

A draft LED Policy document was finalised by September 2000 and consultations were hosted jointly by SALGA and DPLG with provincial governments and municipalities. This process resulted in the compilation of a final draft LED policy document that will be subjected to broad based stakeholder consultation in preparation for submission to Cabinet by October 2001. A study on LED and inter-governmental relations was also completed in March 2001 and feeds directly into the LED policy process.

Research on the fifth manual in a five-part LED Manual series was completed in March 2001. This Manual provides updated information on all national government grants and subsidies that can be accessed by municipalities, or other local stakeholders, to boost economic activity.

Work was commissioned on a thirteen module LED Training Pack in March 2001. This training pack forms the basis for extensive LED training that was scheduled to take place in mid-2001.

An LED Best-Practice Newsletter was launched in November 2000. The newsletter is published on a quarterly basis and shares successful case-studies arising from the implementation of projects funded through the LED Fund.

LED Trade Fair

The first LED Trade Fair was successfully held in November 2000 at a LED Fund project in Orchards, Johannesburg. Thirty-two municipalities receiving LEDF funding participated by exhibiting their projects and products. A number of other national departments with key government delivery programmes participated in the six-day event.

LED Policy and Capacity Building

The LED policy process needs to be completed and a submission made to Cabinet by late 2001. The buy-in of all government departments and spheres to the principles behind LED will be essential.

More work needs to be done in understanding the intergovernmental influences on and implications for LED. The link between the IDP and achieving economic outputs must be emphasised and capacity built at municipal level. The process of aligning provincial and national government with local priorities is fundamental to LED. Greater focus needs to be given to the institutional, legal and systemic blockages to LED.

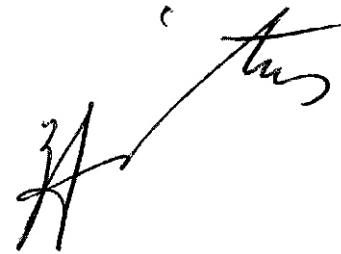
Ongoing LED capacity building for municipal councillors and officials remains a priority and this is planned for July/August 2001. The primary goal of this programme is to shift local government understanding of LED from the implementation of ad hoc projects, to one that is focused on strategic interventions within the local economy. This must be based on a sound understanding of



Department of Provincial and Local Government **ANNUAL REPORT: 2000/2001 FINANCIAL YEAR**

Mr F.S. Mufamadi, MP
Minister for Provincial and Local Government

It is my pleasure to present to you the annual report of the Department of Provincial and Local Government in respect of the financial year 2000/2001. I take this opportunity to thank you and all the personnel in the Department for the support given to me as an Accounting Officer. We have had to climb many a mountain. Without your support this would not have been possible.



Zam Titus
Director-General



Minister Fholisani Sydney Mufamadi



Deputy Minister Ntombazana Gertrude Botha
(Appointed on 30 May 2001)

Municipal Systems Act;

- ensuring the understanding and use of the IDP process as an intergovernmental planning tool across all spheres of government and ensure that all national and provincial departments participate actively throughout the IDP process. This will include the finalisation of a policy framework for integrated development planning which clearly outlines the implications for, and the roles of, all spheres of government;
- establishing PIMSS centres in all District Municipalities as quickly as possible. All levels of government need to avail resources, both human and financial, to enable municipalities to effectively formulate and implement their IDPs and work closely with the PIMSS centres;
- completing the production of additional IDP Guide Packs (volumes 5-7) and disseminating them to all municipalities. These will provide guidance on how to relate to other sector policies and also offer recommendations on building a stronger link between planning, implementation, and the monitoring and evaluation of IDPs; and
- establishing a national and provincial IDP monitoring system to monitor the quality and impact of IDPs as a delivery-oriented strategic tool to promote developmental local government.

Local Economic Development (LED)

The White Paper on Local Government (1998) recognises LED as a key outcome of developmental local government. Integrated development planning is recognised as an important tool to realise LED and the other developmental outcomes.

The LED programme in the Department is focused on realising the following key strategic objectives:

- To integrate and align LED with the national growth and development priorities and strategies;
- to facilitate the integration of LED within the provincial growth and development strategies;
- to develop and implement a national support system for LED; and
- to establish and manage strategic LED mechanisms, funding instruments and initiatives to support provincial and local government.

LED Policy Work and Publications

LED Brick factory project: Bela-Bela (Northern Province)



The Municipal Systems Act, 2000, was promulgated in December 2000. Chapter 5 of the Act makes it mandatory for all municipalities to formulate their final Integrated Development Plans (IDPs) for adoption by March 2002. As part of the larger programme to ensure compliance and provide support to municipalities a comprehensive programme in this regard was put in place.

IDP Support Programme

The Department, supported by GTZ and the Netherlands Embassy, have designed a support program to overcome the challenges faced by local government and to maximize the benefits of strategic integrated development planning. The new approach to planning attempts to ensure effective and efficient decision-making, resource allocation and accelerating service delivery.

The core component of the support program is the establishment of a country-wide Planning and Implementation Management Support System (PIMSS). This system envisages the establishment of PIMSS centres in all District Municipalities. The explicit objective of these centres is to build the planning and management capacity of municipalities. The PIMS-Centres will provide day to day technical support, advice and guidance to both District and Local municipalities during the IDP process.

Besides the PIMSS system, a nation-wide IDP training programme was planned. The objective was that by August 2001 the following categories of people would have undergone IDP-related training:

- 250 municipal professional planners;
- 568 councillors dealing with IDPs;
- 284 municipal managers;
- 850 municipal sector specialists (engineers, treasuries, etc.); and
- 300 national and provincial sector specialists.

The Department published and disseminated IDP Guide Packs (4 volumes). These provide detailed guidelines and suggestions on improving the quality and impact of integrated development planning. They also focus on intergovernmental coordination and sector alignment.

By mid-2001 it was estimated that over 3500 copies of the guide packs would have been disseminated to all municipalities, practitioners and relevant role players in the development planning field.

Challenges and Future Tasks Related to Integrated Development Planning

A number of specific challenges still remain regarding the task of entrenching the new system of integrated development planning. These include the following:

- Publishing regulations on integrated development planning, based on Chapter 5 of the

TABLE OF CONTENTS



CHAPTER 1:
INTRODUCTION 4

CHAPTER 2:
ACHIEVEMENTS AND CHALLENGES 10

CHAPTER 3:
MAJOR SPENDING PROGRAMMES 30

CHAPTER 4:
**ORGANISATION, ADMINISTRATION AND FINANCIAL MANAGEMENT IN THE
DEPARTMENT 40**

CHAPTER 5:
CONCLUSION 42

APPENDICES:

APPENDIX A:
OVERSIGHT REPORT 43

APPENDIX B
FINANCES AND BUDGET 81

APPENDIX C
LIST OF DEPARTMENTAL PUBLICATIONS 106

APPENDIX D
LIST OF CONTACT PERSONS 108



CHAPTER 1

1. INTRODUCTION

This Annual Report reflects on the progress and achievements attained by the Department of Provincial and Local Government (DPLG), since the beginning of the current reporting period. It also contains a summary of the Departmental strategy, achievements which are measured against strategic objectives, DPLG's major spending programmes, an audited Financial Report and an Oversight Report as required in terms of both the Public Finance Management Act (PFMA) and the Public Service Regulations (PSR).

Highlights

(a) Internal restructuring

As was reported previously, since August 1999, DPLG has been undergoing a fundamental process of internal restructuring, the main objective of which was to integrate the Department's service delivery mechanisms in order to improve coordination between the different spheres of government and to achieve good governance for sustainable development. As will be shown in this report, the Department has achieved most of its restructuring objectives.

(b) Ushering in the new system of local government

On 5 December 2000 South Africans went to the polls to elect their local councillors, and to usher in the new system of local government. These elections marked the culmination of a long and arduous process of transition, which included the re-demarcation of municipal boundaries to give greater effect to the notion of wall-to-wall municipalities, the promulgation of the Municipal Structures Act which entails, among other things, the reduction of the number of municipalities, the promulgation of the Municipal Systems Act, in terms of which the legal framework for local administrative systems, alternative delivery mechanisms and a developmental local government have been established.

The Minister appointed a Technical Committee to assist the Department in the finalisation of the draft legislation on Section 185 of the Constitution of the Republic of South Africa, 1996. This Committee was operative from April to June 2000. The Technical Committee met in full sessions during April and May. Regional consultations were also conducted in co-operation with the Provincial Legislatures in May 2000.

The Department provided administrative, organisational and advisory assistance to the Technical Committee and served as the secretariat of the Committee. The Technical Committee handed over its report to the Minister on 5 June 2000. Draft legislation has subsequently been submitted to Cabinet in this regard and has since been reviewed by a special Cabinet Committee. The legislation is now serving before Parliament.

Dissolution of the Volkstaat Council

The Department submitted a Cabinet Memorandum on the Dissolution of the Volkstaat Council. Cabinet approved the memorandum on 14 March 2001. The President formally dissolved the Volkstaat Council through a proclamation in the Government Gazette in March 2001.

Planning and Delivery

Municipal Integrated Development Planning

The Department during the last few years managed a major programme in support of integrated development planning within local government. In the last year significant elements of this programme included the following:

Interim Integrated Development Plans (IIDPs)

Towards the end of 2000 the Minister for Provincial and Local Government requested all municipalities to formulate their IIDPs by March 2001. The purpose of the IIDPs was to:

- Facilitate the amalgamation process between different municipalities resulting from the demarcation of new municipal boundaries;
- inform the budgeting process for the 2001/2002 financial year; and
- guide strategic decision-making in municipalities until the final IDP's were adopted in terms of the Municipal Systems Act, 2000.

By end July 2001, over 90% of all 284 municipalities were expected to complete their IIDPs.

Regulatory Framework

South African Local Government Association (SALGA)

The sound relationship with SALGA has continued throughout the reporting period. The importance of an institution representing organised local government has been essential in the transformation arena of intergovernmental relations. The legal basis for the existing structure is under review as is the manner in which organised local government plays its role within intergovernmental structures.

Planning Framework

One of the most important instruments that will drive planning and budgeting in government is the Government-wide Planning Framework. The Department served on an interdepartmental team that finalised this Government-wide Planning Framework, which has now been adopted by Cabinet.

Contributing to the Establishment of the Local Government Sphere

The evolving nature of the developmental role of the local government sphere will have direct consequences for the system of IGR. The IGR component of the Department was thus intimately involved in co-drafting the strategic document and work plan on the division of powers and functions between categories B and C municipalities and the assignment of national powers and functions to local government. The Provincial and Local Government Portfolio Committee of Parliament subsequently endorsed this document.

Monitoring and Supervision

The constitutional principles that inform South Africa's IGR system manifest themselves in a rational system of layered monitoring and supervision between the spheres. A crucial project was undertaken in this period to co-draft a document on monitoring, support and supervision. This document was tabled at the PCC and has informed the Presidency's work on monitoring and evaluation.

Research and Support on Governance-related Issues

During the reporting period the Department mainly focussed on governance support and policy research, including contributing to research documents, draft legislation, Cabinet memoranda and the development of research proposals. It specifically rendered support to promote good governance and a constitutional democracy and assisted in the successful conclusion of the mandate of the Technical Committee on Section 185 legislation and the process of the dissolution of the Volkstaat Council.

Given the importance of research in the field of governance, the Department has started building its internal research capacity and competence by establishing a research unit. This unit will provide support on all research needs of the Department.

Technical Committee on Section 185 legislation

(c) Support to local government

The local government elections of 5 December 2000 also heralded a fundamental process of transformation for the local sphere of government. This includes an ongoing process of providing material and financial support to local government, the building of institutional and human resource capacity, and the processes relating to the devolution of powers and functions to the local sphere of government in line with the developmental objectives of local government.

(d) The development of rural and urban areas through the Integrated Rural Development Programme (IRDP) and the Urban Renewal Strategy (URS)

The assignment of the responsibility to coordinate the implementation of these programmes to the Department is one of the most important events which occurred during this period. This assignment will enhance the Department's ability to promote developmental local government.

DPLG'S MANDATE

DPLG's primary mandate, which reflects the full ambit of its activities, is to develop and monitor the implementation of national policies, legislation and regulations in the following functional areas in so far as they affect provincial and local government, and traditional leadership:

- Co-operative governance;
- national supervision of provinces and strengthening of local government;
- protection and promotion of the rights of cultural, religious and linguistic communities;
- traditional leadership;
- municipal fiscal powers;
- self-determination; and
- disaster management.

Vision, Mission and Objectives

The following vision, mission and strategic objectives provide the overall direction and focus for the Department's activities, for the medium to longer term:

Vision

To become the leading department in promoting cooperative governance and supporting an effective system of provincial and local government for accelerated service delivery.

Mission

To champion an integrated, sustainable system of governance that supports development and service provision through policy, legislation, monitoring and institutional capacity building to improve the quality of life for all.

Strategic Objectives within Key Focus Areas

These are summarised below:

- (a) *Consolidate, develop and sustain an integrated intergovernmental relations (IGR) system:*
- Develop a national policy/ legislative framework for an effective and efficient IGR system.
 - Monitor and support the implementation of IGR policy and legislation.
 - Develop appropriate policy on mechanisms and procedures to facilitate the resolution of disputes.
 - Assist with the development of a single IG planning and management cycle for government.
 - Review the current framework on IG fiscal relations and ensure that it is fair with regard to the interest of provincial and local government.
 - Facilitate inter state relations/ liaison and co-operation with regard to local and provincial governments.
- (b) *Consolidate and sustain an integrated system of planning and delivery:*
- Develop an integrated system of planning and delivery for government through the establishment of a strategic team comprised of representatives of the three spheres.
 - Facilitate a coherent horizontal system of development planning.
 - Develop, manage and implement strategic delivery programmes to support the developmental outcomes of all spheres of government.
- (c) *Develop and implement a performance management system appropriate to provincial and local government*
- Develop a policy framework on a Performance Management System (PMS).
 - Implement the PMS.
 - Monitor and evaluate implementation of PMS on an annual basis.
 - Building capacity within Department to implement the PMS.

The Director-General addressing the IGR workshop.

integrated development planning and local economic development. At the July 2001 Cabinet Lekgotla a decision was taken to examine the feasibility of re-engineering the intergovernmental fiscal system. This will also require intensive interaction and input from the IGR function within the Department.

In support of, and in addition to, the above, a range of other activities were embarked upon. These are outlined briefly below.

President's Co-ordinating Council (PCC)

A review of the programme of the PCC since its inception was undertaken, which led to the restructuring of the PCC agenda to focus on core government delivery programmes such as local government transformation, local economic development, free basic services and the rural development and urban renewal programmes.

IGR Audit Report

The IGR Audit Report was an important report that critically assessed a range of intergovernmental structures. This report was presented to various focus groups for discussion. Discussions were held with SALGA and the Portfolio Committee, and various elements of the report were incorporated into the work plan of the Governance and Administration Cabinet Committee. In looking at the challenges ahead, the conclusion of policy work on intergovernmental relations flowing from the issues that emerged from the Audit Report, will also be crucial.

IGR Local Economic Development Study

Most programmes in government, as demonstrated in the IGR Audit Report, have an intergovernmental relations dimension to them. An example of this is the Local Economic Development (LED) programme within the Department. A study of the intergovernmental arrangements relating to the local economic development programme was undertaken. This will be used in the Department's policy process on local economic development during the 2001/2002 financial year.





CHAPTER 2

2. ACHIEVEMENTS AND CHALLENGES

The new strategic plan of the Department positions it to promote good governance that supports and accelerates sustainable development. At the heart of good governance is intergovernmental relations (IGR) and cooperative governance. IGR refers to the principles, laws and activities that inform the way government works and the institutional relationships within and between spheres. The Department has undertaken various initiatives, which aim to strengthen the system of IGR.

The Department is responsible for championing Integrated Development Planning within the local government sphere. One of the characteristics of this new planning approach is its strong link to delivery and implementation. The Local Economic Development (LED) Fund is an example of a programme that is meant to give expression to the strategic and developmental objectives of municipalities. The performance management system that the Department is establishing for local government is aimed at completing the development cycle between processes of planning and delivery.

The package of programmes and initiatives aimed at establishing systems of good governance would be incomplete without focussed attention on the provision of institutional support and capacity building to key institutions of governance. This form of support also entails focussing on the establishment of appropriate disaster management capacity across all three spheres of government.

This chapter thus reports progress on key programmes in the Department that promote good governance and sustainable development at a local level.

Intergovernmental Relations (IGR)

Two types of core IGR functions were performed during the period. First, a secretariat service was provided to support high level interdepartmental and intergovernmental structures, such as the President's Co-ordinating Council (PCC). Secondly, policy advice and support was provided in respect of key government programmes.

The critical challenge in future will be to ensure that the intergovernmental function strategically informs, and is informed by, the high leverage programmes of government, such as the Urban Renewal Programme, the Integrated Rural Development Programme, and the policy on

- (d) *Support provincial and local government as well as institutions of traditional leadership in order to facilitate service delivery:*
 - Support the implementation of the Demarcation and Structures Acts.
 - Conclude the administrative restructuring of local government by enacting appropriate legislation.
 - Support the implementation of the new system of local government.
 - Provide support to provinces in fulfilling their roles in respect of local government and national government initiatives.
 - Provide support to the institutions of traditional leadership on a continuous basis.
- (e) *Develop and implement targeted capacity building programmes for provincial and local government as well as institutions of traditional leadership*
 - Develop a system to address capacity needs assessment.
 - Develop and implement targeted capacity building programmes.
 - Evaluate the effectiveness, efficiency, responsiveness and impact of the capacity building programmes.
 - Normalisation/ stabilisation of municipal finances in five years.
- (f) *Develop national policy on disaster prevention and management and to co-ordinate its implementation system*
 - To develop a national policy framework and legislation for an effective and efficient disaster management system.
 - To co-ordinate the development of comprehensive disaster management training, capacity building and community awareness strategies and programmes.
 - To co-ordinate disaster management support during emergencies.
- (g) *Provide support services*
 - Provide human resource management and development services.
 - Provide a labour relations service and administer employee programmes.
 - Provide information management and technology services.
 - Provide provisioning administration and asset management services.
 - Render financial administration services and support.
 - Render an internal audit service.
 - Develop and sustain an information management and publication service.
 - Develop and sustain an effective media liaison and public relations unit.

Since this report is also a means for communicating with stakeholders, a list of publications and contact people in the Department, for any enquiries, have been included. It is hoped that Parliament, the Department's strategic partners, other stakeholders and the people of South Africa as a whole will find this report useful for the purposes of assessing whether the Department is giving effect to the goals set by Government, and is using public funds in an efficient and effective manner.

Management

The senior management of the Department is as follows:

Director-General		
Mr Z Titus		
Deputy Director-General: Governance and Development	Deputy Director-General: Institutional Reform and Support	Deputy Director-General: Support Services
Mr E I Africa	Ms J B Manche	Mr G Mokate
Chief Director: Inter-governmental Relations	Chief Director: Disaster Management	Chief Director: Finance, Provisioning and Asset Control
Mr D M Powell	Mr L J Buys	Mr C A Clerihew
Chief Director: Development and Planning	Chief Director: Institutional Capacity Building and Support	Chief Director: Human Resource and Legal Services
Vacant	Vacant	Ms K C Mketi
	Chief Director: Performance Management and Monitoring	Chief Director: Communication and Information Management
	Vacant	Vacant



Sitting - Mr Z Titus (Director-General)
Standing from left - Deputy Directors-General: Ms J Manche (Institutional Reform and Support); Mr G Mokate (Support Services) and Mr E Africa (Governance and Development)

council. Funds were initially made available to all qualifying municipalities on a formula basis.

