



KwaZulu-Natal Provincial Treasury

Annual Report

2005-2006



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ANNUAL REPORT

2005/2006

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Foreword by the MEC for Local Government, Housing and Traditional Affairs, Honourable Mike Mabuyakhulu, for the 2005/2006 Annual Report for the Department of Local Government and Traditional Affairs



Honourable Mike Mabuyakhulu
MEC for Local Government,
Housing and Traditional Affairs

As we table this 2005/2006 Annual Report, our system of local government has just entered its second phase, a critical phase which we, in the Ministry of Local Government, Housing and Traditional Affairs, have christened as a season of harvest. We believe this is a season of harvest because it is now time when all policies must be translated into tangible service delivery which will usher in a better life for our communities. The first phase of our system of local government has proven to be the most challenging one. Indeed we have learned many important lessons.

We now stand on a new threshold, an age of hope for local government. We say this with pride because our system of local governance is beginning to experience an important era away from the problems of the past, into the possibility of a better future.

During the year under review, key milestones have been achieved in the areas of capacitating, supporting and monitoring of local government in line with the constitutional mandate of the Department of Local Government and Traditional Affairs. We successfully rolled out Project Consolidate to some of our struggling municipalities; we saw improvement in MIG spending by our municipalities and financial statements and budgets were submitted on time by many municipalities which is indeed a remarkable improvement when compared to the past.

In our determination to restore dignity and transform our sacrosanct institution of traditional leadership, we successfully promulgated the Traditional Leadership and Governance Act no.5 of 2005 in December 2005. This was achieved well within the end of the financial year deadline that we had set for ourselves. We undertook important measures to transform the institution of traditional leaders to enable it to operate within the democratic values of our constitution. This saw the transformation of tribal authorities into traditional councils which for the first time involve women and the youth.

As we engaged in this campaign we were guided by the following priorities.

- Refocusing municipalities to issues of basic service delivery
- Developing sustainable and viable municipalities capable of service delivery
- Restoring our people's confidence in the system of local government
- Forging a synergistic partnership between traditional leaders and municipalities
- Developing, nurturing and sustaining the institution of traditional leadership within a democratic system

During the same period we were also successful in finalising the long-standing issue of the integration of Umzimkhulu into the Province of KwaZulu-Natal. This is an issue that had been outstanding since 1994.

In preparation for the 2006 local government elections, our Department underwent extensive preparations in support of the Independent Electoral Commission (IEC) in order to have successful local government elections. As a result, the election was peaceful and orderly and the Province of KwaZulu-Natal recorded the highest voter turnout in the country at more than 50%.

We have also acted decisively as a Department in managing the impact of and responding to disasters. This was through the leadership provided by our Department in the co-ordination and effective mobilisation of partners in order to respond in a holistic manner to such disasters thus creating a picture of a caring government in the minds of the people of our Province.

Central to our endeavours to bring a better life to our people has been a vigorous programme of interaction with all the people of our Province as well as roleplayers and stakeholders in the various fields of our Department's sphere of operation. Through various outreach programmes, including the installations of amakhosi, housing project launches and izimbizo, our Department has been able to bring to practicality the concept of participative democracy. Over the 2005/2006 financial year we have interacted with over 70 000 people as part of our outreach campaign. This figure excludes the millions of viewers, readers and listeners that we have interacted with via radio, television and print media.

As part of our outreach campaign, we have also hosted a number of summits which focused on mobilising everyone to contribute and shape our plans and strategies to deliver water and sanitation, electricity and basic infrastructure to our people. These summits have been well-attended and have opened up avenues for interesting engagements. Resolutions adopted at these summits have gone on to form core elements of our interventions to bring a better life to all of our people. This annual report is an account of the Department of Local Government and Traditional Affairs' achievements and challenges during the 2005/2006 financial year. It constitutes our Department's contribution in creating a better life for all.

As we enter the new phase of local governance we are now well armed to man the forward trenches in ensuring that our system of local governance delivers on its mandate as enshrined in our Constitution. We are convinced that under the able stewardship of our Head of Department, Ms Gabi Gumbi-Masilela, we are now more than ready to take advantage of the opportunities presented by this current era of harvest.

A handwritten signature in black ink, appearing to read 'Mike Mabuyakhulu', followed by a stylized flourish that includes the number '6'.

Honourable Mike Mabuyakhulu
MEC for Local Government,
Housing and Traditional Affairs

1. INTRODUCTION

1.1 SUBMISSION OF THE ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

The Honourable Minister of Local Government, Housing and Traditional Affairs

I have the honour of submitting the 2005/2006 Annual Report of the Department of Local Government and Traditional Affairs in terms of the Public Finance Management Act, 1999.



Ms CG Gumbi-Masilela

Head of Department

Accounting Officer: Vote 11

Department of Local Government and Traditional Affairs

Date: 31 August 2006

1.2 INTRODUCTION BY THE HEAD OF THE INSTITUTION



Ms CG Gumbi-Masilela

Head of Department
Department of Local Government and Traditional Affairs

The financial year 2005/2006 signified the end of the first term of local government. This term was characterised by a number of challenges on the one hand and learning by all on the other. The main challenge has been the lack of capacity, including the inability to attract the right skills and capabilities in some municipalities therefore resulting in an unimpressive service delivery track record.

This should be seen against the backdrop of other challenges, such as the fact that of the 61 municipalities in the Province which is the largest number of municipalities compared to the other Provinces, 17 are fairly new entities which started on a clean slate, without experience, offices and staff etc.

The challenge of building sustainable municipal entities continued to be a key priority which will be further pursued in a robust way in the second term of local government. Three summits were held in the Province to collectively take stock of progress and challenges as well as reconfirm the priority areas and action plan to be followed. The improved intergovernmental relations which saw the development of partnerships between national and provincial government to support and accelerate service delivery through project consolidate was a good indicator of co-ordination and integrated intervention strategies of government that yielded more benefits. Significant progress was made in fast tracking service delivery in key strategic areas such as the eradication of the bucket sewage system and clean water provision.

Targeted focus on enhanced public participation strategies encouraged better communication between municipalities and the citizenry. The biggest achievement in our Province in this regard was the change of all municipalities into ward participatory types. This will ensure improved public participation and improved perceptions of municipalities by their communities.

The transformation of traditional institutions took centre stage with the promulgation of the KwaZulu-Natal Traditional Leadership and Governance Act, No. 5 of 2005. This followed the first round of elections in September 2005 in compliance with the National Framework Legislation which transformed over 95 Traditional Authorities into Traditional Councils.

The alignment of Traditional Institutions with the Democratic Structures will be pursued in the next financial year through a programme promoting synergistic partnerships.

The Province experienced a huge number of disasters which indicated key priority areas for support. We are currently piloting a shared services approach with Uthungulu District Municipality which will be rolled out to all districts to ensure that we are adequately covered when disasters occur.

The restructuring process of the Department seeks to align the structure with the mandate of the Department, whilst it ensures that adequately skilled staff are attracted to provide strategic support to municipalities and traditional institutions.

Ms CG Gumbi-Masilela

Head of Department
Department of Local Government and Traditional Affairs

1.3 INFORMATION ON THE MINISTRY

Institutions reporting to the Executive Authority:
Umsekeli
The House of Traditional Leaders

Bills submitted to the Legislature during the financial year
- KwaZulu-Natal Crematoria and Cemeteries Bill, 2005 – tabled on 24 August 2005.
- KwaZulu-Natal Traditional Leadership and Governance Bill, 2005 - tabled on 28 November 2005.

Ministerial visits abroad

Place	Date	Purpose
Italy	02 – 05 October 2005	The main purpose of the visit was to attend the 49 th World Congress of the IFHP (International Federation for Housing & Planning) entitled Urban Futures: Continuities & Discontinuities. It was hosted by the City Council of Rome.
Kenya	31 March – 7 April 2006	Special African Ministerial Conference on Housing & Urban Development. The Conference was aimed at addressing the World's greatest shelter problems (clearance of slums). It was a follow up meeting from the Conference held in Durban (2005) and evaluation of progress with regard to the Durban declaration.

1.4 MISSION STATEMENT

The Department of Local Government and Traditional Affairs will promote

“People centred, accountable and viable local governance that accelerates service delivery and ensures sustainable communities.”

The strategic goals set are:

- Refocusing local government towards accelerated basic service delivery;
- People focused, effective and efficient municipalities;
- Building community confidence in the system of local governance;
- Alignment of the Institution of Traditional Leadership within local governance; and
- Alignment of Integrated Development Plans and Provincial Growth and Development Strategy

VISION

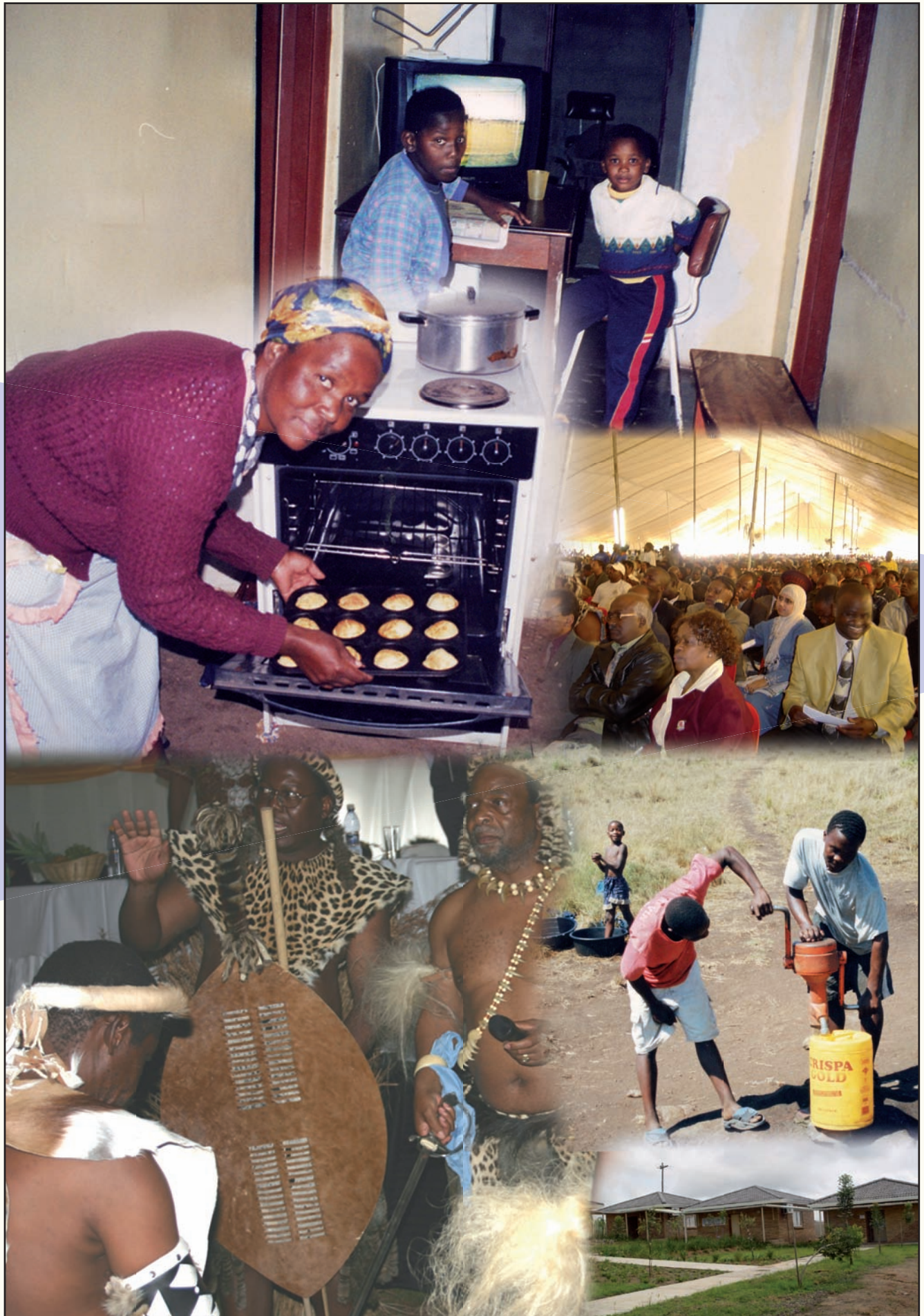
“People centred sustainable local governance”

1.5 LEGISLATIVE AND OTHER MANDATES

The legislative, functional and policy mandates of the Department are found primarily in Chapters 3, 6, 7 and 12 of the Constitution of the Republic of South Africa Act, 1996 (Act No.108 of 1996), as well as

- The Public Finance Management Act;
- Numerous other Acts of both National and Provincial Legislature;
- Policy and strategy documents issued at both a National and Provincial level; and
- Policy statements issued by the Premier of KwaZulu-Natal.

Due to the publication and promulgation of numerous Bills and Acts, such as the Municipal Finance Management Act, 2003 (Act No.56 of 2003), the Property Rates Act, 2004 (Act No.6 of 2004), the Traditional Leadership and Governance Framework Act, 2003 (Act No.41 of 2003), and the Communal Land Rights Act, 2004 (Act No.11 of 2004), the Department continuously reviewed its mandates, to ensure that it performs its functions within the mandates prescribed by this legislation.





2. PROGRAMME PERFORMANCE

2.1 VOTED FUNDS

Appropriation	Main Appropriation	Adjusted Appropriation	Actual Amount Spent	Over/Under Expenditure
	458 593	532 253	470 972	61 281
Responsible Minister	Minister for Local Government, Housing and Traditional Affairs			
Administering Department	Department of Local Government and Traditional Affairs			
Accounting Officer	Head Of Department: Local Government and Traditional Affairs			

2.2 AIM OF THE VOTE

The Department of Local Government and Traditional Affairs will foster good governance and sustainable development in KwaZulu-Natal through traditional and local government structures. This is underpinned by a professional approach, based on the Batho Pele principles.

2.3 SUMMARY OF PROGRAMMES

The Department had 5 programmes for the year 2004/05. The programmes are as follows:

PROGRAMME	SUB-PROGRAMME
1. Administration	1.1 Office of the MEC 1.2 Management (Corporate Services) 1.3 Finance
2. Local Governance	2.1 Municipal Administration 2.2 Municipal Finance 2.3 Disaster Management 2.4 Municipal Infrastructure 2.5 Municipal Training Co-ordination 2.6 Provincial Municipal Support Services
3. Development Planning	3.1 Management 3.2 Spatial Planning 3.3 Development Administration and Land Use Management (LUMS) 3.4 Integrated Development Planning 3.5 Development Information Services (DIS) 3.6 Provincial Planning and Development Commission (PPDC)
4. Traditional Institutional Management	4.1 Traditional Institutional Administration 4.2 Traditional Land Administration 4.3 House of Traditional Leaders
5. Urban and Rural Development	5.1 Rural Connectivity 5.2 ISRDP Institutional Management 5.3 Rural Development Partnerships 5.4 Urban Renewal

2.4 OVERVIEW OF THE SERVICE DELIVERY ENVIRONMENT 2005/06

The year in review signified the end of the first term of local government which ended on December 5, 2005. As we assess the impact that service delivery had on the ground, it was evident that many challenges which include, among others, low levels of capacity from both administrative and political processes affected all municipalities.

While these challenges are fully acknowledged, significant progress also needs to be noted in a number of initiatives undertaken by local government. The Project Consolidate intervention presented many opportunities for the 'just in time' hands on support to municipalities to accelerate delivery and many gains were achieved.

In anticipation for the new term of local government, the Department succeeded in facilitating the change by all municipalities to ward participatory type and all Section 12 notices for this change were finalised. The establishment of ward committees was supported by the development of guidelines and training material to ensure proper capacity support for ward committees in partnership with the DBSA.

A successful local government election was held on 1 March 2006, reconfirming the mandate given to municipalities to accelerate delivery of basic services to all.

Project Consolidate continued to make a significant impact with visible delivery on the ground. A significant number of Izimbizo were held by both national and provincial Ministers to ensure support for the programme as well as to demonstrate delivery. A Presidential Imbizo in support of Project Consolidate was held in Ilembe District Municipality in December 2005.

Some of the delivery highlights of Project Consolidate was the eradication of the bucket sewage system in Indaka Municipality, water provision in Jozini Municipality, promotion of a shared service support for disaster management in Uthungulu and others.

Infrastructure backlogs continue to hamper delivery of much needed basic services to communities in KwaZulu-Natal and it also undermines the provision of free basic services to poor households.

A significant number of KZN municipalities continue to be grant dependent and through Project Consolidate, support and additional capacity resources have been made available to municipalities with financial management and billing systems being provided to improve revenue enhancement capability of some of these municipalities, for example Umngeni Municipality.

Technical support was also deployed to some of the struggling municipalities to support the acceleration of service delivery. Furthermore the Department has developed a learnership support programme in partnership with various tertiary institutions in the Province to support technical capacity development and address the dire skills shortage in technical and engineering skills.

KwaZulu-Natal also experienced increased incidences of disaster and the Department in partnership with other key stakeholders were able to respond timeously with limited fatalities experienced. The glaring funding constraints in this area continue to put a strain in terms of the response time in the case of disasters. The disaster management shared services pilot programme in Uthungulu will provide some lessons to promote economies of scale and scope.

Although the Department has implemented a range of municipal capacity building programmes to improve financial management such as the Municipal Assistance Programme (MAP), Development Planning grant to support IDP refinement, established support for disaster management centres, the development of the Land Use Management System for both municipalities and traditional areas, training and capacitation of traditional secretaries and training of Amakhosi, the impact of this capacity cannot be quantified in measurable terms due to the lack of a dedicated unit to drive, implement and monitor capacity building intervention overall.

The transformation of the Traditional Institutions began in earnest, with the first traditional council elections in September 2005. Approximately 100 traditional institutions went through the process of transformation. The provincial legislation, the KwaZulu-Natal Traditional Leadership and Governance Framework Act, 3 of 2005 was promulgated in December 2005.

The role of the unit Land Administration area of our work has not been clarified so far pending the finalisation of the implementation plan of the Communal Land Rights Act (CLARA). The unit will be embarking on an extensive capacity building drive for the Traditional Councils who will be inheriting the bulk of functions previously performed by the unit.

Improved intergovernmental relations which saw the development of strong partnerships between the Department of Local Government and Traditional Affairs and other provincial Departments through Project Consolidate, yielded more benefits with five key service delivery Departments participating in the IDP reviews. The co-ordinated engagement has enriched IDPs. The Department will be mobilising the rest of the Departments in the new financial year to also participate in the alignment.

The promulgation of the Municipal Property Rates Act and the Municipal Finance Management Act have impacted significantly on the resources of the Department. The Department is far ahead in providing support and planning for the implementation of the Property Rates Act. Role definition has been finalised with Provincial Treasury on the effective shared / joint monitoring of the implementation of the Municipal Finance Management Act.

To enhance financial management capacity in municipalities, the Department has stepped up the Municipal Assistance Programme (MAP) using the shared services concept implemented in five districts. The lessons extracted from this process will be rolled out to other districts.

The Department finalised various pieces of legislation to provide sustainability in both local government and traditional affairs, namely:

- The KwaZulu-Natal Traditional Leadership and Governance Act
- The Cemetery and Crematoria Act
- The Pounds Bill
- The Development Planning Bill
- The Rationalisation of Local Government Bill

2.5 OVERVIEW OF THE ORGANIZATIONAL ENVIRONMENT FOR 2005/2006

The Department embarked on a restructuring programme during the latter part of 2005 to ensure that the Department is adequately positioned and aligned to deliver on the mandate of local government and the transformation of traditional affairs. The new structure seeks to attract highly skilled staff adequately capacitated to provide strategic support to municipalities and newly transformed traditional institutions.

The impact of the moratorium led to outsourcing of most of the services from external service providers. This put an additional burden on the resources of the Department. The new structure will address problems of duplication and lack of co-ordination internally.

2.6 STRATEGIC OVERVIEW AND KEY POLICY DEVELOPMENTS FOR THE FINANCIAL YEAR 2004/2005

The completion and promulgation of key new legislation outlining new responsibilities to the Provinces in relation to local government and traditional affairs. The Municipal Property Rates Act, the Municipal Finance Management Act and the KZN Traditional Leadership and Governance Act are the most prominent new legislation that has been implemented during the financial year.

The eradication of infrastructure backlogs in order to meet the Millennium Development Goals (MDGs) continues to be a challenge due to the high costs of providing infrastructure in the Province. These backlogs are created by poor topography and settlement patterns. As it stands, it is unlikely that the Province will achieve the MDGs, relating to water in 2008, sanitation in 2010 and electrification in 2012.

The provision of Free Basic Services (FBS) aimed at giving a lifeline to poor households continue to be undermined by lack of infrastructure and funding for basic services. A significant number of municipalities provide alternative free basic services such as candles, cooking gel etc en lieu of free basic electricity. The non-finalisation of the REDS strategy and implementation plans continue to impact on the accelerated delivery of energy and electricity in the Province.

The promotion of socio-economic development, poverty alleviation and job creation are all hindered by lack of infrastructure such as water and electricity to support the notion of a developmental local government.

The establishment of the Premier's Co-ordination Forum (PCF) with the District Municipalities is seen as one of the tools to accelerate sound intergovernmental relations in the Province. A strategy to establish District Co-ordination Forums in all districts has been developed by the Department and piloted in Sisonke District Municipality.

The shared services approach in finance, infrastructure and planning which is currently being piloted in five district municipalities seems to bear more fruit in addressing capacity challenges of smaller and rural municipalities.

The Project Consolidate's hands on intervention has yielded positive results in the acceleration of service delivery such as water sanitation and especially the eradication of bucket sewage system. Significant progress has been made in ensuring transparency and enhanced public participation through the Project Consolidate Izimbizo run jointly by national and provincial Ministers.

The process towards the transformation of traditional institutions started in September 2005 with the first elections of Traditional Councils and the promulgation of the KwaZulu-Natal Traditional Leadership and Governance Act 5 of 2005. This process will continue aggressively in the next financial year.

Three key summits were held. The Local Government Summit was held in April 2005, followed by the Water Summit in July 2005 and the Electricity Summit in August 2005 all of which reconfirmed the strategic direction taken by the Department in accelerating service delivery.

A new strategy for functional Multi Purpose Community Centres (MPCCs) was developed and all Traditional Courts were transformed into Traditional Administrative Centres (TACs) to ensure broader access and better efficiency in service delivery.

All municipalities in the Province were encouraged to change into ward participatory structures. A number of establishment notices were finalised before the local government elections.

Ward Committee training manuals were developed as part of a capacity building initiative and shared with the Department of Provincial and Local Government (DPLG). Training will be conducted in partnership with the Democracy Development Programme (DDP) an NGO with extensive experience in public participation.

A total number of 400 Community Development Workers (CDWs) were identified and trained to be deployed in targeted wards. The CDWs will be absorbed into public service after the completion of their training.

The Land Use Management functions have been influenced by the Land Use Management Legislation and will be further amended through the implementation by the Department of Land Affairs of the Communal Land Rights Act.

2.7 DEPARTMENTAL RECEIPTS

	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	% deviation from target
Sales of goods & services non capital assets	323	366	570	3487	554	(84%)
Commission on insurance	0	0	191	205	180	(12%)
Establishment of townships	54	60	66	75	55	(27%)
Charts/posters	0	0	11	15	20	133%
Rental: Residences	217	237	227	250	212	(15%)
Rental: Parking	52	69	75	85	86	(1%)
Miscellaneous				2857		
Sales of capital assets (Capital Revenue)	28	0	0	1		(100%)
Machinery & equipment	28	0	0			
Interest, dividend & rent on land	293	1381	600	215	500	133%
Financial transactions (Recovery of loans and advances)	2867	1149	-227		900	100%
TOTAL DepartmentAL RECEIPTS	3511	2896	943	3703	1953	(47%)

The reason for actual receipts being substantially less than projected is as a result of projections being based on historic figures, i.e. 02/03 and 03/04. However, the Department is only able to budget accurately for housing rent recoveries and parking receipts. Due to the nature of other receipt items, it is difficult to realistically budget for such items.

