



ANALYSIS OF THE INGONYAMA TRUST BOARD'S 2019/20 THIRD AND FOURTH QUARTER REPORTS, 04 JUNE 2020

Background

The Ingonyama Trust (hereafter referred to as the Trust) was established in 1994 in terms of the KwaZulu-Natal (KZN) Trust Act 1994 (Act No. 3 of 1994). The Act was enacted few days prior to South Africa's first democratic election and came into force on 24 April 1994. In terms of the Act the Trust was established to hold land that was owned by or belonged to the former kwaZulu Government for the benefit, material welfare and social-well-being of members of tribes and communities living on the land with Ingonyama, His Majesty King Zwelithini as the sole Trustee. The Act was amended in 1997 to provide for the establishment of the Ingonyama Trust Board (ITB) as an entity of the former Department of Rural Development and Land Reform (DRDLR). The main objective of the ITB is to administer Ingonyama Trust land, which is about 2.8 million hectares spread throughout KZN for the benefit of traditional authorities and communities residing thereon. This sort of arrangement is unique to KZN because land in other former homelands/Bantustans was transferred to the State in 1994, after the democratic dispensation.

This brief summarises key aspects of the 2019/20 third and fourth reports of the Trust and the ITB. It highlights financial and service delivery performance against legislated mandate and core priorities as set out in its Strategic Plan (2015-2020) and Annual Performance Plan (APP) for 2019/20. In a short analysis, the brief raises some questions regarding the implementation of programmes and projects and whether the ITB in particular has in the period under consideration furthered the objectives for the existence of the Trust.

Financial report for the Ingonyama Trust

Table 1 below demonstrates quarterly budget and expenditure trends the Ingonyama Trust only. Whilst our interest is quarter 4, it is of interest to see how the Trust has performed through all the quarters.

Table 2: Q1 – Q4 budget and expenditure trends

Item	Annual Budget	1st Quarter		2 nd Quarter		3rd Quarter		4 th Quarter	
		Budget	Expenditure	Budget	Expenditure	Budget	Expenditure	Budget	Expenditure
Corporate Services and Financial Admin	52046 793,57	4585000,00	4532174,79	15990611,19	1903711,03	4794841.71	529132.24	26676340.37	2172542.11
Land and Tenure Management Services	113597455,67	3212000,00	3127928,11	42112506,17	5519509,20	25043861.25	3737918.53	45607601.00	1198506.75
Traditional Council/Community Support	20086 242,88	5021560,72	706592,90	5021560,72	2457520,70	5021560.72	451148.62	5021650.72	1016176.31
Total	185 730 492,12	12 818 560,72	8 366 695,80	63 124 678,08	9 880 740,93	34860263.68	4718199.39	77305502.09	4387225.17

Of the total R34.8 million allocated during quarter 3, the Trust spent R4.7 million, representing 13.53 per cent expenditure rate of the total budget for Q3. In Q4, the expenditure rate dropped to 5.68 per cent or R4.3 million of the total R77.3 million allocated during Q4. As Figure 1 (Expenditure trends) shows, the expenditure trends of the Trust has been in decline over time, quarter 4 is the lowest. The expenditure is indicative of internal challenges that the ITB, which manages the affairs of the Trust

(we discuss these in detail under the ITB). With regard to key programmes, the following points summarise programme expenditure as a share of the budget allocation.

- The Expenditure of Corporate service and financial administration has spent 8.14 percent of its budget in Q4, a decrease from 11.04 percent in Q3. Figure 1 shows in upward trend because of increase in the amount spent however, when you consider the budget, expenditure as a share percentage as decreased.
- Land and Tenure Management Services spent 2.63 per cent of its budget in Q4, a decrease from 14.93 per cent in Q3.
- Traditional Council /Community Support has spent 20.24 per cent of its budget, an increase from 8.98 per cent in Quarter 3.