The Local Government Support Grant

The Constitution places an obligation on national and provincial departments of local government to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. The Local Government Support Grant has been used over the past couple of years to support municipalities. This was done firstly through assessing the capacity at municipal level through the monitoring of municipalities and the subsequent management audits where it appeared there was not sufficient capacity. Where problem areas were found, particularly with the financial viability of municipalities, financial assistance was given in the form of a limited cash grant and/or management support teams were dispatched to strengthen the financial management capacity.

The purpose for which the Local Government Support Grant has been utilised can be summarised into three areas, namely:

- Provision of technical expertise to municipalities, i.e. financial consulting services;
- implementation of actual projects that will result in positive cash flows of the municipalities concerned; and
- provision of financial assistance to those municipalities with outstanding statutory obligations, where some support or intervention programme is being implemented.

PROJECT VIABILITY

Many challenges face local government at the moment. Besides the restructuring processes, legislation regarding local government has changed significantly and a fair amount of uncertainty remains regarding the implementation of all facets thereof. Due to the stipulation that municipalities would complete their financial statements based on the old boundaries up to 30 June 2001, no further official monitoring of municipalities took place after 31 December 2000. This was to allow time for the municipal officials to restructure the municipalities adequately. Further monitoring will take place from the quarter ended 30 September 2001 once the new budgets based on the new municipal boundaries have been approved.

EQUITABLE SHARE FOR LOCAL GOVERNMENT

Section 214 of the Constitution entitles local government to an equitable share of nationally raised revenue. The objective of the new system of intergovernmental transfers which was introduced in the 1998/99 financial year, is to enable local government to provide basic services, build institutional capacity, promote equity between municipalities and ensure certainty of funding. These allocations are largely unconditional in nature. Municipalities are, however, urged to use the

the local economy and its comparative advantages.

There is a need to restructure government financing in a manner that acknowledges municipalities as key developmental and delivery agents. Municipalities require greater control over revenue streams in order to align budgets with local priorities.

Infrastructure Policy and Municipal Service Partnerships

The Department has embarked on a number of initiatives to accelerate infrastructure investment in municipalities. Key initiatives are outlined below:

Policy and Regulatory Framework for Provision of Municipal Service Delivery

Cabinet approved a Draft White Paper on Municipal Service Partnerships (MSPs) for further consultation and input from stakeholders. This policy framework is due for submission to Cabinet in 2001. Certain provisions of this policy framework are included in Chapter 8 of the Municipal Systems Act, 2000.

A preliminary survey on MSPs in South Africa has been conducted.

MSP Capacity Building Programme

The Department has entered into a Memorandum of Understanding with two universities that have been identified to pilot this project, namely the Free State and Western Cape Universities. Already the training of trainers, drawn from 10 universities and 6 NGOs as well as 9 Provincial Programme Managers, for MSPs has been conducted. Furthermore, a consultative curriculum development workshop has been convened with stakeholders from NGOs, provinces, Municipal Infrastructure



MSP Training workshop run by the DPLG (Eastern Cape)

Investment Unit and local government.

Integrated Municipal Community Partnerships (IMCPs)

A business plan focussing on Integrated Municipal Community Partnerships was designed. On the basis of this the Department identified three pilot projects, one in the Eastern Cape (Khahlamba District Municipality), one in the Northern Cape (Kalahari District Municipality) and one in the Northern Province (Bushbuckridge District Municipality). These projects are at various stages of implementation.

Municipal Infrastructure Investment Framework (MIIF)

The review process is underway and a draft document was produced and distributed to stakeholders for comments. This framework is important as it quantifies the backlogs and costs necessary to overcome these backlogs in respect of water, sanitation, electricity, solid waste and roads, and it suggests the key elements of an alternative service delivery framework.

Infrastructure Policy and MSP Challenges and Future Activities

Core challenges and tasks include the following:

- The development of regulations arising from Chapter 8 of the Municipal Systems Act, 2000;
- crafting guidelines for, and finalising the Draft White Paper on, MSPs;
- establishing a robust program of support focussing on the public-sector led mechanisms for the provision of municipal services; and
- supporting the rationalization of various municipal infrastructure programmes to complement the institutionalization initiative and support of public delivery mechanisms, the Department is examining formalizing a relationship with two provincial local government associations to mentor those municipal cadres that have received MSP training. In addition, the Department is working closely with labour unions that are active at a municipal level.

MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT

Delivery of Bankable MSP Transactions

The MIIU was established in 1998 by Government to encourage private sector investment in municipal services and to assist in the development of an established market for infrastructure investment.

In the period under review the number of bankable MSP transactions facilitated by the MIIU

creation of functional transitional local authorities over the past 5 years, is proving to be both time-consuming and costly. The costs of the previous interim demarcation were borne by municipalities themselves. The interim amalgamation process focussed on combining previously racially segregated areas. As there were typically no formally established municipalities in the former township areas, the interim amalgamation was far easier to achieve than the current transformation and did not give rise to significant costs.

Given the enormity of the tasks arising from local government transformation, it was deemed appropriate that special attention be given to supporting local government restructuring. It was felt that local government could not be expected to shoulder the costs of restructuring alone as the transformation programme is a national programme. Cabinet decided that it was critical to provide financial assistance to municipalities during the amalgamation and re-organisation period, from the period immediately after elections, for at least the next two financial years, to avoid any breakdown in service delivery. In order to quantify the estimated once off and incidental costs related to the restructuring process, a survey of the estimated restructuring costs was extrapolated across the country taking into account the unique circumstances facing each of the newly-established municipalities. The costs for each category of municipality was then determined and classified. The total fiscal implication was estimated at R1, 7 billion. Due to limited funds, it was determined that national government would not be in a position to fully finance all these costs. Partial funding was therefore preferred as an option for a number of reasons, *inter alia*:

- Municipalities will take ownership of the establishment of the new municipalities if a portion was self-financed, thus enhancing accountability; and
- recognition that certain municipalities are in a better position to absorb establishment costs than smaller and financially stressed municipalities.

A total of R550 million will be made available to municipalities from the national fiscus through the Transition Fund extending over three financial years:

Financial year	Amount R
2000/01	100 000 000
2001/02	250 000 000
2002/03	200 000 000
Total	550 000 000

During the 2000/01 financial year, a total amount of R100 million was allocated to all municipalities to assist them to cope with the once-off establishment and administrative costs associated with the re-organisation of municipalities due to the proclamation of the new municipal boundaries. This grant was gazetted as an **unconditional** transfer payable to local government. Guidelines on the use of the funds were forwarded to all municipalities to encourage the preparation of transformation plans. Plans were to be drawn up for each individual municipality as well as for the relevant district



CHAPTER 3

GRANTS AND FUNDING

R293 Town Personnel Grant

Some of the former homeland governments did not have municipalities and accordingly performed municipal functions themselves in areas, also referred to as R293 towns. The Transfer of Staff to Municipalities Act, 1998 provided for the transfer of these employees from the relevant provinces to the municipalities concerned. Municipalities were required to accept staff as may be necessary for the effective administration of the municipality in question and to render efficient municipal services.

Very little progress was made with the transfer of R293 staff to municipalities up to the beginning of 2000. The Department undertook various further actions to promote the transfer of R293 staff to municipalities, including:

- An audit of R293 town personnel records was undertaken during the last quarter of 1999 up to the end of March 2000;
- technical assistance was provided to provinces to speed up the transfer of staff; and
- a workshop was held with all provinces at the beginning July 2000 to assist them in resolving issues hampering the transfer of R293 staff to municipalities.

The above-mentioned actions, as well as concerted efforts by provinces and municipalities, led to substantial transfers during the second quarter of 2000 up to the stipulated deadline for transfers of the end of September 2000. 8 572 staff (65 percent) were transferred by the stipulated deadline for transfer. Most provinces transferred a substantial number of staff to municipalities, ranging from 63 to 81 percent.

The Transition Fund

The implementation of the new system of local government required the re-demarcation of municipal boundaries to allow for an optimal and functional system of local government. The re-demarcation of municipal boundaries resulted in the reduction of municipalities from 843 to 284.

This re-organisation, coming immediately after the amalgamation of administrations and the

continued to accelerate. During this period the MIIU finalized 13 MSP projects, and since its establishment has completed projects totaling over R3,4 billion. As a result of projects facilitated in 2000/1 over three million South African citizens will receive new, enhanced, or more efficient municipal services. These services include the following sectors: water and sanitation, waste management, municipal transport, municipal power, and information technology.

An example of a strategic project completed is the first public-public partnership signed in October in Harrismith, now part of the new municipality of Maluti at Phofung. Rand Water Board will take over the entire water delivery system, including customer care and all revenue collection for the town including collection of all revenues from taxes and electricity sales. This project leads the way for public-public partnerships in the country.

The MIIU has been able to increase its disbursement to municipalities from R7, 0 million in the 1999/2000 financial year to R9, 3 million in the 2000/01 year. Of this amount, 43% was spent on work with local municipalities and 52% with metros.

Improving Public and Private Sector Understanding of MSPs

The MIIU continues to make progress in explaining the sometimes complicated nature of public-private partnerships (PPP's) and other forms of MSPs to public and private stakeholders. During the year under review, the MIIU Board of Directors approved a new, comprehensive Marketing and Communications Plan, to be implemented immediately. The MIIU website (www.miiu.org.za) will also be part of this drive and its importance as a communications medium will be enhanced. The MIIU's quarterly publication, "Partnerships" (published jointly with the National Business Initiative), continues to be the most effective stakeholder-wide publication for disseminating the MSP lessons learned by the MIIU.

Improving Performance of Local Government

During the year 2000, Parliament passed the Municipal Systems Act. The effect thereof is that the country now has the necessary legislative framework for performance management in local government. The framework defines key components of the system, the role of different spheres as well as communities, in improving the performance of local government in service delivery.

In order to facilitate the implementation of the performance management chapter of the Act, the Department undertook research on various aspects. An extensive study was done to look at the experiences of other countries and some local municipalities, in conceptualising and implementing performance management. The idea was to gather data that would inform the implementation strategy but also the regulations, guidelines and general key performance indicators that had to be developed following the passing of the Municipal Systems Act. The research was done and the copy is available on the Department website. It has also been made available to municipalities as it

contains best practice approaches to implementing performance management. It has also assisted the Department significantly in developing regulations, guide books and key performance indicators.

The Department also commissioned a study on the feasibility of establishing a national incentive scheme to motivate underperforming municipalities and to sustain and improve the performance of better performing ones. Such schemes are widely used by countries which are leading in the field of performance monitoring of local government. The study is to be completed soon with a view to implementing it during the 2002/3 financial year.

The Department has forged partnerships with the Auditor-General's office to ensure that the latter plays a significant role in performance auditing. The work to augment the capacity of the Auditor-General's office continues to be supported by the Department. An effort has also been made to develop partnerships with Statistics South Africa to ensure that the institution plays a key role in data gathering, surveys, analysis and formulation of reports, especially with regard to the general key performance indicators set nationally.

The Department developed preliminary general key performance indicators. These laid the basis for discussions with various stakeholders. The indicators have since been submitted to a panel of experts who are expected to revise and refine them to comply with all the necessary requirements before they are gazetted for municipalities to report against.

The Department identified about 5 general key performance indicators and, together with provinces, selected municipalities where these could be tested. There are 27 municipalities across the country involved in the pilot programme. The programme started in March 2001 and is meant to monitor the implementation of the interim IDP's using the indicators referred to above as well. The programme will run over the next 12 months and lessons will feed into the full-scale implementation for all municipalities during the 2001/2 financial year.

Support to Local Government

Municipal Finance Policy

The fundamental objective of policy work with regard to municipal finances is to undertake financial reforms that will strengthen the long-term financial sustainability of municipalities. In this regard, the challenge facing the ongoing transformation of local government is to realize the goal of matching institutional reforms, with that relating to financial reforms.

National Municipal Tariff Policy Statement and Guidelines

Tariffs constitute about two-thirds of all income for municipalities. In order to bring about uniformity in the implementation of charges for services rendered, the Department has, through the Municipal Systems Act, developed enabling framework legislation for municipal tariffs. A national municipal

management mechanism. At a meeting of the SADC Council of Ministers held in Windhoek, Namibia, on 4 - 5 August 2000, the Council approved the following recommendations of the Working Group:

- That SADC establishes without delay a Regional Disaster Management Centre on an incremental basis;
- the coordination should be based at the SADC Secretariat until the fully-fledged centre is operational;
- two temporary positions be established at the Secretariat to oversee the process of establishing the centre; and
- that a SADC Steering Committee on Disaster Management which will comprise Directors of Disaster Management Agencies, be established.

It was *inter alia* resolved that the SADC Disaster Management Working Group be disbanded and a SADC Disaster Management Committee be established.

The SADC Disaster Management Committee chaired by Namibia submitted their report that flowed from the seminar which was held in Harare on 6 - 9 December 2000, to the SADC Council of Ministers in February 2001. The Council of Ministers has referred the recommendations back to the Committee for refinement.

Training and Capacity Building

The Norwegian Government donated R706 000-00 for a non-formal training programme on disaster management. The Department has appointed the ML Sultan Technikon in Durban to undertake such a programme in the four provinces where the need for such training was the greatest, namely, Mpumalanga the Northern Province, Eastern Cape and KwaZulu-Natal. The programme will also be monitored by a representative of the Norwegian Government and is expected to be completed during 2001.

3. MAJOR SPENDING PROGRAMMES

The cholera epidemic that has gripped rural parts of Northern and Southern KwaZulu-Natal since August 2000 developed into the most serious cholera epidemic yet experienced in South Africa. With the movement of people from province to province and between Southern African countries, the cholera bacterium spread to seven of the nine provinces in South Africa.

The outbreak of the disease provided government with a major challenge. In an effort to control the disease, a huge effort was made involving all spheres of government and the private sector, NGO's and CBO's as well as service organisations, to coordinate the actions taken in this regard.

After some initial actions taken by the KwaZulu-Natal province and the national Departments of Health and Water Affairs and Forestry, the NDMC at the Department of Provincial and Local Government was tasked to coordinate the actions taken at national and provincial level.

The following actions/steps were taken/implemented at national level to assist the provinces:

- A Ministers/MEC's Forum under the chairpersonship of the Minister for Provincial and Local Government was established. This Forum met regularly to review the situation and to provide the necessary political direction;
- a national Joint Operations Centre (JOC) was established and met on a weekly basis to monitor and coordinate actions/steps;
- a Communication Task Team was established to manage a coordinated communication and health promotion campaign; and
- a strategy document to cope with future similar epidemics was compiled.

Reconstruction arising from 2000 Flood Damage

A Command Centre under the full time guidance of the then Deputy Minister of Home Affairs was established by Cabinet in 2000 to take action to address the reconstruction phase of damages that occurred due to flooding in the first quarter of 2000.

Recommendations on funding of flood damage repair in the provinces have been prepared for the next three financial years.

SADC-Arrangements

Flowing from an international meeting of Ministers of the February/March 2000 flood disaster-stricken countries (Botswana, Mozambique, South Africa and Zimbabwe), the need was again expressed for a regional SADC disaster management mechanism to effectively coordinate all cross-border disaster-related issues. A process with the SADC Secretariat was set in motion to promote this.

A SADC Working Group was established to investigate the establishment of a SADC disaster

tariff policy statement and guidelines, although not yet released, have been developed to assist municipalities to develop their own tariff policies and better cater for poor households for whom high charges for services rendered are too onerous to bear. These guidelines, when read together with the guidelines on credit control and Free Basic Services, will contribute to our efforts to cater for poor communities while cost recovery for services rendered is not compromised. The tariff policy statement and guidelines which have been widely discussed with key stakeholders will be distributed to all municipalities in the 2001/2 municipal financial year.

Legislation for the Reform of Property Rating

The Property Rates Bill was published for public comment on 4 August 2000. Comments have been received from metropolitan municipalities, Category B and Category C municipalities, the farming community, conservationist groups, business community, rate payers' associations, South African Property Owners' Association, individual rate payers, academics, Council of Valuers, the Institute of Valuers, provincial and national government departments, and organised local government. Almost every section of the draft bill has been commented on, and these have been carefully reviewed. The Bill is likely to be tabled in Parliament before the end of 2001.

Local Government Financial Reform

In January 2000, the Department initiated a study aimed at reforming local government finances. This focus is required to strengthen all categories of municipalities into sustainable entities, as envisaged in the White Paper on Local Government. There is a need to ensure that functions and finances are properly assigned, and that municipalities can deliver a package of basic services financed by sources of revenue available to them. This project focuses on the following areas:

- **The establishment of a fiscal information database:** To better inform government policy with regard to local government finances.
- **Determining local government's equitable share:** To find a more objective way to assist national government in determining the real expenditure needs of local government.
- **Financing District Municipalities:** To develop a clear approach to financing district Municipalities in order to enable them to carry out the functions assigned to them in the Municipal Structures Act.
- **Division of fiscal powers and functions between categories B and C Municipalities:** To determine the optimal division of fiscal powers and functions between Category B and Category C municipalities.

Support for the Local Government Elections

The Department led the Task Team on Municipal Elections whose primary responsibility was to render assistance to provinces and the Independent Electoral Commission (IEC) in the run up to the municipal elections. The main areas that received the attention of the Task Team were the drafting of section 12 notices, the financial and operational measures related to the establishment of municipalities, the development of guidelines to deal with the transfer of staff, the establishment and operation of cross-boundary municipalities, and ad-hoc requests pertaining to the establishment process. Discussion documents in respect of certain of these matters were prepared. A number of workshops were also conducted.

A number of policy frameworks in terms of the Municipal Structures Act were prepared:

- A policy framework in terms of section 18(4) of the Act for full-time members of municipal councils;
- formulae for the number of councillors for each municipality in terms of section 20 of the said Act;
- a policy framework for the adjustment of powers and functions between district and local municipalities in terms of section 85(1) of the Act; and
- a policy framework for the exemption of municipalities from those sections of the Act, as provided for in section 91 of the said Act.

Legislation authorising the establishment of cross-boundary municipalities was promulgated and a discussion document on the implementation of cross-boundary municipalities was prepared. An Amendment Act pertaining to cross-boundary municipalities, was also promulgated.

The date for municipal elections, in terms of section 24 of the Act was called and set. Regulations were also promulgated to resolve the deadlock on the election of certain political office bearers experienced in regard to certain municipalities after the municipal elections.

An Amendment Bill to the Structures Act was prepared to address problems with section 12 notices and to provide for a transitional period after the establishment of new municipalities. The Act was promulgated on 21 September 2000.

Support to the Implementation of Legislation

- **The Implementation of the Municipal Systems Act**

The Bill was passed by the National Assembly in November 2000. The Department ensured that the legal requirements for the implementation of the Act were in place. It was ascertained which provisions of the Act should be phased in and which should be made applicable to all municipalities on the same date that the Act took effect. The relevant Notice to authorise implementation of the relevant sections of the Act, was subsequently promulgated.

- **The Remuneration of Public Office Bearers Act**

attended the orientation programme, a national average of 90 percent of potential delegates.

The training programme was funded by the Government of Norway and the Department. The success of the programme can be supported by the fact that the Government of Norway has agreed to extend the programme for the next four years. Together with SALGA, the Department has developed a new Project Business Plan for the extension period. The extension of the Core Councillor Programme is intended to begin in October 2001.

National Capacity Building Strategy Towards Local Governance

On February 27, 2001, the Department presented a draft National Capacity Building Strategy to all the key stakeholders. The aim is to develop the final strategy together with all the relevant stakeholders. Subsequently, a stakeholders' committee was established to facilitate consultation and participation in the development of the strategy.

DISASTER MANAGEMENT

The devastating floods during the first three months of 2000 and the cholera epidemic in some parts of the country later in 2000 again emphasised the need for an effective disaster management coordinating body or mechanism for the country as a whole. The White Paper on Disaster Management paved the way for such a mechanism and will be implemented upon the enactment of the Disaster Management Act during the last quarter of 2001.

