



LOCAL GOVERNMENT
& HOUSING

Annual report

2000/2001

FREE STATE PROVINCE

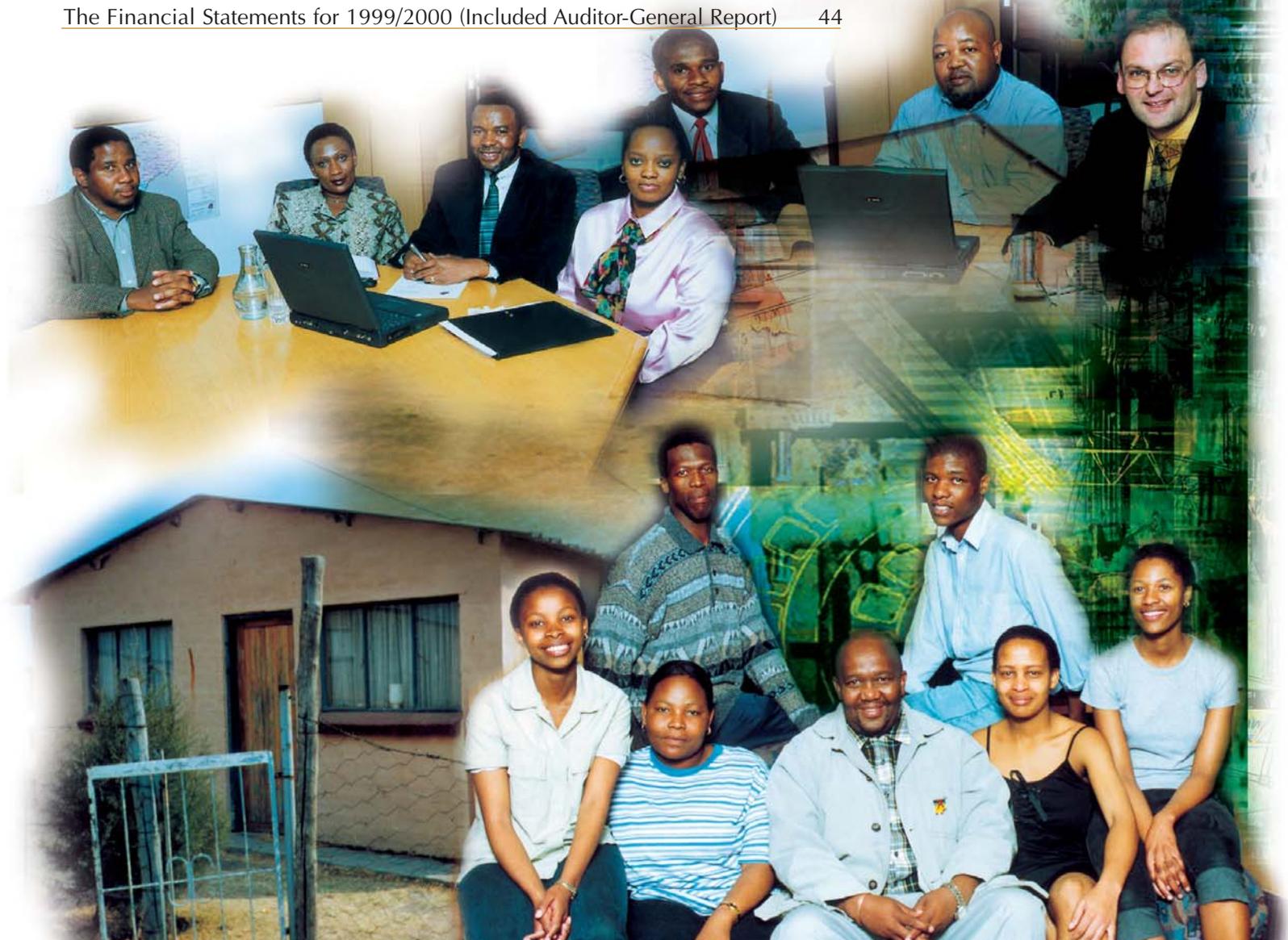


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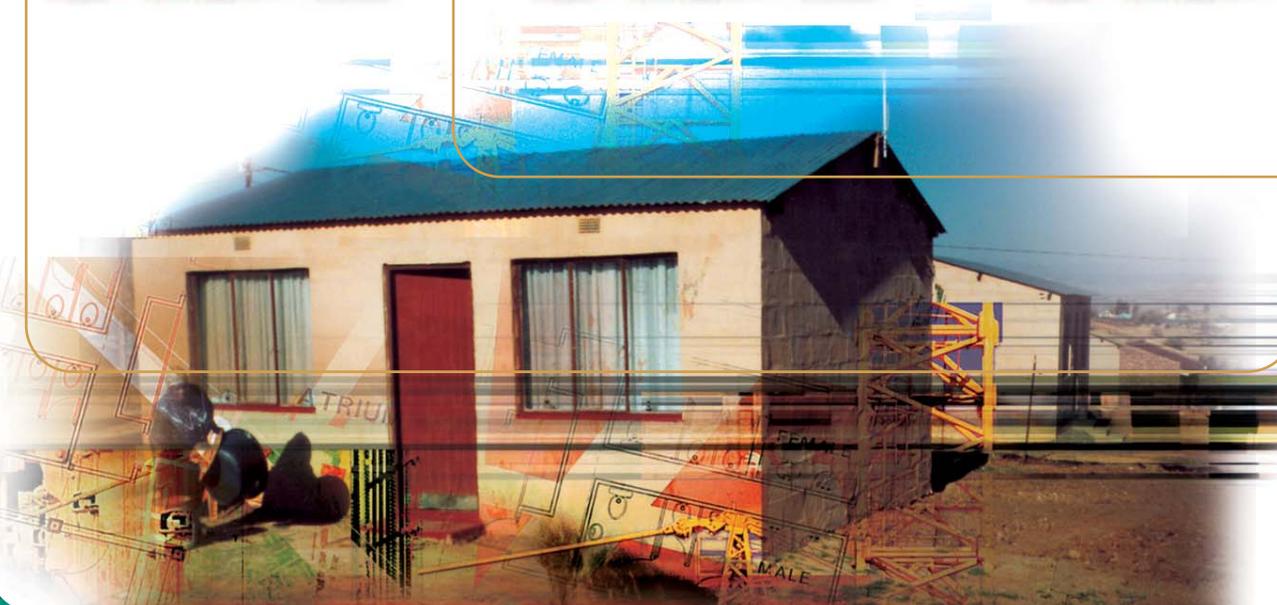
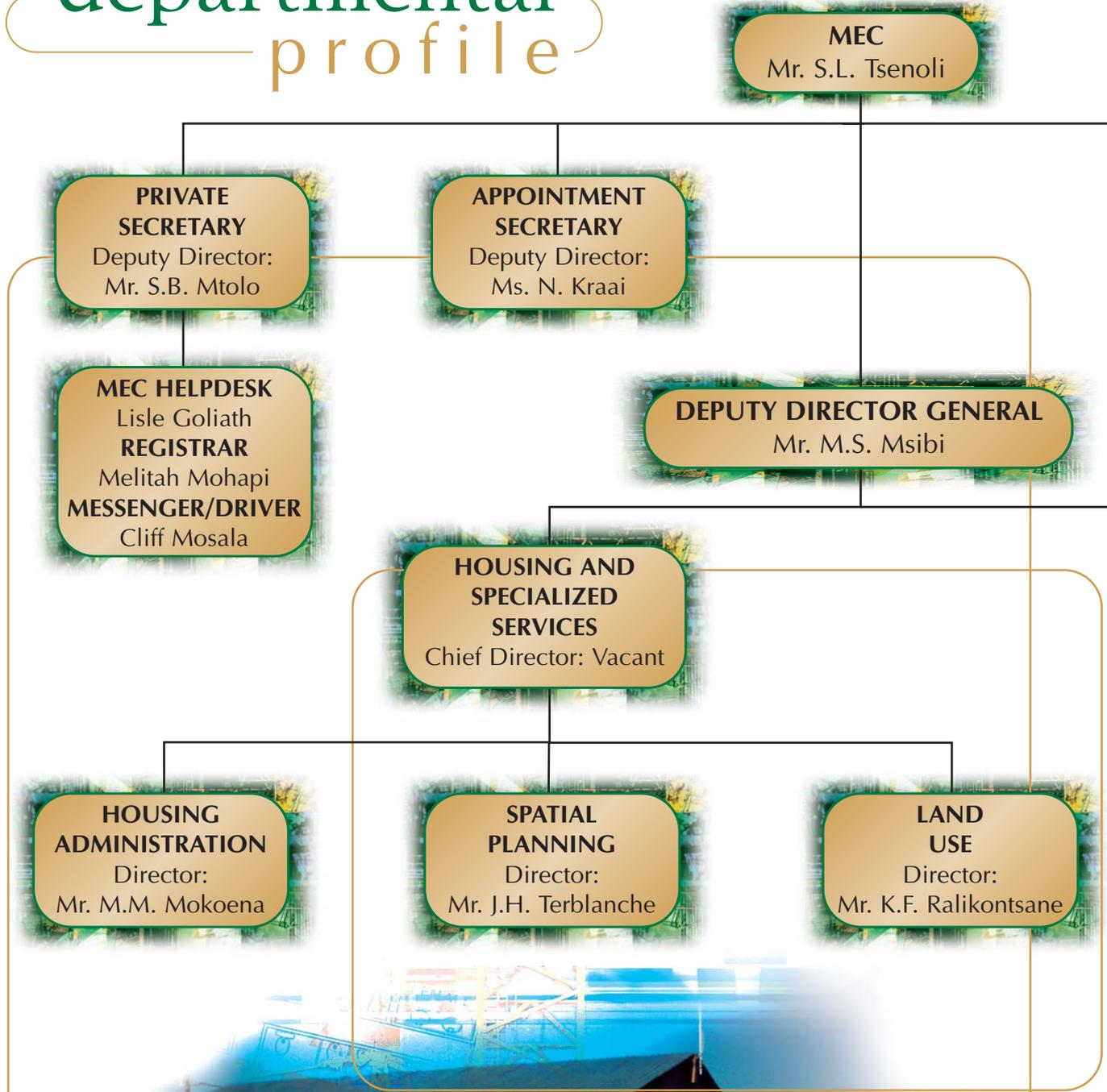
Annual Report of the Department of Local Government and Housing for the year ending 31 March 2001 including the Appropriation Account and Auditor-General Report for the year ending 31 March 2000.

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Published by Authority
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departmental profile



COMMUNICATION SERVICES DIVISION

Deputy Director:
Mr. P. Davids

LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS

Chief Director: Vacant

TRADITIONAL AFFAIRS AND COMMUNITY-SPECIFIC SERVICES

Director:
Mr. T. Motseki

LOCAL GOVERNMENT ADMINISTRATION

Director:
Mr. L.D. Tsotetsi

FINANCE

Director:
Mr. M.H. Wessels

DEPARTMENTAL SUPPORT SERVICES

Deputy Director:
Mr. T.S. Mokoena

strategic intentions

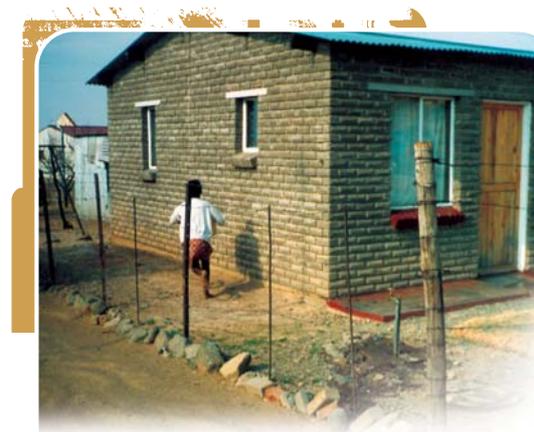
TO:

- ■ Support, capacitate and strengthen Local Government and Traditional Authorities,
- ■ Monitor Local Government and Traditional Authorities,
- ■ Enhance financial and economic viability of Local Government and Traditional Authorities,
- ■ Promote and facilitate intergovernmental relations,
- ■ Facilitate enactment and implementation of legislation on Local Government and Traditional Matters,
- ■ Facilitate municipal infrastructure development,
- ■ Facilitate and co-ordinate the provision of quality affordable housing,
- ■ Develop initiatives that promote integrated planning,
- ■ Promote sustainable land development,
- ■ Facilitate and co-ordinate the compilation of Land Development Objectives and Integrated Development Plans,
- ■ Facilitate land reform, and
- ■ Facilitate sustainable corporate services

mission statement

TO:

- ■ Support, strengthen and ensure sustainable and developmental local government and traditional authorities,
- ■ Facilitate and co-ordinate integrated housing and infrastructure development through sound financial management practices and the effective utilisation of human and material resources.



vision statement

TO:

- ■ Facilitate and promote effective, efficient and viable local government, housing delivery, infrastructure and services to meet the needs of the community.

the challenge

Now that the elections are behind us the leadership in the new municipal councils have begun to draft an agenda for co-operation with all stakeholders to implement what they undertook to do in their election manifestos. The overall objective remains the creation of a united, non-racial, non-sexist democratic South Africa.

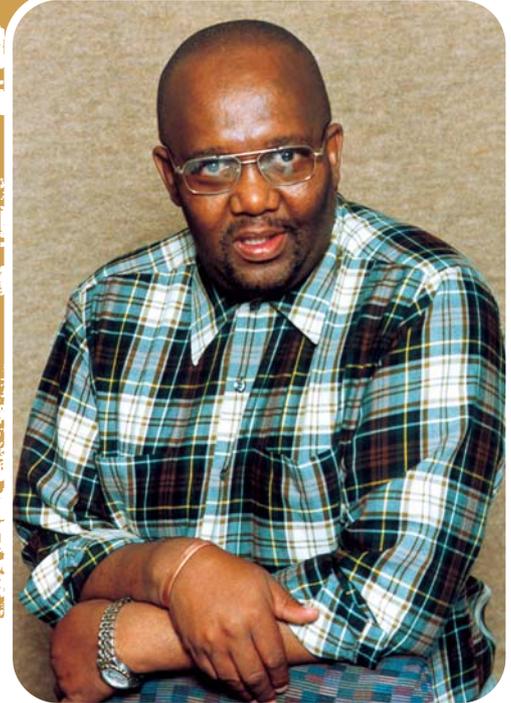
Those who remain unemployed; homeless; poor; discriminated against economically, socially because of a disability, their positive HIV/Aids status, being women and are black; have a right to expect their conditions to change for the better.

The leadership of these new councils need to appreciate the energy, creativity and wisdom that waits to be tapped among various sections in the communities under their jurisdiction to bring about sustainable solutions.

Winning councils will remain those that cultivate good relations with people in their different interests. In addition to those we mentioned earlier, concerns about children, youth, sports, culture, business, environment, travel, tourism, local and international investments need to be addressed transparently and urgently.

The elimination of waste, corruption and environmental degradation sets us on a path to good and progressive governance. Municipal councils will be better able to utilise the limited resources at their disposal to eradicate poverty, create healthy cities and educate communities for the great task of a better Africa and the world.

Municipal councils do have to embrace information communication technology so that they are able to acquire information and knowledge, access it and use it for the benefit of the people who have elected them into office. The ability to independently access this



LECHESA TSENOLI
MEC FOR LOCAL GOVERNMENT
AND HOUSING

information and use it productively is important for their self-confidence and self-esteem. They will also cope better in a world that is becoming highly connected.

Cities and towns are destined to become the sphere of government upon which the provincial and national spheres depend for sustainable development practice and guidance. It is the sphere to which the people themselves look up to for the realisation of their socio-economic rights enshrined in the constitution.

The leadership in municipal councils needs to actively create opportunities for inter-municipal co-operation, for peer-to-peer learning exchanges and self- and collective development as learning organizations. Organised Local Government, namely FRELOGA, would no doubt play a crucial role here and its resource base needs, however, to be expanded creatively if it is to meet its challenges.

overview

The Department faces many challenges in the years ahead and the year under review is no exception. The key challenge the Department was faced with in the transformation of Local Government was to prepare and make sure that the newly established system of Local Government works to ensure that it fulfils its constitutional mandate of realizing democratic governance and development. The period was thus characterized by strategic interventions and refocusing in the rapidly changing environment. Central to the interventions was to make the Department deliver its core functions in an optimal way through the introduction of change management towards improvement in measurable performance of all, individually and collectively. In realising our vision, training and the effective implementation of the legal framework applicable to Local Government became core aspects of our operations. One of the most significant changes brought about in Local Government was the drastic reduction of Local Councils. This change has made effective management of municipalities easier and enables them to perform their developmental and governance roles as set out in the constitution as well as making all the municipalities financially sustainable to meet the new challenges.

Fundamental to our strategic interventions was to promote and facilitate developmental Local Government. To this end we focus on four characteristics of developmental Local Government as stated in the White Paper:

- Democratising development and building social capital through provision of community leadership and vision.
- Seeking to empower marginalised and excluded groups within the community.
- Playing an integrated and co-coordinating role to align public and private investment in the municipal field.
- Exercising municipal powers and functions in a way that maximises their impact on social development and economic growth.



M S MSIBI
DEPUTY DIRECTOR GENERAL

I have already said that the White Paper provided a platform for reform that covers virtually every aspect of Local Government. Based on the Developmental Local Government Principles, the White Paper provided a foundation for the Municipal Demarcation Act, Municipal Structures Act, Municipal Systems Act and the Municipal Finance Management Bill.

With the solid foundations provided, the Department had to promote, monitor and facilitate the implementation of these noble pieces of legislation. The implementation of the Municipal Systems Act required more than just the removal of apartheid influences in deracialising and democratising Local Government. At all costs we needed to ensure effective redistribution, local economic growth, viable and sustainable municipalities.

A number of consultations and workshops took place throughout the Province with all stakeholders that matter most in Local Government issues, i.e. communities, NGOs, CBOs, councillors, the business sector in preparation for the unfolding demarcation process that culminated in the establishment of 25 municipalities in our province. Officials in our Department spared no effort in soliciting inputs from all stakeholders driven by the quest and desire to ensure that people determine their own destiny. The establishment of the municipal facilitation committees

and the Free State Transformation Steering Committee bore testimony to the introduction of Developmental Local Government.

