

## **Budgetary Review and Recommendations Report of the Portfolio Committee on Cooperative Governance and Traditional Affairs, Dated 30 November 2021**

Having assessed the financial and non-financial performance of the Departments of Cooperative Governance and Traditional Affairs (COGTA), the Municipal Infrastructure Support Agent (MISA), the South African Local Government Association (SALGA), the Municipal Demarcation Board (MDB) and the CRL Rights Commission for the 2020/21 financial year, the Portfolio Committee on Cooperative Governance and Traditional Affairs, (the Committee) reports as follows:

### **1. BACKGROUND**

#### **1.1. Committee Mandate**

Chapter 4 of the *Constitution of the Republic of South Africa (1996)* sets out in detail the powers, functions and procedures of Parliament. It tasks Parliament through its Committees, such as the Portfolio Committee on Cooperative Governance and Traditional Affairs, with the following functions:

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

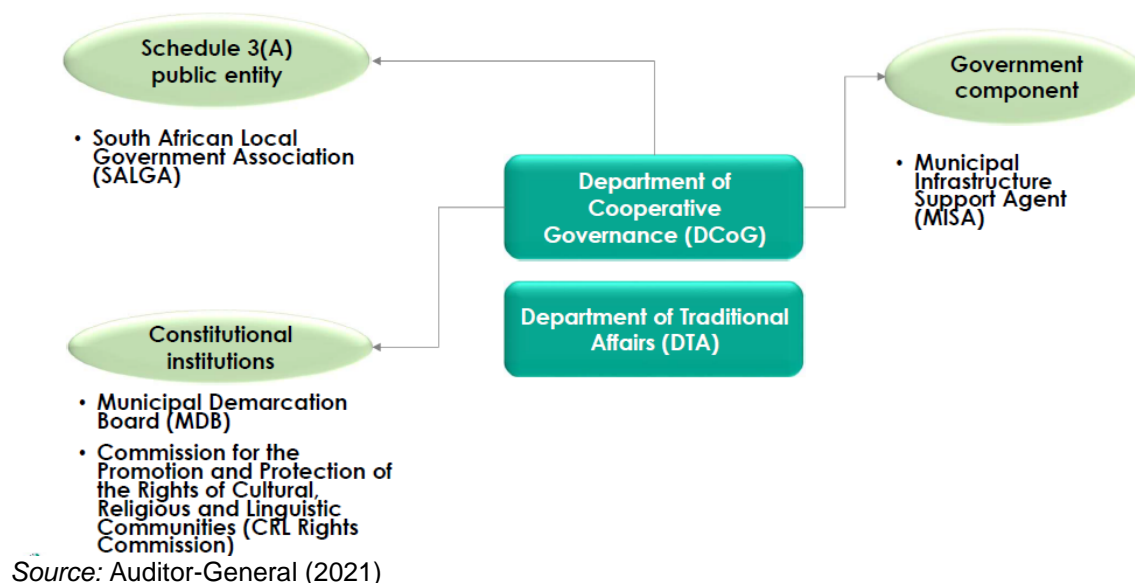
In line with the parliamentary oversight functions, Section 5 of the *Money Bills Amendment Procedure and Related Matters (Act No.9 of 2009)* empowers Portfolio Committees, to assess annually the performance of each national department through an annual Budgetary Review and Recommendations Report (BRRR). 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 the relevant entities fulfil their respective mandates.

#### **1.2. 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, as envisaged in s154 of the Constitution.

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 has a constitutional mandate to assist in the transformation of local government; and
- The **Municipal Infrastructure Support Agent**, whose mandate is to render technical advice, and support to municipalities, as well as strengthen their capacity to provide access to basic services.



### 1.3. Purpose of the 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. In this regard, the Portfolio Committee convened meetings with all the Departments and Entities under its jurisdiction, starting from 09 November 2021 and concluding on 23 November 2021.

### 1.4. Method of reporting

This BRR Report assesses the financial performance as well as service delivery performance of the Departments of Cooperative Governance and Traditional Affairs, the Municipal Infrastructure Support Agent, the South African Local Government Association, the Municipal Demarcation Board and the CRL Rights Commission for the 2020/21 financial year. Informing the assessment are briefings to the Committee by the Department and entities, and other sources of information such as the Reports of the Auditor-General, Annual Reports and Annual Performance Plans.

### 1.5. Report outline

The structure of the Report is as follows: Section 2 provides key financial and performance recommendations of the Portfolio Committee on COGTA. Section 3 of the Report provides an overview and assessment of reported financial and service delivery performance for the 2020/21 financial year. Section 4 of the Report focuses on the Portfolio Committee's observations on governance, technical, service delivery and financial performance information. Section 5 tabulates additional reporting requests by the Portfolio Committee. The Report concludes with recommendations in section 6.

## 2. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE.

2019/20 RECOMMENDATION	PROGRESS MADE IN 2020/21
2.1. The Committee must use every opportunity to lobby and advocate for adequate funding to the CRL Rights Commission.	In progress

2.2.	The CRL Rights Commission should guide municipalities in respect of the zoning of land for religious purposes.	
2.3.	The Committee must have structured engagements with CRL Rights Commissioners on a quarterly basis, as to understand better the various work streams Commissioners are leading.	In progress
2.4.	In the next year, the Committee must consider hosting a colloquium on male cultural initiation to address the challenges associated with the practice.	In progress
2.5.	The Committee must engage the National Treasury regarding the exemption of the Community Work Programme from Supply Chain Management processes in terms of section 79 of the Public Finance Management Act (PFMA).	In progress

### 3. PERFORMANCE 2020/21

#### 3.1. Department of Cooperative Governance

##### 3.1.1. Introduction

The Annual Report of the Department of Cooperative Governance for the 2020/21 reporting period sees the Department stagnant in a qualified audit opinion, as its financial and service delivery performance has not improved significantly from the previous financial year. The Department could still not produce credible and reliable financial statements. There were also material misstatements in the financial statements, which could not be corrected before the financial statements were published. Furthermore, the Department's management was unable to implement proper record keeping controls. All this resulted in a qualified audit opinion. Of the six auditees within the Cooperative Governance and Traditional Affairs portfolio, the Department is the only one that has not achieved a clean audit.

As was the case in the previous financial year, the Department's expenditure on its allocated budget is not commensurate with the percentage of targets achieved. A stark example of this is Programme 5: Local Government Support and Interventions Management, which spent nearly 100 percent of its R14.9bn budget but achieved only 50 percent of the annual performance targets set for the period under review. Overall, the Department spent 96.6 percent of the allocated budget while achieving only 68 percent of its targets.

Another issue of concern is the fact that nearly half of the National Disaster Management Centre's R633.9m was not spent. The Report merely notes that the allocation was not spent according to projections and does not explain why this was the case. This underspending is puzzling in the context of municipalities desperate for disaster relief grants to address COVID-19 disaster requirements. Seven provinces have also been in need of disaster relief funding following the drought disaster declaration of 24 February 2021.

