

*GENERAL*

*SUBMITTING THE 2011/12 ANNUAL REPORT TO THE EXECUTIVE AUTHORITY*

**Mr R R Pillay**


**MEC for Department of Works and Human Settlements**

**KwaZulu-Natal Department of Human Settlements**

**SUBMISSION OF THE 2011/12 ANNUAL REPORT FOR THE KWAZULU-NATAL DEPARTMENT OF HUMAN SETTLEMENTS**

In accordance with section 40(1)(d) of the Public Finance Management Act, 1999; the Public Service Act, 1994 (as amended); and the National Treasury Regulations, I have the honour of submitting the KwaZulu-Natal Department of Human Settlements Annual Report for the Period 1 April 2011 to 31 March 2012.

Please note in terms of section 65(1)(a) of the Public Finance Management Act, 1999 the MEC is required to table the report in the Provincial Legislature by 31 August 2012.



.....  
**Mr M Zungu**

**Acting Accounting Officer**

**KwaZulu-Natal Department of Human Settlements**

**Date: 15/08/2012**



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## GENERAL INFORMATION

### *VISION, MISSION AND VALUES*

#### 1.1.1 VISION

Innovative champions of change in the housing sector to improve the quality of life for all in KwaZulu-Natal

#### 1.1.2 MISSION

To create an enabling environment for the development of sustainable human settlements in partnership with stakeholders to improve the quality of life for all in KwaZulu-Natal.

#### 1.1.3 VALUES

The department subscribes to the Principles of Batho Pele and embraces the following key values:

Honesty;

Love;

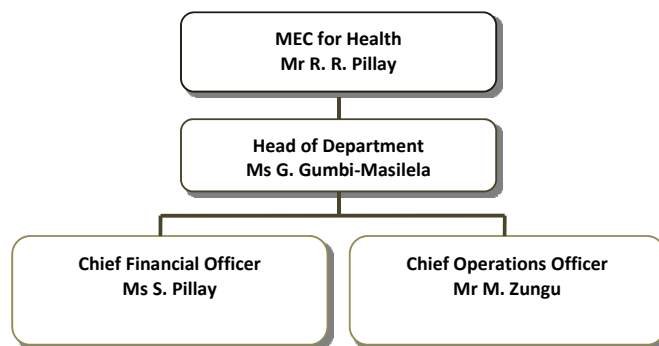
Health and Vitality;

Trust; and

Personal Freedom

### *ORGANISATIONAL STRUCTURE*

**Figure 1: Executive Management Structure [Attached in Annexure A]**



The Department commenced with the review of the organisational structure, informed by Departmental Business Processes. Finalisation is expected in the 2012/13 financial year.

The high vacancy rate at Senior Management level was a challenge during the reporting period. The numerous acting positions placed tremendous pressure on staff and unduly impacted on service delivery.

The vacancies below set out both funded and unfunded posts. This is as a result of the restructuring process, resulting in a new organogram which is awaiting approval. Dependent on the approval certain posts may no longer form part of the organizational structure.

***Vacancies and appointments during the 2011/12 financial year: Senior Management [ManCo] and District Management***

***Vacancies***

- ★ General Manager: Executive Support from 25 April 2008 to date
- ★ Chief Operations Officer from 25 April 2008 to 31 July 2011
- ★ Chief Business Officer from 25 April 2008 to date
- ★ General Manager: Sustainable Human Settlement Management from 1 May 2010 to date
- ★ General Manager: Strategic and Budgetary Services from 25 April 2008 to date
- ★ General Manager: Human Capital Management from 25 April 2008 to date
- ★ General Manager: Corporate Services from 1 January 2004 to date

- ★ Senior Manager: Monitoring and Evaluation from 25 April 2008 to date
- ★ Senior Manager: Communication Services from 1 November 2007 to date
- ★ Senior Manager: Capacitation and Black Economic Empowerment from 25 April 2008 to date
- ★ Senior Manager: Property Management from 1 July 2011 to date
- ★ Senior Manager: Special Projects from 25 April 2008 to date
- ★ Senior Manager: Strategic Planning from 25 April 2008 to date
- ★ Senior Manager: Budget and Planning from 25 April 2008 to date
- ★ Senior Manager: Risk Management and Advisory Services from 25 April 2008 to date
- ★ Senior Manager: Appointment of Consultation Services from 25 April 2008 to date
- ★ Senior Manager: Human Resource Management from 1 August 2009 to date
- ★ Senior Manager: Organisation Development from 1 October 2009 to date
- ★ Senior Manager: Service Delivery Innovation from 25 April 2008 to date
- ★ Senior Manager: Information Technology and Systems from 25 April 2008 to date

**APPOINTMENTS**

- ★ Chief Operations Officer: 1 August

***LEGISLATIVE MANDATE***

***The Constitution of the Republic of South Africa (Act No. 108 of 1996)***

- ★ **Section 26:** guarantees the right to have access to housing, and takes steps to achieve the progressive realisation of this right.
- ★ **Schedule 4 & %A:** Identifies housing delivery as a concurrent competence of the provincial and national spheres of government
- ★ **Section 195:** Public administration must be governed by the democratic values and principles enshrined in the Constitution
- ★ **Section 195 (1b):** Efficient, economic and effective use of resources must be promoted
- ★ **Section 195 (1d):** Services must be provided impartially, fairly, equitably and without bias
- ★ **Section 195 (1h):** Good human resource management and career development practices, to maximise human potential must be cultivated

*In carrying out its functions, the Department is governed mainly by the following Acts and Regulations:*

- ★ **Housing Act, 1997 (Act No. 107 of 1997):** Provides for the facilitation of a sustainable housing development process
- ★ **Housing Consumers Protection Measures Act, 1998 (Act No. 95 of 1998) as amended by Act No. 27 of 1999:** Makes provisions for the protection of housing consumers, and provides for the establishment and functions of the National Home Builders Registration Council
- ★ **Public Finance Management Act (Act No. 1 of 1999 as amended) and Treasury Regulations:** Provides for the administration of State funds by

functionaries, their responsibilities and incidental matters

- ★ **Preferential Procurement Policy Framework Act (Act No. 5 of 2000):** Provides for the implementation of the policy for preferential procurement pertaining to historically disadvantaged entrepreneurs
- ★ **Division of Revenue Act (Act 7 of 2003):** Provides for the manner in which revenue generated may be disbursed
- ★ **Public Service Act (Act No. 103 of 1994) and the Public Service Regulations:** Provides for the administration of the public service in its national and provincial spheres, and the powers of ministers to hire and fire
- ★ **Rental Housing Act, 1999 (Act No. 50 of 1999):** Establishes the Rental Tribunal to regulate and promote sound relations between landlords and tenants. It defines the government's responsibilities with regards to rental housing.
- ★ **Sectional Titles Act, 1986 (Act. No. 95 of 1986, as amended by Acts Nos. 24 & 29 of 2003):** Provides for the division of buildings into sections and common property and for the acquisition of separate ownership in sections coupled with joint ownership on common property.
- ★ **Abolition of Certain Title Conditions Act, 1999 (Act. No. 43 of 1999):** Provides for the abolition of certain conditions in terms of which the consent or permission of the holder of an office under the Republic, is required for the alienation or transfer of immovable property from one person to another

- ★ ***Prevention of Illegal Eviction and Unlawful Occupation of Land Act 19 of 1998:*** Prescribes a process for dealing with land invasions
- ★ ***Labour Relations Act (Act No. 66 of 1995):*** Provides for the law governing labour relations and incidental matters
- ★ ***Basic Conditions of Employment Act (Act No. 75 of 1997):*** Provides for the minimum conditions of employment that employers must comply with in their workplace
- ★ ***Skills Development Act (Act No. 97 of 1998):*** Provides for the measures that employers are required to take to improve the levels of skills of employees in the workplace
- ★ ***Disestablishment of South African Trust Limited Act of 2002:*** Disestablishes the South African Trust and transfer functions relating to obligations
- ★ ***Occupational Health and Safety Act (Act No. 85 of 1993):*** Provides for the requirements that employees must comply with in order to create a safe working environment in the workplace
- ★ ***Broad Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003):*** Establishes a legislative framework for the promotion of black economic empowerment
- ★ ***Home Loan and Mortgage Disclosure Act of 2000:*** Promotes fair lending practices
- ★ ***National Environmental Management Act (1998) as amended by Act No. 8 of 2004:*** Provides for cooperative environmental governance by establishing principles for decision-making on matters affecting the environment
- ★ ***Communal Land Rights Act, 2004 (Act 11 of 2004)*** Provides for legal security of tenure by transferring communal land, to communities, or by awarding comparable redress
- ★ ***Communal Property Associations Act, 1996:*** Enables communities to form juristic persons, to hold and manage property
- ★ ***Deeds Registries Act, 1937:*** Consolidated and amended the laws in force in the Republic relating to the registration of deeds
- ★ ***Extension of Security of Tenure Act, 1997:*** Provides for measures with state assistance to facilitate long-term security of land tenure
- ★ ***Municipal Finance Management Act, 2003:*** Seeks to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere
- ★ ***Corruption Act, 1994:*** Provides for the strengthening of measures to prevent and combat corruption and corrupt activities
- ★ ***Expropriation Act, 1951 as repealed by Act No. 63 of 1975:*** Provides for the expropriation of land and other property for public and certain other purposes
- ★ ***National Heritage Resources Act, 1999:*** Introduces an integrated and interactive system for the management of the national heritage resources
- ★ ***Standards Acts, 1993:*** Provides for the promotion and maintenance of standardization and quality in connection with commodities and the rendering of services



- ★ **State Land Disposal Act, 1961:** Provides for the disposal of certain state land to prohibit the acquisition of state land by prescription
- ★ **Promotion of Access to Information Act (Act 2 of 2000):** Amplifies the constitutional provision pertaining to accessing information under the control of various bodies
- ★ **Employment Equity Act (Act 55 of 1998):** Measures that must be put into operation in the workplace to eliminate discrimination and promote affirmative action
- ★ **State Information Technology Act (Act 88 of 1998):** Creation and administration of an institution responsible for the State’s information technology system
- ★ **Housing Development Schemes for Retired Persons Act, 1998 (Act No. 65 of 1988) as amended by Act No. 20 of 1998:** This act aims to regulate the interests in housing development schemes for retired persons, and to provide for matters connected therewith.
- ★ **National Building Regulations and Building Standards Acts, 2000 (Act No. 38 of 2000):** Mandates the Board to establish and maintain a National Register of Contractors and a National Register of Projects.
- ★ **Housing Consumers Protection Measures Act, 2007, (Act 17 of 2007):** Aims to amend the Housing Consumers protection measures Act, 1998, to clarify the scope of the said Act.
- ★ **Social Housing Act, 2008 (Act 16 of 2008):** Promotes the creation of a sustainable social housing environment
- ★ **Housing Development Agency Act, 2008 (Act 23 of 2008):** Establishes the Housing Development Agency and describes its functions and powers

### ENTITIES REPORTING TO THE MINISTER

The Housing Fund as an entity reports to the KwaZulu-Natal Department of Human Settlements. The department does not have any public entity reporting to it directly, however it worked very closely with the public entities reporting to the national department and has a number of Service Level Agreements, to guide the services they provide to the department such as the National Home Builders Registration Council [NHBRC], National Housing Finance Corporation [NHFC], Social Housing Regulatory Authority [SHRA], National Urban Reconstruction & Housing Agency [NURCHA], and Rental Housing Association Fund [RHAF].



## REPORT OF THE EXECUTIVE AUTHORITY



**Honourable Mr R R Pillay, MPL  
Member of the Executive Council for  
Human Settlements and Public Works**

The delivery of integrated and sustainable human settlements is an extremely complex endeavour. It must be guided by the correct strategy and implemented in the face of challenging conditions.

The Department of Human Settlements first priority is to ensure the accelerated delivery of housing opportunities, including up-scaling the provision and implementation of serviced sites. This is directly aligned to National Outcome 8 Output 1, the accelerated delivery of housing opportunities, and Output 2, improved access to basic services.

The department's second priority is to inculcate a sense of ownership and personal responsibility among beneficiaries, owners and tenants. This directly relates

to National Output 4 of an improved property market. Through ensuring security of tenure, title deed transfer and servicing the gap market, as well as ensuring the rights of landlords the KwaZulu-Natal Department of Human Settlements ensures that the conditions supporting a viable and regulated property market are installed.

Finally, the department's third priority, the optimal and sustainable use of resources, is aligned with National Output 3, being more efficient land utilisation. Land is viewed as a resource, and strategies for optimal land use include densification of human settlements.

The department faced many challenges in the 2011-2012 year, and following are some of the most

important. In order for sustainable human settlements to be built, bulk infrastructure of water and sanitation needs to be installed. Groutville, in Ilembe is an example where the capacity of the bulk infrastructure has been exceeded and is leading to a breakdown of the current system and impeding further development or densification. The department is working more closely with municipalities to ensure that expenditure on bulk infrastructure is prioritised in new human settlement projects, ensuring sufficient capacity is available.

The lack of housing planning pipeline from municipalities has meant that if a project is not approved or blocked, there are no other projects ready to go which can take their place and are in line with Outcome 8. Going forward, the department is creating professional resource teams (PRTs) to assist municipalities in the planning process, so that there can be more projects in the pipeline. This will ensure that delivery is not hampered by a lack of available projects.

Other challenges include community dynamics. The Peoples' Housing Process (PHP), driven and managed by communities, has traditionally been vulnerable to corrupt practices and misuse, and each time there is corruption, a project is blocked, sometimes for years as the investigation follows its course. The department has adopted the National Human Settlements PHP policy and is working with the national department to address any implementation challenges. The challenges outlined have required the department to mitigate with several important initiatives. A Project Management approach

has been conceptualised and tenders have closed. This unit will allow project managers to instantly track, monitor and report on complex projects that span many years. This will help in identifying and avoiding sources of blockage before they occur, as well as expediting administrative processes. The professional resource teams, are teams of professionals who will assist municipalities in developing and implementing Integrated Development Housing Plans.

There have been some real success stories in human settlements delivery, notably in eThekweni the social housing project Lake Haven won the social housing award for 2011. This development includes an innovative layout. It is also the result of close and constructive engagement with the community, and the work of a contractor who has performed well to meet quality standards and project deadlines. Lake Haven is an example of what can be done when all stakeholders work together and fulfil their mandates.



**Mr R R Pillay, MPL**

**MEC for Department of Works and Human Settlements  
KwaZulu-Natal Department of Human Settlements**

**Date:** 22 August 2012

### ACCOUNTING OFFICER'S OVERVIEW

The department has come a long way in addressing the capacity, skills and competencies of officials. The decentralization strategy to ensure a departmental presence in all districts has been finalized to ensure effective support to municipal partners. Additionally, systems and processes in the department have been streamlined to enhance performance.

During the year under review the department made great strides in aligning its Strategic and Annual Performance Plans to the outcome based approach, as well as the Provincial Spatial Economic Development Strategy [PSEDS] and the Provincial Growth and Development Strategy [PGDS]. The department reviewed the targets set for it by the national department in terms of Outcome 8 in the Performance Agreement [NSDA] between the MEC and the national Minister of Human Settlements.

A number of the critical policy and research projects were undertaken by the department to seek clarity on some of the challenges that are impeding delivery. These include inter alia; the finalization of the new threshold for the Financial Linked Individual Subsidy Programme [FLIPS] (GAP) market from 10 000 to 15 000; expanding coverage for the majority of the underserved people.

A pilot project was identified in the Hibiscus Coast municipality but could not be pursued further due to the poor quality of the product delivered. The project was

renegotiated and will be rolled out in the new financial year.

Challenges were raised by banks in rolling out the projects. The department therefore approached the development banks and the local iThala bank. Banks with substantial experience in the delivery of sustainable properties were requested to partner with the department. This partnership will be pursued further in the new financial year, and new avenues and options will also be explored with the country's major banks to give effect to the memoranda of agreement signed with them previously. This programme will alleviate the housing shortage that is responsible for the perpetuation of informal settlements and backyard dwelling challenges.

***The department's Outcome 8 targets are outlined in the table below***

KwaZulu-Natal: Outcome 8 Targets			
Housing Units	Rental Units	Gap Market	Hectares Land
76 200	15 240	114 000	1 500

The department reviewed the allocated Outcome 8 targets. This review was informed by the Provincial Growth and Development Strategy (PGDS) and the Provincial Economic Development Strategy (PSEDS) to ensure alignment with the broader provincial priorities: Including the war on Poverty programme "Sukuma Sakhe", and other integrated delivery programmes undertaken in various parts of the province.

After an in-depth analysis of the departmental key priorities, the most critical needs were identified in seven municipal areas. A realignment process was undertaken by the department to focus on the four priority areas of Outcome 8:

- ★ Informal Settlements Upgrade,
- ★ Rental,
- ★ Access to home loans and
- ★ Access to appropriate land for human settlements,

This saw the consolidation of various instruments to address the problems of the urban and rural poor in accessing proper and adequate housing.

In terms of the informal settlements strategy, the department identified the metro and the six aspiring metros namely eThekweni, uMsunduzi, uMhlathuze, KwaDukuza, Hibiscus Coast, Newcastle, eMnambithi as the areas where the informal settlements were prevalent, and where all aspects of departmental work would find meaningful expression.

The next phase focused on the capacity of the municipality to manage the delivery of human settlements. To this end the department concentrated on the accreditation of the municipalities; one of the key measures to achieving this goal. eThekweni metro was confirmed for level 2 accreditation. The department focused on providing the support to ensure that the metro is well positioned to deliver the services that were assigned to them in a sustainable manner.

To address the first priority (**informal settlements upgrade**) the department developed an informal

settlement upgrade strategy. This identified the areas with the informal settlements 78.6% of which are located in eThekweni and the rest of the informal settlements are located in the aspiring metros. The key focus area became identification of the process to get the municipality ready to respond to the needs on the ground.

The department in responding to this priority has been supporting the municipality identify land for informal settlements upgrade. To this end the department allocated in excess of R300 million for land acquisition. It also focused on the process of moving people from the sites to allow for the services and the construction to occur, especially in the most densely populated areas where there will be in situ upgrade.

There was a slow start in the achievement of the second priority which delayed the rollout and the delivery of the **affordable low income rental interventions**. This was attributed to management challenges at municipalities. The department undertook an assessment of the capacity of the Social Housing Institutions to manage the rental stock sustainably. Two municipalities were accredited: eThekweni and uMsunduzi. Challenges and weaknesses were identified and a process to review the Social Housing Institution framework was developed and a social rental strategy was established to provide support and a roadmap towards achieving the targets.

In this regard the process was linked to the social rental strategy to ensure a sustainable roll out of the accreditation to more municipalities. The assessment indicated that there is a need in the aspiring metros to identify and profile the restructuring zones. This was

also prioritized and a capacity building package has developed with an approval process of the restructuring zones. Land and in fills for social rental housing have been identified and the implementation will occur the next financial year.

One of the highlights of the department's delivery model was recognized with an award for the Lake Haven Social Housing project in eThekweni for the best social housing. This programme symbolizes the vision of the department to ensure that there are quality outputs; restoring dignity to households by providing affordable options for housing. The project adheres to all the key aspects of the social housing such as accessibility to socio-economic amenities.

Major challenges of this priority included non-payment for rental accommodation. The matter culminated in a Constitutional court case which justified government and its partners' belief that people who default on their contractual obligations should be evicted from rental housing. The sustainability of rental housing is dependent on the rentals paid by the tenants.

The third provincial Outcome 8 target was the **accelerated access to housing** by the Gap market that neither qualifies as low cost housing nor fits the criteria for the low cost rental criteria. In this regard the assessment undertaken by the department indicated that there were serious challenges with the banking sector in the country and the targets were reduced significantly.

During this process the department engaged the banks on an on-going basis to find alternative mechanisms to

ensure effective intervention. One of the alternatives for the department was engaging the iThala bank and also allocating the individual applicants 5% of serviced sites to ease the burden on the aspirant homeowner. As well as reduce the risk on the side of the banks. This intervention in the long run would have to be linked to the Mortgage Default Insurance Scheme [MDI] guarantee fund.

The final target for the department, which is the land assembly, was also marred in challenges with mainly prolonged negotiations for the release of state land, to entangle the land claims that compound the effective delivery of human settlements and the ever increasing cost of acquiring land from the private owners, which forces government to be in constant competition with private sector making the acquisition of land on of the most time consuming and protracted process. The land owners also have seen land as the cash cows and prolong the process of releasing land by taking this legal route that drags unendingly.