2.8 DEPARTMENTAL PAYMENTS

Programmes	Voted for 2005/06	Roll-overs & adjustments	Vire-ment	Total voted	Actual Expenditure	Variance
Administration	107,171	3,940	(1,803)	109,308	106,582	2,726
Local Governance	157,208	14,418	(4,125)	167,501	121,281	46,220
Development and Planning	67,214	37,396	(899)	103,711	103,607	104
Traditional Institutional management	80,452	13,214	(4,647)	89,019	76,790	12,229
Urban and Rural Development	46,548	4,692	11,474	62,714	62,712	2
TOTAL	458,593	73,660		532,253	470,972	61,281

2.9 PROGRAMME PERFORMANCE

It must be mentioned that the measurable objectives and performance measures for the 2004/05 year are considerably different from those for the 2005/06 year. It is for this reason that the actual outputs for the 2004/05 are omitted from the tables below.

PROGRAMME 1: ADMINISTRATION

Strategic Goals	Strategic Objectives
1. Client-oriented, economical, efficient and effective management of resources	1. Provide an efficient, effective support service to the Minister to enable him to perform his mandate; 2. Raise the profile and visibility of the Minister 3. Provide sound corporate management; 4. Provide sound financial management and supply chain management

Discussion on the performance of the Programme

An audit was undertaken by the Office of the Premier to determine the level that Human Resource Management was legislatively compliant. This Department was the only one in the Province that was fully compliant.

In line with its Work Place Skills Plan the Department expended R 2 017 636 on training interventions. The following Learnerships have been implemented in the Department:

Community Development Workers – 400;
 Public Sector Accounting – 1;
 Municipal Finance and Accounting – 61; and
 32 interns have been placed in various components in the Department.

Consultants appointed by the Department of Public Service and Administration met with the Department to evaluate its Employee Assistance and HIV/AIDs policies. The consultants are working on a National blue print and have indicated that they wish to use this Department as a bench mark for all other Departments.

The Department is currently achieving a 97% success rate in respect of its disciplinary hearings. This Programme, taking into account the funds requested to be rolled over, spent 99% of its budget allocation

Sub-Programme	Measurable Objective	Performance Measures	Actual outputs 2004/05	Target outputs 2005/06	Actual outputs 2005/06	Deviation from Target	
						%	unit
Ministry	Compliance with the Ministerial handbook and other legislation	Achievement of objectives and standards as contained in the business plan of Ministry	-	As per business plan	Complied	-	-
	High level profile and visibility of the Minister	Achievement of a successful Media/Public Relations plan	-	As per media plan	Complied	-	-

Sub-Programme	Measurable Objective	Performance Measures	Actual outputs 2004/05	Target outputs 2005/06	Actual outputs 2005/06	Deviation from Target	
Management	Manage the provision of Human Resource Management Services	Compliance with relevant legislative prescripts, policies and guidelines	-	Unqualified audit of HR records	Complied	-	-
		Implementation and alignment of HR Plans	-	Assess bi-annually	2 Complied with	-	1
		Moderation of individual performance assessment	-	Assess annually to ensure uniform and fair application by 30/06	Complied	-	-
	Manage the provision of Administrative Services	Compliance with relevant legislative prescripts, policies and guidelines	-	Unqualified audit*	Complied	-	-
		Implementation of communication strategy	-	Assess quarterly	Complied	-	-
	Manage the provision of Management Services	Development of Departmental Strategic plan	-	Compliance with Treasury guidelines, submitted by due date	Complied	-	-
		Implementation of Departmental Job Evaluation Processes	-	Compliance with National guidelines	Complied	-	-
		Implementation of Departmental ICT strategy	-	Compliance with Master Systems	Complied	-	-
Finance	Full compliance with PFMA	Unqualified audi*	-	Unqualified audit*	Qualified	-	-1
		Adhere to the Financial Delegations of Authority, Risk Management Plan and the Procurement Plan of the Department.	-	100%	Complied	-	-
	Implementation of provincial assets management system	Compliance with legislation, Treasury Regulations and Practice Notes	-	100%	Complied	-	-
	Implementation of procurement reform	Compliance with new procurement programme.	-	100%	Complied	-	-

Discussions on narratives

Implementation and alignment of Human Resource Plans:

The targets in respect of the Employment Equity and Work Place Skills plans were achieved, however, the target in respect of the Human resource Plan could not be achieved owing to the restructuring exercise not being complete. It is important to first profile the new posts to determine competency requirements, in order to achieve effective organisational strategic translation and HR alignment.

Implementation of a Communication Strategy:

A task team was appointed to develop such a strategy. The proposals are awaiting confirmation.

Qualified audit report

The Department received an "except for" audit qualification on the fixed assets register which could not be reconciled to the annual financial statements. With the assets management improvement plan in place and certain internal initiatives having been put in place, it is anticipated that an assets register complying with the minimum requirements and reconciling to the annual financial statements will be presented for audit purposes in the new financial year.

PROGRAMME 2: LOCAL GOVERNANCE

STRATEGIC GOALS	STRATEGIC OBJECTIVES
1. Refocusing local government towards accelerated basic services delivery	1.1 Ensure integrated planning, budgeting and development 1.2 Ensure equitable, sustainable basic services delivery
2. People focused, effective and efficient municipalities	2.1 Provide support mechanisms in governance and service delivery 2.2 Support development of municipal human capital 2.3 Ensure participative mechanisms 2.4 Ensure performance orientated municipalities
3. Building confidence of communities in system of local governance	3.1 Promote effective community participation in local governance 3.2 Support the implementation of effective communication 3.3 Promote clean and accountable local government

Discussion on the performance of the Programme

Various support programmes and capacity building initiatives were undertaken by the Department to address shortcomings. Some of these included:

- Specific management support in the form of a Management Assistance Programme
- The implementation of the Municipal Finance Management Act is a key priority in ensuring greater financial accountability and sustainability in local government, and the Department is building internal capacity to support and monitor municipalities more effectively. In the interim, various frameworks and guidelines have been developed including an annual reporting framework and an intervention framework. These will be work-shopped with municipalities based on their capacity to implement the act. During the year, the MEC for Local Government, Housing and Traditional Affairs instituted action in terms of Section 136 of the MFMA at the Impendle Municipality and a recovery plan was developed and implemented.
- Given the legacy of the past and the new roles and responsibilities that the Municipal Systems Act, the MFMA and various other new legislation have imposed, local government is being sorely tested in delivering on basic services to their citizens and concurrently developing economic growth and development strategies. The pressure to drive shared services therefore arose from the need to be more cost effective, deliver better and more effective and efficient services, to be competitive globally and locally, by reengineering processes and leveraging information and technology developments between and within government by creating shared service centers. The Department has exceeded its target in implementing shared services pilots and has implemented two pilots at Uthungulu and Umkhanyakude District Municipalities respectively. A further three shared services were launched during the year at the Sisonke, Umzinyathi and Ugu Districts with full participation by the local sphere of government.

Promoting clean and accountable local government remains a key focus area. Seventeen forensic investigations which were commissioned at the commencement of the financial year were finalized and referred to the respective municipalities for action over the past year. The MEC also commissioned a special investigation in terms of section 106 of the Municipal Systems Act, in respect of the Uthukela Water Multi-jurisdictional Entity as the water service provider in the Uthukela, Amajuba, Umzinyathi and Newcastle municipal areas.

As a proactive programme forming part of the anti-corruption strategy, the Department also undertook research and development of guidelines on proactive measures to eliminate fraud, corruption and maladministration. As a proactive programme forming part of the anti-corruption strategy, and as a support mechanism in governance and service delivery, a municipal internal control and risk management framework has been developed and implementation has commenced and is at various stages in five districts, namely, Uthungulu, Ugu, Umzinyathi, Zululand and Sisonke districts.

Recognizing the critical role of ward committees as a cornerstone to governance in our democracy, the Department undertook to ensure that all municipalities in the Province adopted the Ward Participatory Type. All remaining municipalities in KwaZulu-Natal which previously were not of the ward committee type were persuaded, thereby positioning them to establish functioning ward committees. Generic establishment and training manuals for a planned empowerment programme for ward committees after elections has also been developed. These have also been adopted by DPLG with minor refinements for role out to other Provinces in the country.

The Cemeteries and Crematoria Bill which aligned the Provincial Legislation to the provisions of the Extension of Security of Tenure Act has been enacted by the Provincial Parliament.

As part of the Department's plan of action to assist municipalities with the implementation of the Local Government: Municipal Property Rates Act, a generic draft standard rates policy guideline document was developed and has been provided to municipalities to assist them with the drafting of their Rates Policy required in terms of the Act.

Considerable success has been achieved in respect of infrastructure development, in particular the implementation of the Municipal Infrastructure Grant programme, the implementation of the Disaster Management Act, Drought Relief, the co-ordination of efforts in respect of water, sanitation and electricity service delivery and in the production of guidelines in respect of free basic service delivery

Summary – high impact areas:

Ensure equitable sustainable basic services delivery

- 20 municipalities providing Free Basic Services
- Two guidelines developed – Free basic Water & Free Basic Electricity
- 5 municipalities providing > 60% of households with the 4 major services
- Assessment conducted and order placed for 20 mobile water purification plants
- 2 summits (water & electricity) held
- 93,15% of MIG allocation (R1,116 billion) expended
- Bucket eradication project implemented at Indaka Municipality

Ensure integrated planning, budgeting and development

- 27 infrastructure Capital Development Plans facilitated

Provide support mechanisms in governance and service delivery

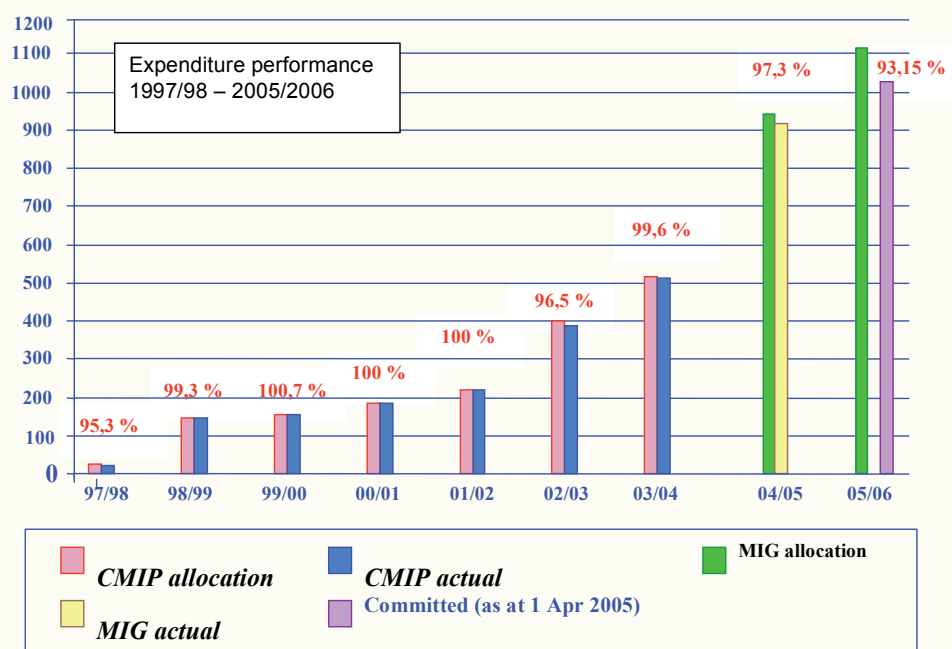
- Provincial Disaster Management
- Provincial Disaster Management Centre operational
- Provincial Disaster Management Advisory Forum operational
- 2 District Disaster Management Centres established
- Comprehensive Disaster Management guidelines developed
- MIG workshops held for “new” receiving municipalities
- 10 district backlog studies facilitated
- District MIIPs facilitated
- Drought Relief support & financial assistance provided
- WSDP's facilitated
- 78 assessments facilitated
- Technical support facilitated
- Disaster Management incident support provided

(1) Infrastructure development through the MIG

KwaZulu-Natal has an impeccable performance record on the Consolidated Municipal Infrastructure Programme (CMIP), with municipalities consistently expending 100% of available funds with fractional variance. This performance has been carried through to the MIG programme, with KwaZulu-Natal once again out-performing all other Provinces in 2004/2005, the first MIG year.

It is also to be noted that expenditure of the full allocation is an important indicator of service delivery. Full expenditure of the MIG allocation implies maximum utilization of available funding and conversion thereof into infrastructure in the ground, to the benefit of the citizens of the Province who now enjoy the benefits of the infrastructure and associated services. For this reason, the MIG programme is, largely, financially driven.

The graph below demonstrate the achievements of the Province and it's municipalities on the CMIP and MIG programmes, in addressing infrastructure backlogs:



Source : Department of Local Government and Traditional Affairs : Municipal Infrastructure

The success of implementation of the MIG programme is reflected in the overall performance of the programme for 2005 / 2006.

The allocation of R 1 116 278 491 to KwaZulu-Natal municipalities was the largest provincial allocation.

Our municipalities collectively returned an expenditure of R 1 039 865 833 which equates to 93.15% of the allocation.

(2) Implementation of the Disaster Management Act

The following successes have been achieved :

- Provincial Disaster Management Centre established;
- Cabinet approval for DMAF, Head of DMC obtained
- Five District Management Centres established in Ilembe, Umzinyathi, Ugu, Uthungulu and Umgungundlovu;
- Two District Management Centres established in Ilembe and Umzinyathi;
- Disaster Management guidelines finalised;
- Additional Funding of R12million requested for drought.

All Districts Municipalities are receiving support in the establishment of Disaster Management Centres and the preparation of Disaster Management Plans.

A total of 11 workshops have been conducted during this period at District Municipality level in conjunction with local municipalities, parastatals, National, and Provincial Departments, non government organisations and other relevant role players. These workshops have been well supported and have led to a better understanding of the requirements of the Disaster Management Act.

District and Local Municipalities have assisted mainly rural communities as a result of various types of incidents including rain, wind storms and fires. The Provincial Disaster Management Centre was activated when it became apparent that the recent fires were of a magnitude greater than was expected. All relevant role-players were alerted and placed on standby.

The Provincial Disaster Management Centre is represented on the Incident Management Committee coordinated by the Department of Agriculture to prevent the spread of Classical Swine Fever in the Province of Kwazulu-Natal, across the Eastern Cape and the Free State Borders. To date all preventative measures have proved to be successful, as to date the Province remains disease free. Surveillance continued until the end of March 2006.

The National Disaster Management Centre conducted a successful workshop at the Provincial level with District and Local Municipalities, National and Provincial Departments on the National Disaster Management Framework.

(3) Drought Relief

The Drought Relief Programme in the Province was launched in the winter of 2003, when several municipalities began reporting that water resources were reaching critical levels.

In keeping with it's constitutional obligation to support and monitor the local sphere of governance, the Department conducted individual assessments with the Local and District Municipalities concerned. The assessments identified the need for emergency intervention in eight of the fourteen Water Service Authorities in the Province. To immediately support municipalities, The Department however soon realised that a more structured, integrated and co-ordinated approach is necessitated by the severity and complexity of the emergency situation.

The Department established a sub-committee of the KwaZulu-Natal Water and Sanitation Committee (WATSAN) to research the magnitude of the problem, and to manage the Provincial Drought Relief Programme. Representatives from this Department (Municipal Infrastructure and Disaster Management), the fourteen Water Services Authorities (WSA's), the Department of Water Affairs and Forestry, the Department of Agriculture and Environmental Affairs, the Local Government Portfolio Committee and KwaNaloga constitute the committee.

A programme of ongoing assessment, action planning for immediate and medium term intervention and resourcing (funding) has been, and continues to be implemented.

Rural areas, where infrastructure services are not yet available, are largely dependant on natural sources of water (rivers / streams) but in particular groundwater. Due to the severity and extended period of the drought, groundwater resources are substantially depleted. This affects borehole supplies due to the low water table. Consistent above-normal rainfall is necessary to replenish groundwater. Such consistent above-normal rainfall did not occur in the 2003 / 2004 rainy season. Hence, it was apparent that additional funding would be required to provide further assistance to Water Service Authorities to implement emergency measures through the winter of 2004 and into the summer, rainfall months of 2004 / 2005.

The representations to DPLG were successful and R 86,723 million was made available in the National Adjustment Estimates of 2004 / 2005, to KwaZulu-Natal Water Service Authorities, for further intervention. However, these funds were only transferred in January 2005.

In the interim, through re-prioritization of this Department's 2004 / 2005 budget, R 12 million was made available in October 2004 to preclude termination of tanker services, pending the transfer of the R 86,723 million from DPLG.

Since the inception of the programme, R 154,529 million has been made available in the form of grant funding to Water Service Authorities in the Province from this Department, the Department of Water Affairs and Forestry and the Department of Provincial and Local Government (National Disaster Management Relief Fund). Approximately 1,5 million of our citizens, affected by drought, have benefited from the programme.

(4) Water, sanitation and electricity service delivery

Two most successful summits have been held, dealing with water and electricity services. Wide stakeholder representation and participation was achieved, the very pertinent issues impacting on services delivery were identified and concrete resolutions were formulated for implementation – see below.

(5) Free basic services guidelines

Free Basic Services guidelines have been drafted. Municipal workshops will be held in the 3rd and 4th quarters and municipal comments will be obtained and incorporated.

(6) Municipalities where more than 60% of households receive services

Endumeni, Matatiele, Ethekwini, Greater Kokstad and uMhlatuze provide 60% of house holds with the four major services viz water, sanitation, electricity and refuse removal. Two municipalities will be supported to do the same by year end.

Sub-Programme	Measurable Objective	Performance Measures	Actual outputs 2004/05	Target outputs 2005/06	Actual outputs 2005/06	Deviation from Target	
						%	unit
Municipal Administration	To provide and facilitate the implementation of a legislative and policy framework i.r.o local government	Number of policies, guidelines and legislation formulated	0	6	5	-	-1
	To conduct municipal capacity building programmes	Number of capacity building programmes implemented	3	4	4	-	-
	Develop and implement a framework on participation	Framework developed	New	1	1	-	-
	Operationality test conducted and remedial actions instituted	Percentage of (61) municipalities passing operationality test	New	40%	40%	-	-
		Number of remedial actions instituted	New	Depending on test findings	Ongoing through MAP	-	-

Sub-Programme	Measurable Objective	Performance Measures	Actual outputs 2004/05	Target outputs 2005/06	Actual outputs 2005/06	Deviation from Target	
						%	unit
Municipal Finance	To provide and facilitate implementation of legislative and policy framework	Number of policies, guidelines and legislation formulated	1	3	4	-	+1
	To implement specific programmes	Number of support programmes implemented		3	3	-	-
	To conduct municipal capacity building programmes	Number of capacity building programmes implemented	4	2	1	-	-1
	Financial viability test conducted and remedial action instituted	% of (61) municipalities passing a financial viability test	New	40%	40%	-	-
		Number of remedial actions instituted	New	Dependent on test findings	1	-	-
	Assess and take corrective action in relation to municipal audits	Reduce the percentage of municipalities receiving qualified audit reports	New	66%			
		Established institutional structures and capabilities to prevent corruption	New	Develop framework	1	-	-
Municipal Infrastructure	Facilitate provision of basic services	Number of policies and guidelines developed	1	4	2	-	2
		Number of municipalities providing FBS	15	20	20	-	-
		Number of municipalities where more than 60% of households have access to basic services	3	5	5	-	-
	Facilitate MIIP's/CDP's	Number of MIIP's/CDP's facilitated	17	17	27	-	+10
		Number of policies and guidelines developed	3	1	0	-	-1
	Facilitate service delivery capacity	Number of capacity building programmes implemented	17	nil	-	-	-

Disaster Management	Facilitate effective disaster management	Establish Provincial Disaster Management centre	0	Maintain	Maintained	-	-
		Establish PDM Advisory Forum	0	1	1	-	-
		Number of District DM centres established	New	5	5	-	-
		Number of policies and guidelines developed	0	1	1	-	-

Discussions on narratives

The Local Government Whitepaper has not been finalised as further research was necessary in order to effectively regulate the executive authority of municipalities as envisaged by the Constitution. The rationalisation of provincial laws also has a bearing on this activity and delays were experienced. In addition, it became necessary to await the final regulations related to National Acts to draft the Provincial White Paper within the parameters of the National Suite of Legislation

A manual on interventions in terms of the Municipal Finance Management Act and Section 139 of the Constitution was developed in addition to the targeted guidelines and policy development.

Municipal Finance Learnership as a key capacity building programme could not be implemented due to the material supplied by the Local Government Sector Education and Training Authority not being at the right NQF level and the inappropriateness of some of the content. The Department is in the process of revising the material and the learnership will be implemented during the 2006/2007 financial year.

Although draft guidelines have been developed, as indicated above, the implementation of Free Basic Services has been an area of least achievement.

Contributory factors are:

- Lack of Indigent Policies;
- Indigent registration not in place;
- Lack of infrastructure resources;
- Services provided to non-indigent households;
- Lack of provincial support resources.

PROGRAMME 3: DEVELOPMENT PLANNING

STRATEGIC GOALS	STRATEGIC OBJECTIVES
1. Alignment of IDP's and PGDS	1.1 Provide support for municipalities to align their IDP's with PGDS 1.2 Ensure inter-Departmental participation in the IDP 1.3 Support spatial integration of PGDS and IDP's
2. People focused, effective and efficient municipalities	2.1 Provide support mechanisms in governance and service delivery 2.2 Support development of municipal human capital 2.3 Ensure participative mechanisms 2.4 Ensure performance orientated municipalities
3. Refocusing local government towards accelerated basic services delivery	3.1 Ensure integrated planning, budgeting and development 3.2 Ensure equitable, sustainable basic services delivery
4. Building confidence of communities in system of local governance	4.1 Promote effective community participation in local governance 4.2 Support the implementation of effective communication 4.3 Promote clean and accountable local government

Discussion on the performance of the Programme

The 2005/06 financial year has seen a further shift of focus from planning to implementation, and from process to content. It is for this reason that the municipal development planning support and capacity building programmes of the Chief Directorate shifted from preparation and process compliance, to the content and the implementation of Integrated Development Plans (IDPs). Great progress has been made in the improvement of the participation of Line Departments in the preparation of IDPs. A process has been initiated with the provincial Departments of Housing, Agriculture and Environmental Affairs, Social Welfare and Population Development, Transport and Health, as well as the national Department of Land Affairs to facilitate their improved interaction with municipalities in IDP processes.

Good progress was made over the last year with the transformation of a legislative framework for spatial planning and land use management in the Province. The KwaZulu-Natal Land Use Management Guidelines have been further refined to meet the demands of land use management in traditional authority areas. Municipalities and traditional authorities were jointly trained in the application of these guidelines and substantial progress has been made with the development of land use schemes in both urban and rural areas throughout the Province.

This Programme is responsible for the processing of a range of statutory planning and development applications. These applications are critical for the growth and development of the Province and these application processes were therefore reviewed to minimize undue processing delays. Specific emphasis has been placed on the alignment with environmental approvals, as well as with the Rural Housing Programme of the Department of Housing. In excess 800 planning and development applications have been processed during this financial year.

Development Planning can only be relevant if it is based on relevant, accurate and up to date information. It is for this reason that the Department has further developed its own as well as the development information management capacity of municipalities. The pilot District Information Management System (DIMS) developed as a partnership between the Uthungulu District Municipality, the Development Bank of Southern Africa and the Department is now fully operational. The rollout of DIMS in the ISRDP Nodal Districts has been prioritised and is well in progress, whilst the roll-out to all other Districts have also been initiated and are currently in progress.

Significant progress has been made with the implementation of Project Consolidate in this financial year. The Provincial Programme of Action is in full implementation and has been launched by the MEC. An in-house Provincial Project Management Unit has been established, and all 29 Project Consolidate municipalities in KwaZulu-Natal are being supported with the implementation of their municipal specific Project Consolidate Plan of Action. Over and above the interventions funded and managed through normal line Departments and budgets, there are currently 63 special Project Consolidate interventions valued at R 55,6 million in implementation and include inter alia projects such as:

- Emergency water provision to rural communities in Abaqulusi, Nongoma, Hlabisa, Umhlabuyalingana and Jozini;
- Improvement of sanitation services in Indaka and Ulundi;
- Electricity reticulation to rural communities in Msinga;
- The provision of equipment to maintain rural roads in Richmond, Nquthu and Maphumulo;
- Cemetery development in Okhahlamba, Mthonjaneni and Mkhambathini and
- The establishment of shared service delivery centres in Ugu, Sisonke and Uthungulu.