Municipal Structures Act and Systems Act

The Municipal Structures Act focuses on the new political systems for municipal councils. It provides options to choose from, such as executive mayor types or plenary types including whether to have ward committees or not.

The Municipal System Act on the other hand focuses on the new administration system for municipalities. Some of its key provisions are integrated development plans, performance management systems, municipal service partnerships and participation.

Municipal Support Programme

Various actions have been taken by the Department to address the current situation in municipalities in the short to medium terms. Long term solutions were required to restore financial discipline, eliminate outstanding debts and generate the necessary cash flow. The financial success of the newly demarcated municipalities to a large extent depended on two factors:

- Whether they have sufficient taxable economic activity within their boundaries to support the delivery of services
- The establishment and maintenance of effective credit control systems

Most of the municipalities have failed to apply effective credit control. Invoices are neither correct nor sent out at regular intervals to the appropriate community members. Some municipalities have not pursued defaulters, although there are adequate mechanisms for cost recovery. The development of early warning systems as one of our monitoring tools has gone a long way in giving the necessary support to municipalities.

Housing

The delivery of affordable housing for our province's large low-income population has been a primary focus. Our aim is to establish a sustainable housing process which will eventually enable communities to secure tenure, within a safe and healthy environment and create viable communities, within an acceptable time frame. The

housing challenge is not only to facilitate the provision of adequate housing, but delivery tailored to the diverse needs of the homeless and those who are inadequately housed. The fragmented housing environment cannot be ignored. Poverty, unemployment, financial and capacity constraints make the task even more daunting.

The Department prioritised the following programmes as a means of accelerating housing delivery:

Discount Benefit Scheme

Our quest for facilitating provision of secure tenure to the communities of the Free State saw the allocation of 1716 subsidies for beneficiaries in respect of houses built with state funds. However, our quest was met by a number of limitations ranging from lack of co-operation from municipalities to beneficiaries not applying for the discounts despite our vigorous efforts to encourage both communities and municipalities to make use of this vehicle to accelerate housing delivery and acquisition of secure tenure.

Pro-active steps have been taken to accelerate the process. To this end the Provincial Housing Board appointed Messrs GSU Consortium (Gibb Law) to handle the discount benefit scheme in Sasolburg, QwaQwa and Thaba Nchu. In certain areas the discount benefit scheme on erven was applied before the subsidy was accessed and this endeavour disqualified a number of beneficiaries. This anomaly has been attended to.

Hostel Upgrading

Hostel upgrading in the Province was undertaken with the option for the beneficiaries to rent, not to own. The future creation of sectional title for hostel dwellers posed a problem due to the dilapidated state of almost all hostel complexes in the Province. Hostel upgrading has been undertaken in Bloemfontein, Edenburg, Heilbron, Kroonstad, Sasolburg, Virginia and Welkom.

Rural Housing

Rural housing was piloted through off-farm housing projects in QwaQwa and Fauresmith. This endeavour was consciously driven by the desire to address an urgent demand for housing in rural areas among off-farm workers. Several problems were encountered, amongst others:

- The land status and unavailability of PTOs
- No formal layout plan or town register

- Absence of or limited services
- Difficulty in getting building materials on site

Urban Development - Informal Settlements

The planning and surveying of erven in 42 towns under the Land Reform Programme was completed and townships registers successfully opened for the areas concerned. The process of transferring these erven to the beneficiaries was rigorously embarked upon and will be completed in due course.

Project-linked Subsidies and Individual Subsidies

It is worth reflecting on the way the Department went about developing and creating conditions for genuine empowerment and participation in development because there may be useful ideas to draw from. To ensure that the local development process mobilised grassroots involvement and participation, a Housing Lekgotla was convened. The Lekgotla was divided into a number of commissions with each having a clear set of objectives, activities and training programmes. Most important about this endeavour was that Lekgotla stakeholders got together to discuss problems, consider solutions and reach agreement on actions needed. This endeavour made genuine progress towards strengthening democracy.

Community participation as epitomised by unprecedented housing delivery through the People's Housing Process demonstrated that without proper resolve and will among the structures of Government, participation processes can falter and fail to achieve significant social and economic outcomes.

Our housing programmes placed most emphasis on:

- Women driven projects
- Youth involvement
- People's Housing Process

Restructuring of the Department

Substantial consultations and engagements took place regarding both macro and microstructures. The macro structure will soon be approved following recommendation that the realignment of the Department ensures that it is best prepared to meet our constitutional obligation.

Gender Management

This is one of the central components in the transformation programme of the State. It is intended to facilitate a paradigm shift in the way the Department handles gender relations. The Department has developed a policy on sexual harassment and all units are currently making suggestions. We expect the unit to be fully staffed in the near future.

HIV/Aids Programmes

It is obvious that HIV/Aids will have a negative and drastic influence on the Department and municipalities. The Department is at an advanced stage of developing and implementing a strategy on HIV/Aids. Personnel in the Department were urged to play a pivotal role in combating the pandemic. Workplace programmes on HIV/Aids ensure that training programmes are developed for management with a view to further mobilising the municipalities to participate.

Disability Unit

One of the critical challenges facing the Department is the establishment of a disability unit with a view to influencing policy processes around issues pertaining to disabilities. Though this role is currently played by our Support Services Subdirector, efforts are made to establish a fully independent unit.

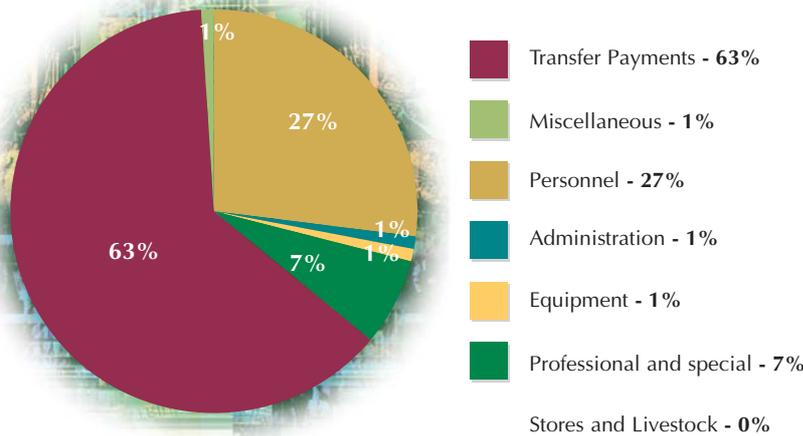


OFFICE OF THE MEC

review of the budget for the 2000/2001 financial year

AMOUNT APPROPRIATED

Budget per item



The total budget amounts (Adjustment Budget included) is R 463 861 000.

Included in the above-mentioned amount is:

Salaries R293 Towns	R 76 679 180
Housing Funds	R 218 306 000
CMIP Funds	R 58 820 000
Management Support	R 19 998 416
LDO'S	R 3 612 000
Improve conditions	R 4 124 000

This Department is committed to improve the quality of life by providing basic services to the poorest of the poor in our communities and therefore 63% of the total budget relates to transfer payments pertaining to housing and infrastructure delivery.

The total budget is made up as follow:

Budget allocation for 2000/2001 financial year	R 370 062 000
Improvement of conditions	R 4 124 000

Main budget

R 374 186 000

Adjustment budget:

Consolidated Municipal Infrastructure Projects	R 58 820 000
Management Support Programs	R 19 998 000
R 293 Gratuities	R 5 852 000
Municipal Finance Assistance	R 2 420 000
Human Resettlement Program	R 1 200 000
Capacity Building Program	R 1 001 000
Bonuses	R 384 000

Total adjustment budget

R 89 675 000

Total budget for the 2000/2001 financial year

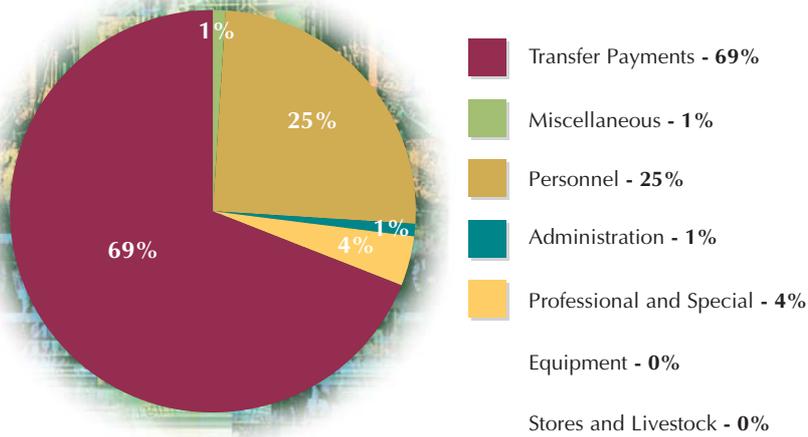
R 463 861 000

ACTUAL EXPENDITURE

The actual expenditure amounts to R 404 448 000, with a saving of R 59 413 000 for the Department. The roll-over request to the Department of Finance and Expenditure amounts to R 47 805 000, with a saving

of R 11 608 000. The rollover funds relate to capital projects that are already contractually committed. The saving is mainly due to vacant posts, the non-procurement of equipment, consultant services and stabilisation funds not utilised.

Expenditure per item



The Expenditure is mainly made up as follows:

Transfer Payments:

Housing Fund	R 218 306 000
CMIP and Provincial funds	R 51 430 971
Informal Settlements	R 2 174 915

Personnel Expenditure:

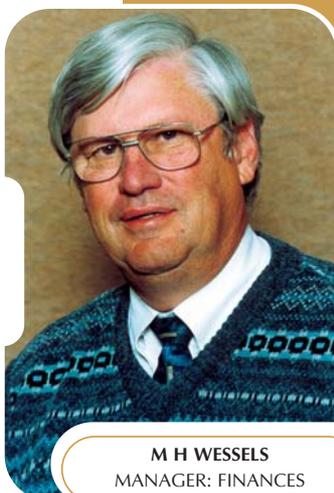
Salaries R293 Towns	R 62 009 264
Departmental	R 38 559 713

Professional and Special Services:

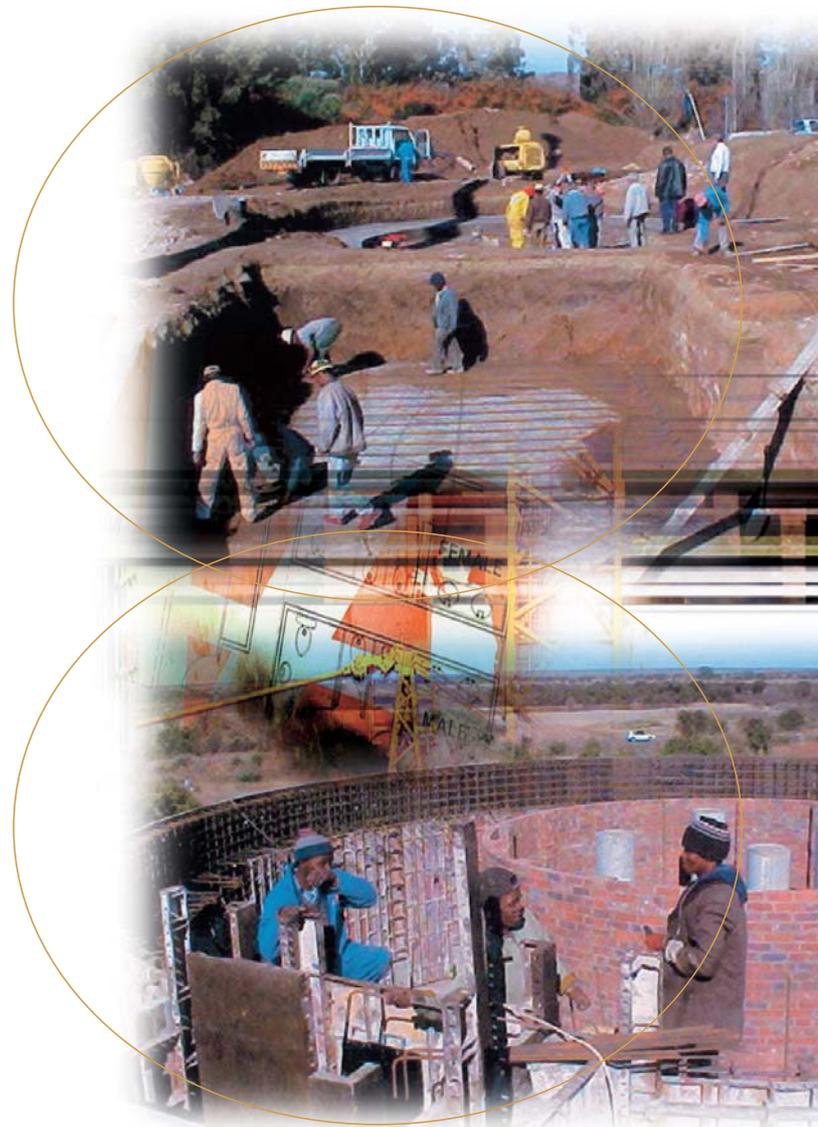
MST	R 11 338 000
LDOs	R 3 047 000

On 1 April 2000 the Public Finance Management Act, 1999 (Act No. 1 of 1999) came into effect. With this Act a number of new and revised functions came into place. Much more emphasis was placed on effective, efficient, economical and transparent accounting practices. The 2000/01 financial year was the first time that the Department had to compile the financial statements in the format as presented in this annual report.

As a result of the Public Finance Management Act, new powers of delegation for the Financial and Salary Administration of the Department were compiled. The Department has also started with a fraud prevention plan that will be finalised within the next financial year. An Internal Audit Committee will, however, not be established within the Department as it was decided that a centralised committee will be established within the Department of Finance and Expenditure.



M H WESSELS
MANAGER: FINANCES



THE CONSOLIDATED MUNICIPAL INFRASTRUCTURE PROGRAMME (CMIP)

transfer of staff to municipalities



After the first democratic elections of the country in 1994, Government found itself in a predicament on the issue of public servants performing municipal functions in a sphere of Government which enjoyed constitutional autonomy. With the amalgamation of Provincial Administrations, the abolishment of the homeland dispensation, the rationalisation and right-sizing that followed in Government Departments, R293 staff became additional to staff establishments. The Transfer of Staff to Municipalities Act, 1998 (Act No. 17 of 1998), provides for staff to be transferred to municipalities from provinces if they perform municipal functions.

In the Free State, the affected R293 towns are the former Botshabelo, Phuthaditjhaba, Thaba Nchu, Harrismith (Tshiame), Oppermansgronde and Thaba Patchoa TLCs. Thaba Nchu amalgated into Mangaung Municipality and Phuthaditjhaba, part of the Maluti-a-Phofung Municipality was inherited from the homeland dispensation. Oppermansgronde, part of the Letsemeng Municipality

and Thaba Patchoa, part of the Kopano Municipality resorted under the former House of Representatives and Delegates. Public Servants render municipal services in these areas. Municipalities accepting the transfer of these staff will be guaranteed to receive a three-year subsidy, after which it will be incorporated into the equitable share for Local Government.

The December 2000 Local Government elections had a profound effect on the process, mainly because former Transitional Local Councils were amalgated into new municipalities that had a definite effect on previous discussions and negotiations. At the beginning of 2001, a fresh round of negotiations took place to determine the way forward in the new municipal dispensation. The negotiations will culminate in the MEC for Local Government and Housing publishing a Transfer Notice in terms of the Transfer of Staff to Municipalities Act, 1998 (Act No. 17 Of 1998). It is envisaged that the following number of staff will be affected:

Former Transitional Local Council:	In the new Municipal dispensation part of:	Total number of R293 staff:	Number of R293 staff that opted for transfer:	Balance to be retained by the Province:
Botshabelo	Mangaung	1 500	930	570
Tshiame	Maluti a Phofung	68	31	37
Phuthaditjhaba	Maluti a Phofung	454	216	238
Thaba Patchoa	Kopano	33	6	27
Oppermansgronde	Letsemeng	21	0	21
TOTAL		2076	1 183	893



MANAGEMENT SUPPORT PROGRAMS

According to section 155(6) of the Constitution as well as section 105(1) of the Local Government Municipal Systems Act, 2000 the MEC for Local Government must monitor municipalities and assess the support needed by municipalities to strengthen their capacity to manage their own affairs, exercise their powers and perform their functions.

A Local Government Support Grant was allocated to assist with the institutional reorganisation required in order to bring about sustainable Local Government and to accommodate some municipalities that require urgent support. The Programme also assists municipalities in the

- Assistance to Municipalities with the compilation of the Establishment Plan;
- Assistance with the maintenance of financial records;
- Compilation of separate and integrated 2000/2001 financial statements;
- Promoting accountability as a result of the Auditor-General's report;
- Finalisation of uniform tariffs;
- Finalisation of amalgamated 2001/2002 operating and capital budgets;
- Monitoring cashflow, liaison with creditors and prioritising payments;

development, integration and maintenance of new financial and administrative management systems.

The focus point this financial year was mainly on the assistance with the distabishment of the former Transitional Local Councils (which included the updating of asset registers, compilation of the 1999/2000 financial statements and financial records till the end of November 2000) as well as with the establishment of the new municipalities (which mainly focused on the preparations of integrated budgets, determination of uniform tariffs, preparation of credit control and indigent policies) in order to make the integration process easier. The programme will also focus on:

- Integrate management and other information systems;
- Delegation of functions, powers and procedures; Finalisation of organisation structures (Human Resources); assistance to Municipalities with the implementation of legislation;
- Attending of meetings (especially related to the integration process);
- Verification/ updating of asset registers / transfer of assets and liabilities;
- Monitoring the implementation of credit control and indigent policies; and
- Forensic investigations where necessary.

BUDGETS

Budgets of municipalities are considered by the National Department of Finance in order to evaluate expenditure limits for approval. New budget reforms are being considered for implementation.

FINANCIAL ASSISTANCE

The Department of Provincial and Local Government allocated ad hoc financial assistance grants during the 2000/2001 financial year of R2,420,000 to address the comprehensive needs of Free State municipalities. However, this allocation was not adequate and the Department made R700 000 available to avoid legal actions being taken against municipalities. Therefore a total of R3 120 000 was allocated to Municipalities in need.

