**4. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT OF THE PORTFOLIO COMMITTEE ON CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS, DATED 20 OCTOBER 2016.**

The Portfolio Committee on Cooperative Governance and Traditional Affairs (the Committee), having assessed the financial and non-financial performance of Department of Cooperative Governance and Traditional Affairs, for the 2015/16 financial year, reports as follows:

1. **INTRODUCTION**
   1. **Mandate of the Committee**

Chapter 4 of the Constitution, 1996 sets out in detail the powers, functions and procedures of Parliament. Parliament through its Committees, such as the Portfolio Committee on Cooperative Governance and Traditional Affairs, is tasked with the following functions:

1. Making laws;
2. Maintaining oversight over the National Executive Authority and any organ of state;
3. Facilitating public involvement in the legislative and other processes of the Assembly and its Committees;
4. Participating in, promoting and overseeing co-operative governance; and
5. Engaging and participate in international participation (participate in regional, continental and international bodies)

In line with the parliamentary oversight functions, Section 5 of the Money Bills Amendment Procedure and Related Matters Act No.9 of 2009 empowers Portfolio Committees, to annually assess the performance of each national department through an annual Budgetary Review and Recommendations Report (BRRR). The overarching purpose of the BRR Report is for a Committee to make recommendations on the forward use of resources to address the implementation of policy priorities and services as the relevant department may require additional, reduced or re-configured resources to achieve these priorities and services.

The Act also gives effect to Parliament’s constitutional powers to amend the budget in line with the fiscal framework. The BRRR process, enables a Committee to exercise its legislative responsibility to ensure that the Department and its entities are adequately funded to fulfil their respective mandates. The BRRR Reports must be tabled in the National Assembly.

* 1. **Description of core functions of the Department.**

The main aim of the Department of Cooperative Governance and Traditional Affairs is to improve cooperative governance across the three spheres of government. The department, must support and strengthen the capacity of municipalities to manage their own affairs, exercise their powers and perform their functions.

The primary mandate of the Department is to:

* Develop and monitor the implementation of national policy and legislation, seeking to transform and strengthen key institutions and mechanisms of governance to fulfil their developmental role;
* Develop, promote and monitor mechanisms, systems and structures to enable integrated service delivery and implementation within government; and
* Promote sustainable development by providing support to and exercising oversight over provincial and local government.

The Department also monitors the implementation of the following key legislations: Municipal Property Rates Act, 2004 (Act No 6 of 2004), Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003), Disaster Management Act, 2002 (Act No. 57 of 2002), Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000), Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), The Intergovernmental Relations Framework Act (Act No.13 of 2005), Local Government: Municipal Demarcation Act, 1998 (Act No.27 of 1998), Organised Local Government Act, (Act No.52 of 1997, and the Remuneration of Public Office Bearers Act, (Act No. 20 of 1998).

The Department also oversees the following entities:

* The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities, which promotes and protects cultural, religious and linguistic rights.
* The Municipal Demarcation Board, an independent authority responsible for determining municipal boundaries and also mandated to declare district management areas, delimit wards for local elections and assess the capacity of municipalities to perform their functions.
* The South African Local Government Association, which is mandated by the Constitution to assist in the transformation of local government.
* The Municipal Infrastructure Support Agency, which is mandated to render technical advice and support to municipalities, as well as strengthen their capacity to provide access to basic services.
  1. **Purpose of the Budget Recommendation Review Report**

Section 77 (3) of the Constitution stipulates that an Act of Parliament must provide for a procedure to amend money Bills before Parliament. This Constitutional provision resulted in Parliament passing the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 (the Money Bills Act).

The Money Bills Act sets out the process that allows Parliament to make recommendations to the Minister of finance to amend the budget of a national department. In October each year, Portfolio Committees must compile the Budgetary Review and Recommendation Reports (BRRR) that assess service delivery performance given the available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations on forward use of resources.

* 1. **Method of reporting**

This BRR Report assesses the financial performance as well as service delivery performance of the Department of Cooperative Governance and Traditional Affairs and its entities for the 2015/16 financial years. The assessment is based on briefings to the Committee by the department and its entities and other sources of information such as the reports of the Auditor General and annual reports.

* 1. **Outline on the BRRR Report**

This report is structured as follows: section 2 provides an overview of key policy focus areas of the Department of Cooperative Governance and Traditional Affairs during the 2015/16 financial year. Section 3 provides key financial and performance recommendations of the Portfolio Committee on COGTA. Section 4 of the report provides an overview and assessment of reported financial and service delivery performance for 2015/16 financial year. Section 5 of the report focuses on the Portfolio Committee’s observations on COGTA’s governance, technical, service delivery and financial performance information. Section 6 table’s additional reporting requests by the Portfolio Committee and lastly the report conclude with recommendations in section 7.

1. **OVERVIEW OF KEY RELEVANT POLICY**

During the year under review, the Department of Cooperative Governance and Traditional Affairs continued with the implementation of the ‘Back to Basics’ programme. The Back to Basics programme was launched by the President in 2014 with the aim of strengthening and transforming the local government sector. The programme is underpinned by five pillars, namely: prioritising residents; supporting the delivery of municipal services to the right quality and standard; promoting good governance; promoting transparency and accountability; ensuring sound financial management and accountability; and building institutional resilience and administrative capacity.

During the third quarter of the financial year under review, Minister Pravin Gordhan, who initiated the Back to Basics programme, was reappointed the Minister of Finance. He was replaced by Minister Desmond van Rooyen. The new Minister ensured that there is policy continuity by continuing with the implementation of the Back to Basics programme.

During the 2015/16 financial year the Department relooked at its role and structure and reconfigured itself to be able to deliver the second phase of the Back to Basics programme. The process included reprioritization of projects including focused attention on the implementation of the Back to Basics programme. The Department has established the following organisational structure in response to the Back to Basics programme:

* Programme 1: Administration

This programme provides strategic leadership management and support services to the Department and includes the Office of the Director-General, Financial and Corporate Management Services.