Sub-Programme	Measurable Objective	Performance Measures	Actual outputs 2004/05	Target outputs 2005/06	Actual outputs 2005/06	Deviation from Target	
						%	unit
Integrated Development and Planning	To facilitate development and review of IDP's that are aligned with the PGDS	Number of guidelines developed	9	1	1	-	-
		Number of capacity building programmes in line with CB model	1	1	1	-	-
		Number of capacity building programmes in line PMS model	-	1	1	-	-
		Number of IDP's assessed	61	61	60 (1)	-	1
		Annual Report on IDP's implementation submitted to MEC (Annual Municipal Performance Report)	0	1	0 (2)	-	1
	Establish and maintain structures and mechanisms at Provincial and Municipal level (noting the contents to IGR Bill)	Number of Provincial structures in place	-	1	0 (3)	-	1
		Number of Municipal structures in place	-	11	11	-	-
Spatial Planning	Facilitate the preparation of spatial development frameworks	Number of guidelines developed	1	1	1	-	-
		Number of spatial frameworks reviewed	-	61	60 (1)	-	-1
		Number of provincial spatial frameworks developed	-	1	0 (4)	-	-1
	Build municipal spatial planning capacity	Number of capacity building programmes	1	1	1	-	-
	Support and monitor implementation of LUMS	Number of LUMS initiated in DMA's	-	1	1	-	-
Development Administration	Improve operating framework	Number of guidelines relating to spatial planning developed	-	2	2	-	-
	Promote efficient and effective spatial development	% of compliance with procedural norms	-	100%	85% (5)	-15	-
	Render administrative support to Statutory Bodies	% compliance with SLA	-	100%	80% (5)	-20	-
	Build municipal development admin capacity	Number of capacity building programmes implemented	-	1	1	-	-
	Monitor performance of municipalities	Number of KPI programmes	-	1	0 (4)	-	1

Development Information Services	Informed development decision making in KZN	Implementation of municipal information management systems (DIMS)	-	Implement in 4 DM's	4	-	-
	Capacity building in support of GIS	Number of capacity building programmes	1	1	1	-	-
	Capacity building in support of DIS	Number of capacity building programmes	-	1	1	-	-
Provincial Planning and Development Commission	Render professional support to the PPDC	Number of research programmes conducted	-	5	0 (7)	-	-5
		Processing of development applications	-	% of compliance as per norm	85% (8)	-15	-

Discussions on narratives

1. Despite extensive support rendered, one municipality did not submit its 05/06 IDP and SDF for assessment
2. A service provider has been appointed to compile this Report and a framework for the report has been prepared. Municipal assessments are now underway and target revised for September 2006
3. Although a recommendation has been made to the first meeting of PCF, a final decision from PCF and Cabinet is still awaited. Office of the Premier is responsible for Cabinet submission in this regard and for convening next PCF.
4. PGDS not yet adopted by Cabinet and await instruction of DG and HOD on process to prepare PSDF and specific role of DLGTA. Draft ToR has been developed and submitted to the Office of the Premier as the PGDS Champion of this initiative.
5. Target not fully met due to internal capacity constraints and the increase in the number of development applications.
6. Internal capacity constraints have lead to delays in achieving this target.
7. No projects finalised but service providers appointed and research commenced on the following projects:
 - Assessment of Rural Human Settlement in KZN;
 - Woman in Development in KZN: Towards Strategy and intervention;
 - Assessment of Spatial Planning Standards in KZN;
 - Assessment of the contribution of Multi Purpose Community Centres; and
 - Assessment of Municipal Development Planning Capacity.
8. Target not fully met due to internal capacity constraints and the increase in the number of development applications.

PROGRAMME 4: TRADITIONAL INSTITUTIONAL MANAGEMENT

STRATEGIC GOALS	STRATEGIC OBJECTIVES
1. Building confidence of community in system of local governance	1.1 Promote effective community participation in local governance 1.2 Support the implementation of effective communication 1.3 Promote clean and accountable local government
2. Align institution of traditional leadership within local governance	2.1 Implement legislation applicable to the Institution of Traditional Leadership 2.2 Ensure synergies between municipalities and Institution of Traditional Leadership

Discussion on the performance of the Programme

Due to the introduction of the two new pieces of legislation, namely the National and Provincial Legislation impacting on Traditional Leadership and institutions, the 2005/2006 financial year focus was on planning and implementation of these pieces of legislation.

Despite many obstacles encountered in the process, the Department was able to implement the provisions of Section 28 of the Traditional Leadership and Governance Act, 2003 (Act 41 of 2003) by transforming 100 TAs into TC's. This mammoth task was accomplished in the face of budgetary and personnel constraints.

The Provincial Legislation on Traditional Leadership and Governance was passed in December 2005 and the Department there and then embarked upon its implementation. The programme of action has been to facilitate the implementation of these pieces of legislation by:

- Transformation of Traditional Authorities to Traditional Councils.
- Disestablishment of 28 Regional Authorities.

The Department also trained 168 Traditional Authority Secretaries on the development of spread sheet on Microsoft Excel Programme and financial reporting. After this training the Department further conducted hands on assessment on the performance of these secretaries. In addition during this financial year, the Department also embarked upon the installation of six Amakhosi.

The majority of functions in this Chief Directorate were dependant on the finalization of the Provincial Act, hence it was hoped that;

- When the strategic plan was done it was envisaged that the provincial legislation would be finalized in time to meet the target dates but this did not happen as a result that most of the functions which were dependant on the legislation could not be performed.

Another factor contributed to less achievement was the introduction of the Ubambiswano Project which led to some of the staff becoming full time members of this project. In this case the Legal section as well as the Anthropological section were fully engaged in the Ubambiswano Project.

The targets were not met as the volume of work on the Land Use Management (LUMS) programme in Traditional communities had to be curtailed to make way for the transformation process of the Traditional Authorities to Traditional Councils. This period co-incided with the LUMs programme but had not been planned for. Failure to do so would have caused confusion to the Traditional Communities and would have impacted negatively on both programmes.

Secondly, the delay in promulgating the Regulations to the Communal Land Rights Act has resulted in the delay in capacitating Traditional Authorities/Councils on CLARA and in assisting them to align their work according to the prescripts of CLARA.

Sub-Programme	Measurable Objective	Performance Measures	Actual outputs 2004/05	Target outputs 2005/06	Actual outputs 2005/06	Deviation from Target	
						%	unit
Traditional Institutional Administration	Formulation of policies and regulations to give effect to legislation	Number of policies and regulations formulated	2	5	Nil	-	-5
	Implementation of capacity building programmes	Number of capacity building programmes implemented	4	3	2	-	-1
	Render support to the House of Traditional Leaders	Number of policies/programmes implemented to establish and support Houses	New	2	Nil	-	-2
	Formation of Traditional Council structure	Number of Traditional Council structures	New	11	96	-	+85
	Formulation of policies	Number of policies formulated to facilitate synergy	New	3	Nil	-	-3
	Development and implementation of capacity building programmes	Number of capacity building programmes initiated and implemented	New	3	Nil	-	-3
Traditional Land Administration	Align land administration function with Communal Land Rights Act	Number of TC's assisted with the implementation of CLARA	New	5	Nil	-	-5
		Number of policies and guidelines implemented	2	1	Nil	-	-1
	Define Traditional Council's areas of jurisdictions (TC's)	Number of TC areas of jurisdiction defined	New	30	18	-	-12
	Manage and register land rights in traditional areas	Number of LUMS capacity building programmes	1	1	1	-	-
		Number of LUM plans in Traditional Communities	48	85	43	-	-42
		% of land right applications processed	New	90%	100% attended to and 85% finalised	-5%	-

Discussions on narratives

Traditional Institutional Administration

The Department's focus was on the finalisation of the Provincial Legislation and the implementation of the National Legislation on Traditional Leadership and Governance. The Provincial Legislation was passed in December 2005. The drafting of Policies will be part of the implementation of legislation. The Department was able to form Traditional Councils in terms of the National Legislation, hence 96 Traditional Councils were transformed.

Traditional Land Sub-Programme

The targets were not met for reasons that the volume of work on Land Use Management (LUMS) being introduced in the Traditional Authority areas had to be curtailed to give way to the process of transformation of Traditional Authorities to Traditional Councils, whose period coincided with that of the LUMS programme. Failure to do so would have caused confusion to traditional authorities and impacted negatively to both programmes.

Secondly, the delay in promulgating Regulations on the Communal Land Rights Act (CLARA) has resulted in the delay incapacitating Traditional Authorities/Councils on CLARA and in assisting them to align their work according to the prescripts of CLARA.

PROGRAMME 5: URBAN AND RURAL DEVELOPMENT

STRATEGIC GOALS	STRATEGIC OBJECTIVES
1. Refocusing local government towards accelerated basic service delivery	1.1 Ensure integrated planning, budgeting and development 1.2 Ensure equitable, sustainable basic services delivery
2. People focused, effective and efficient municipalities	2.1 Provide support mechanisms in governance and service delivery 2.2 Support development of municipal human capital 2.3 Ensure participative mechanisms 2.4 Ensure performance orientated municipalities
3. Building confidence of community in system of local governance	3.1 Promote effective community participation in local governance 3.2 Support the implementation of effective communication 3.3 Promote clean and accountable local government

Discussion on the performance of the Programme

SUB-PROGRAMME: RURAL CONNECTIVITY

The dedicated focus on the construction of MPCCs and TACs in the prioritised areas continues to operationalise the vision of government for ensuring improved community access to integrated government services. These centres are among the most innovative programmes the government has introduced. The Department has therefore structured itself (after securing Provincial Cabinet mandate) to deliver the Presidential targets for both first and second generations.

The challenge in this regard is to ensure that all our MPCCs are fully functional, and that all the key government Departments which are supposed to constitute them are actually participating in them. In addition, these centres will assist in streamlining government operations to ensure that there is no duplication, in view of the scarcity of resources and the need to be comprehensive and cohesive in what we do.

In addition to the focus on MPCC, the twelve (12) new Traditional Administrative Centres (TACs) were completed in this financial year. These TACs will be linked up to the MPCC hierarchy and will serve as satellite centres for the continued programme of bringing government services closer to traditional communities. This capital infrastructure investment included initiatives that are aiming at delivering structured labour intensive methodologies. The principles of the Expanded Public Works Programme framework and the Departmental community based maintenance plan were used in the programme of ensuring locally based contractors were fully labour intensive and construction skills were developed accordingly.

SUB-PROGRAMME: RURAL DEVELOPMENT (ISRDP)

The Department took a deliberate position of using the ISRDP as a programme within which it will address the challenges of the second economy within the framework of a developmental state. The Department prioritised key poverty pocket areas within the nodes and started identifying key role players that are required to unearth economic potential and ensure a balance in the initiatives of addressing poverty, serious lack of employment opportunities and skills required for improving the lives of the targeted nodal communities.

In light of the foregoing, the Department facilitated the development of two nodal economic themes (Umkhanyakude and Zululand) that are identifying key priority focus areas, investment potential and resources required for unleashing development potential. These economic themes are to be aligned with the Integrated Development Plans (IDPs) and the prepared programme of implementation will be utilised to mobilise the required resources. It was clearly realised during the preparation of these themes that government alone cannot meet all the objectives set around service delivery, job creation and poverty eradication. The Department resolved to initiate a process framework that will bring public investment, business and communities in the implementation of the prioritised local economic initiatives.

The need for a structured marketing and communication plan for each node was also identified as a critical need for effective mobilisation of resources. It was resolved that the revision of the prepared economic themes and the outstanding themes for the two nodes will have to include detailed communication and marketing plan. This plan will ensure the proper marketing of the programme to the beneficiary communities, the Municipalities, the funding agents and other prioritised stakeholders.

SUB-PROGRAMME: URBAN DEVELOPMENT

The experience gained through the implementation of the urban renewal programme focusing on the Presidential node (Inanda, Ntuzuma and KwaMashu) made the Department realise that the major challenge facing either urban or rural second economies, is access to sustainable economic opportunities. It was also observed that success in the growth of our economy should be measured, not merely in terms of the returns that accrue to investors or the job opportunities to those with skills. Rather, it should also manifest in the extent to which the marginalised in the wilderness of the second economy are included and are at least afforded sustainable livelihoods.

This sub-programme is premised within the context of creating economic livelihoods for the poor communities thereby helping them realise their local economic development potential. The Department continued to strengthen functional working relationship with eThekweni Municipality in the implementation of the prioritised projects, aiming at confronting challenges of poverty and skill development for the township youth. The Department also adopted the prepared area-based management plan for the node and uses it in mobilising resources from Provincial and National Departments. There is also identifiable progress made in the coordinated intervention made in the improvement of skill development centres within Kwa-Mashu Township.

A principle decision was taken by the Department to extend and share experience gained from INK program to other small decaying towns that required structured government. Edendale Township within Msunduzi Municipality and Nkandla town were prioritised. It was realised that a structured intervention will require a formalised coordinated structure that will prepare programme of implementation characterised by prioritised projects, identified key role players and their resources, beneficiaries of various intervention as well as associated time frames. Initiatives for this financial year have created a conducive environment for targeted interventions to be implemented and measured in the forth-coming financial year.

SUB-PROGRAMME: COMMUNITY DEVELOPMENT WORKERS

The remarkable acceptance of the CDW program by the Executive Council have made remarkable inroads and progress in poor communities in respect of identifying government service delivery gaps and referring the issues to the relevant line function Departments. The Department recruited a cadre of Community Development Workers that are unique public servants in that they act as facilitators to ensure that government is accessible to the people and that government is properly informed about the needs on the ground.

The Premier and the MEC for Local Government, Housing and Traditional Affairs launched the programme on 26 July 2005 at the Royal Agricultural Showgrounds in Pietermaritzburg to an audience of approximately 1 500 delegates that included Amakhosi, Mayors, Business Leaders, NGOs, CBOs, Government Officials and members of the general public. A commitment was made that on completion of the learnership the CDWs would be integrated into the public service. Hence, 1 June 2006 is the effective date for confirming this undertaking.

Sub-Programme	Measurable Objective	Performance Measures	Actual outputs 2003/04	Target outputs 2004/05	Actual outputs 2004/05	Deviation from Target	
						%	unit
Rural Connectivity Programme	Improved access of government services to communities	Number of functional satellite MPCC's	New	10	8	-	-2
		Improved provision and utilisation of support systems	New	50% completion of renovated and new TAC's	70% renovated TAC's	+20	-
	Improved productive employment opportunities and skills development	Investment in EPWP labour intensive maintenance programme	New	Impact assessment of EPWP	Prepared a database for labour intensive projects and programme of skills transfer	-25	-
Integrated Sustainable Rural Development	Integrated rural development programme implemented and maintained	Level and extent of integrated provision of government services in poverty pocket areas		All Departments having a common vision on their role in socio-economic development of 4 nodes	Preliminary economic themes for each node and economic catalyst project areas were identified for each node	-40	-
		Corporate Social Investment (CSI) partnerships established		Identify and mobilize the CSI's in nodes	Database for potential CSI's and their performance areas within each node was identified	-10	-
		Number of sustainable anchor projects funded		12 Anchor projects	12	-	-
Rural Development Partnerships	Improved access of citizens to governments social and economic support systems and services	Number of CDW learnerships implemented		225 CDW learnerships in 29 Project Consolidate and priority municipalities	400	-	+175

Urban Renewal	Urban Renewal programme implemented and maintained	Number of decaying urban poverty pockets regenerated		2 prioritised towns	2	-	-
		Strengthen partnership between INK nodes and government Departments		Implement support programmes and enhanced alignment	Partnership between the Dept and INK was formalised and priority projects are being prepared	-	-

Discussions on narratives

Rural Connectivity

- a. Cabinet mandate only secured in September 2005, and it delayed preparation of MPCC/TAC programme implementation plan (PIP)
- b. The outstanding service level agreement between the Department of Labour, Department of Public Works and the Department delayed finalization of an impact assessment using the model from CIDB.

ISRDP

- a. The audit of the previously funded projects and reprioritization of the unfunded CDW programme negatively affected the prioritized projects for funding.
- b. The delays in finalization of economic development themes by IDT negatively affected progress in this programme

URP

- a. Lack of dedicated budget restricted implementation of URP programmes

2.10 TRANSFER PAYMENTS

NAME OF INSTITUTION	AMOUNT TRANSFERRED
uMsekeli	R17,6m
Provincial Planning and Development Commission	R2,3m

Umsekeli Municipal Support Services was established by Proclamation 100/1996. Umsekeli's primary function is to assist the Department in its constitutional obligation to support municipalities in the daily execution of their functions. The affairs of Umsekeli is in the process of being rounded up in the current financial year and their functions will be taken into account in the restructuring of the Department.

Kwa-Zulu Natal Town and Regional Planning Commission trading as the Provincial Planning and Development Commission (PPDC) was established in terms of the Natal Town Planning Ordinance, No. 27 of 1949 and recognised as the Planning and Development Commission in terms of the Development Facilitation Act 1995 (Act no. 67 of 1995). The PPDC is responsible for the processing of certain categories of development applications and appeals in terms of the Natal Town Planning Ordinance, 1949. It is also responsible to advise the MEC for Local Government on development planning issues and policies and to undertake research in this regard. Members to this commission are usually appointed by the MEC for a period of 3 years.

The Department also assists in the administration of the Kwa-Zulu Natal House of Traditional Leaders. No transfer payments were made to this entity as the administration costs form part of the expenditure of the Department. The Department also complied with a requirement of SCOPA of separately disclosing the budget of the House in the Budget Statements. The House of Traditional Leaders was established in terms of the KZN Act on the House of Traditional Leaders, 1994. The House represents the interests of the Traditional Leaders and their communities.

Prior to transfers being made, written assurance was obtained from the relevant entities, that they implement effective, efficient and transparent financial management and internal control systems.

2.11 CONDITIONAL GRANTS

(a) Summary of Grants

Conditional Grant	Total Allocation R '000	Total Transfers R '000
Provincial Infrastructure Grant	770	0
Consolidated Municipal Infrastructure Programme	750	0
TOTAL	1 520	0

Conditional grants were essentially a rollover from the 2004/05 financial period. No transfers were made against these grants.

2.12 CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

CAPITAL INVESTMENT

As with the previous year, most Capital investment was incurred under the programme, Urban and Rural Development.

Maintenance has been carried out on an ad hoc basis. Although a maintenance plan has not been formally drafted for the Urban and Rural development Programme, it has not been critical in light of the recent construction projects. It is envisaged that in future, funds that were previously budgeted for construction projects would now be redirected towards maintenance purposes.

Where projects have not been completed, necessary rollovers have been requested. However, for maintenance purposes, an additional strain will be put on the Department's limited financial resources as assets deteriorate over time.

ASSET MANAGEMENT

Significant additions have been made to computer equipment and vehicles in the current financial year. There have been no disposals.

The Department assets register as required by current legislation has been updated on a regular basis through affecting stock counts and amending the register where necessary. The Department is pursuing with the Hardcat initiative as started by Provincial Treasury in the previous financial year. As mentioned, this system would provide for the development and implementation of a formalised fixed assets register for the gradual migration from the modified cash basis of accounting to the accrual basis.

Based on an internal assessment of the condition of the assets, overall the condition can be described as good.

No major maintenance projects were undertaken during the financial year.

In terms of tendering of projects, the Department now complies with the Policy Framework and Practice Notes as issued in terms of the Treasury Regulations of March 2005. This is done in terms of supply chain management as the Kwa-Zulu Natal Procurement Act, 2001 (Act No. 03 of 2001), was repealed by Act 4, of 2005.

In addition, all projects are listed on the Department's Annual Procurement Plan. The latter is used as a guide in ensuring that monies which would have been budgeted for are spent during the financial year in question. In accordance with the relevant prescripts, all bids have their specifications prepared by the bid specification committee. These are then scrutinised by the bid evaluation committee and ultimately approved by the bid adjudication committee. All tenders are evaluated by the bid evaluation committee and adjudicated by the bid adjudication committee.

3. REPORT OF THE AUDIT COMMITTEE ON VOTE 11 – LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS

We are pleased to present our report for the financial year ended 31 March 2006.

Audit Committee Members and Attendance:

The Audit Committee consists of the members listed hereunder and met 6 times as per its approved terms of reference.

Name of Member	Number of Meetings Attended
R Morar (Chairman)	5
BP Campbell	6
BS Khuzwayo (Adv)	6
ADK Leisegang	6
DSD Shabalala	1
RW Green-Thompson (Prof)	1

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 38 (1)(a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except as stated below:

The Effectiveness of Internal Control

Our review revealed that the Department has implemented systems of internal control for certain areas of its operations. Weaknesses in such systems of internal control that were identified by Internal Audit have been raised with the Department of Local Government & Traditional Affairs.

The quality of in year management and monthly / quarterly reports submitted in terms of the Treasury Regulations and the Division of Revenue Act

We cannot comment on the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and the Department during the year under review.

We have:

- Not reviewed the audited annual financial statements to be included in the annual report;
- Not taken into consideration the Auditor-General's management letter and management response, as these documents were not made available to the Committee;
- Not reviewed changes in accounting policies and practices.

We accept the conclusions of the Auditor-General on the annual financial statements and are of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



.....
Chairman: On behalf of the Audit Committee

Date: 15 August 2006

4. ANNUAL FINANCIAL STATEMENTS

4.1. REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF VOTE 11 – LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS FOR THE YEAR ENDED 31 MARCH 2006

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 37 to 82, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). The fixed asset opening balances have not been audited because of the timing of guidance from National Treasury to the departments relating to the treatment, valuation and disclosure of fixed assets. These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette No. 28723 of 10 April 2006 and General Notice 808, issued in Government Gazette No. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

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

3. BASIS OF ACCOUNTING

The department's policy is to prepare financial statements on the modified cash basis of accounting determined by National Treasury, as described in accounting policy 1.1 of the financial statements.

4. AUDIT OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Local Government and Traditional Affairs at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury of South Africa, as described in accounting policy 1.1 of the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

5. EMPHASIS OF MATTER

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

5.1 Non – compliance with laws and regulations

Expenditure

- Instances were noted where the receiving official did not complete a four-part pre-numbered goods received note as required by paragraph 6.4.7. of practice note 42.
- A payment made, was supported by a copy of a hand written invoice other than the original invoice as required by paragraph 6.1.11. of practice note 42.

5.2 Human resource management

My review of the department human resource management highlighted the following:

- The establishment of the department was approved on 08 December 2003.
- The department is currently undergoing a restructuring process.
- The department experienced a vacancy rate of 36 percent for the year under review. This is well in excess of the general norm of five percent.
- A moratorium has been placed on the filling of vacant posts as a result of the restructuring.

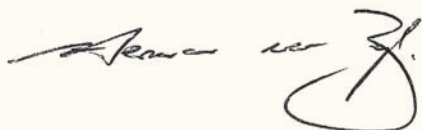
5.3 Follow up on prior year audit

Compensation of employees

The overpayments reported in paragraph 5.1 of the 2004/2005 audit report were not raised as debtors. Management has responded that the matter is still under investigation.

6. APPRECIATION

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



H van Zyl for Auditor-General

Pietermaritzburg

31 July 2006



AUDITOR - GENERAL

4.2 ACCOUNTING OFFICER'S REPORT AND APPROVAL

1. General review of the state of affairs

Budget Allocation

The Department's total voted funds for the 2005/06 financial year amounted to approximately R532 million (2004/05: R487m). This represents an increase of approximately 9% over the previous financial period. The sharp increase in the 2005/06 allocation relates to the additional funding of R43 million for the purchase of water purification plants.

The Department incurred expenditure of R471 million for the financial period (2004/05: R454m). The year on year increase in actual expenditure is approximately 4%.

Consequently, of the voted funds of R532 million, approximately R61 million remained unspent. This includes the additional allocation of R43 million for the water purification plants which the Department allocated during the adjustment process. This unspent amount, together with the balance of the unspent funds has all been requested as a rollover, as all these funds had been committed in the 2005/06 financial period.

2. Services rendered by the Department

2.1 The Department renders the following services:

- Formulate and administer legislative and policy framework in respect of local government;
- Monitor and support the finances of municipalities;
- Coordination of municipal training;
- Promote informed integrated planning and development;
- Render professional and secretariat support to planning and development statutory bodies;
- Manage Project Consolidate municipal interventions;
- Implement legislation applicable to the institution of Traditional Leadership and to land under management of Traditional Leadership; and
- Promote synergy between municipalities and institution of Traditional Leadership on land use and development.

2.2 Tariff policy

The only tariffs levied by the Department relate to the sale of maps and digital information. These tariffs are determined by the cost of the printing or copying of maps and the reproduction of digital information.