National Disaster Management Centre (NDMC)

The National Disaster Management Centre (NDMC) which was established during the Y2K-period was further developed and will in future serve as the core of information gathering, analysis and dissemination to other disaster management role players. In terms of the Disaster Management Bill, the NDMC must *inter alia* act as a repository and conduit for information concerning disasters and disaster management. In this regard a Memorandum of Agreement has been signed between the National Disaster Management Centre (NDMC) and the University of the Witwatersrand: Sasol Centre for Innovative Environmental Management (SCIEM).

Disaster Management Bill

The White Paper on Disaster Management is the starting point and corner stone of disaster management. Based on the White Paper on Disaster Management, the Disaster Management Bill, was compiled and published in the Government Gazette for comments. Comments were received from various institutions / departments / provinces / municipalities / individuals. The amendments have been effected and the Bill is now being considered by the National Assembly. It is expected that the Bill will become an Act during the last quarter of 2001.

Cholera Epidemic

The process to finalise the Green Paper is on course. A dedicated Drafting Team within the Department has been established and it is envisaged that this Green Paper will be officially launched towards the end of 2001. This will be followed by an intensive consultative process. This is important as the issue of powers and functions of traditional leaders is not only a matter for traditional leaders but also the relevant communities, NGO's and other important stakeholders in the country.

Khoisan

Significant progress has been made regarding the proposals on the promotion and protection of the constitutional rights of Khoisan communities in South Africa.

In addition to the depiction in our Coat of Arms of Khoisan language and culture, a comprehensive policy document has been compiled and integrated into the Draft Green Paper of Traditional Leadership and Institutions.

LOCAL GOVERNMENT CAPACITY BUILDING PROGRAMME

The election of new councillors in December 2000 with a mandate to accelerate the delivery of services required an immediate orientation and training course in all the nine provinces. The Minister for Provincial and Local Government launched the programme on 8 January 2001. The training programme was developed by the South African Local Government Association (SALGA), and implemented jointly by SALGA and the Department. The training programme lasted for three months, from January to March 2001, covering all the nine provinces. A total of 7500 delegates



Councillor Trainers at the launch of the LG Councillor Training Programme.

The Minister consulted with the MEC's for Local Government and the Commission for the Remuneration of Public Office Bearers in determining upper limits for salaries and allowances for councillors and traditional leaders. Notices to give effect to the relevant provisions of the Act, were promulgated on 4 December 2000.

A number of queries have resulted from the Notice and proposed amendments have been prepared in this regard. A task team has also been established to investigate the funding of councillor allowances and to make proposals with regard to a new system for the remuneration of councillors.

Local Government Laws Amendment Bill and Revision of local government legislation

During the 2001/2002 reporting year a Bill will be prepared in order to address technical difficulties arising from the implementation of the new local government dispensation. The Bill will amend the Municipal Demarcation Act, the Municipal Structures Act and the Municipal Systems Act. A project will also be undertaken to review all old order legislation pertaining to local government, with a view to facilitating a rationalisation process in this regard.

Municipal International Relations

The previous report highlighted the Department's role in creating institutional mechanisms to enhance cooperation among Southern African Development Community (SADC) countries in respect of local government issues. In particular, the initiative led to the establishment of a Forum within SADC which brings together Ministers responsible for local government in the region.

The Department facilitated the establishment of the Forum and succeeded to lobby SADC to accept the Forum as one of its structures. This resolution was taken at the 2000 SADC Summit held in Namibia. To give effect to the resolution, the Department is liaising with the SADC secretariat in this regard. The Forum will operate like an ordinary sector in SADC. It is meant to take the 1999 Conference resolutions forward. One of the things the Forum has achieved is the production of a research report on best practices on local government in the region.

The Forum would, however, be a temporary arrangement since SADC is currently restructuring. In terms of the new structure, local government issues are going to be dealt with in the newly formed Social-Development cluster. These are important achievements as, for the first time, the Southern African region is to be presented with opportunities to collectively strategise on governance issues especially in the face of globalisation. This is in line with other initiatives elsewhere in the world where, with the realisation of the importance and impact of globalisation on local government, countries are forming alliances to respond.

The Department continues to play a crucial role in the establishment of the Regional local

government information centre based in Harare. This is an information centre meant to disseminate information and best practices among municipalities in the region. The Department also continues to actively participate in the Commonwealth Local Government Forum and the International Union of Local Authorities (including its Africa Section). Further a South African delegation led by the Minister attended the Africities Conference held in May, 2000 to explore how African cities could cooperate on issues relating to urban governance and management issues. The Minister also led the delegation to the Commonwealth Local Government Forum (CLGF) Conference in September 2000 where he delivered a keynote address.

The Department ran nine provincial workshops on the Municipal International Relations policy. These workshops were meant to clarify to municipalities how to conduct international relations and provide guides regarding partnerships and twinning arrangements. A national committee comprising SALGA and other departments continues to advise municipalities regarding international trips and twinning arrangements. This is crucial to minimise wastage and duplication.

Local Government Transformation Programme

The Local Government Transformation Programme (LGTP) programme was launched in March 1999 to enhance the transformation initiative of the local government sphere, by enhancing new national policy and the local government support programme. In seeking to achieve the above, the LGTP works with various stakeholders, primarily within the Department of Provincial and Local Government (DPLG) and the South African Local Government Association (SALGA).

Also, the LGTP works in conjunction with the donor community to attain all three of its strategic benchmarks. These are the following:

- Enhancing co-ordination of local government transformation;



SALGA National Conference, Bloemfontein

- facilitating information exchange and lessons learning; and
- enabling access to technical assistance and capacity building.

Some of the major achievements in the past year include:

- Appointment of a co-ordinator to facilitate the work of the LGTP;
- setting up of a Management Information System with data fields on donor funding and transformation focussed on projects per municipality;
- structured relationship with donors which allows for targeted funding of individual municipalities;
- hosting a conference which laid the basis for a common understanding of post demarcation challenges facing municipalities, and the adoption of the support measures for municipalities for the first 90 days; and
- the development of a capacity building strategy for local government.

TRADITIONAL LEADERSHIP AND INSTITUTIONS

Bill relating to powers and functions of traditional leaders

The Department embarked on the drafting of an interim Bill to deal with concerns raised by traditional leaders, especially with regard to their powers and functions. In order to support this process, Cabinet appointed a Special Cabinet Committee to deal with the matter and make recommendations in this regard. Government consulted widely with relevant stakeholders on the new Bill. It will be introduced into Parliament later this year.

Green Paper



Deputy President, Mr Jacob Zuma attending the opening of the National House of Traditional Leaders in Ulundi (Kwazulu-Natal)

OUTPUTS	LEVEL OF ACHIEVEMENT
Develop a national planning implementation and management support system (PIMS) for provincial and municipal integrated development planning by December 2000	Established, equipped and trained staff for 12 Planning and Implementation Management Support Centres (PIMS Centres) at district level to fulfil the municipal developmental function.
Seek greater alignment between the financial/budgetary planning cycles of all three spheres of government by December 2000.	The initial step was to ensure that the planning cycle /budgetary processes of local government are linked to the IDP process. The second phase was to seek greater alignment with the planning cycle for government processes;the process is now led by the Presidency.
Establish and manage a data and information system to support the preparation of provincial and municipal integrated development plans by July 2000.	The IT and monitoring system has been designed and it will finalised in 2001.
Align the Provincial development plans with national priorities through the Presidential Co-ordinating Council on an annual	The President, Minister for Provincial and Local Government and Provincial Premiers meet in the PCC to discuss governance and development issues that affect the three spheres of government on a regular basis.
Monitor and evaluate the performance of the IDP programme to ensure that the developmental outcome of government is addressed on a regular basis.	The monitoring system will be utilised to collect and analyse data on IDP progress. The findings will be used to feedback into the annual planning process.
Capacity building programme to support provincial government during the implementation of the system	A capacity building programme has been designed for both provincial and local government stakeholders that have a role to play in the IDP process. The tender amounting to R 10 million was advertised in November and service providers were appointed.

equitable share in providing basic services to low income households as stipulated in section 227 of the Constitution.

The equitable share and other transfers to local government supplement own source revenues and are targeted at the poorest municipalities that have a limited local tax base and who have the highest numbers of poor households. Service backlogs are generally greater in the rural areas. Under the new system of intergovernmental transfers, funding to rural areas has substantially increased over the last few years.

For the 2000/01 financial year, an amount of R1 867 million was allocated to local government as its equitable share. The Annual Report on the Equitable Share for Local Government for the 1999/2000 financial year and equitable share allocations to individual municipalities for the 2000/01 financial year was released during May 2000. Quarterly payments were made to approximately 550 municipalities during 2000.

The Department analysed the utilisation of the equitable share by district and regional councils (43) in the respective local and rural areas which they administer for the 1999/2000 municipal financial year. In addition, the Project Viability Questionnaire for the period ending December 1999 included an ad hoc section in respect of the utilisation of the equitable share paid to municipalities. These results will be discussed in detail in the Annual Report on the Equitable Share for Local Government for the 2000/01 financial year.

From the 2001/02 municipal financial year, allocations will be made to the newly-established municipalities. The demarcation process will inevitably impact on equitable share allocations. Future equitable share allocations will be allocated to the newly demarcated municipalities. Data on population, average income and number of poor households were converted to the new municipal entities. The demarcation also impacted on various parameters used in the equitable share formula, such as urban/rural municipalities. The impact of the demarcation process on the equitable share formula was reviewed and amendments will be made to the formula, where necessary. The Department, together with National Treasury and STATS SA, also investigated the use of alternative poverty indicators other than income for determining equitable share allocations for the 2001/02 financial year.

A detailed review will also be undertaken by the Department in 2001 regarding local government's equitable share (vertical division) by way of determining the real expenditure needs of local government, revenue mobilisation at the local sphere and budget constraints. A review of the formula (horizontal division) will also be undertaken in 2001 to take into account longer term reforms at the local sphere.

CONSOLIDATED MUNICIPAL INFRASTRUCTURE PROGRAMME (CMIP)

Purpose of CMIP

The purpose of the grant is to further the aims of the Reconstruction and Development Programme (RDP), through the provision of bulk, connector and internal services, and community services and facilities in support of needy South Africans in ways that enhance the integration of previously divided areas. CMIP aims to enhance the development impact of the delivery process by focussing, for example, on the transfer of skills, the promotion of small, medium and micro-sized enterprises (SMME's), using labour-intensive construction methods, and maximising job-creation opportunities.



CMIP Storm water project in Bela-Bela (Northern Province)

OUTPUTS	LEVEL OF ACHIEVEMENT
Determining the Fiscal Powers and Functions of Category B and C Municipalities	The first draft of the policy framework for the division of fiscal powers and functions for category B and C municipalities was presented to the reference group in October 2000. The draft policy framework for the division of fiscal powers and functions for category B and C municipalities was presented on 29 March 2001. Final Draft to be completed by May 2001, and presented in the June workshop.
Consolidate and Sustain an integrated System of Planning and Delivery	
Decentralised Development Planning Programme Analyse the current institutions and processes in all spheres of government that impact on development planning by March 2000	A sector alignment discussion document has been completed. The purpose of the document is to propose the alignment of municipal planning requirements with other sector departments. A report on poverty, gender and integrated development planning. The document will assist municipalities to focus on gender issues and poverty reduction during the IDP process. Work in this area is ongoing.
Develop a single regulatory framework for development planning by 2001.	A draft discussion policy paper on integrated development planning has been completed. Consultations with major stakeholders were held and the policy is earmarked for finalisation in 2001.
Facilitate the use of IDP approach across all spheres of government over a five year period.	The above paper on integrated development planning incorporates issues on IGR planning approach across all spheres.
Monitor implementation of the regulatory framework on an annual basis.	The draft IDP monitoring system has been developed to ensure that the IDP process is monitored on an annual basis.
Develop and promote a common understanding of the outcomes of development planning and infrastructure delivery, i.e. community empowerment, integrated and sustainable environments, local economic development, meeting basic needs and infrastructure needs through workshops, information dissemination and various other training initiatives on an ongoing basis.	Progress has been made in linking the IDP process to local economic development and infrastructure as delivery instruments in order to create sustainable communities and ensure implementation of plans, through CMIP and the LED Fund.

OUTPUTS	LEVEL OF ACHIEVEMENT
Legislation on Property Rates	<p>Comments on Property Tax Bill received from various stakeholders by 4 October 2000.</p> <p>DPLG and National Treasury have met to manage the finalisation of the Bill as agreed to by the two Ministers.</p> <p>A Task Team consisting of National Treasury and the Department of Provincial and Local Government was formed in January 2001 to process the Bill. The Task Team has been meeting twice a week since the beginning of February 2001.</p> <p>The Task Team has met with the Department of Public Works, Department of Land Affairs, Institute and Council of Valuers.</p> <p>Consultations continued into the year 2001 as follows:</p> <p>A meeting with NEDLAC took place on 3 April 2001.</p>
National Municipal Tariff Policy Statement and Guidelines	Final drafts on National Municipal Tariff Policy statement and guidelines to be published and distributed to all the councils before end 2001.
Fiscal Reform Project	Reference group had met for the fifth time on 29 March 2001.
A policy study of Regional Council Services Levies- Now called "Financing District Councils"	Draft paper on the review of the RSC Levies was presented on 25 November 2000. A workshop on the final Draft paper on the review of the RSC Levy took place on 28 March 2001. A policy framework document to be completed before June 2001.
Establishment of a fiscal database for modelling finances and informing decision makers of options	First draft on fiscal database completed in November 2000. A presentation on fiscal database to take place end of April 2001. Final Draft to be completed before end of May 2001, and presented in the June 2001 workshop.
Analysis of the vertical split (quantum) of Equitable Share for Local Government and the determination of an overall performance criteria for the Equitable Shares system	Draft Policy framework on the options for closing the fiscal gap between expenditures and revenues of local government finances was presented to the reference group in November 2000. Draft Policy framework on the options for closing the gap between expenditures and revenues of local government finances must be completed before the end of May, and presented in the June 2001 workshop.

Redirection of CMIP

A Cabinet Memorandum on the redirection of the Consolidated Municipal Infrastructure Programme (CMIP) was approved during December 1999. The adjustments approved increased the developmental impact, particularly in rural areas. The approved adjustments include:

- Increasing the maximum subsidy level in rural areas from R3 000,00 to R7 000,00 per low-income household (the subsidy for urban areas remains R3 000,00);
- community facilities such as community halls, cemeteries and administrative infrastructure;
- lifting the restrictive requirement that 65% of CMIP funds are dedicated to new housing projects; and
- increasing the maximum amount of funds dedicated to capacity building from 5% to 10%.

The approved adjustments were implemented during the 2000/01 financial year.

The Consolidated Municipal Infrastructure Programme (CMIP) received R883 million for the 2000/01 financial year. Funds were allocated to the provinces according to the Division of Revenue Act, 2000, in terms of a formula approved by the Local Government MINMEC. R851.1 million was spent (96% of the allocation). The balance of the allocation (R31,9 million or 4%) was committed to projects, but not disbursed to the provinces.

Key outputs

A number of outputs can be reported on since the inception of the programme.

1. CMIP funds allocated:

Project categories	Amount R(m)	
Water	1 605.30	(48%)
Sanitation	485.23	(15%)
Roads	804.98	(24%)
Solid Waste	103.43	(3%)
Community Lighting	137.20	(4%)
Storm Water	177.54	(5%)
Community Facilities	18.87	(1%)
Total	3 332.55	

2. Total financial contribution, urban and rural areas combined (CMIP, Public and

Private Funds):

Source of funds	Amount R(m)
CMIP funds	3 332.55
Public funds	1 754.14
Private funds	201.39
Total	5 288.08

3. Financial contributions: Rural areas (CMIP, Public and Private Funds):

Source of funds	Amount R(m)
CMIP funds	1 584.75
Public funds	751.17
Private funds	48.91
Total	2 384.83

4. Financial contributions: Urban areas (CMIP, Public and Private Funds):

Source of funds	Amount R(m)
CMIP funds	1 747.79
Public funds	1 002.97
Private funds	152.48
Total	2 903.24

5. Employment opportunities created:

Category	No. of person days
Women	888 810
Youth	2 178 353
Men	4 190 141
Total	7 257 304

6. Accredited training provided to local people working on projects:

Category	No. of training days
Women	54 535
Youth	67 121
Men	267 772
Total	389 428

7. Utilisation of SMME's:

Of the 1 087 CMIP projects completed, 814 utilised SMMEs.

A key achievement has been that during December 2000 the 1 000th CMIP project was completed. This project, the Mathulini Water Supply Scheme, is located in the Ugu District Municipality of KwaZulu-Natal. The Mathulini Tribal Authjority and Mtwalume Mission Reserve have in the past

OUTPUTS

LEVEL OF ACHIEVEMENT

Intergovernmental Planning Cycle	This project is driven by the Presidency. The Department serves on a cabinet approved task team with the Presidency, Treasury and GCIS. Substantial progress has been made towards finalising the planning cycle before the July 2001 Cabinet Lekgotla. Implementation starts in September 2001.
Policy on intergovernmental disputes	The Intergovernmental Relations Audit Report had as one of its tasks the question whether this policy was required. The Report concluded that this policy was not needed in the short term, given that the intergovernmental system is evolving. Elements of the Report became part of the workplan adopted by the Cluster on Governance and Administration for 2000/01.
National intergovernmental data-centre	The Department supported the establishment of the PAIR centre at the University of Pretoria, which is now operational.
Audit on Provincial Institutional Capacity Needs	Substantial progress was made in that workshops in the areas of concurrent competency between national and provincial government departments determining institutional capacity needs were concluded by the end of March 2001. The draft report containing findings of the project is now being finalised and will be submitted to the Department at the end of May 2001.
Municipal Finance Policy	Draft Bill published in August 2000.

1. REPORT AGAINST OUTPUTS

OUTPUTS	LEVEL OF ACHIEVEMENT
Consolidate, develop and sustain an integrated system of intergovernmental relations Policy and legislation on intergovernmental relations	<p>During 2000, the Ministry and Department strategically re-evaluated its position on omnibus policy and legislation as part of the overall restructuring process. This legislation is not desirable during the current phase as the existing ad hoc legal measures do serve the purpose. Instead of free-standing omnibus legislation, the current strategy is to examine intergovernmental relations in the context of core government service-delivery priorities, such as the Integrated Sustainable Rural Development Strategy.</p> <p>Certain chapters of the Municipal Systems Act provided for core monitoring aspects of intergovernmental relations involving provincial and local government.</p>
Discussion document on intergovernmental relations	An internal discussion document was produced. In line with the Minister's and the Department's strategic re-evaluation of its intergovernmental role, and the emphasis on stabilising local government, however, the discussion document will now inform a practical manual on intergovernmental relations aimed at local government councillors and officials for the 2001 financial year.
National framework for monitoring, support and supervision	This is an inter-departmental project. Substantial progress was made in that a national and provincial study for a monitoring framework has now been completed. The framework would seek to enhance service delivery through improving inter-governmental relations and channels of accountability. This process further informs the necessary support measures that the different spheres need, and is driven by the Presidency.
Section 100 and 139 legislation	Draft legislation was produced, but as a basis for consultation with stakeholders. Any legislation will eventually form part of the regime prescribed by the Constitution and the Municipal Finance Management Bill.
Develop specific strategies to support intergovernmental and interdepartmental processes	Substantial progress on the government planning cycle was made in collaboration with the Department of Public Service and Administration and the Presidency, including developing priorities and a work plan for the Governance and Administration Cluster and reconfiguring the agenda of the President's Co-ordinating Council to ensure greater integration with government priorities.

drawn water from natural surface water, springs and boreholes. During very dry periods these natural sources become polluted and are subject to drying up.