* Programme 2: Regional and Urban Development and Legislative Support

This programme provides policy analysis and development in order to transform local government and improve cooperative governance.

* Programme 3: Institutional Development

The purpose of the programme is to build institutional resilience in the local government system by supporting system development, governance, capacity building and revenue management and provide for the functions of the Department of Traditional Affairs.

* Programme 4: National Disaster Management Centre

The purpose of this programme is to promote an integrated and coordinated system of disaster prevention, mitigation and risk management.

* Programme 5: Local Government Support and Interventions Management

This programme conducts hands-on performance monitoring, support and interventions in municipalities and provincial departments of cooperative governance that will drive Back to Basics activities.

* Programme 6: Community Work Programme

The purpose of this programme is to create income security and work experience for participants, targeting areas that promote social and economic inclusion by targeting areas of high unemployment.

The Back to Basics programme is linked to outcome 9 (a responsive, accountable, and efficient local government system) of government’s 2014 – 2019 Medium Term Strategic Framework (MTSF).[[1]](#footnote-1) The continued implementation of the Back to Basics programme during the year under review is aligned to the following sub-outcomes of the Government’s MTSF for the period- 2014 – 2019.

* Members of society have sustainable and reliable access to basic services
* Intergovernmental and democratic governance arrangements for a functional system of cooperative governance and participatory democracy strengthened.
* Sound financial and administrative management.
* Promotion of social and economic development
* Local public employment programmes expanded through the Community Work Programme.

1. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

During the 2014/15 financial year the Committee made the following recommendations to the Department:

|  |  |
| --- | --- |
| **Committee Recommendation** | **Progress by department** |
| Communication between the Department of Cooperative Governance and the Office of the Auditor-General needs to be improved. It is recommended that the Department should meet with the Auditor General to ensure that they share the same understanding with respect to the expected standards of compliance with reporting requirements. | Regular engagements took place between the Department, the Ministry and the Auditor – General South Africa during the 2015/16 financial year. |
| Minister of Cooperative Governance and Traditional Affairs and National Treasury to review Supply Chain Management processes and regulations within the Department of Cooperative Governance and Traditional Affairs and its entities. | The Department of Cooperative Governance has reviewed its Supply Chain Management Policy. It is now in the process of approval.  The Detailed Standard Operating Procedures Manual is in the process of finalisation. |

1. **OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE**
   1. **Financial and service delivery performance 2015/16**

**Department of Cooperative Governance**

The initial budget of the Department of Cooperative Governance and Traditional Affairs for the 2015/16 financial year was R69.314 billion. During the 2015/16 Adjusted Estimates of National Expenditure, the Department received an additional appropriation to the value of R1.501 billion which slightly increased the appropriation to R70.815 billion. This represents an increase of R7.361 billion (11.60%) when compared to the budget allocation for the previous financial year (2014/15).

The increased allocations for the 2015/16 financial year were mainly in respect of the introduction of the new Municipal Demarcation Transition Grant as well as the approved roll-over of Local Government Equitable Share funds from the 2014/15 financial year.

Table 1: **FINANCIAL INFORMATION FOR 2015/16**

|  |  |  |  |
| --- | --- | --- | --- |
| **Programme Name** | **Final Appropriation**  **R’000** | **Actual Expenditure** | **(Over)Under Expenditure** |
| **Prog1: Administration** | 271 125 | 269 422 | 1 703 |
| **Prog2: Policy, Research and Knowledge Management** | 19 281 | 17 914 | 1 367 |
| **Prog:3 Governance and Intergovernmental Relations** | 51 809 326 | 49 466 922 | 2 342 404 |
| **Prog:4 Disaster Management Centre** | 591 355 | 258 158 | 333 197 |
| **Prog: 5 Provincial and Municipal Government Systems** | 329 092 | 293 335 | 35 757 |
| **Prog:6 Infrastructure and Economic Development** | 17 669 370 | 17 665 858 | 3 512 |
| **Prog:7 Department of Traditional Affairs** | 125 928 | 125 928 | - |
| **Total** | **70 815 477** | **68 097 537** | **2 809 176** |

Table 1 above depicts the total expenditure of the Department during the year under review, which amounts to R68 billion or 96% of the total appropriation. An under-spending of R2.717 billion or 3.84% of the total budget is reflected[[2]](#footnote-2). The under expenditure in 2015/16 reflects an improvement compared to the 6.4 percent or 4 billion under-expenditure incurred in 2014/15.Contributing to the under-expenditure was an amount of R5.7 million budgeted for transfers to the United Cities and Local Government of Africa. The delay was as a result of claims not being submitted to the Department.

During the financial year under review, a number of virements were effected by the Department in terms of section 43 of the Public Finance Management Act (PFMA), (Act 1 of 1999). This was to fund the overruns and increased spending levels of the different programmes. The following are the virements during the 2015/16 financial year:

An amount of R1.2 million was shifted from Programme 6: Infrastructure and Economic Development to increase the compensation of employees’ allocation of Programme *3:* Governance and Intergovernmental Relations*.*

With respect to goods and services, R17.7 million was shifted from Programme 3, and R7.6 million from the National Disaster Management Centre (NDMC), to increase goods and services allocation of Programme 1: Administration.

Further amounts of R1.1 million and R2.3 million, respectively, were shifted from the NDMC to increase the goods and services allocation in respect of Programme 5: Provincial and Municipal Governance Systems and Programme 6.

Programme 5 also received R1 million in virements from Programme 2: Policy, Research and Knowledge Management. With regard to virements effected in respect of payment for capital assets.

R3.2 million was shifted from the NDMC, R20 000 from Programme 3, R1.25 million from the NDMC, R100 000 from Programme 5 and R150 000 from Programme 6, to Programme 1.

All the above virements were subjected to the due processes in terms of the policies and procedures of the Department.

The Department incurred an amount of R482.2 million in irregular expenditure. This represents an increase from R155.3 million irregular expenditure incurred in 2014/15 financial year. The Department’s Audit Committee has noted with concern this increase in irregular expenditure in the 2015/16 financial year.