Figure 1: Expenditure Trends of the Ingonyama Trust (Q1 –Q4)

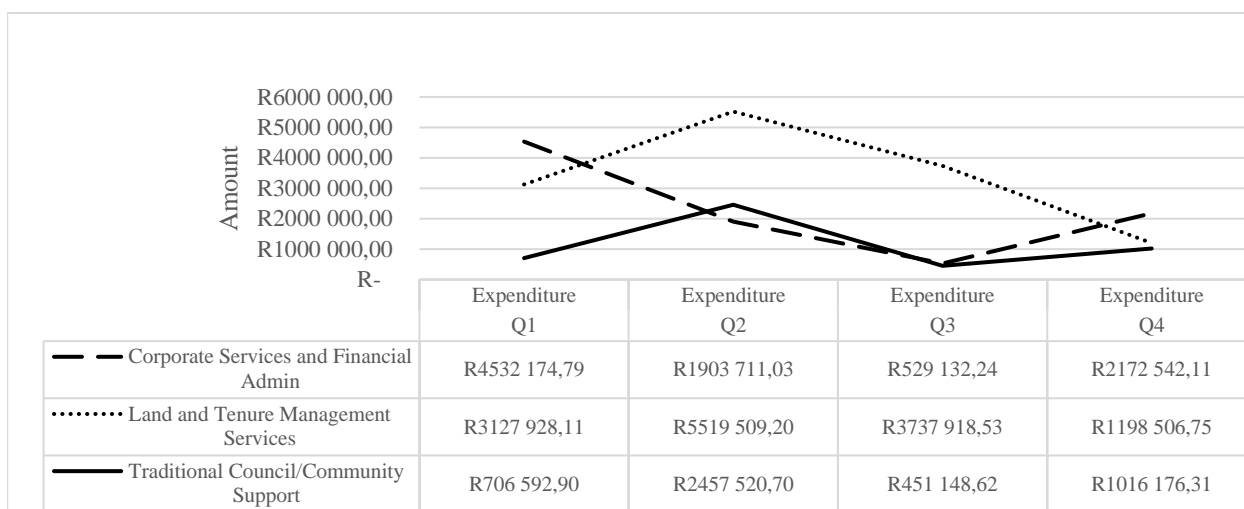


Figure 2: Expenditure as a per cent of budget allocation for Programmes of the Ingonyama Trust

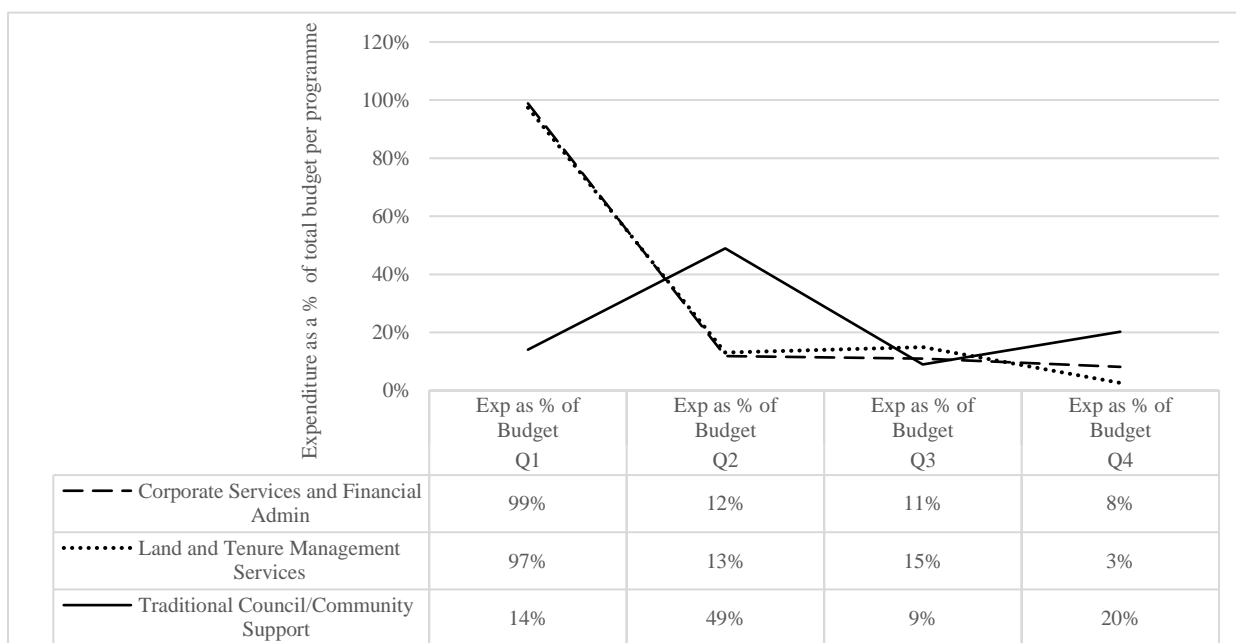


Table 2: Key cost drivers for Goods and services (Q3 and Q4)