The Department further continues to incur high levels of fruitless and wasteful expenditure, having recorded an amount of R5m relating to irregular payment of wages in the Community Work Programme. Of the R5m, only R128 000 has been either written off or recovered. Although there is a marginal improvement compared to the R7.5m in fruitless and wasteful expenditure incurred in 2019/20, the amount is still unacceptably high.

Furthermore, the Auditor-General has found that the Accounting Officer is not taking appropriate action with regard to payments to non-qualifying government employees in the Community Work Programme. The Department's continued inability to manage the Community Work Programme effectively also manifests in the irregular expenditure to the value of R673.6m. This represents an increase of 2 670 percent compared to the previous financial year. The irregular expenditure relates to payments made on expired CWP contracts, as well as the irregular appointment of some of the CWP Implementing Agents.

It is of great concern that none of this has been resolved, and that there is an audit finding relating to the lack of evidence to support that disciplinary steps were taken against staff who have caused

irregular, fruitless and wasteful expenditure. It is also disturbing that during the year under review the Department had negative audit findings in relation to the management of CWP assets, despite appointing a service provider to the value of R8.1m to verify and confirm assets, inventory, and consumables administered by CWP Non-Profit Organisations at national, provincial and local sites and sub-sites. The appointment seems to have offered little value for money to the Department.

### 3.1.2. Appropriation statement

As indicated in the Table below, the Department received a final appropriation of R106.9bn. Actual expenditure amounted to R103.3bn, resulting in under expenditure to the value of R3.6bn. The top contributor to the under-expenditure was the Institutional Developmental Programme. Underspending under this programme related to the offsetting or withholding of the Local Government Equitable Share (LGES) from those municipalities that failed to comply with the requirements of the Division of Revenue Act (DORA). This problem recurs every financial year. This could possibly be ascribed to the fact that the Department has not developed workable alternative mechanisms to assist municipalities to use the LGES in accordance with the conditions of the DORA.

Programme Name	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Prog 1: Administration	301 239	285 269	15 970	304 049	300 729	3 320
Prog 2: Regional and Urban Development and Legislative Support	1 042 711	1 036 478	6 233	966 193	965 408	785
Prog 3: Institutional Development	85 911 588	83 222 419	2 689 169	69 351 690	65 964 690	3 387 000
Prog 4: National Disaster Management Centre	633 952	330 818	303 134	647 880	646 337	1 543
Prog 5: Local Government Support and Intervention Management	14 954 675	14 948 467	6 208	15 242 454	15 241 071	1 383
Prog 6: Community Work Programme	4 098 622	3 482 391	616 231	3 834 288	3 832 115	2 173
<b>Total</b>	<b>106 942 787</b>	<b>103 305 842</b>	<b>3 636 945</b>	<b>90 346 554</b>	<b>86 950 349</b>	<b>3 396 205</b>

as the irregular appointment of some of the CWP Implementing Agents.

### 3.1.4. Audit findings

2020/21	
Qualified Audit Opinion	
AUDIT FOCUS AREAS	FINDINGS
Quality of submitted financial statements	<ul style="list-style-type: none"> <li>The Department could not produce credible and reliable financial statements</li> </ul>
Quality of submitted performance reports	<ul style="list-style-type: none"> <li>There were no findings on the quality of submitted performance reports</li> </ul>
Compliance with legislation	<ul style="list-style-type: none"> <li>Non-compliance with Supply Chain Management prescripts resulted in irregular expenditure to the value of R2,024bn.</li> </ul>

### 3.1.5. Programme performance

#### 3.1.5.1. Programme 1: Administration

**Summary:** The Administration Programme provides for strategic leadership and administration of the Department. As the Table below indicates, the Programme received a final appropriation of R301.2m. Actual expenditure amounted to R285.2m, resulting in under expenditure to the value of R15.9m. This is approximately four times the R3.3m in under expenditure incurred in 2019/20. The Department

attributes this under expenditure to savings arising from reduced travelling and catering due to the COVID-19 pandemic and associated Regulations.

**Sub-programme expenditure**

Sub- Programme Name	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000		R'000	R'000	
Ministry	31 026	30 482	544	43,874	41 036	2,838
Management	19 294	17 399	1 895	17,361	17,361	0
Corporate Services	141 119	133 739	7 380	136,762	136,462	300
Financial Services	45 433	41 515	3 918	37,318	37,137	181
Internal Audit and Risk Management	13 497	11 264	2 233	13 878	13,878	0
Office Accommodation	50 870	50 870		54,856	54,855	1
<b>Total</b>	<b>301 239</b>	<b>285 269</b>	<b>15 970</b>	<b>304,049</b>	<b>300,729</b>	<b>3,320</b>

Programme's spending rate of 94.6 percent.

**3.1.5.2. Regional and Urban Development and Legislative Support**

**Summary:** The purpose of this Programme is to provide policy analysis and development in order to transform local government and improve cooperative governance. The Table below summarises the Programme's budget allocation trend, which indicates a final appropriation of R1.043bn and actual expenditure of R1.037bn, resulting in under expenditure of R6.2m. This is approximately seven times the under expenditure of R785 000 incurred in 2019/20. The Department once again cites the pandemic as the reason for the under expenditure. Unfortunately, on page 60, the Department erroneously reports that the under expenditure under this Programme amounted to R789 000 and that since this is less than 2 percent of the allocated budget, it is immaterial. This needs correction.

Sub- Programme Name	2020/21			2019/2020		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000		R'000	R'000	
Management Regional and Urban Development	2	2		71	4	67
Local Government Legislative Support and Institutional Establishment	5 282	3 641	1 641	5 183	4 691	492
Spatial Planning Districts and Regions	9 514	9 441	73	14 253	14 252	1
Intergovernmental Policy and Practice	10 820	10 525	295	12 874	12 808	66
Intergovernmental Policy and Practice	10 196	5 972	4 224	4 884	4 725	159
Municipal Demarcation Board	63 017	63 017		64 268	64 268	0
South African Cities Network	7 512	7 512		7 765	7 765	0
Integrated Urban Development Grants	936 368	936 368		856 895	856 895	0
<b>Total</b>	<b>1 042 711</b>	<b>1 036 478</b>	<b>6 233</b>	<b>966 193</b>	<b>965 408</b>	<b>785</b>

value of R2.6bn. As in the previous financial years, the main reason for the underspending relates to offsetting/withholding of the Local Government Equitable Share (LGES) to some municipalities in breach of the Division of Revenue Act (DORA) conditions. As noted previously, this problem recurs every financial year because the Department has not developed workable alternative mechanisms to assist municipalities to use the LGES in accordance with the conditions of the DORA.