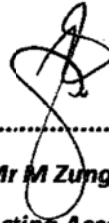
The additional provincial specific intervention, which over time has addressed the needs of the people of the province such as the rural housing has had to be revisited and review the impact they have has on the beneficiaries. The review of the rural housing programmes has confirmed that as a province we need to realign the rural support. The department has reviewed the rural development strategy and decided propose the review of the rural settlements patterns and move towards more densified arrangement to ensure that communities access the basic services and that government key socio-economic services are centralized around the denser area and are in close

proximity accessible to the majority of the community members without requiring transport and travel time to access services.

The engagements with the key stakeholders in the rural areas are on-going. The strategy is driven by the rural development departments rural development programme of the most deprived districts that covers nine district in KwaZulu-Natal. Over the past few years the department has been doing very well in the delivery of rural housing, however in line with the spirit of the breaking new ground the department has shifted the focus from delivering housing to creating sustainable human settlements.

The department has been struggling in the areas of providing integrated human settlement that cut across race, gender and creed. To this end the department

started paying more attention to the development of human settlements along the primary and secondary corridors and nodes of the provinces. These human settlements are informed by the PSEDS and the PGDS that have succinctly identified economic growth areas and areas with potential based on the pillar of economic growth for the province, thus determining the demand for housing and potential areas for new human settlements, towns and cities.



.....  
**Mr M Zungu**

**Acting Accounting Officer**

**KwaZulu-Natal Department of Human Settlements**

**Date: 15/08/2012**



## GENERAL OVERVIEW

### DEMOGRAPHIC OVERVIEW

The Province of KwaZulu-Natal comprises of 1 Metro, 10 Districts, 61 Local Municipalities and 828 Wards.

It stretches from the Eastern Cape in the South, to the borders of Swaziland and Mozambique in the North, Mpumalanga in the North-West, and the Free State and Lesotho in the West. The Indian Ocean, with two of the country's main import/export harbours, forms the Eastern boarder of the Province.

Table 1 summarises core demographic characteristics of the Province.

The Province is divided into 61 Municipalities, one Metropol and 10 Districts, with service boundaries aligned to the municipal boundaries. Four Districts and one Municipality have been declared as Integrated, Sustainable Rural Development Programme [ISRDP] Nodes i.e. Ugu, Umzinyathi, Zululand and Umkhanyakude Districts, and the Umzimkhulu Municipality in Sisonke. The Municipalities of Nkandla in Uthungulu and Msinga in Umzinyathi are specifically targeted as a Cabinet priority.

Stats SA estimate that 54% of the total Provincial population lives in rural areas, and an estimated 10% of the urban population in under-developed informal settlements.<sup>[1]</sup> Urbanisation, especially relevant to the economic hubs, increased the population in informal settlements. The fact that the population is predominately rural puts considerable pressure on provision of social services and infrastructure.

**Table 1: Provincial Demographic Characteristics**

Size	92,100sq km
Share of South Africa	7.6%
Share of South African population	21.3%
Population density per km <sup>2</sup>	±107.52
Estimated population [2010]	10,467,466
Estimated uninsured population [2010]	9,159,033 [87.5%]
Gender breakdown	Females [51.8%] and Males [48.2%]
Broad age breakdown	Under 5 [10.7%]; under 15 [34%]; between 15-64 [62.4%] and <60 [4.6%]

Source: Stats SA

The following map illustrates the population breakdown per municipality with eThekweni by far the most populous area, followed by uMgungundlovu, uThungulu and Zululand. The least populous districts are Umzinyathi, Sisonke, Ilembe and Amajuba.

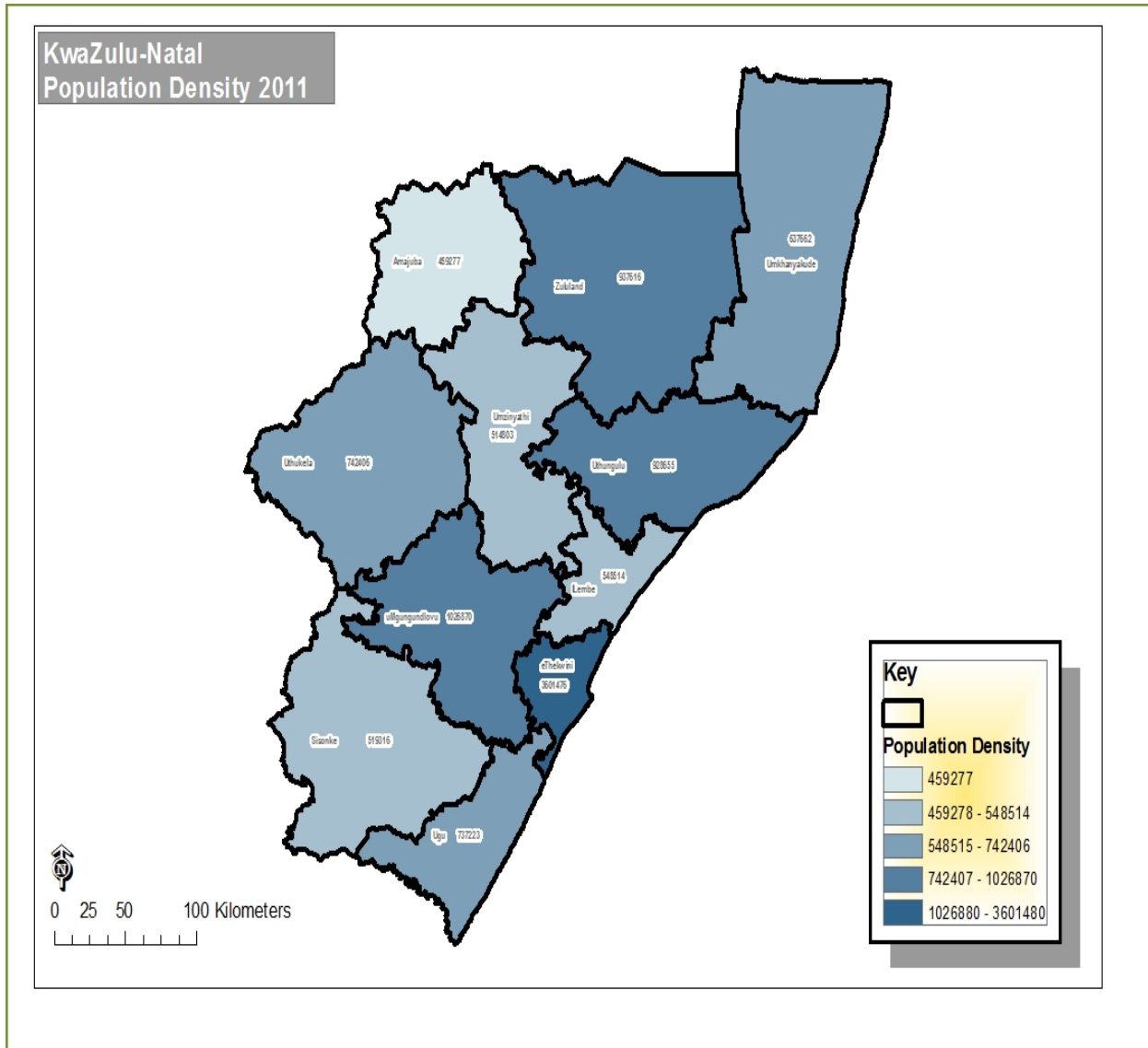
Population density has a definite impact on socio-economic factors including, but not exclusive to, unemployment, environmental degradation, inadequate services, and finance and housing.

These challenges are also relevant to rural areas where service backlogs [including inadequate access to education, health care, water, sanitation, and electricity] are experienced [*Socio-Economic Profile*].

The highest concentration of population is found in eThekweni and Mzundusi, followed by the Newcastle and Umhlatuze complexes. A third level of density

concentrations is also evident in the areas of Emnambithi, Hibiscus Coast and KwaDukuza

**Map 1: KZN Population per District [StatsSA]**



### *SOCIO-ECONOMIC OVERVIEW*

Deprivation and poverty are prime indicators of ill health and reduced life expectancy. People living in unhygienic environments including areas with poor drainage systems, inadequate sanitation and lack of access to piped water suffer higher levels of morbidity and mortality.<sup>1</sup>

#### **Rural Development Nodes in KZN**

- ★ Ugu District
- ★ Umzinyathi District
- ★ Zululand District
- ★ Umkhanyakude District
- ★ Umzimkulu Municipality in the Sisonke District

#### **Strategic Goals [As per Strategic Plan]**

- ★ Strengthening governance and service delivery;
- ★ Building the capacity of Housing stakeholders (especially municipalities);
- ★ Promote sustainable economic development and Job creation
- ★ Ensuring job creation through housing delivery;
- ★ Promotion of homeownership;
- ★ Implementation of Financial Services Market Programme.
- ★ Eradication of slums in KwaZulu-Natal by 2014;
- ★ Accelerating the hostels redevelopment and upgrade programme;
- ★ Completion of all blocked projects by 2007;

<sup>1</sup> Caldwell JC & Caldwell BK 2002 – Poverty and mortality in the context of economic growth and urbanization – Asia-Pacific Population Journal 49-66

- ★ Creating rental / social housing opportunities;
- ★ Ensuring the provision of incremental housing;
- ★ Provision of housing for vulnerable groups including those affected by HIV/AIDS;
- ★ Accelerating housing delivery in rural areas;
- ★ Addressing of institutional and systemic constraints
- ★ Identification and addressing of risks in the housing delivery process

In terms of the informal settlements strategy, the department identified the metro and the six aspiring metros namely eThekweni, uMhlabuthuze, uMzinyathi, uMkhanyakude, uMzimkulu, uMzinyathi, KwaDukuza, Hibiscus Coast, Newcastle, eMnambithi as the areas where the informal settlements were prevalent, and where all aspects of our work would find meaningful expression

Since 2002, the female unemployment rate has been consistently higher than that for males which has significant implications for service delivery.

**Table 2: Male versus female unemployment rates in KZN**

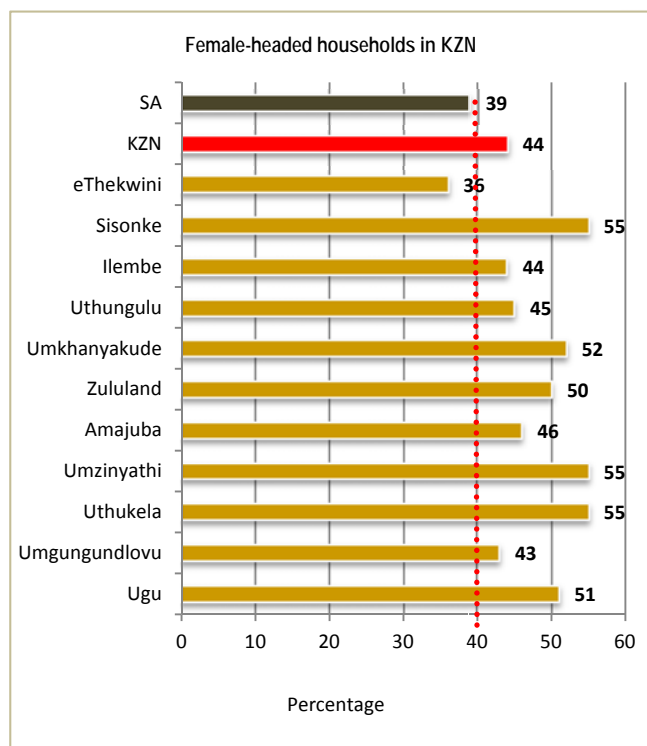
Year	Male	Female
2006	20%	24.1%
2007	20.4%	25%

Source: Stats SA (2008a)

The growing number of child and female headed households, the increasing number of orphans, and growing unemployment rate have an increasing impact on

the delivery of human settlements to improve the quality of life.

**Graph 1: Female-headed households in KZN**



Source: Community Survey 2007

Social determinants have a profound impact on quality of life. The Department therefore prioritised the Operation Sukuma Sakhe Project to improve the holistic development of communities starting interventions at ward and household levels.

## ACCESS TO WATER AND SANITATION

Multiple factors contribute to the attainment of human settlements mandates, many of which are outside the mandate of the Department. People living in unhygienic environments as indicated by poor drainage systems,

inadequate sanitation and lack of access to piped water suffer higher levels of extremely poor quality of life.<sup>2</sup>

Table 4 provides a summary of the growth or decline in access to piped water per District, comparing the 2001 and 2007 Census data from Statistics South Africa (Community Survey). The significant growth in the Sisonke District (Rural Development Node) might be ascribed to the inclusion of Umzimkhulu into the district, while all other Rural Development Nodes show a decline in the number of households with no access to piped water.

For purposes of this analysis the following categories were considered as adequate access to piped water: Piped water inside the dwelling; inside the yard; on community stand with a distance less than 200m from dwelling; and access point outside the yard.

<sup>2</sup> Caldwell JC & Caldwell BK 2002 - Poverty and morality in the context of economic growth and urbanization - Asia-Pacific Population Journal 49-66

**Table 3: Growth or Decline in Access to Piped Water  
2001 - 2007**

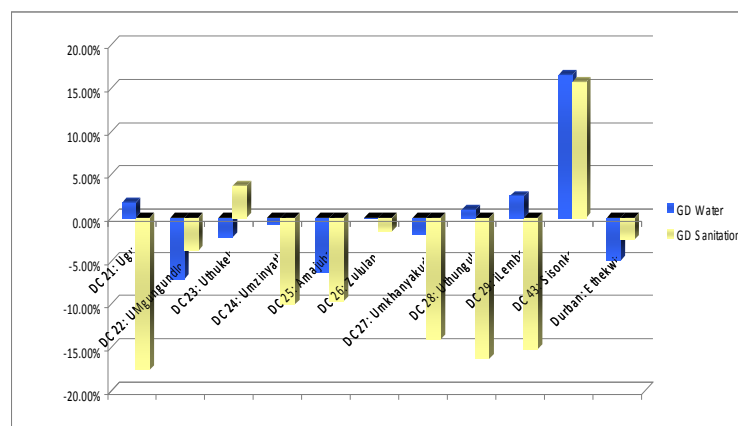
District	No access to Piped Water - 2001	No access to Piped Water - 2007	Growth or Decline
Ugu	49.83%	32.21%	-17.62%
Umgungundlovu	15.02%	11.22%	-3.79%
Uthukela	32.24%	35.93%	3.69%
Umzinyathi	53.45%	43.42%	-10.03%
Amajuba	21.67%	11.99%	-9.68%
Zululand	48.46%	46.93%	-1.53%
Umkhanyakude	56.01%	41.97%	-14.04%
Uthungulu	41.33%	24.97%	-16.36%
Ilembe	45.76%	30.57%	-15.19%
Sisonke	36.97%	52.66%	15.70%
eThekwini	4.97%	2.45%	-2.52%

*Highlighted Districts portray Rural Development Nodes.*

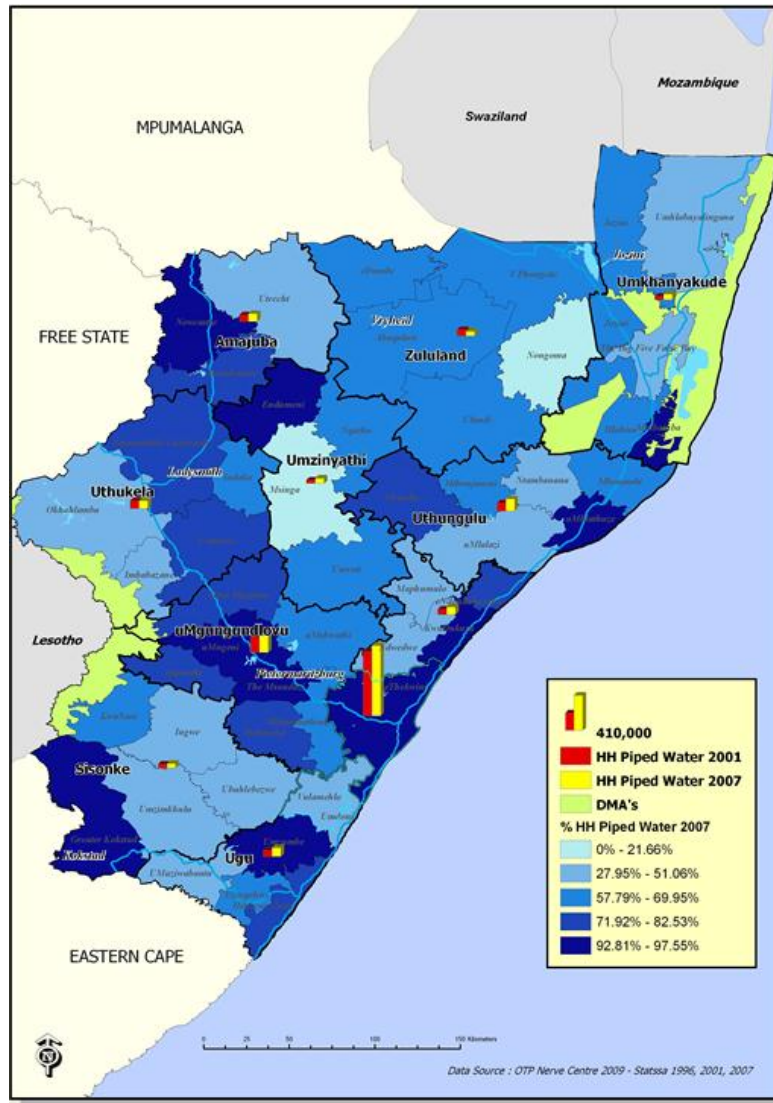
Map 2 visually displays access to piped water per Municipality, which is significant in assessment of service outcomes and impact. Integrated strategies, both inter- and intra-sectoral, are crucial to improve access to both water and sanitation in support of improved human settlement service delivery.

Graph 2 illustrates the growth and decline in access to piped water and sanitation per District, comparing 2001 and 2007 Census data. Map 3 visually displays poor access to sanitation.

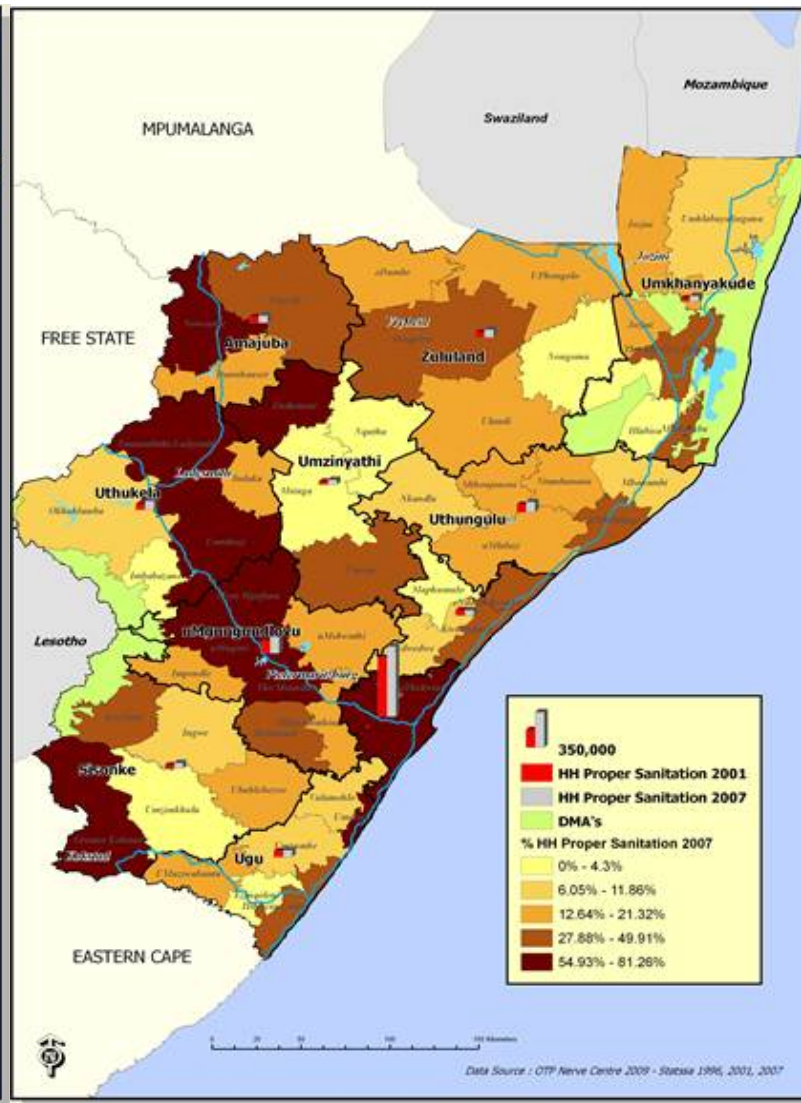
**Graph 2: Growth or Decline of Households with no access to Piped Water and Sanitation 2001 and 2007**



Map 2: No Access to Piped Water



Map 3: Poor Sanitation



## INFORMATION ON PRE-DETERMINED OBJECTIVES

### OVERALL PERFORMANCE

#### 4.1.1 VOTED FUNDS

**Table 3[a]: Voted Funds for 2011/12**

	Final Allocation R'000	Actual Amount Spent R'000	Over/ Under Expenditure R'000
<b>Vote 8</b>	3,084,991	3,042,495	42,496
<b>Responsible MEC</b>	Mr R.R. Pillay		
<b>Administering Department</b>	Department of Works and Human Settlements - KwaZulu-Natal		
<b>Accounting Officer</b>	Ms G. Gumbi-Masilela		

Source: Finance Section

**Table 3[b]: Voted Funds 2011/12**

Budget	2011/12 R'000
Original Budget	3,053,315
Rollovers	-
Additional Adjustments	31,676
<b>Final Budget Appropriated (Adjustment Budget)</b>	<b>3,084,991</b>
<b>Total Expenditure</b>	<b>3,042,495</b>
(Over) / Under Expenditure	42,496
(Over) / Under Expenditure (%)	1.39%

Source: Finance Section

#### 4.1.2 AIM OF VOTE 8

The core function and responsibility of the KwaZulu-Natal Department of Human Settlements is to deliver a comprehensive package of human settlements throughout the province to the people in KwaZulu-Natal. The main purpose is to develop and implement a sustainable, coordinated, integrated and comprehensive delivery care system using the pipeline approach as a foundation and based on accessibility, equity, community participation, use of appropriate technology and inter-sectoral collaboration. This result in the creation of sustainable human settlements and improved quality of household life; and vibrant, equitable, sustainable rural communities contributing towards food security for all.