An unspent amount of R1.499 billion was requested to be rolled over from the 2014/15 financial year from National Treasury in respect of the Local Government Equitable Share Grant for municipalities in order to finance accounts to Eskom and the various Water Boards for bulk water and electricity services. No unauthorised, fruitless and wasteful expenditure were incurred by the Department in the 2015/16 financial year.

The Department achieved 36 targets or 65 percent of the 55 planned targets set out in the 2015/16 Annual Performance Plan (APP). This level of performance is attributed to an internal realignment exercise, which resulted in movement of key personnel across various programmes. The mismatch between expenditure and achievement of targets is remarkable.

**Programme 1: Administration**

**Summary:**

The Programme provides for leadership and administration of the Department. It spent 99.4% of its budget. The under-spending was mainly in the Ministry and Communication sub-programmes. Of the planned targets for 2015/16 financial year, the programme achieved only one out of four, or 25 percent.

**Expenditure:**

**Table 2: Programme 1: Administration**

|  |  |  |  |
| --- | --- | --- | --- |
| **2015/2016** | | | |
| **Sub- programme Name** | **Final Appropriation** | **Actual Performance** | **(Over)Under Expenditure** |
| Ministry | 30 247 | 29 551 | 696 |
| Management | 18 905 | 18 864 | 41 |
| Chief Operating Officer | 14 126 | 14 122 | 4 |
| Corporate Services | 98 243 | 98 204 | 39 |
| Financial Services | 27 590 | 27 589 | 1 |
| Communication and Liaison | 8 004 | 7 082 | 922 |
| Legislation, Review & Drafting | 10 310 | 10 310 | - |
| Internal Audit & Risk Management | 7 836 | 7 836 | - |
| Office Accommodation | 55 864 | 55 864 | - |
| Total | 271 125 | 269 422 | 1 703 |

The above table reflects an underspending of R1.7 million or 0.6 percent of the final appropriation of R271.1 million.

**Performance:**

The Annual Report states that there were no serious concerns of underperformance for this Programme. This does not seem consistent with the fact that the Programme only achieved one of its four planned targets. The poor performance in this programme is not consistent with the fact that it spent 99.4 % of its allocated budget.

**Programme 2: Policy, Research and Knowledge Management**

**Summary:**

The Programme provides specialised support services to the Department in the areas of research, knowledge management, and policy formulation. It spent 92.9 percent of its budget, and achieved three of five or 60 percent of the planned targets for 2015/16.

**Expenditure:**

**Table 3: Programme 2: Policy, Research and Knowledge Management.**

|  |  |  |  |
| --- | --- | --- | --- |
| **2015/2016** | | | |
| **Sub- programme Name** | **Final Appropriation** | **Actual Performance** | **(Over)Under Expenditure** |
| **Management: Research and Policy** | 5 779 | 4 776 | 1 003 |
| **Policy Methods and Research** | 5 572 | 5 358 | 214 |
| **Knowledge and Information management** | 7 930 | 7 780 | 150 |
| **Total** | 19 281 | 17 914 | 1 367 |

The programme reflects underspending of R1.3 million or 7.1 percent of the final appropriation of R19.2 million, as a result of delays in the implementation of the 2015/16 Procurement Plan. The underspending was mainly in the Office of the Deputy Director General. An amount of R1 million was also shifted, as a virement, to Programme 3 to increase its goods and services allocation.

**Performance:**

The programme was unable to achieve all planned targets due to human resources constraints. The two targets not achieved were shifted to the 2016/17 financial year.

**Programme 3: Governance and Intergovernmental Relations**

**Summary**

This programme manages, promotes and facilitates an effective system of intergovernmental fiscal relations in support of municipalities to deliver sustainable infrastructure for increased access to basic services, improve financial and revenue management audit outcomes, and to implement the Municipal Property Rates Act (MPRA)

**Expenditure:**

**Table 4: Governance and Intergovernmental Relations**

|  |  |  |  |
| --- | --- | --- | --- |
| **2015/2016** | | | |
| **Sub-programme name** | **Final appropriation** | **Actual performance** | **(Over)Under expenditure** |
| **Management: Governance** | 11 448 | 11 411 | 37 |
| **Intergovernmental Coordination** | 5 236 | 5 236 | - |
| **Intergovernmental Fiscal Relations** | 17 872 | 17 849 | 23 |
| **Governance and Public Participation** | 6 960 | 4 625 | 2 335 |
| **South African Local Government Association** | 9 215 | 9 215 | - |
| **Municipal Demarcation Board** | 45 793 | 45 793 | - |
| **South African Cities Network** | 6 286 | 6 286 | - |
| **United Cities and Local Government of Africa** | - | - | - |
| **Local Government Equitable Share** | 51 706 516 | 49 366 507 | 2 340 009 |
| **Total** | 51 809 | 49 466 922 | 2 342 404 |

The programme spent 95.5 percent of its budget. The total amount of underspend was R2.3 billion or 4.5 percent. The under-spending was attributed to sub-programmes- Governance and Public Participation and Local Government Equitable Share. The serious concerns of underperformance were reported on the Local Government Equitable Share, which was due to the withholding/off-setting of funds from some municipalities as per the requirements of Division Of Revenue Act (DORA) as well as delays in the transfer of funds for the United Cities and Local Government of Africa due to claims not being submitted to the Department.

An amount of R1.2 million was shifted, as a virement, to this programme from Programme 6: Infrastructure and Economic Development to increase the compensation of employees’ allocation. There was also R1 million shifted from Programme 2 to increase the goods and services allocation. An amount of R20 000 was shifted to Programme 1 to increase the payment of capital assetsallocation in that Programme. There is no evidence to suggest that the above items were not subjected to due process in terms of the relevant policies and procedures.