Key Cost Drives	Q3		Q4	
	Cost	% of Total G&S Expenditure	Cost	% of Total G&S Expenditure
Land tenure management and planning projects	R1 443 404,14	31%	R1 198 506,75	28%
Workshops	R1 867 284,56	40%	R-	-
Business and agricultural projects	R427 229,83	9%	R-	-
Disbursement of funds to beneficiary communities	R451 148,62	10%	R1 016 176,31	23%
Legal fees	R112 376,67	2%	R1 709 888,41	39%
Sub-total of G&S Expenditure	R4 301 443,82	92%	R3 924 571,47	90%
<i>Total of G&S Expenditure</i>	<i>R4 679 713,99</i>	<i>14%</i>	<i>R4 349 085,91</i>	<i>7%</i>
<i>Total Budget for G&S</i>	<i>R34 533 597,01</i>		<i>R66 558 835,42</i>	

NB. This table excludes sub-items that are not the main cost drivers

- Of the total budget of R34.5 million for goods and service in Q3, only R4.6 million was spent. This amounts to close to 14 per cent expenditure on goods and services. About 92 per cent of the total expenditure (i.e. R4.3 million of R4.6 million), is shared among five main items; namely Land Tenure Management and Planning Project (31% or R1.4m), Workshops (40% or R1.8m), Disbursement of funds to beneficiary communities (10% or R450 148,62), Business and agricultural projects (9% or R427 229,83) and Legal Fees (2% or R112 376,67).
- During Q4, of the total budget of R66.5 million for Goods and Services, only R4.3 million was spent. It amounts to 7 per cent expenditure on Goods and Services. 3.9 million. About 90 per cent of the total expenditure (i.e. R3.9 million of R4.3 million), is shared among three main items; namely Land Tenure Management and Planning Project (28% or approximately R1.2m), Disbursement of funds to beneficiary communities (23% or approximately R1m), Business and agricultural projects (9% or R427 229,83), and Legal Fees (39% or approximately R1.7m).

Critical scrutiny of the budget and expenditure of the Ingonyama Trust raises critical questions that the Committee should consider seeking clarity and discussing the possible pathways that could potentially set the Trust in a position to deliver on its legislative mandate. The following table highlight some of the critical questions (drawing on the graphs and table above

Table 3: Possible issues for discussion with the Ingonyama Trust Board

Key concerns	Possible Questions for discussion with the ITB
Q3 expenditure of 13.53 per cent across all the programmes	<p>Assuming that the ITB will articulate the reasons for the low expenditure, the following questions arise:</p> <ul style="list-style-type: none"> - What are the systems put in place to ensure that the Ingonyama Trust funds are used for purposes intended for? - What is the Ingonyama Trust planning to do with the funds that could not be spent across all the four quarters (what is the total under expenditure?)

<p>Traditional Council/ Community Support expenditure as a per cent of the total Goods and Service budget has declined, from 49% in Q2 to 9% in Q3 and 20% in Q4.</p>	<p>If this area is the one that relates to material benefits of administration of the Ingonyama Trust land, could the ITB explain why there is such a decrease in the Expenditure.</p>
<p>Under Goods and Services, Business and Agricultural Projects and disbursement of funds to communities respectively accounted for 9% and 10% in Q3 and in Q4. Disbursement of funds to communities increased to 23%.</p>	<p>As requested previously, accountability on this funds can be tested if there are list of projects (with localities to enable oversight visits) that have benefitted.</p> <p>The Committee should consider, again, requesting for the lists projects and beneficiaries of disbursement of funds for Q3 and Q4</p>
<p>R1.8 million was spent on workshops during Q3</p>	<p>In a period of three months, 40% of goods and services expenditure was on workshops. The following questions arise:</p> <ul style="list-style-type: none"> - How many workshops were conducted and for what purpose? - Who were the workshop participants? Of all the participants, what are the socio-economic profiles of participants (i.e. women and youth, urban and rural, traditional leaders and community members? - Has there been a report of the workshops? Can the ITB forward the workshop report to the Committee in order to understand the course content?
<p>Legal fees in Q4 accounts for 39% of the total Goods and Services expenditure. It increased from 2% in Q3. At total of R1.7 million cost to legal fees.</p>	<p>The Committee should consider trying to understand the extent of the legal challenge to the Ingonyama Trust.</p> <ul style="list-style-type: none"> - How many are internal labour matters? - How many are external and in what ways do these cases further the aims and objectives for the existence of the Trust and the ITB. In whose interest are the legal matters?
<p>Special Leave or Precautionary Suspension of staff members, including Executive Management.</p>	<ul style="list-style-type: none"> - The existing state of affairs with regard to Executive Management of the ITB, how has it affected the functioning of the Ingonyama Trust? - Is there a link between poor expenditure seen in this report and the gap left by staff members that have been either put on special leave or suspended?