#### 4.1.3 SUMMARY OF BUDGET PROGRAMMES

**Table 4: Summary of Budget Programmes**

<b>Programme 1: Administration</b>	Strategic and supportive leadership and overall administration for the Department. Create an enabling environment through which human settlement services are rendered in line with legislative and governance mandates.
<b>Programme 2: Housing Needs, Research and Planning</b>	Develop and promote sustainable human settlements and housing policies, to monitor and assess the implementation and impact of housing policies and programmes
<b>Programme 3: Housing Development Implementation</b>	Implement and monitor the housing projects thorough the various housing mechanisms
<b>Programme 4: Housing Property Management</b>	Manage ex-NPA and own affairs stock and fast track the transfer of the stock to qualifying beneficiaries in terms of the EEDBS.

#### 4.1.4 KEY STRATEGIC OBJECTIVES AND CORE ACHIEVEMENTS

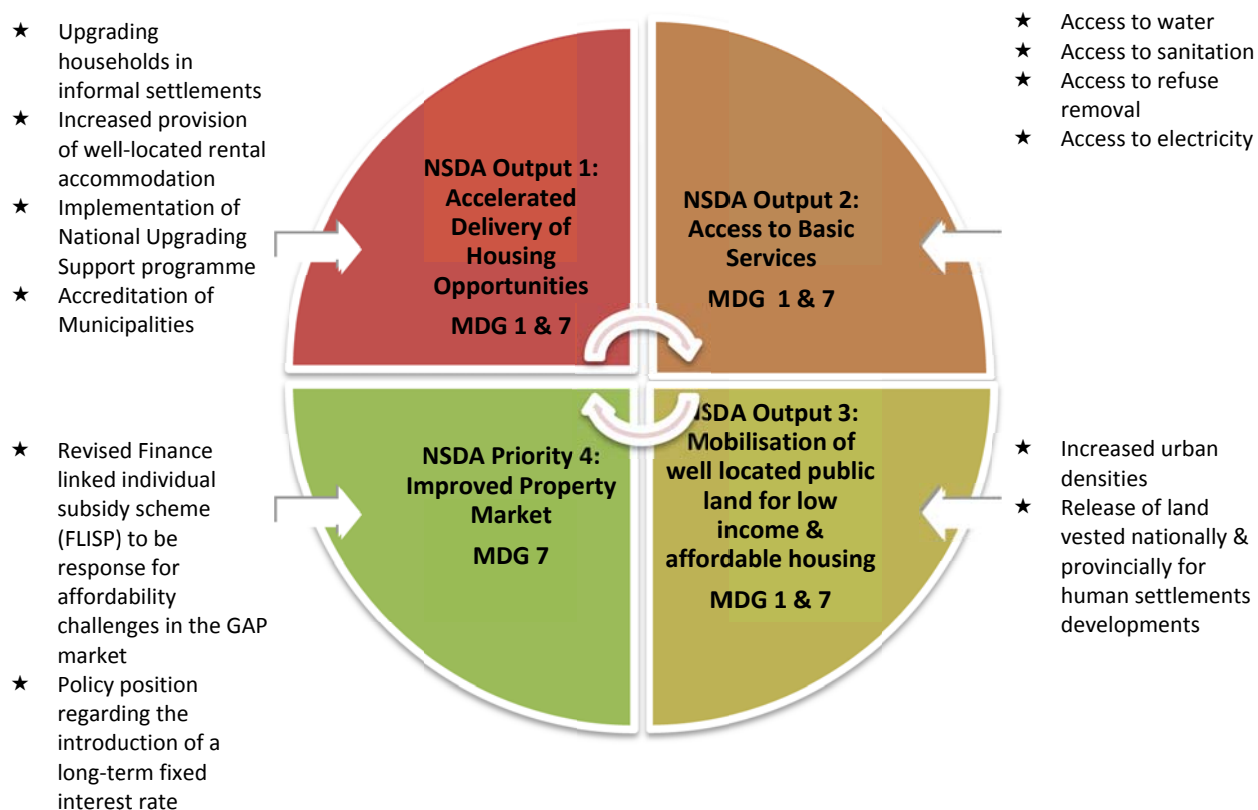
Performance information, specific to the 2011/12 Annual Performance Plan, represents the first year of the 2011/12 to 2014/15 strategic planning cycle. Details of performance against strategic objectives and targets for 2011/12 are included in detail under the 4 Budget Programmes.

All strategic objectives are directly aligned with strategic priorities identified in the 5 year Strategic Plan,

Negotiated Service Delivery Agreement [NSDA], and the Millennium Development Goals. Priorities for the reporting period did take into consideration the pre-determined strategic direction and subsequent challenges and priorities identified during the Provincial Cabinet Lekgotla.



**Figure 1: Negotiated Service Delivery Agreement [NSDA] including MDG's**



**Table 5: Negotiated Service Delivery Agreement: Outcome 8**

NEGOTIATED SERVICE DELIVERY AGREEMENT: OUTCOME 8		
PRIORITY 1: Accelerated Delivery of Housing Opportunities		
Indicator	Target	Provincial Performance 2011/12
Increase provision of well-located rental accommodation	Social and Rental Housing Institutional Subsidies Target: 900 Units	Actual: 225 Units [Source QPR]
Upgrading households in informal settlements	Target: 6,774 sites Target: 24,680 units	Actual: 5,384 sites [Source: QPR] Actual: 19,019 units
PRIORITY 2: Access to Basic Services <sup>3</sup>		
Access to water	Target:	
Access to sanitation	Target:	
Access to electricity	Target:	

<sup>3</sup> Does not fall within the mandate of the Department of Human Settlements

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NEGOTIATED SERVICE DELIVERY AGREEMENT: OUTCOME 8		
Release of land vested nationally & provincially for human settlements developments	Land parcels procured [Outputs other] Target: 2 022	Actual: 5 782

#### 4.1.5 OVERVIEW OF THE SERVICE DELIVERY ENVIRONMENT FOR 2011/12

During the year under review the department has made significant progress in improving the implementation and management internally and support the external management of the sector programmes. The department achieved the full alignment of its programmes to the Outcome 8 targets' which were fully aligned in the Strategic Plan and the Annual Performance Plan of the department and confirmed in the provincial human settlements business plan that informed the allocation of the 2011/12 budget.

A number of developments were explored during the course of the year, with very encouraging results that assisted to reposition the department to higher heights. More capacity in the areas of quality inspectors, project managers, planners, GIS specialist and monitoring and evaluation team were brought on board. While it was difficult to recruit engineers, architects and quantity surveyors, the capacity brought on board made a huge difference to improve the quality of work and performance in the department generally.

While the department could not bring the complete compliment of the requisite very good progress was made in improving the management of contracts and the department adopted a very provisional approach in managing implementation and most of the non performing implementing agents had their contracts

ultimately terminated, others opted for arbitration and court orders, but the message was sent out loud and clear that the department will have zero tolerance to poor quality.

The strong partnership with the NHBRC is taking us towards the realization of the department's vision of zero tolerance to rectification, poor quality houses are demolished even before they are completed at the cost of the implementing agents, we are proud of this achievements as the houses delivered now clearly restores the dignity of the communities served. As part of this partnership and quality management the department commissioned the NHBRC to assess houses due for rectification.

To date the NHBRC completed 18 000 assessment for the R293 pre 1994 stock and 64 000 of the post 1994 stock ad these will be rectified incrementally in the next ten or more years as the policy dictates that only up to 10% of the Human Settlements Development Grant funding can be allocated to rectification, depending on the contesting priorities facing the department and the demands on the ground. Rectification generally is seen as the double dipping by those who have not yet accessed housing benefit.

The department finalized the Human Settlements and the Informal Settlements Upgrade strategies. These two strategies are in the process of being integrated. As part of strengthening implementation the department developed the implementation tool kit for the informal settlements strategy. The key focus area was to ensure proper alignment of the provincial priorities and therefore the alignment ensured that the departments' implementation plan was aligned to the Provincial Spatial Economic Development Strategy (PSEDS) and the Provincial Growth and Development Strategy.

The department managed to plot the projects in the GIS to confirm that the implementation plans going forward were informed by the primary corridors and nodes as well as the economic growth areas in the province where the demand is greater and the department will continue to prioritize the high growth area to develop new sustainable human settlements across the province.

The department as part of its strategy to ensure that adequate capacity is built in the municipalities, put up the six medium sized municipalities (aspiring metros) to be assessed for accreditation. All the six municipalities came up tops in the assessment and two of them were recommended for level two accreditation, which comes with added human settlements function which will be assigned to them as soon as MinMec confirms the recommendations from the national accreditation task team. The eThekweni municipality was confirmed for level two accreditation and the department was engaged with support to the metro to ensure that they boost their capacity to perform the human settlement task that goes with level two assignment.

One of the ongoing social housing projects Lake Haven in the eThekweni metro won the social housing award for 2011, which augured very well with the whole outlook of improving the quality of the projects delivered by the department, the province will be using this experience going forward to establish the programme in the six aspiring metros and to emulate the management approach used by First Metro the managing company for Lake Haven, this will ensure that we keep our eyes on the ball and prevent the repeat previous experience of the other two Social Housing Institutions that were not doing very well in the management and the quality maintenance which led to poor rent collection rates leading to poor maintenance.

The department also resuscitated a number of long stalled projects, engaged effectively with the implementing agents and set new parameters of operation improved on the management and monitoring, rewarded good work and penalized poor performance by implementing agents. A number of contracts were terminated and new IAs appointed to finish the stalled projects.

While the department experienced a lot of achievements there were equally challenges that continued to plague the department's performance. One of the biggest challenges was the poor capacity in municipalities that undermined the tripartite relationship through poor performance management, lack of will to give effect to contractual imperative by municipalities, inability to assess value for money leading to loss of money, in this regard the department was forced to strip some of the municipalities their

developer status and take over the management of the projects in distress.

Department faced some of the major challenges as a result of poor intergovernmental relations especially between the districts and local municipalities. Where the locals planned and packaged projects without the full commitment of the districts to ensure that the bulk infrastructure, this led to a huge delay of implementation of the projects due to this challenge. The department is currently sitting with projects in excess of R11 billion most of the very critical and strategic projects in high growth corridors and nodal areas undermining a lot of developments resulting from these delays. The lack of infrastructure generally undermined the effective provision of basic services to the rural communities whose houses are built without the basic infrastructure being provided depriving these communities of their constitutional rights to access to a complete basket of basic services.

The other critical challenge for the department also hampering the optimum performance of the department is the lack of access to appropriate land for human settlements. This is as a result of huge land disputes by different players in the province some due to unresolved land claims mainly prevalent in the northern region such as the Pongola and Dumbe municipal areas, and the uncoordinated approach adopted by the land syndicates in releasing land such as the Greater Edendale area delaying five critical human settlements, the key challenge is the competition for prime human settlement land between the department and the private sector leaving the department with the only option of expropriation which is usually countered

with legal action causing long delays as the court roll is stretched beyond reason.

The other challenge related to the R293 rental stock, most of which is highly dilapidated and require huge costs for rehabilitation, some of these units were built without proper planning being done and requires the planning framework to be followed before they are rectified and transferred to the current occupants. The people living in some of these units have long stopped paying rentals and compromised the maintenance. In some areas it would be cost effective to demolish the units completely and replace them with new CRU models, which are a costly alternative but still cheaper than renovating stock that is as old as the 50's, the challenges that has led to delays in implementing this has been the need to start planning from scratch and plan to decant people living these units (who resist the move) to temporary areas to make way for planning and renewal of these units.

The human settlements support to farm dwellers has been a bit of a challenge especially as it relates to the provision of services to the private land, especially considering the unstructured eviction of farm worked and farm dwellers by the farmers out of the land. The department has been working on strengthening the partnership and agreements between the department and the land owners to ensure that the farmers commit to get proper leasehold or the institutional rental arrangements. Where the farm dwellers are owners they are entitled to full services.

The final challenge the department grappled with but is close to resolution is that of the relationship with the

Ingonyama Trust Board, first to resolve the tenure issue where the negotiation to ensure longer leasehold for the communities living on ITB land are pursued and later to find resolution to matter of security of tenure for people in ITB. The lengthy delays in the granting of the developmental rights to Implementing agents by the ITB created unnecessary delays in projects implementation, this matter is being discussed and hopefully will be resolved in due course.

**Overview of under/ over-expenditure per Budget Programme**

**General Factors**

- ★ Savings due to increased availability of Provincial Tenders.
- ★ Effective cost containment strategies and improved efficiency supported by more effective monitoring and evaluation of expenditure trends.
- ★ Supply Chain Management [SCM] delays negatively affected infra-structure projects.
- ★ Slow filling of critical posts.
- ★ Anti-fraud and corruption strategy showing results at all levels.

**Programme 1: Under-expenditure of R 6 752 000**

- ★ 94.5% per cent of the Final Appropriation being spent at year-end.
- ★ Delays in the filling of vacant funded posts resulting from the department reviewing its organisational structure
- ★ Delays in receiving invoices relating to leases of office building.

**Programme 2: Under-expenditure of R 3 259 000**

- ★ 86.5% per cent of budget, under-spent
- ★ Result of slow progress regarding the migration of the department's e-mail system from GroupWise to Microsoft Outlook.
- ★ Non-filling of posts emanating from the organisational restructuring of the department

**Programme 3: Over-expenditure of R 24 570 000**

- ★ Due to the department fast-tracked delivery on certain high priority housing projects
  - Lake haven social housing project and *eThafuleni* integrated housing project [eThetwini]
  - Rocky Park integrated housing project [ILembe]

**Programme 4: Under-expenditure of R 57 055 000**

- ★ 77.2% of the Final Appropriation being spent at year-end [National Home-Builders Registration Council is compiling rectification scoping reports which will indicate exactly what rectification is necessary for properties]
- ★ Delayed projects include, inter alia, Lamontville, Shallcross and Austerville.

#### 4.1.6 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT FOR 2011/12

The high vacancy rates at Senior Management level, resulting in various acting positions, were a challenge during the reporting year.

The vacancies below set out both funded and unfunded posts. This is as a result of the restructuring process, resulting in a new organogram which is awaiting approval. Dependent on the approval certain posts may no longer form part of the organizational structure.

- ★ General Manager: Executive Support from 25 April 2008 to date
- ★ Chief Operations Officer from 25 April 2008 to 31 July 2011
- ★ Chief Business Officer from 25 April 2008 to date
- ★ General Manager: Sustainable Human Settlement Management from 1 May 2010 to date
- ★ General Manager: Strategic and Budgetary Services from 25 April 2008 to date
- ★ General Manager: Human Capital Management from 25 April 2008 to date
- ★ General Manager: Corporate Services from 1 January 2004 to date
- ★ Senior Manager: Monitoring and Evaluation from 25 April 2008 to date
- ★ Senior Manager: Communication Services from 1 November 2007 to date

- ★ Senior Manager: Capacitation and Black Economic Empowerment from 25 April 2008 to date
- ★ Senior Manager: Property Management from 1 July 2011 to date
- ★ Senior Manager: Special Projects from 25 April 2008 to date
- ★ Senior Manager: Strategic Planning from 25 April 2008 to date
- ★ Senior Manager: Budget and Planning from 25 April 2008 to date
- ★ Senior Manager: Risk Management and Advisory Services from 25 April 2008 to date
- ★ Senior Manager: Appointment of Consultation Services from 25 April 2008 to date
- ★ Senior Manager: Human Resource Management from 1 August 2009 to date
- ★ Senior Manager: Organisation Development from 1 October 2009 to date
- ★ Senior Manager: Service Delivery Innovation from 25 April 2008 to date
- ★ Senior Manager: Information Technology and Systems from 25 April 2008 to date

#### APPOINTMENTS

- ★ Chief Operations Officer: 1 August 2011

#### 4.1.7 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

In the process of implementation the department was faced with some of the policy application challenges. A number of policy issues were pursued influenced by the inability to implement some of the projects in the business plans or on the departments targeted for the year under review. A number of policy areas needed some review. Below are some of the areas where policy clarification and review of policy position.

One of the major Community Residential Units - This programme was conceived as the replacement of hostel upgrade programme, this programme sought to transform the old order migrant hostel housing arrangement and transform it into family and bachelor units to give dignity to the people whose living conditions had been completely stripped. The challenge with the CRU was the value for money assessment which led to a call for policy shift to ensure value for money and address the issues of sustainability and affordability. The programme commenced the policy review by the national department and in parallel the department implemented a pilot project in the rocky park project in KwaDukuza municipality and the lessons from this project will be fed into the policy review process.

The challenge relating to the R293 rectification also impacted negatively on the programme. While over 18 000 assessments were completed the programme could not take off effectively, the policy regarding rectification focused mainly on the post 1994 low cost housing which were smaller in size and the policy was focused on the rehabilitation of these houses to 40m<sup>2</sup> Asbestos, whereas the pre 1994 houses were 50m<sup>2</sup> or above. The

other challenge was the lack of policy clarity on the management and disposal of asbestos which affects the majority of the R293 houses up for rectification and transfer to the current tenants.

In order to mitigate and address some of the disaster management incidence that happens in the province every year, the province conducted some research on the cost effective mechanism of using the lightning conductors for the areas that are lightning prone to secure those human settlements where the incidence of lightning is high, to secure these settlements in a sustainable and cost effective manner possible. This initiative involved the department's major stakeholder such as the CSIR, NHBRC, SABS and Agreement to ensure that all the quality assurance matters are addressed and that only the best and the most feasible alternative are accommodated in the sector markets..

To address the land availability challenges the department adopted the densification approach to human settlements composed of walk ups of double and triple story buildings. There is generally lack of enthusiasm for the densification, much more intensely in the rural communities, where densification is perceived as the process to urbanize rural areas and taking away their rural character. Engagements with different communities are underway to ensure buy in to densification, which is an international phenomenon in addressing high land costs and scarcity, savings in infrastructure and effective access to basic services.

Social Housing in the province had been limited to only eThekweni and uMshini municipality, with two of the

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three Social Housing Institutions (SHI's) experiencing management challenges. The department assessed the feasibility of expanding this programme to other cities in the province and the process in this regard commenced following the appointment of SHRA.

The rollout of Rural housing by the department has been consistent in the past few years, however there has been a need for policy review to prevent the perpetuation of the flawed rural settlement patterns in KwaZulu-Natal that undermine the effective provision of basic services. This perspective is supported by the analysis done by the Provincial Planning Commission, the Provincial Spatial Economic Development Strategy [PSEDS] and the Provincial growth and Development

Strategy [PGDS]. This policy review will support the economic growth trajectory in the province.

The use of Alternative technology has been giving a low key approach by the department due to some of the past experience with the use of different technologies. The department embarked on a robust process to test the feasibility of the different types of alternative technologies, and social housing was targeted to be the key deliverable to use this technology. In this regard key stakeholders were engaged to assess and assist the department is testing some of the alternatives in the market. In this regard the department worked closely with the NHBRC, CSIR, SABS and Agreement to support in the analysis of all alternatives on the newly created database.