**Performance:**

The programme achieved 11 (73.3 percent) of the 15 planned targets for 2015/16. One of the critical targets not achieved is the promulgation of IMSI Bill as well as the target for the national campaign on improving the culture of payment for services. The underperformance relating to the Local Government Equitable Share was reported due to the withholding of the funds from some of the municipalities as per DORA requirements.

**Programme 4: National Disaster Management Centre**

During the year under review, the National Disaster Management Centre (NDMC) was still a programme within the Department. The Disaster Management Amendment Act, which made the Centre a government component only came into operation on the 1st of May 2016.

**Summary**

The purpose of this programme is to promote an integrated and coordinated system of disaster management with specific emphasis on prevention, mitigation and preparedness by national, provincial and municipal organs of state, statutory functionaries and other role players involved in disaster management and communities. The programme is also responsible for the administration of fire services legislation.

**Expenditure**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sub programme name** | **Final appropriation** | **Actual performance** | **(Over) Under Expenditure** |
| **Management: Head of Disaster** | 6 105 | 5 683 | 422 |
| **Legislation, Policy and Compliance Management** | 6 115 | 6115 | - |
| **Planning Coordination and Support** | 13 740 | 13 204 | 536 |
| **Intelligence and Information Systems Management** | 10 914 | 10 254 | 660 |
| **Disaster relief Grant** | 364 343 | 35 588 | 328 755 |
| **Integrated disaster management monitoring and evaluation systems** | 1 238 | 1 193 | 45 |
| **Municipal disaster recovery grant** | 188 900 | 186 121 | 2 779 |
| **Total** | 591 355 | 258 158 | 333 197 |

The programme spent 43.7% of its budget. The under-spending was mainly in the Disaster Relief Grant and Municipal Disaster Recovery Grant. It is reported that the under-performance of the two grants was due to the uncertainty of when a disaster will be incurred and declared.

**Performance**

The NDMC achieved 100% of its planned targets for the 2014/15 financial year. No material findings on the usefulness and reliability of the reported performance indicators were identified by the Auditor General.

**Programme 5: Provincial and Municipal Government Support**

**Summary:**

The programme provides evidence-based regulatory mechanisms, as well as oversight and support programmes for provincial and municipal government, and associated institutions, in order to facilitate development planning and service delivery. The programme spent 89.1 percent of its budget during the year under review. Of the 13 targets planned by the Department under this programme, nine or 81.8 percent were achieved. This performance information, however, was found by the AG to be unreliable when compared to the evidence provided.

**Expenditure:**

**Table 5: Provincial and Municipal Government Support**

|  |  |  |  |
| --- | --- | --- | --- |
| **2015/2016** | | | |
| **Sub-programme Name** | **Final appropriation** | **Actual Performance** | **(Over) Under Expenditure** |
| **Management: Provincial and Local Government Support** | 9 510 | 9 394 | 116 |
| **Provincial Government Support and Intervention** | 4 626 | 4 626 | - |
| **Development Planning** | 11 767 | 11 481 | 286 |
| **Municipal Systems Improvement Grant** | 251 442 | 251 442 | - |
| **Local Government Support and Intervention** | 12 747 | 12 678 | 69 |
| **Municipal Demarcation Transition Grant** | 39 000 | 3 714 | 35 286 |
| **Total** | 329 092 | 293 335 | 35 757 |

This programme had a final appropriation of R329 million, of which R35.7 million, or 10.9 percent, was underspent due to the change in the transfer arrangements of the Municipal Demarcation Transition Grant, and delays by some municipalities in finalising some of the DORA conditions. A virement amounting to R1.1 million was also made from the NDMC to increase the goods and services allocation of this programme. A shift of R100 000 was effected from this programme to increase the payment of capital assets allocation in respect of Programme 3.

**Performance:**

Under this programme, under-spending was mainly reported in respect of the Municipal Demarcation Transition Grant and was attributed to delays by some municipalities in finalising some of the DORA conditions. Transfers were only made to the erstwhile Randfontein and Westonaria Local Municipalities in the Gauteng Province, on 12 February 2016. The funds were not spent by 31 March, as the municipalities had to comply with various supply chain processes. Another explanation provided is that there was a change in the transfer arrangement from the municipalities in KwaZulu-Natal to the Provincial Department of Cooperative Governance.

**Programme 6: Infrastructure and Economic Development.**

**Summary:**

The programme supports provincial and local government programmes and systems to promote economic and infrastructure development within the context of national priorities. It spent 99.9 percent of its budget, and yet, of the 14 targets set, only eight (57.1 percent) were achieved. The Auditor-General reported that he was unable to obtain sufficient appropriate audit evidence to support the reasons provided for the variance between planned targets and actual achievements.

**Expenditure:**

**Table 6: Infrastructure and Economic Development**

|  |  |  |  |
| --- | --- | --- | --- |
| **2015/2016** | | | |
| **Sub-programme name** | **Final Appropriation** | **Actual Performance** | **(Over) Under Expenditure** |
| **Local Economic development Plan** | 9 385 | 8 783 | 602 |
| **Infrastructure Development** | 21 475 | 20 412 | 1 063 |
| **Municipal Infrastructure Grant** | 14 955 762 | 14 955 762 | - |
| **Community Work Programme** | 2 375 939 | 2 394 230 | 1 709 |
| **Municipal Infrastructure Support Agency** | 304 013 | 304 013 | - |
| **Management: Infrastructure** | 2 796 | 2 658 | 138 |
| **Total** | 17 669 370 | 17 665 858 | 3 512 |

This programme spent 99.5 percent of its R17.6 billion final appropriation. The under spending was mainly in the Community Work Programme. The serious concerns for under-performance were due to delays in the receipt of invoices from implementing Agents and the failure to fill funded vacant posts. A virement amounting to R1.2 million was effected to increase the compensation of employees’ allocation of Programme 3: Governance and Intergovernmental Relations. Another amount of R2.3 million virement was effected from the NDMC to increase the goods and services allocation of this programme. An amount of R150 000 was shifted from this Programme to increase the payment for capital assets allocation in respect of Programme 1.