The Phase II water scheme encompasses a 500kl reservoir, valve chambers, gravity main, supply lines and reticulation to the Amathulini and Eshlonyaneni areas. Fresh potable water has been provided to approximately 10 400 residents on 13 00 stands.

Key Challenges Facing CMIP

Some of the critical challenges facing CMIP in future include:

- Endeavours to co-ordinate more closely with all other infrastructure programmes of government will receive continuous attention. A much more dynamic relationship will also be forged between CMIP and the LED Fund in the Department;
- as part of Government's policy to make available free basic services to poor households, CMIP will provide the necessary infrastructure resources; and
- CMIP will need to ensure that it complements Government's commitment towards the Urban Renewal Strategy and the Integrated Sustainable Rural Development Strategy in a much more concerted manner.

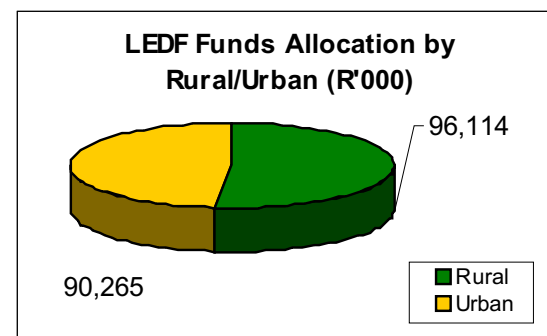
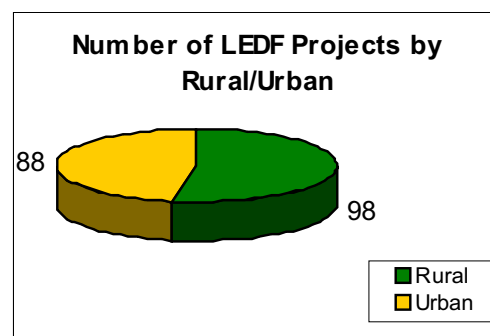
LED FUND

Purpose of the LED Fund

The purpose of the LED Fund is to support the planning and implementation of job creation and poverty alleviation projects by municipalities.

Cabinet approved an amount of R75 million for the LED Fund for the financial year 2000/01 on the 31st May 2000. The closing date for applications from municipalities was the 31st July 2000. The approval process was completed by September 2001. Most of the 2000/01 projects only began implementing in earnest in January / February 2001. A roll-over of R25 million was secured for these projects. Cabinet approved an amount of R78 million for the 2001/2 financial year in December 2000. The approval process was completed by April 2001.

Key Outputs of LED Fund 1999/2000



The final key statistics for 2000/01 are not yet available. However, they will reflect a similar pattern to that of the 1999/2000 financial year.

A total of 184 projects have been supported by the LED Fund since 1999/2000. Since the LEDF is only in its third cycle, and given that the previous two started late into the financial year, tentative outputs are presented.

A total of 76 512 person days of employment was generated. Of the total number of people employed (5 888), 30 % were women. This is below the 50% target of the LEDF. 61% of people employed through LEDF projects were during the construction stages of the project. The remaining number of 2567 people received long term employment. This means that on average one long-term job created by the LEDF costs approximately R15 000-00.

A total number of 6936 person days of training was accumulated during the 1999/2000 financial year. Almost two-thirds of this training is accredited. A total of 2089 people received on-the-job training. Of these 53% were women.

Almost R24 million of the R39 million (61%) transferred for projects was spent on infrastructure in the form of equipment, tools and buildings. 8% or R 3,18 million was regarded as direct support to SMMEs in terms of subsidised equipment and rentals.

The two graphs above provide the breakdown of LEDF funds distributed over the past three years in terms of the rural/urban classification. 98 projects, or 52% of projects, are classified as rural and 88 projects as urban. A total of R96 114 000 has been spent in rural areas as opposed to R90 265 000 in urban areas, reflecting the same bias.

LED Fund Case-Study

The Messina Municipality has implemented a unique project that focusses on the production, harvesting and processing of Spirulina. Over a period of three years the LEDF has invested R4 million into the project. The project consists of massive earthworks, the construction of appropriately designed Spirulina ponds and a factory. Advanced technology will be sourced internationally for the processing of the final product. The project is 100% owned by the



APPENDIX A

OVERSIGHT REPORT

Introduction

The statistics and information published in this part of the annual report are required in terms of regulation III J.2 of the Public Service Regulations.

The statistical tables provide high-level information on key human resource, financial and service delivery issues. The information aims to empower legislatures, the media, the public and other key stakeholders to monitor whether the Department:

- is exercising the powers set out in the Public Service and Public Finance legislation in a responsible manner;
- is achieving the plans that it set for itself in the Estimates of Expenditure; and
- is achieving national transformation priorities established by the Cabinet, for example, affirmative action.

Voted Funds

Total amount appropriated for the financial year 2000/01 R3 812 691 000

Responsible Minister Minister for Provincial and Local Government

Accounting Officer Director-General of the Department of Provincial and Local Government

Aim of Department

The aim of the Department of Provincial and Local Government is to develop and promote a national system of co-operative governance and to support the development of provincial and local government.

Summary of Programmes

The activities of the Department were organised in four programmes. These were

- Administration
- Co-operative governance and traditional affairs
- Development and support
- Auxiliary and associated services



CHAPTER 5

issues have been addressed:

- Employment Equity.
- Gender equality.
- Disability.
- HIV/Aids.

In addition, the Department has engaged in a number of outreach programmes such as:

municipality. The municipality contracts both Umsebe Technologies and the University of the Free State for technological and management expertise. There is potential for the project beneficiaries to buy shares within the business at a later stage, and for the harvesting of Spirulina to be outsourced to SMMEs and individuals that choose to invest in Spirulina ponds.



CHAPTER 4

Key Challenges for the LED Fund

A major challenge is to link projects to the overall economic strategy of the municipality. In many instances a municipality does not have a coherent economic development strategy within its IDP. This issue is being partially addressed through the current municipal LED training programme.

Greater alignment needs to be sought between the LEDF and national rural and urban development priorities.

The restructuring of local government infrastructure financing places pressure on the Department to re-engineer its management, administrative and monitoring systems for the implementation of the LEDF and CMIP. The Department has begun a process of amalgamating CMIP and the LEDF.

The increasing transparency and predictability of the funds through integration within the MTEF budgetary cycle allows the department much more scope to plan ahead, but also means that increasingly, decisions, regarding fund expenditure will be linked to IDPs and taken at a local level.

A concern, however, is that the objectives of the LEDF should not be lost in the process of amalgamation and financial restructuring for local government. Through the LED programme in general and the LEDF, the very difficult tasks of Government's role in tackling poverty, job creation and uneven development are being attended to. The LED policy paper begins to crystallise these ideas.

4. ORGANISATION, ADMINISTRATION AND FINANCIAL MANAGEMENT IN THE DEPARTMENT

The Department continued to pursue transformation objectives during the year under review, as required by the Public Service Regulations (PSR) and the Public Finance Management Act (PFMA). These objectives inter alia relate to improved planning, work organisation and resource management to maximise service delivery.

The Department finalised a medium term strategic plan. This plan will be reviewed on an annual basis to coincide with the annual budgeting cycle, and will also inform the Department's staffing

requirements and financial planning.

By the end of the financial year under review, the Department had fundamentally restructured its organisational and post structure to align it with its key focus areas and strategic objectives as outlined in its strategic plan. Functions pertaining to constitutional development were transferred to the Department of Justice and Constitutional Development. The new organisational and post structure on senior management level was implemented during November 2000 while the lower structure was implemented around February 2001.

Full information on all human resource management and development issues is inter alia provided in the oversight report (Appendix A).

To complement day-to-day human resource management, the Department has a Special Programmes Component aimed at assisting management and raising awareness in the organisation on certain important national issues. In the year under review the following

OUTPUTS	LEVEL OF ACHIEVEMENT
Implementation of Strategies to establish and maintain an integrated Information Management System for Disaster Management.	<p>As far as the development of an IT database is concerned, the following can be reported:</p> <ul style="list-style-type: none"> • Flood Damage and Reinstatement System • The business requirement specification is still under development and due to time constraints from an application development point of view to deliver a workable system, it was decided to follow an incremental system development approach. All known business requirements will be taken into account and development will start from there. • Development A few significant developments took place: <ul style="list-style-type: none"> • The Command Centre - BIGEN web development will continue and be hosted at an Independent Service Provider until the SITA bandwidth problems are solved. Once the bandwidth problems are solved, the Command Centre BIGEN web site will be transferred to the NDMC web site. • NDMC web hosting on DWAF infrastructure will be terminated before the end of November 2000. A new more user friendly NDMC home page is already under development and will initially include: <ul style="list-style-type: none"> • Links to the Weather Bureau, the Department of Water Affairs and Forestry, the National Department of Agriculture and other participating structures. • A "WHAT'S NEW(S)" to cover topics of immediate relevance such as the fight against Foot and Mouth disease. • Regular media releases on cholera outbreak in KZN highlighted with graphical and tabular presentations.
	<ul style="list-style-type: none"> • All media reports on the cholera outbreak have been published on the NDMC web site. The presentation is in graphical format and is supported by a tabular presentation with an overview as supplied by the provincial structures in KZN. See http://edmc1.pwv.gov.za/edmc
Developing a monitoring and evaluation system to measure the overall impact of the implementation of disaster management.	The development of such a system is closely linked to the implementation of the strategies and activities mentioned under 5 supra,

OUTPUTS	LEVEL OF ACHIEVEMENT
<p>Local Economic Development Programme</p> <p>Develop the capacity to promote a common understanding of the key development outcomes of national, provincial and local government by interacting with strategic delivery programmes by November 2000.</p>	Completed a study on IGR/LED aimed at developing a common understanding of the roles and responsibilities of different spheres of government in contributing to the developmental role of local government. This study will feed into other LED and IGR policy processes.
Manage LED Fund and undertake all actions necessary that will ensure effective, efficient and unsustainable project delivery on an continuous basis.	Effectively managed the LED fund resulting in the creation of both part- and full-time jobs, transference of facilities and assets to local communities and municipalities and ensured the participation of provinces in the selection and approval of LED projects.
Monitor and evaluate the performance of the LED Fund to ensure that the developmental outcome of government is addressed on a regular basis.	Site visits were undertaken, together with provinces, to LED projects in order to monitor and evaluate the performance and ensure that the developmental outcomes of government are achieved. In addition, monthly/quarterly reports are received on individual projects.
Ensure that provinces and municipalities have crafted strategic economic regeneration programmes and strategies to address economic decline in their areas of jurisdiction by July 2001	Out of 51 municipalities who qualified for the Social Plan Fund, 36 have completed their regeneration studies detailing strategies/projects to address economic decline in their areas of jurisdiction.
Develop and position the LED component appropriately in the national sphere of government in order to play an effective role within the overall system of co-operative government.	A fully functional LED component within the Department was established and maintained. Discussions are continuing on the need to establish an interdepartmental structure comprised of national departments implementing poverty alleviation programmes. Discussions are underway with provinces to establish LED units at a provincial and local government level (some have these in place already).
Produce an enabling national policy framework for LED to support the mandate of provincial and local government.	Completed a draft policy framework for LED to support the mandate of provincial and local government has been completed and consulted on during November/December 2000. This process is earmarked for finalisation in 2001.

OUTPUTS	LEVEL OF ACHIEVEMENT
Engage in a range of targeted capacity building and support initiatives aimed at provincial and local government.	Designed a training programme for both provinces and municipalities. This will be rolled out in June/July 2001. The manuals and information booklets are at a printing stage. By August 2001, this training programme is nearing completion.
Infrastructure Implementation Develop the capacity to promote and facilitate a common understanding of the key developmental outcomes of national, provincial and local government by interacting with strategic delivery programmes (such as CMIP).	By means of regular Municipal Infrastructure Task Team (MITT) meetings, co-ordination meetings with line function departments at provincial sphere and workshops and training sessions on provincial and local levels, a common understanding of the key developmental outcomes of national, provincial and local government have been promoted and facilitated.
Manage strategic delivery programmes and undertake all actions necessary that will ensure effective, efficient and sustainable project delivery.	Effective, efficient and sustainable project delivery have been achieved through the requirement that operation and maintenance plans (O&M) must be approved by municipal councils and provided for in project business plans. The training and capacity building of municipal officials further enhances this process.
Monitor and evaluate the performance of strategic delivery programmes to ensure that the developmental outcome of government is addressed.	CMIP is being monitored and evaluated on a monthly, quarterly and biannual basis to ensure that the developmental outcomes of government are adhered to.
Implementing the changes to CMIP as approved in the Cabinet Memorandum on 1 December 1999 in respect of rural infrastructure, capacity building, internal services and community facilities	All changes to CMIP as approved in the Cabinet Memorandum dated 1 December 1999 in respect of rural infrastructure, capacity building, internal services and community facilities, have been implemented.
Upgrading the management system of CMIP. This included ensuring that provinces have the necessary capacity to implement the new changes to CMIP.	The upgrading of the management system of CMIP receives constant attention and regular workshops are held with provinces to ensure that they have the necessary capacity to implement changes. Early in 2001, the Department took a decision to merge the CMIP and LED Fund Programmes. This will be effected in the latter part of 2001.

OUTPUTS	LEVEL OF ACHIEVEMENT
Developing a national disaster management policy.	A draft Disaster Management Manual has been completed. The Department has decided that the Disaster Management Manual will not be finalised before the Disaster Management Act has been promulgated.
Promoting the establishment of a functional institutional framework.	<p>The Interdepartmental Disaster Management Committee (IDMC) has been augmented to include all possible role players (also the private sector) and meets on a regular basis to deal with disaster management related issues. The following fifteen Working Groups have been established and each Working Group has been assigned to a particular government department who must take responsibility in accordance with its roles and responsibilities re disaster management:</p> <ul style="list-style-type: none"> • Floods : Department of Water Affairs and Forestry • Drought : Department of Agriculture • Veld and Forest Fires : Department of Water Affairs and Forestry • Environmental Emergencies: Department of Environmental Affairs • Epidemics: Department of Health • Weather Warnings : DEAT (SA Weather Bureau) • Urgent Response: Department of Provincial and Local Government • Disaster Relief: Department of Social Development • Displaced Persons : Department of Home Affairs • Mine Disasters : Department of Minerals and Energy • International Aspects : Department of Foreign Affairs • Policy and Legislation : Department of Provincial and Local Government • Training and Capacity Building : Department of Provincial and Local Government • Radiation-related Incidents : Nuclear Regulator • Telecommunications : SANDF
Training and Capacity Building.	The Norwegian Government donated R706 000-00 for an informal training programme for disaster management. The Chief Directorate: Disaster Management has appointed a service provider to undertake such a programme in the four provinces where the need for training is the greatest, namely, Mpumalanga the Northern Province, Eastern Cape and KwaZulu-Natal. The service provider has finalised and submitted their proposed workplan, strategy, timeframes, needs analysis budget, etc. The programme will also be monitored by a representative of the Norwegian Government.

OUTPUTS	LEVEL OF ACHIEVEMENT
Through technical support and liaison with Section 14(5) committees, ensure that municipalities are adjusted to take the development envisaged within the new boundaries, as determined through the demarcation process, into account.	Regular communication was established at provincial level with Section 14(5) or transitional committees. The work of the management support teams was adjusted to take into consideration the new municipal boundaries.
Provide progress reports to MINMEC and make Cabinet submissions as required	Regular reports were provided to MINMEC, input was provided to joint submissions to Cabinet on municipal and related matters.
Promote the implementation and maintenance of sound financial management practices at municipal level: Develop a user-friendly manual on customer care, credit control and debt management that is suitable for use in all municipalities.	This manual has now been completed. It is expected that final comments will be received and incorporated and the manual will be published and forwarded to all municipalities during the first half of the 2001/02 municipal financial year.
Develop a mentoring programme for implementation through the Management Support Teams for financial council officials in liaison with the SETA dealing with Project Viability Training	A mentoring programme was designed but not implemented by the Training Board (now dissolved and replaced by the Local Government SETA). Management Support Teams were instructed to provide mentoring to municipal officials as they assisted the municipalities involved in the management support programme.
Disaster Management Developing a new regulatory framework Disaster management legislation	<ul style="list-style-type: none"> The revised Disaster Management Bill was distributed to all Cabinet Ministers, Premiers and Directors-General of the National Departments and the Provinces. A special IMC meeting was arranged (28 March 2001) to discuss the Disaster Management Bill.
	<ul style="list-style-type: none"> Unfortunately the meeting had to be cancelled due to a lack of attendance.
	<ul style="list-style-type: none"> The Minister indicated that he will submit the Bill to Cabinet as soon as possible.
	<ul style="list-style-type: none"> Letters were sent to all IMC/ERC members requesting them to submit their final comments on the Bill before 2 April 2001.

OUTPUTS	LEVEL OF ACHIEVEMENT
Finalising the review of the Municipal Infrastructure Investment Framework (MIIF). This will provide the latest overview of municipal infrastructure backlogs in the country and recommend a financial, planning, delivery and institutional framework to address these backlogs.	The Municipal Infrastructure Investment Framework (MIIF) was finalised in January 2001. Further consultations were planned and its final submission to Cabinet is earmarked for 2001.
Establishment of an enabling policy and regulatory framework for various forms of municipal service delivery.	Cabinet approved a Draft White Paper on Municipal Service Partnerships (MSPs) for further consultation and input from stakeholders. A series of consultative workshops have already been convened with a wide spectrum of stakeholder. This will be submitted to Cabinet in 2001. A regulatory framework on MSP is in place in the form of Chapter 8 of the Municipal Systems Act as some of the provisions of the policy were converted into legislation.
.Institutionalisation of Municipal Service Partnerships Capacity Building Programme.	This is on track and at an advance stage as the Department has entered into a Memorandum of Understanding (MOU) with the two universities that have been identified to pilot this idea namely the Free State and Western Cape. Already Training of Trainers (TOT) drawn from 10 universities, 6 NGOs and 9 Provincial Programme Managers for MSPs has been conducted. Since this is a process other stages would be completed in September 2001. To complement this the Department is formalising a relationship with two provincial local government associations such as the Eastern Cape Local Government Association and KwaZulu/Natal Local Government Association to mentor those municipal cadres that have received MSP training.
Design and implement municipal community partnerships (MCPs)	A business plan on MCPs has been designed. The Department is embarking on the implementation phase and the process of identifying pilot projects is underway.
Review the mandate of the Municipal Infrastructure Investment Unit (MIIU)	The Department has a representative on the Board of the MIIU. The role and performance of the MIIU is receiving ongoing attention by the Department.

OUTPUTS	LEVEL OF ACHIEVEMENT
Social Plan Measures Regeneration policy guidelines by August 2000.	Guidelines on how to undertake regeneration studies were developed and distributed to all municipalities. Policy implementation and Training Guidelines by December 2000. Initiation workshops were held in municipalities that qualified for Social Plan Fund and guidelines were provided.
Monitoring and evaluation strategy by December 2000.	Monitoring study was commissioned to analyse submitted regeneration studies and assess their quality. The findings of the study were used to propose a structure and content of the regeneration study. Regular reports are also received from municipalities presenting performance on the expected outputs. Provincial Co-ordinating Committee (comprised of national, provinces and municipalities) meetings are held regularly to assess progress and deal with problems.
Equitable Share For Local Government Determination of equitable share allocations to individual municipalities and organised local government for the 2001/02 financial year (and onwards)	Equitable share allocations to individual municipalities for the 2001/02 financial year finalised during April 2000.
Preparation and release of an annual report on the equitable share for local government, which includes a review of the impact of the equitable share on the various types of municipalities on an annual	Annual report on the equitable share for local government for the 1999/2000 was published and distributed to all CEOs/Town Clerks and Mayors early in May 2000. The allocations to individual municipalities for the 2000/01 municipal financial year formed part of the report.
Converting current municipal allocations to the new municipal boundaries resultant from the demarcation process	Joint process was established with the National Treasury and STATS SA to, amongst others: Review poverty data for use in the re-modelling of the equitable share for the 2001/02 financial year; determine those modelling activities that can be undertaken by STATS SA and contracting out the remaining activities; and re-aligning Census 1996 municipal data to the newly established municipalities. The data collection and manipulation activities required to undertake equitable share modelling for the 2001/02 to 2003/04 financial years were finalised during January 2001. Produced draft local government equitable share model for discussion with National Treasury and SALGA by February 2001.