#### 4.1.8 DEPARTMENTAL REVENUE, EXPENDITURE AND OTHER SPECIFIC TOPICS

**Table 6: Collection of Departmental Revenue – 2011/12**

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Budget	2011/12 Actual	% Deviation from target
Tax Revenue	-	-		-	-	0%
Non-Tax Revenue						0%
Sale of Goods and Services other than Capital Assets	338	324	387	375	474	69%
Fines, penalties and forfeits	-	-		-	-	0%
Interest, dividends and rent on land	92	90	46	94	(20)	-121%
Sales of Capital Assets (Capital Revenue)	-	412	302	-	160	0%
Financial transactions in assets and liabilities	975	5,729	7,382	667	268,554	40,212%
<b>Total Departmental Receipts</b>	<b>1,405</b>	<b>6,555</b>	<b>8,117</b>	<b>1,136</b>	<b>269,168</b>	<b>23,623%</b>

Source: Finance Section



The Department is not a revenue generating Department. The significant of which is revenue that was collected mainly relates to transactions in financial assets and liabilities, which comprise receipts collected from previous years' staff debtors in respect of breached bursary contracts, as well as refunds on subsidies from banks and conveyances, mainly due to the death of housing applicants.

With regard to the sale of capital assets the Department auction off its old vehicle that it replaced.

The department collected revenue totalling R272.455 million in 2011/12, exceeding the revenue budget by R271.319 million, with the *Transactions in financial assets and liabilities* showing over-collection, as follows:

★ ***Ingwavuma Rural Projects***

- Refund from Thubelisha Homes relating to Ingwavuma Projects that they were appointed to implement prior to their liquidation and, as part of the financial reconciliation process, R85.229 million was recovered from the company. Because this amount relates to previous financial years, it had to be paid into the Provincial Revenue Fund.

★ ***Wiggins and Bonela Housing projects***

- The department received R176.105 million from Shepstone & Wyle, transferring attorneys in relation to the Wiggins and Bonela Housing project. This project dates back to 1998 and an amount of R49 248 million remained on the project and has accumulated interest of R126.859 million. Discussions are underway to re-allocate this amount back to the department for the construction of a head office complex, while guidance has been sought from National Treasury regarding keeping the capital amount of

R49.248 million in the province, to be used for housing projects.

4.1.9 DEPARTMENTAL EXPENDITURE

**Table 7: Departmental Expenditure – 2011/12**

Programmes	Voted for 2011/12 R'000	Actual Expenses R'000	Variance R'000	Percentage Spent
Programme 1: Administration	123 532	116 780	6 752	95%
Programme 2: Housing Needs	24 157	20 898	3 259	87%
Programme 3: Housing Development	2 686 540	2 711 110	(24 570 )	101%
Programme 4: Housing Asset Management	250 762	193 707	57 055	77%
<b>Total</b>	<b>3 084 991</b>	<b>3 042 495</b>	<b>42 496</b>	<b>99%</b>

**Table 8: Overview of Economical Classification and % Variance – 2011/12**

Economical Classification	Budget 2011/12 R'000	Actual 2011/12 R'000	Percentage Variance
Compensation of Employees	224 380	188 020	84%
Goods and Services	151 739	110 019	73%
Transfers and subsidies	2 695 140	2 729 402	101%
Payments of Capital Assets	13 282	15 054	113%
<b>Total</b>	<b>3 084 911</b>	<b>3 042 495</b>	<b>99%</b>

Source: Finance Section

#### 4.1.10 TRANSFER PAYMENTS

Transfers and subsidies to municipalities made by the Department mainly relate to municipal rates and taxes (the Department receives a conditional grant from the National Department of Human Settlements, which in terms of its allocation makes a transfer payment to the KwaZulu-Natal Housing Fund) as well as transfers for the implementation of departmental programmes, e.g. Community Residential Programme (CRU), Maintenance of R293 properties. Before any transfer, the department enters in a Memorandum of Agreement (MOA) with the municipality which spells out amongst others the details of projects to be implemented with the funding, the monitoring systems pertaining to such funds. Compliance is monitored on a regular basis by the relevant district managers.

*See 2011/12 Annual Financial Statements – Annexure D:*

#### 4.1.11 CONDITIONAL GRANTS AND EARMARKED FUNDS

**Table 9: Summary of the Department's Conditional Grants for 2011/12<sup>4</sup>**

Name of Conditional Grant	Allocation R'000	Expenditure R'000	Variance R'000	Percentage Spent
Human Settlements Development Grant	2 769 871	2 769 871	-	100%
EPWP Incentive Grant	536	-	536	0%
Housing Disaster Relief Grant	31 140	2 361	28 780	8%
<b>TOTAL</b>	<b>2 801 547</b>	<b>2 772 232</b>	<b>29 316</b>	<b>99%</b>

Source: Finance Section

<sup>4</sup> The over-expenditure against the Conditional Grants is paid from the Department's Equitable Share

Table 10: Expenditure by Budget Sub-Programme (R'000)

Programme	2008/09 Expenditure	2009/10 Expenditure	2010/11 Expenditure	2011/12 Budget	2011/12 Expenditure	2011/12 Variance	Variance % under/ over expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%
<b>Programme 1: Administration</b>							
Corporate Services	103,507	99,805	108,343	123,532	116,780	6,752	5%
<b>Total</b>	<b>103,507</b>	<b>99,805</b>	<b>108,343</b>	<b>123,532</b>	<b>116,780</b>	<b>6,752</b>	<b>5%</b>
<b>Programme 2: Housing Needs, Research and Planning</b>							
Administration	1,102	1,120	1,067	1,331	1,149	182	14%
Policy	2,699	3,008	2,918	3,321	3,166	155	5%
Planning	10,167	8,130	11,415	14,181	12,395	1,786	13%
Research	6,793	5,803	3,422	5,324	4,188	1,136	21%
<b>Total</b>	<b>20,761</b>	<b>18,061</b>	<b>18,822</b>	<b>24,157</b>	<b>20,898</b>	<b>3,259</b>	<b>13%</b>
<b>Programme 3: Housing Development</b>							
Administration	68,868	57,023	54,346	59,905	56,777	3,128	5%
Financial Interventions	176,242	469,317	491,660	667,263	647,717	19,546	3%
Incremental Interventions	782,744	746,834	993,336	796,852	961,162	(164,310)	(24%)
Social and Rental Interventions	143,024	147,637	189,992	134,331	142,563	(8,232)	(6%)
Rural Interventions	321,683	668,654	917,187	1,028,189	902,891	125,298	12%
<b>Total</b>	<b>1,429,561</b>	<b>2,089,465</b>	<b>2,646,521</b>	<b>2,686,540</b>	<b>2,711,110</b>	<b>(24,570)</b>	<b>(1)%</b>
<b>Programme 4: Asset Management, Property Management</b>							
Administration	55,873	64,333	62,693	75,850	75,808	42	0%
Enhanced Extended Benefit Scheme	96,441	31,340	97,563	1,739	1,105	634	36%
Housing Properties Maintenance	107,003	189,643	155,295	173,173	116,794	56,379	33%
<b>Total</b>	<b>259,317</b>	<b>285,316</b>	<b>315,551</b>	<b>250,762</b>	<b>193,707</b>	<b>57,055</b>	<b>23%</b>

Source: Finance Section

The remainder of this section reports on the Department's performance against the objectives, indicators and targets as specified in the 2011/12 Annual Performance Plan for the KwaZulu-Natal Department of Human Settlements.

It is important to note that the performance information in this report is based on data that was extracted from the different departmental information systems. Information systems include the System [HSS], District Quarterly Performance Reports [DQPR], BAS and Persal.



# PART B

# PROGRAMME PERFORMANCE

## PROGRAMME 1: ADMINISTRATION

### 1.1 PROGRAMME PURPOSE

The Administration Programme comprises of two Sub-Programmes, namely the Office of the MEC and Management under stewardship of the Head of Department. The purpose of Programme 1 is:

- ★ To provide overall strategic leadership, coordination and management of strategies towards the achievement of optimal health for all people in the Province of KwaZulu-Natal.
- ★ Administration of the Department in line with good governance practices.
- ★ To formulate and/or review policies and strategies in line with legal prescripts and national and provincial priorities.

### 1.2 PROGRAMME PERFORMANCE

2011/12

#### Capital investment, maintenance and asset management plan

The Department has confirmed that it would make funding available for the construction of a Head office in Pietermaritzburg. The Provincial Department of Works in conjunction with Provincial Treasury are examining possibilities of the creation of an office park to accommodate all Departments requiring accommodation. The option of returning the purchased land in Otto Street is being dealt with by Provincial Department of Works in terms of the conditions of sale by the Municipality to the Department. One of the terms being that if the Department failed to construct a building within the

prescribed time period the land would revert to the Municipality at the original purchase price paid by the Department. Furthermore, the needs of the Department increased and the said land was deemed inadequate for the needs of the department.

The Department engaged the Provincial Department of works in respect of hiring of office accommodation on its behalf. The Department has complied in terms of the compilation of the User Asset Management Plan and has submitted same to the Provincial Department of Works and Provincial Treasury. The UAMPS is in correlation to the Strategic plan of the department and funding thereof is based on the UAMPS.

The maintenance of staff houses remains a challenge as these houses were inherited from the Provincial Department of Works in a state of deterioration. The Department is exploring the avenue of transferring the houses to the current occupants' "voetstoets" as this would be cost effective.

This programme focused on the support given to the key units of the department. To this end the financial component in programme 1 is responsible for the planning and budgeting for the different programme. The unit is responsible to monitor the expenditure patterns, ensures that there is transparent and efficient procurement of goods and services for the business units to function effectively. While procurement was developed, there were challenges in achieving full compliance in line with the plan due to either delays in the finalization of some projects due to legal action, or investigations etc.



During the year the Finance unit, with the assistance of the Risk Management Unit from Provincial Treasury undertook a risk assessment. These processes was aimed amongst others at assisting in identifying weakness with the financial systems and therefore assist management in ensuring that proper controls are put in place to mitigate any weaknesses identified. The process was finalized towards the end of the financial year and most controls weaknesses identified will be dealt with the in the coming financial year.

The department during the year under review received an unqualified Audit Opinion with other matters for the 2011/12 financial year.

#### **Recall of monies relating to Municipal Housing Operation Account (MHOA)**

During the year, the department issued a circular to municipalities recalling all monies that stands to the credit of the Municipal Housing Operating Account together with the interest on all housing conditional grant disbursed to these municipalities. These funds were to be redirected into the department's account and Provincial Treasury was to be engaged with a view of getting these funds re-appropriated to the department for use in the development of human settlements.

Most municipalities have provided responses wherein they have requested MEC to approve the utilization of such funds in some other housing projects/programmes that are not budgeted for

during the year. The department will be assessing these request in the coming financial year and necessary approval given should the projects identified be feasible for implementation, otherwise the funds will be recalled.

The department came out of a difficult period of investigation and the identification of loop holes in the management systems, which required urgent addressing with improved control environment. With the new control environment in place the department received a 92% target of payment of service providers within 30 days. It was only in exceptions where there was non-compliance with the new systems that payments were delayed as they were referred back to service providers to ensure full comply, measures are in place to support and ensure that the department achieves 100% compliance.

While the control and management environment were improving, there were still challenges of requisite skills and competences. There were also still challenges of coordinated functioning of the units due to the two city office impact with some components in Durban and others in Pietermaritzburg, a phenomenon that will only change when the new head office block is built and completed in Pietermaritzburg.

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**PROGRAMME PERFORMANCE 2011/12**

**TABLE 11: PERFORMANCE INDICATORS: FINANCE**

Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Payment of invoices Percentage of invoices paid within 30 days of receipts.	100%	92%	Some of the services either do not submit the invoices timeously (e.g. travel agency ) or where service providers not complying with the systems and procedure for claiming for payments
Annual Financial Statements Timeous submission of AFS Banking and Taxation	31 May 2011	31 May 2011	Full compliance with the timelines
Timeous submission of Tax Reconciliations	01 June 2011	01 June 2011	
Monthly reports IYM and Dora reports submitted in time.	12	12	Full compliance achieved

## ASSET MANAGEMENT

This unit serves as the custodian of the assets of the department mainly responsible for Asset Management and to provide administrative support to the department in terms of the provision of office accommodation and that of creating a conducive working environment. The office support is inclusive of telecommunications, fleet management, and records management. It is also responsible for the Security services, cleaning services and immovable asset management.

In this regard the Department complied with the provision of the Government Immovable Asset Management Act (GIAMA) in respect of the compilation of the User Asset Management Plan which consist of lease properties and staff houses successfully from inception. The replacement of vehicles are undertaken in terms of a replacement plan and 12 vehicles were ordered, however, 11 were delivered within the financial year at a cost of R2 027 275.00. The annual verification exercise which is a requirement of SCOPA was undertaken and the Department achieved a 100% success rate.

The Department adopted the approach of taking services to the people and the creation of 8 district offices within KZN. This entailed the securing of accommodation at the various Municipalities. The Department was able to secure in addition to its 3 regional offices, accommodation in 8 district municipalities inclusive of the Provincial Department of Public Works without incurring cost for accommodation. The other auxiliary services such as cleaning and security is payable by the Department. The lease agreements for Tolaram House and Church

Street have been entered into for a 5 year period with the exit clause of 3 years.

The Department established the District offices utilizing the office accommodation compiling the needs assessments for the various District Offices in order to secure permanent accommodation via the Provincial Department of Works in the said Districts. The construction of a permanent Head Office for the Department is currently being dealt with in conjunction with the Provincial Treasury and Provincial Department of Works.

The key deliverable for Asset Management unit for the ensuing financial year would be to secure permanent accommodation for the District Offices and that of working closely with the stakeholders involved in the planning of the Departmental Head Office in Pietermaritzburg. The estimated cost of establishing the 8 District Offices is a once off capital cost of R5,280,000 and an estimated annual recurring cost of R8,279,520.

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**Table 12: Performance Indicators: Asset Management**

Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
<b>Facilities Management</b>			
Compilation of User Assets Management Plan	1	1	
Provision of Office Accommodation	-	10	This was attributable to the creation of 8 district offices
Management of staff houses	32	32	
<b>Fleet Management Services</b>			
Management of departmental telecommunication	100%	100%	The Departmental telephone policy was approved and implemented
Management of support services contracts	100%	100%	
Management of courier services	100%	100%	
<b>Support Services</b>			
Management of departmental telecommunication	100%	100%	The Departmental telephone policy was approved and implemented
Management of support services contracts	100%	100%	
Management of courier services	100%	100%	
<b>Record Management</b>			

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Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Management and safe keeping of records, including responding to SIU and auditor general records request.	100%	100%	
<b>Security Management</b>			
Ensure safety and security	100%	100%	
Office Support to Regional Offices	100%	100%	

### **RISK MANAGEMENT AND ADVISORY SERVICES**

The main objectives of the risk management and advisory services are to:-

- ★ Provide Risk Management Review Services within the Department
- ★ Provide Audits and investigative services within the Department and audit/ investigations on projects and advanced funding to Municipalities.
- ★ Management of all outsource and co-sourced audit and investigative matters, and
- ★ Provision and review of policies, plans and strategies on fraud prevention and risk management.

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**Table 13: Performance Indicators: Risk Management and Advisory Services**

Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Correlate and co-ordinate a comprehensive risk profile for the Department.	1 risk profile	The risk profile has been subject to streamlining.	A revised risk register will be developed during 2012/2013 financial year, due to the streamlining of the existing risk register..
Report on Actions Plans of the Comprehensive Risk Profile to Provincial Treasury on a Quarterly Basis.	4 quarterly consolidated risk reports	Reporting to Provincial Treasury has been concluded based on the streamlining processes.	The Cluster Audit and Risk Committee have been appraised on the risks for the Department during its quarterly meeting
Co-ordinate investigations outsourced to external professionals.	16 investigations	9 investigations	3 investigations are still work in progress, due to their complexity.
Conduct annual review and enhancement of the Fraud Prevention Plan and its appendices	1	None undertaken	The review of the approved Fraud Prevention Plan has been outsourced to an independent Quality Assurance Unit (Provincial Treasury) which has schedule review in the 2012/2013 financial year.
Management of adoption and approval of the Fraud Prevention Plan	1	Approved	The Fraud Prevention Plan and Appendices was approved and posted on the Departmental website

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Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Development of Risk Management Policy	1	1	The Risk Management Policy was approved and posted on the Departmental website.
Co-ordinate the Development of Business Continuity and Disaster Recovery Plan	Development of Business Continuity and Disaster Recovery Plan.	Draft Business Continuity and Disaster Recovery Plan developed.	The Draft Business Continuity and Disaster Recovery Plan are still subject to revision and finalization is planned in the 2012/2013 financial year.
Conducting audit and investigations on allegations of Fraud and Corruption.	60 audits and investigations	54 audits and investigations.	Investigations into some projects are complex and complainants are not always willing to part with information at the beginning of an investigation.



**Fraud and Corruption**

The fight against Fraud and Corruption always remains a major challenge in our sector which impact negatively on the quality housing to the poorest of the poor. During the financial year 2011/2012, the department joined forces with law enforcement agencies to manage sensitive matters related to fraud and corruption. The services of the Special Investigation Unit, Hawks, and the Anti-Corruption Unit, including the South African Police Services and Provincial Treasury have been fundamental in driving initiatives with the Department on Fraud and Corruption.

These partnerships have yielded positive results, which has led to criminal dockets being registered and being finalized. The extended proclamation of the Special Investigation Unit mandating them to investigate fraud, corruption and maladministration in low-income housing has resulted in the Department having a great success in securing various convictions in criminal cases and finalizing disciplinary cases related to low-income subsidy fraud.

During the financial year ending March, 115 dockets were registered with the South African Police Services to the value of R 1.2 million rand, and 60 cases were successfully prosecuted with various outcomes.

In pursuing these investigations 313 acknowledgements of debts totalling 3.4 million were signed with non-qualifying housing beneficiaries. We have further received a sum of R2.3 million from government employees related to low income housing subsidy fraud.

Working together on the Special Task Team with the Office of the Premier we have prepared and successfully finalized 172 disciplinary cases against various government employees within the Province.

**LEGAL SERVICES**

The legal business unit had a busy period with a number of legal matter tested in court especially issues pertaining to the payment of the service providers who had contracts ceded to them by non-performing original implementing agents. This unit also has serious run ins with illegal "tenants" from some of the properties that ended up running a long process in court to prevent the department from evicting the illegal occupants. A number of legal opinions were sought on a number of matters of performance and the attempt to black lit some of the Implementing Agents.

The component has successfully reduced the number of new litigation matters through the provision of legal advice and has ensured that the Department has not incurred any adverse court orders or judgments. The component has reduced the successfully finalized two outstanding matters and has ensured that no cost orders have been incurred. In addition the component has assisted the Labour Relations component with reducing the backlog of discipline cases.

The business unit also assisted the directorate Labour Relations by chairing disciplinary hearings and finalized 15 discipline cases during the reporting period.

A Legislative review was undertaken and a legislative drafting exercise commenced in respect of the Slums Act.

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**Table 14: Performance Indicators: Legal Services**

Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
1.Provision of Legal Advice	100 percent of required. Provided on request within 3-5 days of request.	100 percent of required. Provided on request within 3-5 days of request.	Nil variance.
2.Litigation Management	100 percent of required as and when required.	100%	Nil variance.
3.Legislative Drafting and Contracts	100 percent of required as and when required 10 contracts checked	100 percent of required as and when required 10 contracts checked	Nil variance
4.Legal research and maintenance of legal library	100 percent of required as and when required	100%	Nil variance

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Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
5. Legal Compliance	100 percent of required as and when required 1 opinion on amendment to the Slums Act	100%	Nil variance Amendments to the housing act proposed by national and an opinion and presentation completed..

**HUMAN RESOURCE MANAGEMENT**

The human resources business unit was facing capacity challenges, however met all targets relating to compliance. The biggest achievement was the recruitment process for the critical requisite skills that has seen the department improving its performance and managing the programme in a more efficient manner. The business unit could not finalize the new structure due a changed framework

that was introduced by the Department of Public Service and Administration to guide the restructuring of state departments. This process and the related delays impacted on the ability of the department to do a wholesale reengineering of the department including skills match, reorganization of business units and finally this resulted in the savings of the personnel budget as this process would have provided more certainty and clarity on the positioning of the department for the challenges and the plans ahead.

**Table 15: Performance Indicators: Human Resources**

Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Approved human resource policies	6	6	Six policies were drafted customized from the provincial policies adopted by Cabinet to govern the entire provincial administration
Approved adjusted human resources plan 2011/12	30 June 2011	Submission of Annual HR implementation Report to OTP & DPSA	Adjusted human resource plan to ensure that the Department has right number of employees with the right skills prepared and submitted to OTP and DPSA.
Approved EE and annual EE reports	30 September 2011	Submitted	Submission of Annual Employment Equity Report to Department of Labour as per the regulations
Approved aligned HR delegations of authority	Aligned delegation of authority	None	Awaiting approval of revised organizational structure
Reduced rate of grievances and misconduct cases improved compliance	100% compliance (67 grievances)	12	Non-cooperation of staff. Union non availability to deal with the issues.
Reduced misconduct cases	100% compliance (49 cases)	36 cases	Lack of capacity to deal with the cases. Non availability of official to deal with cases. Union always requesting postponement.

Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
All programmes fully operational	All employees on level 1-12	All employees on level 1-12	
Number of employees referred to counselling	120 employees to be counselled		155 employees were counselled on prevention and care support as follows: <ul style="list-style-type: none"> <li>• 97 employees attended in house counselling</li> <li>• 35 referred to individual medical practitioners</li> <li>• 8 to community support groups</li> <li>• 10 referred to wellness clinics</li> <li>•</li> </ul>
Number of employees receiving immune boosters	120 employees	145 received immune boosters	Health screening sessions results influenced increase of employees
Number of employees referred	72 employees attending support group	120 are in support groups	Developed in house support groups & still using community based ones
Number of programmes aligned with the National Health Observances Days	6 programmes	Work & Play (Interdepartmental) TB Awareness Red Ribbon (Provincial) Casual day	Not offered because of financial constrains * Women’s Week * Financial Week * 16 days of activism
Referred Absenteeism cases	20 to be referred	5 were referred	Labour relations information sessions were helpful
Medical Boarding Cases referred	20 to be referred	1 was referred	Severance packages and eThekwini transferred employees
Provision of Work-Life balance	100 employees using psychosocial services	120 employees using services	Increase due to self-referral and informal referral by colleagues

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Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Provision of alcohol and drug counselling	15 employees to be referred	5 referred to wellness clinics	Initiation of in-house productivity support group & labour relations information sessions were helpful
Promotion of EWP services through marketing campaigns, newsletters and Healthy life style	18 Marketing Campaigns to be conducted	24 Health Screening sessions were used as a marketing tool for EWP	Due to financial constrains – new brochures addressing pillars were not printed (as they were part of marketing new EWP Pillars) <ul style="list-style-type: none"> <li>• 4 Tolaram Office</li> <li>• 4 Coastal Region</li> <li>• 4 Northern Region</li> <li>• 4 Inland</li> <li>• 4 Head Office</li> <li>• 3 Ikhwezi Hostel</li> <li>• 1 kwaDabeka</li> </ul>
10% reduction of vacancy rate	100% compliance	1% vacancy rate	
Number of qualifications verified	800	638 qualification sent to SAQA for verification	
Placement of employees	100% compliance	32 employees placed	
Implementation of phase 3 OSD	Qualifying employees	20 (Artisans) employees implemented on phase 3 OSD	
Competency assessments for SMS and new appointments	100% compliance 19 SMS	84% SMS competency assessed (16)	4 still outstanding
Financial interest disclosed	100% compliance for SMS and non-SMS	100% for SMS and 93% for non-SMS	7% disciplinary action has been taken for non-compliance
Filled OPSCAP	43	25 contract posts	To address the scarce skills and capacity shortages as a result of the financial constraints within the province

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Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Accurate and timeous finalization of all service benefits matters	61 47	100% Compliance	<ul style="list-style-type: none"> <li>• 55 employees finalised their severance packages</li> <li>• 330 employees transferred to EThekweni Municipality</li> <li>• 7 7 resigned</li> <li>• 1 1 employee terminated due to ill-health</li> <li>• 332 end of contract</li> <li>• 2 2 misconduct terminated</li> <li>• 226 retirement</li> <li>• 3 3 early retirement</li> <li>• 111 death</li> </ul>
Enhanced quality of HR information	100% compliance	Establishment control record on Persal up to date	
Approved organizational structure	100% compliance	The department organisational structure is currently under reviewed	
Improved work methods procedures	10	20 Standard Operating Procedures developed	
Approval of Workplace Skills Plan and Annual Training	30 June 2011	Approved	1 Approved Workplace Skills Plan and Annual Training Plan 2011/12 submitted to PSETA
Approved Annual HRD Implementation Report	30 June 2011	Approved	Annual HRD Implementation report approved and submitted to OTP and DPSA
Skills Audit conducted	HR Connect report	Conducted	HR Connect report finalised and submitted to DPSA
Approved Quarterly HRD monitoring and evaluation reports and Expenditure report		Quarterly HRD monitoring and Evaluation reports and Expenditure reports submitted to PSETA and OTP	



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Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
100% pass rate of learners	55	100% pass rate of all levels Department received awards for: 1 Best performance region Best supporting department Best learning centre	
Efficiency and effective of bursary programmes	100% compliance	* 9 external bursaries awarded * 2 internal bursaries awarded * Department received a clean audit for bursaries. All bursary files were audited. * Out of 34 bursary holders, 20 breached the contract and recoveries of bursary debts in progress	
Internship programme fully operational	32	The agreement for 22 interns were extended and they were subjected to a one year Graduate Development programme	
Number of Performance Agreements for SMS for 2011/12 submitted and reviewed	100% compliance	98% of SMS signed Performance Agreements	2% for non-compliance
Number of Performance Agreements for non-SMS submitted and reviewed	100% compliance	95% of non-SMS members submitted Performance Agreements	5% for non-compliance

Performance Indicators	APP Targets and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Assessed and payment of performance incentives for 2011/12	559	529 assessed and 472 paid for pay progression	48% performance bonus still outstanding
Timeous submission of approved Service Delivery Improvement Plan for 2012/13 – 2014/15	30 June 2011	None	Lack of capacity to perform this task
Number of Batho Pele Flagship projects implemented	August 2011- Public Service Week	Public Service Women Management	

## PROGRAMME 2: HOUSING NEEDS, RESEARCH AND PLANNING

### *PROGRAMME PURPOSE*

The Programme comprises of four Sub-Programmes, which are responsible for facilitating different functions. The main objectives of the programme are:

- ★ To provide service planning and administration of services, managing personnel, financial administration and the coordination and monitoring of housing needs, research and planning.

### *STRATEGIC GOALS AND OBJECTIVES*

The components main strategic objective is to strengthen governance and service delivery. There is a direct link to all strategic objectives as the activities of the component inform and enable the meeting of strategic objectives.

The Product Development sub-programme has continued to create platforms for various stakeholders for discussing, debating and informing human settlement policy, programmes, innovation and technology. These Platforms, together with the more efficient utilisation of electronic media has assisted in addressing the challenges experienced in soliciting inputs on critical human settlement policies and/or guidelines, whilst also widely disseminating information.

In the area of policy and guideline development, the Department targeted the development of 3 policies and/or guidelines. Standard audits of policy applications and processes revealed a need to continue tightening procedural issues to ensure sound governance. This resulted in the following policies and/guidelines being finalized:

- ★ **Farm resident's guideline approved** and communicated to stakeholders and will facilitate the operationalization of these projects, which were approved and adopted.
- ★ **Occupation certificates** (happy letters) had been revised and approved for testing through implementation approved and adopted for implementation. This was developed to guide processes of housing beneficiary allocation required to ensure that all completed housing units are correctly occupied by authorized beneficiaries.
- ★ **Limitation of projects per Implementing agents and number of units per contractor**  
This policy was intended to ensure equity and transparency to the tender process, an interim directive approved, but will be reassessed in 2012/13 to ensure a more equitable allocation of projects and to ensure implementing agents are not over stretched in terms of capacity, whilst also creating space for new entrants
- ★ **Project close-out procedures** approved by the Housing Evaluation and Assessment Committee for implementation. This

operational guideline development was accelerated due to challenges with systems and processes identified in audits and investigation.

- ★ **Guidelines for Quality Management Plans** to guide institutions to adopt a quality assurance plan throughout the value chain.
- ★ **EPWP reporting guidelines** approved and adopted for implementation to ensure standard reporting process and responsibilities are implemented.

Policy frameworks and discussion documents have been prepared on the following and will continue to receive attention in the 2012/2013 financial year:

- ★ **Policy framework for housing rural professionals** drafted but deferred, pending inputs from sector departments and sourcing of alternative funding by Treasury through private sector engagements; Drafts have been prepared on the following and will be finalized in the new financial year:
  - Policy guidelines on the use of alternative building systems;
  - Housing cooperatives, pending inputs from sector Departments;
  - FLISP non-financial institution contributions;
  - Finalization of policy on the provision of lightning conductors in rural areas;
  - Material supply policy review;
  - Project approval process, guidelines and checklists;
  - Policy review on “one-house-per umuzi”, to be dealt with in terms of the

provinces broader strategy on rural development, in partnership with the relevant sector departments;

- Locational allowance – reassessment of locational major centers to inform allowance for distances travelled to deliver materials;
- Allocation of conditional grant funding – methodology; and
- Demolition costs directive.

Policy reviews are conducted on an on-going basis. The following policies had been reviewed:

- ★ Policy on Breakdown of cohabitation review to update certification and affidavit requirements to address risk factors
- ★ Payment certificates to update certificates required for payment releases and to ensure a standard approach
- ★ Extension to Service Provider contracts to align processes with new Treasury Regulations
- ★ Transitional Housing Policy challenges and enhancements to inform alternative short term rental strategies
- ★ The Tripartite policy approach was also reviewed and an alternative strategy developed that will ensure closer cooperation between municipalities, province and service providers through a one-on-one negotiation process.

**Substantial inputs were given and initiated by the province to:**

- ★ Review the product and **subsidy quantum** determined at a National level. This has stimulated research into a variety of

product designs and re-costing, taking into consideration the need for increased environmental efficiency, as well as an improved standard (such as gutters, plaster and paint), and to take into account extraordinary development conditions currently not addressed in terms of National policy prescripts. Tenders at National for this initiative will close in April 2012;

- ★ Review the current **CRU programme** and rental approach, which will continue in the new financial year; and
- ★ **FLISP policy and GAP market**, with amendments approved for implementation in April 2012.

**Research:**

- ★ The Department had targeted 3 research reports. The following had been concluded:
  - **Desktop research on customary law of succession in rural areas** to advise implementing agents on the processes.
  - **Desktop report on challenges with hostels in KZN** was requested as an additional urgent survey to inform meetings with municipalities on these challenges.
  - **Needs of the aged and disabled** report noted, and forwarded to national to review current variations allowable within the subsidy and the minimum standard afforded to these individuals
  - **Alternate rural models** to note integrated approaches that could increase sustainability of these projects.
  - **Agri-villages involving housing projects** – lessons learnt to inform future agri-villages

★ **Work commenced on researching the following and will continue in the new financial year :**

- Lightning conductor norms and standards and typologies. Interim reports have been submitted for noting
- Standardized designs for urban and rural projects - Meeting held with KZN Institute of Architects (July) to explore partnerships to assist with standard designs, NHBRC typology designs circulated for inputs, but will be reassessed as part of the subsidy quantum review by National. These include double story and walk-ups as well as typical urban and rural designs - including fascia's, etc.
- Reconfirmation of material suppliers location and availability of materials for human settlement projects and

★ **Case studies conducted on :**

- Rectifications trends; and
- Informal settlement upgrades.

**Product Development:**

This is a sub-activity of the research function. The innovation hub concept targeting the establishment of an innovation hub in KZN had been abolished, following a re-assessment of existing initiatives and lessons learnt. Consultation with stakeholders including the NHBRC and CSIR confirmed an alternative approach would be more desirable, especially in view of the excessive costs associated with maintenance and security. Such alternative approach has been included in a draft policy that would promote the use of alternative technologies in locations throughout the province, thus enabling

greater exposure and access to beneficiaries in a variety of locations.

The process of establishing a database of alternative building systems had been initiated and will be finalized in the new financial year. These technologies will be assessed by a panel with suitably qualified individuals to assess suitability of the product, whilst also assisting the ongoing development of these systems in partnership with the regulatory authorities

The vacant land originally intended for the establishment of an innovation hub will be reassessed to confirm suitability for an integrated settlement development. In addition to this, the unit will continue to expose stakeholders to approved systems through regular sessions, in partnership with the National Home Builders' Registration Council (NHBC).

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**Table 16: Programme Indicators: Product Development (Policy & Research)**

Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Establishment of an innovation hub	1	0	Project was terminated due to adverse cost and feasibility implications. Policy for alternative technology drafted and recommended and establishment of database commenced (advertised closed mid-March 2011)
Number of research reports completed	3	5	The non-implementation of the innovation hub project enabled resources to be reallocated to research projects identified as a need during the course of the year.
Number of policies and/or guidelines developed	3	6	The Department targeted the development of 3 policies and/or guidelines. Standard audits of policy applications and processes revealed a need to continue tightening procedural issues to ensure sound governance.

**Capacity Building:**

The business unit identified the skills gap in the major stakeholder that are integral part of the delivery chain including municipalities, traditional leaders and institution, emerging contractors, youth and women and planned to deliver capacity building initiatives to ensure broader participation of key stakeholder in the delivery of sustainable human settlement. Plans were afoot to provide support however some areas were very complex to coordinate and provide structured support.

Due to the large number of internal capacity that was brought in by the department the focus shifted from the external stakeholder and decision was made to focus on strengthening the internal capacity to ensure that there is adequate capacity exist internally in all districts to support the different stakeholder partners towards a smooth implementation process. Furthermore 112 Building Inspectors from various Municipalities in the Province were trained on Quality Assurance to ensure quality inspection of houses in order for the beneficiaries to receive quality homes. This programme was conducted in conjunction with National Home Builders Registration Council.

As part of the national target for accreditation the department focused the assessment for accreditation of the six aspiring metro municipalities namely uMsunduzi, eMnambithi, Newcastle,

Umhlatuze, KwaDukuza and Hibiscus Coast. The business unit also focused on the finalization of the support package for eThekweni that achieved level two accreditation and the finalization of the assignment implementation protocol

With regard to community empowerment, the Capacity Building Unit through the Housing Consumer Education programme trained 7 667 beneficiaries on various modules relating to Human Settlement education and further conducted 2 Roadshows on Consumer awareness campaign in Big 5 False Bay and Abaqulusi Municipalities. The Unit further hosted a National a Youth Conference at Olive Conference Centre on 21 – 22 July 2011 which was very successful.

However two of business Unit programmes could not achieve their targets namely Amakhosi and Councilor training, Emerging Contractor Training which incorporate the empowerment of Youth and Women. The Amakhosi and Councilor training could not be implemented due to service provider failing to deliver the relevant course material in terms of content and the Emerging contractor due to the inadequate selection process of the participants that was not transparent and open to public. The above two programmes have been resuscitated, re-packaged and they will be implemented in the next financial year



**Table 16: Programme Indicators: Capacity Building**

Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Awareness campaign (Road shows)	2	2	N/A
Facilitate the Quality Assurance Training for Municipal and Departmental Building Inspectors	100	112	N/A
Assessment for accreditation of six municipalities on Accreditation (Level 1 Accreditation) (eThekweni) (level II)	6 Nil	6 Nil	Aspiring Metros were assessed. Awaiting results of outcome from National Minister

### Integrated Planning

The sub programme continues to engage with municipalities in the review and assessment of their Integrated Development Plans (IDP'S) and Housing Chapters of the IDP or Housing Sector Plans. These plans need to be more reflective of what can be delivered in terms of resources and budgets in the shortest time possible without any compromise on quality.

Through the creation of District Forums, the sub programme has been able to engage effectually with the District and Family of Municipalities in unblocking challenges with existing planned human settlement projects as well as the prioritization of future projects that will be well placed to meet the targets of Outcome 8 and other provincial imperatives.

#### Review of Housing Sector Plans

The Planning unit conducted workshops with all municipalities on the guidelines for the review of their HSP's. The process of review was later incorporated into the "New Dawn" of planning strategy whereby the Planning Unit would assume the responsibility for the identification, prioritization and packing of human settlement projects for Conditional and Stage 1 Approval by the MEC.

### Review of IDP's

The Planning Unit formed and integral part of the provincial team that conducted the review and assessment of all municipal IDP's. In addition, the unit together with their National counterparts, developed and human settlement specific set of criteria against which to assess the IDP's. As part of this responsibility, the unit engages with respective municipalities throughout the year in order to assist in the preparation of IDP's and HSP's

### Human Settlement District Fora

The unit was integral in setting up and being part of district forums where human settlement issues were deliberated and resolutions taken in order to resolve challenges experienced with existing as well as planned projects. The process has worked out extremely well as the limited resources of the department are better served in assisting the district and Family of municipalities as opposed to individual meetings. The process has also brought about better co-operation between the district and local municipalities in terms of service provision and assistance. It is expected that this manner of engagement will continue into future financial years.

### Packaging of Housing Projects

Although the Planning unit expected to be in a position to package 10 new human settlement projects as part of its new project identification, prioritisation and packaging functions, this was incumbent upon the timely appointment of suitable qualified professionals to augment the very limited resources within the unit. This process was changed from the appointment of service providers to the appointment of Planning Officers on a short term contract. This resulted in delays and the target was not achieved.

However, the process of project packaging was continued by the Project Management component with submissions being evaluated by a departmental committee prior to being recommended to the MEC for approval. The Planning Unit continued to make input into these submissions in terms of their mandate.

### Rural Priority Strategy

The development of this strategy was dependent upon the input and participation of other sector departments and was a joint venture between the Planning and Product Development Units. The intention was to review the existing strategy to make it more aligned to the changing strategic landscape especially the PGDS and PSEDs. Included in this strategy is the question of densification, a wider product range, proper layout planning with the setting aside of land for public and community amenities as well as commercial; activities. Whilst initial discussions were held the non-availability of certain critical partners meant that the target could not be achieved.

However, the engagement process set up by the MEC of meeting with the District and Family of Municipalities and the departmental engagement with the Traditional Leadership has provided a platform where the concept of densification and a wider product range has found root. This process will continue into the next financial years.

### Informal Settlement Strategy

The Planning Unit with the assistance of a service provider was able to finalise the Informal Settlement Upgrading Strategy. This strategy identified the affected municipalities that had informal settlements and provided a staged procedure to assist in the upgrading thereof. A resource pack was produced for each municipality that was identified as having informal settlements that they could utilize to assist them in the upgrading process.

The National Upgrading Support Programme (NUSP) was included into this strategy whereby assistance would be provided to those municipalities that had

the biggest share of informal settlements, in the form of technical and profession assistance as a means to achieving the targets of Outcome 8.

Integrated Planning: 2011/2012 Financial Year

**Table 17: Performance Indicators: Integrated Planning**

Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Informal Settlement Upgrade Strategy	1 Strategy approved by Manco	Achieved	Strategy to be work shopped with affected municipalities in order to begin implementation
Finalised flood risk data and identification of households at risk	Finalised pilot projects at Msunduzi, Hibiscus Coast, Umzimkhulu, KwamSane, Ladysmith and Mbazwane	All pilots completed except for Mbazwane	Mbazwane was not achieved due to topography of the area that rendered to computer modeling programme ineffectual
Housing chapters of the IDP	New HSP's for Msunduzi and Ethekwini	Msunduzi finalised Draft for Ethekwini finalized.	Ethekwini HSP not finalised due to change in leadership and challenges with their SCM processes as well as the wording of their Council resolution.
Review of existing HSP's	24 reviewed HSP's	Work shopped the review guidelines with all 42 municipalities but only received 12 reviewed HSP's	The balance were incorporated into the "New Dawn of Planning" initiative whereby planning officers would be place in the districts to provide assistance to the respective municipalities as well as assisting with the packaging of new projects emanating from the project pipe line.
Packaging of new projects to Stage 1 approval	10 projects	None achieved	Delay in the appointment of planning officers resulted in the non-achievement of this target. Project Management unit continued with the submission of new projects in the interim
Review of IDP's	61 IDP's	Target achieved	Incorporated provincial assessment with NDoHS to ensure alignment with provincial and national strategies,
Set up Human Settlement For a at district level	10	Target achieved	Identified the need to incorporate all stakeholder s to ensure optimal integration of investment and development.
Develop rural	1 strategy	Not achieved	The existing strategy was utilized but it

Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
strategy			was the intention to review this and make the necessary amendments that would bring it into line with provincial strategies that would have a significant impact, such as the PGDS and PSEDS. Challenges were experienced get all relevant role players to meet in order to provide unified direction. Discussions were held with all districts as well as Traditional Leadership regarding the densification model for rural areas.

## PROGRAMME 3: HOUSING DEVELOPMENT

### *PROGRAMME PURPOSE*

The Programme comprises of four Sub-Programmes, which are responsible for facilitating different functions. The main objectives of the programme are:

- ★ To provide service planning and administration of services, managing personnel, financial administration and the coordination and monitoring of housing needs, research and planning.

### *STRATEGIC GOALS AND OBJECTIVES*

This is the engine of the department, which delivers over seventeen instruments, to change the lives of the communities. This programme fulfills the mandate of the department as articulated in outcome 8. The department fully aligned with the targets set for outcome 8 and set targets that allowed it to move closer to delivering the expected outputs.