**Performance:**

As in the previous financial years, the Community Work sub-programme remains a source of serious concern for underperformance due to delays in receipt of invoices from Implementing Agents and failure to fill funded vacant posts. However, it is also noteworthy that the previously chronic problem of underspending on the Municipal Infrastructure Grant (MIG) appears to have been resolved. There is no reported under expenditure on the MIG during the financial year under review.

**Department of Traditional Affairs**

During the financial year under review, the Department of Traditional Affairs received a transfer of R 125 982 million from the Department of Cooperative Governance. The Department managed to reduce underspending from R4, 111 million in 2014/15 financial year to R0, 566 million in 2015/16 financial year.

Table 7: Programme Expenditure

|  |  |  |  |
| --- | --- | --- | --- |
| 2015/16 | | | |
| **Programme name** | **Final Appropriation**  **R’000** | **Actual Expenditure**  **R’000** | **(Over) Under Expenditure**  **R’000** |
| Administration | R31 355 | 31 189 | 166 |
| Research, Policy and Legislation | 15 112 | 15 112 | - |
| Institutional Support and coordination | 79 461 | 79 461 | 400 |
| Total | 125 928 | 125 362 | 566 |

The Department of Traditional Affairs received an additional amount of R3, 981 as a virement from the Department of Cooperative Governance as part of shared line items as per the standard chart of accounts. The virement was necessitated by the imbalance between the appropriated budget on Compensation of Employees and the headcount. The virement was approved by National Treasury. No roll overs were requested. There was no unauthorised expenditure for the financial year under review. Unauthorised expenditure of R2, 252 million from the 2014/15 financial year remains on the financial statements of the Department. The Department has not as yet received an approval from National Treasury to table this amount in various oversight committees for consideration. There were no incidents of fruitless and wasteful expenditure for the 2015/16 that was reported by the Department.

During the year under review, the Department of Traditional Affairs achieved 14 of its targets or 78 percent. The table below presents a summary of 2015/16 Annual Performance per Programme.

**Table 7: 2015/16 annual performance per programme**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme** | **Total number of 2015/16 annual targets** | **Number and % of targets achieved** | **Number and % of targets partially achieved** | **Number and % of targets not achieved** |
| **Administration** | 6 | 5 | 0 | 1 |
| **Research, Policy and Legislation** | 5 | 4 | 0 | 1 |
| **Institutional Support and Coordination** | 4 | 3 | 0 | 1 |
| **National House of Traditional Affairs** | 3 | 2 | 0 | 1 |
| **Total** | 18 | 14 (78%) | 0 | 4 (22%) |

**Programme 1: Administration**

**Summary**

This Programme provides strategic leadership, effective administration, executive support, monitoring and evaluation of traditional affairs performance, internal audit and corporate financial services. The programme had 6 annual targets and only achieved 5 which translate to 83 percent achievement.

**Expenditure**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sub programme name** | **Final appropriation**  **R’000** | **Actual Expenditure**  **R’000** | **(Over) Under Expenditure** |
| **Ministry** | 6 098 | 6 098 | - |
| **Management** | 10 472 | 10 473 | -1 |
| **Corporate and Financial Services** | 12 500 | 12 499 | 1 |
| **Internal Audit** | 2 285 | 2 119 | 166 |
| **Total** | 31 355 | 31 189 | 166 |

The total adjusted budget for the programme was R31, 3 million and the total spending at the end of the financial year amounted to R31, 1 million which translate to 99, 5% spending against the adjusted budget. The programme achieved 83.3 percent of the planned targets.

**Programme 2: Research, Policy and Legislation**

**Summary**

The programme provides for research and establishes and maintains traditional affairs information systems. The programme is also responsible for the development, review, coordination and monitoring implementation of traditional affairs policies, norms and standards by provincial government and supports traditional affairs entities to restore the integrity and dignity of traditional leadership.

**Expenditure**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sub programme name** | **Final appropriation**  **R’000** | **Actual Expenditure**  **R’000** | **(Over) Under Expenditure** |
| **Management** | 3 874 | 3, 874 | - |
| **Policy and Legislation** | 3 551 | 3 551 | - |
| **Research and Information Management** | 7 687 | 7 687 | - |
| **Total** | 15 112 | 15 112 | - |

As illustrated above, the programme spent R15, 1 million or 100 percent of its budget.

**Performance**

While this programme spent 100% of its budget, it achieved 80 percent (4 out 5) of its targets.

**Programme 3: Institutional Support and Coordination**

**Summary**

The programme promotes institutional development and capacity building within Traditional Affairs and facilitate partnerships and collaborative relations of the institution of traditional leadership with all spheres of government, civil society and private sector.

**Expenditure**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sub- programme name** | **Final Appropriation**  **R’000** | **Actual Expenditure**  **R’000** | **(Over) Under Expenditure** |
| **Management** | 1 475 | 1 458 | 17 |
| **Institutional development and Capacity Building** | 5 078 | 5 079 | - |
| **Partnerships** | 6 510 | 6 511 | -1 |
| **National House of Traditional Leaders** | 18 730 | 18 554 | 176 |
| **CRL Commission** | 36 582 | 36 582 | - |
| **Commission on TL Disputes & claims** | 11 086 | 10 877 | 209 |
| **Total** | 79 461 | 79 061 | 400 |

The programme out of final appropriation of R79 461 as indicated above, spent R79 061 million or 99 percent of its final appropriation. An under- expenditure of R400 000 was reported.

**Performance**

This programme achieved 5 (71 percent) of its 7 targets.