A new formula-based system of equitable share allocations to municipalities from the Department of Provincial and Local Government has been phased in since 1998/1999 in for a period of 5 to 7 years. The main purpose is to provide municipalities with funds to subsidise the operating costs associated with the provision of basic services (S grant) and maintain a functioning administration (I grant).

The higher equitable share allocations will also have a positive impact on the overall liquidity of municipalities, enabling them to deal more effectively with operational expenses and the demands of creditors, which in turn would promote local stability and greater business confidence in municipalities.

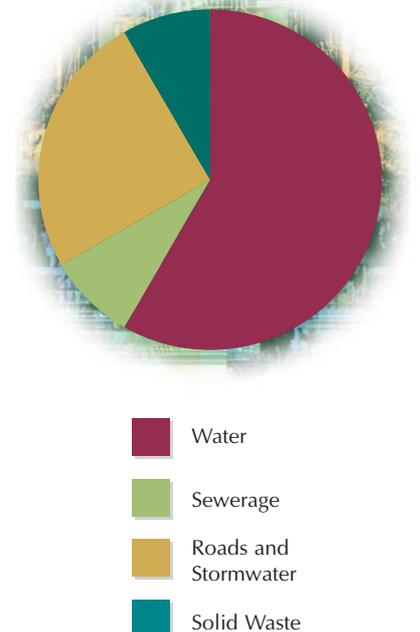
THE CONSOLIDATED MUNICIPAL INFRASTRUCTURE PROGRAMME

1. The Consolidated Municipal Infrastructure Programme (CMIP) is designed to further the aims of the RDP, both through:
 - The provision of internal bulk and connector infrastructure in support of households infrastructure to needy South Africans in ways that enhance the integration of previously divided areas; and
 - Enhancing the development impact of the delivery process, for example, by focusing on the transfer of skills and the promotion of small, medium and micro-sized enterprises (SMMEs) using labour intensive construction processes and maximising job creation opportunities.
2. The CMIP programme provides grant funding for the installation, upgrading and rehabilitation of internal bulk and connector infrastructure. CMIP also provides for the rehabilitation of internal services where appropriate.

An amount of R58,820,000.00 was allocated towards projects for the 2000/2001 financial year of which R49,348,262.59 was paid out to local municipalities. An amount of R9,471,737.41 was not spent but is committed to be spent during the 2001/2002 financial year. A further 12 of the 16 projects approved for the 1999/2000 financial year were completed during 2000/2001.

COMPLETED PROJECTS 2000 / 2001

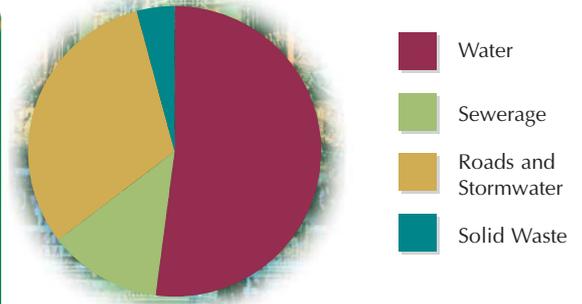
TOTAL	PROJECTS	AMOUNT ALLOCATED
7	Water	R 9 660 654.90
1	Sewerage	R 1 269 378.00
3	Roads and Stormwater	R 9 481 704.99
1	Solid Waste	R 939 406.49
12	Projects Completed	R21 351 144.38



Currently the Department is still in the process of implementing 39 projects for the 2000/2001 financial year. 19 projects are under construction, 10 on tender and 10 in the pre-implementation stage.

ONGOING PROJECTS 2000 / 2001

TOTAL	PROJECTS	AMOUNT ALLOCATED
25	Water	R 62 324 817.08
6	Sewerage	R 13 989 515.78
1	Cemetery	R 980 000.00
5	Roads and Stormwater	R 10 070 200.00
2	Solid Waste Disposal	R 1 070 200.00
39	Projects Completed	R89 188 807.86



As part of the CMIP 38 SMMEs were employed. Currently 37,763 labour days are generated, classified as 22,728 men, 7483 women, 5724 male youth and 1828 female youth.

It is the objective of the Department to facilitate the implementation of basic services to communities within the framework of available funds on a continuous basis. In addition to the Conditional Grant an amount of R9 million was appropriated. 6 projects were approved and these funds were committed. However, R5,503,283.82 of the committed funds will not be spent in the current financial year but will be spent in the next financial year.

resources to disestablish 99 District, Transitional and Rural Local Councils in the Province and to establish a new system of Local Government consisting of 25 new amalgamated municipalities.

To achieve this, one Local Government Provincial Steering Committee (LGPSC), 5 District Facilitation Committees (DFCs) as well as 5 Administrative and Technical Committees (ADTECs) were established. The DFCs had to make recommendations to the LGPSC on a wide variety of Local Government matters before final proposals could be considered. The LGPSC met at least monthly to make recommendations that in turn were submitted to the National Local Government Steering Committee (NLGSC) that also met at least once a month.

The Free State Local Government Association (FRELOGA), the trade unions in Local Government, the Independent Electoral Commission (IEC) as well as other role players were brought on board from the start and they made major contributions towards a co-ordinated process between the Department and the Department of Provincial and Local Government in establishing these new municipalities.

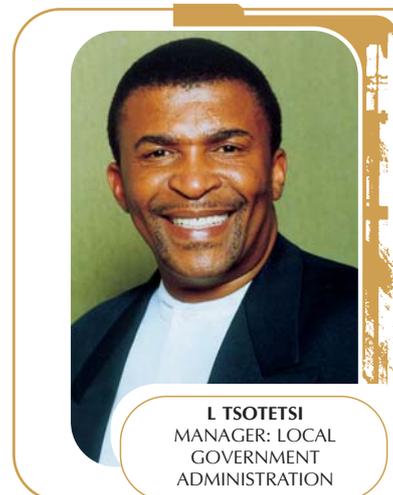
towards the first truly non-racial democratic elections

LOCAL GOVERNMENT ADMINISTRATION

The process of change in Local Government did not come to an end on 5 December 2000. It was in fact the commencement of the final phase to which reference is made in the Local Government: Transition Act, 1993 (Act No. 209 of 1993). What is left to be done after the elections, is to get new councillors and employees conversant with the new structures and systems, new legislation and new personnel structures, amongst others.

The year 2000 was indeed a watershed year for Local Government in the country. The millions of South Africans who voted on 5 December 2000 ushered in the first democratic and non-racial Local Government elections.

In order to achieve this success, the Department, in a mammoth effort starting in January 2000, pooled all its



L TSOTETSI
MANAGER: LOCAL GOVERNMENT ADMINISTRATION

The Municipal Demarcation Board (MDB) started this process by publishing the demarcation of municipal boundaries in the Provincial Gazette of 28 February 2000. Various other notices followed to facilitate the process. The process started with Notice No. 60 of 2000 determining the number of seats in each new municipality and was concluded with the publication of the establishment notices in respect of the 25 new municipalities on 28 September 2000 in order to give the Municipal Demarcation Board sufficient time to demarcate the wards in all municipalities for the election on 5 December 2000.

The Department did not spare any effort in assisting the IEC to deliver free and fair elections. To this extent a number of road shows in all the districts were held to make communities aware of the elections as well as to register as voters. Our advertisements in the media, both print and electronic, reached thousands of potential voters. Our municipalities provided assistance and support to the IEC.

A total number of 732 councillors were elected directly and indirectly.

Challenges facing the new municipalities

A new type of leadership has emerged in our municipalities. This strategic leadership will ensure that Local Government discharges its historic responsibilities. In particular, a great responsibility rests upon our new executive mayors.

New challenges, new roles and relationships, new values and ethics, new organizations and new leadership requirements demand new capabilities and skills. We will continue to build the capacity of municipalities to meet these challenges.

The new structure of Local Government, as stated by the President in his State of the Nation Address on 9 February 2001, and reiterated by the Premier in her Opening Address on 16 February 2001, will be the focal institution of government to ensure the co-ordinated implementation of our programmes.

The Department, being constitutionally bound to assist, strengthen, support and capacitate municipalities, will be tackling this responsibility even more vigorously.

A lot of time and effort was put into the capacitating of acting municipal managers to manage the new municipalities from the 6 December 2000.

Capacitating the new municipalities

We have identified three pilot municipalities for implementation of the Performance Management System (PMS) which will be tightly linked to their interim Integrated Development Plans (IDPs). The pilot programme will run until the end of the 2001/2 financial year. The pilot municipalities are Mangaung, Maluti-a-Phofung and the Northern Free State District Municipality.

The finalisation of the division of powers and functions between local and district municipalities has to be completed in 2002. The division of powers and functions has been determined on the capacity of the respective municipalities to perform those functions. Work has been done towards this objective and workshops, in conjunction with the Municipal Demarcation Board, have been held in the various districts.

Regulating the new municipalities

The Department is further obliged by the constitution to regulate municipalities to the extent that it may not compromise or impede municipalities' right or ability to exercise their powers and perform their functions.

The previous transitional local councils had adopted by-laws on 180 subjects, embodied in more than 1 500 documents. As some of the regulations are either outdated, offensive or illegal, the same number of subjects will not have to be addressed in the new rationalised by-laws again.



N MALUNGA
DEPUTY MANAGER:
LOCAL GOVERNMENT
ADMINISTRATION



C HÖHNE
ASSISTANT MANAGER:
LOCAL GOVERNMENT
ADMINISTRATION



E J ROSSOUW
DEPUTY MANAGER:
LOCAL GOVERNMENT
ADMINISTRATION

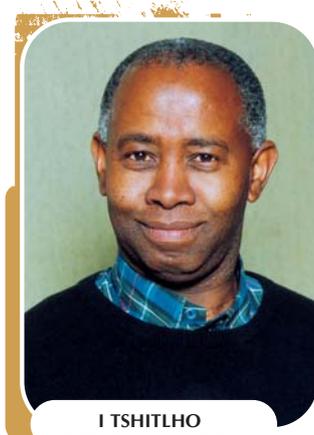
The Department intends to promulgate standard by-laws on the more important issues which councils can then adopt by reference as in the case of the Standard Standing Rules and Orders, thus saving substantial amounts of money for the councils. The Department will assist councils with defraying some/all of the costs if they should decide to adopt by-laws individually.

Language Promotion

The Department is assisting municipalities with the development of their language policies in accordance with section 6 of the Constitution. As a first step, fifty (50) councillors (i.e. two councillors per municipality) were sent to attend a seminar conducted by the Unit for Language Facilitation and Empowerment (UFS) at cost to the Department. The seminar comprised: an introduction about the necessity of a language policy; an explanation of the legal aspects of language and its usage in government structures; the role and position of the Department with regard to language policy; and practical guidelines for developing a language policy and an implementation plan for municipalities.

Integrated Dispute Resolution System

The establishment and mentoring of Intervention Teams in accordance with our Integrated Dispute Resolution System are geared towards the changed environment in the newly established municipalities.



I TSHILHO
DEPUTY MANAGER:
Local Government
ADMINISTRATION

Intergovernmental Relations

The new financial year will see the establishment of a component charged with the promotion of municipal international relations. Municipalities are encouraged to engage with other municipalities internationally through a range of mechanisms to deal with the impact of globalisation and promote economic development in their areas. An integrated approach has been developed in this regard.

The Department continues to play a facilitating role in PROVLOC. The work of the MEC/Local Government Association Co-ordinating Committee (MECLOGA) feeds into the processes of PROVLOC.

Effective land management means to provide sufficient protection from negative influences of land development and land use to both the natural environment and members of the public. It also attempts to ensure a continually improving spatial environment in which land tenure is provided to members of the community.



K F RALIKHONTSANE
MANAGER:
LAND USE
ADMINISTRATION

Land Development Applications

The Department is responsible for the administration of all land development applications in terms of the relevant legislation and especially the principles of the Development Facilitation Act. The Townships Board is obliged to evaluate these proposals and make sound recommendations to the MEC for a decision.

Twenty-four land development applications were processed and 9 402 erven were released.

Rezoning to establish businesses took place in 56 cases. 105 applications for the removal of restrictive conditions were handled and of these, 30 were to establish businesses.

Twenty-five town-planning schemes have been amended to ensure that these make provision for new developments and trends.

Land Tenure

Land tenure is regulated by four pieces of legislation and these are used mainly in the former Black areas to convert permission to occupy and leasehold erven into freehold ownership. The Department is also in the process of encouraging Local Government to improve their housing records to enable smooth implementation of the Conversion Act so that people may own houses on a freehold basis. An investigation concerning the land tenure in the Province has also been undertaken as secure tenure in rural, tribal and urban areas has to be addressed and a uniform process developed.

The transfer of the entire Tshiame and land in Luckhoff has taken place where the land was transferred from the Province to the respective municipalities. Nine township registers were opened and these erven could be transferred to individuals.

Challenges

The Department faced a major challenge to produce a single law for land use. At present land use is regulated by several acts and this not only leads to confusion, but also to additional work and thus the dynamism of land management is not adequately addressed. The idea is to compile one act that will manage land in an effective and efficient manner while also giving relevance to the sustainability of urban development. This has to take place promptly and a task team has been established to perform this task.

Attention should also be given to the determination of minimum and maximum erf sizes. This is an important issue as land is a scarce resource and has to be used wisely. Development of land is also dynamic and policies and views should be adapted to provide for this, otherwise it could lead to poor planning and development.

A policy on mixed land use will have to be formulated as this is one of the burning issues and no clear policy parameters have been established in this regard.

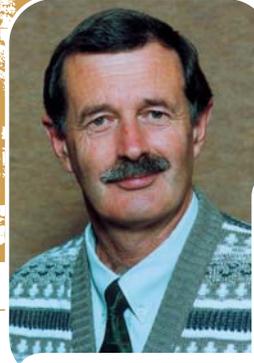
Another challenge is the delegation or assignment of powers to Local Government in respect of certain functions around land use management.

At present the Department mostly reacts to applications received and these are processed so that development may take place. It is envisaged that this procedure will not suffice in the light of the particular dynamics of land management. The Department is already starting to position itself to become more pro-active and to be more development orientated and give more guidance than merely regulate.

Presently most town planning schemes only include limited areas and most of the former Black townships are regulated by other measures like Annexure F of the Black Communities Development Act 4 of 1984. This will have to be addressed in order to have a uniform zoning system.

spatial planning

Central to spatial planning is an endeavour to create sustainable, productive, healthy, balanced, integrated and safe urban and rural environments and to integrate economic, sectoral, spatial, environmental and institutional strategies through a participatory spatial planning process and effective land use control.



J H TERBLANCHÉ
MANAGER:
SPATIAL PLANNING



I MEIRING
DEPUTY TOWN AND
REGIONAL PLANNER:
SPATIAL PLANNING

Land Development Management

To maintain a balanced and sustainable urban environment, effective land use control is a necessity. In this regard the Townships Board was advised by means of comprehensive planning reports based on the principles of the Development Facilitation Act on the following land development issues:

TABLE: LAND DEVELOPMENT APPLICATIONS

Subdivisions of land	196
Consolidations of portions of land	143
Removal of restrictions	216
Permit for change of land use	12
Township establishment	40
Rezoning of land	254
Amendment of General Plans	31
Amendment of Layout Plans	11
Amendment of Town Planning Schemes	62
Road Council proposals	2
TOTAL	967

Land Development Objectives

- The Development Facilitation Act of 1995 (Act 67 of 1995) requires that Local Authorities set Land Development Objectives as part of the Integrated Development Planning Process, in terms of the Local Government Transitional Act, Second Amendment, 1996 (Act 97 of 1996).
- Most of the Local Authorities in the Free State do not have the financial and human capacity and skills to compile LDOs. The financial grant from the Department of R125 400 per Local Authority is essential to complete their LDOs.



H ADAM
ASSISTANT MANAGER:
SPATIAL PLANNING

The financial grant enables the Local Authorities to appoint consultants and facilitators to assist in the community participation process of the LDOs.

- If financial assistance to the Local Authorities is terminated, the LDO process cannot continue and all previous work done will be fruitless, because this is an ongoing community participation process.



R S ROODE
DEPUTY TOWN AND
REGIONAL PLANNER:
SPATIAL PLANNING

A total of 99 Local Authorities have started with the LDO process. At the end of March 2001, 99 work plans had been approved by the MEC of Local Government and Housing, whilst 97 vision statements, 96 development frameworks, 96 development strategies and 96 Draft LDO documents were received. 58 final documents have been approved by the MEC.

Promotion of Local Economic Development

The Local Economic Development (LED) Fund is a key and innovative financing instrument that the National Department of Provincial and Local Government developed in 1999 to support locally identified job creation and poverty alleviation projects. The LED Fund has been designed to facilitate quick disbursement and efficient expenditure. Municipalities apply for project funding and report directly to the Department of Provincial and Local Government. The LED Fund projects must be situated within the broader economic strategy of the municipality and be part of the integrated development planning process. The Department is involved with the Department of Provincial and Local Government in the allocation of funds and approval of projects to promote local economic development in the Free State.