Sub- Programme Name	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000		R'000	R'000	
Management: Institutional Development	3 891	1 065	2 826	1 925	1 121	804
Municipal Human Resources Management Systems	13 820	13 820		11 275	10 634	641
Municipal Finance	27 347	19 712	7 635	14 693	13 137	1 556
Citizen Engagement	8 636	6 279	2 357	9 511	7 839	1 672
Anti-Corruption and Good Governance	7 396	5 650	1 746	8 815	6 847	1 968
Municipal Property Rates	14 206	12 278	1 928	11 552	10 184	1 368
Local Government Equitable Share Transfers	85 683 326	83 102 374	2 580 952	68 973 465	65 627 263	3 346 202
South African Local Government Association	33 192	33 192	0	33 879	33 879	0
Municipal Systems Improvement Grant Transfers	119 774	28 049	91 725	111 062	85 435	25 627
Department of Traditional Affairs Transfers				168 351	168 351	0
United Cities and Local Government of Africa				7 162	0	7 162
<b>Total</b>	<b>85 911 588</b>	<b>83 222 419</b>	<b>2 689 169</b>	<b>69 351 690</b>	<b>65 964 690</b>	<b>3 387 000</b>

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Sub-Programme Name	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over) Under Expenditure	Final Appropriation	Actual Expenditure	(Over) Under Expenditure
	R'000	R'000		R'000	R'000	
Management: Head of Disaster	5 148	3 890	1 258	4 764	4 218	546
Disaster Risk Reduction, Capacity Building, and Intervention	99 221	9 424	89 797	14 817	14 590	227
Legislation and Policy Management	5 263	4 837	426	6 823	6 728	95
Integrated Provincial Disaster Management Support, Monitoring, and Evaluation Systems	5 066	3 041	2 025	3 426	3 302	124
Fire Services	4 880	2 116	2 764	3 651	3 651	0
Information Technology, Intelligence and Information Management Systems	21 945	18 051	3 894	14 787	14 237	550
Disaster Relief Grant	492 429	289 459	202 970	466 392	466 392	0
Municipal Disaster Recovery Grant				133 220	133 220	0
<b>Total</b>	<b>633 952</b>	<b>330 818</b>	<b>303 134</b>	<b>647 880</b>	<b>646 337</b>	<b>1 543</b>



Despite spending nearly 100 percent of its allocated budget, the Programme achieved only 50 percent of the annual performance targets set during the year under review. The non-achieved targets relate to failure to assist the target municipalities to spend 90 percent of their Municipal Infrastructure Grant (MIG) allocations due to, among other things, the closure of some municipal offices as result of COVID-19 infections. The Programme also did not succeed with regard to the target of assisting municipalities to spend 20 percent on sanitation and urgent repairs, as well as on maintenance of water and sanitation infrastructure.

Sub- Programme Name	2020/21			2019/20		
	Final Appropriation	Actual Expenditure	(Over) Under Expenditure	Final Appropriation	Actual Expenditure	(Over) Under Expenditure
	R'000	R'000		R'000	R'000	
Management: Local Government Support and Interventions	3 173	2 764	409	3 408	3 367	41
Municipal Performance Monitoring	13 411	13 406	5	14 355	13 852	503
Local Government Improvement Programme	22 198	21 329	869	29 777	29 774	3
Litigations and Interventions	280	0	280	235	0	235
Municipal Infrastructure Administration	34 699	30 154	4 545	34 600	33 999	601
Municipal Infrastructure Grant	14 491 065	14 491 065	0	14 816 103	14 816 103	0
Municipal Infrastructure Support Agency	389 849	389 749	100	343 976	343 976	0
<b>Total</b>	<b>14 954 675</b>	<b>14 948 467</b>	<b>6 208</b>	<b>15 242 454</b>	<b>15 241 071</b>	<b>1 383</b>

opinions.

Sub- Programme Name	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over) Under Expenditure	Final Appropriation	Actual Expenditure	(Over) Under Expenditure
	R'000	R'000		R'000	R'000	
Management: Community Work Programme	4 042 080	3 481 528	560 552	3 830 022	3 827 849	2 173
Programme Coordination	41 723	399	41 324	1 972	1 972	0
Partnerships, Norms, Standards, and Innovation	14 819	464	14 355	2 294	2 294	0
<b>Total</b>	<b>4 098 622</b>	<b>3 482 391</b>	<b>616 231</b>	<b>3 834 288</b>	<b>3 832 115</b>	<b>2 173</b>

Department in an attempt to address the challenges concerning the Programme. These meetings have yielded no positive results, as the Portfolio Committee is still experiencing challenges with the Department around the revision of the Community Work Programme. This mainly relates to the fact that the Department is providing vague information on this matter. The Committee has had approximately seven meetings with the Department on the CWP since the beginning of the Sixth Parliamentary Term. Below is a summary of these meeting timelines, which highlight the Department's indecisive commitments towards the revision of the CWP operating model.

**Meeting one: 27 August 2019.** The purpose of this meeting was to induct the then new Committee Members on the nature of the CWP. In this meeting, the Department indicated that it had engaged with National Treasury in an effort to devise an appropriate implementation model that would redress the challenges confronting the Programme, resulting in poor audit outcomes.

**Meeting two: 25 February 2020.** This meeting was a briefing on the 2018/19 Annual Report of the Department. This is where the Minister expressed her concerns around the CWP, as well as the need to revisit and redesign the Programme's operating model. The Committee welcomed this commitment and urged the Department to revise the Programme to ensure that it is viable. The Committee further committed to having regular follow up meetings with the Department in this regard.

**Meeting three: 20 May 2020.** The purpose of this meeting was to discuss the Department's 2020/21 Budget and Annual Performance Plan. In this meeting, the Department undertook to present to the Committee, at a later date, on the redesign of the CWP. The Committee noted that the then newly appointed Team Leader for the remodelling of the CWP was not up to speed and was not adequately briefed on the matter. The Committee consequently recommended that the Team Leader consults with those officials familiar with the Committee's previous deliberations on the Programme, and thereafter submit a full report on the CWP remodelling exercise.

**Meeting four: 20 October 2020.** This meeting convened to discuss the Department's quarterly performance information. This where the Department undertook to brief the Committee on the revised CWP model, with 27 November 2020 being the identified briefing date.

**Meeting five: 27 November 2020.** This is the day on which the Minister had agreed to present the redesigned CWP implementation model to the Committee. Closer to the day, the Minister indicated that she was not ready to present the redesigned model, but would not commit to a specific alternative date. In this meeting, the Committee noted that the Department did not present any clear update on the revision of the CWP operating model, except to repeat previous promises of tighter controls and regular audits.

**Meeting six: 22 April 2021.** The purpose of this meeting was to receive a progress report from the Department on the redesigned CWP model. In this meeting, the Department merely emphasised the need to improve the implementation model of the of the CWP in order to address the major weaknesses. The Committee rejected the Department's presentation, as the Accounting Officer did not provide satisfactory answers to its questions relating to the reconfiguration of the CWP.

**Meeting seven: 29 June 2021.** In this meeting, the Acting Deputy Director-General for the CWP branch, Mr Pretorius, indicated that the CWP model is not appropriate. This was in an attempt to explain the gross misalignment between spending on CWP agrarian project budgets vis-a-vis project completion timelines. However, it is not clear whether he was referring to the revised model or the model which the Department had previously indicated to be in need of revision. In any case, the Committee also rejected the Department's presentation and resolved to have a closed sitting to deliberate on the way forward on this matter.