Financial report on the ITB

Table 4: Expenditure of the ITB

Ingonyama Trust Board	Annual Budget	Q3			Q4		
		Budget	Expenditure	Expend. as % of Budget	Budget	Expenditure	Expend as % of Budget
Administration	R65 616 652,88	R13 460 474,91	R11 417 024,25	85%	R26 974 967,38	R10 677 251,73	40%
<i>Goods and Services</i>	<i>R16 284 310,27</i>	<i>R3 660 474,91</i>	<i>R3 599 516,11</i>	<i>98%</i>	<i>R3 442 624,77</i>	<i>R2 637 950,62</i>	<i>77%</i>
<i>Compensation of employees</i>	<i>R 49 332 342,61</i>	<i>R9 800 000,00</i>	<i>R7 817 508,14</i>	<i>80%</i>	<i>R23 532 342,61</i>	<i>R8 039 301,11</i>	<i>34%</i>

Table 5: Goods and Services Expenditure

Goods & Services	Q2		Q3		Q4	
	Cost	%	Cost	%	Cost	%
Motor vehicle expenses	R65 718,69	1,50%	R25 482,78	0,71%	R40 599,34	1,54%
Bank charges	R55,83	0,00%	R1 347,23	0,04%	R1 177,41	0,04%
Cleaning, repair & other	R114 153,08	2,60%	R165 537,37	4,60%	R147 250,02	5,58%
Board members fee	R952 390,06	21,67%	R1 300 733,74	36,14%	R818 855,92	31,04%
Board related expenses	R209 342,19	4,76%	R330 589,56	9,18%	R242 167,62	9,18%
Computer software/internal fibre cost	R39 309,64	0,89%	R29 482,23	0,82%	R29 482,23	1,12%
Travel & accommodation & meetings	R579 951,39	13,20%	R664 738,38	18,47%	R338 636,26	12,84%
Internal Audit Fees	R90 085,84	2,05%	R90 028,76	2,50%	R95 961,12	3,64%
Internal Audit Committee members' fees	R4 854,50	0,11%	R167 093,39	4,64%	R-	
Stationery and others	R163 791,09	3,73%	R205 050,06	5,70%	R218 315,56	8,28%
Electricity and water	R196 985,86	4,48%	R179 577,32	4,99%	R180 590,32	6,85%
Security expenses	R215 882,64	4,91%	R215 882,64	6,00%	R366 100,98	13,88%
Telephone	R100 119,76	2,28%	R87 485,98	2,43%	R87 366,84	3,31%
External Audit fees	R1 484 471,97	33,78%	R20 892,92	0,58%	R71 477,00	2,71%
Accounting Fees	R177 000,00	4,03%	R115 593,75	3,21%	R-	
Total	R4 394 112,54	100,00%	R3 599 516,11	100%	R2 637 980,62	100,00%

The following tables summarise the Expenditure trends of the ITB.

The ITB is funded by Transfers from the Department, then the DRDLR. Both Tables 4 and 5 below highlights the following:

- A decrease in the Expenditure of Admin, from 85 per cent in Q3 to 40 in Q4. Even goods and services dropped expenditure from 98 per cent of what was budgeted to 77 of the budget for goods and services.

- Just over 40 per cent of the expenditure of Goods and Services covers the Board Members Fees (31%) and Board related expenses (9%).
- Note the increase in expenditure for Board Members Fees during Q3 and a drop in Q4. The Committee might want to probe on this matter to understand what contributed to the increase and decrease, whether it is attendance or resignation is unclear.

Given the description in Tables 4 and 5, the following questions could be asked:

- What is the main contributor the drastic decrease in the expenditure for Administration?
- For compensation of employees to record an expenditure of 34%, something must have horrible gone wrong. Except the special leave for Executive Management (which is still under the payroll) there is no clarity of what contributed to this decrease. The ITB should be requested to clarify this matter.
- It is worth asking if this expenditure does not suggest a total collapse of Administration? If so, how is the ITB running the affairs of the Trust?