During 2000/2001 8 projects were approved which are:

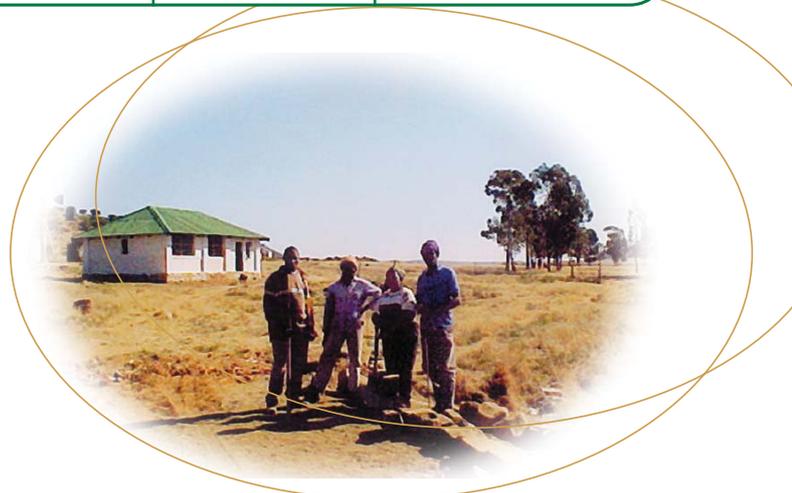
MUNICIPALITY	PROJECT	AMOUNT APPROVED	ADDITIONAL FUNDS APPROVED
Tokologo (Dealesville)	Salt Lakes	R870 000	
Mantsopa (Hobhouse)	Dipelaneng Piggery project	R654 388	R385 745
Kopanong (Jagersfontein)	Small farming project	R700 000	R430 000
Mantsopa (Ladybrand)	Business Hive Complex	R1 030 000	R294 140
Kopanong (Philippolis)	Philippolis Tannery and Craft Centre	R1 496 398	R169 541
Setsoto (Senekal)	Textile Centre	R465 000	R360 000
Matjhabeng (Virginia)	Thusanang Poultry Project	R73 953	R1 026 940
Mohokare (Zastron)	Manufacturing of charcoal	R541 500	R200 000
TOTAL		R5 831 239	R2 866 36



E G SCOTT
DEPUTY TOWN AND
REGIONAL PLANNER:
SPATIAL PLANNING



C DU PLESSIS
SENIOR TOWN AND
REGIONAL PLANNER:
SPATIAL PLANNING



The challenge faced by many municipalities, is regenerating local economies after a period of economic decline and stagnation, which is a result of many past policies and influences. Local and international experience show that regeneration strategies can have various positive results because restructuring the local economy can make the municipalities less dependent on a specific declining sector. One of the key instruments of the Regeneration Local Economics Programme is the Social Plan Fund, which was an outcome of the 1998 Job Summit. The aim of this fund is to provide financial assistance to municipalities to undertake regeneration studies. The fund is situated within the Department of Provincial and Local Government and allocations are made with the assistance of the Department of Local Government and Housing.

Each of the following towns received R50 000 for regeneration studies i.e. Phutaditjhaba, Thaba Nchu, Fouriesburg, Hoopstad, Vredefort, Lindley, Zastron and Wesselsbron, while the District Municipality of Thabo Mofutsanyana received R150 000 as one of the areas identified in terms of the Integrated Sustainable Rural Development Strategy (ISRDS).

Tenure upgrading in Thaba Nchu

Tenure upgrading of certain land in Thaba Nchu has been completed. These funds were provided by the Department of Land Affairs. This involved the planning and surveying of 14 800 erven that were managed by this Department. The conveyancing of 5607 erven has been completed with the assistance of the State Attorney's Office in Bloemfontein.

Information Management

An information system is an ongoing process which transforms data into information and consists of a collection of procedures, hardware and software with the objective to collect, process, store and communicate data and information in support of operational tasks and management decisions as well as research for planning purposes.

The cadastral information from the Free State Office of the Surveyor General forms the basis of the Geographical Information System (GIS). The capturing of data and land use surveys is an ongoing project, which receives continuous attention. This information is on a database and can be linked with the cadastral information through procedures that manipulate geographically referenced data and maps.

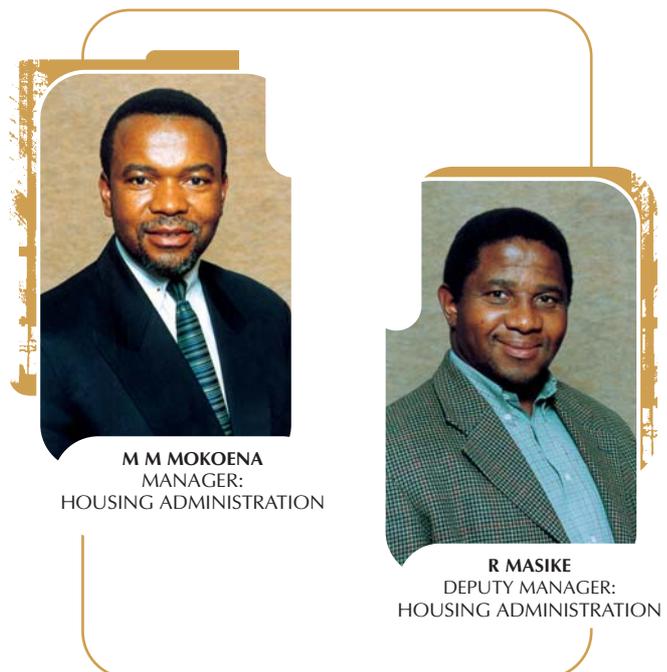
Challenges which face Spatial Planning functions:

- To continuously provide sound professional advice on land development in terms of the principles of the Development Facilitation Act.
- To support, assist and monitor the elaborate Integrated Development Planning Process (IDP) which will start in June 2001 with acknowledgement of the existing Land Development Objectives.
- To ensure that national and provincial policies such as the ISRDS, Urban Renewal initiatives and local economic development are adhered to in the IDP process.

housing the homeless

Housing Administration

The delivery of affordable housing to the large low-income population of our Province has been a primary focus. Our aim is to establish a sustainable housing process which will eventually enable communities to secure tenure, within a safe and healthy environment and with viable communities, in a manner that will make a positive contribution to a non-racial, non-sexist, democratic and integrated society within an acceptable framework. The housing challenge is not only to facilitate adequate housing, but also delivery within the diverse needs of the homeless and those who are inadequately housed. The fragmented housing environment cannot be ignored. Poverty, unemployment, financial and capacity constraints make the task even more daunting. The Department prioritised the following programmes as a means of accelerating housing delivery:



Capacity Building

It is against this background that we have jointly embarked upon a capacity building programme where the National Department of Housing, the Department of Local Government and Housing and the Universities of the Witwatersrand, Free State and Pretoria are stakeholders. Primarily, the Programme focuses, inter alia, on the following fields:

- Project Management
- Financial Management
- Consumer Education
- Housing Policy and Housing Programmes

The target group is officials in provincial and municipal spheres of government.

Rural Housing

The Provincial Housing Development Board (PHDB) approved, in principle, a housing pilot project in an agrivillage environment. The process is now at an advanced stage where the area has been identified and land purchase is in the offing by the developer.

Housing Lekgotla

Owing to the fact that housing is participative in nature, the Department together with the UUDP-GTZ convened a housing summit with all relevant stakeholders to review housing delivery in the province, focusing on good practices and reflecting upon shortfalls or inadequacies. Due to the success of the summit, this interaction is going to become a yearly event for further deliberations on how best to deliver housing within existing constraints.

Water Quality Assurance

The Department continues to facilitate research on water quality in the Province to ensure that proactive steps are brought to bear in case of any unacceptable odours, turbulence, biological and chemical combinations that might be harmful to the communities of the province. CSIR is providing services to this effect.

UUDP-GTZ Partnership

Our partnership with the UUDP-GTZ has, among others, produced a project where a shallow sewerage network installation has been piloted at Reitz/Petsana. The main

aim of the pilot project was to provide an alternative that is viable and reliable, but also cost-effective. At the centre of this pilot project is affordability to the consumer as well as to the municipality with regard to maintenance and operation.

Urban development in informal settlements

The planning and surveying of erven in 42 towns under the Land Reform Programme were completed and townships registers successfully opened for the areas concerned. The process of transferring these erven to the beneficiaries was rigorously embarked upon and will be completed in due course.

Hostel Upgrading

This programme was executed with an option for the beneficiaries to rent but not to own. The success story is that this programme resulted in only a few areas with hostel complexes, which will be the eventual focus. Areas covered were Mangaung, Edenburg, Heilbron, Kroonstad, Virginia, Welkom and Sasolburg. It is worth mentioning that, together with the National Department of Housing we embarked on a Hostel Upgrading Policy Review which is now at the final stage.

Project-linked subsidies and individual subsidies

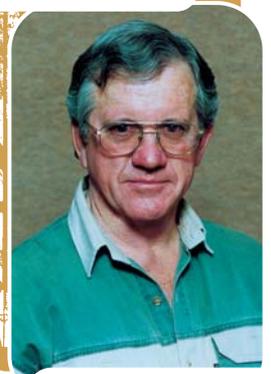
Particularly noteworthy is that the Department allocated subsidies in priority areas with various subsidy bands and housing subsidy programmes. The key focus in delivery has been to target women driven projects in order to ensure that women become involved in housing construction to empower themselves. In this approach the 10% quota set by the National Department of Housing was exceeded. The People's Housing Process also had a significant impact and ensured involvement of the



D Y D MOKHELE
DEPUTY MANAGER:
HOUSING ADMINISTRATION



P MADIBANE
DEPUTY MANAGER:
HOUSING ADMINISTRATION



P C LABUSCHAGNE
DEPUTY MANAGER:
HOUSING ADMINISTRATION

stakeholders. The Social Housing Subsidy Programme is in the process of being piloted in Mangaung as part of the inner city renewal approach. Also worth mentioning is the pilot project to replace dilapidated housing units in the old Mangaung area of Batho. These units were identified as health hazards to the community by the then Bloemfontein TLC. It is intended to continue with this programme after the review of its pros and cons. In partnership with the Department of Social Welfare we have provided housing units especially for the aged. This programme will also continue to be implemented widely in the Province.

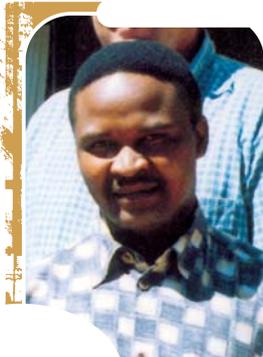
traditional affairs and community-specific services

This programme deals with two distinct functions: Traditional Affairs and Disaster Management. The following sections provide an annual account on performance in respect to these two sections.

Traditional Affairs

The function of this section is to provide an administrative and policy development service on matters pertaining to Traditional Leaders and their related institutions (House of Traditional Leaders and Tribal Councils) by:

- Developing and conducting research into policies affecting Traditional Leadership and related institutions,
- Developing and maintaining anthropological records on Traditional Leaders,
- Rendering an administrative and secretariat service to both the House of Traditional Leaders and the Tribal Councils,
- Ensuring capacity building programmes for Traditional Leaders on all government policies and legislation having a bearing on them.



T MOTSEKI
MANAGER:
TRADITIONAL AFFAIRS &
COMMUNITY-SPECIFIC
SERVICES

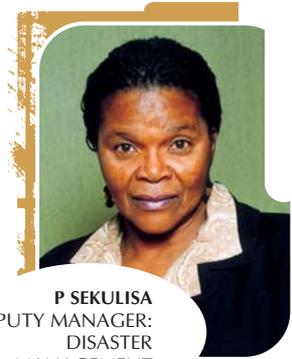


B MOROBE
DEPUTY MANAGER:
TRADITIONAL AFFAIRS &
COMMUNITY-SPECIFIC
SERVICES

Disaster Management

The overall function of this section is to provide supportive management of disasters at Local Government level and formulate policy on disaster management in the Province. This includes:

- Administration of policy and legislation,
- Risk and vulnerability assessment throughout the province,
- Provision and coordination of radio communication facilities for disaster management to enhance communication during disasters, and
- Rendering training services to Provincial and Local Government structures on fire prevention, disaster management and accrediting participants accordingly.



P SEKULISA
DEPUTY MANAGER:
DISASTER
MANAGEMENT

Legal Framework

- The RSA Constitution, 1996 (Act No. 108 of 1996)
- Remuneration of Public Office Bearers Act, 1998 (Act No.20 of 1998)
- The Qwaqwa Administration of Authorities Act, 1983 (Act No. 6 of 1983)
- The Bophuthatswana Traditional Authorities Act, 1978 (Act No. 23 of 1978)
- Bophuthatswana Traditional Courts Act, 1979 (Act No. 29 of 1979)
- Sections 1, 2(7) and 2(8) of the Black Administration Act, 1927 (Act No. 38 of 1927)
- Qwaqwa Levying of Tribal Taxes Act, 1983 (Act No. 5 of 1983)
- House of Traditional Leaders Act, 1994 (Act No. 6 of 1994)
- Civil Protection Act, 1977 (Act No. 67 of 1977)
- Fire Brigade Services Act, 1987 (Act No. 99 of 1987)
- Ordinance No. 10 of 1977.

Achievements of Traditional Affairs

- The Department maintains a database of all Traditional Leaders recognised in terms of law. This information is important to ensure proper appointments and reconciliation during times of dispute. In terms of the Remuneration of Public Office Bearers

Act particular categories of Traditional Leaders should be paid particular amounts per month as per the Presidential Proclamation. In the Free State we pay two Paramount Chiefs and thirteen chiefs. The Headmen are paid in terms of the policy position of the Provincial Government, which policy was inherited from the former Bophuthatswana and QwaQwa Homeland Governments.

- All Traditional Leaders are now successfully paid through the electronic payment system. Although there are systems problems from time to time, in the main the recurrent problem of irregular payments has been addressed.
- The Department also budgets for and maintains payment of allowances to the Tribal Councils to ensure that they continue to pay specific categories of their employees. The continued payment of these personnel by the Tribal Councils will remain until finalisation of the policy process.
- The Department facilitated the compilation of the Status Quo Report (SQR) on Traditional Leaders. After the SQR a discussion document was drafted for public scrutiny and contributions. The Department was pivotal in ensuring that the public contributes to the discussion document. A very comprehensive report was submitted to the National Team and the Executive Council. The Free State report was praised by the Minister of Provincial and Local Government and was one of the only two reports nationally that met the requirements.
- Along with this, contributions were made by the public to the Status Quo Report on issues that affect the Khoisan communities in the Province. A report is now out on the Khoisan communities in the Province. It is intended that the Green Paper on Traditional Leaders will include the issue of the Khoisan communities in this and other Provinces.
- The President, after meeting with the Coalition of Traditional Leaders, directed late last year that legislation on Traditional Leaders be expedited, in preparing for a period post Local Government elections. This directive meant, amongst others, further rationalisation of legislation affecting Traditional Leaders. The Province was one of the only few provinces that compiled an extensive report on this matter. There was broadly consulted with youth, women and civic bodies to compile the report.

- Corporative governance is crucial even on matters affecting Traditional Leaders and their institutions. To realise this, several meetings were organised between the Premier/MEC and the Institutions of Traditional Leaders. Other meetings were organised only between the MEC and Traditional Leaders who claim their chieftainship. Recognition of these Traditional Leaders will be effected immediately after the House of Traditional Leaders Amendment Act has been promulgated, alternatively after the formalisation of government policy on Traditional Affairs. The House of Traditional Leaders also forms part of PROVLOC.
- Consistent evaluation of the work of the House of Traditional Leaders is maintained. Key to the problems experienced in ensuring smooth functioning of the institutions of traditional leaders in the past was the founding legislation, the House of Traditional Leaders Act of 1994. The Act is now amended and awaiting promulgation by the Legislature.
- Conflict management and mediation of disputes between Traditional Leaders and municipalities and amongst Traditional Leaders are important. Numerous cases existed in the Province that required to be mediated pending national policy. The disputes in Thaba Nchu between the TLC and the Tribal Council were attended to successfully. Two cases in QwaQwa were also attended to and recently the MEC received response from the House of Traditional Leaders assisting in addressing the problem of the Bataung tribe. Soon a National Disputes Resolution Commission (or Arbitration Body) will be established to resolve these cases. Meanwhile the Department has to maintain some modicum of a relationship between all disputants.

Achievements for Disaster Management

- The Department has established an Executive Council Committee of Disaster Management in the Province. The committee takes the final responsibility in terms of recommending declaration of disasters in the Province. It serves as the policy formulation body for the Province and also provides directives during and for purposes of disaster management.
- An ongoing training is conducted to empower Provincial Government and municipal employees on disaster management, especially on fire prevention and fire fighting.

- The Department is further assisting the Department of Water Affairs and Forestry to establish fire prevention associations prescribed for all persons who own land. These committees, which are by definition local, are meant to ensure cooperation among land owners during disasters such as drought, veld fires, floods, etc.
- Heavy rainfall was predicted from December 2000 to February 2001. Municipalities that were in the danger spots were continually updated on weather forecasts accordingly. This information was obtained through close cooperation and relationship between the department and the Weather Bureau.
- In the aftermath of disastrous floods in QwaQwa the Department was ready to marshal all the Provincial Government resources to respond to the disaster. Both the Minister of Provincial and Local Government and the Minister of Social Development (along with the President) declared the region a disaster area. Rehabilitation is now taking place as national government has allocated about R40m for reconstruction. Projects underway include roads reconstruction, construction of a clinic at Bluegumbosch, housing development, access roads, storm water and other related infrastructure. Future projects include the construction of a recreational facility and the rehabilitation of the Charles Mopeli Stadium.
- Various other disasters affected different areas of the Province in the course of this year. Veld fires also devastated the Province during the cold winter months. Spectacular veld fires ravaged the region of the Eastern Free State, namely Bethlehem, Villiers and Frankfort. Sporadic veld fires were also reported in the Southern Free State.

departmental support services

In addition to the core business of the Department, there are administrative support and cross-cutting functions provided by this component, which are aimed at ensuring that the department meets its constitutional mandates. The under-mentioned are the legislative framework from which the Department sources its mandate to handle the internal working arrangement:

- Public Service Act
- Public Service Regulations
- Public Finance Management Act
- Labour Relations Act
- Basic Conditions of Employment Act
- Skills Development Act
- Employment Equity Act
- Treasury Regulations
- Provisioning Administration Procedure Manual
- Preferential Policy Framework Act

The administrative support provided within the Department is in the following areas:

- Human Resources Management
- Human Resources and Organisational Development
- Provisioning Administration System

The establishment of the Department currently consists of 470 posts of which 319 are filled and 151 are vacant. The Member of the Executive Council for Local Government and Housing and the Member of the Executive Council for Public Works, Roads and Transport are currently in a process of negotiation to place 6 officials that perform functions not related to this Department.