2.3 Free services

The services rendered by the Department, in terms of its core functions, are mandated by legislation and are related to constitutional obligations and are therefore provided free of charge.

4.4 Inventories

Apart from stock of consumable items, such as stationery, the Department does not carry any other inventories.

3. Capacity constraints

The administrative capacity and financial viability of most municipalities continues to be compromised by a lack of effective procedures and systems, limited municipal finance skills and poor governance and oversight by certain councils. A number of municipalities remain grant dependent due to limited rates income and show no improvement in debt management. The Department continues to address sustained municipal service delivery through various initiatives and programmes. Clean and accountable local government which maintains and restores the confidence of the communities in the system of local government remains a priority and the research and development of measures to proactively reduce fraud, corruption and maladministration strives towards this strategic objective.

Effective financial management is seen as the interplay between three elements namely: Leadership, Skills base and Structures and systems. The financial viability of municipalities is compromised by deficiencies in these areas. The Department continues to support municipalities to implant effective financial management structures and systems through the management assistance programme at 27 municipalities during the past year.

The Government's Free Basic Services (FBS) commitment to economically disadvantaged communities (indigents) was hampered by difficulties including: lack of infrastructure due to huge backlogs in the Province, lack of information to provide a detailed picture of delivery at municipal level, lack of information on challenges faced by municipalities in delivering FBS and a lack of capacity. In addition, the impact of free basic services on poverty could not be determined. The Department convened the electricity and water summits, respectively, in attempts to develop a strategy to address the above said problems. The resolutions undertaken at these summits have been built into the business plan for the financial year 2006/07. The municipalities were also assisted in the compilation and identification of backlogs.

There were a number of challenges in the implementation of the Municipal Infrastructure Grant (MIG). These included a lack of administrative capacity and a lack of appropriate mechanisms to gauge MIG impact on poverty alleviation. The Department facilitated the establishment of 14 Municipal Programme Management Units in order to address the problems. However, due to low capacity, no proper monitoring has happened.

There were a number of incidents that had occurred in the Province during the 2005/06 financial year. Although none of the incidents were of a sufficient magnitude to be declared as disasters, in terms of the Disaster Management Act, it is, however, important to indicate that they had a major impact in the lives of the communities. For instance, the storm in Greytown left many families without accommodation and several lives were lost during this process. Heavy rainstorms accompanied by strong winds caused extensive damages in Ilembe Municipality in August 2005. A large runaway fire swept through extensive rural areas within Umlalazi Municipality. The Provincial Disaster Management Centre within the Department facilitated relief efforts to municipalities in the form of blankets, tents, plastics, etc. The Department facilitated the establishment of five District Disaster Management Centres, in attempts to, inter alia, have appropriate structures and systems in terms of The Disaster Management Act, 2000 (Act No 57 of 2000).

Severe development planning capacity constraints are being experienced both within the Department, as well as within Municipalities. Departmental capacity constraints are largely related to a moratorium on the filling of vacancies pending the finalisation of a restructuring process. Municipal capacity constraints are primarily as a result of financial constraints and the scarcity of certain technical skills. There is a high turnover of municipal development planning staff, resulting in a continuous need for capacity building and training programmes for new appointees.

Multi-skilled, knowledgeable personnel are required to deal with various issues relating to land and the communities residing thereon. Individuals with legal, technical and negotiating or communication skills are needed.

4. Utilisation of donor funds

Included in the financial statements is an amount for donor funding. Such funds have been sourced from entities such as the LGSETA, the Development Bank of Southern Africa (DBSA), etc. These funds have been utilised for purposes such as the community development workers, capacitation of the traditional leaders and their related staff and drafting of the Municipal Infrastructure Investment Plans.

5. Trading entities and public entities

1.1 Provincial Planning and Development Commission

The KwaZulu-Natal Town and Regional Planning Commission trading as the Provincial Planning and Development Commission (PPDC) was established in terms of the Natal Town Planning Ordinance, No 27 of 1949 and recognised as the Planning and Development Commission in terms of the Development Facilitation Act 1995 (Act no.67 of 1995). The PPDC is responsible for the processing of certain categories of development applications and appeals in terms of the Natal Town Planning Ordinance, 1949. It is also responsible to advise the MEC for Local Government on Development Planning issues and policies and to undertake research in this regard. In the current financial year, the Commission was issued a grant of R2,3 million by the Department. Financial statements in respect of the PPDC have been prepared for the year ended 31 March 2006.

1.2 Umsekeli Municipal Support Services

This Entity was established by Proclamation 100/1996. Umsekeli's primary function is to assist the Department in its Constitutional obligation to support municipalities in the daily execution of their functions. Umsekeli has an Accounting authority in the form of a Management Body chaired by this Department and is subject to an annual audit by the Auditor-General. The affairs of Umsekeli will be rounded up in the current financial year and their functions will be taken into account in the restructuring of the Department. In the current financial year, Umsekeli was issued a grant of R17,6 million by the Department.

1.3 KwaZulu-Natal House of Traditional Leaders

The House of Traditional Leaders was established in terms of the KZN Act on the House of Traditional Leaders, 1994. The house represents the interests of Traditional Leaders and their communities and its statutorily defined responsibilities may be found in the Act.

No financial statements have been prepared for the House as they have received no income (transfer payment) during the year under review. In terms of Section 15 of the above Act, the administration cost of the House forms part of the expenditure of the Department of Local Government and Traditional Affairs.

6. Organisations to whom transfer payments have been made

Transfers were made to all municipalities in terms of the Division of Revenue Act to provide assistance in respect of Integrated Development Planning, Development Information Services and Development Administration.

In addition, transfers were made to all municipalities in terms of the Division of Revenue Act, to:

- provide assistance to the smaller municipalities to restructure their financial positions and organisations over the medium term (Management Assistance Programme);
- Implementation of shared services for alternative service delivery;
- Implementation of the Municipal Finance Management Act no 56 of 2003;
- To integrate current systems of debt management and improve revenue streams thereby enhancing financial viability;
- Improve service delivery in accordance with 8 key focus areas of the National Project Consolidate Programme; and
- For capacity building and development planning support.

7. Public private partnerships

The Department has not entered into any public / private partnerships.

8. Corporate governance arrangements

The Sub-directorate: Internal Control makes use of a customised Control and Risk Self Assessment module to conduct risk assessments within this Department. The risk criteria / risk types for these risk assessments were set by management and include financial risks, administrative risks, asset risks, equipment risks and documentation risks.

All Chief Directorates, where the mentioned risk types are more likely to occur, were identified and an annual risk assessment plan was recommended and approved for execution. The following risk assessments have been completed: Internal Control, Transport and Auxiliary Services.

The Audit section of the Internal Control Sub-directorate have conducted audits into S&T claims, tribal councils, grants paid to municipalities, value-for-money on Integrated Development Initiative grants, payments for suppliers and Human Resources activities, where the controls that were identified during the risk assessment was tested for their effectiveness and efficiency. The Internal Control Sub-directorate also conducted fourteen forensic audits where commercial crime was detected during audits and where irregularities were reported. Ten of these cases were reported to the SAPS for further investigation. Four of these cases have been successfully prosecuted in court, the defendants were found guilty and the money was recovered. However, six cases are still pending.

9. Discontinued activities / activities to be discontinued

There are no activities that have been or are to be discontinued.

10. New / proposed activities

We are currently in the sustainability phase of Local Government and the key focus is on implementation and enhanced service delivery. While the large part of the targets was based on policy development, this has been complemented with a stronger emphasis on service delivery and capacity support for municipalities to deliver on their mandates.

Most ward committees will need to be established or reconstituted following the local government elections held on 1 March 2006 and the Department will embark on a programme of action to assist municipalities to establish ward committees. The Department, in conjunction with DPLG, will implement a comprehensive training programme to capacitate ward committee members. SALGA intends to conduct a councillor orientation programme highlighting the importance of community participation and the Department will reinforce this concept through a programme to capacitate municipal officials to provide ongoing training to councillors.

The Department will embark on a multi faceted programme to assist municipalities with the implementation of the Local Government: Municipal Property Rates Act, 2004. Substantial Departmental funding has been transferred to municipalities and financial assistance from the DBSA has been sourced to assist the Department in developing a number of programmes designed to assist municipalities.

A step by step procedural guideline for the implementation of the Municipal Property Rates Act has been developed and will be launched and workshopped with municipalities and relevant stakeholders in the 2006/07 financial year. The guideline places special emphasis on community participation in all aspects of the rating process via a structured communication strategy. The guideline will facilitate the implementation of the Act by all municipalities within the statutory timeframe.

The following landmark programmes will be undertaken to ensure financially viable local government:

- Skills and capacity in municipal finance will be addressed through a long term strategy of implementing a learnership in municipal finance and administration in partnership with all municipalities. 100 learners will be targeted who will be resident in the municipalities where they will be placed. The material for the learnership has been accredited by the Local Government and Water Sector and Education Training Authority (LGWSETA) and the programme will commence in the 2006 academic year and run for a period of eighteen months;
- There will be continued support under the management assistance programme for those municipalities experiencing financial problems;

- The extension of the shared services programme to all districts in the Province will ensure more effective, efficient and economical delivery of services and fulfillment of management obligations by local government;
- Strategies to address debt management, credit control and billing will also enhance municipal revenue for further investment in service delivery;
- Capacitation of councillors and in particular mayors to exercise more effectively their governance and oversight role thereby improving financial management and accountability will be a key focus area; and
- Clean and accountable local government remains an important objective and the anti-corruption strategy will be implemented rigorously.

Most municipalities do not roll out the Free Basic Services policy effectively as a result of a lack of infrastructure, understanding of policy, clear roles and responsibilities, public participation, backlog information, indigent policies, proper budgeting for indigent and monitoring and evaluation mechanisms. A guideline document on free basic services will be rolled out to assist municipalities to align with Government policy in the proper context of their affordability levels.

The challenges have been identified within the context of service delivery specifically water, sanitation, electricity, etc. There was a need for the development of a robust approach to address the service delivery activities at Municipality level. The municipalities were consulted to collect information on the reasons for lack of service delivery and the information will be used for developing an intervention strategy for 2006/07. One of the strategies will include the development and implementation of a learnership programme at municipal level in the engineering field and project management.

The strategy for 2006/07 will focus on building municipal capacity which will include facilitation of the establishment of effective PMUs in the municipalities, the promotion of the shared service concept amongst families of municipalities, provision of guidelines on the Municipal Infrastructure Investment Plans and conducting ongoing training and capacity building workshops on MIG. The ultimate aim is to align the identified projects with the IDPs as well as to ensure that there is 100% expenditure on the allocated funds for MIG. This would be a key performance indicator for service delivery within the municipalities and in the Province at large.

Twenty water purification plants, for which funds were committed during the last financial year, will be distributed to Water Services Authorities. Each plant will generate 50 000 litres of water per hour. This project, which is an interim measure, will enhance the extent to which an increased number of households receive potable water. More than 20 million litres of potable water will be available per day in the Province after placement of plants.

R27 million has been earmarked for conditional transfer to municipalities in support of infrastructure development for soccer stadia. A development strategy which will include the following will be developed: identification of stakeholders and their roles, stakeholder participation, targeted areas for infrastructure roll out, profiling, marketing and mass commitment including stakeholders towards projects. This will be Departmental direct contribution towards the FIFA World Cup in 2010.

Special attention will be given to support the Umzimkulu Municipality as a newly incorporated municipality in the Province. The focus will be to extend current provincial municipal support programmes to Umzimkulu.

In view of the continued development planning capacity constraints being experienced by municipalities, the concept of shared services is to be pursued in the coming financial year. This activity will require extensive facilitation between district and local municipalities on the format and terms and conditions for the establishment of shared services.

It is anticipated that the Department will be part of a team tasked to manage a process to develop a Provincial Spatial Development Framework for KwaZulu-Natal. This process will require an intensive process of consultation with all provincial Departments, municipalities, as well as the private sector.

The Department has been tasked to manage the preparation and implementation of a Corridor Development Strategy for KwaZulu-Natal. Certain provisional focus areas have been identified for this purpose and key role players and stakeholders now have to be mobilised to reach agreement on priority corridors in the Province, as well as to support implementation strategies for enhanced development in these areas.

The current Municipal IDP support programme will be refocused in the coming financial year, to assist municipalities and in particular newly elected Municipal Councils, to produce credible IDPs for the new term of office. As part of this process, this Department will also be targeting its capacity support to other provincial Departments to assist them to be more effective in their IDP engagements with municipalities.

Further activities include the implementation of the Communal Land Right Act, 2004 to traditional areas as well as the KwaZulu-Natal Traditional Leadership and Governance Framework Act 2003.

11. Performance Information

The component, Traditional Land Administration within the Department set out to draft and implement one guideline on land allocation in an attempt to control disorderly settlement of people in areas of Amakhosi and to curtail land disputes prevalent in these traditional areas which disrupt development. The document is in draft form, pending regulations on the Communal Land Right Act.

This component has managed to finalise 2000 (85%) land rights applications lodged with the Department, for various developments eg. residential, electricity, commercial businesses, and institutions (schools, churches, community centres, crèches etc.) in areas under traditional leadership.

The section further continued with its programme of introducing LUMS to Traditional Authorities and also commenced demarcating Izigodi of each Traditional Authority where the programme has been introduced and embraced by the Traditional Authorities and their communities.

12. SCOPA Resolutions

Ongoing reports have been submitted to SCOPA.

13. Approval

The annual financial statements set out on pages 42 to 82 have been approved by the Accounting Officer.



Ms CG Gumbi-Masilela
HEAD OF DEPARTMENT
Accounting Officer: Vote 11
Date: 31 July 2006

4.3 STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 1 of 2005.

1. Presentation of the Financial Statements

1.1 Basis of preparation

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid or when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the Department.

1.3 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

A comparison between actual and budgeted amounts per major classification of expenditure is included in the appropriation statement.

2. Revenue

2.1 Appropriated funds

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total appropriated funds are presented in the statement of financial performance.

Unexpended appropriated funds are surrendered to the National/Provincial Revenue Fund, unless approval has been given by the National/Provincial Treasury to rollover the funds to the subsequent financial year. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the statement of financial position.

2.2 Departmental revenue

All Departmental revenue is paid into the National/Provincial Revenue Fund when received, unless otherwise stated. Amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised in the statement of financial position.

2.2.1 Sales of goods and services other than capital assets

The proceeds received from the sale of goods and/or the provision of services is recognised in the statement of financial performance when the cash is received.

2.2.2 Interest, dividends and rent on land

Interest, dividends and rent on land is recognised in the statement of financial performance when the cash is received.

2.2.3 Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the statement of financial performance on receipt of the funds. Amounts receivable at the reporting date are disclosed in the disclosure notes to the annual financial statements.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the statement of financial performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

2.3 Local and foreign aid assistance

The total cash amounts received during the year is reflected in the statement of financial performance as revenue.

The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the statement of financial performance. Unutilised amounts are recognised in the statement of financial position.

3. Expenditure

3.1 Compensation of employees

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Social contributions include the entities' contribution to social insurance schemes paid on behalf of the employee. Social contributions are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system.

3.1.1 Short term employee benefits

Short term employee benefits comprise of leave entitlements (capped leave), thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the notes to the financial statements. These amounts are not recognised in the statement of financial performance.

3.1.2 Long-term employee benefits

3.1.2.1 Termination benefits

Termination benefits such as severance packages are recognised as an expense in the statement of financial performance as a transfer when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.1.2.2 Post employment retirement benefits

The Department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year). No provision is made for retirement benefits in the financial statements of the Department. Any potential liabilities are disclosed in the financial statements of the National/Provincial Revenue Fund and not in the financial statements of the employer Department.

The Department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year).

3.2 Goods and services

Payments made for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.3 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or under spending of appropriated funds. The write-off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but amounts are disclosed as a disclosure note.

All other losses are recognised when authorisation has been granted for the recognition thereof.

3.4 Unauthorised expenditure

When discovered unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is recognised in the statement of financial performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, in the statement of financial performance on the date of approval.

3.5 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.6 Expenditure for capital assets

Payments made for capital assets are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

4. Assets

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

4.2 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made.

4.3 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party.

Revenue receivable not yet collected is included in the disclosure notes. Amounts that are potentially irrecoverable are included in the disclosure notes.

5. Liabilities

5.1 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are recognised at historical cost in the statement of financial position.

5.2 Lease commitments

Lease commitments represent amounts owing from the reporting date to the end of the lease contract. These commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Operating lease commitments are expensed when the payments are made.

5.3 Accruals

Accruals represent goods/services that have been received, but where no invoice has been received from the supplier at the reporting date, or where an invoice has been received but final authorisation for payment has not been effected on the system.

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

5.4 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Department; or

A contingent liability is a present obligation that arises from past events but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are included in the disclosure notes.

5.5 Commitments

Commitments represent goods/services that have been approved and/or contracted, but where no delivery has taken place at the reporting date.

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

6. Net Assets

6.1 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made and recognised in a previous financial year becomes recoverable from a debtor.

7. Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Department.

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

4.4 APPROPRIATION STATEMENT

Appropriation statement for the year ended 31 March 2006

Appropriation per programme									
	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Administration									
Current payment	100,770	-	(1,803)	98,967	97,734	1,233	98.8%	92,779	84,298
Transfers and subsidies	468	-	-	468	524	(56)	112.0%	595	629
Payment for capital assets	9,873	-	-	9,873	8,324	1,549	84.3%	15,587	9,403
2. Local Governance									
Current payment	104,692	-	(4,170)	100,522	54,122	46,400	53.8%	54,956	48,063
Transfers and subsidies	66,487	-	-	66,487	66,675	(188)	100.3%	98,763	98,886
Payment for capital assets	447	-	45	492	484	8	98.4%	1,291	759
3. Development and Planning									
Current payment	37,399	-	(810)	36,589	36,571	18	100.0%	36,300	33,877
Transfers and subsidies	66,070	-	-	66,070	65,985	85	99.9%	26,942	26,955
Payment for capital assets	1,141	-	(89)	1,052	1,051	1	99.9%	1,209	836
4. Traditional Institutional Management									
Current payment	86,402	-	(4,832)	81,570	74,499	7,071	91.3%	75,088	67,810
Transfers and subsidies	689	-	-	689	661	28	95.9%	432	668
Payment for capital assets	6,575	-	185	6,760	1,630	5,130	24.1%	1,085	651
5. Urban and Rural Development									
Current payment	46,472	-	11,615	58,087	58,055	32	99.9%	64,812	64,426
Transfers and subsidies	117	-	-	117	156	(39)	133.3%	211	230
Payment for capital assets	4,651	-	(141)	4,510	4,501	9	99.8%	17,136	16,151
Total	532,253	-	-	532,253	470,972	61,281	88.5%	487,186	453,642
Reconciliation with Statement of Financial Performance									
Add:									
Departmental receipts				1,953				943	
Local and foreign aid assistance received				14,252				6,094	
Actual amounts per Statements of Financial Performance (Total revenue)				548,458				494,223	
Add:									
Local and foreign aid assistance					9,724				3,672
Actual amounts per Statements of Financial Performance (Total expenditure)					480,696				457,314

4.4 APPROPRIATION STATEMENT (continued)

Appropriation per economic classification

	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	177,676	-	(8,740)	168,936	168,846	90	99.9%	174,771	168,247
Goods and services	198,059	-	8,740	206,799	151,210	55,589	73.1%	149,164	129,949
Financial transactions in assets and liabilities	-	-	-	-	925	(925)	0.0%	-	278
Transfers and subsidies									
Provinces and municipalities	112,425	-	-	112,425	112,406	19	100.0%	106,230	106,237
Departmental agencies and accounts	19,900	-	-	19,900	19,900	-	100.0%	19,878	19,600
Households	1,506	-	-	1,506	1,695	(189)	112.5%	835	1,531
Payments for capital assets									
Buildings and other fixed structures	8,629	-	-	8,629	4,029	4,600	46.7%	11,061	11,067
Machinery and equipment	13,878	-	(205)	13,673	11,579	2,094	84.7%	25,247	16,285
Software and other intangible assets	180	-	205	385	382	3	99.2%	-	448
Total	532,253	-	-	532,253	470,972	61,281	88.5%	487,186	453,642

4.4 APPROPRIATION STATEMENT (continued)

Appropriation per economic classification									
	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	177,676	-	(8,740)	168,936	168,846	90	99.9%	174,771	168,247
Goods and services	198,059	-	8,740	206,799	151,210	55,589	73.1%	149,164	129,949
Financial transactions in assets and liabilities	-	-	-	-	925	(925)	0.0%	-	278
Transfers and subsidies									
Provinces and municipalities	112,425	-	-	112,425	112,406	19	100.0%	106,230	106,237
Departmental agencies and accounts	19,900	-	-	19,900	19,900	-	100.0%	19,878	19,600
Households	1,506	-	-	1,506	1,695	(189)	112.5%	835	1,531
Payments for capital assets									
Buildings and other fixed structures	8,629	-	-	8,629	4,029	4,600	46.7%	11,061	11,067
Machinery and equipment	13,878	-	(205)	13,673	11,579	2,094	84.7%	25,247	16,285
Software and other intangible assets	180	-	205	385	382	3	99.2%	-	448
Total	532,253	-	-	532,253	470,972	61,281	88.5%	487,186	453,642

4.4 APPROPRIATION STATEMENT (continued)

Detail per programme 1 - Administration for the year ended 31 March 2006

Appropriation per programme									
Programme per subprogramme	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1.1 Office of the MEC									
Current payment	13,523	-	(530)	12,993	12,997	(4)	100.00%	6,905	5,505
Transfers and subsidies	16	-	-	16	14	2	87.5%	20	18
Payment for capital assets	1,066	-	-	1,066	1,046	20	98.1%	298	155
1.2 Corporate Services									
Current payment	87,247	-	(1,273)	85,974	84,737	1,237	98.6%	85,874	78,793
Transfers and subsidies	452	-	-	452	510	(58)	112.8%	575	611
Payment for capital assets	8,807	-	-	8,807	7,278	1,529	82.6%	15,289	9,248
Total	111,111	-	(1,803)	109,308	106,582	2,726	97.5%	108,961	94,330

Appropriation per economic classification									
Economic Classification	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	48,357	-	(1,730)	46,627	46,554	73	99.8%	45,702	44,363
Goods and services	52,413	-	(73)	52,340	50,255	2,085	96.0%	47,077	39,657
Financial transactions in assets and liabilities	-	-	-	-	925	(925)	0.0%	-	278
Transfers and subsidies									
Provinces and municipalities	143	-	-	143	133	10	93.0%	128	125
Households	325	-	-	325	391	(66)	120.3%	467	504
Payments for capital assets									
Buildings and other fixed structures	-	-	-	-	-	-	-	-	29
Machinery and equipment	9,697	-	(19)	9,678	8,130	1,548	84.0%	15,587	9,061
Software and other intangible assets	176	-	19	195	194	1	99.5%	-	313
Total	111,111	-	(1,803)	109,308	106,582	2,726	97.5%	108,961	94,330

4.4 APPROPRIATION STATEMENT (continued)

Detail per programme 2 – Local Governance for the year ended 31 March 2006

Appropriation per programme									
Programme per subprogramme	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
2.1 Municipal Administration									
Current payment	19,264	-	(400)	18,864	19,690	174	99.1%	16,203	13,674
Transfers and subsidies	34	-	-	34	116	(82)	341.2%	44	43
Payment for capital assets	179	-	45	224	262	(38)	117.0%	366	177
2.2 Municipal Finance									
Current payment	23,198	-	(2,070)	21,128	19,658	1,470	93.0%	25,150	21,447
Transfers and subsidies	39,847	-	-	39,847	39,873	(26)	100.1%	47,688	47,806
Payment for capital assets	33	-	-	33	31	2	93.9%	343	154
2.3 Disaster Management									
Current payment	3,570	-	-	3,570	2,893	677	81.0%	2,100	2,481
Transfers and subsidies	1	-	-	1	81	(80)	8100.0%	5,002	7,902
Payment for capital assets	140	-	-	140	96	44	68.6%	291	304
2.4 Municipal Infrastructure									
Current payment	58,660	-	(1,700)	56,960	12,881	44,079	22.6%	9,991	10,461
Transfers and subsidies	9,005	-	-	9,005	9,005	-	100.0%	28,429	25,535
Payment for capital assets	95	-	-	95	95	-	100.0%	291	124
2.5 Municipal Training Co-ordination									
Current payment	-	-	-	-	-	-	-	1,512	-
2.6 Provincial Municipal Support Services									
Transfers and subsidies	17,600	-	-	17,600	17,600	-	100.0%	17,600	17,600
Total	171,626	-	(4,125)	167,501	121,281	46,220	72.4%	155,010	147,708