OUTPUTS	LEVEL OF ACHIEVEMENT
Ensure that each province can utilise the database.	A pilot project was undertaken where one province was trained on the database. Due to the lack of interest this process was terminated. Provinces were supplied with the relevant data applicable to their province through the quarterly reports.
Refine the early warning system to timeously identify municipalities heading towards a financial crisis.	The early warning system was enhanced to include financial as well as administrative factors that could indicate the possibility of a municipality facing a financial crisis.
Develop and implement a strategic plan for the collection of data at provincial level in order for provinces to meet the requirement stipulated in Section 155(6)(a) of the Constitution.	A process has been identified and will be introduced once monitoring of the newly established municipalities takes place.
Ensure the effective provision of technical support to municipalities to assist them in improving financial management and implement structural adjustment programmes through the management support programme: Establish Management Support Teams and stabilise at least 100 municipalities throughout the country	At least 170 municipalities have been assisted through the management support programme.
Monitor the technical support provided through quarterly meetings with the Steering Committee and Provincial Programme Managers in order to ensure that the objectives of the programme are met	Regular quarterly meetings were held during the year.
Develop a strategy for the implementation of the structural adjustment programmes developed through the Management Support Programme	Funding was provided to over 125 municipalities for the implementation of various projects that would have a positive impact on the cash flow of the municipality. R60 million was provided for this purpose. Requests were received for over R300 million worth of projects.

OUTPUTS	LEVEL OF ACHIEVEMENT
<p>Develop and implement capacity building programmes on an ongoing basis (in line with our programmes)</p> <ul style="list-style-type: none"> Mobilise funding for capacity building on an ongoing basis. 	<ul style="list-style-type: none"> A targeted Training Programme for Councillors was developed, implemented and completed at the end of March 2001. Being done on an ongoing bases.
<p>Evaluate the effectiveness, efficiency, responsiveness and impact of the capacity building programmes.</p> <p>Monitor and evaluate the implementation and impact of capacity building programmes on the effectiveness of governance and support given to local government annually.</p>	<ul style="list-style-type: none"> A monitoring and evaluation system is due to be developed by the end of October 2001.
<p>Project Viability:</p> <p>The main outputs, presented at the previous portfolio hearing for the 2000/01 financial year, were as follows:</p>	
<p>Conduct a quarterly survey on the status of municipalities and maintain the project viability database:</p>	
<p>Quarterly reports on the status of municipalities to be available within 2 months after the end of each quarter and submitted to MINMEC.</p>	<p>Extensions were given to municipalities to submit their responses to the Department. This was due to the low response rate of just over 50% experienced. Thus, reports were only obtainable after approximately 3 months.</p>
<p>Publish at least one status report on municipalities each year.</p>	<p>Due to the delay in the submissions of the reports to MINMEC, no reports have been published, however, reports have been made available electronically on request.</p>
<p>Information on the status of municipalities to be published on the website.</p>	<p>All reports approved by MINMEC were forwarded for publication on the website.</p>

OUTPUTS	LEVEL OF ACHIEVEMENT
	Allocations to individual municipalities for the 2001/02 to 2003/04 financial years will be finalised during April 2001.
Equitable share payments to those municipalities which are primarily responsible for the provision of services and with sufficient treasury capabilities to receive such transfers	Equitable share payments to municipalities (approximately 550) and organised local government for the 2000/01 financial year were effected quarterly within the first month of these quarters.
Updating database on municipalities as required (addresses, names of CEOs/town clerks, banking details)	The Finance Section is informed of any changes to banking details of municipalities in order to ensure that payments are made to the right banking account - continuous activity.
Quarterly reconciliation to ensure actual and accurate transfers to municipalities	Equitable share payments for the 2000/01 financial year were reconciled with the payment schedule approved by the Director-General.
Devising implementation strategy for incorporating DWAF operating subsidies into the equitable share	Meetings are held every fourth Thursday of every month between the Department, DWAF, National Treasury and SALGA to develop an appropriate strategy for incorporating DWAF operating subsidies into the equitable share.
Review of the appropriateness of the equitable share formula after demarcation process of municipalities	Issues impacting on the formula as a result of the demarcation were identified during August 2000. Simulations will be done during end 2000/early 2001 to determine most appropriate alternatives. Longer-term reforms to the equitable share formula will only start in 2001 (also refer to Local Government Finance Reform Project).
Monitoring municipalities with a view to detect mismanagement or financial misconduct	Withholding of equitable share payments to selective municipalities were investigated due to possible financial misconduct at these municipalities. It was, however, identified that corrective steps are being taken by these municipalities and payments were accordingly effected.
Monitoring other operating transfers administered by other national government departments for possible transfer to this department in future years	Departmental activity through MTEF processes.

OUTPUTS	LEVEL OF ACHIEVEMENT
Dealing with enquiries from municipalities regarding the equitable share	<p>Telephonic inquiries are dealt with immediately (approximately 60 to 90 telephonic queries per month).</p> <p>Approximately 15 to 30 written responses are dealt with per month. The response rate to inquiries approximately two months after receipt of letter due to lack of sufficient staff.</p>
R293 Towns Personnel Grant	
Assist in determining allocations to provinces, and conditions in respect of the R293 towns personnel grant for the Division of Revenue	Original division completed in February 2000. Various amendments were made to the payment schedule to effect direct payments to various municipalities.
Transfer of R293 town personnel grant to provinces and municipalities on a monthly basis	<p>R293 personnel transfers were made to six provinces and fifty-four municipalities on a monthly basis for the 2000/01 financial year.</p> <p>After monitoring monthly reports for the 2000/01 financial year, it was determined that there are surpluses at the KwaZulu-Natal and Mpumalanga Provinces. Submission in this regard was made to the National Treasury during March 2001.</p>
Continued assistance to provinces and municipalities to assist them in the transfer of R293 staff before the stipulated deadline	<p>A workshop was held with all provinces during beginning July 2000 to assist them in resolving issues hampering the transfer of R293 staff to municipalities.</p> <p>A circular was sent to all provinces and municipalities during August 2000 to inform them of the deadline for transfer and to assist in issues hampering the transfer process.</p>

OUTPUTS	LEVEL OF ACHIEVEMENT
Provide support to municipalities and provinces.	<ul style="list-style-type: none"> Provide municipalities and provinces with the necessary advice and support regarding the problems being experienced at both spheres of government pertaining to the implementation of the new local government dispensation. The successful disposal of enquiries received from provinces and municipalities.
Develop and Implement Targeted Capacity Building Programmes Develop a system to address capacity needs assessment	
Design appropriate methodology for assessing needs	<ul style="list-style-type: none"> Methodology designed and agreed to for usage.
Identify and assess capacity needs.	<ul style="list-style-type: none"> Capacity needs assessment for the provinces at high level for strategy development purposes done but an in-depth analysis not yet complete. An in-depth analysis is currently being done and is due for completion before the end of June 2001. A high level desk top capacity needs assessment for municipalities done, using the World Bank, Municipal Demarcation Board and provincial visits data for the purpose of developing strategy.
Analyse and categorise needs according to municipal, provincial and traditional authorities	<ul style="list-style-type: none"> Process to implement this has been put in place and work to be completed before September 2001. Develop an institutional capacity building strategy A 1st Draft Local Government Capacity Building Strategy done and completed for discussion purposes with stakeholders. A stakeholders committee has been established to co-ordinate the involvement of provinces, national departments, SALGA and other key stakeholders in the strategy development process.
Assess the performance of provincial institutions in terms of their functions and in supporting local government.	<ul style="list-style-type: none"> Process to start in May 2001.
Identify and document "best practices" and new methods within provinces.	<ul style="list-style-type: none"> A system is being developed to document best practices and will be in place by September 2001.

OUTPUTS	LEVEL OF ACHIEVEMENT
Render support to the National House of Traditional Leaders	A Code of Ethics was formulated for the National House. The appointment of two additional officials for the National House has been approved.
Attend to ad hoc traditional leadership disputes and claims	Attend to ad hoc traditional leadership disputes and claims D i s p u t e s a n d claims that do not require the attention of the Commission have been handled on a continuous basis.
Administrative Systems Support the implementation of the Demarcation (MDA) and Structures (MSA) Acts on an on-going basis.	<ul style="list-style-type: none"> • Determined formulae for the number of councillors for each municipality, in terms of section 20 of the MSA. • Determined a policy framework in terms of section 18(4) of the MSA for full-time members of municipal councils. • Developed a policy framework for the adjustment of powers and functions between district and local municipalities, in terms of section 85(1) of the MSA. • Determined a policy framework for the exemption of municipalities from those sections of the MSA, as contained in section 91 of the MSA. • Promulgated legislation authorising the establishment of cross-boundary municipalities. • Called and set the date for municipal elections, in terms of section 24 of the MSA.
Re-assess capacity of all newly elected councils with a view to finalise the division of Powers and Functions between category B and C municipalities.	Provide inputs at fora represented by the National Departments of Finance, Water Affairs and Forestry, Mineral and Energy Affairs, Health, and the Municipal Demarcation Board.
The Implementation of the Municipal Systems Act.	<ul style="list-style-type: none"> • After consulting the relevant line managers, ensured that the legal requirements for the implementation of the Act were in place. • Ascertained which provisions of the Act should be phased in and which should be made applicable to all municipalities on the same date that the Act took effect. • Promulgation of the relevant Notice to authorise implementation of the relevant sections of the Act.
Administer the Remuneration of Public Office Bearers Act.	<ul style="list-style-type: none"> • Consulted with MECs, and the Commission for the Remuneration of Public Office Bearers on determining upper limits for salaries and allowances for councillors and traditional leaders.
	<ul style="list-style-type: none"> • Promulgated the relevant Notices to give effect to the relevant provisions of the Act.

OUTPUTS	LEVEL OF ACHIEVEMENT														
	<p>The deadline for the transfer of R293 staff to municipalities was the end of September 2000 and the deadline for submission of final transfer lists by provinces middle October 2000. The following submissions were made:</p> <table> <tr> <td>Eastern Cape</td><td>98</td></tr> <tr> <td>Free State</td><td>1 051 (provisional)</td></tr> <tr> <td>KwaZulu-Natal</td><td>835</td></tr> <tr> <td>Mpumalanga</td><td>406</td></tr> <tr> <td>North West</td><td>723</td></tr> <tr> <td>Northern Province</td><td><u>2 326</u></td></tr> <tr> <td>Total</td><td>5 439</td></tr> </table> <p>The above-mentioned information received by provinces was captured and follow-up was done to clarify various anomalies in the reports submitted by provinces.</p> <p>The total number of R293 staff transferred to municipalities by the stipulated deadline amounted to 8 579, or 66 percent of the original 14 000 R293 staff.</p> <p>Further extension was granted up to the middle January 2001 to enable provinces to effect those transfers that were far advanced but not finalised by the deadline (a further 12 transfers were finalised KwaZulu-Natal and North West Provinces).</p>	Eastern Cape	98	Free State	1 051 (provisional)	KwaZulu-Natal	835	Mpumalanga	406	North West	723	Northern Province	<u>2 326</u>	Total	5 439
Eastern Cape	98														
Free State	1 051 (provisional)														
KwaZulu-Natal	835														
Mpumalanga	406														
North West	723														
Northern Province	<u>2 326</u>														
Total	5 439														
	<p>From the 2001/02 financial year, the division of the R293 town personnel allocation between provinces and municipalities is based on the number of R293 town staff transferred to municipalities and those retained by provinces. The allocation for local government is based on 100 percent of the provincial salary as at transfer and is guaranteed for three years. The remainder of the funds was allocated to provinces based on the projected annual expenditure for retained staff and was proportionally scaled down according to available resources.</p> <p>Further outstanding issues regarding the transfer of R293 town staff to municipalities will also be dealt with during the 2001/02 financial year, such as the transfer of pension benefits to municipal pension funds.</p>														
Obtain monthly reports from provinces in respect of R293 town staff	The necessary follow-up was done to obtain outstanding expenditure reports from provinces for the 2000/01 financial year.														

OUTPUTS	LEVEL OF ACHIEVEMENT
From monthly reports obtained from provinces, compile consolidated quarterly reports to the DG of Finance	The monthly information as stipulated in the Division of Revenue Act, 2000 provided by provinces was used by the Department to prepare a consolidated quarterly expenditure reports for the 2000/01 financial year July 2000, October 2000 and December 2000 respectively.
Other R293 town related issues: East London TLC legal case	<p>Various responses were prepared on legal documentation in the legal case instituted by the East London TLC against various parties, including the Department.</p> <p>Various meetings were also held during January to March 2001 in order to resolve the issue through negotiation rather than litigation.</p> <p>Buffalo City Municipality (East London TLC) subsequently withdrew legal case on 12 March 2001.</p>
Transition Grant For Local Government Possible establishment of a transitional fund for local government for the 2001/02 and 2002/03 financial years	<p>A survey of the once-off and incidental costs related to the restructuring process and the proposed size of the transitional fund was completed in August 2000.</p> <p>MTEF submissions were made during June 2000 to request the establishment of a transitional fund for local government.</p> <p>A follow-up memo was prepared during December 2000 to inform Cabinet of the once-off and incidental costs related to the demarcation and to propose that a transitional fund be allocated to local government for the 2000/01 and 2002/03 financial years.</p> <p>An amount of R100 million was allocated on the Adjustments Budget for the 2000/01 financial year to cater for the costs related to the demarcation process.</p>
	<p>The proposed framework on the criteria for allocation, conditions, reporting and monitoring requirements in respect of the Local Government Transitional Fund was prepared during November 2000. Various discussions were held with SALGA and the National Treasury during November 2000 to March 2001 to finalise these issues.</p> <p>A draft payment schedule was prepared for the appropriate division of the Local Government Transitional Fund for the 2000/01 financial year. The National Treasury and SALGA were also consulted in this regard.</p>

OUTPUTS	LEVEL OF ACHIEVEMENT
	<p>A draft letter of allocation to municipalities was prepared to inform municipalities of their allocation for the 2000/01 financial year and the criteria/conditions for accessing allocations for the 2001/02 financial year. Draft guidelines to assist municipalities in preparing amalgamation plans were also prepared and formed part of the allocation letter. The letter was approved during end February 2001 and forwarded to all municipalities.</p> <p>Payments were effected to all newly demarcated municipalities according to the approved payment schedule during March 2001.</p>
Support Provincial and Local Government as well as Institutions of Traditional Leadership in Order to Facilitate Delivery Traditional Leadership And Institutions	
Draft a Discussion Document on Traditional Leadership and Institutions	Finalised.
Develop a Green Paper and White Paper on Traditional Leadership and Institutions	Chapters of the Green Paper have been completed and three are outstanding. It is expected that the Green Paper will be finalised by end 2001.
Review of existing legislation and drafting new legislation.	Review and rationalisation of all existing legislation pertaining to traditional leadership has been finalised. A skeletal framework for National legislation has also been drafted. The final version will be completed after completion of the White Paper.
Establishment of an Independent Commission on Disputes and Claims on traditional leadership	The necessary preparatory work has been done. A proposal has been submitted to form part of the Green Paper. Implementation will take place after the completion of the White Paper.
Conduct research on historical and anthropological dimensions of the Khoisan communities	A report with recommendations has been finalised and submitted to form part of the Green Paper. This will be finalised simultaneously with the White Paper.
Develop and maintain capacity building programmes for traditional leaders and institutions	A paper on capacity building was commissioned to lay a foundation for the development of an effective programme.

7.3 Skills development by type of training and service provider, 1 April 2000 to 31 March 2001.

7.3.1 External Training Providers:

Type of training	Number of courses
Line-function	50
Bursaries	16
Generic	23
ABET	3

7.3.2 Internal Training Providers:

Type of training	Number of courses
Orientation	1

8. LABOUR RELATIONS

No collective agreement was entered into.

9. NUMBER OF INCIDENTS OF INJURY ON DUTY, ILLNESS AND, DEATH IN COURSE OF OFFICIAL DUTY

None.

10. NUMBER OF EMPLOYEES DISCHARGED DUE TO ILL HEALTH

None.

OUTPUTS	LEVEL OF ACHIEVEMENT
Alleged collapse and deterioration of emergency services (fire brigade and ambulance services).	<ul style="list-style-type: none">Based on the report by SAIA in this regard, a technical task team was established to address the issues of uniform norms and standards for fire brigade services and the effective funding thereof.The said technical task team has held several meetings and the work is nearing finalisation. Uniform norms and standards have been established and it is envisaged that the funding aspect will be finalised by the end of February 2001, whereafter the matter will be submitted to Cabinet.Since the establishment of the Fire Services Working Group mentioned in the previous report, several meetings have taken place.Uniform norms and standards have been established and it is envisaged that the funding aspect will be finalised by the end of May 2001, whereafter the matter will be submitted to Cabinet.A letter regarding the functioning of emergency medical services was received from the Minister of Health. The said Minister indicated: <i>That the Department of Health is urgently attending to the deficiencies in the functioning of these services; and</i> <i>That the Health MINMEC supports the separation of Fire and Emergency and Medical Services and believes that the latter will operate more efficiently as a link within the health care chain.</i>
Develop and Implement a Performance Management System Appropriate to Provincial and Local Government	
Performance Management 3 Research reports on PMS	<p>A report on "international review of approaches to the implementation of local government Performance Management" is completed.</p> <p>A report on the National Key Performance Indicators Framework and proposed set of national KPIs has been developed.</p> <p>A study investigating the feasibility, the nature of and cost implications for establishing and managing an incentive scheme for performance management system is 50% complete and will be finalised by end of April 2001</p>
A written policy framework on PMS	A manual that defines the policy and legislative framework and explains core components of the system as articulated in the MSA has been developed.
Host a conference to receive input on the policy framework	The conference will be convened in early June 2001 to launch PMS support framework (manuals/guidelines, national KPIs and PMS training programme.

OUTPUTS	LEVEL OF ACHIEVEMENT
A set of regulation \guidelines on implementing the PMS	Draft regulations on PMS have been developed, and a workshop convened with stakeholders to discuss the regulations.
A set of National KPIs for municipalities	As reported earlier, a report on the National Key Performance Indicators Framework and proposed set of national KPIs has been developed.
A number of training guides/ management guides developed on PMS	As reported earlier the first manual - that defines the policy and legislative framework and explains core components of the system as articulated in the MSA has been developed. The second manual give step- by- step guide to municipalities on implementing the core components of PMS. The third manual defines the PMS models and recommends elements thereof that could assist municipalities in linking PMS to IDPs, employee PMS and the budgetary process.
Developed training curricula and training materials for PMS training	The Department has advertised a tender to procure the services of service-providers to develop and deliver PMS training programme to municipalities. It is planned that the programme will be ready by the end of May.
Running PMS Pilot training programme	The Department has advertised a tender to procure the services of service-providers to develop and deliver PMS training programme to municipalities. It is planned that the PMS training programme will be delivered from July 2001.
An established research Agency on PMS	A PMS comes in operation from 1 July 2001 and the research agency could be established then to monitor how municipalities are establishing their PMS, develop best-practice reports and facilitate shared learning among municipalities.
Established PMS Technical Support Team for PMS Pilot	The Department has advertised a tender to procure the services of PMS / monitoring and evaluation experts to provide technical support on various aspects of PMS to DPLG and pilot municipalities.
International Relations	
Implementation of Policy Framework on Municipal International Relations for South Africa	The Department conducted six Provincial Workshops on the Implementation Policy Framework Municipal International Relations for South Africa. The workshops were successful. Most municipalities are conducting their international relations activities within the policy framework.