**Municipal Infrastructure Support Agent**

**Expenditure**

During the 2015/16 financial year MISA received, as a transfer from the Department of Cooperative Governance, a final appropriation of R304 million. The entity received an additional income of R2, 3 million from other sources, increasing the total revenue to R306, 3 million. Although the entity’s annual report and audited financial statements had not been finalised at the time of the BRRR process, a preliminary draft report indicates that MISA incurred R236, 900 in fruitless and wasteful expenditure and R 136 408 466 million in irregular expenditure. The irregular expenditure relates to tenders not advertised for 21 days in line with their Supply Chain Management Policy, travel invoices signed without delegated authority and IT services not procured through SITA as required by law

**Performance**

During the year under review, MISA had 23 targets. The entity achieved 18 which translates into an achievement rate of 78%. Four targets or 18% were not achieved. The table below provides a summary of performance per programme.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programmes** | **Total number of 2015/16 annual targets** | **Number and % of targets achieved** | **Number and % of targets partially achieved** | **Number and % of targets not achieved.** |
| **Programme 1**:  Administration | 8 | 6 (75%) | 1 (12.5%) | 1 (12.5%) |
| **Programme 2**:  Municipal and Sectoral Technical Support | 4 | 4 (100%) | 0 (0%) | 0 (0%) |
| **Programme 3:** Capacity Development | 7 | 5 (71%) | 0 (0%) | 2 (29%) |
| **Programme 4:**  Strategic support | 4 | 3 (75%) | 0 (0%) | 1 (25%) |
| Total | 23 | 18 (78%) | 1 (4%) | 4 (18%) |

**South African Local Government Association**

During the period under review, SALGA received R9.2 million from the Department of Cooperative Governance. The amount constituted 7% of SALGA’s total operating revenue of R504.8 million. Of the total operating revenue of SALGA for the financial year under review, R460.1 million was revenue derived from membership levies paid by municipalities. Additional income to increase the entity revenue to R522.8 million came from investments and other sources. SALGA spent R495.7 million or 95% of its total operating revenue, leaving a surplus of R21.1 million.

For the year under review, SALGA had 36 planned targets, all of which were reportedly achieved. The targets were spread across the organisation’s seven predetermined objectives. There were no material audit findings identified by the Auditor General on the usefulness and reliability of the reported performance information in respect of these objectives.

**CRL Rights Commission**

During the period under review, the Commission received a total transfer of R36, 582 million. An additional exchange revenue of R207 000 was also received, increasing the total revenue of the entity to R36, 788 million. Total expenses amounted to R37, 891 million, resulting in a deficit of R1, 103 million.

The Commission achieved all its targets for the financial year under review.

**Municipal Demarcation Board**

During the 2015/16 financial year the Board received an allocation of R45 793 million from the Department of Cooperative Governance. An additional income of R495 000 was received from other sources resulting in a total income of R46 288 million. The total expenditure for the final year was R64 737 million. An amount of R18 449 million from accumulated surplus was utilised to fund the section 22 (2) project, requested by the Minister.

**4.1.1 Auditor - General Reports**

**Department of Cooperative Governance**

For the financial year under review the Department has received a qualified audit opinion. The Department regressed from the unqualified audit opinion obtained in 2014/15 financial year. The basis for the opinion was lack of sufficient appropriate audit evidence for payments made to Community Work Programme (CWP) implementing agents as the Department could not provide accurate and complete substantiating records, as required by the contracts signed with implementing agents. The second basis for a qualified audit opinion was lack of sufficient appropriate audit evidence for movable tangible assets, as the Department did not maintain an assets register for the Community Works Programme that adhered to the minimum requirements for an asset register as prescribed by National Treasury. Irregular expenditure for the Department increased to R482 283 000 million during the 2015/16 financial year

**Department of Traditional Affairs**

The Department for the second year received an unqualified audit, with material findings on compliance and/or predetermined objectives. It was found that the Department did not take effective steps to prevent irregular expenditure amounting to R4, 093 million. The bulk of the irregular expenditure incurred by the Department was as a result of legal fees payable to attorneys representing government on traditional leadership disputes and claims emanating from cases handled by the Nhlapo Commission of Inquiry on Traditional Leadership. The financial statements submitted required material adjustments in order to receive an unmodified audit opinion.

**South African Local Government Association**

The Associationhas maintained high performance outcomes, resulting in the achievements of a clean (unqualified with no findings) audit for the fourth conservative year. Fruitless and wasteful expenditure amounting to R5 966 was incurred in interest charges, and R380 was recovered from the responsible officials. The remaining amount of R5 616 was condoned by National Executive Committee (NEC) as irrecoverable.

**Municipal Demarcation Board**

The Board received an unqualified audit opinion with material findings on compliance and/ or predetermined objectives. The Board incurred an irregular expenditure amounting to R66 000.

**Municipal Infrastructure Support Agent**

As noted earlier, the audit of the entity’s financial statements had not yet been finalised. According to the Auditor – General, their office experienced challenges with the external service provider who was conducting the audit on their behalf. It was indicated that the audit will be completed by the end of October 2016.

**CRL Rights Commission**

The Commission received an unqualified audit opinion with findings on pre-determined objectives and compliance. It was found that the Commission did not prevent an irregular expenditure to the value of R43 252. The amount relates to the purchase of toner for copier machines on the basis of a service level agreement with the supplier. The service level agreement does not list all the copier machines, which resulted in the irregular expenditure.

Fruitless and wasteful expenditure amounting to R51 000 was incurred. This was due to the appointment of a valuator to revalue all the fixed assets of the Commission. The report was paid for but never utilised.

**4.2 Key reported achievements**

**Department of Cooperative Governance**

The period under review marked 15 years of democratic local government. The following are some of the key reported achievements of the department:

* During the 2015/16 financial year, there have been significant improvements in the ability of municipalities to discharge their basic responsibilities. Monthly reporting by municipalities on Back to Basics Performance Indicators increased to 60%.
* Municipalities were supported to develop infrastructure assets registers and capture their infrastructure assets in the Municipal Infrastructure Performance Management Information Systems and to develop operations and maintenance plans. For the year under review, 3 out of 27 assessments were concluded in Amathole, Umzinyathi and Sekhukhune Districts to determine the levels of infrastructure backlogs and identify specific interventions to address the challenges.
* A total of 247 municipalities have benefited from the 2015/16 Municipal Infrastructure Grant (MIG) allocation amounting to R14, 9 billion.
* During the period under review, CWP programme reported some major achievements. The following are some of the reported interventions in Gauteng: CWP participants; cleaned almost 300 000 square meters of public spaces, rivers and canals; clearing 1,051 illegal dumping sites; maintaining 2, 076 community gardens; cleaning 81, 000 square meters of cemeteries; benefiting 10, 800 children at crèches; refurbishing 2,058 desks and benefiting 34 learners with school patrols. The programme expanded from 45 municipalities in 2010/11 to 196 municipalities in 2015/16, while the participation rate has also increased from less than 100, 000 to more than 200, 000. At the end of the 2015/16 financial year, 233, 315 participants have benefited from the programme. In Limpopo, Gauteng and Mpumalanga all municipalities had a CWP site by the end of March 2016.

