the Continent.
7. The NHTL was planning a conference in mid-December on the implementation of policies and laws. The Committee as well as all Departments listed in Chapter 2 of the Framework Act would be invited to participate.
8. Operational requirements of the NHTL were with DPLG and the budget of the NHTL formed part of the programmes of the Department. The NHTL felt that the budget was not adequate and did not link up with their activities which included Committees, the Opening of the House, Conferences etc.
9. The NHTL believed that the Committee would assist in ensuring that MEC's in various provinces issue notices for the Amakhosi to serve in municipalities. The Committee would also ensure that rural people benefit in the preparations and during the 2010 World Cup.

G. LOCAL GOVERNMENT: SECTOR EDUCATION AND TRAINING AUTHORITY (LGSETA)

1. Highlights of the LGSETA included the graduation ceremonies on Special Projects like community development workers programme; adopting the National Skills Development Strategy (NSDS) objectives for 2005 – 2010 and discretionary grants for scarce skills particularly in rural areas. Also small municipalities were offered bursaries to both employees and students to pursue studies in technical areas (electricity, water management, municipal finance) to provide and sustain the required scarce skills in affected areas.
2. SETA is obliged to prepare a Sector Skills Plan (SSP) and to annually update submissions to DPLG and the Dept of Labour. The SSP review process was completed at the end of September 2005. It was found that there was a significantly high vacancy rate, coupled with high levels of staff turnover. There was high rates of vacancies among less skilled, less specialised occupations i.e. elementary occupations and clerical. High levels of vacancies in less skilled categories affect the efficiency of service delivery significantly particularly with respect to technical services, waste management, water services and maintenance and municipal billing.
3. The sector lacks guidelines on staffing, with respect to minimum qualification requirements i.r.o. appointments in certain posts. Shortages were identified in the civil and electrical engineering, technicians and artisans, urban planners and development planners, environmental health and emergency and disaster categories. Significant skills gaps exist in the project and management, financial management and basic financial systems, administration, human resources, and basic literacy and numeracy.

4. Compliance in submitting Workplace Skills Plans (WSP) has dropped to 62% for 2005 / 6 compared to 77% the previous year. There were huge variations in submitting WSP from provinces with the Western Cape recording a 100% submission rate and KwaZulu-Natal at 39 % followed by the Free State at 44%.
5. The Department of Labour approved R70 100 000.00 to fund the implementation of the Community Development Workers Learnerships in November 2004. It is envisaged that the project will be completed by 2006 / 7 with R48.9 million that has already been spent.
6. The LGSETA recruited and trained a total of 1 374 learners in the CDW Learnership Programme. About 1 317 learners successfully completed the CDW Learnership in 2005, with 57 dropping out mainly due to finding gainful employment in other government departments. To date, Gauteng has employed 198 learners, Western Cape 200, Eastern Cape 168, and Northern Cape 196. Other provinces are finalising logistics in respect of placements.
7. Other training programmes have been rolled out with the sole purpose of building capacity at local government level. The LGSETA received an unqualified audit opinion for the 2004/05 financial year. Matters of emphasis included in the Report of the Auditor-General on the financial statements for the year ended 31 March 2005 which was currently receiving the highest priority.

H. MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT (MIIU)

1. The MIIU closed down at the end of March 2006, and was represented by Mr V Mathada and Mr C Clerihew from DPLG. Some projects were still active when MIIU closed but funding agreements were reached with the respective municipalities.
2. The Development Bank of South Africa (DBSA) was appointed as caretaker to oversee the active projects to its finality. The DBSA is supposed to ensure that these projects are concluded by the end of December 2006.
3. The Municipal Services Partnership (MSP) was established with DPLG. The municipal desk on Public Private Partnerships (PPP) established in Treasury was created to fill the gap left by the closure of the MIIU. These new units are tasked with building capacity at a municipal level to allow them to operate independently.

I. 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.

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.

J. RECOMMENDATIONS

1. The LGSETA should provide the following information to the Committees i.e.
 - A comprehensive document on the Sector Skills Plans (SSP),
 - A list of municipalities who are not complying in respect of SSP's,
 - Explanation on the Department of Public Service and Administration and DPLG in respect of CDW's.
2. The Committees would communicate with the provinces to ascertain why the workplace skills plans are not submitted as well as finding out why acting municipal manager positions are not filled. A meeting needed to be scheduled with Treasury to discuss the PPP units.
3. A meeting to be arranged between the Parliamentary Leadership and the National House of Traditional Leaders on the matter of the venue/chamber for sittings of the House.
4. A meeting with Committee, DPLG, National Treasury and the National House of Traditional Leaders on the issue of funding.