### **3.2. Department of Traditional Affairs**

In their forewords to the Annual Report of the Department of Traditional Affairs, both the Minister and Deputy Minister highlight the loss of 13 initiates in the Eastern Cape Province over the December 2020 initiation season. This is despite the submission of a risk mitigation plan by the Provincial Government and the Provincial House of Traditional and Khoi-San Leaders. The Portfolio Committee has had a detailed engagement on this matter, including meeting with the Provincial House, as well as representatives from the South African Police Service and National Prosecuting Authority in the Eastern Cape on 05 August 2021.

Both the Minister and the Deputy Minister place their hopes on the coming into operation of the Customary Initiation Act, which establishes structures envisaged to address some of the key challenges associated with the cultural practice of male initiation, especially in the Eastern Cape. The Act came into effect on 01 September 2021. On 30 March 2021, the Committee had a preliminary discussion with the Department regarding its readiness for the implementation of the Act once it came



into effect. A follow-up Committee meeting in this regard, as resolved in the meeting of 05 August 2021, is now opportune.

Administratively, the Department maintains its high performance track record, achieving 100 percent of the annual targets for the year under review. However, due to the travel restrictions imposed to mitigate the spread of the COVID-19 pandemic, the Department had to revise its 2020/21 Annual Performance Plan and discontinue those performance targets that required movement from one place to another. This contributed to the underspending of Departmental budget to the value of R24.1 million. This is thrice the amount of R7.6m incurred as under expenditure in 2019/20.

Programme Name	2020/2021			2019/2020		
	Final	Actual	(Over)/Under	Final	Actual	(Over)/Under
	Appropriation	Expenditure	Expenditure	Appropriation	Expenditure	Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	50,685	41,101	9,584	50,193	49,270	923
Research, Policy & Legislation	16,929	15,000	1,929	19,364	16,605	2,795
Institutional Support and Coordination	94,071	81,422	12,649	98,794	94,841	3,935
<b>Total</b>	<b>161,685</b>	<b>137,523</b>	<b>24,162</b>	<b>168,351</b>	<b>160,716</b>	<b>7,635</b>

Source: Department of Traditional Affairs (2021).

As the Table above illustrates, the Department secured a final appropriation amounting to R161.6m during the year under review. Expenditure amounted to R137.5m, resulting in under-expenditure to the value of R24.1m. This is almost three times the under expenditure of R7.6m incurred during the previous financial year, despite the reduced budget in 2020/21. Due to the travel restrictions imposed to mitigate the spread of the COVID-19 pandemic, the Department had to revise its 2020/21 Annual Performance Plan (APP) and discontinue those performance targets that required movement from one place to another. This contributed to the under expenditure. Programmes 1 (Administration) and 3 (Institutional Support and Coordination) accounted for approximately 95 percent of the under expenditure.

### 3.2.2. Overview of Programme Performance

#### 3.2.2.1. Programme 1: Administration

The Administration Programme comprises the Internal Audit, Office of the Director-General, Corporate, and Financial Services. It provides strategic leadership, effective administration, executive support, monitoring and evaluation of Traditional Affairs' performance, corporate, and financial services. The Programme achieved 100 percent of the performance targets set during the period under review, and spent R41.1m of its allocated budget of R50.6m. Under-expenditure thus amounted to R9.5m, which is nine times the under expenditure of R923 000 reported in the previous financial year. The Table below indicates that the Management and Corporate Services sub-programmes accounted for nearly 80 percent of the under-expenditure.

Sub-Programme Name	2020/2021			2019/2020		
	Final	Actual	(Over)/Under	Final	Actual	(Over)/Under
	Appropriation	Expenditure	Expenditure	Appropriation	Expenditure	Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Ministry	10,411	8,818	1,593	11,249	11,249	-
Management	14,893	11,710	3,183	14,139	13,298	841
Corporate Services	20,986	16,974	4,012	21,006	20,930	-
Internal Audit	4,395	3,599	796	3,800	3,793	-
<b>Total</b>	<b>50,685</b>	<b>41,101</b>	<b>9,584</b>	<b>50,193</b>	<b>49,270</b>	<b>923</b>

### 3.2.2.2. Programme 2: Research, Policy and Legislation

This Programme seeks to provide research, establish and manage traditional affairs information systems, develop, manage implementation of, monitor and review policies, strategies and guidelines on traditional leadership. The Programme achieved 100 percent of the targets set during the period under review, and spent R15m of the allocated budget of R16.0m. Under expenditure amounted to

Sub-Programme Name	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Management	3,988	3,715	273	2,805	2,645	160
Research, Policy & Legislation	4,186	3,478	708	4,499	4,014	485
Research & Information Management	8,755	7,807	948	12,060	9,946	2,114
<b>Total</b>	<b>16,929</b>	<b>15,000</b>	<b>1,929</b>	<b>19,364</b>	<b>16,604</b>	<b>2,759</b>

Source: Department of Traditional Affairs (2021).

### 3.2.2.3. Programme 3: Institutional Support and Coordination

This Programme aims to promote 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 the private sector. Programme expenditure amounted to R81.4m, out of an allocated budget of R94m. Under expenditure amounted to R12.6m, which accounts for just over 50 percent of the Department's total under expenditure. As indicated in Table below, the National House of Traditional Leaders and the Commission on Traditional Leadership Disputes and Claims sub-programmes accounted for the bulk of the under expenditure.

Sub-Programme Name	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Management	5,496	4,088	1,408	5,580	5,375	205
Institutional Development and Capacity Building	6,999	5,885	1,114	6,429	6,320	109
Intergovernmental Relations & Partnerships	7,918	6,805	1,113	8,083	7,667	416
National House of Traditional Leaders	21,249	16,976	4,273	25,180	24,102	1,078
Commission for the Promotion and Protection of the Rights of Culture, Religion	46,046	46,046	-	45,189	45,189	-
Disputes & Claims Resolutions	6,363	1,622	4,741	8,333	6,188	2,145
<b>Total</b>	<b>94,071</b>	<b>81,422</b>	<b>12,649</b>	<b>98,794</b>	<b>94,841</b>	<b>3,953</b>

### 3.2.4. Audit findings

2020/21

Unqualified audit opinion, with no emphasis of matters (clean audit)
----------------------------------------------------------------------

### 3.2.5. Key reported achievements

- Achieved 100 percent of the annual targets of the year under review;
- Oversaw the enactment of the Traditional and Khoi-San Leadership Act (2019);
- Did not incur unauthorised, fruitless and wasteful expenditure;

### 3.2.6. Key reported challenges

- The COVID-19 pandemic, which led to the loss of the lives of many traditional leaders resulting in leadership vacuums in some instances;
- The pandemic also led to the imposition of travel restrictions, which made it impossible for the Department to carry out those Annual Performance Plan targets that required movement from one place to another;
- The National Treasury subjected the Department to a mandatory budget cut to increase allocations to fight the COVID-19 pandemic; and
- The Department's capacity in terms of human and financial resources remained a critical challenge.