J J VAN RENSBURG
ASSISTANT MANAGER:
SUPPORT SERVICES



K MOTLOUNG
ASSISTANT MANAGER:
SUPPORT SERVICES



T S MOKOENA
DEPUTY MANAGER:
SUPPORT SERVICES

Departmental Organisation:

4A DISTRIBUTION BY SALARY LEVEL	4B RACE & GENDER	FEMALE					MALE					4C DISABILITY
		African	Asian	Coloured	White	TOTAL	African	Asian	Coloured	White	TOTAL	
Level 1 -	Employees	African Female	Asian Female	Coloured Female	White Female		African Male	Asian Male	Coloured Male	White Male		Disabled Employees
	% of level											
Level 2 2	Employees	-	-	-	-	-	2	-	-	-	2	-
	% of level	0%	0%	0%	0%	0%	100%	0%	0%	0%	100%	0.0%
Level 3 19	Employees	5	0	0	0	5	14	0	0	0	14	-
	% of level	26%	0%	0%	0%	26%	74%	0%	0%	0%	74%	0.0%
Level 4 39	Employees	7	-	1	-	8	31	-	-	-	31	-
	% of level	18%	0%	3%	0%	21%	79%	0%	0%	0%	79%	0.0%
Level 5 52	Employees	15	-	1	-	16	13	-	-	3	16	-
	% of level	47%	0%	3%	0%	50%	41%	0%	0%	9%	50%	0.0%
Level 6 15	Employees	5	-	1	5	11	4	-	-	-	4	-
	% of level	33%	0%	7%	33%	73%	27%	0%	0%	0%	27%	0.0%
Level 7 74	Employees	8	-	-	35	43	24	-	-	7	31	-
	% of level	11%	0%	0%	47%	58%	32%	0%	0%	9%	42%	0.0%
Level 8 41	Employees	9	-	-	16	25	6	-	-	10	16	-
	% of level	22%	0%	39%	61%	15%	0%	0%	24%	39%	74%	0.0%
Level 9 53	Employees	3	-	1	20	24	10	-	-	19	29	-
	% of level	6%	0%	2%	38%	45%	19%	0%	0%	36%	55%	0.0%
Level 10 16	Employees	2	-	-	1	3	9	-	-	4	13	-
	% of level	13%	0%	0%	6%	19%	56%	0%	0%	25%	81%	0.0%
Level 11 21	Employees	2	-	-	9	11	5	-	-	5	10	-
	% of level	10%	0%	0%	43%	52%	24%	0%	0%	24%	48%	0.0%
Level 12 17	Employees	5	-	-	4	9	4	-	-	4	8	-
	% of level	29%	0%	0%	24%	53%	24%	0%	0%	24%	48%	0.0%
Level 13 6	Employees	-	-	-	-	-	1	-	-	5	6	-
	% of level	0%	0%	0%	0%	0%	17%	0%	0%	83%	100%	0.0%
Level 14 6	Employees	-	-	-	-	-	4	-	-	2	6	-
	% of level	0%	0%	0%	0%	0%	67%	0%	0%	33%	100%	0.0%
Level 15 1	Employees	-	-	-	-	-	1	-	-	-	1	-
	% of level	0%	0%	0%	0%	0%	100%	0%	0%	0%	100%	0.0%
Level 16 1	Employee	-	-	-	-	-	1	-	-	-	1	-
	% of level	0%	0%	0%	0%	0%	100%	0%	0%	0%	100%	0.0%
TOTAL 343												

JOB EVALUATION

To date only one post, namely that of Chief Town and Regional Planner, has been evaluated and recommended by the Job Evaluation Panel and approved by the MEC. The level remained the same namely level 12. The post has not been filled yet and is in the process of being advertised.

It is envisaged that due to the new structure of the

department a number of posts will have to be evaluated, but the number is uncertain at this stage.

- No employees were promoted as a result of Job Evaluation and no employees remuneration exceed the level determined by Job Evaluation.
- No employees were recruited during the period under discussion.

Affirmative action, recruitment, promotions and termination of services as follows:

Number of employees promoted

BLACK MALE	BLACK FEMALE	WHITE MALE	WHITE FEMALE
17	11	7	17

Number of employees whose services were terminated

BLACK MALE	BLACK FEMALE	WHITE MALE	WHITE FEMALE
7	5	5	6

- No disabled persons are involved here.
- No foreign appointments were made.

Injuries, illnesses and deaths on duty

(i) G.J Theron	24 August 2000	Fell
(ii) K.E Leeuw	28 October 2000	Accident
(iii) L.J Mogoera	28 October 2000	Accident
(iv) C.B Louw	9 November 2000	Fell
(v) G.J Olivier	26 February 2001	Fell

COLLECTIVE AGREEMENTS

None. The PSCBC has jurisdiction over the matter.

Leave

A total number of 1891 days sick leave were taken during the period under discussion and 24 officials were absent for 15 days and more.

Health

There were no discharges in terms of ill-health during the period under review.

Disciplinary action

No disciplinary measures were instituted against any official on the grounds of unauthorized, irregular, fruitless and wasteful expenditure.

HUMAN RESOURCE DEVELOPMENT

Performance Management and Skills Development

PERFORMANCE MANAGEMENT

- The performance management and development system for the Free State Provincial Government was adopted on 1 April 2001 and will be implemented with affect from 1 January 2002.
- No rewards were linked to this system as no new agreement has been reached to replace the PSCBC Resolution 3 of 1999.
- The present/current personnel evaluation system is still applicable and will be replaced in 2002.

SKILLS DEVELOPMENT

A workplace skills plan has been developed and it identifies the following as priorities for training:

- Project management
- Strategic management
- Financial management
- Policy formulation, monitoring and development
- Performance management
- Computer literacy
- Public policy management
- Housing policy development
- Public Finance Management Act

The target date for training in respect of the above-mentioned courses is 31 December 2001. Numeric targets for training are set for 31 December 2001.

All senior, middle and junior management must be trained in project management and the Public Finance Management Act. 80% have been trained in this regard.

The following are training programmes, which were conducted internally:

- Personnel evaluation
- Code of ethics
- Cross cultural awareness training

The following are training programmes, which were conducted externally:

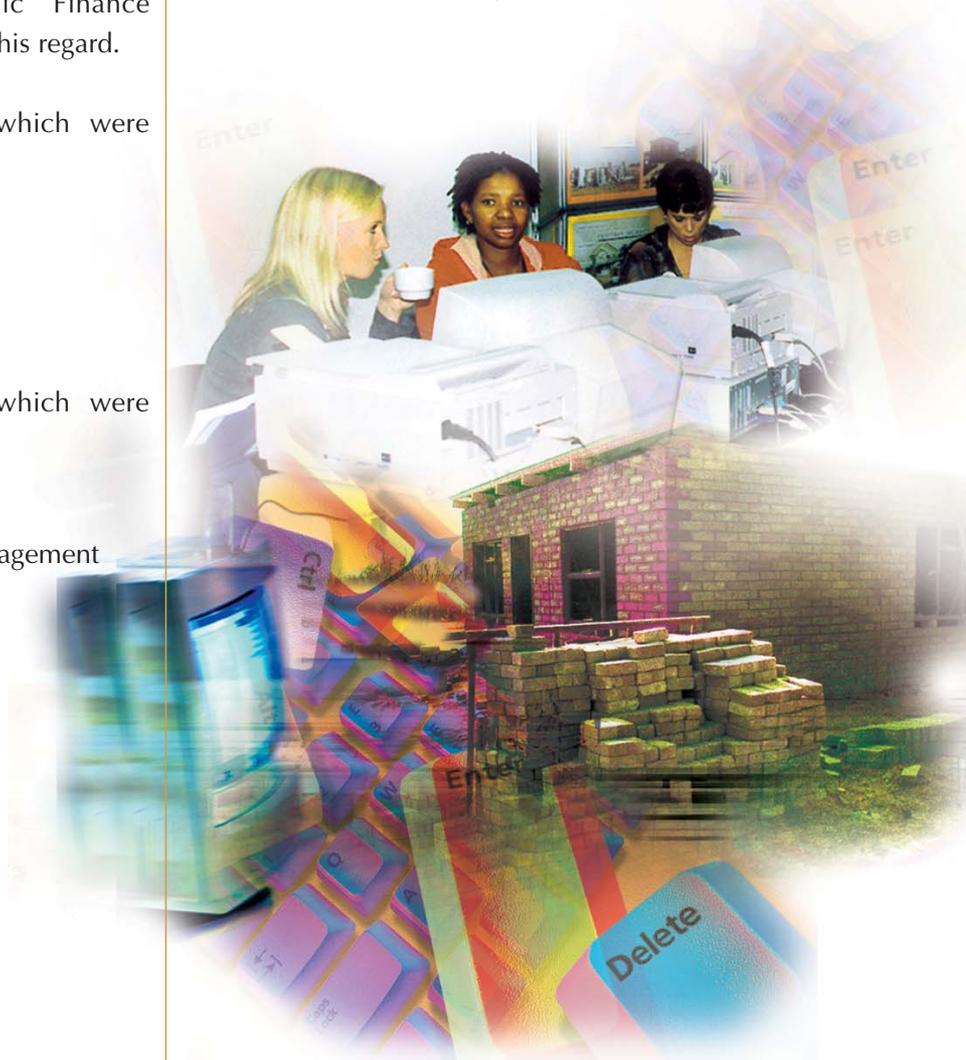
- Project management
- Strategic management Performance management
- Computer literacy
- Public policy management
- Housing policy development
- Management support programme
- Public Finance Management Act.

Computer literacy	• 70% attended courses
Public policy management	• 30% attended courses
Housing policy development	• 15% attended courses
Performance management	• 30% attended courses
Financial management	• 20% attended courses
Strategic management	• 35% attended courses

Exact figures cannot be provided as the information management system on training is being upgraded. The information provided above is derived from quarterly reports from directorates on training.

PROVISIONING ADMINISTRATION SYSTEM

The procurement of goods and services has been targeted as another area through which the Department is addressing the transformation in the Public Service. Affirmative procurement as directed by the enabling Act requires that Departments be biased towards a certain category of supplier when evaluating tenders and through the establishment of a departmental tender committee. This requirements is being upheld.



USING INFORMATION TECHNOLOGY TO ENSURE EFFICIENT AND EFFECTIVE DELIVERY OF SERVICES.

annual financial statements



- Management report and approval
 - Report from the Auditor-General
 - Statement of accounting policies and related matters
 - Income statement
 - Notes to the income statement
- Cash flow statement
 - Notes to the cash flow statement
 - Balance sheet
 - Notes to the balance sheet

MANAGEMENT REPORT

For the year ending 31 MARCH 2001

Report by the Accounting Officer to the Executive Authority and Provincial Legislature of the Free State Provincial Government.

1. General review of the state of financial affairs

Budget Reconciliation	R'000
Amount appropriated, excluding rollover	370 062
Plus: Improvement in conditions of service	4 124
Plus: Adjustment estimate	89 675
Rollover from previous year	11 699
Additional funds	77 976
Sub-total	463 861
Less: Total Expenditure	(404 448)
Authorised programme	(404 417)
Authorised losses	(31)
Surplus per Appropriation account	59 413
Less: Rolled over/carried forward	(47 805)
Amount to be utilised	11 608

2. Services rendered by the department

2.1 Tariff policy

A tariff policy regarding the fees payable in regard to the following three sets of legislation have been developed:

- Removal of Restrictions Act, 1967 (Act No. 84 of 1967)
- Townships Ordinance, 1969 (Ordinance No. 9 of 1969)
- Development Facilitation Act, 1995 (Act No. 67 of 1995)

On receipt of any application in regard to the above-mentioned legislation, an application fee of R2 000 is charged together with an undertaking to pay any cost exceeding R2 000 when the advertisement is placed in a newspaper. The procedure to calculate the actual cost of an application is as follows:

- a. All land development advertisement costs/accounts are calculated in the same way except for the Provincial Gazette.
- b. Read all the lines in the advertisement placed by Newspaper Agencies.
- c. Check the total cost of all the advertisements placed as given on the account.
- d. Determine the cost of each line by dividing the total cost by the total number of lines.
- e. Determine the cost of the heading lines (title) by multiplying the number of headings by the cost of each line.
- f. Determine the cost to be paid by each applicant for heading lines.
- g. Determine the cost of the first advert which is equal to the number of lines on the first advert multiplied by the cost of each line. Add to this amount the cost in regard to the headlines.
- h. Determine the cost of the second advert in the same manner as in point (g).

2.2 Free services

2.2.1 Administrative assistance

The Constitution of the Republic of South Africa, 1996 (Act no. 108 of 1996), places an obligation on the Department of Local Government and Housing to monitor and support municipalities in order to expand their capacity so that they may meet their obligations towards citizens. In addition to supervision and capacity building, the MEC is

also required to intervene in the financial position of municipalities and to implement actions aimed at addressing any reason for financial difficulties. The Department is also obliged to promote accountability and transparency. As part thereof the Department investigates cases of fraud, corruption and mismanagement at municipalities and reports them to the MEC.

Five officials visited municipalities to render the following administrative support:

- a. Maintaining and balancing of income and expenditure cash books;
- b. Maintaining and balancing of bank reconciliation statements;
- c. Maintaining and keeping of ledger accounts;
- d. Maintaining and updating of other financial records;
- e. Compilation and submission of VAT returns;
- f. Assistance with the processing and submission of Health and other claims;
- g. Administration of creditors and debtors; and
- h. Conducting special investigations at municipalities in instances of possible fraud and mismanagement.

Another official also rendered a salary administration function to 7 municipalities. Salary information is kept, pay sheets and IRP5 certificates are processed.

Services are mostly rendered to municipalities experiencing severe administrative capacity constraints, manpower shortage and those with severe financial and liquidity problems. Although municipalities that benefit from these services cannot afford it, the continuation of services to them is a constitutional obligation and in the broad public interest. Assistance promotes accountability and transparency on local level and also contributes to a higher standard of financial planning and proper budgeting. Councils are also in the position to have updated financial information available to make more rational decisions with a financial bearing.

3. Risk management and fraud prevention

The Department is currently in the process of developing a fraud prevention plan. A number of actions were already implemented to ensure financial responsibility and accountability and to prevent possible areas where fraud may occur. A clear segregation of duties form part of the Strategic Plan of the Department.

The actions regarding payment taken are as follows:

- a. Before any item may be purchased, a submission must be made by the Programme Manager which must be recommended by the Director: Finance and approved by the Head of the Department. No order is placed without this submission.
- b. All payments for items purchased and services rendered (excluding capital projects in regard to National grants) are paid through LOGIS. Payments are approved on Logis by the Financial Control Section within the Finance Directorate.
- c. Most of the payments made by the Department are electronically transferred to the suppliers' bank account. Only suppliers utilised for a single purpose are paid by cheque.
- d. For all conditional grant payments (CMIP, Management Support Teams, Housing Fund, and Financial Assistance) separate financial control systems are in place to monthly reconcile expenditure with the Financial Management System.
- e. On a monthly basis, expenditure reports are submitted to each Programme Manager to reconcile the expenditure on the Financial Management System with their Liability Registers.
- f. All payment advices (LOGIS as well as FMS) are checked daily to ensure that all the necessary approvals were obtained and that all requirements in regard to the Public Finance Management Act and Treasury Regulations were met.
- g. The following prescripts are used when checking payment advices for correctness:
 1. Public Finance Management Act
 2. Treasury Regulations
 3. All Financial and Procurement Circulars
 4. Procurement Manual
 5. Financial Delegations
 6. Persal Delegations
 7. Procurement Delegations

In regard to income the following actions or control measures were implemented:

- a. All money received is recorded in a remittance register.
- b. Funds received are immediately deposited.
- c. Receipts received are reconciled against the FMS.

In regard to assets in the Department, the following control measures were implemented:

- a. All assets are registered on the Logistical Information System.
- b. Inventory Controllers have been appointed in each Directorate to ensure that all furniture and equipment purchased, are taken up in the Inventory Register.
- c. Inspections on the Inventory Register are performed according to prescripts.

4. Discontinued activities/activities to be discontinued

4.1 Discontinued activities

4.1.1 Land Development Objectives: R750 000

The total programme regarding Land Development Objectives ending on 31 March 2001. These programmes will now be replaced by the Integrated Development Plans.

4.1.2 Upgrading of Tenure: R2 175 000

The upgrading of tenure in Thaba Nchu has been finalised according to the actions approved in the business plan. All remaining funds have been transferred to the State Attorney to finalize the conveyancing phase.

4.1.3 Municipal Elections

Support was rendered to the Municipal Elections that took place on 5 December 2000.

4.2 Activities to be discontinued

4.2.1 Consolidated Municipal Infrastructure Programme

During the 2000/2001 financial year, an amount of R58 820 000 was allocated to the Department in the Division of Revenue Act as a conditional grant. These funds were paid over to the Department on a cash flow requisition basis. The Department handled the total administration of all projects. As from the 2001/2002 financial year all these funds will be paid from the Department of Provincial and Local Government to the various District Municipalities who will handle the administration of all the projects.

5. New proposed activities

5.1 New Activities

5.1.1 Local Government Administration Directorate

The following new activities were implemented during the 2000/2001 financial year by the Local Government Administration Directorate:

- a. Performance management systems
- b. Allocation of powers and functions to municipalities

5.2 Proposed New Activities

5.2.1 House of Traditional Leaders: R1 850 000

During the 2000/2001 financial year the payment of monthly allowances in regard to Traditional Leaders was handled by the Department of Local Government and Housing. The allowances in regard to the House of Traditional Leaders were handled by the Office of the Premier. Negotiations are currently in process to determine if those functions should not also be performed by the Department of Local Government and Housing as from the 2001/2002 financial year.

5.2.2 Tender Process

Due to the fact that the Tender Board was phased out during the 2000/2001 financial year, a new tender procurement policy will have to be developed during the 2001/2002 financial year.

5.2.3 Integrated Development Plans: R1 050 000

The total programme regarding Land Development Objectives ended on 31 March 2001. These programmes will now be replaced by the support and monitoring of the Integrated Development Plans in the 25 Municipalities in the Free State.