**Department of Traditional Affairs**

The key achievement of the department during the period under review was the tabling of the Traditional and Khoi San Leadership Bill in Parliament. Once passed the Bill will provide for the recognition of the Khoi San leadership, communities and structures and strengthen the governance of the structure of the institution of traditional leadership. The department has also developed Traditional Leadership Disputes and Claims Resolution Framework to provide uniform norms and standards for resolving traditional leadership disputes and claims within reasonable timeframes.

**CRL Rights Commission**

During the 2015/16 financial year, the Commission has made in-roads in terms of increasing its visibility and raising awareness about its core mandate to local communities and broader South African nation. Complaints received by the Commission increased, and more research projects were done. The major highlight for the Commission during the 2015/16 financial year was its investigative study on the commercialization of religion and the abuse of people’s belief systems.

**Municipal Demarcation Board**

During the year under review, The Minister of Cooperative Governance and Traditional Affairs requested the Board to consider re-determining a number of municipal boundaries in terms of Section 22(2) of the Local Government: Municipal Demarcation Act, of 1998. The Minister’s requests were 34 in total. The re-determination was concluded by the Board in August 2015 and resulted in the reduction of the number of municipalities from 278 to 257 with effect from 3 August 2016. Another key reported achievement was the ward delimitations. The process resulted in an increase in the number of wards from 4, 277 to 4,392.

**South African Local Government Association**

According to SALGA, a number of major milestones and ground breaking events were achieved through submissions on new policies and amendments of legislation introduced in Parliament. The organisation further advocated for the funding of municipalities on the provision of safety and crime prevention programmes in communities as well as disaster management; and the proposed amalgamation of the Metropolitan Police into the South African Police Service (SAPS). A collective bargaining agreement was concluded for the 2015–2018 period with the relevant parties and significant progress on working towards a service charter was agreed upon. Councillor Training continued in the form of a Councillor Development Programme which was rolled out in municipalities and more than 3, 500 councillors were trained.

**Municipal Infrastructure Support Agency**

There is no key reported achievements for the Agency as its annual report is still outstanding due to the non-finalization of the audit report by the Auditor General.

**4.2.1 Key reported challenges**

**Department of Cooperative Governance**

During the period under review, the Department had to deal with a number of challenges which includes inter alia:

* Crippling drought. A number of communities in municipalities especially in the Free State, KwaZulu Natal, and Limpopo and North West provinces were without water.
* The department had to deal with a number of protests as part of the preparations for the local government elections.
* Service delivery protests in a number of municipalities remain a major problem and the Department had to intervene.
* Maintenance of municipal infrastructure and improving infrastructure delivery remained a challenge. The Department had to intervene in some district municipalities such as Amathole to do an assessment in order to determine levels of infrastructure backlog and identify specific interventions to address the challenges.
* The administration of the Community Works Programme remained a major challenge for the department.
* Appointment of Senior Managers in contravention of the Municipal Systems Act and its Regulations remained a challenge as thirty eight (38) were appointed in contravention of the Act and Regulations.
* Non finalisation of Intergovernmental Monitoring Support and Interventions Bill.
* Non finalization of amendments to local government legislation.
* Withholding of equitable share to municipalities by National Treasury.

**Department of Traditional Affairs**

* The department struggled to finalise all genealogies and customary law of succession for all the kingships.
* Court litigation on leadership claims and disputes.
* A significant number of traditional councils are reported to be dysfunctional.
* Inadequate support to traditional councils and local houses, community authorities, landless traditional leaders and the proliferation of headmanship.
* The formal recognition and affirmation of Khoi and San leadership, structures and communities.
* The participation of traditional leaders in government structures especially in municipalities remains a challenge.
* The deaths of male circumcision initiates remains an increasing challenge

**CRL Rights Commission**

The major challenge for the Commission is the limited financial resources allocated to it. During the year under review the Commission received an increased demand for its services. Complaints received by the Commission increased and communities needed research on a number of issues such as the abuse of people’s belief system. During the year under review the Commission also witnessed increased threats to the lives of its key personnel as a result of its inquiries into the commercialisation of religion. This necessitated increased expenditure on security measures, for which there was no budgetary provision.

**South African Local Government Association.**

There are no reported challenges for the organisation for the period under review.

**Municipal Demarcation Board**

The main challenges for the Board during the 2015/16 financial year were the following:

* Minister’s requests, in terms of Section 22(2) of the Local Government Municipal Demarcation Act of 1998, to the Board to reopen the determination of outer boundaries of specific municipalities. The requests came after the budget process was concluded and it was therefore not budget for. Accumulated surplus was utilised for this project.
* The decisions of the Board with regard to municipal boundary re-determination were challenged. Some of the legal challenges includes MDB vs Midvaal municipality, MDB vs Baviaans Municipality, MDB vs Democratic Alliance and MDB vs Masia (Vuwani).
* Legislative constraints
* Perceived negative public perception due to lack of understanding of the Board mandate, with the Board being blamed for matters relating to provincial boundaries, frequency of boundaries determinations that frustrates municipal planning processes and ward delimitations criteria that ignores the service delivery role of municipalities.
* Lack of regional footprints creates disconnection with the public.
* Inadequate human resource capacity due to insufficient budget, which has constrained the achievement of targets.