## 3.3. Municipal Infrastructure Support Agent

Although the service delivery performance of the Municipal Infrastructure Support Agent has improved slightly from 79 percent in 2019/20 to 81 percent in 2020/21, it still falls short of the 91 percent achieved in 2018/19. The main targets that seem to constrain the entity from regaining the performance standard set in 2018/19 relate to supporting municipalities to implement infrastructure programmes and projects through labour intensive methods, as well as supporting some district municipalities to improve their Municipal Infrastructure Grant expenditure to at least 90 percent. COVID-19 restrictions also negatively affected the achievement of targets relating to the number of youth enrolled in MISA's Experiential Learnership and Young Graduate Programmes. While MISA has attained a clean audit for the third consecutive year, it is concerning that it incurred fruitless and wasteful expenditure to the value of R525 862. The entity also spent only 63 percent of its R389.8m budget resulting in under expenditure to the value of R130.8m.

There is also the outstanding matter relating to the arrest, and subsequent release on bail, of the MISA Chief Executive Officer in connection with the Siyenza Group contract for the supply and installation of Ventilated Improved Latrines in the Northern Cape and the Amathole District in the Eastern Cape. During the meeting of 20 May 2021, the Committee resolved that the Minister briefs it on the agreement reached with MISA's Chief Executive Officer and the reasons as to why he has not been suspended pending the finalisation of the ongoing investigations and the court case on the Siyenza Group contract matter. This has not been done and needs to be followed up.

In the same meeting, the Committee also resolved that by Monday 24 May 2021, the CEO of MISA must furnish the Committee with a report outlining the status of the court case relating to the submission of a fraudulent tax certificate by the Siyenza Group. This has also not been complied with. Over the next five years, MISA seeks to align its strategic focus areas with some key elements of the District Development Model, including integrated service provisioning, infrastructure engineering, spatial restructuring and economic positioning for each district and metropolitan space. The entity's continued struggle with achieving the targets relating to these key elements of the DDM poses a threat to the realisation of its five-year strategic vision.

### 3.3.1. Appropriation statement

During the year under review, MISA's budget allocation from the Department of Cooperative Governance and Traditional Affairs amounted to R389.8m. The expenditure amounted to R265.1m resulting in under expenditure to the value of R130.8m. All the entity's three Programmes could not utilise their allocated budgets fully, mainly due to constraints arising from the COVID-19 pandemic. MISA plans to apply to the National Treasury for the retention of the unspent funds.

### 3.3.2. Financial performance

2020/21	
<b>Fruitless and wasteful expenditure</b>	<ul style="list-style-type: none"> <li>• Incurred fruitless and wasteful expenditure to the value of R525 862</li> </ul>

### 3.3.3. Audit findings

2020/21

Unqualified audit opinion, with no emphasis of matters (clean audit)

### 3.3.4. Programme performance

#### 3.3.4.1. Programme 1: Administration

**Summary:** Programme 1 seeks to ensure effective leadership, strategic management and administrative support to MISA in line with applicable legislation and best practice. All the six targets set under this Programme were achieved. As tabulated below, the Programme realised this achievement with a budget allocation of R91.9m, of which R82.8m was spent, resulting in a surplus or saving of R9.1m.

	2020/21			2019/20		
Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	91 969	82 865	9 104	94 421	90 018	4 403

Programme received a budget allocation amounting to R291.8m, of which R163m was spent. Underspending amounted to R128m as the Programme could not achieve the targets relating to the number of youth enrolled in MISA's Experiential Learnership and Young Graduate Programmes, due to COVID-19 restrictions. The Table below captures the Programme's budget allocation and expenditure trend over the last two financial years.

	2020/21			2019/20		
Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
TSS	291 807	163 005	128 802	290 912	269 356	21 556

below is the Programme's budget allocation and expenditure trend over the last two financial years. The main issue that stands out is the significant underutilisation of the allocated budget, resulting in actual expenditure of only 50 percent.

	2020/21			2019/20		
Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
IDMS	38 377	19 257	19 120	42 380	41 938	442

- An unqualified audit opinion with no emphasis of matters (clean audit) for the third consecutive year;
- Did not incur any new irregular expenditure during the year under review;
- Training of 482 municipal officials in municipal infrastructure management;
- Development and implementation of operations and maintenance plans in 30 districts despite tight travelling restrictions in place during alert levels 4 and 5 of the national lockdown;
- Initiated a programme aimed at contributing to the economic stimulus package through its support to municipalities to institutionalise labour-intensive methodologies in the delivery of basic services infrastructure funded through conditional grants;

### 3.3.6. Key reported challenges

- Retention of technical officials has proven difficult due to scarcity and competitive remuneration packages in the private sector;

- Despite its intensive support to municipalities, MISA has continued to witness persistent underspending on MIG allocations by some municipalities;

### 3.4. South African Local Government Association

#### 3.4.1. Introduction

The financial and service delivery performance of the South African Local Government Association during the period under review remains commendable. Over the last nine years, the entity has sustained its good financial governance, as seen in its achievement of a ninth consecutive clean audit. However, there are still areas of concern.

Firstly, the organisation regressed on the achievement of its predetermined objectives, falling from an achievement rate of 97 percent in 2019/20 to an achievement rate of 85 percent in 2020/21. This translates to a 12 percent decrease in targets met and this is the lowest performance since the 2013/14 financial year. The entity also incurred irregular expenditure to the value of R250 000 due to a supplier not being registered on the Central Supplier Database as required by law. However, SALGA reports that no value was lost in this procurement as the supply reached the intended user. As far back as the 2018/19 reporting period, SALGA has been talking about the development of an accountability framework for consequence management in municipalities. This is in 'response to the Auditor-General's annual reports on local government that continuously paint a worrisome picture about the dire state of municipal finances and the lack of accountability for wrong doing.'

It is now three financial years later, and the CEO still reports that the development of the framework is in progress. There seems to be no definite timeline by which the development of the framework will be completed. In the meantime, municipal officials continue to abuse municipal resources with impunity. The poor accountability and consequences management have resulted in deteriorating audit outcomes, as the Auditor-General has pointed out on numerous occasions.

While appreciating SALGA's continued emphasis on the importance of accountability and the need for action against ill-discipline, this will make little remarkable difference if the emphasis is merely verbal and lacks an action plan with timeframes and deadlines. For example, the reported dissemination of letters about accountability and consequence management to Accounting Officers in the affected municipalities is an encouraging gesture. However, one wonders whether it is serious enough to elicit a change of behaviour in the Accounting Officers concerned.

The above are some of the issues, which SALGA needs to consider as it concludes its 2017-22 Strategic focus period and embarks on a new five-year strategic performance cycle.

#### 3.4.2. Overview and assessment of financial performance

##### 3.4.2.1. Appropriation statement

During the period under review, SALGA's total operating revenue amounted to R705m, with membership fees accounting for 93 percent. Total operating expenditure was R580m, thus reflecting a surplus of R157m. The surplus mainly arises from reduced expenditure on administrative items as a result of staff working from home, as well as from inability to roll out some programmes due to COVID-19 restrictions. The Table below summarises this financial performance trend.