7. SKILLS DEVELOPMENT

7.1 Targets for training

Since the Department embarked on a major restructuring exercise at the beginning of the year under review it was not in a position to finalise predetermined training targets for the relevant year. To ensure continuous needs based training, the Department focussed its training interventions in areas that could not be significantly affected by the said restructuring.

7.2 The departmental training budget and beneficiary profile

A total of R 485 000 was budgeted for training needs that included an amount of R240 000 for training of a generic nature and R 80 000 for bursaries to serving employees. The actual amount spent on training is indicated below:

7.2.1 Actual amounts spent on training interventions, 1 April 2000 to 31 March 2001:

Type of training	Actual amount spent
Line-function training	R 255 099
Bursaries	R 66 678
Generic (e.g. computer training, financial management, etc.)	R 62 652
Adult Basic Education and Training (ABET)	R 10 263
TOTAL	R 394 692

7.2.2 Beneficiary profile by salary band, 1 April 2000 to 31 March 2001:

Grade (salary level)	Training day equivalents	Average days per employee
Levels 1-2	53	3
Levels 3-5	160	2
Levels 6-8	135	2
Levels 9-12	158	5
Senior Management Service (SMS)	60	3
TOTAL	566	3

7.2.3 Beneficiary profile by race and gender, 1 April 2000 to 31 March 2001:

Type of training	Number of beneficiaries							
	African		Asian		Coloured		White	
	M	F	M	F	M	F	M	F
Line-function training	34	34	4	-	9	2	5	29
Bursaries	13	14	1	-	-	-	1	2
Generic training (e.g. computer training, financial management, etc.)	33	44	1	-	4	2	4	19
Adult Basic Education and Training (ABET)	5	12	-	-	-	-	-	-
Orientation	4	4	1	-	-	-	-	1
TOTAL	89	108	7	-	13	4	10	51

6.2 MERIT AWARDS, 1 APRIL 2000 TO 31 MARCH 2001

Salary Level	Black		White		Coloured		Asian		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	M	F	
12	2 x b	2 x b*	1 x a 1 x b	2 x a 4 x b	0	1 x a	0	0	4	9	13
11	0	0	0	0	0	0	0	0	0	0	0
10	1 x a	1 x a 1 x b	2 x b	4 x a 1 x b	0	0	0	0	3	7	10
9	3 x b	1 x b	2 x a	0	1 x a	0	0	0	6	1	7
8	1 x a	1 x a 2 x b	1 x b	3 x a 1 x b	0	1 x a	0	1 x a	2	9	11
7	1 x a	1 x a 2 x b	1 x a	1 x a 3 x b	0	1 x a	1 x b	0	3	8	11
6	1 x a 1 x b	3 x a	0	5 x b	0	0	0	0	2	8	10
5	0	5 x b	0	1 x a 1 x b	1 x a	0	1 x a	0	2	7	9
4	0	2 x b	0	0	0	0	0	0	0	2	2
3	2 x b	0	0	0	0	0	0	0	2	0	2
2	0	0	0	0	0	0	0	0	0	0	0
1	0	0	0	0	0	0	0	0	0	0	0
TOTAL	12	21	8	26	2	3	2	1	24	51	75
Grand Total	33		34		5		3		75		75

Above data: A total number of 75 employees received merit awards (Category A and B)

41 Black and 34 White; 24 Male and 51 Female.

* Includes 1 disabled employee

OUTPUTS	LEVEL OF ACHIEVEMENT
SADC Local Government Forum	The Department in consultation with Mozambique, Zambia and Zimbabwe successfully lobbied, for the acceptance and recognition of SADC Local Government Forum within SADC structures. The Local Government is now represented within the newly restructured SADC. This is a major achievement by the Department and South Africa in general. The Directorate also successfully supported the Ministerial, and Technical Task Teams and the SADC Local Government Forum. Several meetings were successfully organised and generated several acceptable decisions.
Africities 2000 Summit	The Department successfully co-ordinated the attendance of the Minister, several members of the Executive Committee responsible for Local Government, Mayors, Councillors and officials to the Africities 2000 Summit held in Namibia during May 2000. The Minister chaired an important meeting, which adopted several resolutions. The officials compiled an informative report, which was distributed to Provinces, Municipalities and National departments.
SADC Heads of State/Government Summit	The Department attended the SADC Heads of State/Government Summit held in Windhoek, Namibia from 1-7 August 2000. The Department and fellow colleagues from Mozambique, Zambia and South Africa successfully lobbied for acceptance and recognition of the SADC Local Government.
Forum meetings of the SADC Local Government Forum and Task	The Department successfully organised, co-ordinated and supported meetings of the SADC Technical and Ministerial Task Teams held on 24 March 2000 and 10 July 2000 in Pretoria.
MIR Co-ordination Group	The Department co-ordinated and supported several meetings of the MIR co-ordination Group. Ongoing advice was given to municipalities on their twinning proposals.
Database on twinning arrangements by municipalities	The Department developed a draft manual database on twinning arrangements by South African municipalities. The foundation for expansion of this project has been laid.
Support Services	
Maintenance of standard of reporting in terms of the PFMA and Division of Revenue Act.	All reports were submitted timeously and resulted in no over-expenditure and the effective movement of funds in the Adjustment Estimate.
Consolidation and presentation of budget inputs.	Budget inputs were submitted timeously to the National Treasury and the results from the Medium Term Expenditure Committee were satisfactory.
Review of current system of financial administration.	A new system of expenditure commitment and budget control at programme manager level introduced.

OUTPUTS	LEVEL OF ACHIEVEMENT
Improvement in the administration of the system of procurement of supplies and services.	The application of the tendering procedures was reviewed which led to a reduction in lead times and improvement in tender adjudication.
Provision of a media liaison service for the Ministry and the Department.	All media requirements of the Minister and the Director-General were met. A revised communication strategy has been prepared.
Co-ordination of public relation campaigns.	There have been a number of very successful campaigns, such as local government transformation, local economic development, disaster relief and the anti cholera campaign.
Preparation of departmental legislation.	All legislation prepared timeously and amendments brought about by Portfolio Committee incorporated immediately. In some very urgent cases the assistance of a consultant is acknowledged.
Administration of court cases.	All court cases threatening the local government elections were resolved before the elections. Further developments in respect of these court cases depends on political interaction. The major commercial-type cases have been concluded with real benefits to the Government.
Restructure the Department in line with its new focus and objectives.	Successfully completed the restructuring processes in the Department in co-operation with a task team appointed for this purpose.
Render human resource management and development services.	Continue to successfully administer human resource management and development processes in the Department. Effected the appointment of personnel for the Command Centre: Emergency Reconstruction and administered the relevant staff's salaries etc. Implemented the new all-inclusive remuneration system for senior managers in the Department.

6. PERFORMANCE REWARDS

6.1 GRANTING OF SECOND AND THIRD NOTCHES OF SALARY RANGES, 1 APRIL 2000 TO 31 MARCH 2001

Salary Level	Black		White		Coloured		Asian		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	M	F	
12	1 x (2 nd)		1 x (3 rd)	2 x (3 rd)					2	2	4
11	1 x (3 rd) 4 x (2 nd)	3 x (2 nd)	2 x (2 nd)	4 x (2 nd) 2 x (3 rd)					7	9	16
10	1 x (3 rd)	1 x (3 rd)		2 x (2 nd)					1	3	4
9	1 x (2 nd)		1 x (2 nd)						2	0	2
8	1 x (3 rd)	1 x (3 rd) 1 x (2 nd)	1 x (2 nd)	1 x (3 rd) 1 x (2 nd)		1 x (2 nd)		1 x (2 nd)	2	6	8
7	1 x (3 rd)		1 x (2 nd)	1 x (3 rd) 2 x (2 nd)		1 x (2 nd)			2	4	6
6	2 x (2 nd)	2 x (3 rd)							2	2	4
5		5 x (2 nd)		1 x (2 nd)			1 x (2 nd)		1	6	7
4	1 x (2 nd)								1	0	1
3									-	-	-
2									0	0	0
1									-	-	-
TOTAL	13	13	6	16	-	2	1	1	20	32	52
Grand Total	26		22		2		2		52		52

Above data: 52 officers received notch increases at various salary levels: 30 Black and 22 White; 20 Male and 32 Female.

5.4 TERMINATION OF SERVICE, 1 APRIL 2000 TO 31 MARCH 2001

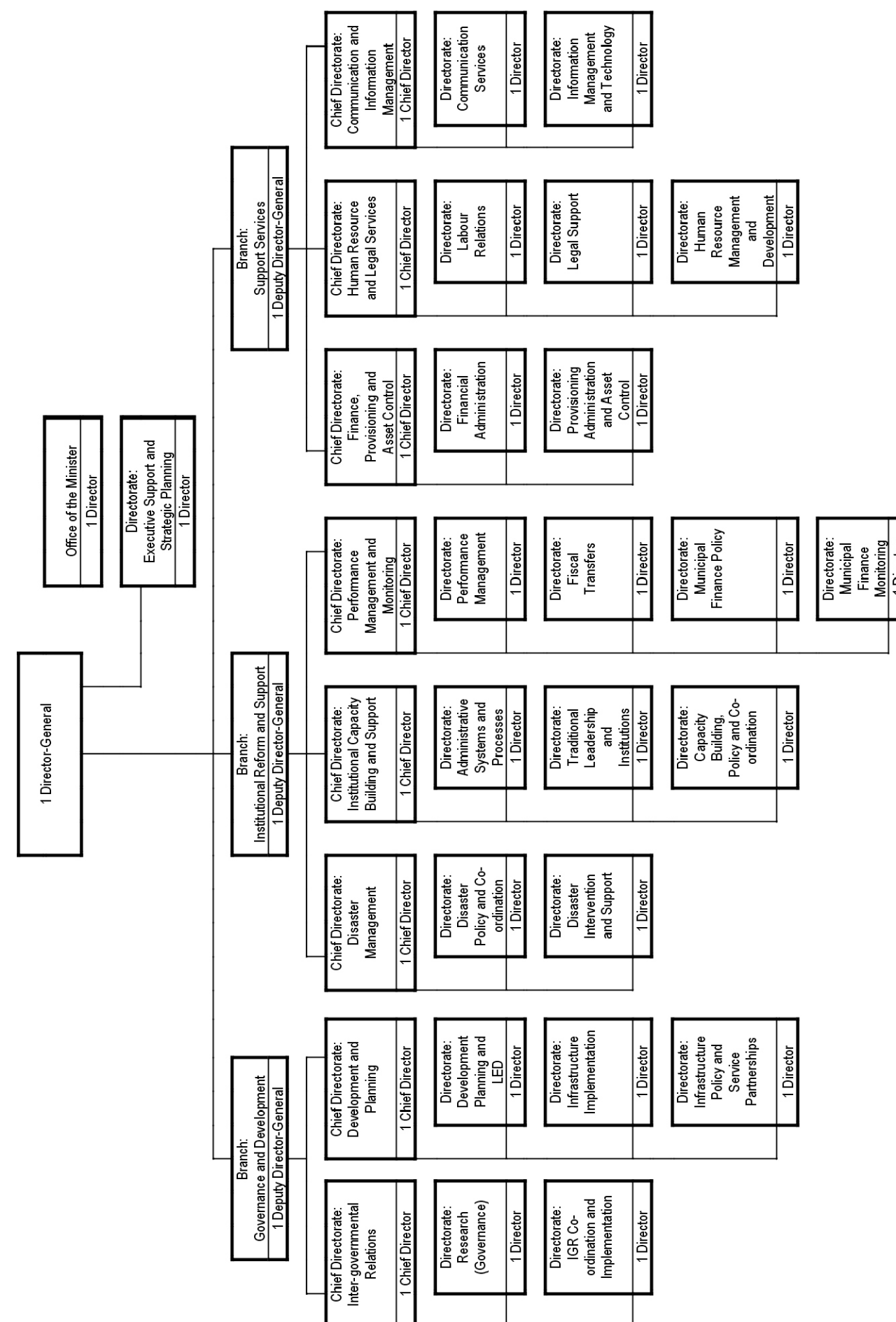
Salary Level	Black		White		Coloured		Asian		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	M	F	
Band D #	0	0	0	0	0	0	0	0	0	0	0
Band C #	0	0	0	0	0	0	0	0	0	0	0
Band B #	0	1	1	0	0	0	0	0	1	1	2
Band A #	1	0	0	0	0	0	1	0	2	0	2
12	0	0	0	0	0	0	0	0	0	0	0
11	0	3	0	1	0	0	0	0	0	4	4
10	2	2	0	0	0	0	0	0	2	2	4
9	0	0	1	0	0	0	0	0	1	0	1
8	0	1	0	0	0	0	0	0	0	1	1
7	1	1	0	0	0	0	0	0	1	1	2
6	1	0	0	0	0	0	0	0	1	0	1
5	0	1	0	2	0	0	0	0	0	3	3
4	2	0	0	0	0	0	0	0	2	0	2
3	1	0	0	0	0	1	0	0	1	1	2
2	0	2	0	0	0	0	0	0	0	2	2
1	0	0	0	0	0	0	0	0	0	0	0
TOTAL	8	11	2	3	0	1	1	0	11	15	26
Grand Total	19		5		1		1		26		26

Above data: 26 employees terminated their services; 21 Black and 5 White; 11 Male and 15 Female.

Reasons: Resignation, Retirement, VSP and Contract expiry
SMS Salary bands

2. ORGANISATION

2.1 The Department's organisational structure:



2.2 Approved establishment, 31 March 2001:

The approved establishment is the number of posts that an executing authority has approved to carry out the core and support functions of the Department. The following table reflects the number of posts on the establishment and the number of persons employed additional to the approved establishment.

COMPONENT	TOTAL APPROVED POSTS	PERSONS EMPLOYED ADDITIONAL TO THE APPROVED ESTABLISHMENT
Office of the DG and Ministerial Support Staff	22	0
Branch: Governance and Development	39	2
Branch: Institutional Reform and Support	78	2
Branch: Support Services	105	0
Total	244	4

The data shows 244 posts on the approved establishment, and 4 persons employed additional to the approved establishment.

2.3 Employment numbers and vacancies, 31 March 2001:

SALARY BAND/ LEVEL	DG's OFFICE & MINISTERIAL SUPPORT STAFF		BRANCH: GOVERNANCE AND DEVELOPMENT		BRANCH: INSTITUTIONAL REFORMAND SUPPORT		BRANCH: SUPPORT SERVICES		TOTAL	
	Posts filled	Posts vacant	Posts filled	Posts vacant	Posts filled	Posts vacant	Posts filled	Posts vacant	Posts filled	Posts vacant
SMS Band D	1	0	0	0	0	0	0	0	1	0
SMS Band C	0	0	0	1	0	1	0	1	0	3
SMS Band B	0	0	0	2	3	0	1	2	4	4
SMS Band A	1	2	5	0	5	4	4	3	15	9
11 – 12	4	0	7	1	11	7	4	4	26	12
7 – 10	4	2	10	3	18	9	20	8	52	22
3 – 6	4	2	4	3	11	6	29	11	48	22
1 – 2	2	0	0	0	0	0	14	10	16	10
Total	16	6	26	10	48	27	72	39	162	82

The data shows: 162 of the approved 244 posts were filled, and 82 were vacant.

5.3 PROMOTIONS, 1 APRIL 2000 TO 31 MARCH 2001

Salary Level	Black		White		Coloured		Asian		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	M	F	
Band D #	0	0	0	0	0	0	0	0	0	0	0
Band C #	0	0	0	0	0	0	0	0	0	0	0
Band B #	0	0	0	0	0	0	0	0	0	0	0
Band A #	0	0	0	0	0	0	0	0	0	0	0
12	2	1	1	2	0	0	0	0	3	3	6
11	0	0	0	0	0	0	0	0	0	0	0
10	1	0	1	0	1	0	1	0	4	0	4
9	0	1	1	0	0	0	0	0	1	1	2
8	0	0	0	1	0	0	0	1	0	2	2
7	1	2	0	3	0	1	0	0	1	6	7
6	0	4	0	3*	0	0	0	0	0	7	7
5	0	1	0	0	0	0	0	0	0	1	1
4	2	3	0	0	1	0	0	0	3	3	6
3	3	0	0	0	0	0	0	0	3	0	3
2	0	0	0	0	0	0	0	0	0	0	0
1	0	0	0	0	0	0	0	0	0	0	0
TOTAL	9	12	3	9	2	1	1	0	15	23	38
Grand Total	21		12		3		2		38		38

Above data: 38 employees were promoted; 26 Black and 12 White; 15 Male and 23 Female.

* Includes 1 disabled employee

SMS Salary bands

5.2 APPOINTMENTS, 1 APRIL 2000 TO 31 MARCH 2001

Salary Level	Black		White		Coloured		Asian		Total		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	M	F	
Band D #	0	0	0	0	0	0	0	0	0	0	0
Band C #	0	0	0	0	0	0	0	0	0	0	0
Band B #	0	0	0	0	0	0	0	0	0	0	0
Band A #	0	0	0	0	0	0	0	0	0	0	0
12	0	0	0	0	0	0	0	0	0	0	0
11	2	2	0	0	0	0	1	0	3	2	5
10	4	2	0	0	0	0	0	0	4	2	6
9	0	0	0	0	0	0	0	0	0	0	0
8	0	0	0	0	0	0	0	0	0	0	0
7	1	2	0	0	0	0	0	0	1	2	3
6	1	1	0	0	0	0	0	0	1	1	2
5	0	1	0	0	0	0	0	0	0	1	1
4	1	1	0	0	0	0	0	0	1	1	2
3	1	0	0	0	0	1	0	0	1	1	2
2	0	0	0	0	0	0	0	0	0	0	0
1	0	0	0	0	0	0	0	0	0	0	0
TOTAL	10	9	0	0	0	1	1	0	11	10	21
Grand Total	19		0		1		1		21		21

Above data: 21 appointments were made of which all were black: 11 Male and 10 Female; 11 were at management level (Level 10 and higher). No foreigners were appointed in terms of PSR, Part III/J/J.6 (e).
SMS Salary bands

3. JOB EVALUATION

3.1 Number of posts evaluated, upgraded and downgraded:

Salary band/ level	Number of jobs evaluated	Number of posts upgraded	Number of posts downgraded
SMS Band D	0	0	0
SMS Band C	3	0	0
SMS Band B	4	0	0
SMS Band A	8	0	0
11 -12	2	1	0
9 - 10	1	0	0
1 -8	0	0	0
Total	18	1	0

3.2 Number of employees promoted as a result of posts that were upgraded:

None.

3.3 Number of employees whose remuneration exceeds the grade determined by job evaluation and the reasons for deviation:

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Media Liaison Officer	1	Salary level 11	SMS Band A	The Department has on several occasions failed to recruit and retain suitably qualified candidates for the post of Media Liaison Officer in the Office of the Minister, on salary level 11. Based on these considerations and the fact that similar officials in several other ministries are remunerated on SMS Band A, it was decided to deviate from the salary level indicated by the job weight.