5.2.4 Local Government Administration Directorate

The following new activities will be implemented by the Local Government Administration Directorate:

- a. Monitoring of performance management systems
- b. Monitoring of powers and functions to municipalities
- c. Developing a municipal international relations regime
- d. Initiating departmental framework for municipal capacity development

6. Housing Fund

6.1 Financial year 2000/2001

An amount of R218 306 000 was appropriated for the Housing Fund as a conditional grant under programme 6 of the Department. Although the Housing Act makes provision for the Housing Fund to be handled on a separate bank account, the Department decided to handle the fund within the Exchequer account of the Department. After discussions with the Department of Finance, Expenditure and Economic Affairs, it was decided to handle the Housing Fund as a separate fund on the Financial Management System as an Agency Service.

Funds were claimed on a monthly cash flow basis from the Department, paid into the Exchequer account from where they were transferred to the Housing Fund. The financial reconciliation regarding the Housing Fund as at 31 March 2001 was as follows:

	R'000
Budget allocation (included in Main Budget)	218 306
Plus: Roll-over funds at Department of Housing as at 1 April 2000	143 809
Total amount available at Department of Housing	362 115
Less: Amount not requested from Department of Housing	(10 593)
Total amount received from Department of Housing	351 522
Plus: Roll-over funds in the Province as at 1 April 2000	13 168
Plus: Subsidies paid back and interest received	8 136
Total amount available in Province	372 826
Less: Expenditure for the year ending 31 March 2001	(300 973)
Surplus funds to be rolled over	71 853

Separate statements will be compiled for the Housing Fund after the statements for the previous 5 years have been completed by the consultants appointed by the National Department of Housing.

6.2 Financial year 2001/2002

The Housing Fund will be handled on the same basis as the previous financial year. The only difference is that funds will be paid to the Province according to a payment schedule and not on a cash flow requisition basis. Taking the available funds and the commitments into account, the situation is as follows:

	R'000
Budget allocation (included in Main Budget)	241 253
Plus: Rollover funds in the Province as at 1 April 2001	71 853
Plus: Rollover funds at Department of Housing as at 1 April 2001	10 593
Total amount available	323 699
Less: Commitments for the financial year	360 716
Total surplus/(shortfall) for the financial year	(37 017)

Although a shortfall of approximately R37 million is reflected, the commitments will be handled within the amount available. If no projects are scaled down or cancelled, the payments will be scheduled so that the shortfall is paid out of the allocation for the 2002/2003 financial year.

7. Rollover funds

Although the Department reflects a surplus of R59 413 133 in its Income Statement, an amount of R47 804 812 is requested to be rolled over to the 2001/2002 financial year. Of the R47 804 812 an amount of R35 148 688 (73,5%) is in regard to conditional grants received from National Departments. An amount of R6 000 000 was already approved by the Provincial Treasury Committee to assist Municipalities in critical financial distress. The rollover funds requested are made up as follows:

	R'000
Conditional Grants:	
R293 town leave gratuities	5 852
R293 town leave gratuities/salaries	10 826
Management Support Teams	8 660
Consolidated Municipal Infrastructure Projects	9 472
Capacity Building Fund	339
Sub-total	35 149
Provincial Funds:	
Consolidated Municipal Infrastructure Projects	5 503
Financial Assistance	6 000
Land Development Objectives	1 153
Total Amount Requested	47 805

In regard to Consolidated Municipal Infrastructure Projects the amounts were already committed against capital projects.

8. Personnel: R293 towns

The Department was responsible for the payment of officials working in the former R293 towns although they were on the establishment of the Office of the Premier. During the 2000/2001 financial year officials working at Botshabelo, Oppermansgronde, Tshiame and Thaba Phatshwa were paid by the Department (for which the Department received a conditional grant). The Fire Brigade in Thaba Nchu was also paid by the Department out of a budgeted amount. Due to the fact that more than 50% of the officials that were paid under programme 7 were supposed to have been transferred to Municipalities by 31 March 2001, the conditional grant received has been reduced from R68 101 000 to only an amount of R30 498 000. The transfer of all these officials had not taken place due to various problems encountered, which might have the effect that all the funds allocated in regard to salaries of these officials will be in total utilized by August 2001.

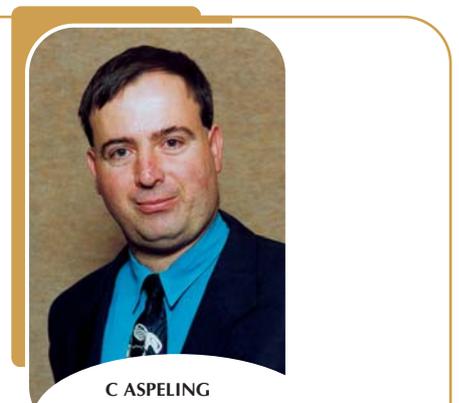
APPROVAL

The attached annual financial statements set out in pages 36 to 43 have been approved by the Accounting Officer.



M.S. MSIBI
Deputy Director-General

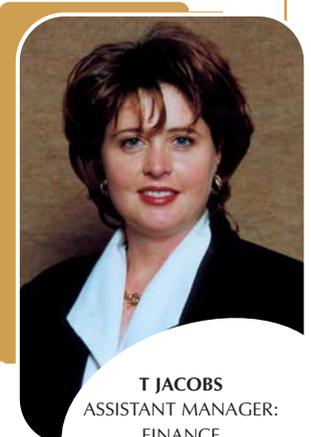
Bloemfontein
04/06/2001



C ASPLING
DEPUTY MANAGER:
FINANCE



P BOTHA
ASSISTANT MANAGER:
FINANCE



T JACOBS
ASSISTANT MANAGER:
FINANCE



AUDITOR - GENERAL

REPORT

OF THE

AUDITOR-GENERAL

ON THE

**ANNUAL FINANCIAL STATEMENTS OF VOTE 8 - LOCAL
GOVERNMENT AND HOUSING**

OF THE

FREE STATE PROVINCIAL GOVERNMENT

FOR

THE YEAR ENDED 31 MARCH 2001

PUBLISHED BY AUTHORITY

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**REPORT
OF THE
AUDITOR-GENERAL
ON THE**

ANNUAL FINANCIAL STATEMENTS OF

**VOTE 8 - LOCAL GOVERNMENT
AND HOUSING FOR THE
YEAR ENDED 31 MARCH 2001**

1. AUDIT ASSIGNMENT

The annual financial statements as set out on pages 36 to 43 for the year ended 31 March 2001, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These annual financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these annual financial statements and the compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

It should also be stressed that, owing to the mandate and indeed the statutory assignment, the emphasis in audit reports often falls on errors and shortcomings, whereas no mention is made of matters that have been efficiently managed or conducted successfully. Internationally, this approach is the rule and is desirable in view of the fact that public funds are involved. It is, however, essential that this perspective be kept in mind when reading and reporting on audit reports.

2. REGULARITY AUDIT

2.1 Nature and scope

2.1.1 Financial audit

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

- examining, on a test basis, evidence supporting the amounts and disclosures included in the annual financial statements;

- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall annual financial statement presentation.

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

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

2.1.2 Compliance audit

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

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

As a result of the provisions of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) regarding the time of delivery of the audit report, viz two months after date of receipt of the annual financial statements, this office realized that it was not in a position to meet those requirements. However, to ensure compliance, the audit of this department was contracted out to a private audit firm who conducted the audit work on my behalf.

2.2 Audit Opinion

2.2.1 Financial audit

In my opinion, the annual financial statements fairly present in all material respects, the financial position of the department at 31 March 2001 and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice and in the manner required by the relevant act.

2.2.2 Compliance audit

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

3. EMPHASIS OF MATTER

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

3.1 Financial management

3.1.1 Annual financial statements

- a. Section 40(1)(c)(i) of the PMFA requires financial statements to be submitted to the Auditor-General within two months (i.e. 31 May) after the end of the financial year. The annual financial statements were only signed by the accounting officer on 4 June 2001 and submitted for audit purposes on 18 June 2001 which is a non-compliance with the requirements of the PFMA.
- b. The annual financial statements did in certain respects not conform to the requirements set by the National Treasury. Deviations were brought to the attention of the accounting officer and include:
 - (i) the non-disclosure of comparative figures in the balance sheet;
 - (ii) cash flows in the cash flow statement were reflected as the movement from zero to the year-end balance; and
 - (iii) all the relevant information in respect of transfer payments was not reflected in note 8 to the income statement.

3.1.2 Revenue

The information on and management of revenue generated did not in all instances ensure the completeness and timeous collection of revenue due to the department, especially regarding rezoning fees amounting to R441 933. No reconciliation of the rezoning fees register to the FMS was performed, receipt numbers were not recorded in the register, details of outstanding fees could not be provided and regular follow-up of the outstanding revenue and those referred to the State Attorney was not instituted.

3.1.3 Assets

- a. The assets register was not continuously updated with the movement of assets and no unique asset number existed on the assets, linking the assets to the assets register. Various discrepancies were also found during the physical verification of assets.

- b. Assets identified for disposal and unused assets were not disposed off. At the time of the audit various desks, chairs, computer equipment and fax machines were found which were apparently redundant.

3.1.4 Accounts receivable

Accounts receivable amounting to R192 608 were outstanding as far back as April 1992 and the current whereabouts of these debtors were unknown. The only movement on these accounts was for interest charged. The recoverability of these amounts appears doubtful.

3.1.5 Accounts payable

An amount of R1 003 221 being the balance brought forward in respect of tribal authorities showed no movement for the year under review. It could not be ascertained what steps are envisaged to clear the account.

3.2 Internal audit unit and audit committee

In terms of section 38(1)(a)(ii) of the PFMA the accounting officer of a department must ensure that the department has and maintains a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with section 77 and the Treasury Regulations.

Neither an internal audit unit nor an audit committee has been established by the department.

Cognizance is taken of the fact that in terms of Executive Council Resolutions (ECR's) 34 and 12 dated 19 February 1997 and 28 January 1998 respectively the internal audit unit will be established in the Department of Finance, Expenditure and Economic Affairs to service the Provincial Government.

In a management letter dated 26 July 2001 the accounting officer of the Department of Finance was requested to furnish his urgent comments regarding not only the establishment of an internal audit unit, but also of an audit committee, but at the date of writing this report no reply had yet been received.

3.3 Internal control

An effective, efficient and transparent system of internal control as required by section 38(1)(a)(i) of the PFMA was not maintained. Apart from the

deficiencies mentioned elsewhere in this report, the following serve as examples of other deviations that were revealed. If not corrected it could ultimately result in losses for the department.

- a. Payments were sometimes made on copies of invoices. This, together with the lack of creditor reconciliations, created the risk of payments being duplicated. Cognizance is taken of the alternative control measures implemented on the management support programme to prevent the duplication of payments.
- b. Proper batch control was not always exercised. Outstanding batches were not regularly followed up, the register was not kept up to date and was not checked to ensure that all transactions are recorded accurately and completely.
- c. Evidence that conditions in respect of transfer payments for specific purposes were complied with could not always be found on project files.

3.4 Services rendered by personnel at municipalities paid by the department

3.4.1 Transfer and costs involved

- a. With reference to paragraph 3.1(a), page 5 of the previous report as well as Resolution No. 11 of the Provincial Public Accounts Committee that was tabled and adopted by the Legislature on 24 August 1998, it is once again disappointing to report that the matter relating to the redundant staff has not yet been finalised. Cognizance is taken of the steps that are considered to transfer these staff in terms of the Transfer of Staff to Municipalities Act, 1998 (Act No. 17 of 1998) and the current negotiations between the different role players.
- b. As reported in paragraph 3.1(b), page 5 of the previous report, the department is still paying the salaries and related personnel expenditure of approximately 1500 officials working for the former Botshabelo, Tshiame, Thaba Patchoa and Oppermansgronde transitional local councils. According to information supplied to this Office, their salaries and related personnel expenditure amounted to approximately R62,7 million (1999-2000: R54,1 million) for the year under review.

3.4.2 Possible fruitless expenditure

- a. It is of concern that during a physical verification of these staff members by this office, it was found that apparently in some instances staff paid were either on pension, deceased, not at work or found at other work places than those at which they were placed.
- b. Although the Office of the Premier is busy with a continuing process to place officials and try to keep track of where officials work, this proved to be extremely difficult. The Office of the Premier identified 79 staff members that were paid but were apparently at home. Calculated at their salary notch at 31 March 2001, these instances represented expenditure of approximately R2,4 million per annum. If confirmed it could result in fruitless expenditure. The matter was brought to the attention of the accounting officer but at the time of writing this report, his comments were not yet received.

3.5 Previous audit report

The accounting officer of the department agreed that the audit report for 1999-2000 may be bound separately in the Annual Report of the department for 2000-2001. Any matter in that audit report not satisfactorily disposed of will be taken up in the audit report for 2001-2002.

4. APPRECIATION

The assistance rendered by the staff of the department during the audit is sincerely appreciated.



G.M. MULLER
for Auditor-General

Bloemfontein
08/08/2001

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended 31 MARCH 2001

1. Basis of accounting

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

1.1 Underlying assumptions

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

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

1.2 Revenue

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

1.3 Expenditure

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

1.4 Assets

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

1.5 Receivables and payables

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

2. Comparative figures

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

3. Unauthorised, irregular, and fruitless and wasteful expenditure

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

4. Debt write-off policy

All debt is written off in accordance with the Public Finance Management Act and Treasury Regulations. All possible means are taken to try and recover all outstanding debt after which it is referred to the State Attorney to obtain a legal ruling on the recovering of the debt. Debt is finally written off in accordance with the Financial Delegations as approved by the Head of the Department.

FREE STATE PROVINCE: DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING
INCOME STATEMENT for the year ended 31 MARCH 2001

(All figures R'000)

INCOME:		Current year			
Previous Year Actual		Note	Actual	Voted amount	Variance Over/(under) collection
80,807	Voted funds				
84,234	Other voted funds		88,163	88,163	0
	Conditional grants	1	375,698	375,698	0
	Other receipts	2	1,148	0	1,148
165,041	Total income		465,009	463,861	1,148
Actual			Actual	Voted amount	Variance Over/(under) collection
129,665	EXPENDITURE		404,448	463,861	59,413
35,376	NET SURPLUS FOR THE YEAR		60,561	0	60,561
Actual			Actual		
	Income transferable to Revenue Fund	3	1,148		
	Conditional grants to be surrendered to Treasury	4	35,149		
35,376	Voted funds to be surrendered to Treasury		24,264		
35,376	Surplus to be surrendered		60,561		
Actual	EXPENDITURE PER PROGRAMME		Actual	Voted amount	Variance Under/(over) expenditure
5,820	Programme 1: Administration		6,099	8,199	2,100
2,047	Programme 2: Technical Advisory Services		2,156	3,546	1,390
9,607	Programme 3: Spatial Planning		9,224	11,246	2,022
4,454	Programme 4: Land Use Administration		4,694	7,033	2,339
9,897	Programme 5: Housing		12,893	16,146	3,253
0	Programme 6: Housing Aid and Financing		218,306	218,306	0
54,109	Programme 7: Urban and Rural Planning		62,753	76,680	13,927
15,494	Programme 8: Local Government Management		20,267	31,441	11,174
17,303	Programme 9: Auxiliary and Associated Services		56,636	71,999	15,363
3,029	Programme 10: Local Government Establishment		3,539	6,513	2,974
7,848	Programme 11: Traditional Affairs		7,850	12,752	4,902
129,608	Sub-total		404,417	463,861	59,444
57	Special functions	10	31	0	(31)
129,665		5	404,448	463,861	59,413
Actual	EXPENDITURE PER STANDARD ITEM		Actual		
88,409	Personnel expenditure		100,569		
3,530	Administrative expenditure		3,822		
672	Stores and Live Stock		983		
661	Equipment	6	923		
14,497	Professional and special services	7	17,933		
17,560	Transfer payments	8	277,117		
4,336	Miscellaneous	9	3,101		
129,665			404,448		
Previous year actual	ECONOMIC CLASSIFICATION OF EXPENDITURE		Current year actual	Current year % of total	
	Capital expenditure		268	0%	
112,105	Current expenditure		127,063	31%	
	Capital transfers				
17,560	Current transfers		277,117	69%	
129,665	Total		404,448	100%	

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING
NOTES TO THE INCOME STATEMENT for the year ended 31 MARCH 2001

(All figures R'000)

1. Conditional grants received

Received from	Purpose	Actual	Voted Amount	Variance Over/(under)
Department of Housing	Capacity Building	1,001	1,001	0
Department of Housing	Housing Fund	218,306	218,306	0
Department of Provincial and Local Government	Salaries R293 Towns	68,101	68,101	0
Department of Provincial and Local Government	Leave Gratuities R293 Towns	5,852	5,852	0
Department of Provincial and Local Government	Management Support Programme	19,998	19,998	0
Department of Provincial and Local Government	Consolidated Municipal Infrastructure Programme	58,820	58,820	0
Department of Provincial and Local Government	Financial Assistance to Municipalities	2,420	2,420	0
Department of Housing	Human Resettlement Development Grant	1,200	1,200	0
Total		375,698	375,698	0

2. Other receipts

Description	Actual
	1,148
Refund: Previous Year	339
Salary Recovered Previous Financial Year	114
Interest Received (General)	1
Fees: Establishment of Townships	20
Rezoning Fees	442
Amendment Fees	8
Consolidation Fees	24
Interest (Only Computer F 1117)	8
Interest Subsidised Vehicles	27
Loan Debt New Subsidised Transport	165

3. Income transferable to Revenue Fund

Description	Actual
Revenue transfers i.r.o. current year (2000/2001)	1,148
Total	1,148

4. Conditional grants to be surrendered to Treasury

	Actual
	35,149
R293 town leave gratuities	5,852
R293 town leave gratuities/salaries	10,826
Management Support Teams	8,660
Consolidated Municipal Infrastructure Projects	9,472
Capacity Building	339

5. Expenditure per programme and explanation of material differences

	Actual	Voted	Variance	%
Special Functions	31	0	(31)	
Thefts and losses	31	0	(31)	
Programme 1: Administration	6,099	8,199	2,100	25.61%
Sub programme: MEC	1,038	1,182	144	
Sub programme: Management	5,061	7,017	1,956	
Programme 2: Technical Advisory Services	2,156	3,546	1,390	39.20%
Programme 3: Spatial Planning	9,224	11,246	2,022	17.98%
Programme 4: Land Use Administration	4,694	7,033	2,339	33.26%
Programme 5: Housing Administration	12,893	16,146	3,253	20.15%
Programme 6: Housing Aid and Financing	218,306	218,306	0	0.00
Programme 7: Urban and Rural Planning	62,753	76,680	13,927	18.16%
Programme 8: Local Government Management	20,267	31,441	11,174	35.54%
Programme 9: Auxiliary and Associated Services	56,636	71,999	15,36	21.34%
Programme 10: Local Government Establishment	3,539	6,513	2,974	45.66%
Programme 11: Traditional Affairs	7,850	12,752	4,902	38.44%
Total	404,448	463,861	59,413	

Explanation of material differences

Programme 1:	Saving due to vacant posts not filled as well as computer equipment not bought.
Programme 2:	Saving due to vacant posts not filled as well as allowances on capital redemption, maintenance and fuel not utilised on subsidised vehicles.
Programme 3:	Saving due to vacant posts not filled as well as Land Development Objectives not completed.
Programme 4:	Saving due to vacant posts not filled as well as printing and stationery.
Programme 5:	Saving due to vacant posts not filled as well as funds for planning and surveying of erven for informal settlements not fully utilised.
Programme 7:	Saving due to the fact that the Department of Provincial and Local Government transferred more funds than the salary expenditure as well as the leave gratuities that must still be paid.
Programme 8:	Saving due to vacant posts not filled as well as funds not paid out on Management Support Teams. Funds in regard to Management Support Teams were rolled over.
Programme 9:	Funds regarding Consolidated Municipal Infrastructure projects not utilised. These funds were rolled over.
Programme 10:	Saving due to vacant posts not filled as well as advertising cost not spent.
Programme 11:	Saving due to vacant posts not filled as well as representative allowances for Traditional Leaders. Fire vehicles were not bought and financial aid to 60 rural disaster organizations was not utilised.