The planning of the projects was reduced to six months to allow the level of certainty in the delivery, and the delivery of the annual targets set and expected to be delivered by the department. The department targeted to deliver 25,987 housing units, 2,000 Social Housing units and 6,000 rectification and 1,000 for the Community Residential Units/Hostel upgrade. The department managed to deliver 22 112 housing units, 360 social housing units, the hostel upgrade and the Community Residential Units experienced problems that it faced unintended consequences, wherein the family and bachelor units did not end

up with families but perpetuated the hostel model of living.

Having brought in more skilled inspectors and project management teams, the department managed to improve the quality of the housing units delivered, the increased vigilance in the inspection quality assurance and stringent monitoring of the progress and the delivery pace. A number of stalled projects were resuscitated and progress was made towards finalization of the projects.

Of particular importance to note is that there was a change in approach for the department, with a hard line approach

### **Subsidy Administration**

Due to the escalation of fraud and corruption by the public in obtaining housing subsidies, the Department has, through the Subsidy Administration division implemented stringent requirements prior to an application for a subsidy being approved.

When an application is captured on the Housing Subsidy System, it now undergoes 6 compulsory electronic database searches to ensure the bona fides of the application:

- ★ Deeds Search: to ensure that the applicant does not own property presently or previously owned a property;
- ★ National Housing Database: to ensure that the applicant has not obtained a government subsidy anywhere in the country;

- ★ Population Register: to ensure that the applicant is a South African citizen;
- ★ Department of Labour: to ensure that the applicant is not a contributing U.I.F member if his/her application is reflected as unemployed.
- ★ Persal: to verify the salary threshold if the applicant is a state employee;
- ★ Pension: to ensure that the applicant is not a contributing government pension fund member if his/her application is reflected as unemployed.
- ★ State employees who declared a zero income and were found to be on Persal database when the search was conducted and found to be employed and earning over the threshold were handed over for investigation to the offices of the Special Investigation Unit. Such state employees were also subject to their department's disciplinary process. In this regard, the department is continuously giving administrative support and policy guidance to the S.I.U.
- ★ If an applicant declares by means of an affidavit that he is unemployed, he is now required to submit a letter/statement from the Department of Labour regarding his unemployed status. This action became necessary when applicants who were employed and contributing to U.I.F/pension declared in their application that they were unemployed and benefitted as a result.
- ★ The property being inspected for technical compliance prior to approval;
- ★ Payment made in full to conveyancer only after confirmation of transfer to the beneficiary's name.

The Department has put in place the above-mentioned measures and controls to in an endeavour to curtail fraud and corruption in the housing subsidy application process.

Individual housing applications are now also subject to:

**Table 18: Performance Indicators: Subsidy Administration**

Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
<p>Management of Beneficiary Administration</p> <p>The regular processing of beneficiary applications within 15 days of receipt at Subsidy Administration. Batch for approval to be forwarded to COO every week.</p>	21 384	36 503	<p>The target has been exceeded and considered successful</p> <p>Stringent measures in beneficiary administration process are in place on HSS and ensures that no fraudulent applications go through the process.</p>
<p>Management of Individual Subsidy Programme (credit &amp; non- credit linked)</p> <p>Conditional Grant Spend</p>	700	1528	<p>The target was exceeded and was due largely to the decrease in the interest rates which stimulated the sales in the secondary market which specifically benefitted persons earning under the R 3 500.00 threshold</p> <p>The conditional grant spend was also considered successful as the target was exceeded.</p>
	R63 460 000.00	R69 412 505.71	
<p>Management of Project Set-Up &amp; Budgets</p>	<p>All new projects to be set up on HSS within 3 days.</p> <p>All realignments to be signed off / approved at Subsidy Admin within 3 days.</p>	completed	<p>Performance has been considered successful</p>
<p>Management of Project Payments on HSS</p>	<p>Total Expenditure to be processed on HSS</p> <p>APP reflects</p>		<p>Claims are processed on HSS on receipt from the Regions. All claims were timeously processed and forwarded to Finance. The variance is nominal and performance has been considered successful</p>
		R2 181 718	



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Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
	R2 769 871 000.00	040.06	
<p>Management of the Collation &amp; Dissemination of Project Monitoring Milestones</p> <p>All reported Progress Reports to be captured on HSS on a monthly basis.</p>	<p>All current Project Progress Reports to be captured on HSS on a monthly basis. The parallel reconciliations of project cumulative statistics. The introduction of the accurate and reliable collation of delivery statistics</p>	<p>completed</p>	<p>Performance has been considered successful</p>

**Contracts administration**

The objective of the business unit is to draft, negotiate and ensure that valid and lawful contracts in respect of the core function of the department are concluded with implementing agents and other service providers.

**Land Administration**

The objective is to provide land administration support for the core function and to ensure that the outcome 8 targets of acquisition of private land as well as disposal of state land to municipalities for the creation of sustainable human settlements are realized.

**Achievements**

The department has from provided funding in the amount of R368 million (three hundred and sixty eight million rand) for the acquisition of approximately 5782 hectares of suitable land for the creation of sustainable human settlements. The bulk of the funding (R289 million) has been to the eThekweni Municipality which has the largest concentration of informal settlements in the Province. Some 4000 hectares of land have been or in the process of being purchased in eThekweni primarily for informal settlement upgrade and rental housing.

The unit has further made application and obtained approval from the Department of Land and Rural Reform for the vesting in terms of Item 28(1) of the Interim Constitution of 55 parcels of land in the Provincial Government of KwaZulu-Natal. This land will on request be disposed to the relevant municipalities for housing development.

Improved procedures and systems have contributed to an improved turn around period for the signing of project contracts to an average period of 14 days. The department is striving to reduce this period to seven days. During the 2011/12 financial year 160 project agreements were signed, compared to the 143 contracts signed the previous year.

**Non Achievements**

The business unit was less successful in the transfer of state land to municipalities. The post of a middle manager with the necessary conveyancing skills and knowledge will be filled in the current financial year. All pre-conveyancing procedures within the department to transfer land to municipalities will be enhanced eliminating delays in the transfer process.

**Table 19: Performance Indicators: Contracts and Land Administration**

Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
Draft, negotiate and reach consensus of project development contracts	72	160	Target achieved however agreements not signed within 7 days , due to lack capacity constraints and IA's failure to submit full application packs
Draft, negotiate and sign Land Availability Agreements (LAA's) and Deeds of Alienation	2	2	Deeds of alienation signed within 14 day period
Disposal of Land	6	3	Non-compliance with Deeds Office requirements by Department and State Attorney and delays due to lost title deeds
Conducting of Land Audits	200	234	N/A target met
Ministerial permission for Municipality to Expropriate Land	100% of applications from municipalities	N/A	Applications from two municipalities did not proceed as notices of intention to expropriate, as initial step not published
Drafting of submission and certificate of consent/certificate of removal of conditions of title	100%	100%	Average turn around period 5 days. Target is 3 day turn around period due to incomplete details form conveyancers and beneficiaries
Acquisition of Land by item 28(1)	15	55	Actual seem to be over-achievement but the target was deliberately low as there were administrative problems on vesting that were resolved sooner than expected
Acquisition of Private Land	1,446 hectares	Approx. 5,782 hectares	Budget increased from R145 million to R386 million. Therefore increase in hectares

**Table 20: Challenges and Mitigation Strategies**

Challenges	Interventions
Lack of capacity in business unit and failure by implementing agents to submit complete packs to conclude contract within targeted turn-around period	Fill vacant middle management posts in the department and capacitation of implementing agents to evaluate packs against check list
Lack of conveyancing expertise within the department	Recruit experienced conveyancers in vacant posts
Lack of knowledge on expropriation procedures by municipalities.	Acquisition of land by expropriation to be included in modules of capacitation for municipalities
Incomplete applications for consent to remove restrictions of title.	Capacitation of beneficiaries on procedures to be followed to waive conditions of title

## PROGRAMME 4: HOUSING PROPERTY MANAGEMENT

### *PROGRAMME PURPOSE*

The purpose of the programme is to co-ordinate the maintenance of the departmental rental housing stock, the social housing requirements of the Province, the refurbishment of the old hostels and the conversion thereof to community residential units, the erection of new community residential units, the rectification of units built prior to 1994 and the transfer of rental housing stock to qualifying beneficiaries in terms of the extended enhanced discount benefit scheme (EEDBS).

### *STRATEGIC GOALS AND OBJECTIVES*

#### **Strategic Objectives:**

- To maintain rental housing properties still held by the Department until transferred to beneficiaries in terms of the EEDBS;
- To provide social housing where required;
- To upgrade public sector hostels creating humane living conditions for hostel residents by utilizing the community residential units (CRU) policy and creating new CRU's in areas where there is demand for rental stock;
- To promote private home ownership and maximize the number of properties transferred by using the subsidization in terms of the EEDBS and transferring state properties to qualifying beneficiaries; and
- To implement the Rectification Policy in respect of houses built per-1994.

### **Extended Enhanced Discount Benefit Scheme**

The promotion of home ownership under the EEDBS programme was undertaken in the Coastal/Inland and Northern Regions Departmentally and by private consultants at a total cost of R1 105 million.

### **RECTIFICATION OF UNITS BUILT PRIOR TO 1994**

Whilst deliverable targets were planned for this programme in the areas of the Shallcross, Austerville and Lamontville, implementation of the programme has been delayed. In Shallcross, the NHBRC has been appointed as the Implementing Agent for the rectification of 510 units and have thus far been paid an amount of R15,8 being 40% of the total contract value of R39,5million. This is in terms of the Service Level Agreement entered into between the DOHS and the NHBRC. The project is still in the planning stages.

In Austerville, the NHBRC has been appointed to undertake technical assessments of the affected 1148 units. This project is still in the planning stages.

In Lamontville, the eThekweni has commenced with rectification of the 1840 units albeit only in December 2011 due to SCM processes having to be satisfied for the appointment of service providers. No further funds could be tranced to the eThekweni in the 2011/2012 financial year in terms of the project approval as the eThekweni did not fully expend the previous tranche funding of R60 million.

The MEC of Housing has approved funding for the following rectification programmes in March 2012:

- eThekweni: Ex-R293 areas comprising 9003 units with funding of R611.7M
- eThekweni: Ex-own affairs area comprising 7933 units with funding of R524.6M
- Umdoni: Riverside Park comprising 302 units with funding of R37.4M

The rollout of the programme has also been vigorously marketed in the Dundee, Vryheid, Newcastle and Estcourt municipal areas. The Departments success on this programme will in the medium to long term result in the current rental stock being reduced by promoting home ownership via the EEDBS programme.

**Community Residential Unit / Hostels (The upgrade of public sector hostels in terms of the Community Residential Unit policy and the creation of new Community Residential Unit)**

The introduction of the CRU policy (hostels) has been successfully implemented in the eThekweni Municipality at present and a vigorous campaign is being undertaken in other Districts and Municipalities. It has been established that there is a dire need for such rental accommodation which targets the poorest communities in the income bracket (R800 to R 3500 p.m.). An integrated development of low-income units and CRU's in Rocky Park, Stanger has commenced at a total project cost of R 166,6 million. An amount of R30 million has thus far been paid on this project in respect of Professional fees, and infrastructure servicing.

Further new projects are imminent for approval in eThekweni (128 units in Donnelly Road and 282 units in Bayview) and a departmentally managed pilot

project in Shallcross for 24 units and for the continuation of further contracts on existing hostels.

**Maintenance of rental housing properties and vacant land and the security against illegal occupation**

The poor condition of buildings and the delay with the commencement of rectification projects has seen an increased number of maintenance repairs having to be undertaken in the areas of Austerville, Shallcross, Bonela, Oribi Village, East Street hostel and Kwezi Hostel. The challenge was to ensure that buildings were not neglected and allowed to deteriorate to such an extent that posed danger to life and limb and which would have resulted in higher costs in the rectification process.

A total of R 116,794 million was spent on maintenance (security, outsourced maintenance, material purchases) and rates and other service charges. This includes a payment of R60million to eThekweni in respect of maintenance repairs for all hostels.

**Social Housing**

The identification and acquisition of suitable land for social housing is still proving to be a challenge. Infrastructure servicing has commenced in Lakehaven 2 and Avoca Heights and a total of R10,9 million has been paid towards these projects.

A Memorandum of Agreement has been entered into between the DOHS and the Social Housing Regulatory Authority in the total sum of R272,2 million in order to promote the development of rental social housing in the province.

**Table 21: Performance Indicators: Property Management**

Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
No. of residential properties transferred	8,000	1,857	Delays in the process of finalizing the administrative arrangements necessary prior to the lodgment of Deeds in respect of rates clearance certificates negatively impacted on the transfer process. Rates clearance certificates also cannot be obtained when electricity and water accounts are not paid up to current by beneficiaries. Msunduzi Municipality lacks capacity to do physical inspections in respect of each property before issuing 18(4) certificate, hence transfer cannot take place. The poor condition of housing stock necessitates upgrades and rectification prior to transfer and this is being addressed separately. The poor economic situation of some beneficiaries makes it difficult for them to pay their portions of the transfer costs.

**Table 22: Performance Indicators: Rectification**

Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
No. of units rectified	6,000	nil	Delays by NHBRC in commencing work in Shallcross as Implementing Agent and delay in conducting technical assessments for Austerville and other areas. Delay by eThekwini in respect of Lamontville project due to SCM processes. Delay by NHBRC in finalizing technical assessment reports for ex-R293 and ex-Own affairs properties.

**Table 23: Performance Indicators Community Residential Unit**

Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
No. of existing hostel units upgraded	1,000	nil	Although approvals are on hand to tranche CRU funding to Municipalities based on the business plans submitted with annual expenditure and deliverable targets, these were factored into the MTEF. It has come to light that eThekwini is presently sitting with approximately R100M committed to current contracts from previous tranches in 2010/2011.
No. of new community residential units erected	nil	nil	With the exception of Rocky park which has only just commenced in December 2011, other new CRU projects are still in the planning stages.



**Table 24: Performance Indicators Rectification 1994-2002**

Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
No. of completed works i.r.o. building, plumbing ,electrical and land clearing	6000	4246	In view of the impending rectification programmes on rental stock, discretionary maintenance has been limited to emergencies and urgent works that are a danger to life and limb only so as to not duplicate works/costs that form part of the rectification. In order to contain costs, the outsourcing of land clearing of vacant sites was also stopped and undertaken within limits by the in-house maintenance personnel stationed in the agency offices. These changes in stance were not previously anticipated when financials were projected
No. of units erected	2,000	360	Three Social housing Institutions was envisaged to deliver the proposed targets. However due to delays with planning processes, only one Institution was successful in delivering., hence inability for Department to achieve as originally envisaged
Number of cases resolved	1,320	981	Due to cost -cutting measures, the number of Tribunal sittings was reduced from 15 to 10 days per month for each Tribunal member.  There is a steady increase in the number of parties who defy Tribunal Notices. Summons resulting in complaints collapsing.  The term of office for Tribunal members terminated on 31 July 2011. The new Tribunal members appointed in November 2011 and started tribunal work in December 2011.
Number of workshops/ information sessions conducted in the municipalities, landlords/ tenant's formations and social housing institutions	16	44 14 @ First Metro Housing 1 ester Court	Much emphasis was put on workshops and information sessions due difficulty in securing presentations to Councils and Exco's in Municipalities

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Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
		Ladysmith 1 Chisnor Court (Ladysmith) Rate payers (Ladysmith Legal Aid (Verulam) Legal Aid (Pinetown) 1 Umkhanyakud e District Umzumbe Umvoti Kokstad Maphumulo Ezingoleni Nquthu Phongolo Umuziwabantu Umzimkhulu KwaSani Impendle Richmond Dhannhauser	

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Performance Indicators	APP Target and Actual Performance		Comments and reasons for variance
	2011/12 APP Target	2011/12 Actual	
		(2 Radio Talk shows) 2 Road shows on service rights campaign	
Number of functional Rental Housing Information Offices established	4	2 Emadlangeni Umzumbe	Municipalities prioritizing their internal issues as new leadership took over after local government elections  Constant reshuffling of new leadership in municipalities.  Reluctance on the part of municipalities to take over an unfunded mandate.



# PART C

## ANNUAL FINANCIAL STATEMENTS

### KZN DEPARTMENT OF HUMAN SETTLEMENTS

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**REPORT OF THE AUDIT AND RISK COMMITTEE ON  
VOTE8: HUMAN SETTLEMENTS**

**REPORT OF THE AUDIT & RISK COMMITTEE ON  
VOTE 8– HUMAN SETTLEMENTS**

The KwaZulu-Natal Provincial Audit & Risk Committee is pleased to present its report for the financial year ended 31 March 2012.

**Provincial Audit & Risk Committee Members and Attendance**

The Provincial Audit and Risk Committee (the PARC) consists of the members listed hereunder. The PARC is split into three (3) Cluster Audit & Risk Committees (the CARC) which consists of members of the PARC; is responsible for the Governance & Administration, Social and Economic Clusters respectively and reporting into the PARC. The Chairman of the PARC is also the Chairman of the different CARCs and attends all CARC meetings. The CARC and the PARC are required to meet at least four times and two times respectively in a financial year. During the financial year ending 31 March 2012, a total of thirteen meetings (13) were held, namely, two (2) PARC meetings, three (3) CARC meetings per cluster, and two (2) special meetings. Members attended the meetings as reflected below:

Surname & Initial	PARC		CARC		Special		Total no. of Meetings	Total no. of Meetings Attended
	No. of Meetings Held	Attended	No. of Meetings Held	Attended	No. of Meetings Held	Attended		
Ms T Tsautse (Chairman)	2	2	9	9 <sup>#</sup>	2	2	13	13
Ms M Mothipe	2	1	3	3 <sup>*</sup>	2	2	7	6
Ms N Jaxa	2	2	3	3 <sup>*</sup>	2	2	7	7
Mr L Mangquku	2	2	3	3 <sup>*</sup>	2	2	7	7
Mr T Boltman	2	2	3	3 <sup>*</sup>	2	2	7	7
Mr F Docrat	2	2	3	3 <sup>*</sup>	2	2	7	7
Mr V Naicker	2	2	3	3 <sup>*</sup>	2	1	7	6

\* - 3 Meetings per cluster were held

# - Chairman attends all CARC meetings

**Provincial Audit & Risk Committee Responsibility**

The Provincial Audit and Risk Committee reports that it complied with its responsibilities arising from the Public Finance Management Act, No.1 of 1999 (PFMA), Treasury Regulations, including any other statutory and other regulations. The Provincial Audit and Risk Committee also reports that it adopted appropriate formal terms of reference as its Provincial Audit and Risk Committee Charter, regulated its affairs in compliance with this charter and discharged all its responsibilities as contained therein.

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**REPORT OF THE AUDIT AND RISK COMMITTEE ON  
VOTE8: HUMAN SETTLEMENTS**

**The Effectiveness of Internal Control**

The systems of internal control are the responsibility of the department's management and are designed to provide effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the requirements of the PFMA and the principles of the King III Report on Corporate Governance, the Internal Audit Function provides the Provincial Audit and Risk Committee and the departmental management with assurance that the systems of internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors; and the Report and Management Letter of the Auditor-General on the Annual Financial Statements, it was noted that the systems of internal control were not effective for the entire year under review as control deficiencies were detected in the following significant areas:

- Human Resource Management
- Supply Chain Management
- Asset Management
- Information Technology General Controls
- Capacity Building programmes
- Project Management

**The quality of "In Year Monitoring" and monthly / quarterly reports submitted in terms of the Treasury Regulations and the Division of Revenue Act**

The Provincial Audit and Risk Committee, through the Internal Audit Function, was satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and the department during the year under review, except for underspending of the budget; as well as certain financial control weaknesses relating to monitoring of transfers to municipalities and municipalities not spending transfers made by the department.

**Audit of Performance Information**

The monitoring of the department's performance is a key function of the executive management of the department. The Provincial Audit & Risk Committee has no direct line of responsibility over the department's performance. However, the Provincial Audit and Risk Committee is responsible for ensuring, principally through the Internal Audit Function that the systems of performance management, measurement and reporting; as well as the systems of internal control that underpin the performance management framework of the department, remain robust and are reviewed routinely in the internal audit plans.

The Committee has accepted the responsibility of ensuring that adequate reporting on performance information is in line with its mandate and charter.

The Committee reviewed the reports relating to Performance Information and noted no material deficiencies.

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**Internal Audit Function**

The Provincial Audit & Risk Committee provides oversight and monitors the activities of the Internal Audit Function. Consequently, the Committee is able to report on the effectiveness and efficiency of the function.