Appropriation per economic classification									
Economic Classification	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	30,312	-	(950)	29,362	29,355	7	100.0%	33,404	30,284
Goods and services	74,380	-	(3,220)	71,160	24,767	46,393	34.8%	21,552	17,779
Transfers and subsidies									
Provinces and municipalities	48,285	-	-	48,285	48,396	(111)	100.2%	80,965	80,966
Departmental agencies and accounts	17,600	-	-	17,600	17,600	-	100.0%	17,600	17,600
Households	602	-	-	602	679	(77)	112.8%	198	320
Payments for capital assets									
Machinery and equipment	447	-	45	492	484	8	98.4%	1,291	759
Total	171,626	-	(4,125)	167,501	121,281	46,220	72.4%	155,010	147,708

4.4 APPROPRIATION STATEMENT (continued)

Detail per programme 3 – Development and Planning for the year ended 31 March 2006

Appropriation per programme									
Programme per subprogramme	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
3.1 Management									
Current payment	5,755	-	(82)	5,673	5,635	38	99.3%	6,686	6,636
Transfers and subsidies	13	-	-	13	38	(25)	292.3%	12	11
Payment for capital assets	172	-	-	172	185	(13)	107.6%	85	82
3.2 Spatial Planning									
Current payment	978	-	(319)	659	663	(4)	100.6%	749	241
Transfers and subsidies	3,632	-	-	3,632	3,632	-	100.0%	8,781	8,780
Payment for capital assets	22	-	(2)	20	15	5	75.0%	58	44
3.3 Development Admin & Land Use Management									
Current payment	9,799	-	(393)	9,406	9,407	(1)	100.0%	9,556	9,424
Transfers and subsidies	2,393	-	-	2,393	2,390	3	99.9%	1,873	1,874
Payment for capital assets	243	-	(2)	241	240	1	99.6%	161	125
3.4 Integrated Development Planning									
Current payment	6,594	-	(803)	5,791	5,832	(41)	100.7%	8,293	7,654
Transfers and subsidies	9,993	-	-	9,993	9,885	108	98.9%	8,550	8,552
Payment for capital assets	119	-	(30)	89	88	1	98.9%	254	163
3.5 Development Information Services									
Current payment	6,012	-	(756)	5,256	5,229	27	99.5%	7,012	6,613
Transfers and subsidies	6,164	-	-	6,164	6,162	2	100.0%	5,714	5,729
Payment for capital assets	402	-	(130)	272	271	1	99.6%	593	375
3.6 Provincial Planning and Development Commission									
Current payment	3,431	-	(276)	3,155	3,154	1	100.0%	4,004	3,309
Transfers and subsidies	2,308	-	-	2,308	2,308	-	100.0%	2,012	2,009
Payment for capital assets	13	-	(4)	9	9	0	100.0%	58	47
3.7 Special Projects									
Current payment	4,830	-	1,819	6,649	6,651	(2)	100.0%	-	-
Transfers and subsidies	41,567	-	-	41,567	41,570	(3)	100.0%	-	-
Payment for capital assets	170	-	79	249	243	6	97.6%	-	-
Total	104,610	-	(899)	103,711	103,607	104	99.9%	64,451	61,668

4.4 APPROPRIATION STATEMENT (continued)

Appropriation per economic classification									
Economic Classification	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	28,242	-	(2,120)	26,122	26,114	8	100.0%	26,477	26,180
Goods and services	9,157	-	1,310	10,467	10,457	10	99.9%	9,823	7,697
Transfers and subsidies									
Provinces and municipalities	63,770	-	-	63,770	63,659	111	99.8%	24,942	24,939
Departmental agencies and accounts	2,300	-	-	2,300	2,300	-	100.0%	2,000	2,000
Households	-	-	-	-	26	(26)	0.0%	-	16
Payments for capital assets									
Machinery and equipment	1,141	-	(89)	1,052	1,051	1	99.9%	1,209	734
Software and other intangible assets	-	-	-	-	-	-	-	-	102
Total	104,610	-	(899)	103,711	103,607	104	99.9%	64,451	61,668

4.4 APPROPRIATION STATEMENT (continued)

Detail per programme 4 – Traditional Institutional Management for the year ended 31 March 2006

Appropriation per programme									
Programme per subprogramme	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
4.1 Traditional Institutional Administration									
Current payment	69,665	-	(4,221)	65,444	59,193	6,251	90.4%	57,508	52,539
Transfers and subsidies	491	-	-	491	358	133	72.9%	248	226
Payment for capital assets	5,397	-	-	5,397	705	4,692	13.1%	183	174
4.2 House of Traditional Leaders									
Current payment	3,768	-	-	3,768	3,198	570	84.9%	2,338	2,320
Transfers and subsidies	47	-	-	47	46	1	97.9%	144	164
Payment for capital assets	-	-	-	-	-	-	-	12	-
4.3 Traditional Land Administration									
Current payment	12,969	-	(611)	12,358	12,108	250	98.0%	15,242	12,951
Transfers and subsidies	151	-	-	151	257	(106)	170.2%	40	278
Payment for capital assets	1,178	-	185	1,363	925	438	67.9%	890	477
Total	93,666	-	(4,647)	89,019	76,790	12,229	86.3%	76,605	69,129

Appropriation per economic classification									
Economic Classification	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	54,004	-	(1,814)	52,190	52,190	-	100.0%	53,644	52,136
Goods and services	32,398	-	(3,018)	29,380	22,309	7,071	75.9%	21,444	15,674
Transfers and subsidies									
Provinces and municipalities	171	-	-	171	164	7	95.9%	154	164
Departmental agencies and accounts	-	-	-	-	-	-	-	278	-
Households	518	-	-	518	497	21	95.9%	-	504
Payments for capital assets									
Buildings and other fixed structures	4,593	-	-	4,593	-	4,593	0.0%	-	-
Machinery and equipment	1,982	-	-	1,982	1,446	536	73.0%	1,085	618
Software and other intangible assets	-	-	185	185	184	1	99.5%	-	33
Total	93,666	-	(4,647)	89,019	76,790	12,229	86.3%	76,605	69,129

4.4 APPROPRIATION STATEMENT (continued)

Detail per programme 5 – Urban and Rural Development for the year ended 31 March 2006

Appropriation per programme									
Programme per subprogramme	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
5.1 Rural Connectivity									
Current payment	12,334	-	3,338	15,672	15,671	1	100.0%	23,410	23,409
Transfers and subsidies	91	-	(91)	-	-	-	-	-	-
Payment for capital assets	219	-	4,083	4,302	4,301	1	100.0%	15,086	14,445
5.2 ISRDP Institutional Management									
Current payment	6,991	-	(6,892)	99	98	1	99.0%	8,597	8,597
Transfers and subsidies	-	-	4	4	11	(7)	275.0%	-	-
Payment for capital assets	95	-	(79)	16	-	16	0.0%	-	-
5.3 Rural Development Partnerships									
Current payment	15,273	-	(3,286)	11,987	11,987	-	100.0%	10,013	10,013
Transfers and subsidies	21	-	(21)	-	-	-	-	-	-
Payment for capital assets	207	-	(172)	35	-	35	0.0%	1,340	1,217
5.4 Urban Renewal									
Current payment	11,874	-	18,455	30,329	30,299	30	99.9%	22,792	22,407
Transfers and subsidies	5	-	108	113	145	(32)	128.3%	211	230
Payment for capital assets	4,130	-	(3,973)	157	200	(43)	127.4%	710	489
Total	51,240	-	11,474	62,714	62,712	2	100.0%	82,159	80,807

Appropriation per economic classification									
Economic Classification	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	16,761	-	(2,126)	14,635	14,633	2	100.0%	15,544	15,284
Goods and services	29,711	-	13,741	43,452	43,422	30	99.9%	49,268	49,142
Transfers and subsidies									
Provinces and municipalities	56	-	-	56	54	2	96.4%	41	43
Households	61	-	-	61	102	(41)	167.2%	170	187
Payments for capital assets									
Buildings and other fixed structures	4,036	-	-	4,036	4,029	7	99.8%	11,061	11,038
Machinery and equipment	611	-	(142)	469	468	1	99.8%	6,075	5,113
Software and other intangible assets	4	-	1	5	4	1	80.0%	-	-
Total	51,240	-	11,474	62,714	62,712	2	100.0%	82,159	80,807

4.5 Notes to the Appropriation Statement for the year ended 31 March 2006

1. Detail of transfers and subsidies as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in note 7 (Transfers and subsidies) and Annexure 1 (E,F,G & L) to the Annual Financial Statements.

2. Detail of specifically and exclusively appropriated amounts voted (after Virement)

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

3. Detail on financial transactions in assets and liabilities:

Detail of these transactions can be viewed in note 6 (Financial transactions in assets and liabilities) to the Annual Financial Statements.

Explanations of material variances from Amounts Voted (after Virement):

1. Per Programme	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
R'000	R'000	R'000	%	
Administration	109,308	106,582	2,726	2.49%
Under-expenditure on vehicles, furniture and computer equipment totaling R1,547 million, ordered but not received before 31 March 2006. Goods and services totaling R1,160 million supplied, but invoices not received before 31 March 2006.				
Local Governance	167,501	121,281	46,220	27.59%
Under-expenditure of R44,500 million due to delays in tender process to acquire water purification plants. R1,700 million consultants fees could not be paid for close-out phase of uMsekeli before the financial year end.				
Development and Planning	103,711	103,607	104	0.10%
Under-expenditure of R100,000 on transfer payments to uThungulu and Zululand Districts due to delays in municipalities finalising their council resolutions and memoranda of agreement to enable payment to be made before 31 March 2006.				
Traditional Institutional Management	89,019	76,790	12,229	13.74%
Under-expenditure of R4,593 million for housing for Amakhosi. R286,000 was not spent on consultants for the housing project. R250,000 unspent on survey equipment. R3,708 million unspent on Ubambiswano project. R363,000 unspent from installation of Amakhosi. R1,500 million unspent from Ondlunkulu conference. R1,500 million unspent from Traditional Leadership conference.				
Urban and Rural Development	62,714	62,712	2	0.00%

Per Economic classification

	2005/06 R'000	2004/05 R'000
Current payments:		
Compensation of employees	168,846	168,247
Goods and services	151,210	129,949
Financial transactions in assets and liabilities	925	278
Transfers and subsidies:		
Provinces and municipalities	112,406	106,237
Departmental agencies and accounts	19,900	19,600
Households	1,695	1,531
Payments for capital assets:		
Buildings and other fixed structures	4,029	11,067
Machinery and equipment	11,579	16,285
Software and other intangible assets	382	448

4.6 Statement of Financial Performance for the year ended 31 March 2006

	Note	2005/06 R'000	2004/05 R'000
REVENUE			
Annual appropriation	1	532,253	487,186
Departmental revenue	2	1,953	943
Local and foreign aid assistance	3	14,252	6,094
TOTAL REVENUE		548,458	494,223
EXPENDITURE			
Current expenditure			
Compensation of employees	4	168,846	168,247
Goods and services	5	151,210	129,949
Financial transactions in assets and liabilities	6	925	278
Local and foreign aid assistance	3	9,724	3,672
Total current expenditure		330,705	302,146
Transfers and subsidies	7	134,001	127,368
Expenditure for capital assets			
Buildings and other fixed structures	8	4,029	11,067
Machinery and equipment	8	11,579	16,285
Software and other intangible assets	8	382	448
Total expenditure for capital assets		15,990	27,800
TOTAL EXPENDITURE		480,696	457,314
SURPLUS/(DEFICIT)		67,762	36,909
SURPLUS/(DEFICIT) FOR THE YEAR		67,762	36,909
Reconciliation of Surplus/(Deficit) for the year			
Voted Funds	13	61,281	33,544
Departmental Revenue	14	1,953	943
Local and foreign aid assistance	3	4,528	2,422
SURPLUS/(DEFICIT) FOR THE YEAR		67,762	36,909

4.7 Statement of Financial Position at 31 March 2006

	Note	2005/06 R'000	2004/05 R'000
ASSETS			
Current assets		20,617	32,922
Unauthorised expenditure	9	4	4
Cash and cash equivalents	10	16,194	27,970
Prepayments and advances	11	20	34
Receivables	12	4,399	4,914
TOTAL ASSETS		20,617	32,922
LIABILITIES			
Current liabilities		19,088	31,455
Voted funds to be surrendered to the Revenue Fund	13	11,281	27,568
Departmental revenue to be surrendered to the Revenue Fund	14	42	152
Payables	15	46	544
Local and foreign aid assistance unutilised	3	7,719	3,191
TOTAL LIABILITIES		19,088	31,455
NET ASSETS		1,529	1,467
Represented by:			
Recoverable revenue		1,529	1,467
TOTAL		1,529	1,467

4.8 Statement of Changes in Net Assets for the year ended 31 March 2006

	Note	2005/06 R'000	2004/05 R'000
Recoverable revenue			
Opening balance		1,467	429
Transfers		62	1,038
Debts raised		62	1,038
Closing balance		1,529	1,467
TOTAL		1,529	1,467

4.9 Cash Flow Statement for the year ended 31 March 2006

	Note	2005/06 R'000	2004/05 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		548,458	494,223
Annual appropriated funds received	1.1	532,253	487,186
Departmental revenue received		1,953	943
Local and foreign aid assistance received	3	14,252	6,094
Net (increase)/decrease in working capital		31	479
Surrendered to Revenue Fund		(79,631)	(6,098)
Current payments		(330,705)	(302,146)
Transfers and subsidies paid		(134,001)	(127,368)
Net cash flow available from operating activities	16	4,152	59,090
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets		(15,990)	(27,800)
Net cash flows from investing activities		(15,990)	(27,800)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in net assets		62	1,038
Net cash flows from financing activities		62	1,038
Net increase/(decrease) in cash and cash equivalents		(11,776)	32,328
Cash and cash equivalents at the beginning of the period		27,970	(4,358)
Cash and cash equivalents at end of period	17	16,194	27,970

4.10 Notes to the Annual Financial Statements for the year ended 31 March 2006

1. Annual Appropriation

1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act for Provincial Departments: **

Programmes	Final Appropriation R'000	Actual Funds Received R'000	Funds not requested/ not received R'000	Appropriation Received 2004/05 R'000
Administration	109,308	109,308	-	108,961
Local Governance	167,501	167,501	-	155,010
Development and Planning	103,711	103,711	-	64,451
Traditional Institutional Management	89,019	89,019	-	76,605
Urban and Rural Development	62,714	62,714	-	82,159
Total	532,253	532,253	-	487,186

	Note	2005/06 R'000	2004/05 R'000
1.2 Conditional grants			
Total grants received	Annexure 1A	1,520	99,849
Provincial Grants included in Total Grants received		770	58,446

(** It should be noted that the Conditional grants are included in the amounts per the Total Appropriation in Note 1.1)

2. Departmental revenue to be surrendered to Revenue Fund

Sales of goods and services other than capital assets	2.1	553	570
Interest, dividends and rent on land	2.2	500	600
Financial transactions in assets and liabilities	2.3	900	(227)
Total		1,953	943

2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the Department	553	570
Other sales	553	570
Total	553	570

2.2 Interest, dividends and rent on land

Interest	500	600
Total	500	600

2.3 Financial transactions in assets and liabilities

Nature of loss recovered		
Receivables	394	234
Other Receipts including Recoverable Revenue	506	(461)
Total	900	(227)

	Note	2005/06 R'000	2004/05 R'000
3. Local and foreign aid assistance			
3.1 Assistance received in cash: Other			
Local			
Opening Balance		2,741	319
Revenue		14,252	6,094
Expenditure		9,724	3,672
Current		9,724	3,672
Closing Balance		7,269	2,741
Foreign			
Opening Balance		450	450
Closing Balance		450	450
Total			
Opening Balance		3,191	769
Revenue		14,252	6,094
Expenditure		9,724	3,672
Current		9,724	3,672
Closing Balance		7,719	3,191
Analysis of balance			
Local and foreign aid unutilised		7,719	3,191
Closing balance		7,719	3,191
4. Compensation of employees			
4.1 Salaries and Wages			
Basic salary		99,416	99,289
Performance award		135	1,383
Service Based		467	284
Compensative/circumstantial		3,009	1,615
Periodic payments		296	378
Other non-pensionable allowances		45,017	42,687
Total		148,340	145,636
4.2 Social contributions			
4.2.1 Employer contributions			
Pension		12,967	14,888
Medical		7,499	7,680
Bargaining council		31	34
Insurance		9	9
		20,506	22,611
Total compensation of employees		168,846	168,247
Average number of employees		1,049	1,138

	Note	2005/06 R'000	2004/05 R'000
5. Goods and services			
Advertising		6,487	2,655
Attendance fees (including registration fees)		27	64
Bursaries (employees)		492	528
Communication		5,005	4,408
Computer services		8,246	8,380
Consultants, contractors and special services		45,200	31,150
Courier and delivery services		124	146
Drivers' licences and permits		7	-
Entertainment		4,679	2,976
External audit fees	5.1	2,098	2,744
Equipment less than R5000		2,130	2,825
Freight service		27	2
Government motor transport		68	108
Honoraria (Voluntarily workers)		2,226	2,481
Inventory	5.2	4,626	13,279
Learnerships		8	6
Legal fees		681	365
Maintenance, repairs and running cost		14,842	31,548
Medical Services		422	354
Operating leases		8,782	7,184
Personnel agency fees		414	69
Photographic services		7	4
Plant flowers and other decorations		15	16
Printing and publications		489	230
Professional bodies and membership fees		2	-
Resettlement cost		138	402
School & boarding fees		3	2
Subscriptions		69	40
System access fees		2	2
Owned leasehold property expenditure		2,590	2,144
Translations and transcriptions		182	39
Transport provided as part of the Departmental activities		271	272
Travel and subsistence	5.3	28,121	12,417
Venues and facilities		10,018	773
Protective, special clothing & uniforms		650	68
Training & staff development		2,062	2,266
Town & regional planning		-	2
Total		151,210	129,949
5.1 External audit fees			
Regulatory audits		2,098	2,744
Total external audit fees		2,098	2,744

	Note	2005/06 R'000	2004/05 R'000
5.2 Inventory			
Construction work in progress		-	10,013
Domestic consumables		269	199
Learning and teaching support material		285	157
Food and Food supplies		65	33
Fuel, oil and gas		1	2
Other consumables		1	3
Parts and other maintenance material		249	118
Sport and recreation		171	-
Stationery and printing		3,576	2,754
Medical supplies		9	-
Total inventory		4,626	13,279
5.3 Travel and subsistence			
Local		27,927	12,257
Foreign		194	160
Total travel and subsistence		28,121	12,417

	Note	2005/06 R'000	2004/05 R'000
6. Financial transactions in assets and liabilities			
Other material losses	6.1	-	22
Debts written off	6.2	925	256
Total		925	278
6.1 Other material losses			
Nature of losses			
(Group major categories, but list material items)			
Housing Loan Guarantees		-	15
Other		-	7
Total		-	22
6.2 Debts written off			
Nature of debts written off			
Transfer to debts written off			
(Group major categories, but list material items)			
Salary		410	109
Interest		332	104
Bursary		43	10
Tax		20	33
Housing Loan Guarantee		112	-
Other		8	-
Total		925	256

	Note	2005/06 R'000	2004/05 R'000			
7. Transfers and subsidies						
Provinces and municipalities	Annexure 1E & 1F	112,406	106,237			
Departmental agencies and accounts	Annexure 1G	19,900	19,600			
Households	Annexure 1L	1,695	1,531			
Total		134,001	127,368			
8. Expenditure for capital assets						
Buildings and other fixed structures	Annexure 4	4,029	11,067			
Machinery and equipment	Annexure 4	11,579	16,285			
Software and other intangible assets	Annexure 5	382	448			
Total		15,990	27,800			
9. Unauthorised expenditure						
9.1. Reconciliation of unauthorised expenditure		4	803			
Transfer to receivables for recovery (not approved)		-	(799)			
Unauthorised expenditure awaiting authorisation		4	4			
10. Cash and cash equivalents						
Consolidated Paymaster General Account		15,666	27,449			
Cash on hand		528	521			
Total		16,194	27,970			
11. Prepayments and advances						
Travel and subsistence		20	34			
Total		20	34			
12. Receivables						
		Less than one year R'000	One to three years R'000	Older than three years R'000	Total R'000	Total R'000
Staff Debt	12.1	708	3,123	303	4,134	4,820
Other Debtors	12.2	72	-	-	72	94
Claims Recoverable	Annex 6	193	-	-	193	
		973	3,123	303	4,399	4,914
12.1	Staff Debt (Group major categories, but list material items)					
	Debt Account			4,134		4,820
	Total			4,134		4,820

	Less than one year R'000	One to three years R'000	Older than three years R'000	Total R'000	Total R'000
12.2 Other debtors (Group major categories, but list material items)					
Salary Deduction Disallowance			-	7	
Salary Reversal Control			-	83	
Salary Medical Aid			-	3	
Salary Insurance Deduction			-	1	
Salary Disallowance			40	-	
Salary Income Tax			32	-	
Total			72	94	

13. Voted funds to be surrendered to the Revenue Fund

Opening balance	27,568	(690)
Transfer from Statement of Financial Performance	61,281	33,544
Paid during the year	(77,568)	(5,286)
Closing balance	11,281	27,568

13.1 Voted funds not requested/not received		
Funds to be rolled over	61,207	30,660
Funds not to be requested	74	2,884
	61,281	33,544

The request for the rollovers totals R61,207m. Of this, the bulk is for water purification plants which is included under goods and services. In addition, there are various smaller amounts for purposes such as housing for Amakhosi, vehicles, survey equipment, transfers to municipalities, etc. Exact details on the rollovers can be obtained from the request made to Provincial Treasury.