6. Equipment	
Description	Actual
Current	655
Capital	268
Total	923

7. Professional and special services	
	Actual
Other Consultative Services	53
Contractors and Other Services	2,368
Boards/Committee Members	119
Councils/Committee's/Commissions	11,501
Other Consultants	3,077
Courier Services	1
Other Couns./Commissions	32
Attorney General	16
Auditors remuneration	764
Law Services	2
Total	17,933

8. Transfer payments

Transferee	Purpose	Actual	Voted Amount	Variance
Conditional grants	Improvement of Infrastructure and Housing as well as Financial Assistance to Municipalities	274,059	280,746	6,687
Other transfers	Informal Settlements	3,058	12,847	9,789
Total		277,117	293,593	16,476

8.1 Report on written assurance obtained from entities regarding the implementation of effective, efficient and transparent financial management and internal control systems in terms of Section 38(1)(j) of the Public Finance Management Act were obtained.

9. Miscellaneous	
	Actual
Stabilisation Fund	790
Civil Pension Claims	2,281
Other	30
Total	3,101

10. Debts written off

Category of debt	Reason	Amount
3 Criminal Act/Omission (other or unknown persons)	Damaged vehicle PAO 785, theft of petrol card and theft of vehicle battery	2
7 Vehicle Collisions (Own Damage)	Vehicle accidents: GFF193G, GM801G, GFF275G, GCK247G, GFG256G, GKB003FS,GRB003FS	11
2 Irregularities and Losses	Air ticket not utilised and cancellation fee for guest house	4
13 Other losses debt	All cases of salary overpayment	14
Total		31

11.Receipts from other departments		
Name of department	Nature of receipt	Amount
Department of Housing	Conditional Grant	220,507
Department of Provincial and Local Government	Conditional Grant	155,191
Total		375,698

FREE STATE PROVINCE DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING
CASH FLOW STATEMENT for the year ended 31 MARCH 2001

(All figures R'000)

CASH FLOWS FROM OPERATING ACTIVITIES	Note	Amount
Net cash flow from operating activities excluding capital items	1	60,829
CASH FLOWS FROM INVESTING ACTIVITIES		(268)
Purchase of plant and equipment	1	(268)
Net cash flows operating and investing activities		60,561
CASH FLOWS FROM FINANCING ACTIVITIES		2,220
Surplus surrendered		(1,148)
Movements on receivables, prepayments, advances, payables, provisions and cash equivalents	2	3,368
Cash and cash equivalents at end of period	3	62,781

FREE STATE PROVINCE DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING
NOTES TO THE CASH FLOW STATEMENT for the year ended 31 MARCH 2001

(All figures R'000)

	Amount
1. Net cash flow from operating activities excluding capital items	
Net surplus as per income statement	60,561
Purchase of capital items	268
	60,829
2. Movements on receivables, prepayments, advances, payables, provisions and cash equivalents	
Due to amounts from previous year on central accounts not available a balancing figure is used	3,368
	3,368
3. Cash and cash equivalents end of period	
Orders payable	(14,521)
PMG Adjustments	3
Pay Master General	66,634
ACB Control account EFT Payments	(38)
Persal ACB/BDB	(3)
Advance Petty cash	8
Funds requisition	10,698
	62,781

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING
BALANCE SHEET for the year ended 31 MARCH 2001

(All figures R'000)

R'000 Assets and liabilities recorded under cash basis of accounting

ASSETS	Note	Current year
Current assets		72,881
Unauthorised, irregular and fruitless and wasteful expenditure	1	3,503
Cash and cash equivalents	2	62,781
Receivables	3	1,776
Prepayments and advances	4	43
Investments	5	4,778
Total assets		72,881
LIABILITIES		
Current liabilities		72,881
Voted funds to be surrendered	7	59,413
Payables	6	9,965
Provisions	7	3,503
Total liabilities		72,881

FREE STATE PROVINCE DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING
NOTES TO THE BALANCE SHEET for the year ended 31 MARCH 2001

(All figures R'000)

ASSETS		
1	Unauthorised, irregular and fruitless and wasteful expenditure	Amount
	Unauthorised expenditure from previous years: 1998/99	3,826
	Unauthorised expenditure approved	(323)
	Total	3,503
2	Cash and cash equivalents	Amount
	Orders payable	(14,521)
	PMG Adjustments	3
	Pay master general	66,634
	ACB Control account EFT payments	(38)
	Persal ACB/BDB	(3)
	Funds Requisition	10,698
	Advance Petty cash	8
	Total	62,781
3	Receivables - current	Amount
	Trade debts	168
	Staff debts	726
	Other loans and debts	882
	Total	1,776
3.1	Age analysis	Amount
	Less than one year	1,495
	One to two years	92
	More than two years	189
	Total	1,776
3.2	Included above are the following amounts due by national departments:	
	Name of department	Amount
	Justice	23
	Finance	2
	North West	58
	Total	83
4	Prepayments and advances	
	Nature of prepayments/advances	Amount
	Subsistence and transport	29
	Subsistence and transport: Advances	14
	Total	43
5	Investments	
	Investee	Nature of investment
	Corporation for public deposits	Advances
	Total	4,778
LIABILITIES		
6	Payables - current	Amount
	Advances from Departments	(3,861)
	General Deposit Account	(1,063)
	Salary Reversal ACB & Tax	(15)
	Trust Funds	(4,778)
	Recoverable Income	(248)
	Total	(9,965)
7	Provisions	
	Purpose of provision	Amount
	Revenue to be surrendered	(59,413)
	Unauthorised expenditure 98/99	(3,503)
	Total	(62,916)
8	Contingent liabilities	Amount
	Financial Guarantees: Housing	1,299
	Total	1,299



AUDITOR - G E N E R A L

REPORT

OF THE

AUDITOR-GENERAL

ON THE

**ANNUAL FINANCIAL STATEMENTS OF VOTE 8 - LOCAL
GOVERNMENT AND HOUSING**

OF THE

FREE STATE PROVINCIAL GOVERNMENT

FOR

THE YEAR ENDED 31 MARCH 2000

PUBLISHED BY AUTHORITY

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**REPORT
OF THE
AUDITOR-GENERAL
ON THE**

ANNUAL FINANCIAL STATEMENTS OF

**VOTE 8 - LOCAL GOVERNMENT
AND HOUSING FOR THE
YEAR ENDED 31 MARCH 2000**

1. AUDIT ASSIGNMENT

The annual financial statements as set out on pages 48 to 55 for the year ended 31 March 2000, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These annual financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations, are the responsibility of the accounting officer. My responsibility is to express an opinion on these annual financial statements and the compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

It should further be stressed that, owing to the mandate and indeed the statutory assignment, the emphasis in audit reports often falls on errors and shortcomings, whereas no mention is made of matters that have been efficiently managed or conducted successfully. Internationally, this approach is the rule and is desirable in view of the fact that public funds are involved. It is, however, essential that this perspective be kept in mind when reading and reporting on audit reports.

2. REGULARITY AUDIT

2.1 NATURE AND SCOPE

2.1.1 Financial audit

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

- examining, on a test basis, evidence supporting the amounts and disclosures included in the annual financial statements;

- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall annual financial statement presentation.

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

2.1.2 Compliance audit

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

2.2 AUDIT OPINION

2.2.1 Financial audit

In my opinion, the annual financial statements fairly present in all material respects, the results of the operations of the Department for the year ended 31 March 2000 in accordance with prescribed accounting practice.

2.2.2 Compliance audit

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

3. EMPHASIS OF MATTER

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

3.1 SERVICES RENDERED BY PERSONNEL AT MUNICIPALITIES PAID BY THE DEPARTMENT

- a. With reference to paragraph 3.1.1(a), page 4 of the previous report (PR127/2000) as well as Resolution No. 11 of the Provincial Public Accounts Committee that was tabled and adopted by the Legislature on 24 August 1998, it is once again disappointing to report that the matter relating to the redundant staff has not yet been finalised. Cognisance is taken of the steps that are considered to transfer these staff in terms of the Transfer of Staff to Municipalities Act, 1998 (Act No. 17 of 1998) and the current negotiations between the different role players.
- b. As reported in paragraph 3.1.1(b), page 4 of the previous report, the Department is still paying the

salaries and related personnel expenditure of approximately 1 600 officials working for the former Botshabelo, Tshiamo, Thaba Patchoa and Oppermansgronde transitional local councils. According to information supplied to this Office, their salaries and related personnel expenditure amounted to approximately R54,1 million (1998-99: R55 million) for the 1999-00 financial year.

3.2 INTERNAL CONTROL

In various instances deviations from prescribed control measures were revealed which could ultimately result in losses for the Department if not corrected. The following serve as examples of the more serious deficiencies:

- a. Expenditure on telephone accounts (including semi-official) increased dramatically during the year under review and supporting documentation could not always be submitted.
- b. Staff appointed without the vacant posts apparently being advertised properly.
- c. Transport officer not appointed in terms of transport manual.
- d. Government vehicle expenditure increased significantly to R684 090 (1998-99: R173 910). Supporting documentation and logsheets to support this expenditure could not always be submitted.

3.3 PERSONNEL ADMINISTRATION

The audit revealed various deficiencies in the accounting of personnel and related expenditure. The following serve as examples:

- a. Monthly salary expenses as per PERSAL are still not reconciled with amounts debited on the Financial Management System (FMS). This was also reported on in paragraph 3.3(c), page 6 of the previous report.
- b. Notwithstanding various requests, a return signed by the accounting officer regarding bursaries was not submitted whereas the bursary register was not reviewed or checked by a senior official.
- c. An overtime register as well as documentation in support of overtime expenditure amounting to R127 170 could not be submitted.

3.4 FINANCIAL GUARANTEES

According to the accounting officer financial guarantees in respect of 100 per cent housing loans, granted by various banks and financial institutions, amounted to R1 548 969 on 31 March 2000. An audit conducted for the financial year under review revealed various shortcomings in the administration of, and control over, the housing loan guarantee system. The information supplied by the accounting officer could not be reconciled with the PERSAL system on 31 March 2000. In view of the aforementioned the validity, completeness and correctness of the amount disclosed in note 5 under additional financial information could not be verified.

3.5 ASSETS IN POSSESSION OF OTHER PERSONS

According to a return submitted, the department indicated that 559 radios, with a total value of R289 559 existed, whereas a subsequent physical verification by the department during March-April 2000 indicated 576. The original number of radios was 949. From this information it is clear that the matter has still not been resolved. Deficiencies in this regard were also reported on in paragraph 3.5, page 7 of the previous report.

3.6 OUTSTANDING REVENUE

Outstanding revenue increased from R59 132 (1998-99) to R166 819 (1999-2000). It appears that the controls regarding the recovery thereof and the follow up of instances referred to the State Attorney are not satisfactory.

4. APPRECIATION

The assistance rendered by the staff of the Department during the audit is sincerely appreciated.



G.M. MULLER
for Auditor-General

Bloemfontein
13/07/2001

VOTE 8, LOCAL GOVERNMENT AND HOUSING • BEGROTINGSPOS 8, PLAASLIKE REGERING AND BEHUISING
APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31 MARCH 2000 - APPROPRIASIEREKENING VIR DIE JAAR GEËINDIG 31 MAART 2000

Programmes Programme	Original Estimate Oorspronklike Begroting	Vote 14 Improvement of Conditions of Service Begrotingspos 14 Verbetering van Diensvoorwaardes	Adjustments Estimate Aansuiwe- ringsbegroting	Amount voted Bedrag bewillig		Notes Aan- teke- ninge	Expenditure Uitgawes		Saving/ (Excess) Besparing/ (Oorskryding)		Notes Aan- teke- ninge
				1999-00 R'000	1998-99 R'000		1999-00 R'000	1998-99 R'000	1999-00 R'000	%	
1. Administration/Administrasie	5 629	228	-	5 857	6 080	1	5 820	5 833	37	0,63	
2. Technical advisory services/Tegniese adviesdienste	3 971	31	-	4 002	5 061	1	2 047	2 126	1 955	48,85	3
3. Spatial planning/Ruimtelike beplanning	12 049	153	-	12 202	8 590	1	9 607	7 410	2 595	21,27	3
4. Land use administration/ Grondgebruik administrasie	6 242	111	-	6 353	10 460	1	4 454	3 462	1 899	29,90	3
5. Housing/Behuising	11 150	263	-	11 413	14 989	1	9 897	12 454	1 516	13,28	3
6. Housing aid and financing/ Behuisingshulp en finansiering	-	-	-	-	3	-	-	-	-	-	
7. Urban and rural planning and development/ Stedelike en landelike beplanning en ontwikkeling	55 000	2 681	-	57 681	13 055	1,2	54 109	55 058	3 572	6,19	3
8. Local government management/ Plaaslike regeringsbestuur	10 548	122	29 234	39 904	75 801	1,2	15 494	69 627	24 410	61,17	3
9. Auxiliary and associated services/ Ondersteunende en verwante dienste	11 752	-	-	11 752	161 870	1,2	17 303	157 571	(5 551)	(47,24)	3
10. Local government establishment/ Plaaslike regeringsvestiging	4 918	79	-	4 997	8 978	1	3 029	3 070	1 968	39,38	3
11. Traditional affairs/Tradisionele sake	10 712	167	-	10 879	16 344	1	7 848	6 542	3 031	27,86	3
Authorised programmes/Gemagtigde programme	131 971	3 853	29 234	165 040	321 231	1	129 608	323 153	35 432		
Plus:											
Authorised losses/Gemagtigde verliese	-	-	-	-	-		57	81	(57)		4
Totals/Totale	131 971	3 853	29 234	165 040	321 231	1,5	129 665	323 234	35 375		5

% of amount voted
% van bedrag bewillig
21,43%



MR. M.S. MSIBI

Deputy Director-General / Adjunk-direkteur generaal
Accounting Officer / Rekenpligtige Beampte

Department of Local Government and Housing
Departement van Plaaslike Regering en Behuising
Bloemfontein 18/4/2001

ACCOUNTING POLICY AND EXPLANATORY NOTES TO THE APPROPRIATION ACCOUNT

1. Accounting policy

The appropriation account reflects the vote per programme and the actual expenditure relating thereto. The appropriation account is, unless otherwise indicated, drawn up on the historical cost basis in accordance with the under-mentioned policies, which have been applied consistently in all material respects.

1.1 Underlying assumption

The appropriation account is prepared on the cash basis (date of payment is date of charge), except where indicated otherwise.

1.2 Revenue

Revenue of the province and/or departmental receipts is paid into Revenue and is not accounted for against expenditure incurred, unless indicated otherwise.

1.3 Assets (Stores and livestock, Equipment and Land and buildings)

For the purpose of the appropriation account, assets are written off in full when they are paid for and are brought to account as expenditure.

2. Explanatory notes

2.1 Original estimate

This refers to the estimate of expenditure to be defrayed from the Provincial Revenue Fund, which sets out the original estimate as approved by the Provincial Legislature.

2.2 Vote for the improvement of conditions of service

Where funds are provided from the vote for the revision or improvement of the conditions of service, the provision is made for the full part of the expected expenditure carried over to the relevant vote for this purpose.

REKENINGKUNDIGE BELEID EN VERDUIDELIKENDE AANTEKENINGE BY DIE APPROPRIASIEREKENING

1. Rekeningkundige beleid

Die appropriasierekening weerspieël die bewilliging per program and die werklike uitgawes wat daarmee verband hou. Tensy anders aangedui, word die appropriasierekening op die historiese koste-grondslag opgestel volgens die beleidspunte hieronder genoem, wat in alle wesenlike opsigte konsekwent toegepas is.

1.1 Onderliggende aanname

Die appropriasierekening word ooreenkomstig die kontant-grondslag voorberei (datum van betaling is datum van las), tensy anders aangedui.

1.2 Inkomste

Inkomste van die provinsie and/of departementele ontvangste word in Inkomste inbetaal and word nie teen uitgawes verreken nie, tensy anders aangedui.

1.3 Bates (Voorrade and lewende hawe, Toerusting en Grond en geboue)

Vir doeleindes van die appropriasierekening word bates ten volle afgeskryf wanneer daarvoor betaal is, and word dit as uitgawes in berekening gebring.