The function was effective during the period under review and there were no unjustified restrictions or limitations. The Committee will in the forthcoming year, monitor progress to ensure that the Internal Audit Function continues to add value to the department and achieves its optimal performance.

**Risk Management Function**

Risk Management is a proactive discipline that involves scenario planning and that is intended to provide reasonable assurance that the department will achieve its objectives. King III principle 2.2 states that the board, (executive authority in the case of a government department) "should appreciate that strategy, risk, performance and sustainability are inseparable."

The committee noted that, during the 2011/12 financial year, the Internal Audit Unit assisted the department with a risk streamlining exercise. This exercise was an attempt to create one reference point for organizational risks – i.e. one risk register instead of pockets of risk registers that the department used to have prior to this exercise.

The consolidated risk register was presented to the Committee in the fourth quarter of the 2011/12 financial year. The committee advised that:

- The department review the accuracy of the risk register and the appropriateness of the risk ratings,
- The Internal Audit Unit formally handed-over the risk register to the department,
- The department strengthens its risk management function and oversight structures in order to ensure the sustainability of this process.

**Other Governance Issues**

As part of its governance responsibilities, the Committee also monitors the fraud prevention strategies that have been developed and implemented by provincial departments, and these responsibilities include monitoring the implementation of recommendations arising from forensic investigations.

During the period under review, the Committee noted that the department had 2 completed investigations that were conducted by the Provincial Treasury's Internal Audit Function.

The department was urged to implement recommendations arising from the completed investigation, and to provide the Internal Audit Function with a detailed list of all other investigations being conducted internally or by other relevant authorities.



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**Evaluation of Financial Statements**

The Provincial Audit and Risk Committee reviewed the Annual Financial Statements of the Department, as well as the Auditor General's management report together with management's response thereto. The Provincial Audit and Risk Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



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**Chairperson: Provincial Audit & Risk Committee**

**Date: 31 July 2012**

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**1. Capacity constraints**

The Department is in the process of restructuring to align to Outcome 8 deliverables. Further, in order to facilitate service delivery, the Department is embarking on a programme to set up offices in the various district municipalities. The proposed new structure is currently being reviewed by the DPSA. Once the structure is approved, positions will be filled. The Department did however, fill several technical positions with staff skilled in the built environment and is continuing to seek appropriate technical skills. A Project Management unit is in the process of being set up to assist with monitoring our core activities.

**2. Utilisation of donor funds**

There is an amount of R287 000, reflected as a roll-over from 2010/11 financial year, which represents the balance remaining after the implementation of Phase 1 of the Flanders Capacity Building Programme in the municipalities. The donor will be requested to allow the department to utilise this balance for other housing related programmes within the department in the next financial year. (See **annexure 1C**)

**3. Trading entities and public entities**

The KwaZulu-Natal Housing Fund reports to the Department, the Housing Fund was set up in line with the requirements of the KwaZulu-Natal Housing Act, Act 12 of 1998. The Housing Fund was setup as a conduit for national housing funding and to hold all housing assets in the province. With the introduction of the housing conditional grant, the department received funding appropriated into the budget of the department through the budget processes managed through the National and Provincial Treasuries; this resulted in a change in the fiscal relations between the National and Provincial Departments of Human Settlements. These new fiscal relations meant that there was no longer a need for the existence of a Housing Fund to receive the funding for housing.

There has been a national decision to dis-establish the Housing Funds in all Provinces; however the legislative changes to the National Housing Act have not yet been enacted. The Department has therefore not been in a position to de-establish the KwaZulu-Natal Housing Fund, and as a result the department has continued to prepare a separate set of annual financial statements for the Housing Fund.

On dis-establishment of the KwaZulu-Natal Housing Fund all the Housing Funds assets and liabilities will revert to the Department. The Housing Fund received qualified audit reports for the previous years. Prior to the dis-establishment of the Housing Fund and the subsequent transfer of its assets and liabilities to the Department, the Departments undertook to appoint consultants to clean up the Housing fund.

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**4. General review of the state of financial affairs**

The financial performance of the department for the year under review has been quite positive with the key targets being met. The department undertook a process to fully align with to the outcome 8 targets. This was followed by a conscious review of the targets with some revised upwards like output 1 the informal settlements upgrade as it is achievable and downwards like the output 3 FLISP whose processed were dependent on external stakeholder and such process were not within the departments control to unfold. Both output 1 and 4 were achieved and output 3 saw its strategy expanded to cover more municipalities as the two accredited municipalities were experiencing serious challenges some of which culminated in legal processes and resulted in Constitutional court orders to resolve.

To continually keep tab on the performance and targets the department strengthened and improved its monitoring systems and processes to ensure a proper dashboard analysis of progress on an on-going basis, to this end the debarment embarked on a process of establishing and capacitation the Monitoring and Evaluation thus improving its information management, data processing and monitoring capability. This has enabled the department to properly consolidate progress of all the targets and outputs in line with the Strategic Plan, Annual Performance Plan and the provincial Business Plan

The department during the year in review achieved the full alignment of the key programmes namely programme 2, 3 and 4 to the Outcome based approach. The outcome 8 targets forms part of the strategic thrust of the department and the sector allocated to provinces following a nationally calculated formula based on the population size, the extent of the housing backlogs and the past trends in housing delivery per province, and using this formula the province was allocated higher targets to address higher backlogs and higher needs of largest population.

This review focuses in the main on the key performance areas namely **Output 1: Informal settlements Upgrade**. In this regard the department developed and finalized the informal settlements strategy with the view to identify where this phenomenon was prevalent and to ensure that we target our intervention accurately and effectively. To this end an informal settlement upgrade toolkit as a by-product of the strategy for municipalities was develop and will be implemented in the new financial year. The strategy will be reviewed on an on-going basis to determine the progress made in this regard and be refined on an on-going basis.

The strategy confirmed that eThekweni municipality has the highest prevalence of informal settlements at 78.6% followed by the other six medium sized aspiring metro municipalities: namely uMsunduzi, KwaDukuza, Newcastle, uMhlathuze, Hibiscus Coast and Ladysmith, thus the focus for output 1 of our targets will be in these

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areas. With the continued migration patterns it would be necessary to review this position on a regular basis to ensure proper allocation of the resources for the departments' targets. The department has started working with these municipalities to develop a pipeline for the eradication of the informal settlements within the next five years.

In terms of the national definition the informal settlements only urban areas fit in this category. This excludes the rural informal settlements. However the department is of the view that because the province is largely rural with a high manifestation of self and poorly built mud houses, by definition they form part of the informal settlements. Therefore it expanded the provincial definition of informal settlements to include rural housing to ensure that all the non-sustainable structures are upgraded to bring them in line with the constitutional imperatives of decent shelter. In this regard the highest delivery was achieved in the areas of rural housing development.

It should however be noted that an in-depth analysis of the rural housing delivery and its impact on poverty eradication and job creation was necessary, as well as the perpetuation of the poor rural settlement patterns, and this was tested against the findings made by the Provincial Planning Commission Report, the Provincial Growth and Development Strategy and the Provincial Economic Development Strategy, that the rural settlements patterns in KwaZulu-Natal undermines the vision of developing sustainable human settlements, access to basic services, integration and coordination and it perpetuates poverty in the rural areas. To this end the department started looking at the policy review to adopt the densification approach and the matter is currently being discussed with the various stakeholders to ensure that there is sufficient buy in and that the proposed densification models are informed by the intended beneficiaries, without alienating the potential beneficiaries.

There is also robust engagement regarding the new approach with key stakeholders such as the Ingonyama Trust Board, COGTA, department of Rural development , Municipalities and the department of Water affairs to ensure effective coordination and integration of processes of planning and delivery to ensure access to basic services, alignment of the rural human settlements to the social economic amenities, improve public and private sector investments to ease the poverty burden of these communities. This process will intensify the roll out in the next financial year,

The Human Settlements strategy was also finalized during the course of the year. This will inform the roll out of all the programmes of the department, develop a road map that will ensure equity, transparency and efficiency in the delivery of sustainable human settlements in the provinces The department is planning to convene a human settlements summit in the next financial year to share the strategic thrust of the departmental strategy with key stakeholder and test some of the approaches that are proposed therein to improve capacity of the department

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and the municipalities, assess the backlogs and pipelines to eradicate the backlogs, and to assign the roles, responsibilities and timeframes to different stakeholder responsible for human settlements delivery, to eradicate the backlogs and to develop new forms of settlements with a myriad of options for different needs.

The department proceeded to identify support for the municipalities to establish the units responsible for coordinating the needs database, this was part of the partnership with the Flanders and with the termination of the partnership the department reviewed and revised the approach from targeting 7 municipalities to allocating staff to each of the 10 districts and 1 metro to ensure sufficient coverage of all municipalities. To this end the department will be employing 22 staff members for this purpose to ensure that communities register for houses and their request are captured and addressed within the shortest timeframes as possible within the PGDS, PSEDS framework. The department is of the view this approach will assist in the long term pipeline development, provide certainty in the allocation of resources per municipality and will achieve better coordination and integration across the spheres of government resulting better servicing of communities.

The process of decentralization of offices to district municipalities was facilitated and new skilled staff were brought on board to assist the department to position itself effectively to support the municipalities and efficiently manage the implementation better and more efficiently. In this regard there has been an improvement in the management of contracts, with penalties imposed where bad and poor workmanship was identified, our arbitration and court cases increased significantly as the departmental officials tightened the screws on the rogue and non-performing implementing agents. An additional contingent of planners was appointed by the department to augment the capacity of planning in the municipalities shared services in line with the PSEDS and the PGDS and assist in enforcing integration and coordination at municipal levels to improve human settlements delivery.

**Output: 2 of our targets relates to the improved access to social and rental housing.** To this end a social rental strategy was also commissioned to address the growing need for affordable rental in a number of municipalities in the province, this will inform the many options to be adopted by the department and the different municipalities to respond to the different demands for various sectors such as the young professionals, the migrant professionals and people who are not ready to purchase properties in certain areas. The strategy will be finalized in the New Year and will assist to guide the newly accredited municipalities to develop the rental programmes.

In line with the strategy the six aspiring metros have developed a pipeline for the social and rental housing MinMec. There will be a response action plan development to support the implementation of the strategy including management capacity support and pipeline for each of the municipalities to ensure better management

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and coordination of the rental stock without putting undue pressure on the state resources to manage and maintain the stock.

The department is in the process of strengthening the management capability of the Social Housing Institutions (SHI) and the rental management agencies, these are facing the on-going challenges of low rental payments levels leading to operations and maintenance challenges in the social and rental stock. More emphasis will be paid in capacitating both the management and the tenants to ensure continued provision of decent shelter and sustainable human settlements.

**Output 3 dealing with the provision of housing for the middle income groups** not catered for in the low cost housing experienced serious challenges with the non-corporation of the banking sector. However the department focused finding alternative strategies to ensure that the support to the gap market is structured differently. The department developed a multi-pronged approach to the provision of decent shelter for this targets group, which include provision of serviced sites to ease the cost of providing decent shelter in a sustainable manner. The department also engaged iThala bank for the development of partnership in supporting this category of beneficiaries.

Three pilot areas were identified, The Rocky Park pilot is continuing with much success, the Merle wood require the refinement of the quality of houses by the developer as the show house was less than impressive and the Wood Mead pilot was awaiting the final negotiation with one of the major banks, this process will be finalized in the new year and will produce higher outputs and allow the department to revisit the downward revise the targets upwards to the original national allocation.

Policy review was initiated for this group and MinMec took a decision to increase the beneficiary threshold from R10 000-R15 000 which will bring in more people into the net. Further negotiation with the Banking Council of South Africa is being explored and the announcement of the Mortgage Guarantee Incentive (MDI) which will provide security to the loans and ensure sustainability of homeownership will be implemented in the next financial year and will provide more guarantees of homeownership to the target group.

**Output 4 addressing the mobilization of the appropriate land for human settlements**, In this particular area the department faced a myriad of challenges created by the poor Intergovernmental relations and conflicting legislative mandates across the three spheres of government unnecessarily prolonging the negotiations for the release of state land from one sphere of government to the other thus putting a number of projects on hold. The next was the huge amount of land in dispute either through claims or disputed ownership between municipalities and the traditional communities in most cases these are complicated and take long before an amicable resolution is found.

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The final category relates to the high cost of private land which leads to undue competition between the private sector and government for prime land rendering it unaffordable for government. In the event where land is unreasonably inflated government is left with no option but to expropriate and in most cases is faced with protracted legal challenges that takes long to resolve and hinder service delivery from continuing. In this financial year the department spent more than R300 million to acquire appropriate land for human settlements and the demand continues to increase unabated. The department started negotiations with the Housing Development Agency (HDA) to take up the land assembly from all sectors to ensure efficient acquisition of land without unnecessary delays on behalf of the department in this regard an MOU will be finalized in the new financial year to that effect.

In addressing the major challenge of **rectification** facing the department, the NHBRC conducted assessments in excess of 64 000 units for both the pre and post 1994 housing stocks for rectification and the prioritization process was linked to the development of projects pipeline to ensure that adequate funding is allocated for the next five financial years as this targets can only be allocated not more than 10% of the total Human Settlement development Grant. This will provide the department with the opportunity to provide tenure to the majority of the people living in the old stock which will be transferred post rectification. With the stringent approach adopted in our quality management units there is zero tolerance on bad and poor quality work, which will ensure that we do away with rectification for good.

The one area where there has been very little progress is the area of **hostel upgrade** and very little progress was made in this area in the year in review. With approximately 200 000 people living in the hostels legally and illegally one of the biggest nightmares had been around the identification of the legitimate tenants. To address this matter the department and the municipalities resolved that it would be useful to embark on a process to survey the hostels with the view to establish the housing needs and to then work around the agreed options and comprehensive plans will then be put in place to address the challenge.

To move to the next implementation levels the department put up all the provincial aspiring metros for **accreditation**. All the metro emerged with positive outcome of their assessment with two of the municipalities recommended for level two and the other four with level one accreditation. To this end it is anticipated that the focus will be on building the capacity of the municipalities to take over the functions from the department. eThekweni municipality was accredited level two and is expected to apply for level three during the next financial year and take more functions over from the department. The department will continue to support with capacity and technical support to ensure that eThekweni meets its optimum delivery potential of 20 000 units in the next five years. The other six municipalities have accepted the challenge to deliver over 5000 units each for the next five,

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which will also be reinforced by their accreditation when it gets confirmed during the course of the new financial year.

The other area which is the biggest challenge that continues to face the department is the delays caused by the lack of bulk infrastructure, as a result of this challenge a number of priority and strategic projects that would allow the department to achieve some of the strategic objectives such as integrated residential integration and social housing are stalled and delay the effective service delivery. Negotiations with the departments of cooperative governance and traditional Affairs and Water Affairs are underway to find a lasting solution to these challenges, and find lasting solutions to ensure effective human settlements delivery in the province.

Finally the department is moving towards larger projects with the focus area being the aggressive drive for the Integrated Residential development Programmes, multi-instrument intervention to allow efficient management of human settlements as well as to create new settlements that will lead to the creation of new towns and cities. This decision is informed by lack of appropriate land for housing, potential for cross-subsidization across the economic class as well as the rationalization of infrastructure;

■ **Important policy decisions and strategic issues facing the department**

The critical policy decision facing the department in the main relates to implementation of the resettlement process for the rural areas. This will entail putting the matter on the table for discussion and consultation to ensure that the multi-stakeholder processes emerge with the common vision linked to the broader rural development strategy implemented by the department of Rural Development. It is imperative that this matter is resolved to improve the access of basic services and opportunities for economic development by rural communities.

The department also instituted the call for the review of the CRU policy to ensure that the development of the CRU's had a value-for-money impact and ensures sustainability. The rollout of the Community Residential Units as the replacement for the hostel upgrade produced unintended consequences as the hostel tenants were not willing to pay the appropriate cost of the units to cover the maintenance and proper upkeep of these units.

The cost of rectification of both the pre and post 1994 housing stock proved to be very expensive as there were more processes involved as compared to building new settlements. The old pre 1994 stock was extensively dilapidated in most cases and requires demolition. The houses in the old stock are much bigger than the low-cost houses and therefore the cost of rectification is much higher than the policy allowed, leading to budget overruns and this has caused major delays. Houses with asbestos roofing faced an additional challenge relating to the removal and disposal of asbestos which requires a specific regime.



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The roll out of the farmworkers projects also faced a number of policy issues especially where the farms have not finalized the restitution process as government policy prohibits the provision of infrastructure on private land, this posed problems of providing housing without access with basic infrastructure on farmland.

■ **Comment on significant events that have taken place during the year**

One of the key achievements in the last financial was the award of the best social housing conferred on one of the departments social housing namely Lake Haven which is one of the flagships for the department.

The department was also encouraged by the achievement of the medium sized municipalities in the province of positive recommendations from the national accreditation task team, especially the two municipalities namely eMnambithi and that were elevate beyond stage one and were recommended for a higher level equal to eThekweni, which is very encouraging, when they are finally confirmed by MinMec for accreditation these municipalities will be able to take on major functions for human settlements, but is also anticipated that they will play a major role in supporting the other local municipalities in their districts with implementation of their human settlements projects.

■ **Comment on major projects undertaken or completed during the year**

The major flagship of the department namely Cornubia Integrated Residential Project which faced a number of challenges and delayed implementation started in earnest during the course of the year, supported by the USDG managed to finish the first milestone for the stage (1a) of the projects which was servicing of the first 500 sites and also proceeded with the actual construction of part of this phase. The project is creating much excitement as it will relieve the major challenge in and around eThekweni metro alleviating the informal settlements.

**Spending trends**

The Department was allocated a total amount of R 3,084,991 million as at the end of the financial year R 3,043,574 million was spent, resulting in a net under expenditure of 1.34 % or R 41,417 million of the budgets allocated.

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The net under expenditure is broken down as follows: -

<b>Programme</b>	<b>Final R'000</b>	<b>Adjustment</b>	<b>Actual Expenditure R '000</b>	<b>Amount under / (over) spent R '000</b>
Administration		123,532	116,780	6,752
Housing Needs, Research and Planning		24,157	20,898	3,259
Housing Development		2,686,540	2,711,110	(24,570)
Housing Asset Management, Property Management		250,762	193,707	57,055
<b>Total</b>		<b>3,084,991</b>	<b>3,042,495</b>	<b>42,496</b>

**Virement:**

<b>From</b>	<b>Amount R'000</b>	<b>To</b>	<b>Amount R'000</b>
Programme1: Administration		Programme 4: Housing Assets Management, Property Management	
<b>Sub-Programme</b>		<b>Sub-Programme</b>	
• Corporate Services		• Administration	
<b>Economic Classifications</b>		<b>Economic Classifications</b>	
• Compensation of employees	2,600	• Households	2,600
<b>Total</b>	<b>2,600</b>	<b>Total</b>	<b>2,600</b>

**Reason for the virement**

Savings of R2.600 million was identified in Programme 1: Administration, against the economic category Compensation of employees. These savings are due to delays in the filling of vacant posts pending the finalisation of the organisational restructure. These savings were moved to Transfers and subsidies to: Households in Programme 4: Housing Asset Management, Property Management to cater for costs relating to staff exits which were not anticipated. The said virement was approved by Provincial treasury.

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The above virement is in line with Section 43 of the PFMA, Section 6.3 of the Treasury Regulations, as well as National Treasury guidelines.

There were no new cases of irregular, fruitless and wasteful expenditure reported in the current financial year. We hereby advise that the cases reported in the previous financial year were not condoned to date.

The amounts reflected for irregular, fruitless and wasteful expenditure in the previous financial year increased in the current financial year. The reason for the increase is that some of these contracts are of a long term nature and that they are still in force. The Department hereby assures its stakeholders that they received value for money on the said contracts.

**5. Service rendered by the department**

A list of services rendered by the Department through the following programmes, namely: -

- Housing Development;
  - Implementation and monitoring of housing projects;
  - Promote effective and efficient housing delivery; and
  - Provide for various housing subsidies.
- Housing Assets Management, Property Management.
  - Manage ex-Natal Provincial Administration and Own Affairs stock; and
  - Rental Housing Tribunal component.

**2.1 Tariff policy**

The Department does not charge for the services that it rendered in 2 above.

**2.2 Free Services**

The Department provides free services to the KwaZulu-Natal Housing Fund (R 184,261 million – inclusive of operational costs). The services that the department provides to the Fund are: -

- Payment of rates and taxes and services for its vacant land and rental units; and
- Payment of repairs and maintenance of its housing stock

**2.3 Inventories**

The total inventories on hand at year-end will be included in the Annexure 5 on Inventory.

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**6. Organisations to whom transfer payments have been made –**

(Refer to Annexure 1 to the Annual Financial Statements). These payments relate to subsidies paid to housing beneficiaries and payments to municipalities for departmental owned properties.