**Municipal Infrastructure Support Agency**

A preliminary presentation by MISA to Parliament indicates that since 2012 the Agency has been operating without an approved organisational structure and that it has been without a Supply Chain Management unit. The main challenge for the Agency has been its inability to deal with irregular expenditure. During the 2015/16 financial year, an amount of R136 408 466 was incurred as irregular expenditure.

1. **COMMITTEE OBSERVATIONS**
   1. **Technical issues**

The Department and its entities tabled their reports as per the requirements**.** There were no technical errors identified in the reports. The information in the reports was found to be of required quality and very useful to the committee.

* 1. **Governance and operational issues**
* The Committee appreciates the work undertaken by the Department of Cooperative Governance and Traditional Affairs, South African Local Government Association, CRL Rights Commission and Municipal Demarcation Board during the year under review.
* A concern was raised that the Department had not finalised the Local Government Laws Amendment Bill which was approved by Cabinet on 16 March 2016. It was requested that the Department should indicate to the Committee all the areas that will be covered by the Local Government Laws Amendment Bill.
* The non-finalization of the Intergovernmental Interventions Bill during the year under review was raised as a concern.
* The appointment of Senior Managers in local government in contravention of the Local Government Municipal Systems Act and its regulations. The Department must report back to the Committee on municipalities that contravened the regulations and the corrective measures that were taken by various MECs to ensure compliance.
* Monitoring and oversight over provinces (beyond provincial CoGTA departments) by the Department of Cooperative Governance was observed to be inadequate. The Department’s focus was observed to be predominantly on municipalities.
* The Committee noted with concern the failure of the Department of Traditional Affairs to reduce deaths at initiation schools.
* The CRL Rights Commission is requested to collaborate with the Department of Basic Education on the possible inclusion of the work of the Commission in the curriculum of life Orientation in schools.
* The Committee noted with concern the impact of Collective Bargaining Agreements on smaller municipalities.
  1. **Service delivery challenges**
* The Committee noted continued challenges in the administration of the CWP programme. The Department is requested to improve its management of contracts signed with implementing agents. An assets register for CWP that adheres to the minimum requirements for an asset register as prescribed by the National Treasury must be maintained by the Department.
* Report on the assessment of District municipalities: The Department is requested to provide the Committee with an assessments concluded in the three District municipalities of Amathole, Umzinyathi and Sekhukhune in order for the Committee to understand the levels of Infrastructure backlog and to further see the specific interventions identified to address the challenges.
* Municipalities that were supported to develop infrastructure assets registers and capture their infrastructure assets in the Municipal Infrastructure Performance management Information Systems and develop operations and maintenance plans needs to be provided to the Committee. The Committee will utilise this information during the oversight visits in municipalities.
* The Department is requested to provide the Committee with a detailed briefing on its initiatives to improve financial viability of municipalities and revenue management.

**Financial performance including funding proposals**

* The Committee is concerned with the underspending on the Disaster Relief Grant and Municipal Disaster Recovery Grant. The Department needs to improve the disbursement of the two grants.
* The Committee is also concerned with the instances of high irregular expenditure incurred in the CoGTA portfolio.

1. **TABLE OF COMMITTEE’S REPORTING REQUESTS**

|  |  |  |
| --- | --- | --- |
| **Reporting matter** | **Action required** | **Timeframe** |
| Local Government Laws Amendment Bill | Indicate to the Committee all the sections in the various local government legislation that will be covered by the Local Government Laws Amendment Bill. | By the end of February 2017 |
| Appointment of Senior Managers in Municipalities in contravention of the Local Government Systems Act and its regulations. | Provide the Committee with the list of Municipalities and positions concerned were appointments contravened the Act and its regulations and the corrective measures that were taken by various MECs to ensure compliance | By the end of November 2016. |
| Assessment of infrastructure backlogs in District Municipalities. | Provide the Committee with an assessment concluded in the three District Municipalities of Amathole, Umzinyathi and Sekhukhune in order for the Committee to fully understand the levels of infrastructure backlog in the three districts. | Immediately |
| Financial viability and revenue management in local government. | The Department is requested to provide a detailed briefing on the initiatives of the department to improve financial viability of municipalities and revenue management. | By the end of November 2016. |
| Commercialization of religion and the abuse of the people’s belief systems. | CRL Rights Commission to provide the Committee with the report as soon as it is finalized. | March 2017 |
| Municipal capacity assessments | The Municipal Demarcation Board must table any municipal capacity assessments conducted each year | Annually |
| Monitoring and evaluation of provincial performance | The Department of Co-operative Governance must provide an action plan to implement continuous monitoring and evaluation of provincial performance and expenditure, including the tabling of any reports on an annual basis | Annually |

1. **RECOMMENDATIONS**

* The Department of Cooperative Governance is requested to improve its management of contracts signed with implementing agents of CWP. The Department is further requested to maintain an assets register that adheres to the minimum requirements for the assets register as prescribed by National Treasury.
* The Department should ensure that all municipalities enforce competency standards for Managers and appoint persons with the requisite skills, expertise and qualifications. In instances were municipalities contravenes the Systems Act and its regulations, and corrective measures must be taken to ensure compliance.
* The Department and its entities must reduce irregular expenditure and ensure that there is no unauthorised, fruitless and wasteful expenditure incurred.
* The Department must arrange a meeting between ESKOM and SALGA in order to assist to resolve the challenge of ESKOM billing and interest charged to municipalities.

1. **APPRECIATION**

The Committee wishes to thank the Department of Cooperative Governance and Traditional Affairs, CRL Rights Commission, Office of the Auditor-General South Africa, SALGA, Municipal Demarcation Board, MISA and the National Disaster Management Centre for their fruitful, cordial and constructive engagements. The contributions of Committee Members, as well as Committee support staff is highly appreciated.

Report to be considered.

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1. National Treasury (2016) [↑](#footnote-ref-1)
2. 2. Annual Report DCoG (2016) [↑](#footnote-ref-2)