Statement of Financial Performance					
R million	2021	2020	2019	2021 % change	2020 % change
Operating revenue	705.0	676.6	625.0	4.2	8.3
Operating expenditure	(579.7)	(669.8)	(640.6)	(13.4)	4.6
<b>Operating surplus</b>	<b>125.3</b>	<b>6.8</b>	<b>(15.6)</b>	<b>1,730</b>	<b>(144)</b>
Net non-operating revenue	31.7	33.6	28.9	(5.9)	16.4
<b>Total Operating Expenses</b>					
R million	2021	2020	2019	2021 % change	2020 % change
Employee related costs	74.4	65.7	100.4	13.2	(34.6)
Programme costs	321.9	358.8	349.3	(10.3)	2.7
Administrative overheads	97.0	155.1	113.4	(37.5)	36.8
Depreciation and amortisation	6.5	6.5	7.2	0.6	(9.5)
Other operating expenses	79.9	83.7	70.3	(4.6)	19.1
<b>Total operating expenditure</b>	<b>579.7</b>	<b>669.8</b>	<b>640.6</b>	<b>(13.4)</b>	<b>4.6</b>



Source: South African Local Government Association (2021)

#### **3.4.2.2. Financial statements**

2020/21	
Fruitless and wasteful expenditure	<ul style="list-style-type: none"> <li>R53 was incurred in fruitless and wasteful expenditure. This is an immaterial amount.</li> </ul>
Irregular expenditure	<ul style="list-style-type: none"> <li>Incurred irregular expenditure to the value of R250 000 due to a supplier not being registered on the Central Supplier Database as required by law. SALGA reports that no value was lost in this procurement as the supply reached the intended user.</li> </ul>

#### **3.4.2.3. Audit findings**

2020/21
Unqualified audit opinion, with no emphasis of matters (clean audit)

#### **3.4.3. Overview of programme performance**

As noted earlier, the entity achieved 85 percent (117/137) of its predetermined objectives during the period under review, which is a 12 percent decrease from the achievement rate of 97 percent registered in 2019/20. The regression in performance is ascribed to the organisation's inability to roll out all the envisaged activities due to lockdown restrictions, capacity constraints, delays in the appointment of service providers and duplication of a similar target with the Department of Cooperative Governance. The organisation's programme performance was structured around four outcomes as follows:

##### **3.4.3.1. Outcome 1: Municipalities with sustainable inclusive economic growth underpinned by spatial transformation**

**Summary:** Through this outcome, SALGA envisages fostering integrated and sustainable urban development and management, as well as regional economic growth that includes rural development and brings about social cohesion. The Programmes that give effect to this outcome include spatial planning and land use management; environmental management; municipal non-revenue water; electricity; local economic development; human settlements; disaster risk management; waste management; climate change; water sector technology and innovation; energy industry reform; and local government municipal sustainability profiling.

Of the 36 targets set under this outcome, the entity achieved 31, translating to an achievement rate of 86 percent. Over the last four financial years, the entity has not managed to achieve 100 percent of targets under this outcome.

##### **3.4.3.2. Outcome 2: Good governance and resilient municipal institutions**

**Summary:** Through this outcome, SALGA seeks to invest in good governance and the modernisation of governmental approaches and strengthen community interface mechanisms, sound labour relations and professionalization. Key activities undertaken to realise this outcome included parliament and intergovernmental relations; inputs on the municipal intergovernmental support, monitoring and interventions bill; inputs on demarcation and invocation of section 139 interventions; drawing best practices from the three pilots launched to implement the District Development Model; participating in salary and wage collective agreements; working on compliance with the disciplinary code collective agreement; development of a labour relations management framework; development of an accountability and consequence management protocol; and convening provincial dialogues to enhance public participation; among others.

Of the 55 targets set under this outcome, the entity achieved 44, translating to an achievement rate of 80 percent. Over the last two financial years, SALGA has been achieving 100 percent of targets under this outcome. The entity will need to outline the steps it will take to address this regression.



#### **3.4.3.3. Outcome 3: Financial Sustainability of Local Government and Greater Fiscal Equity**

**Summary:** This is an outcome whose purpose is to improve the financial health of municipalities through a revised local government fiscal framework, effective revenue management and enhancement, access to alternative/innovative funding sources and sound financial management.

Of the 9 targets set under this outcome, the entity achieved 7, translating into an achievement rate of 78 percent. This is the lowest recorded achievement in relation to the three other outcomes. This is unusual in that over the three financial years, SALGA has been achieving 100 percent of the targets set under this outcome.

#### **3.4.3.4. Outcome 4: Effective and Efficient Administration Support for SALGA Programme Delivery**

**Summary:** This outcome is intended to provide SALGA with an effective and efficient administration support service to deliver on its programmes. This is the organisation's human capital function.

Of the 37 targets set under this outcome, the entity achieved 35, translating to an achievement rate of 95 percent. Over the last three financial years, SALGA has been achieving 100 percent of targets under this outcome. The entity will need to outline the steps it will take to address this regression.

#### **3.4.4. Key reported achievements**

- Nine consecutive clean audits, with no emphasis of matters.
- Successfully lobbied the Department of Agriculture, Land Reform and Rural Development to extend the adoption deadline of a single land-use scheme for 24 months until 01 July 2022 without penalty to municipalities.
- Secured stakeholder buy-in and R5m in funding from the Budget Infrastructure Facility to design the Municipal National Non-Revenue Water Programme.
- Successfully lobbied the Department of Cooperative Governance and National Treasury to amend the Municipal Infrastructure Grant framework for municipalities to secure specialised waste management vehicles.

#### **3.4.5. Key reported challenges**

- Limitations introduced by COVID-19;
- Capacity constraints;
- Delays in the appointment of external support (service providers);
- Inability to exhaust the internal governance approval processes (SALGA mandating process);
- Duplication with COGTA impacted the ability of SALGA to execute a similar target.

### **3.5. CRL Rights Commission**

#### **3.5.1. Introduction**

In the previous financial year, the CRL Rights Commission was the only entity in the COGTA portfolio that had failed to achieved a clean audit. During the year under review, the Commission has addressed all the previous year's audit findings and has incurred no new findings. This has enabled the Commission to finally obtain a clean audit, which is a commendable improvement. This is the second clean audit in the Commission's entire history.

However, the Commission still incurred irregular expenditure amounting to R282 000, albeit a significant improvement compared to the R1.1m incurred in 2019/20. However, the R925 000 incurred in fruitless and wasteful expenditure is very concerning and does not bode well for the second goal of Outcome 1 of the Commission's Strategy Plan, namely the reduction of wasteful, fruitless and irregular expenditure to zero.

At 81 percent, the achievement rate of the targets set for the period under review also leaves much room for improvement. Although it is an improvement from the achievement rate of 76 percent recorded in the previous financial year, it still falls short of the 100 percent achievement rate attained in 2018/19. Of particular concern is the fact the worst performance is recorded under the Conflict Resolution Programme, which is at the core of the Commission's function. This is not consistent with the Deputy Chairperson's foreword to the Annual Report where it is noted that:

*“[t]he Commission had successfully facilitated resolutions of friction between religious leaders, where the rights of religious communities were affected. There were instances where religious leaders had sought the intervention of the Commission and through its effective Committees, the Commission had assisted congregations through the processes of conflict resolution and mediation to regain peace and tolerance among and within religious and traditional communities.”*

The Accounting Officer's explanation to the effect that the Conflict Resolution Programme was among the most negatively affected by the Disaster Management Regulations as it required physical contact with communities, is fair. Communities are indeed the main beneficiaries of the CRL Rights Commission's services, and lack of physical contact with them would inevitably curtail the Commission's work.