	Note	2005/06 R'000	2004/05 R'000
14. Departmental revenue to be surrendered to the Revenue Fund			
Opening balance		152	21
Transfer from Statement of Financial Performance		1,953	943
Paid during the year		(2,063)	(812)
Closing balance		42	152

	Note	30+ Days R'000	30 Days R'000	Total R'000	Total R'000
15 Payables – current					
Amounts owing to other entities	Annexure 7	29	-	29	-
Clearing accounts	15.1	-	17	17	544
Total		29	17	46	544
15.1 Clearing accounts					
Description (Identify major categories, but list material amounts)					
Salary ACB Recalls			-	7	
Salary Income Tax			-	291	
Pension Recoverable			-	105	
Tender Deposits			-	82	
Salary Disallowance			-	14	
Salary Tax Debts			-	31	
Salary Regional Service Council			-	5	
Third Party Transport Erroneous			-	1	
Sizwe & Old Mutual			-	1	
Salary Pension Fund			-	7	
Salary Deduction Disallowance			17	-	
Total			17	544	
16. Net cash flow available from operating activities					
Net surplus/(deficit) as per Statement of Financial Performance			67,762		36,909
(Increase)/decrease in receivables – current			515		(601)
(Increase)/decrease in prepayments and advances			14		16
(Increase)/decrease in other current assets			-		799
Increase/(decrease) in payables – current			(498)		265
Surrenders to Revenue Fund			(79,631)		(6,098)
Expenditure on capital assets			15,990		27,800
Net cash flow generated by operating activities			4,152		59,090
17. Reconciliation of cash and cash equivalents for cash flow purposes					
Consolidated Paymaster General account			15,666		27,449
Cash on hand			528		521
Total			16,194		27,970

4.11 Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2006

These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

		Note	2005/06 R'000	2004/05 R'000
18. Contingent liabilities				
Liable to	Nature			
Housing loan guarantees	Employees	Annexure 3A	911	1,127
Claims against the Department		Annexure 3B	1,560	1,700
Other Departments (interDepartmental unconfirmed balances)		Annexure 7	-	1,100
Other		Annexure 3B	250	210
Total			2,721	4,137

19. Commitments			
Current expenditure			
Approved and contracted		49,714	30
Approved but not yet contracted		77	-
		49,791	30
Capital expenditure			
Approved and contracted		647	131
Approved but not yet contracted		35	-
		682	131
Total Commitments		50,473	161

20. Accruals					
Listed by economic classification	30 Days R'000	30+ Days R'000	Total R'000	R'000	Total R'000
Compensation of employees	16	-	16		-
Goods and services	3,590	834	4,424		7,450
Buildings and other fixed structures	297	-	297		-
Machinery and equipment	171	13	184		656
Software and other intangible assets	-	-	-		12
Other	29	-	29		-
Total	4,103	847	4,950		8,118
Listed by programme level					
Administration			1,320		2,170
Local Governance			469		3,867
Development and Planning			1,140		313
Traditional Institutional Management			428		726
Urban and Rural Development			1,564		1,042
Total			4,921		8,118
Confirmed balances with other Departments		Annexure 7	29	-	
			29		-

	Note	2005/06 R'000	2004/05 R'000
21. Employee benefits			
Leave entitlement		3,501	5,397
Thirteenth cheque		3,303	3,971
Performance awards		576	174
Capped leave commitments		32,952	33,000
Total		40,332	42,542

22. Lease Commitments

22.1 Operating leases	Land R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000	Total R'000
Not later than 1 year	-	4,330	2,120	6,450	5,440
Later than 1 year and not later than 5 years	-	21,007	1,012	22,019	20,954
Later than five years	-	4,841	-	4,841	10,789
Total present value of lease liabilities	-	30,178	3,132	33,310	37,183

23. Key management personnel

	No of Individuals		
Political office bearers	1	779	593
Officials Level 15 to 16	3	750	658
Level 14	8	578	538
Total	12	2,107	1,789

24. Provisions

Potential irrecoverable debts		
Staff debtors	2,451	1,500
Other debtors	444	-
Total	2,895	1,500

4.12 Annexures to the Annual Financial Statements for the year ended 31 March 2006

ANNEXURE 1A STATEMENT OF CONDITIONAL GRANTS RECEIVED

NAME OF DEPARTMENT	GRANT ALLOCATION					SPENT			2004/05	
	Division of Revenue Act/ Provincial Grants	Roll Overs	DORA Adjustments	Other Adjustments	Total Available	Amount received by Department	Amount spent by Department	% of Available funds spent by Department	Division of Revenue Act	Amount spent by Department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Division of Revenue Act										
Department of Provincial and Local Government:										
Local Government Support	-	-	-	-	-	-	-	-	33,050	33,050
CMIP	-	750	-	-	750	750	750	100.0%	8,353	7,605
Provincial Grants										
National Treasury:										
Infrastructure Grant	-	770	-	-	770	770	763	99.1%	58,446	57,680
	-	1,520	-	-	1,520	1,520	1,513	99.5%	99,849	98,335

ANNEXURE 1E

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT			2004/05
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Abaqulusi	-	-	-	-	-	-	-	-	-	2,000
Amajuba	-	-	-	-	-	-	-	-	-	1,106
Sisonke	-	-	-	-	-	-	-	-	-	2,420
eNdongakusuka	-	-	-	-	-	-	-	-	-	500
Ilembe	-	-	-	-	-	-	-	-	-	1,106
Impendle	-	-	-	-	-	-	-	-	-	1,000
Kokstad	-	-	-	-	-	-	-	-	-	1,500
KwaDukuza	-	-	-	-	-	-	-	-	-	1,000
Ubuhlebezwe	-	-	-	-	-	-	-	-	-	1,200
Mpofana	-	-	-	-	-	-	-	-	-	500
Msunduzi	-	-	-	-	-	-	-	-	-	585
Mtubatuba	-	-	-	-	-	-	-	-	-	1,000
Newcastle	-	-	-	-	-	-	-	-	-	585
Okhahlamba	-	-	-	-	-	-	-	-	-	500
Ugu	-	-	-	-	-	-	-	-	-	1,285
Ulundi	-	-	-	-	-	-	-	-	-	1,500
Umdoni	-	-	-	-	-	-	-	-	-	455
uMgungundlovu	-	-	-	-	-	-	-	-	-	1,106
uMhlatuze	-	-	-	-	-	-	-	-	-	585
Umkhanyakhude	-	-	-	-	-	-	-	-	-	1,285
uMshwati	-	-	-	-	-	-	-	-	-	800
Umtshezi	-	-	-	-	-	-	-	-	-	1,850
uMuziwabantu	-	-	-	-	-	-	-	-	-	1,800
Umzinyathi	-	-	-	-	-	-	-	-	-	1,285
uPhongolo	-	-	-	-	-	-	-	-	-	500
Uthukela	-	-	-	-	-	-	-	-	-	3,206
uThungulu	-	-	-	-	-	-	-	-	-	1,106
Zululand	-	-	-	-	-	-	-	-	-	1,285
	-	-	-	-	-	-	-	-	-	33,050

ANNEXURE 1F STATEMENT OF UNCONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT			2004/05
	Amount	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Abaqulusi	1,766	-	2,484	4,250	4,250	100.0%	4,250	2,484	58.4%	589
Amajuba	1,581	-	-	1,581	1,581	100.0%	1,581	-	0.0%	2,295
Dannhauser	555	-	500	1,055	1,055	100.0%	1,055	-	0.0%	2,000
Sisonke	1,931	-	500	2,431	2,431	100.0%	2,431	500	20.6%	1,170
eDumbe	675	-	-	675	675	100.0%	675	-	0.0%	528
Emnambithi	340	-	-	340	340	100.0%	340	-	0.0%	810
eNdondakusuka	634	-	500	1,134	1,134	100.0%	1,134	-	0.0%	1,024
Endumeni	709	-	-	709	709	100.0%	709	72	10.2%	205
eThekwini	145	-	309	454	425	93.6%	425	-	0.0%	330
Ezinqoleni	1,470	-	-	1,470	1,470	100.0%	1,470	-	0.0%	1,538
Hibiscus Coast	1,130	-	-	1,130	1,130	100.0%	1,130	-	0.0%	410
Hlabisa	675	2,497	1,003	4,175	4,175	100.0%	4,175	-	0.0%	1,422
Ilembe	1,181	-	-	1,181	1,184	100.3%	1,184	-	0.0%	1,173
Imbabazane	1,560	-	50	1,610	1,610	100.0%	1,610	-	0.0%	1,168
Impendle	655	-	600	1,255	1,255	100.0%	1,255	-	0.0%	268
Indaka	1,510	-	2,339	3,849	3,849	100.0%	3,849	2,339	60.8%	1,302
Ingwe	685	200	750	1,635	1,635	100.0%	1,635	-	0.0%	682
Jozini	1,904	-	2,950	4,854	4,854	100.0%	4,854	2,750	56.7%	1,272
Kokstad	814	-	1,404	2,218	2,218	100.0%	2,218	-	0.0%	669
KwaDukuza	140	-	-	140	140	100.0%	140	-	0.0%	410
Kwa Sani	410	1,400	160	1,970	1,970	100.0%	1,970	-	0.0%	552
Ubuhlebezwe	800	-	900	1,700	1,700	100.0%	1,700	-	0.0%	736
Maphumulo	815	-	180	995	995	100.0%	995	5	0.5%	1,442
Matatiele	485	-	-	485	485	100.0%	485	-	0.0%	348
Mbonambi	1,380	-	600	1,980	1,980	100.0%	1,980	400	20.2%	1,502
Mkhambathini	1,405	950	(950)	1,405	1,405	100.0%	1,405	-	0.0%	602
Mpofana	405	-	-	405	405	100.0%	405	-	0.0%	518
Msinga	1,210	-	760	1,970	1,970	100.0%	1,970	-	0.0%	1,625
Msunduzi	350	-	-	350	350	100.0%	350	-	0.0%	60
Mthonjaneni	675	-	850	1,525	1,525	100.0%	1,525	-	0.0%	772
Mtubatuba	504	-	1,000	1,504	1,504	100.0%	1,504	-	0.0%	668
Ndwedwe	766	-	150	916	916	100.0%	916	-	0.0%	1,492
Newcastle	500	-	-	500	500	100.0%	500	-	0.0%	560
Nkandla	1,380	570	680	2,630	2,630	100.0%	2,630	480	18.3%	1,472
Nongoma	749	3,000	700	4,449	4,449	100.0%	4,449	500	11.2%	809
Nquthu	1,672	-	1,550	3,222	3,222	100.0%	3,222	1,500	46.6%	1,502
Ntambanana	700	150	1,380	2,230	2,230	100.0%	2,230	150	6.7%	1,523
Okhahlamba	455	1,400	600	2,455	2,455	100.0%	2,455	400	16.3%	752
Richmond	455	-	2,210	2,665	2,665	100.0%	2,665	1,524	57.2%	802
The Big 5 False Bay	1,500	-	350	1,850	1,850	100.0%	1,850	-	0.0%	1,922
Ugu	2,333	-	(2)	2,331	2,331	100.0%	2,331	-	0.0%	8,070
Ulundi	704	-	1,200	1,904	1,904	100.0%	1,904	-	0.0%	589
Umdoni	536	-	100	636	636	100.0%	636	-	0.0%	430
uMgungundlovu	1,321	-	43	1,364	1,204	88.3%	1,204	-	0.0%	1,200
Umhlabuyalingana	1,662	3,000	-	4,662	4,662	100.0%	4,662	500	10.7%	2,297
uMhlathuze	390	-	-	390	390	100.0%	390	-	0.0%	310
Umkhanyakhude	1,686	-	(5)	1,681	1,678	99.8%	1,678	-	0.0%	4,472
Umlalazi	704	400	(200)	904	904	100.0%	904	-	0.0%	1,024
uMngeni	734	-	700	1,434	1,568	109.3%	1,568	353	22.5%	889
uMshwati	655	1,500	650	2,805	2,805	100.0%	2,805	2,000	71.3%	402
Umtshezi	2,664	-	(250)	2,414	2,414	100.0%	2,414	-	0.0%	555
uMuziwabantu	485	-	700	1,185	1,185	100.0%	1,185	-	0.0%	508
Umvoti	709	-	-	709	709	100.0%	709	-	0.0%	505
Umzinyathi	741	-	1,496	2,237	2,236	100.0%	2,236	-	0.0%	2,622

ANNEXURE 1F

STATEMENT OF UNCONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT			2004/05
	Amount	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Umzumbe	880	-	1,459	2,339	2,480	106.0%	2,480	-	0.0%	1,272
uPhongolo	645	-	1,100	1,745	1,745	100.0%	1,745	-	0.0%	438
Uthukela	1,881	-	250	2,131	2,131	100.0%	2,131	-	0.0%	2,010
uThungulu	871	-	3,200	4,071	4,021	98.8%	4,021	730	18.2%	2,590
Utrecht	655	-	300	955	955	100.0%	955	-	0.0%	752
Vulamehlo	1,987	1,500	550	4,037	4,037	100.0%	4,037	1,500	37.2%	1,672
Zululand	1,107	-	32	1,139	1,085	95.3%	1,085	-	0.0%	1,649
Unallocated	26,985	-	(26,985)	-	-	-	-	-	-	-
	87,011	16,567	8,847	112,425	112,406	100.0%	112,406	18,187	16.2%	73,180

ANNEXURE 1G**STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS**

Department/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2004/05
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Final Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Umsekeli	17,600	-	-	17,600	17,600	100.0%	17,600
Provincial Planning and Development Commission	2,300	-	-	2,300	2,300	100.0%	2,000
Traditional Institutional Management	-	-	-	-	-	-	278
	19,900	-	-	19,900	19,900	100.0%	19,878

ANNEXURE 1L

STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2004/05
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Final Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Social Benefits	1,506	-	-	1,506	1,622	107.7%	835
Claims Against the State	-	-	-	-	73	0.0%	-
	1,506	-	-	1,506	1,695	112.5%	835

ANNEXURE 1N**STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED FOR THE YEAR ENDED 31 MARCH 2006**

NAME OF DONOR	PURPOSE	OPENING BALANCE R'000	REVENUE R'000	EXPENDITURE R'000	CLOSING BALANCE R'000
Received in cash					
Development Bank of SA	Municipal capacity building	1,777	4,656	3,686	2,747
Department of Provincial and Local Government	Municipal capacity building	1,160	3,500	-	4,660
LGSETA	CDW Learnerships	(196)	6,096	6,038	(138)
Belgium Government	Municipal capacity building	300	-	-	300
Norway Government	Municipal capacity building	150	-	-	150
		3,191	14,252	9,724	7,719

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2006 - LOCAL

Guarantor institution	Guarantee in respect of	Original Guaranteed capital amount	Opening Balance 1 April 2005	Guarantees Issued during the year	Guarantees released/ paid/ cancelled/ reduced during the year	Guaranteed Interest Outstanding As at 31 March 2006	Closing balance 31 March 2006	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Housing							
Standard Bank		198	149	-	21	-	128	-
Nedbank		117	117	13	40	-	90	-
First National Bank		343	264	17	49	-	232	-
ABSA		269	142	-	18	-	124	-
Peoples Bank		91	62	-	-	-	62	-
Old Mutual		231	150	-	57	-	93	-
Ithala		204	203	-	61	-	142	-
SA Home Loans		40	40	-	-	-	40	-
Total		1,493	1,127	30	246	-	911	-

ANNEXURE 3B**STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2006**

Nature of Liability	Opening Balance 01/04/2005 R'000	Liabilities incurred during the year R'000	Liabilities paid/ cancelled/ reduced during the year R'000	Liabilities recoverable (Provide details hereunder) R'000	Closing Balance 31/03/2006 R'000
Claims against the Department					
M A Mahlobo-Ntombela	30	5	-	-	35
Kuter & Partners	1,300	-	-	-	1,300
ESCOM	170	20	-	-	190
X Zondi	200	-	165	-	35
	1,700	25	165	-	1,560
Other					
Speaker of Ubuhlebezwe Municipality	60	4	64	-	-
Illegal occupiers of State accommodation	150	100	-	-	250
	210	104	64	-	250
Total	1,910	129	229	-	1,810

ANNEXURE 4**CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006**

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
BUILDING AND OTHER FIXED STRUCTURES	11,067	4,029	-	15,096
Non-residential buildings	11,067	4,029	-	15,096
MACHINERY AND EQUIPMENT	16,801	11,579	-	28,380
Transport assets	6,890	4,274	-	11,164
Computer equipment	2,728	4,376	-	7,104
Furniture and office equipment	6,686	2,569	-	9,255
Other machinery and equipment	497	360	-	857
TOTAL CAPITAL ASSETS	27,868	15,608	-	43,476

ANNEXURE 4.1**ADDITIONS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006**

	Cash R'000	In-Kind R'000	Total R'000
BUILDING AND OTHER FIXED STRUCTURES	4,029	-	4,029
Non-residential buildings	4,029	-	4,029
MACHINERY AND EQUIPMENT	11,579	-	11,579
Transport assets	4,274	-	4,274
Computer equipment	4,376	-	4,376
Furniture and office equipment	2,569	-	2,569
Other machinery and equipment	360	-	360
TOTAL CAPITAL ASSETS	15,608	-	15,608

ANNEXURE 4.2**CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005**

	Additions R'000	Disposals R'000	Total Movement R'000
BUILDING AND OTHER FIXED STRUCTURES	11,067	-	11,067
Non-residential buildings	11,067	-	11,067
MACHINERY AND EQUIPMENT	16,285	(516)	16,801
Transport assets	6,374	(516)	6,890
Computer equipment	2,728	-	2,728
Furniture and office equipment	6,686	-	6,686
Other machinery and equipment	497	-	497
TOTAL CAPITAL ASSETS	27,352	(516)	27,868

ANNEXURE 5

CAPITAL INTANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
Computer Software	448	382	-	830
Total	448	382	-	830

ANNEXURE 5.1

ADDITIONS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006

	Cash R'000	In-Kind R'000	Total R'000
Computer Software	382	-	382
Total	382	-	382

ANNEXURE 5.2

CAPITAL INTANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005

	Additions R'000	Disposals R'000	Total Movement R'000
Computer Software	448	-	448
Total	448	-	448

ANNEXURE 6

INTER-GOVERNMENT RECEIVABLES

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	R'000	R'000	R'000	R'000	R'000	R'000
Department						
KZN Department of Royal Household	-	-	141	-	141	-
KZN Department of Education	-	-	14	-	14	-
KZN Department of Transport	-	-	7	-	7	-
KZN Provincial Treasury	-	-	31	-	31	-
Total	-	-	193	-	193	-

ANNEXURE 7

INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	R'000	R'000	R'000	R'000	R'000	R'000
Department						
Current						
KZN Department of Works	-	-	-	82	-	82
FS Department of Local Government and Housing	29	-	-	-	29	-
Subtotal	29	-	-	82	29	82
Non-current						
KZN Department of Transport	-	-	-	873	-	873
KZN Department of Works	-	-	-	145	-	145
Subtotal	-	-	-	1,018	-	1,018
Total	29	-	-	1,100	29	1,100

5. HUMAN RESOURCE MANAGEMENT

5.1 SERVICE DELIVERY

1.1 Main services provided and standards

SERVICES	CUSTOMERS	STANDARD OF SERVICE
<ul style="list-style-type: none"> - Provide for the functioning of the office of the MEC - Provide corporate support to the Department - Provide management and support services to local government within a regulatory framework - Support municipalities to be financially accountable and sustainable - Support municipal infrastructural development - Ensure the establishment of effective and efficient disaster management mechanisms - Support municipalities in the delivery of services - Promote and facilitate provincial spatial frameworks for development at municipal level - Promote orderly development - Promote effective and efficient integrated development planning - Render professional support to the Provincial Planning and Development Commission - Manage the institutional, administrative and financial framework of the Traditional Institution - Manage and register traditional land rights - Render support services to the House of Traditional Leaders - Improved access to community services - Empowered traditional leadership and support structures - Strengthened functional linkage with municipalities 	<ul style="list-style-type: none"> - MEC - Departmental staff - Learners/Students - Traditional Authorities - Municipalities - Public Entities - Kwanaloga - Community based organisations (CBO's) - Members of communities - NGO's - Ingonyama Trust Board - Traditional Leaders 	No specific service standards per main services were set

1.2 Consultation Arrangements with customers

Type of arrangement	Customer	Actual achievement
Participation in National forums	Same as above	<ul style="list-style-type: none"> - Regular and active participation
Capacity building workshops with all municipalities and traditional authorities		<ul style="list-style-type: none"> - Number of capacity building programmes - New programmes are developed and implemented on a regular and ongoing basis
Regular interaction and information sharing with customers		<ul style="list-style-type: none"> - Monthly meetings with municipalities and traditional authorities - Consult on one on one basis with municipalities and traditional authorities - Promote services on inter/intranet - Publish policies on inter/intranet - Implementation of Promotion of Access to Information Act - Arrange annual Local Government Conference

1.3 Service Delivery Access Strategy

Access Strategy	Actual achievements
Improve and extend inter/intranet web site	<ul style="list-style-type: none"> - Inter/Intranet web site updated regularly - Regular meetings with Municipalities and Traditional Authorities
Regular interaction with municipalities and traditional authorities	<ul style="list-style-type: none"> - One-on one training with municipal and traditional authority staff and political office bearers
Conduct of capacity building workshops in both English and Zulu	<ul style="list-style-type: none"> - Conducted capacity building workshops at local level in English and IsiZulu - Make training materials in both languages available

1.4 Service Information Tool

Types of information	Actual Achievements
Prepare and distribute flyers on functions	Flyers compiled and distributed
Improve and extend inter/intranet web site	Inter/Intranet web site monitored and updated regularly
Use of intranet/internet	Wide promotion of intranet/internet
Newsletter to all municipalities and traditional institutions	Produced and circulated on quarterly basis
Conduct empowerment and information dissemination workshops and conferences	<ul style="list-style-type: none"> - Monthly meetings with municipalities and traditional authorities - Consult on one on one basis with municipalities and traditional authorities - Promote services on inter/intranet - Publish policies on inter/intranet - Implementation of Promotion of Access to Information Act - Arrange annual Local Government Conference
Regular updating of information on the website	Inter/Intranet web site updated regularly

1.5 Complaints Mechanism

Complaints Mechanism	Actual Achievements
Provide contact details of Management teams	Achieved
Provide comments page on website	Achieved
Feedback on capacity building workshops by way of evaluation forms	Achieved
Resolve problems/complaints within stipulated timeframes	Achieved
Empower staff to deal with complaints	<ul style="list-style-type: none"> - Orientation course on Departmental activities and Public Service conducted with new appointees - Code of conduct given to each employee

5.2 EXPENDITURE

TABLE 2.1 - Personnel costs by Programme

Programme	Total Voted Expenditure (R'000)	Compensation of Employees Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Compensation of Employees as percent of Total Expenditure	Average Compensation of Employees Cost per Employee (R'000)	Employment
Donor	0	0	0	0	0.00%	0	0
Prog 1: Administration	105,657	46,554	2,058	1,672	44.06%	142	329
Prog 2: Local Governance	121,282	29,355	0	19,709	24.20%	112	262
Prog 3: Development & Planning	103,608	26,114	0	6,139	25.20%	204	128
Prog 4: Traditional Institutional Management	76,789	52,190	0	5,241	67.97%	252	207
Prog 5: Urban and Rural Development	62,711	14,633	4	12,439	23.33%	152	96
Sassa	0	0	0	0	0.00%	0	0
Theft and Losses	925	0	0	0	0.00%	0	0
Total as on Financial Systems (BAS)	470,972	168,846	2,062	45,200	35.85%	165	1022

The difference between Compensation of Employees in Table 2.1 and Table 2.2 is R3,577 million which amounts to the salaries of the Community Development Workers. The expenditure was recovered via the LGSETA Grant (Donor Funding), hence the difference in the two tables.

TABLE 2.2 - Personnel costs by Salary band

Salary Bands	Compensation of Employees Cost (R'000)	Percentage of Total Personnel Cost for Department	Average Compensation Cost per Employee (R'000)	Total Personnel Cost for Department including Goods and Transfers (R'000)	Number of Employees
Lower skilled (Levels 1-2)	11,808	6.50%	52	181,725	226
Skilled (Levels 3-5)	12,271	6.75%	77	181,725	160
Highly skilled production (Levels 6-8)	61,559	33.87%	133	181,725	463
Highly skilled supervision (Levels 9-12)	34,943	19.23%	273	181,725	128
Senior management (Levels 13-16)	18,989	10.45%	513	181,725	37
Contract (Levels 3-5)	150	0.08%	75	181,725	2
Contract (Levels 6-8)	124	0.07%	41	181,725	3
Contract (Levels 9-12)	195	0.11%	98	181,725	2
Contract (Levels 13-16)	421	0.23%	421	181,725	1
Periodical Remuneration	1,936	1.07%	38	181,725	51
Abnormal Appointment	30,030	16.52%	43	181,725	696
TOTAL	172,426	94.88%	97	181,725	1,769

The difference between the number of employees per programme (Table 2.1) and the number of employees per salary band (Table 2.2) is 747. The appointments cover the Community Development workers as well as the appointment of Traditional Leaders.