Performance on Key Performance Indicators

Table 6 below demonstrate that the ITB has, in terms of service delivery, dropped its performance. Whilst in quarter 3 it recorded achievement of seven of the eleven targets, in Q4 it dropped to five, thus more targets were not achieved.

Table 6: Summary of Performance Targets

Programme	Q3			Q4		
	No of Targets	Achieved	Not Achieved	No of Targets	Achieved	Not Achieved
Admin	7	5	2	7	3	3
Land and Tenure Management	2	2	0	2	2	0
Traditional Council Support	2	0	2	2	0	2
TOTAL	11	7	4	11	5	6

Note: IT solutions target was carried out in Q2, hence Q4 shows performance is 1 target short.

Given that Land and Tenure Management recorded 100 per cent achievement on targets, the following questions concerns Administration and traditional council support.

Administration

Poor performance is recorded in the *development of policies and conducting training programme for employees*. These are critical component of the Administration programme, yet the ITB has failed in its performance.

- There is no explanation to the fact that training programme took long to be implemented. The Committee should consider asking if there are underlying issues like suspension or special leave having an impact on the training.

- Development of policy has also not been moving at speed anticipated over the years. It appears that from quarter to another, the ITB has not been able to improve in this area. What are the interventions it is planning to make to ensure that it delivers on this target?
- Board Members expenditure remain steady, yet critical policy work that needs to be finalised was not finalised. What are oversight mechanisms that the Board has put to ensure that administration delivers on their duties.
- Can the ITB share with the Committee the statistics about Board Attendance. Further, it is important to have the Minister's representative present during Board meetings. Who represented the Minister in the Board during the period under discussion? Did the person attend the Board Meetings? What role did he/she play in the Board meetings?
- Has there been any engagement between the ITB and the Inter-Ministerial Task Team which the Minister informed the Committee about? If yes, can the Board share with the Committee the highlights of the Discussions and key issues under consideration? **(This question could be posed directly to the Minister if she is present at the meeting)**

Traditional Council Support

Two critical areas of focus here are training of traditional councils and number of educational awards granted? It would seem that this is the programme that addresses the question of material benefit to traditional communities. However, it is of great concern that this programme dismally failed to perform its duties. The reasons that ITB raise require further discussion, for instance, it is not appropriate time to discuss lack of funding when the APP has indicated that budget would be allocated.

Given the expenditure of the Ingonyama Trust, the following should be explained by the ITB:

- Expenditure of R1.7m on workshops, yet there is no training that was conducted for Traditional Councils
- Disbursement of R1.4 million to beneficiary communities yet there are no bursaries allocated.
- Business and Agricultural Projects.

The above-mentioned expenditure, cannot be linked with the APP targets. The ITB should be requested to explain these expenditures and where they fit in the APP and performance against the set targets.

Notes on additional information (slides 27 -30)

1. The ITB does not get funding for service delivery, hence it is not able to implement programmes that can ensure material benefit of the communities as expected. It suggests that it needs more money in order for it to implement community development projects.
2. Irregular Expenditure is the key concern and the ITB has placed Executive Management on special leave. What has been the role of the Board in authorising irregular expenditure?
3. The response to the BRRR is not included. It is unclear why the ITB suggests that they do not have a role in accounting for implementation of Committee's responses in the BRRR.

Conclusion

Q3 and Q4 Report indicates an entity that is somewhat in trouble because failure to spend on allocated funds and subsequently not showing any results for key performance indicators that demonstrate that its existence is in line with the purposes for which it was established, that is to manage the affairs of the Trust for the material wellbeing of communities residing on the land.

- It fails to show progress with regard to traditional council support and number of educational awards made.
- Increase in legal fees is a major concern. The report does not state what are the cases and in whose interest the cases were being pursued. If the cases involve collection of rental fees, were there no other alternative mechanisms to resolve the matters?
- Special leave and suspensions of senior managers and other officials of the ITB, especially when the entire Executive Management is on special leave, does point to an organisation that is in trouble.

The Committee should consider having discussion with the ITB and the Minister about the role that the ITB plays in land administration, securing tenure of people in communal areas in KwaZulu-Natal, and the impact of the dysfunctional administrative component of the Ingonyama Trust Board with a view to resolve existing challenges.