2. Verduidelikende aantekeninge

2.1 Oorspronklike begroting

Dit verwys na die begroting van uitgawes wat uit die Provinsiale Inkomstefonds bestry moet word and wat die oorspronklike bewilliging, soos deur die Provinsiale Wetgewer goedgekeur, uiteensit.

2.2 Begrotingspos vir die verbetering van diensvoorwaardes

Waar fondse onder die begrotingspos vir die hersiening of verbetering van die diensvoorwaardes beskikbaar gestel word, word voorsiening gemaak vir die volle verwagte gedeelte van die uitgawes wat vir dié doel aan die betrokke begrotingspos oorgedra is.

2.3 Adjustments estimate

The adjustments estimate facilitates necessary adjustments to the original estimate.

2.4 Transfer payments

Transfer payments relate to amounts, which are not disbursed directly on goods and services by the department on whose vote they appear, but which are paid over in lump sums to other bodies.

2.5 Column 2 items

These amounts may only be exceeded with the express authority of the MEC: Finance, Expenditure and Economic Affairs, and the excess must be appropriated not later than during the ensuing session of the Provincial Legislature. Savings on a column 2 item may, with the specific approval of the MEC: Finance, Expenditure and Economic Affairs, only be used to defray any other expenditure for which insufficient provision has been made under that vote.

2.6 Disclosure of additional programme information

Where expenditure on a programme amounts to more than ten per cent of the total actual expenditure on a vote, it is explained separately in a note. No analysis of administrative and personnel expenditure is provided.

2.7 Explanation of variations between expenditure and amounts voted

Variations of two per cent and more are explained.

2.8 Virement

In terms of section 5(3) of the Exchequer Act, 1994 (Act No. 1 of 1994), and unless the Treasury directs otherwise, the accounting officers may give approval for a saving under a main division or a subdivision of a main division of a vote to be applied towards the defrayment of excess expenditure under another main division, or a subdivision of a main division, or of expenditure under a new main division, or subdivision of the same vote.

2.3 Aansuiweringsbegroting

Die aansuiweringsbegroting fasiliteer noodsaaklike aansuiwerings aan die oorspronklike begroting.

2.4 Oordragbetalings

Oordragbetalings het betrekking op bedrae wat nie direk aan goedere and dienste deur die departement op wie se begrotingspos hulle getoon word, bestee word nie, maar wat in eenmalige bedrae aan ander instansies oorbetaal word.

2.5 Kolom 2 items

Hierdie bedrae mag slegs met die spesifieke goedkeuring van die LUR: Finansies, Uitgawes and Ekonomiese Sake oorskry word, terwyl die oorskryding nie later nie as gedurende die eersvolgende sessie van die Provinsiale Wetgewer bewillig moet word. Besparings op 'n kolom 2-item mag slegs met die spesifieke goedkeuring van die LUR: Finansies, Uitgawes and Ekonomiese Sake ter bestryding van ander uitgawes waarvoor 'n onvoldoende voorsiening onder daardie begrotingspos gemaak is, aangewend word.

2.6 Openbaarmaking van addisionele programinligting

Waar uitgawes onder 'n program meer as tien persent van die totale werklike uitgawes van 'n begrotingspos beloop, word dit afsonderlik in 'n aantekening verduidelik. Geen ontleding van administratiewe and personeeluitgawes word verskaf nie.

2.7 Verduideliking van verskille tussen uitgawes and bedrae bewillig

Verskille van twee persent and meer word verduidelik.

2.8 Virement

Ingevolge artikel 5(3) van die Skatkiswet, 1994 (Wet No. 1 van 1994) and tensy die Tesourie anders gelas, kan die rekenpligtige beamptes goedkeur dat 'n besparing onder 'n hoofindeling of 'n subindeling van 'n hoofindeling van 'n begrotingspos aangewend word ter bestryding van oorbesteding onder 'n ander hoofindeling, of 'n subindeling van 'n hoofindeling, of van uitgawes onder 'n nuwe hoofindeling of subindeling, van dieselfde begrotingspos.

NOTES TO THE APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31 MARCH 2000
AANTEKENINGE BY DIE APPROPRIASIEREKENING VIR DIE JAAR GÛEINDIG 31 MAART 2000

1. Analysis of expenditure

1. Ontleding van uitgawes

Programmes Programme	Personnel Personeel	Administration Administrasie	Stores and Livestock Voorrade and Lewende hawe	Equipment Toerusting	Land and Buildings Grond and Geboue	Professional Service Professionele Dienste	Transfer Payments Oordrag- betalings	Miscellaneous & Diverse	Expenditure Uitgawes	
	1999-00 R'000	1999-00 R'000	1999-00 R'000	1999-00 R'000		1999-00 R'000	1999-00 R'000	1999-00 R'000	1999-00 R'000	1999-00 R'000
1. Administration/Administrasie	4 734	827	41	113	-	26		79	5 820	5 833
2. Technical advisory services/ Tegniese adviesdienste	815	108	31	23	-	1 058		12	2 047	2 126
3. Spatial planning/Ruimtelike beplanning	5 088	272	45	75	-	4 040		87	9 607	7 410
4. Land use administration/ Grondgebruik administrasie	3 331	596	60	91	-	323		53	4 454	3 462
5. Housing/Behuising	7 914	739	216	105	-	796		127	9 897	12 454
6. Housing aid and financing/Behuisingshulp en finansiering	-	-	-	-	-	-	-	-	-	-
7. Urban and rural planning and development/ Stedelike en landelike beplanning en ontwikkeling	52 941	193	-	-	-	-	-	975	54 109	55 058
8. Local government management/ Plaaslike regeringsbestuur	3 990	169	87	49	-	8 118	257	2 824	15 494	69 627
9. Auxiliary and associated services/Onder- steunende en verwante dienste	-	-	-	-	-	-	17 303	-	17 303	157 571
10. Local government establishment/ Plaaslike regeringsvestiging	2 595	182	44	61	-	104	-	43	3 029	3 070
11. Traditional affairs/Tradisionele sake	7 001	444	148	144	-	32	-	79	7 848	6 542
Authorised Programmes/ Gemagtigde Programme	88 409	3 530	672	661	-	14 497	17 560	4 279	129 608	323 153
Plus: Authorised losses/Gemagtigde verliese	-	-	-	-	-	-	-	57	57	81
Totals/Totale	88 409	3 530	672	661	-	14 497	17 560	4 336	129 665	323 234
% of expenditure/van uitgawes 1999-00	61,18%	2,72%	0,52%	0,51%	-	11,18%	13,54%	3,35%		Decrease/ Vermindering
% of expenditure/van uitgawes 1998-99	26,43%	1,18%	0,15%	0,33%	-	2,02%	69,43%	0,46%	59,88%	

Economic Classification/Ekonomiese Klassifikasie	1999-00 R'000	1998-99 R'000
Capita/Kapitaal	-	-
Current/Lopend	86,46% 112 105	98 816
Capital transfers/Kapitaaloordragte	-	-
Current transfers/Lopende oordragte	13,54% 17 560	224 418
	129 665	323 234

2. Additional programme information

Programme 7: Urban and rural planning and development.

The optimal expenditure of the development policy and the promotion of physical planning.

Improvement of conditions of service.

Programme 8: Local Government Management.

Establishment of Local Government bodies and administration.

Improvement of conditions of service.

Programme 9: Auxiliary and Associated Services.

Rendering of auxiliary and associated services.

Improvement of conditions of service.

3. Explanations of variations in excess of two per cent between expenditure and amount voted

Programme 2: Technical Advisory Services

Saving due to the fact that vacant posts were not filled. Three staff members also left the Public Service. Provision was made for 5 subsidised vehicles that were not bought.

**Voted
Bewillig
1999-00
R'000**

**Expenditure
Uitgawes
1999-00
R'000**

**Voted
Bewillig
1998-99
R'000**

**Expenditure
Uitgawes
1998-99
R'000**

57 681

54 109

13 055

55 058

55 000

51 428

13 055

55 085

2 681

2 681

-

-

39 905

15 494

75 801

69 627

39 783

15 372

71 599

65 425

122

122

4 202

4 202

11 752

17 303

161 870

157 571

11 752

17 303

161 870

157 571

-

-

-

-

2. Addisionele programinligting

Program 7: Stedelike en Landelike Ontwikkeling

Die optimale uitvoering van die ontwikkelingsbeleid en die bevordering van fisiese beplanning

Verbetering van diensvoorwaardes

Program 8: Plaaslike Regeringsbestuur

Vestiging van plaaslike owerheidsliggame en administrasie

Verbetering van diensvoorwaardes

Program 9: Ondersteunende en Verwante Dienste

Lewering van ondersteunende en verwante dienste.

Verbetering van diensvoorwaardes

3. Verduideliking van verskille groter as twee persent tussen uitgawes en bedrag bewillig

Program 2: Tegniese Adviesdienste

Besparing kan toegeskryf word aan vakante poste wat nie gevul is nie. Drie personeellede het ook die Staatsdiens verlaat. Voorsiening is gemaak vir 5 gesubsidieerde voertuie wat nie aangekoop is nie.

Programme 3: Spatial Planning

Savings as a result of vacant posts not filled. Savings is in regard to funds under Professional Services for the Integrated Development and Land Development Objectives by Municipalities, which did not occur because of delays in the LDO/IDP process at local level. Funds to an amount of R4 019 000 requested to be rolled over.

Programme 4: Land Use Administration

Saving as a result of vacant posts that were not filled. The Conversion Act was not properly implemented. Funds were not utilized as Development Appeal Tribunals were not established. The demarcation process made Municipalities to halt their process of upgrading town planning schemes.

Programme 5: Housing

The saving is due to the non-filling of vacant posts and funds that were budgeted for house owners allowance regarding all personnel, but not all officials made use of the benefit. Performance appraisals were not paid in the 1999-2000 financial year.

Programme 7: Urban and Rural development

The saving is due to early retirement and severance packages.

Programme 8: Local Government Management

Saving is due to the non-filling of vacant posts. Funds requested to be rolled over amounts to R10 698 000 with regard to Management Support Programs in the 2000-01 financial year. All funds to an amount of R29 235 000 on the Adjustment Budget were allocated to programme 8.

Program 9: Auxiliary and Associated Services

Funds to an amount of R8 075 000 should have been allocated to programme 9 according to the request for funds to be allocated on the Adjustment budget.

Program 10: Local government establishment

Saving due to the fact that vacant posts were not filled and the non-establishment of the Task team for rationalization and Demarcation of municipal Boundaries before the 2000 municipal elections.

Program 11: Traditional Affairs

Saving due to the fact that vacant posts were not filled. Funds for office equipment and transfer payments for civil protection were not fully utilized.

Program 3: Ruimtelike beplanning

Besparing as gevolg van vakante poste wat nie gevul is nie. Besparings is as gevolg van fondse onder Profesionele Dienste vir die Geïntegreerde Ontwikkeling asook Landelike Ontwikkelingsdoelwitte deur Munisipaliteite wat nie gerealiseer het nie, as gevolg van vertraginge in die LOD/IOD proses op plaaslike vlak. Goedkeuring is gevra dat die fondse herna word ten bedrae van R 4 019 000.

Program 4: Grondgebruik Administrasie

Besparing as gevolg van vakante poste wats nie gevul is nie. Die Omskakelingswet is nog nie geïmplementeer nie. Die Appelontwikkelingtribunale is ook nie gevestig nie. Die afbakenings proses het daartoe bygedra dat die opgradering van dorpsbeplanning skemas gestaak is.

Program 5: Behuising

Die besparing is toe te skryf aan die nie vulling van vakante poste. Fondse is begroot vir huiseienaars toelae vir alle amptenare and daar is nie van die voordeel gebruik gemaak nie. Werkverrigtingbeoordeling is ook nie gedurende die boekjaar 1999/2000 betaal nie.

Program 7: Stedelike en Landelike ontwikkeling

Besparing kan toegeskryf word aan skiedingspakkette and vervroegde pensioen.

Program 8: Plaaslike Regeringsbestuur

Besparing as gevolg van nie-vulling van vakante poste. Fondse wat herna moet word na die 2000/2001 finansiële jaar beloop R10 698 000 vir Bestuurs-Ondersteunings-programme. Alle fondse ten bedrae van R29 235 000 op die Addisionele Begroting is toegewys aan Program 8.

Program 9: Ondersteunende en Verwante Dienste

Fondse ten bedrae van R8 075 000 moes toegewys gewees het aan Program 9 volgens die versoek vir fondse op die Addisionele Begroting.

Program 10: Plaaslike Regeringsvestiging

Besparing as gevolg van vakante poste nie gevul nie en die nie-instelling van 'n taakspan vir die rasionalisering en afbakenings van Munisipale grense voor die 2000 munisipale verkiesings.

Program 11: Tradisionele Sake

Besparing as gevolg van vakante poste nie gevul nie. Fondse vir kantoortoerusting en oordragbetalings vir burgerlike beskerming is nie ten volle aangewend nie.

	1999-00 R'000	1998-99 R'000	
4. Authorized losses			4. Gemagtigde verliese
Compensation payments.	2	-	Vergoedingsbetalings
Vehicle accidents	1	45	Voertuigongelukke
Criminal behavior/Negligence (public servants).	-	6	Kriminele optrede/versuim (staatsamptenare)
Criminal behavior/Negligence (other servants).	2	27	Kriminele optrede/versuim (ander persone)
Other losses (misc. items)	2	1	Ander verliese (diverse items)
Debt written off.	50	-	Skuld afgeskryf
Other losses	-	2	Ander verliese
	<u>57</u>	<u>81</u>	
5. Surplus to be surrendered	35 375	(2 003)	5. Surplus wat teruggestort moet word.
The previous years surplus has been surrendered			Die vorige jaar se surplus is teruggestort
6. Vote 14: Improvement of conditions of service			6. Begrotingspos 14: Verbetering van Diensvoorwaardes
Actual expenditure.	<u>3 835</u>	<u>4 202</u>	Werklike uitgawes
7. Vote 15: Promoting of the Recon- struction and Development Program			7. Begrotingspos 15: Bevordering van die Heropbou- and Ontwikkelingsprogram
Original estimates	-	17 700	Oorspronklike Begroting
Adjustments budget	-	-	Aansuiweringsbegroting
Amount voted	<u>-</u>	<u>17 700</u>	Bedrag bewillig
Amount surrendered.	<u>-</u>	<u>4 111</u>	Bedrag teruggestort
Amount employed.	<u>-</u>	<u>13 589</u>	Bedrag aangewend
8. Auditors' remuneration			8. Ouditeursvergoeding
Expenditure	<u>862</u>	<u>407</u>	Uitgawes
9. Column 2 items			9. Kolom 2 items

	Voted Bewillig 1999-00 R'000	Expenditure Uitgawes 1999-00 R'000	Voted Bewillig 1998-99 R'000	Expenditure Uitgawes 1998-99 R'000	
Programme 9: Fire Services	-	-	<u>7 000</u>	<u>6 609</u>	Program 9: Brandweerdienste

**ADDITIONAL FINANCIAL
INFORMATION AS ON 31 MARCH 2000**

	1999-00 R'000	1998-99 R'000
1. Departmental Income		
Revenue generated by the department	604	526
Revenue paid to the Provincial Treasury	(604)	(526)
Due to the Provincial Treasury	-	-
2. Suspense accounts		
Amount in suspense account in terms of section 15(3)(d) of the Exchequer Act (Act No. 1 of 1994)	-	-
3. Liabilities		
3.1 Creditors		
Deposit account	1 078	1 064
General suspense account	19 417	5 877
Salary recoveries	2	-
Cellphone suspense accounts	3	-
	<u>20 500</u>	<u>6 941</u>
3.2 Exchequer issues account	-	-
4. Debit balances		
4.1 Financially related assets		
(1) Suspense accounts in debt		
Subsidised Transport	-	11
Transport and subsistence	23	24
Deficits and losses	2	4
General suspense account	-	7
General disallowance account	17	35
Private cellular phone calls	19	5
Private telephone calls	2	7
Salary disallowance	390	-
Telephone disallowance	7	-
Housing guarantee debt	12	-
	<u>472*</u>	<u>93</u>
(2) Advances	<u>7</u>	<u>7</u>
(3) Balances on hand		
Information is not available owing to the fact that most votes are operated on one PMG account and the centrally managed FMS has the effect that certain asset/liability accounts are handled under a centralised ledger.		
*An age analysis is not available.		
4.2 Unauthorized Expenditure	<u>3 862</u>	<u>3 866</u>
5. Contingent liabilities		
Housing/financial guarantees	<u>1549</u>	<u>1 345</u>
6. Contractual commitments	<u>-</u>	<u>-</u>

**ADDISIONELE FINANSIËLE INLIGTING
SOOS OP 31 MAART 2000**

1. Departementele Inkomste	
Inkomste gegenereer deur die departement	
Inkomste aan die Prov. Tesourie oorbetaal	
Verskuldig aan die Provinsiale Tesourie	
2. Afwagrekeninge	
Bedrag in afwagrekenings ingevolge artikel 15(3)(d) van die Skatkwet (Wet No. 1 van 1994).	
3. Laste	
3.1 Krediteure	
Depositorekening	
Algemene afwagrekening	
Salarisverhalings	
Selfoonafwagrekenings	
3.2 Skatkistoekeningrekening	
4. Debietsaldo's	
4.1 Finansiële verwante bates	
(1) Afwagrekenings in debiet	
Gesubsideerde Vervoer	
Reis and verblyf	
Verliese en tekorte	
Algemene afwagrekening	
Algemene afkeuringsrekening	
Privaat sellulêre telefoonoproepe	
Privaat telefoonoproepe	
Salarisafkeurings	
Telefoonafkeuring	
Behuisingswaarborgskuld	
(2) Voorskotte	
(3) Saldo's voorhande	
Inligting is nie beskikbaar nie, aangesien die meeste begrotingsposte op een BMG-rekening bedryf word and die sentrale bedryf van FBS meebring dat sekere bates /laste-rekenings onder 'n sentrale grootboek hanteer word.	
*'n Ouderdomsanalise is nie beskikbaar nie.	
4.2 Ongemagtigde Uitgawe	
5. Voorwaardelike aanspreeklikhede	
Behusing/finansiële waarborge	
6. Kontraktuele verpligtinge	