TABLE 2.3 - Salaries, Overtime, Home Owners Allowance and Medical Aid by Programme

Programme	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Aid (R'000)
Prog1: administration	32,523	17.90%	856	0.47%	720	0.40%	2,588
Prog2: local governance	21,133	11.63%	3	0.00%	363	0.20%	1,292
Prog3: development & planning	16,850	9.27%	5	0.00%	310	0.17%	1,245
Prog4: traditional inst man	18,897	10.40%	275	0.15%	453	0.25%	1,551
Prog5: urban and rural dev	10,339	5.69%	13	0.01%	207	0.11%	800
TOTAL	99,742	54.89%	1,152	0.63%	2,053	1.13%	7,476

TABLE 2.4 - Salaries, Overtime, Home Owners Allowance and Medical Aid by Salary Band

Salary bands	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)
Lower skilled (Levels 1-2)	8,833	4.86%	65	0.04%	259	0.14%	670
Skilled (Levels 3-5)	8,892	4.89%	88	0.05%	269	0.15%	1,005
Highly skilled production (Levels 6-8)	44,896	24.71%	835	0.46%	938	0.52%	3,864
Highly skilled supervision (Levels 9-12)	24,987	13.75%	164	0.09%	300	0.17%	1,361
Senior management (Levels 13-16)	11,262	6.20%	0	0.00%	257	0.14%	571
Contract (Levels 3-5)	122	0.07%	0	0.00%	0	0.00%	0
Contract (Levels 6-8)	104	0.06%	0	0.00%	0	0.00%	2
Contract (Levels 9-12)	156	0.09%	0	0.00%	6	0.00%	3
Contract (Levels 13-16)	252	0.14%	0	0.00%	24	0.01%	0
Periodical Remuneration	0	0.00%	0	0.00%	0	0.00%	0
Abnormal Appointment	238	0.13%	0	0.00%	0	0.00%	0
TOTAL	99,742	54.89%	1,152	0.63%	2,053	1.13%	7,476

5.3 EMPLOYMENT AND VACANCIES

TABLE 3.1 - Employment and Vacancies by Programme at end of period

Programme	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Programme 1: Administration, Permanent	473	334	29.4	0
Programme 2: Local Governance, Permanent	339	253	25.4	0
Programme 3: Development & Planning, Permanent	234	126	46.2	7
Programme 4: Traditional Institutional Management, Permanent	377	206	45.4	1
Programme 5: Urban and Rural Development, Permanent	168	96	42.9	0
TOTAL	1591	1015	36.2	8

TABLE 3.2 - Employment and Vacancies by Salary Band at end of period

Salary Band	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Lower skilled (Levels 1-2), Permanent	268	228	14.9	1
Skilled (Levels 3-5), Permanent	284	177	37.7	0
Highly skilled production (Levels 6-8), Permanent	769	437	43.2	1
Highly skilled supervision (Levels 9-12), Permanent	217	129	40.6	0
Senior management (Levels 13-16), Permanent	45	36	20	0
Contract (Levels 3-5), Permanent	2	2	0	0
Contract (Levels 6-8), Permanent	3	3	0	3
Contract (Levels 9-12), Permanent	2	2	0	2
Contract (Levels 13-16), Permanent	1	1	0	1
TOTAL	1591	1015	36.2	8

TABLE 3.3 - Employment and Vacancies by Critical Occupation at end of period

Critical Occupations	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Administrative related, Permanent	96	56	41.7	5
All artisans in the building metal machinery etc., Permanent	20	19	5	0
Architects town and traffic planners, Permanent	24	9	62.5	0
Archivists curators and related professionals, Permanent	4	1	75	0
Artisan project and related superintendents, Permanent	1	1	0	0
Auxiliary and related workers, Permanent	9	6	33.3	0
Building and other property caretakers, Permanent	25	23	8	0
Bus and heavy vehicle drivers, Permanent	22	19	13.6	0
Cartographers and surveyors, Permanent	22	4	81.8	0
Cartographic surveying and related technicians, Permanent	78	35	55.1	0
Cleaners in offices workshops hospitals etc., Permanent	63	55	12.7	0
Client inform clerks (switch receipt inform clerks), Permanent	6	3	50	0
Communication and information related, Permanent	4	2	50	0
Community development workers, Permanent	90	42	53.3	0
Engineering sciences related, Permanent	58	24	58.6	0
Finance and economics related, Permanent	29	22	24.1	0
Financial and related professionals, Permanent	37	25	32.4	0
Financial clerks and credit controllers, Permanent	43	20	53.5	0

Critical Occupations	Number of Posts	Number of Posts Filled	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Food services aids and waiters, Permanent	13	12	7.7	0
General legal administration & rel. professionals, Permanent	3	2	33.3	0
Head of Department/chief executive officer, Permanent	1	1	0	0
Human resources & organisation developm & relate prof, Permanent	20	7	65	0
Human resources clerks, Permanent	61	43	29.5	0
Human resources related, Permanent	16	9	43.8	0
Information technology related, Permanent	1	1	0	0
Language practitioners interpreters & other commun, Permanent	8	4	50	0
Library mail and related clerks, Permanent	36	30	16.7	0
Light vehicle drivers, Permanent	21	17	19	1
Messengers porters and deliverers, Permanent	79	69	12.7	0
Mining geology & geophysical & related technicians, Permanent	34	17	50	0
Motor vehicle drivers, Permanent	3	3	0	0
Other administration & related clerks and organisers, Permanent	302	196	35.1	0
Other administrative policy and related officers, Permanent	207	114	44.9	0
Other occupations, Permanent	1	1	0	0
Road workers, Permanent	4	4	0	0
Safety health and quality inspectors, Permanent	3	1	66.7	0
Secretaries & other keyboard operating clerks, Permanent	43	34	20.9	1
Security guards, Permanent	26	21	19.2	0
Security officers, Permanent	3	3	0	0
Senior managers, Permanent	44	35	20.5	1
Social sciences related, Permanent	19	13	31.6	0
Trade labourers, Permanent	11	11	0	0
Water plant and related operators, Permanent	1	1	0	0
TOTAL	1591	1015	36.2	8

5.4 JOB EVALUATION

TABLE 4.1 - Job Evaluation

Salary Band	Number of Posts	Number of Jobs Evaluated	% of Posts Evaluated	Number of Posts Upgraded	% of Upgraded Posts Evaluated	Number of Posts Downgraded	% of Downgraded Posts Evaluated
Lower skilled (Levels 1-2)	268	0	0	0	0	0	0
Contract (Levels 3-5)	2	0	0	0	0	0	0
Contract (Levels 6-8)	3	0	0	0	0	0	0
Contract (Levels 9-12)	2	0	0	0	0	0	0
Contract (Band A)	1	0	0	0	0	0	0
Skilled (Levels 3-5)	284	1	0.4	0	0	0	0
Highly skilled production (Level 6-8)	769	1	0.1	0	0	0	0
Highly skilled supervision (Level 9-12)	217	5	2.3	0	0	0	0
Senior Management Service Band A	32	3	9.4	0	0	0	0
Senior Management Service Band B	10	2	20	0	0	0	0
Senior Management Service Band C	2	0	0	0	0	0	0
Senior Management Service Band D	1	0	0	0	0	0	0
TOTAL	1591	12	0.8	0	0	0	0

TABLE 4.2 - Profile of employees whose positions were upgraded due to their posts being upgraded

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	0	0	0	0	0
Employees with a Disability	0	0	0	0	0

TABLE 4.3 - Employees whose salary level exceed the grade determined by Job Evaluation [i.t.o PSR 1.V.C.3]

Occupation	Number of Employees	Job Evaluation Level	Remuneration Level	Reason for Deviation	No of Employees in Dept
Finance and Supply Chain Management (Office of the MEC)	1	9	11	Decision taken by Minister	1
Total	1				
Percentage of Total Employment	0				0

TABLE 4.4 - Profile of employees whose salary level exceeded the grade determined by job evaluation (i.t.o PSR 1.V.C.3)

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	1	0	0	0	1
Total	1	0	0	0	1
Employees with a Disability	0	0	0	0	0

5.5 EMPLOYMENT CHANGES

TABLE 5.1 - Annual Turnover Rates by Salary Band

Salary Band	Employment at Beginning of Period (April 2005)	Appointments	Terminations	Turnover Rate
Lower skilled (Levels 1-2), Permanent	261	0	25	9.6
Skilled (Levels 3-5), Permanent	170	0	14	8.2
Highly skilled production (Levels 6-8), Permanent	486	6	23	4.7
Highly skilled supervision (Levels 9-12), Permanent	143	0	9	6.3
Senior Management Service Band A, Permanent	22	1	2	9.1
Senior Management Service Band B, Permanent	9	0	0	0
Senior Management Service Band C, Permanent	5	0	0	0
Senior Management Service Band D, Permanent	0	1	0	0
Contract (Levels 3-5), Permanent	1	4	3	300
Contract (Levels 6-8), Permanent	0	3	0	0
Contract (Levels 9-12), Permanent	1	2	0	0
Contract (Band A), Permanent	0	1	0	0
TOTAL	1098	18	76	6.9

TABLE 5.2 - Annual Turnover Rates by Critical Occupation

Occupation	Employment at Beginning of Period (April 2005)	Appointments	Terminations	Turnover Rate
Administrative related, Permanent	60	5	5	8.3
All artisans in the building metal machinery etc., Permanent	19	0	0	0
Architects town and traffic planners, Permanent	11	0	1	9.1
Archivists curators and related professionals, Permanent	2	0	1	50
Auxiliary and related workers, Permanent	6	0	0	0
Building and other property caretakers, Permanent	28	0	3	10.7
Bus and heavy vehicle drivers, Permanent	15	0	3	20
Cartographers and surveyors, Permanent	7	0	0	0
Cartographic surveying and related technicians, Permanent	33	0	2	6.1

Occupation	Employment at Beginning of Period (April 2005)	Appointments	Terminations	Turnover Rate
Cleaners in offices workshops hospitals etc., Permanent	60	0	4	6.7
Client inform clerks(switchb receipt inform clerks), Permanent	3	0	0	0
Communication and information related, Permanent	3	0	1	33.3
Community development workers, Permanent	45	0	2	4.4
Engineering sciences related, Permanent	22	0	1	4.5
Finance and economics related, Permanent	21	0	1	4.8
Financial and related professionals, Permanent	19	0	1	5.3
Financial clerks and credit controllers, Permanent	29	0	1	3.4
Food services aids and waiters, Permanent	10	0	1	10
General legal administration & rel. professionals, Permanent	3	0	0	0
Head of Department/chief executive officer, Permanent	0	1	0	0
Human resources & organisation developm & relate prof, Permanent	7	0	0	0
Human resources clerks, Permanent	47	2	3	6.4
Human resources related, Permanent	10	2	1	10
Information technology related, Permanent	1	0	0	0
Language practitioners interpreters & other comun, Permanent	5	0	0	0
Library mail and related clerks, Permanent	28	0	1	3.6
Light vehicle drivers, Permanent	21	0	2	9.5
Logistical support personnel, Permanent	1	0	0	0
Messengers porters and deliverers, Permanent	84	0	7	8.3
Mining geology & geophysical & related technicians, Permanent	22	0	2	9.1
Motor vehicle drivers, Permanent	7	0	1	14.3
Other administration & related clerks and organisers, Permanent	211	0	15	7.1
Other administrative policy and related officers, Permanent	129	0	6	4.7
Other occupations, Permanent	4	0	0	0
Road workers, Permanent	4	0	1	25
Safety health and quality inspectors, Permanent	1	0	0	0
Secretaries & other keyboard operating clerks, Permanent	30	6	0	0
Security guards, Permanent	28	0	6	21.4
Security officers, Permanent	2	0	0	0
Senior managers, Permanent	33	2	2	6.1
Social sciences related, Permanent	14	0	1	7.1
Trade labourers, Permanent	12	0	1	8.3
Water plant and related operators, Permanent	1	0	0	0
TOTAL	1098	18	76	6.9

TABLE 5.3 - Reasons why staff are leaving the Department

Termination Type	Number	Percentage of Total Resignations	Percentage of Total Employment	Total	Total Employment
Death, Permanent	23	30.3	2.1	76	1098
Resignation, Permanent	27	35.5	2.5	76	1098
Expiry of contract, Permanent	3	3.9	0.3	76	1098
Discharged due to ill health, Permanent	10	13.2	0.9	76	1098
Dismissal-misconduct, Permanent	1	1.3	0.1	76	1098
Retirement, Permanent	12	15.8	1.1	76	1098
TOTAL	76	100	6.9	76	1098

TABLE 5.4 - Promotions by Critical Occupation

Occupation	Employment at Beginning of Period (April 2005)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Administrative related	60	0	0	36	60
All artisans in the building metal machinery etc.	19	0	0	1	5.3
Architects town and traffic planners	11	0	0	9	81.8
Archivists curators and related professionals	2	0	0	0	0
Auxiliary and related workers	6	0	0	4	66.7
Building and other property caretakers	28	0	0	12	42.9
Bus and heavy vehicle drivers	15	0	0	11	73.3
Cartographers and surveyors	7	0	0	7	100
Cartographic surveying and related technicians	33	0	0	24	72.7
Cleaners in offices workshops hospitals etc.	60	0	0	14	23.3
Client inform clerks (switchboard receipt inform clerks)	3	1	33.3	2	66.7
Communication and information related	3	0	0	2	66.7
Community development workers	45	0	0	39	86.7
Engineering sciences related	22	0	0	18	81.8
Finance and economics related	21	0	0	15	71.4
Financial and related professionals	19	0	0	17	89.5
Financial clerks and credit controllers	29	0	0	28	96.6
Food services aids and waiters	10	0	0	9	90
General legal administration & rel. professionals	3	0	0	2	66.7
Human resources & organisation developm & relate prof	7	0	0	7	100
Human resources clerks	47	1	2.1	34	72.3
Human resources related	10	0	0	7	70
Information technology related	1	0	0	1	100
Language practitioners interpreters & other commun	5	0	0	4	80
Library mail and related clerks	28	0	0	22	78.6
Light vehicle drivers	21	0	0	4	19
Logistical support personnel	1	0	0	0	0
Messengers porters and deliverers	84	0	0	24	28.6
Mining geology & geophysical & related technicians	22	0	0	15	68.2
Motor vehicle drivers	7	0	0	1	14.3
Other administration & related clerks and organisers	211	0	0	169	80.1
Other administrative policy and related officers	129	0	0	104	80.6
Other occupations	4	0	0	3	75
Road workers	4	0	0	0	0
Safety health and quality inspectors	1	0	0	0	0
Secretaries & other keyboard operating clerks	30	0	0	23	76.7
Security guards	28	0	0	9	32.1
Security officers	2	0	0	2	100
Senior managers	33	0	0	3	9.1
Social sciences related	14	0	0	10	71.4
Trade labourers	12	0	0	0	0
Water plant and related operators	1	0	0	0	0
TOTAL	1098	2	0.2	692	63

TABLE 5.5 - Promotions by Salary Band

Salary Band	Employment at Beginning of Period (April 2005)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Lower skilled (Levels 1-2), Permanent	261	0	0	100	38.3
Skilled (Levels 3-5), Permanent	170	1	0.6	140	82.4
Highly skilled production (Levels 6-8), Permanent	486	0	0	364	74.9
Highly skilled supervision (Levels 9-12), Permanent	143	1	0.7	84	58.7
Senior management (Levels 13-16), Permanent	36	0	0	3	8.3
Other, Permanent	0	0	0	1	0
Contract (Levels 3-5), Permanent	1	0	0	0	0
Contract (Levels 9-12), Permanent	1	0	0	0	0
TOTAL	1098	2	0.2	692	63

5.6 EMPLOYMENT EQUITY

TABLE 6.1 - Total number of Employees (incl. Employees with disabilities) per Occupational Category (SASCO)

Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Legislators, senior officials and managers, Permanent	13	0	2	15	12	6	0	2	8	0	35
Professionals, Permanent	158	2	21	181	50	73	5	31	109	50	390
Clerks, Permanent	88	0	6	94	8	139	9	18	166	57	325
Service and sales workers, Permanent	24	0	0	24	0	0	0	0	0	0	24
Craft and related trades workers, Permanent	18	0	0	18	0	1	0	0	1	0	19
Plant and machine operators and assemblers, Permanent	37	0	0	37	0	0	0	0	0	0	37
Elementary occupations, Permanent	79	0	1	80	1	103	0	0	103	1	185
TOTAL	417	2	30	449	71	322	14	51	387	108	1015
Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	0	0	0	0	1	1	0	0	1	3	5

TABLE 6.2 - Total number of Employees (incl. Employees with disabilities) per Occupational Bands

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top Management, Permanent	5	0	1	6	3	1	0	0	1	0	10
Senior Management, Permanent	8	0	1	9	9	6	0	2	8	0	26
Professionally qualified and experienced specialists and mid-management, Permanent	40	0	10	50	39	19	1	11	31	15	135
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	164	2	15	181	17	130	11	32	173	81	452
Semi-skilled and discretionary decision making, Permanent	81	0	3	84	3	58	1	5	64	12	163
Unskilled and defined decision making, Permanent	117	0	0	117	0	104	1	0	105	0	222
Contract (Senior Management), Permanent	1	0	0	1	0	0	0	0	0	0	1
Contract (Professionally qualified), Permanent	1	0	0	1	0	1	0	0	1	0	2
Contract (Skilled technical), Permanent	0	0	0	0	0	2	0	1	3	0	3
Contract (Semi-skilled), Permanent	0	0	0	0	0	1	0	0	1	0	1
TOTAL	417	2	30	449	71	322	14	51	387	108	1015

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Top Management, Permanent	0	0	0	0	0	1	0	0	1	0	1
Senior Management, Permanent	1	0	0	1	0	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	0	0	0	0	0	4	0	2	6	0	6
Contract (Senior Management), Permanent	1	0	0	1	0	0	0	0	0	0	1
Contract (Professionally qualified), Permanent	1	0	0	1	0	1	0	0	1	0	2
Contract (Skilled technical), Permanent	0	0	0	0	0	2	0	1	3	0	3
Contract (Semi-skilled), Permanent	1	0	3	4	0	0	0	0	0	0	4
TOTAL	4	0	3	7	0	8	0	3	11	0	18
	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	1	0	1	2	0	0	0	0	0	0	2

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Senior Management, Permanent	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management, Permanent	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	0	0	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making, Permanent	1	0	0	1	0	1	0	0	1	0	2
Unskilled and defined decision making, Permanent	0	0	0	0	0	0	0	0	0	0	0
Not Available, Permanent	0	0	0	0	0	0	0	0	0	0	0
TOTAL	1	0	0	1	0	1	0	0	1	0	2
	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	0	0	0	0	0	0	0	0	0	0	0

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Senior Management, Permanent	2	0	0	2	0	0	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management, Permanent	1	0	1	2	2	2	0	1	3	2	9
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	9	2	0	11	2	5	0	1	6	4	23
Semi-skilled and discretionary decision making, Permanent	8	0	0	8	0	4	0	0	4	2	14
Unskilled and defined decision making, Permanent	16	0	0	16	0	9	0	0	9	0	25
Contract (Semi-skilled), Permanent	1	0	2	3	0	0	0	0	0	0	3
TOTAL	37	2	3	42	4	20	0	2	22	8	76
	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	0	0	0	0	1	0	0	0	0	1	2

TABLE 6.6 - Disciplinary Action

Disciplinary action	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
TOTAL	28	0	0	28	4	7	0	0	7	0	39

TABLE 6.7 - Skills Development

Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Legislators, Senior Officials and Managers	2	0	2	0	6	0	0	2	0	0	12
Professionals	37	1	6	0	28	20	0	7	0	0	99
Technicians and Associate Professionals	37	1	5	0	7	26	4	14	0	23	117
Clerks	34	0	2	0	0	24	1	3	0	7	71
Service and Sales Workers	0	0	0	0	0	0	0	0	0	0	0
Skilled Agriculture and Fishery Workers	0	0	0	0	0	0	0	0	0	0	0
Craft and related Trades Workers	0	0	0	0	0	0	0	0	0	0	0
Plant and Machine Operators and Assemblers	0	0	0	0	0	0	0	0	0	0	0
Elementary Occupations	4	0	0	0	0	2	0	1	0	1	8
TOTAL	114	2	15	0	41	72	5	27	0	31	307
Employees with disabilities	0	0	0	0	0	0	0	0	0	0	0

5.7 PERFORMANCE REWARDS

TABLE 7.1 - Performance Rewards by Race, Gender and Disability

	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
African, Female	3	341	0.9	12	4,044
African, Male	1	456	0.2	3	2,537
Asian, Female	1	55	1.9	10	10,147
Asian, Male	0	32	0	0	0
Coloured, Female	1	14	7.1	4	4,228
Coloured, Male	0	5	0	0	0
Total Blacks, Female	5	341	1.3	27	5,302
Total Blacks, Male	1	456	0.2	3	2,537
White, Female	4	120	3.8	25	6,212
White, Male	5	75	7.1	55	11,014
Employees with a disability	0	5	0	0	0
TOTAL	15	1098	1.5	109	7,264

TABLE 7.2 - Performance Rewards by Salary Band for Personnel below Senior Management Service

Salary Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
Lower skilled (Levels 1-2)	0	261	0	0	0
Skilled (Levels 3-5)	1	170	0.6	3	3,000
Highly skilled production (Levels 6-8)	7	486	1.4	42	6,000
Highly skilled supervision (Levels 9-12)	7	143	4.9	64	9,143
Contract (Levels 3-5)	0	1	0	0	0
Contract (Levels 6-8)	0	0	0	0	0
Contract (Levels 9-12)	0	1	0	0	0
Periodical Remuneration	0	51	0	0	0
Abnormal Appointment	0	696	0	0	0
TOTAL	15	1807	0.8	109	7267

TABLE 7.3 - Performance Rewards by Critical Occupation

Critical Occupations	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
Administrative related	5	60	8.3	48	9,600
All artisans in the building metal machinery etc.	0	19	0	0	0
Architects town and traffic planners	0	11	0	0	0
Archivists curators and related professionals	0	12	0	0	0
Auxiliary and related workers	0	6	0	0	0
Building and other property caretakers	0	28	0	0	0
Bus and heavy vehicle drivers	0	15	0	0	0
Cartographers and surveyors	0	7	0	0	0
Cartographic surveying and related technicians	0	33	0	0	0
Cleaners in offices workshops hospitals etc.	0	60	0	0	0
Client inform clerks (switchboard reception clerks)	0	3	0	0	0
Communication and information related	0	3	0	0	0
Community development workers	0	45	0	0	0
Engineering sciences related	0	22	0	0	0
Finance and economics related	3	21	14.3	25	8,333
Financial and related professionals	1	19	5.3	10	10,000

Critical Occupations	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
Financial clerks and credit controllers	1	29	3.4	5	5,000
Food services aids and waiters	0	10	0	0	0
General legal administration & rel. professionals	0	3	0	0	0
Head of Department/chief executive officer	0	1	0	0	0
Human resources & organisation developm & relate prof	0	7	0	0	0
Human resources clerks	0	47	0	0	0
Human resources related	0	10	0	0	0
Information technology related	0	1	0	0	0
Language practitioners interpreters & other commun	0	5	0	0	0
Library mail and related clerks	0	28	0	0	0
Light vehicle drivers	0	18	0	0	0
Messengers porters and deliverers	0	84	0	0	0
Mining geology & geophysical & related technicians	0	22	0	0	0
Motor vehicle drivers	0	7	0	0	0
Other administration & related clerks and organisers	1	211	0.5	3	3,000
Other administrative policy and related officers	3	129	2.3	14	4,667
Other occupations	0	4	0	0	0
Road workers	0	4	0	0	0
Safety health and quality inspectors	0	1	0	0	0
Secretaries & other keyboard operating clerks	1	30	3.3	4	4,000
Security guards	0	28	0	0	0
Security officers	0	2	0	0	0
Senior managers	0	33	0	0	0
Social sciences related	0	14	0	0	0
Trade labourers	0	12	0	0	0
Water plant and related operators	0	1	0	0	0
TOTAL	15	1098	1.4	109	7267

TABLE 7.4 - Performance related Rewards (Cash Bonus) by Salary Band for Senior Management Services

SMS Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Personnel Cost SMS (R'000)	Average Cost per Beneficiary (R)	Percentage of SMS Wage Bill	Personnel Cost SMS (R'000)
Band A	0	2	0	0	0	0	0
Band B	0	25	0	0	0	0	0
Band C	0	9	0	0	0	0	0
Band D	0	1	0	0	0	0	0
TOTAL	0	37	0	0	0	0	0

5.8 FOREIGN WORKERS

TABLE 8.1 - Foreign Workers by Salary Band

Salary Band	Employment at Beginning Period	Percentage of Total	Employment at End of Period	Percentage of Total	Change in Employment	Percentage of Total	Total Employment at Beginning of Period	Total Employment at End of Period	Total Change in Employment
Highly skilled production (Levels 6-8)	0	0	0	0	-1	-100	6	5	1
Highly skilled supervision (Levels 9-12)	1	14	1	14	1	100	6	5	1
Senior management (Levels 13-16)	4	72	4	72	0	0	6	5	1
Contract (Levels 9-12)	1	14	0	14	-1	-100	6	5	1
Periodical Remuneration	0	0	0	0	-1	-100	6	5	1
TOTAL	6	100	5	100	-2	-200	6	5	1

TABLE 8.2 - Foreign Workers by Major Occupation

Major Occupation	Employment at Beginning Period	Percentage of Total	Employment at End of Period	Percentage of Total	Change in Employment	Percentage of Total	Total Employment at Beginning of Period	Total Employment at End of Period	Total Change in Employment
Other occupations	0	0	0	0	0	0	6	5	1
Professionals and managers	4	70	4	80	0	0	6	5	1
Technicians and associated professionals	2	30	1	20	-1	100	6	5	1
TOTAL	6	100	5	100	-1	100	6	5	1