4. REMUNERATION

(a) The percentage of the budget (actual expenditure), excluding transfer payments, expenditure on land and buildings, as well as miscellaneous payments spent on:

Total personnel cost	32.22%
Administrative expenditure	16.28%
Professional and special services	40.68%

(b) The costs of overtime, allowances and benefits as a percentage of total personnel costs:

• Overtime	0.17%
• Home owners allowance	2.02%
• Service bonus	5.73%
• Motor finance scheme allowance	5.97%
• Merit awards	4.74%
• Employer's contribution: medical funds	3.60%
• Employer's contribution: pension fund	8.84%

5. AFFIRMATIVE ACTION, APPOINTMENTS, PROMOTIONS AND TERMINATION OF SERVICE

5.1 Progress made with respect to Affirmative Action

The following table reflects the representivity position in the Department on 31 March 2001:

Post Level	Female				Male				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
1	0	0	0	0	0	0	0	0	0
2	9	1	0	0	5	1	0	0	16
3	3	0	0	0	8	1	0	0	12
4	5	0	0	0	5	2	0	0	12
5	6	0	0	3	2	1	1	0	13
6	4	0	0	5	2	0	0	0	11
7	5	1	0	4	3	0	1	1	15
8	3	1	1	8	2	0	0	1	16
9	1	0	0	0	2	0	1	2	6
10	1	0	0	5	4	2	0	3	15
11	2	0	0	0	6	0	1	1	10
12	2	1	0	6	4	0	0	3	16
Total	41 (29%)	4 (3%)	1 (1%)	31 (22%)	43 (30%)	7 (5%)	4 (3%)	11 (7%)	142

Post Level	Female				Male				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
SMS Band A	1	0	0	0	3	2	0	9	15
SMS Band B	1	0	0	0	1	0	0	2	4
SMS Band C	0	0	0	0	0	0	0	0	0
SMS Band D	0	0	0	0	1	0	0	0	1
Total SMS	2 (10%)	0	0	0	5 (25%)	2 (10%)	0	11 (55%)	20
Total all posts	43 (27%)	4 (3%)	1 (1%)	31 (19%)	48 (29%)	9 (6%)	4 (2%)	22 (13%)	162

Note: Senior Management Service (SMS) is reflected in SMS Band A to D.

Middle management is reflected in post levels 9-12.

The above data shows that of the 162 officers employed at this time; women constituted 50% of the total number of posts filled, of which 10% were in senior management; Blacks constituted 68% of the total number of posts filled, of which 45% were at senior management level.

Two disabled officers were employed.

1 Net cash flow from operating activities excluding capital items	Amount
Net surplus as per Income statement	107 615
Add to net surplus:	
Purchase of capital items	4 400
Net cash flow from operating activities excluding capital items	112 015
2 Movements on receivables, prepayments, advances, payables and provisions	Amount
Finance required to increase receivables/decrease payables	(157 610)
Finance generated by increases payables/decreases in receivables	526
Net funds required to finance receivables and payables/or Net funds generated by receivables and payables	(157 084)
3 Cash and cash equivalents beginning of period	Amount
Paymaster-General Account	150 683
Cash on hand	14
Orders payable	(76 595)
ACB Control account EFT payments	(378)
ACB Rejections EFT payments	(19)
Total	73 705
4 Cash and cash equivalents end of period	Amount
Paymaster-General Account	65 209
PMG Adjustments	(5)
Cash on hand	14
Orders payable	(950)
ACB Control account EFT payments	(40 807)
ACB Recall EFT payments	(643)
Balance RDP: European Union	119
Balance RDP: Netherlands	889
Balance RDP: Norway	437
Balance RDP: Conseil de L'Europe	(4)
Balance RDP: Raoul Wallenberg	(23)
Total	24 236

APPENDIX B



FINANCES AND BUDGET

Part A: Annual Financial Statements

I. NATIONAL DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT MANAGEMENT REPORT FOR THE YEAR ENDED 31 MARCH 2001

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

1. General review of the state of financial affairs

1.1 The main Estimates of National Expenditure provided for the Appropriation of an amount of R3 633 573 000 and this was increased by R179 118 000 in the Adjustments Estimate to bring the total amount voted to R3 812 691 000. This represented an increase of R237 035 000 (6,6%) over the previous financial year. The main increases were in respect of the equitable share to local government, conditional grants to local government and personnel expenditure.

1.2 The comparative budget allocations are as follows:
Allocation per Programme

	Previous Year R'000	Current Year R'000
Programme 1: Administration	20 252	26 552
Programme 2: Co-operative governance and traditional affairs	19 183	21 880
Programme 3: Development and support	3 427 295	3 665 238
Programme 4: Auxiliary and associated services	108 926	99 021
Total	3 575 656	3 812 691

Allocation per Standard Item

	Previous Year R'000	Current Year R'000
Personnel expenditure	29 664	39 278
Administrative expenditure	18 775	27 320
Inventories	7 177	7 141
Equipment	5 541	5 839
Land and buildings	-	-
Professional and special services	126 397	67 583
Transfer payments	3 387 623	3 665 051
Miscellaneous	479	479
Total	3 575 656	3 812 691

1.3 The total under expenditure amounted to R107 160 000 which is 2,8% of the amount voted. The main contributing factors to this under expenditure and the reasons therefore, are the following:

Consolidated Municipal Infrastructure Programme	R35 430 000
Local Economic Development Programme	R23 718 000

These two major capital investment programmes are managed on a project basis and funds released on the basis of actual cash flow on the various projects. Certain delays were experienced as a result of the re-demarcation of municipal boundaries, municipal restructuring and the municipal elections.

Disaster Management	R25 310 000
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Included in this sub-programme is the allocation for the Command Centre: Emergency Reconstruction which was set up following the severe flooding. The Centre only became operational after the start of the financial year and the budget allocation was made in the Adjustments Estimate. A considerable portion of the underspending was committed before the end of the financial year.

Personnel expenditure	R8 264 000
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The Department had a very high level of vacancies throughout the year due to the moratorium on the filling of vacant posts pending the finalisation of the restructuring of the Department and the absorption of existing members of staff. In addition, there were considerably less seconded personnel claims than originally expected.

Administrative expenditure	R11 648 000
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The under expenditure was mainly as a result of the concomitant reduction in travelling and subsistence due to the high level of vacancies. In addition, the originally anticipated travelling by officials in the Command Centre did not materialise.

1.4 The increase in the number and quantum of conditional grants has placed a considerable burden on the Department. This trend in expenditure must, however, continue for the next few years in order to provide for some of the important elements of local government transformation. It is then envisaged that these additional allocations will be incorporated

NATIONAL DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT
CASH FLOW STATEMENT
for the year ended 31 MARCH 2001
(All figures R 000)

	Note	Amount
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flow from operating activities excluding capital items	1	112 015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment		(4 400)
Net cash flows operating and investing activities		107 615
CASH FLOWS FROM FINANCING ACTIVITIES		
Movements on receivables, prepayments, advances, payables and provisions		(157 084)
Net increase/(decrease) in cash and cash equivalents	2	(157 084)
Cash and cash equivalents at beginning of period	3	73 705
Cash and cash equivalents at end of period	4	24 236

NATIONAL DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT
NOTES TO THE INCOME STATEMENT (continued)
for the year ended 31 MARCH 2001
(All figures R 000)

6	Transfer payments (continued)				
	Transferee	Purpose	Actual	Adjustment Estimate	Variance Under/(over expenditure)
	Municipal Demarcation Board	Contribution to the Municipal Demarcation Board	29 215	29 215	-
	Represented Political Parties Fund	Contribution to the Represented Political Parties Fund	57 880	57 880	
	Individuals	Subsidised motor transport scheme	-	100	100
	PSETA	Contribution to the Authority	42	42	-
	Total		3 608 791	3 666 451	57 660
7	Miscellaneous		Actual		
	Stabilisation fund		228		
	Material losses through criminal conduct		-		
	Other material losses written off		224		
	Debts written off		-		
	Remissions, refunds and payments made as an act of grace		7		
	Gifts, donations and sponsorships made		29		
	Total		488		
7.1	Other material losses written off				
	Nature of loss	Cause of loss	Amount		
	Replacement of 1 video recorder	Theft	3		
	Replacement of 1 television	Theft	3		
	Replacement of 1 camera	Theft	8		
	Replacement of 3 computers	Theft	48		
	Replacement of 12 cellular phones	Theft and damaged	27		
	Excess payment on insurance of rental cars	Five motor accidents	51		
	Interest on Diners Club account	Late payment of account	33		
	Payment to Infoplan	Late return of hired equipment	23		
	Cancellation fees on hotel accommodation	No shows	17		
	Cancellation fees on air tickets	Late return of air ticket	9		
	Other	Parking tickets, fuel	2		
	Total		224		
7.2	Remissions, refunds and payments made as an act of grace				
	Beneficiary	Reason for payment	Amount		
	Ms Roos	Expenses incurred at the Waterkloof airbase depot during flood relief operations	7		
	Total		7		
7.3	Gifts, donations and sponsorships paid in cash				
	Paid to	Purpose	Amount		
	DM Brynard	Thirty years continuous service	1		
	King KD Matanzima	Birthday present	5		
	King Zwelithini	Birthday present	5		
	Individuals	Assistance to the Command Centre	18 *		
	Total		29		

*Included an amount of R7 000 which was a double payment

into the equitable share for local government.

1.5 The restructuring of the Department has led to the creation of an additional post in Internal Audit and a Director: Financial Management. There was previously one director responsible for financial management, procurement, administration, provisioning and asset control. These posts are in the process of being filled. The expectation is that the areas of risk assessment and the improvement in financial management through systems development and capacity building can be accelerated.

2. Services rendered by the department

The Department does not provide services for which a tariff must be determined or render a free service as contemplated in Treasury Regulation 7.3.2.

3. Trading activities

There are no trading activities operated by the Department.

4. Trading entities

There are no trading entities under the control of the Department.

5. Public entities

There were no public entities listed in the Public Finance Management Act (PFMA) under the control of the Department at 31 March 2001. The Municipal Infrastructure Investment Unit (MIIU) has been re-evaluated in terms of the definition in section 1 of the PFMA and the practical application of that definition by the National Treasury. The result thereof is that the Minister of Finance has been requested to list the MIIU as a public entity.

6. Public/private partnerships

The Department has not entered into any such agreements.

7. Risk management and fraud prevention.

A risk assessment system has been developed and is based on an assessment of the following elements which have been weighted.

Annual budget.

Management concern/interest.

Stability of system/key personnel.

Complexity of activity.

Impact on stakeholders internal and external.

Performance/productivity.

The Department has been broken down into audit units which are basically at directorate level and the self assessment matrix, moderated at branch level and reviewed by the Chief Financial Officer and Head of Internal Audit will provide the basis for the report to management. The internal audit plan will be developed in line with the relevant priority risk areas and will form the first year of the rolling three year Strategic Internal Audit Plan.

The assessment matrix has been piloted in the directorates of finance and provisioning administration. On completion of the exercise a complete risk management policy and implementation plan will be developed.

A draft fraud prevention strategy has been reviewed by the Audit Committee and after comments from the Office of the Auditor-General and the legal advisor have been incorporated, it will be presented to the top management for adoption.

8. Discounted activities/activities to be discontinued

The function relating to constitutional development and the Represented Political Parties Fund was transferred to the Department of Justice and Constitutional Development and the budget allocations were therefore included in that department's budget for the 2000/01 financial year.

9. New/proposed new activities

In January 2001, the Cabinet assigned the responsibility for the co-ordination of the implementation of the Integrated Sustainable Rural Development Strategy and the Urban Renewal Strategy to the Department. These responsibilities had previously resided in the Presidency. There were no specific resources transferred and the Department absorbed the limited costs in the 2000/01 financial year.

The establishment of a Unit to oversee this operation is being set up and will be funded by way of rollovers in the 2001/02 financial year and then it will be incorporated into the MTEF.

10. Events after the accounting date

None.

11. Other

The Command Centre: Emergency Reconstruction entered into a number of contracts without prior State Tender Board approval. The financial obligations had to be met, on advice from the State Attorney, and the Command Centre has approached the State Tender Board for *ex post facto* approvals.

Approval

The attached annual financial statements set out on pages 90 to 104 have been approved by the Accounting Officer.

Zamindlela Titus
DIRECTOR-GENERAL
30 May 2001

NATIONAL DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT NOTES TO THE INCOME STATEMENT (continued) for the year ended 31 MARCH 2001 (All figures R 000)

6	Transfer payments				
	Transferee	Purpose	Actual	Adjustment Estimate	Variance Under/(over expenditure)
	Conditional grants				
	Eastern Cape	R293 town personnel grant	43 392	43 392	-
		Consolidated Municipal Infrastructure Programme grant	145 302	145 302	-
		Local government support grant	17 965	17 965	-
	Free State	R293 town personnel grant	68 101	68 101	-
		Consolidated Municipal Infrastructure Programme grant	58 820	58 820	-
		Local government support grant	11 720	11 720	-
	Gauteng	Consolidated Municipal Infrastructure Programme grant	136 974	168 874	31 900
		Local government support grant	8 345	8 345	-
	Kwazulu Natal	R293 town personnel grant	94 158	94 158	-
		Consolidated Municipal Infrastructure Programme grant	186 282	186 282	-
		Local government support grant	15 105	15 105	-
	Mpumalanga	R293 town personnel grant	27 584	27 584	-
		Consolidated Municipal Infrastructure Programme grant	56 432	56 432	-
		Local government support grant	5 220	5 220	-
	Northern Cape	Consolidated Municipal Infrastructure Programme grant	19 834	19 834	-
		Local government support grant	7 060	7 060	-
	Northern Province	R293 town personnel grant	92 238	92 238	-
		Consolidated Municipal Infrastructure Programme grant	90 022	90 022	-
		Local government support grant	8 220	8 220	-
	North West	R293 town personnel grant	49 759	49 759	-
		Consolidated Municipal Infrastructure Programme grant	70 710	70 710	-
		Local government support grant	10 945	10 945	-
	Western Cape	Consolidated Municipal Infrastructure Programme grant	86 724	86 724	-
		Local government support grant	5 420	5 420	-
	Municipalities	R293 town personnel grant	87 765	87 768	3
		Local government support grant	60 000	60 000	-
		Social plan measures	2 550	2 550	-
		Local Economic Development Fund	77 909	101 484	23 575
		Local Government Transition Fund	100 000	100 000	-
	Other Transfers				
	MIU	Municipal services partnerships	6 450	6 450	-
	Municipalities	Y2K Project	2 048	2 730	682
	Municipalities	Local government equitable share	1 852 000	1 852 000	-
	SALGA	Local government equitable share	15 000	15 000	-
	SALGA	Municipal councillors training	1 600	3 000	1 400
	Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	Facilitate the establishment of the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	-	-	-

3 Expenditure per programme and explanation of material differences
(continued)

	Actual	Voted	Variance
Programme 4: Auxiliary and associated services	98 380	99 021	641
Sub programme: Communication services	7 673	7 086	(587)
Sub programme: National House of Traditional Leaders	2 905	3 506	601
Sub programme: Khoisan communities	348	661	313
Sub programme: Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	317	530	213
Sub programme:Municipal Demarcation Board	29 215	29 215	-
Sub programme: Represented Political Parties Fund	57 880	57 880	-
Sub programme: Government motor transport	-	101	101
Sub programme: PSETA	42	42	-

Explanation of material differences

Programme 1: Administration

The saving is due mainly to thirty two vacant posts, less than planned administrative expenditure, less than planned professional services in respect of court cases.

Programme 2: Co-operative governance and traditional affairs

The saving is due mainly to less than planned expenditure in respect of the White Paper on Traditional Leaders and Institutions due to a result of the consultation processes and the need for reformulation of certain policy concepts. Delays in finalising the contract on provincial capacity building, and the fact that no boundary disputes took place resulted in a saving on professional services.

Programme 3: Development and support

The saving is due mainly to thirty three vacant posts, less than planned administrative expenditure. In respect of the Command Centre, the saving was predominately on professional services and these contracts will be finalised in the next financial year. A saving on transfer payments in respect of the Consolidated Municipal Infrastructure Programme due mainly to various projects not materialising through delays in project approvals and project implementation resulting from the Municipal Elections, re-demarcation and municipal restructuring. A saving in respect of the Local Development Fund was occasioned for the same reason. In respect of Project Viability, the required reporting to verify the results of the consultants work were either not received timeously or were inadequate leading to payment having to be delayed to the next financial year.

Programme 4: Auxiliary and associated services

Treasury approval was granted to utilise the available saving on this programme to increase the transfer payment to the Municipal Demarcation Board from R24 815 000 to R29 215 000 for an unforeseen and unavoidable nature which was not provided for in the budget of the Board.

4 Equipment	Actual
Description	
Current (Rentals, maintenance and sundry)	1 214
Capital	4 400
Total	5 614
5 Professional and special services	Actual
Computer services	330
Maintenance services	199
Professional service: Private	36 344
Consultants	3
Legal costs	390
Auditor's remuneration	988
Bank costs	17
RDP Direct payments	882
Total	39 153



AUDITOR-GENERAL

II. REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF VOTE 22 - PROVINCIAL AND LOCAL GOVERNMENT FOR THE YEAR ENDED 31 MARCH 2001

1. Audit Assignment

The financial statements as set out on pages 90 to104 , for the year ended 31 March 2001, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements and the compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

2. Regularity Audit

2.1 Nature and scope

2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Due to the nature of the prescribed accounting practice, the audit was performed within a financial reporting framework which does not at this stage necessarily result in a fair presentation of the results of operations, financial position and cash flows for any financial period.

I believe that the audit provides a reasonable basis for my opinion.

2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

2.2 Qualification

2.2.1 Compliance audit

Attention is drawn to note 1 to the balance sheet, disclosing material irregular expenditure totaling R7,9 million that was incurred without adhering to State Tender Board prescripts. The Department requested *ex post facto* approval from the State Tender Board but at the date of this report, the approval had not yet been obtained.

2.3 Audit Opinion

2.3.1 Unqualified opinion: Financial audit

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Department of Provincial and Local Government at 31 March 2001 and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

2.3.2 Qualified opinion: Compliance audit

Based on the audit work performed, except for the matter referred to in paragraph 2.2.1, nothing has come to my attention that causes me to believe that material non-compliance with laws and regulations, applicable to financial matters, has occurred.

3. Emphasis of Matter

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

3.1 Internal Audit and Audit Committee

The internal audit component is staffed with only the head of the component that reports directly to the accounting officer. For the year under review, the internal auditor performed audits mainly on expenditure related to previous financial years. Reliance could therefore not be placed on the work of internal audit.

The composition of the audit committee complies with the requirements of the Public Finance Management Act, 1999. During the year one external member resigned from the Committee and a suitable replacement is currently being considered.

NATIONAL DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT
NOTES TO THE INCOME STATEMENT
for the year ended 31 MARCH 2001
 (All figures R 000)

1 Other receipts

Description	Actual
Study loans/Bursaries	15
Recovery previous bookyear	282
Commission-insurance	13
Rent : Land and sites	32
Sales	3
Recovery subsidised vehicle loans	68
Subsidised vehicle loans interest	42
Total	455

2 Income transferable to Revenue Fund

	Actual
Revenue transfers i.r.o. previous year	38 130 *
Revenue transfers i.r.o. current year	455
Total	455

* Total amount of R 38 132 453.72 of previous year included an amount of R 1 943.00 in respect of an instalment under the subsidised motor transport scheme which was incorrectly paid over.