### **3.5.2 Overview and assessment of financial performance**

#### **3.5.2.1 Appropriation statement**

The Commission receives its budget as a transfer payment from the Department of Traditional Affairs. For the financial year under review, this amounted to R46m. Total expenditure amounted to R41.9m resulting in under-expenditure to the value of R4.3m. The under-expenditure results from a cost of living adjustment, which the Commission did not implement, following instruction from National Treasury.

#### **3.5.2.2 Financial statements**

<b>2020/21</b>	
<b>Irregular expenditure</b>	<ul style="list-style-type: none"> <li>Incurred irregular expenditure amounting to R282 000. There were two cases contributing to the irregular expenditure. The first relates to a contract for internal audit services, which the Auditor-General found irregular. The second instance pertained to the un-procedural renewal of a contract for the supply of hygiene products at the Commission's Head Office.</li> </ul>
<b>Fruitless and wasteful expenditure</b>	<ul style="list-style-type: none"> <li>Incurred fruitless and wasteful expenditure to the value of R925 000. Five incidences contributed to the fruitless and wasteful expenditure, namely: Penalties and interest due to late payment of PAYE to the South African Revenue Service; and four cases relating to price inflation in the procurement of promotional material and printing of reports. The fruitless and wasteful expenditure has grown exponentially from the R3000 incurred in 2019/20.</li> </ul>

#### **3.5.2.3 Findings of the Auditor-General and Audit Committee**

<b>2020/21</b>
<b>Unqualified audit opinion</b> , with no emphasis of matters (clean audit)

### **3.5.3 Overview of programme performance**

As noted earlier, the achievement rate of 81 percent for the targets set for the period under review leaves much room for improvement. At an achievement rate of only 25 percent, Programme 2: Legal Services and Conflict Resolution, has recorded the worst performance and was responsible for the bulk of the Commission's non-achieved targets.

#### **3.5.3.1 Programme 1: Administration**

**Summary:** The Programme focuses on the Commission's financial and human resources processes, as well performance monitoring and evaluation systems.

**Performance:** The Programme achieved 75 percent of the targets set during the period under review, which is an improvement from the previous financial year where the achievement rate was 58 percent. In the previous financial year, the Programme was responsible for the bulk of the non-achieved targets in the Commission. That distinction has now shifted to Programme 2: Legal Services and Conflict Resolution.

#### **3.5.3.2 Programme 2: Legal Services and Conflict Resolution**

**Summary:** This Programme seeks to promote strengthened conflict resolution and legislative review in line with the Commission's mandate of promoting and protecting the rights of cultural, religious, and linguistic communities.

**Performance:** As noted previously, the Programme recorded the worst performance with an achievement rate of 25 percent. This is a dramatic regression from the achievement rate of 66 percent recorded in the previous financial year.

### **3.5.3.3 Programme 3: Research and Policy Development**

**Summary:** The activities of this Programme centre on information gathering, documenting and publishing the work of the Commission.

**Performance:** The Programme exceeded performance, achieving 125 percent of the targets set for the period under review.

### **3.5.3.4 Programme 4: Public Education and Community Engagement**

**Summary:** The Programme focuses on engaging communities and youth on cultural, religious and linguistic matters.

**Performance:** The Commission achieved 100 percent of the targets set under this Programme, as in the previous financial year.

### **3.5.3.5 Programme 5: Communication and Marketing**

**Summary:** The Programme is concerned with running effective communication and marketing, as well as Information Technology systems.

**Performance:** The Commission achieved 100 percent of the targets set under this Programme.

### **3.5.2. Key reported achievements**

- Achievement of a clean audit with no emphasis of matters. This the second clean audit in the Commission's entire history.

### **3.5.3. Key reported challenges**

- Lack of internet connectivity hampered the Commission's ability to reach rural communities;
- Lack of provincial and municipal offices also hampered the Commission's outreach work;
- Resource constraints also continue to impede the Commission from fully realising its broad mandate;

## **3.6. Municipal Demarcation Board**

### **3.6.1. Introduction**

A key highlight in the Annual Report of the Municipal Demarcation Board for the 2020/21 financial year is the maintenance of a clean audit status for the third consecutive year, as well as the achievement of 100 percent of the targets set for the year under review. This is the first time the Board has achieved 100 percent of targets in the entire history of its existence. The Board has not only achieved 100 percent of targets, but has also spent 100 percent of its R63.6m budget. This is unlike the previous financial year where there was underspending to the value of R6.6m.

Regrettably, these exterior achievements mask serious internal problems within the Board, as exemplified in the unfounded allegations levelled against the Board's Chief Executive Officer as well as the alleged disregard of the Board's Chairperson's authority by some board members. These suggest that all is not well within the Board despite the external veneer of stability. The Committee would do well to probe deeper and not accept the Board's word at face value on these matters.

During the year under review, there was also an instance of non-compliance with legislation that resulted in irregular expenditure to the value of R398 000. The Board does not explain the details of this irregular expenditure in the Annual Report. Fruitless and wasteful expenditure to the value of R12 000 was also incurred, but reportedly recovered from the responsible officials.

As in the previous financial year, the Board remains financial constrained from fully executing its strategic plan due to the reduction in its baseline allocation over the Medium Term Expenditure Framework. This is not unique to the Board, as this is a problem that faces virtually all the entities in the Cooperative Governance and Traditional Affairs portfolio.

### **3.6.2 Overview and assessment of financial performance**

#### **3.6.2.1 Appropriation statement**

The MDB's total budget for 2020/21 amounted to R63.6m, with actual expenditure also amounting to R63.6m. Ninety-nine percent of the entity's budget derives from a government grant while the remainder is interest income generated from a positive bank balance. The Table provides a break-down of the budget allocation and expenditure per programme during the year under review vis-à-vis the previous financial year.

Programme 2: Demarcation and Spatial transformation	19 521	17 914	1 608	15 383	12 054	3 618
Programme 3: Research, Spatial Information and Intelligence development	2 784	2 726	58	2 044	2 235	(191)
Programme 4: Stakeholder engagement and partnership	4 728	4 346	382	6 170	4 257	1 913
<b>Total</b>	<b>68 566</b>	<b>63 670</b>	<b>4 895</b>	<b>63 361</b>	<b>56 464</b>	<b>6 653</b>

Source: Municipal Demarcation Board (2021).