5.9 LEAVE UTILISATION

TABLE 9.1 - Sick Leave for Jan 2005 to Dec 2005

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average Days per Employee	Estimated Cost (R'000)	Total number of Employees using Sick Leave	Total number of days with medical certification
Lower skilled (Levels 1-2)	693	82.3	72	10.9	10	102	661	570
Skilled (Levels 3-5)	982	72	118	17.9	8	207	661	707
Highly skilled production (Levels 6-8)	3182	78.2	345	52.2	9	1,109	661	2488
Highly skilled supervision (Levels 9-12)	922	83.1	106	16	9	690	661	766
Senior management (Levels 13-16)	116	80.2	19	2.9	6	214	661	93
Contract (Levels 3-5)	3	100	1	0.2	3	1	661	3
TOTAL	5898	78.5	661	100	9	2323	661	4627

TABLE 9.2 - Disability Leave (Temporary and Permanent) for Jan 2005 to Dec 2005

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Disability Leave	% of Total Employees using Disability Leave	Average Days per Employee	Estimated Cost (R'000)	Total number of days with medical certification	Total number of Employees using Disability Leave
Lower skilled (Levels 1-2)	96	100	7	8.2	14	14	96	85
Skilled (Levels 3-5)	454	100	13	15.3	35	93	454	85
Highly skilled production (Levels 6-8)	1432	99.9	54	63.5	27	472	1430	85
Highly skilled supervision (Levels 9-12)	437	100	11	12.9	40	285	437	85
TOTAL	2419	99.9	85	100	28	864	2417	85

TABLE 9.3 - Annual Leave for Jan 2005 to Dec 2005

Salary Band	Total Days Taken	Average days per Employee	Number of Employees who took leave
Lower skilled (Levels 1-2)	5934.08	26	231
Skilled (Levels 3-5)	3556.92	22	160
Highly skilled production (Levels 6-8)	10406	22	481
Highly skilled supervision (Levels 9-12)	3137	22	143
Senior management (Levels 13-16)	706	19	37
Contract (Levels 3-5)	19	10	2
Not Available	78	26	3
TOTAL	23837	23	1057

TABLE 9.4 - Capped Leave for Jan 2005 to Dec 2005

	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2005	Number of Employees who took Capped leave	Total number of capped leave available at 31 December 2005	Number of Employees as at 31 December 2005
Lower skilled (Levels 1-2)	78	5	99	16	21340	216
Skilled (Levels 3-5)	63	5	82	12	12546	153
Highly skilled production (Levels 6-8)	230	7	104	31	41274	398
Highly skilled supervision (Levels 9-12)	71	5	93	13	9535	103
Senior management (Levels 13-16)	5	5	146	1	3930	27
TOTAL	447	6	99	73	88625	897

Reason	Total Amount (R'000)	Number of Employees	Average Payment per Employee (R)
Leave payout for 2005/06 due to non-utilisation of leave for the previous cycle	45	4	11250
Capped leave payouts on termination of service for 2005/06	472	74	6378
Current leave payout on termination of service for 2005/06	194	16	12125
TOTAL	711	94	7564

5.10 HIV/AIDS AND HEALTH PROMOTION PROGRAMME

Steps taken to reduce the risk of occupational exposure	
Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
Nil	Nil

Question	Yes	No	Details, if yes
1. Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	Yes		Mrs P D Khumalo Manager : Human Resource Management
2. Does the Department have a dedicated unit or have you designated specific staff members to promote health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	Yes		1 Official - Budget of R450 000
3. Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of the programme.	Yes		Educational Programmes, Counseling/ Referrals of staff who experience problems, Immune Supplements for HIV Positive Employees, On site Pre and Post Test Counseling, Provisions of Educational Material, On-going Marketing of the Programme
4. Has the Department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	Yes		See Attached
5. Has the Department reviewed the employment policies and practices of your Department to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	Yes		Employment Equity Report. All other relevant polices have been reviewed previously to ensure compliance.
6. Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	Yes		The Department renders a confidential service via the Employee Assistance Programme for employees. Staff who voluntarily discloses their HIV positive status can elect to receive Immune Supplements at the cost of the Department.
7. Does the Department encourage its employees to undergo Voluntary Counseling and Testing? If so, list the results that you have achieved.	Yes		Staff are encouraged to undergo Voluntary Counseling and Testing during all educational workshops and training. 6 Staff members received on site counseling, however they were referred to appropriate sites to have the test performed.
8. Has the Department developed measures/indicators to monitor & evaluate the impact of your health promotion programme? If so, list these measures/indicators.	Yes		Regular follow-ups are conducted with the staff who receive the immune supplements and those who have undergone counseling. Evaluation forms are distributed to staff after workshops and responses analysed.

5.11 LABOUR RELATIONS

TABLE 11.1 - Collective Agreements

Subject Matter	Date
No formal collective agreements concluded as Department has no power to do so	0

TABLE 11.2 - Misconduct and Discipline Hearings Finalised 1 April 2005 to 31 March 2006

Outcomes of disciplinary hearings	Number	Percentage of Total
Corrective Counseling	9	23.1
Verbal Warning	2	5.1
Written Warning	4	10.3
Final Written Warning	7	17.9
Suspended Without Pay	4	10.3
Fine	0	0
Demotion	0	0
Dismissal	0	0
Not Guilty	1	2.6
Case Withdrawn	12	30.8
TOTAL (39 cases as reported in 11.3)	39	100

TABLE 11.3 - Types of Misconduct Addressed at Disciplinary Hearings

Type of misconduct	Number	% of total
Assault	3	7.7
Committed an Offence	1	2.6
Conduct Unbecoming	1	2.6
Conducting private Business	1	2.6
Failed to comply with Financial Instruction	2	5.1
Failed to comply with Instruction	1	2.6
Falsified Records or Documents	1	2.6
Fraud	1	2.6
Wrongful Possession of State Property	2	5.1
Poor Work Performance	7	17.9
Negligence	1	2.6
Wasteful Expenditure	4	10.3
Theft	3	7.7
Unauthorized Absences	1	2.6
Under Influence of Alcohol	1	2.6
Vehicle Abuse	9	23.1
Total	39	100

TABLE 11.4 - Grievances Lodged

Number of grievances addressed	Number	% of total
Resolved	8	42.1
Not resolved	11	57.9
Total	19	100

TABLE 11.5 - Disputes Lodged		
Number of disputes addressed	Number	% of total
Upheld	0	0
Dismissed	2	100
Total	2	100
Other disputes were declared, however have not been finalized and are not included in the table above		

TABLE 11.6 - Strike Actions for the period 1 April 2005 to 31 March 2006	
Strike Actions	
Total number of person working days lost	0
Total cost(R'000) of working days lost	0
Amount (R'000) recovered as a result of no work no pay	0

TABLE 11.7 - Precautionary Suspensions	
Precautionary Suspensions	
Number of people suspended	3
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	189
Cost (R'000) of suspensions	R 48,971.54

5.12 SKILLS DEVELOPMENT

TABLE 12.1 - Training Needs identified

Occupational Categories	Gender	Employment	Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	0	0	6	0	6
	Male	0	0	12	0	12
Professionals	Female	0	0	13	0	13
	Male	0	0	27	0	27
Technicians and associate professionals	Female	0	0	258	0	258
	Male	0	0	240	0	240
Clerks	Female	0	0	381	0	381
	Male	0	0	319	0	319
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	7	22	29
	Male	0	0	37	17	54
Gender sub totals	Female	0	0	665	22	687
	Male	0	0	635	17	652
Total		0	0	1300	39	1339

TABLE 12.2 - Training Provided

Occupational Categories	Gender	Employment	Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	0	0	2	0	2
	Male	0	0	10	0	10
Professionals	Female	0	0	27	0	27
	Male	0	0	72	0	72
Technicians and associate professionals	Female	0	0	67	0	67
	Male	0	0	50	0	50
Clerks	Female	0	0	35	0	35
	Male	0	0	36	0	36
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	234	4	25	263
	Male	0	166	4	20	190
Gender sub totals	Female	0	234	135	25	394
	Male	0	166	0	20	186
Total		0	400	307	45	752

5.13 INJURY ON DUTY

TABLE 13.1 - Injury on Duty		
Nature of injury on duty	Number	% of total
Required basic medical attention only	1	33.3
Temporary Total Disablement	2	66.7
Permanent Disablement	0	0
Fatal	0	0
Total	3	100

6. TRADITIONAL LEVIES AND TRUST ACCOUNT

6.1 REPORT OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR- GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF THE TRADITIONAL LEVIES AND TRUST ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 108 to 118, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and the KwaZulu Amakosi and Iziphakanyiswa Act, 1990 (Act No. 9 of 1990). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette No. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette No. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

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

3. BASIS OF ACCOUNTING

The department's policy is to prepare financial statements on the modified cash basis of accounting as described in accounting policy 1 of the financial statements.

4. QUALIFICATION

Completeness of revenue

It is not feasible for the department to institute controls over traditional income, therefore complete recording of traditional income cannot be verified. Accordingly, it was impractical to extend my audit beyond the receipts actually recorded.

5. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Traditional Levies and Trust Account at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury of South Africa, as described in accounting policy 1 of the financial statements.

6. EMPHASIS OF MATTER

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

6.1 Assets - Suspense account

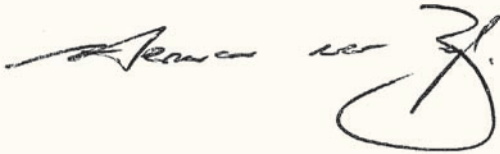
The balance sheet reflects a balance of R3,39 million as a suspense account. The major portion of this account relates to unresolved fraud cases carried forward since the 1998/99 financial year. The Department is still in the process of clearing this suspense account.

6.2 Liquidity of account in trust

The accounts held in trust, on the behalf of the traditional authorities amounted to R38,57 million. The available cash resources reflects a balance of R35,43 million which results in a shortfall of R3,14 million. This matter is viewed with concern as these monies are held in trust and should be supported by available cash resources.

7. APPRECIATION

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



H van Zyl for Auditor-General

Pietermaritzburg

31 July 2006



AUDITOR - GENERAL

6.2 GENERAL INFORMATION

REGISTERED ADDRESS

Ministerial Suite
Department : Local Government and Traditional
Affairs
1 st Floor
L A Administration Building
King DinuZulu Highway
Ulundi
3880

ACCOUNTING OFFICER

Departmental Head

BANKERS

Standard Bank
Ithala Investment Corporation
Public Investment Commissioner
Corporate for Public Deposit

AUDITORS

Auditor-General

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6.3 APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 108 to 116 have been approved by the the Departmental Head : Local Government and Traditional Affairs.



DEPARTMENTAL HEAD

31 May 2006

DATE

6.4 ACCOUNTING OFFICER'S REPORT FOR THE YEAR ENDED 31 MARCH 2006

1.0 General Review of the state of financial affairs.

The Traditional Levies and Trust Account is managed by the Department of Local Government and Traditional Affairs, in terms of the KwaZulu Financial Regulations for Traditional and Community Authorities Act 1979. The Public Finance Management Act is in the process of being introduced and will replace the aforementioned Financial Regulations with the aim of building financial management capacity within the Traditional Authorities, in partnership with the Development Bank of Southern Africa (DBSA).

During the financial year under review, the following transactions occurred :

- 1.1 Interest Income in the amount of R 2 461 065 less R 50 009 in bank charges was distributed to the Traditional Authorities as interest earned on investments held at various financial institutions, namely Ithala Bank, the Corporation for Public Deposits, The Public Investments Commissioner and Standard Bank.
- 1.2 Expenditure to the extent of R 192 490 was made against Grants received from Urban and Rural Development Program, towards capital projects, furniture and information technology improvements.
- 1.3 Funds received and disbursed are reflected as Receipts and Payments on Page 4 of the Annual Financial Statements. Further analysis of these items may be made as follows :

	R
Receipts per Annual Financial Statements	7,416,874
Less : Interest Distributed	<u>-2,461,065</u>
	4,955,809
Payments per Annual Financial Statements	<u>-10,360,492</u>
Shortfall	<u>-5,404,683</u>

The traditional authorities have spent more than what they have received this year (R 4 955 809 - 10 360 483) by R 5 404 683. This shortfall was financed by net interest of R 2 411 055 after taking into account bank charges of R 50 009 earned on investments. The total receipts, which include interest, for the year was R 4 955 809 + R 2 461 065) R 7 416 874.

The funds invested and cash resources at the end of the financial year decreased by R 2 695 680 (increase R 561 509 in the previous financial year) in the financial year under review.

- 1.4 Various matters have been referred to Internal Control and Provincial Audit Departments for further investigation. These matters are reflected in Note 6 Suspense Account, to the Annual Financial Statements. The majority of these cases occurred during prior financial periods.

2.0 Proposed Future Activities.

The process of introducing the principles of the Public Finance Management Act (PFMA), to the Traditional Authorities and respective Amakhosi, is an ongoing process. The intention is that the phased introduction of the PFMA will fully embrace the principles of skills development, financial management capacity and independence.

3.0 Page 11 is included hereof as an additional informative information and is not part of the annual financial statements.

6.5 BALANCE SHEET AT 31 MARCH 2006

	Notes	2006 R	2005 R
ASSETS			
NON - CURRENT ASSETS			
Fixed Assets	1.1/12	1	1
CURRENT ASSETS			
		35,432,397	38,230,124
Accounts Receivable	2	118,286	189,780
Cash Resources	3	1,106,430	1,453,559
Investments	4	34,203,516	36,552,068
Loans - Qadi Development Finance Committee		4,164	34,717
Suspense Account	5	3,390,859	3,389,219
TOTAL ASSETS		38,823,257	41,619,344
EQUITY AND LIABILITIES			
ACCOUNTS IN TRUST			
		38,576,075	41,519,693
Traditional Accounts		27,122,774	29,873,902
Grants	12	11,453,301	11,645,791
CURRENT LIABILITIES			
		247,182	99,651
Accounts Payable	6	247,182	96,800
Qadi Development Finance Committee		-	2,851
TOTAL EQUITY AND LIABILITIES		38,823,257	41,619,344

6.6 INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 R	2005 R
RECEIPTS		7,416,874	8,377,003
Traditional Accounts		4,955,809	5,518,805
Grants Received		-	-
Interest Received		2,461,065	2,792,008
Interest not Distributed			66,190
PAYMENTS		10,360,492	7,922,262
Traditional Accounts		10,310,483	7,738,203
Grants		-	140,677
Bank Charges		50,009	43,382
Trust Account Surplus/(Deficit) for the Year		(2,943,618)	454,741
Accumulated Trust Funds at Beginning of Year		41,519,693	41,064,952
Accumulated Trust Funds at End of Year		38,576,075	41,519,693

6.7 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 R	2005 R
TRUST FUNDS			
Balance as 1 April 2005(2004)		41,519,693	41,064,952
Receipts from Traditional authorities		4,955,809	5,518,805
Expenditure made on behalf of Traditional Authorities		(10,310,483)	(7,878,880)
Interest Received and Distributed for the Year		2,461,065	2,792,008
Interest Received and not Distributed		-	66,190
Bank Charges		(50,009)	(43,382)
Balance as 31 March 2006 (2005)		<u>38,576,075</u>	<u>41,519,693</u>
TOTAL EQUITY			
Balance as 1 April 2005(2004)		41,519,693	41,064,952
(Deficit)/Surplus for the Year		(2,943,618)	454,741
Balance as 31 March 2006 (2005)		<u>38,576,075</u>	<u>41,519,693</u>

6.8 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 R	2005 R
Cash Flows from Operating Activities			
Cash Receipts		4,955,809	5,518,805
Cash Payments		(10,360,492)	(7,922,262)
Interest Received		2,461,065	2,792,008
Interest not Distributed		-	-
Net Cash (Outflow)/Inflow from Operating Activities		(2,943,618)	388,551
Cash Flows from Investing/Financing Activities			
Reduction in Qadi Loans		30,553	12,200
Movement in Suspense Account		(1,640)	1,177
Movement in Accounts Receivable		66,484	476,757
Movement in Qadi Development Committee		(2,851)	2,851
Movement		-	-
Net Cash Inflow/(Outflow) from Investing/Financing Activities		92,546	492,985
Net (decrease)/(increase in cash and Cash Equivalents		(2,851,072)	881,536
Cash and Cash Equivalents at Beginning of the Year		37,915,016	37,033,480
Investments		36,552,068	36,856,990
Bank Balances and Cash		1,362,948	176,490
Cash and Cash Equivalents at End of the Year		35,063,944	37,915,016
Investments	4	34,203,516	36,552,068
Bank Balances and Cash	9	860,427	1,362,948

6.9 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES

The Annual Financial Statements have been prepared on the historical cost basis and incorporate the following principal accounting policies in terms of KwaZulu Financial Regulations for Traditional and Community Authorities Act, 1979, and are consistent with those applied in the previous year.

1.1 FIXED ASSETS

Fixed asset registers have been written up but opening balances could not be verified, hence depreciation was not provided for. It was decided to bring all movable assets into account at a nominal value of R 1.00. All immovable assets will be dealt with once the ownership issue between the Traditional Authority's and the Ingonyama Trust Board (as established in terms of the Kwa Zulu-Natal Ingonyama Trust Act, no 3 of 1994), has been resolved.

All new assets are treated as expenses in the year in which they were acquired.

In note 13 the assets acquired are reflected at cost price and depreciation written off using the straight line method at the under mentioned rates.

- Land and Buildings	-0%
- Motor Vehicles	-20%
- Computer Equipment	-33%
- Furniture	-10%
- Office Equipment	-15%

In order to obtain a realistic value of the Traditional Authorities the net book value of the fixed assets must be added to the Traditional control account balance.

1.2 Interest Recognition

Only interest is accounted for on the accrual basis of accounting.

1.3 Receipts and Payments

Other Revenue and Expenditure are accounted for at the time of the actual receipt or the payment.

	Notes	2006 R	2005 R
2. Accounts Receivable		118,286	189,780
Outstanding Deposits	11 (a)	1,179	6,189
Dishonoured Cheques		-	29,968
Accrued Interest		117,107	153,623
- Ithala Finance Corporation		117,107	153,623

	Notes	2006 R	2005 R
3.	Cash Resources	1,106,430	1,453,559
	Bank Balance - (Current Account)	409,213	434,898
	Cash on Hand	6,943	-
	Call Account - Qadi Development Finance Committee	-	2,648
	Savings Account	690,274	998,780
	Savings Account - Qadi Development Finance Committee	-	17,233
4.	Investments	34,203,516	36,552,068
	Corporation for Public Deposits (a)	23,656,553	22,111,574
	Public Investments Commissioners (b)	1,716,963	1,610,494
	Ithala Finance Corporation	8,830,000	12,830,000
	- Call Account (c)	230,000	2,230,000
	- Fixed Investment (d)	8,600,000	10,600,000
(a)	The funds were invested in 1984 for no fixed period. The rate is market related and fluctuate as and when the situation arises.		
(b)	The amount is invested on a call instrument class at the going market related rate.		
(c)	The money invested on call, usually 32 days call accounts.		
(d)	The amount is invested in trenches of 3 and 6 months periods and the interest is fixed from the date the amount is invested.		
(e)	Interest from (d) above is credited to the savings account when it matures.		

	Notes	2006 R	2005 R
5.	Suspense Account	3,390,859	3,389,219
	Opening Balance	3,389,219	3,390,396
	Interest Overpaid	-	(1,125)
	Bank Debits/Credits	1,640	-
	Correction of previous years bank reconciliation	-	32
	Correction of Suspense Journal Previous Year	-	(84)
6.	Accounts Payable	247,182	96,800
	This represents outstanding cheques not yet presented for payment as at year end	247,182	96,800
7.	Suspense Account (Receipts) Receipts into the suspense account for the year	(360)	(1,177)
8.	Suspense Account (Payments) Payments into the suspense account for the year	2,000	-
9.	Closing Bank Balance and Cash	860,427	1,362,948
	Cash Resources	1,106,430	1,453,559
	Add : Accounts Receivable	1,179	6,189
		1,107,609	1,459,748
	Less : Outstanding Cheques	(247,182)	(96,800)
10.	Outstanding Deposits		
	This represents receipts deposited but not yet reflected in the bank account as at year end.	1,179	6,189

	Notes	2006 R	2005 R
11. Fixed Assets			
Listed hereunder is a schedule of movable assets purchased by the Tribal Authorities since the year 2000.			
	Cost	Depreciation	Book Value
Computers	1,906,105	1,899,801	6,304
Equipment	1,641,813	1,257,454	384,359
Motor Vehicle	3,299,590	860,992	2,438,598
Furniture	104,773	20,365	84,408
	<u>6,952,281</u>	<u>4,038,612</u>	<u>2,913,669</u>

12. Urban and Rural Development Facilitation Program (Transfer Payments)

These were funds received from the Department of TLGA - (R D F) for capital projects, purchase of furniture and equipment and I.T upgrade which have been committed in terms of the business plans. The work has been progressing since the year 2000 relative to the expenditure thereof at year end.

Grants Received	40,636,446	40,636,446
Less : Expenditure to date	<u>29,183,145</u>	<u>28,990,655</u>
Funds on hand at year end	<u>11,453,301</u>	<u>11,645,791</u>

13. Royalties

Royalties are collected by Ingonyama Trust Board (ITB) on behalf of the Traditional Authorities. As at 31 March 2006, an amount of R14,790,726 had accrued to the Traditional Levies and Trust account. There were no payment made to the Trust Account during the year by ITB. There was no accrued interest or income as the Traditional Authorities are on the payments basis of accounting.

14. Contingent Liability

Income Tax (PAYE) was not deducted by the Traditional Authorities from the respective Amakhosi's Allowances during the current and previous financial years. The IT 3 (a) certificates for the tax years are being prepared and will be issued to the respective Amakhosi's for inclusion in their tax returns, pending the outcome of our presentation and submission to SARS who has up to date not positively responded in writing thereof despite our effort. No accrual was made for this expense as the Department is using the payment basis of accounting.

6.10 ADDITIONAL INFORMATION STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 R	2005 R
RECEIPTS			
Opening Balances 1 April 2005(2004)		37,915,016	37,033,480
Investments		36,552,068	36,856,990
Bank		1,362,948	176,490
Receipts		7,424,843	8,348,813
Traditional Accounts		7,366,864	8,333,621
Grants	12	-	-
Qadi Development Finance Committee		28,011	14,742
Dishonoured Cheques		29,968	450
Interest Received	1.2	2,497,272	3,268,624
Investments		2,461,065	2,792,008
Interest - Qadi Development Finance Committee		(309)	309
Interest Accrued (Investments)		36,516	476,307
SUSPENSE ACCOUNT	8	360	1,177
		<u>47,837,491</u>	<u>48,652,094</u>
PAYMENTS			
Disbursements		10,310,483	7,878,880
Traditional Accounts		10,310,483	7,738,203
Grants	12	-	140,677
Other Disbursements		50,009	43,382
Bank Charges		50,009	43,382
Interest		2,411,055	2,814,816

	Notes	2006 R	2005 R
SUSPENSE ACCOUNT	11	2,000	-
Closing Balances 31 March 2006 (2005)		35,063,944	37,915,016
Investments	4	34,203,516	36,552,068
Bank Balances and Cash	10	860,427	1,362,948
		<u>47,837,491</u>	<u>48,652,094</u>

GLOSSARY OF TERMS

CDW	Community Development Worker
CLARA	Communal Land Rights Act
CMIP	Consolidated Municipal Infrastructure Programme
DBSA	Development Bank of Southern Africa
DDP	Democracy Development Programme
DIS	Development Information Services
DIMS	District Information Management System
DMC	Disaster Management Centre
DPLG	Department of Provincial and Local Government
EPWP	Extended Public Works Programme
FBS	Free Basic Services
IDP	Integrated Development Plan
IEC	Independent Electoral Commission
ISRDP	Integrated Sustainable Rural Development Programme
LUMS	Land Use Management Plan
MAP	Management Assistance Programme
MDG	Millenium Development Goals
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MIS	Management Information System
MPCC	Multi Purpose Community Centre
PCF	Premiers Co-ordination Forum
PFMA	Public Finance Management Act
PGDS	Provincial Growth and Development Strategy
PPDC	Provincial Planning and Development Commission
TAC	Traditional Administrative Centre
TC	Traditional Council
URP	Urban Renewal Programme
WATSAN	Water and Sanitation Committee
WSA's	Water Services Authorities

Notes

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