3 Expenditure per programme and explanation of material differences

	Actual	Voted	Variance
	224	-	(224)
Special functions			
Thefts and losses	224	-	(224)
Programme 1: Administration	23 218	26 552	3 334
Sub programme: Minister	598	518	(80)
Sub programme: Management	1 634	2 265	631
Sub programme: Corporate services	20 986	23 769	2 783
Programme 2: Co-operative governance and traditional affairs	11 999	21 880	9 881
Sub programme: Management	523	711	188
Sub programme: Co-operative governance	5 055	10 124	5 069
Sub programme: Traditional affairs	6 421	11 045	4 624
Programme 3: Development and support	3 571 710	3 665 238	93 528
Sub programme: Management	403	847	444
Sub programme: Development and support	7 003	9 997	2 994
Sub programme: Local government finance	3 119	4 927	1 808
Sub programme: Infrastructure and planning	5 183	5 980	797
Sub programme: Disaster management	14 820	40 130	25 310
Sub programme: CMIP	856 292	891 722	35 430
Sub programme: Project viability	13 933	16 400	2 467
Sub programme: Municipal services partnerships	7 450	8 000	550
Sub programme: R 293 towns personnel grant	462 997	463 000	3
Sub programme: Local government support	150 000	150 000	-
Sub programme: Social plan measures	2 971	2 978	7
Sub programme: Local Economic Development Fund	80 539	104 257	23 718
Sub programme: Local Government Transition Fund	100 000	100 000	-
Sub programme: Local government equitable share	1 867 000	1 867 000	-

NATIONAL DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT

INCOME STATEMENT (Statement of Financial Performance)

for the year ended 31 March 2001

(All figures R 000)

Previous year	INCOME	Note	Current year		
Actual			Actual	Voted amount	Variance over/(under) collection
3 475 428	Voted funds	1	3 812 691	3 812 691	-
40 904	Other receipts		455	-	455
3 516 332	Total income		3 813 146	3 812 691	455
Actual			Actual	Voted amount	Variance under/(over) expenditure
3 357 607	EXPENDITURE		3 705 531	3 812 691	107 160
158 725	NET SURPLUS FOR THE YEAR		107 615	-	107 615
Actual			Actual	Voted amount	Variance under/(over) expenditure
40 904	Income transferable to Revenue Fund	2	455		
	Voted funds to be surrendered to Revenue				
117 821	Fund/(Deficit)		107 160		
158 725			107 615		
Actual	EXPENDITURE PER PROGRAMME	3	Actual	Voted amount	Variance under/(over) expenditure
208	Special functions		224	-	(224)
20 209	Programme 1: Administration		23 218	26 552	3 334
11 266	Programme 2: Co-operative governance and traditional affairs		11 999	21 880	9 881
3 222 004	Programme 3: Development and support		3 571 710	3 665 238	93 528
103 920	Programme 4: Auxiliary and associated services		98 380	99 021	641
3 357 607	TOTAL EXPENDITURE		3 705 531	3 812 691	107 160
Actual	EXPENDITURE PER STANDARD ITEM	3	Actual	Voted amount	Variance under/(over) expenditure
28 019	Personnel expenditure		31 014	39 278	8 264
11 401	Administrative expenditure		15 672	27 320	11 648
3 205	Inventories		4 799	7 141	2 342
4 351	Equipment	4	5 614	5 839	225
61 761	Professional and special services	5	39 153	66 183	27 030
3 248 252	Transfer payments	6	3 608 791	3 666 451	57 660
618	Miscellaneous	7	488	479	(9)
3 357 607	TOTAL EXPENDITURE		3 705 531	3 812 691	107 160
Previous year actual	ECONOMIC CLASSIFICATION OF EXPENDITURE		Current year actual	Current year % of total	
3 377	Capital expenditure		4 400	0.12	
105 978	Current expenditure		92 341	2.49	
696 745	Capital transfers		851 100	22.97	
2 551 507	Current transfers		2 757 690	74.42	
3 357 607	Total		3 705 531	100.00	
Previous year Actual	PRIOR YEAR EXPENDITURE ALLOWED DURING CURRENT YEAR		Current year Actual		
	Unauthorised expenditure-cancellation of				
	- Contract		22		



AUDITOR-GENERAL

3.2 Warrant Vouchers Fraudulently Traded

In paragraph 3.3 on page 3 of the previous report (RP 116/2000), an amount of R2 419 595 was disallowed in respect of stolen and fraudulently traded warrant vouchers. However, the total amount disallowed during this year amounted to R5 506 686 and is disclosed in note 3 to the balance sheet for the year under review. The matter was reported to the South African Police Service and at the date of this report the case was still being investigated.

3.3 Multiparty Negotiation Process: Conference Facilities at the World Trade Centre

In paragraph 3.4 on page 3 of the previous report (RP 116/2000), it was reported that the Standing Committee on Public Accounts recommended that the Departments of Provincial and Local Government and Public Service and Administration as well as the Parliamentary law advisers investigate the following matters relating to the reported unauthorised expenditure on the multiparty negotiation process:

- The possibility of double payments.
- Whether any claim by the department against the World Trade Centre can be recovered.
- Whether appropriate disciplinary or other regulations existed that would allow for action to be taken against accounting officers who allow prescription to take place, thereby resulting in a loss to the state.

The Standing Committee on Public Accounts requested replies on the above-mentioned aspects before or on 20 July 2001.

4. Appreciation

The assistance rendered by the staff of the Department of Provincial and Local Government during the audit is sincerely appreciated.

G R Witthöft
for Auditor-General
Pretoria
20/07/2001

III. FINANCIAL STATEMENTS

NATIONAL DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS FOR THE YEAR ENDED 31 MARCH 2001

Basis of accounting

The financial statements have been, unless otherwise indicated, prepared on the historical cost basis in accordance with the following policies which have been applied consistently in all material respects.

Underlying assumptions

The financial statements have been prepared on the cash basis of accounting except where stated otherwise. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. This basis of accounting measures financial results for a period as the difference between cash receipts and cash payments. Reliance is placed on the fact that the Department is a going concern.

However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) and the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act.

Revenue

Revenue of the State and/or departmental receipts are paid over to the principal receivers of revenue. Unexpended voted funds are surrendered to the National Revenue Fund.

Expenditure

The income statement includes both current and capital expenditure. Unauthorised expenditure is not accounted for as expenditure until such expenditure is either authorised by Parliament, recovered from a third party, or funded from the following year's appropriation.

Assets

Physical assets (fixed assets, moveable assets and inventories) are written off in full when they are paid for and are accounted for as expenditure in the income statement. The balance sheet therefore excludes physical assets unless stated otherwise.

Receivables and payables

Receivables and payables are not normally recognised under the cash basis of accounting. However, receivables and payables included in the balance sheet arise from cash payments which are recoverable and cash receipts which are due to either the National Revenue Fund or another

Comparative Figures

The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the department may reasonably have available for reporting in terms of the Public Finance Management Act.

Unauthorised, Irregular, and Fruitless and Wasteful Expenditure

Unauthorised, irregular, and fruitless and wasteful expenditure is treated as a current asset in the balance sheet until such expenditure is either recovered, authorised by Parliament, or set off against future voted funds.

Debt Write-off Policy

The policy applied by the Department is that the Accounting Officer may write off debt provided that:

- the debt is not owing by employees of the State, and
- the debt did not originate or become irrecoverable owing to fraud, theft, wilful damage, negligence or delay on the part of any employee of the State (a certificate by the accounting officer in which the aforementioned is confirmed and stating that all instructions in regard to the collection of debts have been properly carried out, shall be furnished; and
- the debt is irrecoverable owing to -
- the debtor having neither assets nor income, or
- all reasonable efforts to trace the debtor having failed (in efforts to trace the debtor, his/her address may possibly be obtained inter alia through the South African Police Service, magistrate's offices, the Department of Home Affairs (Population Register), the National Treasury: Pensions Administration or governing body of a recognised profession of which the debtor is a member), or
- the State's claim against an insolvent estate or an estate that is being administered as insolvent, having been proved properly and in good time and the dividend of the creditors being insufficient to meet the debt, or
- the accounting officer having satisfied himself that on account of the weak financial position of an estate, the danger exists that if the debt is proved a contribution will have to be paid to the estate (where there is any doubt, the State Attorney should be consulted), or
- the recovery of the debt would be uneconomical, or
- the recovery of the debt would cause undue hardship to the debtor or his/her dependants because they would be deprived of the minimum essential means of livelihood, or
- the assets or the debtor or of the estate of the debtor are indispensable to his/her dependants or are of relatively little value, or
- it would be to the advantage of the State to effect a settlement of its claim or to waive such claim.

NATIONAL DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT
BALANCE SHEET (Statement of Financial Position)
at 31 MARCH 2001
(all figures R 000)

Previous year			Note	Current year
ASSETS				
Current assets				
	66 627	Unauthorised, irregular and fruitless and wasteful expenditure	1	74 505
	73 705	Cash and cash equivalents	2	24 236
	17 267	Receivables	3	7 324
	187	Prepayments and advances	4	1 726
	157 786	Total assets		107 791
LIABILITIES				
Current liabilities				
	38 132	Revenue to be surrendered		-
	117 821	Voted funds to be surrendered		107 160
	1 833	Payables	5	631
	157 786	Total liabilities		107 791

ASSETS

1	Unauthorised, irregular and fruitless and wasteful expenditure		
1.1	Irregular expenditure		
		Incidents	Criminal proceeding / disciplinary steps taken
		Contracts were entered into between the Command Centre and various third parties without adhering to State Tender Board procedures	Requested <i>ex post facto</i> approval from State Tender Board
			7 866
		Sub total	7 866
1.2	Fruitless and wasteful expenditure		
		Incident	Criminal proceeding / disciplinary steps taken
		Cancellation of contract	None
			34
		Sub total	34
1.3	Unauthorised expenditure in respect of previous years not yet approved		
	Year disallowed	Incident	Amount
	1993/94	Savings on capital expenditure used for current	160
	1996/97	Professional fees paid to R. Tomlinson	217
	1999/2000	Conference facilities at the World Trade Centre	66 228
		Sub total	66 605
	Total all unauthorised, irregular, and fruitless and wasteful expenditure		74 505
2	Cash and cash equivalents		Amount
	Orders payable		(950)
	PMG adjustments		(5)
	Paymaster-General Account		65 209
	Advance Petty cash		14
	ACB Control account EFT payments		(40 807)
	ACB rejection EFT account		(643)
	Balance RDP: European Union		119
	Balance RDP: Netherlands		889
	Balance RDP: Norway		436
	Balance RDP: Conceil de L'Europe		(3)
	Balance RDP: Raoul Wallenberg		(23)
	Total		24 236

NATIONAL DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT
NOTES TO THE BALANCE SHEET
at 31 MARCH 2001
(all figures R 000)

2.1	Paymaster-General Account	Amount
	Balance as per National Accounting office	64 254
	Add:	955
	Orders payable	950
	PMG adjustment account	5
	Balance above	65 209

3	Receivables - current	Amount
	Staff debts	272
	Other loans and debts	7 052
	Total	7 324

3.1	Age analysis	
	Less than one year	3 942
	One to two years	3 022
	More than two years	360
	Total	7 324

3.2 Included above are the following amounts due by national departments and Provinces:

Name of department	Amount
Western Cape Province	15
Free State Province	17
Gauteng Province	11
Foreign Affairs	15
Government Printing Work	23
National Treasury	172
Kwazulu-Natal Province	148
University of Pretoria	3
Total	404

4	Prepayments and advances	
	Nature of prepayments/advances	Amount
	Standing advance Government Printing Works	34
	Standing advance Department of Justice	5
	Advance Government Communication Information Service	1 500
	Advance National Defence	129
	Salary advance: Mapisa NM	2
	Subsistence and transport	56
	Total	1 726

LIABILITIES		
5	Payables - current	Amount
	Recoverable revenue	247
	Claims payable	266
	Salaries and deductions	26
	Unallocated receipt	92
	Total	631
5.1	Included in payables above is the following amount due to a national department:	
	Name of department	Amount
	Department of Transport	3
	Total	3
6	Contingent liabilities	
	Financial institutions	Housing guarantees 836
	Stannic	Motor finance guarantees 243
	Total	1 079

Director-General

Mr Z Titus (012) 334-0676

Deputy Director-General: Support Services

Mr G Mokate (012) 334-0777

Deputy Director-General: Institutional Reform and Support

Ms J Manche (012) 334-0792

Deputy Director-General: Governance and Development

Mr E Africa (012) 334-0830

Printed copies of the Annual Report can be obtained from the Department at:

Department of Provincial and Local Government
87 Hamilton Street
Arcadia
PRETORIA
Telephone: (012) 334 0600

or

The Cape Town Office of the Ministry for Provincial and Local Government:

11th Floor
120 Plein Street
Cape Town
Telephone: (021) 461 0330

or

visit our Web-site at www.local.gov.za

After tabling the Annual Report in Parliament, it will be distributed to all Ministries, all Directors-General (national as well as provincial) and organisational components, state libraries, and organisations the Department is responsible for.

APPENDIX D



CONTACT PERSONS AND ENQUIRIES

Any enquiries relating to information in this document can be directed to:

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0001

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NATIONAL DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT

STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED :

for the year ended 31 MARCH 2001

(all figures R 000)

Source of funds	Intended use	Amount received	Amount spent	Balance unspent/(over spent)
Norwegian Government	Local government capacity building	13 838	13 348	490
European Union	Local government support Mpumalanga/Northern Province	7 721	251	7 470
Netherlands	Sectoral budget support	12 752	5 889	6 863
Conseil de L'Europe	Local government workshops	55		55
Total		34 366	19 488	14 878

VALUE RECEIVED IN KIND

Source of foreign aid	Intended use	Value
USAID	Local government financial reform	11 490
USAID	Credit control study	1 875
DFID	National KPI study	240
DFID	Performance management	200
DFID	National developmental support system	1 569
UNDP	Local government transformation programme	25 000
Total		40 374

PENDING APPLICATIONS FOR ASSISTANCE

Source of assistance	Intended use	Amount
Norwegian Government	Local government capacity building	42 910
Total		42 910

NATIONAL DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT

BUDGET RECONCILIATION

	2000/01 R'000	1999/2000 R'000
Amount appropriated, excluding rollover	3 633 573	3 202 646
Plus: Improvement of conditions of service	-	779
Plus: Adjustments estimate	179 118	372 231
Rollover from previous year	75 663	32 456
Additional funds	103 455	259 775
Fund released from other votes	-	80 000
Total amount appropriated	3 812 691	3 575 656
Less: Total expenditure: Authorised programmes	3 705 307	3 357 399
Authorised losses	224	208
Surplus per appropriation accounts	107 160	218 049
Less: Unauthorised and other expenditure not included in expenditure	74 505	66 627
Others: Section 14(3)(d) or the Exchequer Act, 1975 (Act No 66 of 1975) (previous year)	-	144
Amounts to be surrendered	32 655	151 278
Amount not utilised	32 655	151 278
Amount not utilised as percentage of total appropriation	0.9%	4.2%
Amount not utilised as percentage of adjustments estimate	18.2%	40.6%

TITLE	NUMBER	YEAR	PUBLISHER
Integrated Development Plans and Land-Use Management Linkages	Single	2000	DPLG
Local Economic Development (first draft discussion policy document)	Single	2000	DPLG
Integrated Development Planning-newsletter	Single	2000	DPLG
The first preliminary report on Municipal Service Partnerships in South Africa (breaking the mould)	Single	2000	DPLG
Integrated Development Planning report	Single	2000	DPLG
Planning and Implementation Support Centres management (better planning for improved local delivery)	Single	2000	DPLG
Consolidated Municipal Infrastructure Programme handbook	Single	2000	DPLG
Consolidated Municipal Infrastructure Programme guidelines	Single	2000	DPLG
Consolidated Municipal Infrastructure Programme municipal service options	Single	2000	DPLG
Capacity building programmes on Municipal Service Partnerships towards enhancement of institutional capacity for sustainable development!	Single	2001	DPLG
Integrated Development Planning Guide Pack: Guide 0 (overview) Guide 1 (guidelines) Guide 2 (preparation) Guide 3 (methodology)	Pack	2001	DPLG
Local Economic Development Fund Brochure	Single	2001	DPLG
The Social Plan Fund (regenerating	Single	2001	DPLG

APPENDIX C



LIST OF DEPARTMENTAL PUBLICATIONS

TITLE	NUMBER	YEAR	PUBLISHER
Local Economic Development Manual Series(first edition): Guideline to Institutional Arrangements(1) Strategies and Instruments Transforming Localities(2) Case-Study Experiences In Declining & Thriving Municipalities(3) Performance Management & Measurement Techniques(4) The fifth booklet (The technical guide for municipalities on government programmes) is still being compiled	Series of five	2000	Department of Provincial and Local Government (DPLG)
Planning for delivery (Decentralised Development Planning – supporting the Integrated Development Planning process)	Single	2000	DPLG
Discussion Document towards White Paper on Traditional Leadership and Institutions	Single	2000	DPLG
Intergovernmental Relations (Provincial Supervision Manual for the application of section 139 of the constitution)	Single	2000	DPLG
Local Government 2000 and beyond, vote and be involved	Single	2000	DPLG
Integrated Development Planning (a report on study tour to South America on the Development Planning system in Bolivia and Columbia)	Single	2000	DPLG

PART B: TRANSFER PAYMENTS PER ORGANISATION

The transfers made to organisations other than those included in the Division of Revenue Act, 2000 were as follows:

Municipal Infrastructure Investment Unit	R6 450 000
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The organisation has provided the certificate required by section 38(1)(j) of the Public Finance Management Act, 1999.

PART C: REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Department is chaired by Mr P van der Merwe who is not in the employ of the Department and its other members are Mrs E Heyn who is from outside the public service and Mr C A Clerihew who is the Chief Financial Officer of the Department. The Director-General retains observer status together with the Deputy Directors-General and representatives of the Office of the Auditor-General. It was accepted in principle to increase the composition of the Committee by a further two members, one being from outside the public service and one from senior management within the Department. The Audit Committee meets not less than three times a year. The Committee has the power to review the internal control structure, including financial controls, accounting systems and reporting and evaluating whether the system of internal control is adequate to manage the critical risk areas. Furthermore, the Committee also reviews the Internal Audit Component, including its written charter, objectives and goals, staffing and plans and also evaluating whether the function is performed satisfactorily.

The Internal Audit Component established in June 1995 is headed by a Deputy Director. The component consists of three posts of which two posts are vacant.

The relationship between the Internal Audit Component and the Office of the Auditor-General is based on co-ordination and co-operation. The Internal Audit Component and the Office of the Auditor-General have regular contact in order to maximise the benefit that the Department receives from the total audit process.

The Internal Audit Component has a specific mandate reviewed by the Audit Committee and independently appraises the Department's internal controls and accounting records. The head of the Internal Audit Component reports to the Director-General through the Chief Financial Officer of the Department. The business plan of the component is a detailed plan of action. It specifically identifies what objectives and plans should be accomplished by the component's management.

The Internal Audit Component acts as a control by measuring and evaluating the effectiveness of other internal controls. The component provides management with an independent assessment about the adequacy of processes, procedures, practises and controls by focussing internally upon programmes, resources, activities and outputs.

In order to develop a staff programme for continuously developing the human resources of the component, a comprehensive training programme for the orientation and training of new members was imposed.

A formal written Internal Auditing Charter and an Audit Policy document exist and were reviewed by the Audit Committee.

The opinion of the Audit Committee is that the Internal Audit Component is not adequately staffed, but will only be able to present a final answer after the results of a macro risk assessment is available.

The Department has adequate internal controls in place. The Audit Committee is not aware of any significant issues regarding control systems, except for certain financial control weaknesses (cheque irregularities) that were identified by the Directorate: Financial Administration and further investigated by an independent forensic auditor.

During the course of the year internal audit reports were compiled in respect of six programmes comprising all transfer payments with a total budget amount of R862 817 796.

The Internal Audit Component was also approached by senior management for assistance in the executing of three special projects dealing with various aspects of internal control.

In order to establish the relative risk profile of audit units within the Department, a set of common variables have been established, which address both compliance and performance indicators.

A preliminary risk assessment was carried out at two audit units whereafter an annual audit plan was compiled. In view of the relative success obtained, priority is now being given to the completion of a full risk assessment. This was considered to be the top priority of the Audit Committee. Although the Audit Committee is satisfied with the effectiveness of internal controls as were identified during the preliminary risk assessment, an overall view of the effectiveness of internal controls can be determined only after a full risk assessment has been made. Flowing from the above-mentioned, work has started on a rolling three-year strategic internal audit plan.