### 3.6.2.2. Findings of the Auditor-General and Audit & Risk Committee

2020/21	
Unqualified audit opinion, with no emphasis of matters (clean audit)	
AUDIT FOCUS AREAS	FINDINGS
Quality of submitted performance reports	<ul style="list-style-type: none"> <li>There were no material findings on the content and quality of quarterly reports prepared and issued by management.</li> </ul>
Compliance with legislation	<ul style="list-style-type: none"> <li>There was an instance of non-compliance with legislation that resulted in irregular expenditure to the value of R398 000.</li> </ul>
Fruitless and wasteful expenditure	<ul style="list-style-type: none"> <li>Incurred fruitless and wasteful expenditure to the value of R12 000. The Board reports that the money has been recovered from the responsible officials.</li> </ul>

### 3.6.3. Overview of programme performance

As noted earlier, the Board achieved 100 percent of the predetermined objectives set for the period under review, which is an improvement from the 95 percent achieved in 2019/20. It also spent 100 percent of the R63.6m budget allocated for the 2020/21 financial year, in contrast to the 2019/20 financial year where there was underspending to the value of R6.6m. This expenditure does not include the surplus accumulated in interest from a positive bank balance.

#### 3.6.3.1 Programme 1: Administration

**Summary:** Programme one aims to strengthen the Board's corporate governance environment, as well as manage and enhance financial capability, in line with Chapter 13 of the National Development Plan (NDP).

**Performance:** The MDB achieved 100 percent of the performance targets set under this programme, with no deviations. Actual programme expenditure amounted to R38.6m, against a budget allocation of R41.5m. The main concern under this programme is that the position of Director: Corporate Services has been vacant over the last two financial years, and that there is no indicated deadline for filling it.

#### 3.6.3.2 Programme 2: Demarcations

**Summary:** Programme 2 is one of the Board's core programmes, as it involves conducting the determination and re-determination of municipal boundaries and the delimitation of wards for all municipalities that qualify to have wards.

**Performance:** The Board had to revise the performance targets set under this programme due to the declaration of the National State of Disaster, which prohibited gatherings of more than 50 people. The Board removed from the 2020/21 Annual Performance Plan all the targets necessitating public gatherings of more than 50 people. It achieved 100 percent of the remaining targets. Actual programme expenditure amounted to R17.9m, against a budget allocation of R19.5m.

#### 3.6.3.3 Programme 3: Research and Knowledge Management

**Summary:** Programme 3 is involved in the conducting of capacity assessments of metropolitan, district and local municipalities to inform boundary determinations, and to provide advice to the MEC on the adjustments of powers and functions between district and local municipalities.

**Performance:** The Board has achieved all the performance targets set under this programme during the period under review. Actual programme expenditure amounted to R2.7m, against a budget allocation of R2.7m.

#### 3.6.3.4 Programme 4: Public Participation, Education and Awareness

**Summary:** The Programme aims to deepen democracy through public participation and outreach initiatives.

**Performance:** The Board achieved all the performance targets set under this programme during the period under review. Actual programme expenditure amounted to R4.3m, against a budget allocation of R4.7m.

#### **3.6.4. Key reported achievements**

- Maintenance of a clean audit status for the third consecutive year;
- Achieved 100 percent of targets set for the year under review;
- Finalised spatial boundary descriptions for 213 municipalities to date;
- Finalised 32 reports on norms and standards of municipal powers and functions;
- Delimited and published 4 468 wards for 2021 local government elections; and
- Carried out an expanded media communication programme to inform the stakeholders about the ward delimitation process.

#### **3.6.5. Key reported challenges**

- The budget allocation to the Board has been reduced to fund government's COVID-19 relief efforts. This has exacerbated the inadequate human and financial resources constraining the Board from fulfilling its mandate optimally;
- Lack of regional representation continues to constrain the Boards, even more so under the prevailing COVID-19 conditions;
- There is still high dependence on municipalities to facilitate communication with communities; and
- The outstanding finalisation of the Demarcation Amendment Bill also remains a challenge.

### **4. COMMITTEE OBSERVATIONS**

- 4.1. The Department of Cooperative Governance seems to lack the sense of urgency to break the stagnation on qualified audit opinions and progress to a clean audit or at least an unqualified audit opinion. This also applies to the Department's failure to develop an alternative model for the implementation of the Community Work Programme.
- 4.2. The consistency of the South African Local Government Association in achieving clean audits over last nine financial years is commendable and provides a good model for municipalities to emulate.
- 4.3. The development of a Coalition Framework by the South African Local Government Association is a welcome and much needed intervention. Whether the Framework should be voluntary, and whether the Department of Cooperative Governance should institutionalise it as a Coalition Policy, need be considered.
- 4.4. The role of the South African Local Government Association in relation to local labour matters does not always inspire confidence or provide the assurance that matters of nepotism and sexual abuse implicating Bargaining Council members are given due consideration.
- 4.5. While the financial constraints preventing the Municipal Demarcation Board from establishing a regional presence are understandable, it is important for the Board to minimise dependence on municipal officials to assist the Board with its logistics as this have a potential to compromise the Board's independence.
- 4.6. The achievements of the CRL Rights Commission for the period under review are welcome and commended. However, the Commission should take irregular expenditure seriously and exercise minimal tolerance against such.
- 4.7. The Bill relating to intergovernmental interventions in terms of Sections 100 and 139 of the Constitution has been lagging for some time and this is leading to difficulties.
- 4.8. The Committee is unhappy with the lack of explanation relating to the charge against the Chief Executive Officer of the Municipal Infrastructure Support Agent in connection with the contract to supply Ventilated Improved Latrines in the Amathole District.

## 5. TABLE OF COMMITTEE'S REPORTING REQUESTS

Reporting matter	Action required	Timeframe
Comprehensive list of borehole installations/refurbishments	The Municipal Infrastructure Support Agent must furnish the Committee with the list and location of the boreholes it has installed or refurbished during the financial year under review	Within seven days after the date of the meeting

## 6. RECOMMENDATIONS

- 6.1. The Committee must demand a clear plan and timeframes from the Department of Cooperative Governance with regard to resolving the legacy issues in the Community Work Programme. This will enable the Committee to deal with specifics, rather than talk in general terms.
- 6.2. The Committee must engage the Department of Cooperative Governance on developing a clear plan that responds to the issue of unreliable water supply and sanitation. This should be a broad plan that also responds to roads maintenance.
- 6.3. The Department must, as a matter of urgency, finalise and table to Parliament the Bill relating to intergovernmental interventions in terms of Sections 100 and 139 of the Constitution.
- 6.4. The Minister of Cooperative Governance and Traditional Affairs should brief the Committee in relation to the charges against the Chief Executive Officer of the Municipal Infrastructure Support Agent in connection with the supply of Ventilated Improved Latrines in the Amathole District. In its next audit, the Office of the Auditor-General should also look into this matter.
- 6.5. The Committee should convene a separate meeting with the Municipal Demarcation Board to discuss its internal governance matters, including the Report on the unfounded allegations against the Chief Executive Officer. The Minister and Deputy Ministers of Cooperative Governance and Traditional Affairs should lead the discussion and provide a way forward.
- 6.6. The Municipal Demarcation Board should develop and present to the Committee a strategy of dealing with demarcation hotspot areas, including those areas that have challenges going back as far as 2016. The Board must also clarify the rationale behind amalgamation of certain municipalities in the Eastern Cape, which has exacerbated the problems in these municipalities.

## 7. APPRECIATION

The Committee wishes to thank the Departments of Cooperative Governance and Traditional Affairs, CRL Rights Commission, Auditor-General of South Africa, SALGA, Municipal Demarcation Board, and MISA 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