**7. Public private partnerships (PPP)**

The Department did not enter into any PPP's, for the current nor for the previous financial year.

**8. Corporate governance arrangements**

During the financial year 2011/2012 the following risk assessments that were conducted previously were reviewed (v.i.z):- Strategic Risk; Operational Risk; Supply Chain Management; Financial Management and IT Security Risk (Project Unembeza)

As part of 2011/12 operational plan, the risk management unit had embarked on a risk consolidation and streamlining project, with Provincial Treasury. This was the commencement of the streamlining process, which effectively redefined the risk profile for the Department. All duplicate risks were removed; similar risks were grouped together; risks that were considered irrelevant were removed; and unclear risk descriptions and root causes were re-crafted.

The original Cura Risk Database for the Department contained 52 risks, and the streamlining exercise resulted in 32 risks. As part of the risk consolidation process this entailed the following activities in conjunction with Provincial Treasury, (v.i.z):-

Conducting risk workshops; developing risk mitigation plan for confirmed risks; presenting the draft risk register and the action plan to the Head of Department and presenting the final risk register and action plan to the Cluster Audit and Risk Committee for adoption.

Two risk workshops were conducted during the reporting period which included a fraud risk assessment. The risk profile for the Department has been drawn up and it is subject of approval by the Cluster Audit and Risk Committee.

The progress on the development of the new risk profile was reported to Cluster Audit and Risk Committee during the quarterly meetings, held during 2011/2012 financial year. The departmental risk management committee was also appointed and the risk charter and a risk management policy were developed. The risk management policy was finalized and the draft risk charter will be finalized in the new financial year.

The Fraud Prevention Plan, including its appendices, namely the Code of Conduct and Business Ethics, Disciplinary Code and Procedures, Fraud Policy and Response Plan, Whistle Blowing Policy and Matrix of responsibilities of the Department was finalized. This plan was published on the Departmental website as an awareness strategy and also contributing to the enhancement of our commitment to zero tolerance of fraud, corruption and maladministration of public funds.

This Fraud Prevention Plan is currently under review by the Provincial Treasury as an external stakeholder in assisting the Department as a Quality Assurance Service Provider. The role out of this plan in the form of workshops is planned in the 2012/2013 financial year as part of the ongoing Anti-Corruption Strategy.

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The fight against Fraud and Corruption always remains a major challenge in our service of quality housing to the poorest of the poor. During the financial year 2011/2012, we joined forces with law enforcement agencies to manage sensitive matters related to fraud and corruption. The services of the Special Investigation Unit, Hawks, and the Anti-Corruption Unit, including the South African Police Services and Provincial Treasury have been fundamental in driving initiatives with the Department on Fraud and Corruption.

These partnerships have yield positive results, which has led to criminal dockets being registered and being finalized. The extended proclamation of the Special Investigation Unit mandating them to investigate fraud, corruption and maladministration in low-income housing has resulted in the Department having a great success in securing various convictions in criminal cases and finalizing disciplinary cases related to low-income subsidy fraud.

During the financial year ending March, 115 dockets were registered with the South African Police Services to the value of R 1.2 million rand, and 60 cases were successfully prosecuted with various outcomes.

In pursuing these investigation 313 acknowledgements of debts totalling 3.4 million were signed with non - qualifying beneficiaries. We have further received a sum of R2.3 million from government employees related to low income housing subsidy fraud.

Working together on the Special Task Team with the Office of the Premier we have prepared and successfully finalized 172 disciplinary cases against various government employees within the Province.

The introduction of systemic internal controls has resulted in the identification of weaknesses in the control environment thus duplicate payment to the value of R1.5 million were recovered from service providers.

Arising from finalised investigations, the department has finalised disciplinary cases against 3 Senior Officials with various sanctions. Disciplinary action against 2 other senior officials were not finalised due these officials resigning prior to the finalisation of the disciplinary processes.

**9. Discontinued activities/activities to be discontinued**

The Department has not discontinued any activities during the year under review.

**10. New/proposed activities**

The department is generally embarking on a strategy of capacitating district-based teams, thereby capacitating officials working at the coal-face of service delivery. The 2012/13 financial year will see these teams working closely together with municipal officials, to strengthen delivery at this level. Whilst a Project Management Unit (PMU) will provide technical capacity, other business units that have been typically based at the Head Office such Integrated Planning and Capacity Building, will also be decentralised to service district-family of municipalities. It is envisaged that this strategy of delivery will unleash the ability of the department in delivering service, as well as creating a more efficient pipeline of projects. (Refer to paragraph 13 with regard to the estimated cost of setting up the district offices)

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**11. Asset management**

The Department utilises the HardCat Asset Management System for the control and maintenance of the departmental movable assets. Provincial Treasury is the custodian of the system.

The Debtors System is used for management of assets relating to the Housing Fund. National Human Settlements is the custodian of this system.

**12. Inventories**

Inventories pertaining to consumables and maintenance materials and work-in-progress are disclosed in Annexure 5 on inventory.

**13. Events after the reporting date**

District Offices

The key deliverable for Asset Management unit for the ensuing financial year would be to secure permanent accommodation for the District Offices and that of working closely with the stakeholders involved in the planning of the Departmental Head Office in Pietermaritzburg. The estimated cost of establishing the 8 District Offices is a once off capital cost of R5,280 million and an estimated annual recurring cost of R8,279 million.

**14. Information on predetermined objectives**

The Department has set up a Monitoring and Evaluation unit which is partially staffed. This has assisted in tracking and monitoring service delivery as well as reporting on predetermined objectives. Performance is monitored weekly against spending to ensure prompt corrective action is undertaken. All Treasury Frameworks are complied with.

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**REPORT OF THE ACCOUNTING OFFICER  
VOTE8: HUMAN SETTLEMENTS**

**15. SCOPA resolutions –**

<b>Reference to previous audit report and SCOPA resolutions</b>	<b>Subject</b>	<b>Findings on progress</b>
Transversal Resolution : 14/2011	Irregular Expenditure	The Department has met with Provincial Treasury, and has provided evidence towards the condonation of the irregular expenditure that was incurred in prior years.
Transversal Resolution : 19/2011	Investigations completed and investigations in progress	Investigations by the Special Investigation Unit are still on-going related to low income housing by government employees. Provincial Internal Audit are also finalising an investigation related to various projects.
Transversal Resolution : 21/2011	Other legal and regulatory requirements: predetermined objectives	A monitoring and evaluation unit is in place to ensure concerns are addressed
Transversal Resolution : 49/2011	Investigations	The three officials that were dismissed for improper sale of housing units and cases registered with the South African Police Services, one case has been finalised in court and the remaining cases have been remanded.
Transversal Resolution : 50/2011	2010/2011 unauthorised expenditure R199 508 000	This unauthorised expenditure has been condoned.
Transversal Resolution : 51/2011	Transfers and subsidies: rectification programme	The NHBRC has been appointed to assess projects requiring rectification and the process is underway.

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**16. Prior modifications to audit reports**

The Department received an unqualified opinion for the year ending 31 March 2011, with other matters reported below:

<b>Nature of qualification, disclaimer, adverse opinion and matters of non-compliance</b>	<b>Financial year in which it first arose</b>	<b>Progress made in clearing / resolving the matter</b>
Non-compliance – the Departments report on performance information was deficient in consistency and completeness.	2010/11	The Department subsequently established a monitoring and evaluation unit to ensure that the report on performance information addresses all the assertions.
Non-compliance – annual financial statements were corrected after submission – the most significant of which was irregular expenditure.	2010/11	Department awarded certain contracts using SCM delegation 5.1.
Non-compliance – procurement and contract management of goods and services – less than three quotations were used to award certain contracts.	2010/11	The Department issues requests (3 or more), but in certain instances less than three quotations were received, on which the Departments used to award the contracts. Currently, the Department issues request (5 or more) to ensure the above does not happen.
Non-compliance – the Department did not utilise the SBD4 forms when inviting price quotations and advertising competitive bids.	2010/11	The department currently ensures that all requests and bids are issued together with the SBD4 form.
Non-compliance – the Department did not ensure that its houses met the stipulated quality and standards as stated in the legislation.	2010/11	The department engaged the services of the NHBRC to ensure that the stipulated quality and standards are met.



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**17. Exemptions and deviations received from the National Treasury**

There were no exemptions granted applicable to the Department for neither the current financial nor the previous financial year.

**18. Interim Financial Statements**

The Department prepared interim financial statements for the quarters ending, namely: -

- 30 June;
- 30 September; and
- 31 December.

In the preparation of these interim financial statements, it better equips the Department in making management decisions to take corrective action in the months to follow and more especially to ensure that the annual financial statements at 31 March achieves fair presentation.

**19. Other**

Refer to overview.

**20. Approval**

The Annual Financial Statements set out on pages 110-178 have been approved by the Accounting Officer.



**Ms G Gumbi-Masilela**  
Head Human Settlements  
31 May 2012

# REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON VOTE NO. 8: DEPARTMENT OF HUMAN SETTLEMENTS

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the Department of Human Settlements set out on pages 110 to 169, which comprise the appropriation statement, the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the *Departmental financial reporting framework* prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Human Settlements as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the *Departmental financial reporting framework* prescribed by the National Treasury and the requirements of the PFMA and DoRA.

### Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

**Restatement of corresponding figures**

8. As disclosed in notes 19, 22 and 26 to the financial statements, the corresponding figures for 31 March 2011 have been restated as a result of errors discovered during 2011-12 financial year in the financial statements of the Department of Human Settlements at, and for the year ended 31 March 2011.

**Material underspending of the budget**

9. As disclosed in the appropriation statement, the department has materially underspent the budget on Programme 1 by R6,752 million (Administration), programme 2 by R3,259 million (Housing planning and research) and Programme 4 by R57,055 million (Housing property management).

**Irregular expenditure**

10. As disclosed in note 24 of the financial statements, irregular expenditure amounting to R20,813 million (2011: R381,511 million) was identified during the year under review due to non-compliance with supply chain management requirements.

**Additional matters**

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

**Unaudited supplementary schedules**

12. The supplementary information set out on pages 170-178 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

**Financial reporting framework**

13. The financial reporting framework prescribed by the National Treasury and applied by the department is a compliance framework. The wording of my opinion on a compliance framework should reflect that the financial statements have been prepared in accordance with this framework and not that they "present fairly". Section 20(2)(a) of the PAA, however, requires me to express an opinion on the fair presentation of the financial statements. The wording of my opinion therefore reflects this requirement.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

14. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to the annual performance report, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### **Predetermined objectives**

15. The annual performance report included in the annual report was not presented in time for audit and consequently my findings below are limited to the procedures performed on the strategic planning and performance management documents.

16. The information was assessed to determine whether performance indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

17. There were no material findings on the strategic planning and performance management documents concerning the measurability and relevance of the information.

### **Compliance with laws and regulations**

18. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

### **Annual financial statements**

19. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1) of the PFMA. Material misstatements in disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### **Procurement and contract management**

20. Goods and services with a transaction value of between R10 000 and R500 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of Practice Note 8 of 2007/08.

21. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids as per the requirements of Treasury Regulations 16A.6.4 and Practice Note 8 of 2007/08.

### **Expenditure management**

22. The accounting officer did not take reasonable steps to prevent irregular expenditure as required by sections 38(1)(c)(ii) and 39(1)(b) of the PFMA.

### **Internal control**

23. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on reporting on predetermined objectives and on compliance with laws and regulations included in this report.

### **Leadership**

24. The accounting officer did not exercise adequate oversight responsibility over compliance with laws and regulations relating to procurement and contract management, the prevention of irregular expenditure, as well as annual performance reporting requirements.

### **Financial and performance management**

25. The accounting officer did not ensure that the department had adequate controls in place to adhere to supply chain management requirements.

26. The performance management system did not support the timeous submission of the annual performance report.

## **OTHER REPORTS**

### **Investigations in progress**

27. There are currently two investigations in progress relating to housing subsidies at the department. Furthermore, the department has 130 dockets relating to housing subsidies.

### **Investigations completed**

28. Seven investigations were completed during the financial year which relate to non-adherence to supply chain management requirements.

*Auditor - General*

Pietermaritzburg

31 July 2012



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**APPROPRIATION STATEMENT  
for the year ended 31 March 2012**

Appropriation per programme									
<i>APPROPRIATION STATEMENT</i>	2011/12						2010/11		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1. Administration</b>									
Current payment	113,454	9,303	(2,600)	120,157	113,978	6,179	94.9%	116,097	104,621
Transfers and subsidies	705	-	-	705	565	140	80.1%	1,100	872
Payment for capital assets	2,670	-	-	2,670	2,237	433	83.8%	3,077	2,143
Payment for financial assets	9,303	(9,303)	-	-	-	-		-	-
	126,132	-	(2,600)	123,532	116,780	6,752		120,274	107,636
<b>2. Housing needs, Research and Planning</b>									
Current payment	22,657	-	-	22,657	19,520	3,137	86.2%	21,636	18,154
Transfers and subsidies	-	-	-	-	-	-		1,240	-
Payment for capital assets	1,500	-	-	1,500	1,378	122	91.9%	2,242	668
Payment for financial assets	-	-	-	-	-	-		-	-
	24,157	-	-	24,157	20,898	3,259		25,118	18,822
<b>3. Housing Development</b>									
Current payment	136,319	-	-	136,319	68,361	67,958	50.1%	78,568	62,510
Transfers and subsidies	2,541,186	-	-	2,541,186	2,631,424	(90,238)	103.6%	2,336,264	2,557,241
Payment for capital assets	9,035	-	-	9,035	11,325	(2,290)	125.3%	32,888	27,477
Payment for financial assets	-	-	-	-	-	-		-	-
	2,686,540	-	-	2,686,540	2,711,110	(24,570)		2,447,720	2,647,228
<b>4. Housing Asset Management, Property Management</b>									
Current payments	97,436	-	-	97,436	96,180	1,256	98.7%	128,514	89,290
Transfers and subsidies	150,649	-	2,600	153,249	97,413	55,836	63.6%	390,758	226,256
Payment for capital assets	77	-	-	77	114	(37)	148.1%	172	5
Payment for financial assets	-	-	-	-	-	-		-	-

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**APPROPRIATION STATEMENT  
for the year ended 31 March 2012**

Appropriation per programme									
APPROPRIATION STATEMENT	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	248,162	-	2,600	250,762	193,707	57,055		519,444	315,551
<b>TOTAL</b>	<b>3,084,991</b>	-	-	3,084,991	3,042,495	42,496	98.6%	3,112,556	3,089,237

	2011/12			2010/11	
	Final Appropriation	Actual Expenditure		Final Appropriation	Actual Expenditure
<b>TOTAL (brought forward)</b>	<b>3,084,991</b>	<b>3,042,495</b>		<b>3,112,556</b>	<b>3,089,237</b>
<b>Reconciliation with statement of financial performance</b>					
<b>ADD</b>					
Departmental receipts	269,168			8,117	
<b>Actual amounts per statement of financial performance (total revenue)</b>	<b>3,354,159</b>			<b>3,120,673</b>	
<b>ADD</b>					
Aid assistance		-			618
<b>Actual amounts per statement of financial performance (total expenditure)</b>		<b>3,042,495</b>			<b>3,089,855</b>

**DEPARTMENT OF HUMAN SETTLEMENTS VOTE 8**  
**APPROPRIATION STATEMENT for the year ended 31 March 2012**

<b>Appropriation per economic classification</b>									
<b>2011/12</b>							<b>2010/11</b>		
	<b>Adjusted Appropriation</b>	<b>Shifting of Funds</b>	<b>Virement</b>	<b>Final Appropriation</b>	<b>Actual Expenditure</b>	<b>Variance</b>	<b>Expenditure as % of final appropriation</b>	<b>Final Appropriation</b>	<b>Actual expenditure</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>									
Compensation of employees	227,430	-	(2,600)	224,830	188,020	36,810	83.6%	184,786	174,805
Goods and services	142,436	9,303	-	151,739	110,019	41,720	72.5%	159,729	99,578
Interest and rent on land	-	-	-	-	-	-		300	192
<b>Transfers and subsidies</b>									
Provinces and municipalities	213,708	-	-	213,708	105,050	108,658	49.2%	536,818	353,589
Departmental agencies and accounts	-	-	-	-	-	-		-	-
Universities and technikons	-	-	-	-	-	-		-	-
Foreign governments and international organisations	-	-	-	-	-	-		-	-
Public corporations and private enterprises	-	-	-	-	-	-		-	-
Non-profit institutions	-	-	-	-	-	-		-	-
Households	2,478,832	-	2,600	2,481,432	2,624,352	(142,920)	105.8%	2,192,544	2,430,780
Gifts and donations	-	-	-	-	-	-		-	-
<b>Payments for capital assets</b>									
Buildings and other fixed structures	5,606	-	-	5,606	11,099	(5,493)	198.0%	32,528	27,477
Machinery and equipment	7,676	-	-	7,676	3,955	3,721	52.0%	5,572	2,537
Heritage assets	-	-	-	-	-	-		-	-
Specialised military assets	-	-	-	-	-	-		-	-
Biological assets	-	-	-	-	-	-		-	-
Land and subsoil assets	-	-	-	-	-	-		-	-
Software and other intangible assets	-	-	-	-	-	-		279	279
<b>Payments for financial assets</b>	9,303	(9,303)	-	-	-	-		-	-
<b>Total</b>	3,084,991	-	-	3,084,991	3,042,495	42,496	98.6%	3,112,556	3,089,237



**DEPARTMENT OF HUMAN SETTLEMENTS VOTE 8**  
**APPROPRIATION STATEMENT for the year ended 31 March 2012**

Detail per sub-programme - 1	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1.1 Corporate services</b>									
Current payment	113,454	9,303	(2,600)	120,157	113,978	6,179	94.9%	116,097	104,621
Transfers and subsidies	705	-	-	705	565	140	80.1%	1,100	872
Payment for capital assets	2,670	-	-	2,670	2,237	433	83.8%	3,077	2,143
Payment for financial assets	9,303	(9,303)	-	-	-	-		-	-
<b>Total</b>	<b>126,132</b>	<b>-</b>	<b>(2,600)</b>	<b>123,532</b>	<b>116,780</b>	<b>6,752</b>	<b>94.5%</b>	<b>120,274</b>	<b>107,636</b>

**DEPARTMENT OF HUMAN SETTLEMENTS VOTE 8**  
**APPROPRIATION STATEMENT for the year ended 31 March 2012**

Statutory Appropriation per economic classification									
2011/12								2010/11	
Program 1 Per Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	60,762	-	(2,600)	58,162	56,401	1,761	97.0%	56,293	54,064
Goods and services	52,692	9,303	-	61,995	57,577	4,418	92.9%	59,804	50,557
Interest and rent on land	-	-	-	-	-	-		-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	105	-	-	105	62	43	59.0%	100	57
Departmental agencies and accounts	-	-	-	-	-	-		-	-
Universities and technikons	-	-	-	-	-	-		-	-
Foreign governments and international organisations	-	-	-	-	-	-		-	-
Public corporations and private enterprises	-	-	-	-	-	-		-	-
Non-profit institutions	-	-	-	-	-	-		-	-
Households	600	-	-	600	503	97	83.8%	1000	815
Gifts and donations	-	-	-	-	-	-		-	-
<b>Payments for capital assets</b>									
Buildings and other fixed structures	-	-	-	-	-	-		-	-
Machinery and equipment	2,670	-	-	2,670	2,237	433	83.8%	2,798	1,864
Heritage assets	-	-	-	-	-	-		-	-
Specialised military assets	-	-	-	-	-	-		-	-
Biological assets	-	-	-	-	-	-		-	-
Land and subsoil assets	-	-	-	-	-	-		-	-
Software and other intangible assets	-	-	-	-	-	-		279	279
<b>Payments for financial assets</b>	9,303	(9,303)	-	-	-	-		-	-
<b>Total</b>	<b>126,132</b>	<b>-</b>	<b>(2,600)</b>	<b>123,532</b>	<b>116,780</b>	<b>6,752</b>	<b>94.5%</b>	<b>120,274</b>	<b>107,636</b>

**DEPARTMENT OF HUMAN SETTLEMENTS VOTE 8**  
**APPROPRIATION STATEMENT for the year ended 31 March 2012**

Detail per sub-programme - 2	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>2.1 Administration</b>									
Current payment	1,331	-	-	1,331	1,149	182	86.3%	1,202	1,067
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	16	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>2.2 Policy</b>									
Current payment	3,321	-	-	3,321	3,166	155	95.3%	3,149	2,918
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	76	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>2.3 Planning</b>									
Current payment	12,681	-	-	12,681	11,017	1,664	86.9%	10,753	10,747
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	1,500	-	-	1,500	1,378	122	91.9%	2,150	668
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>2.4 Research</b>									
Current payment	5,324	-	-	5,324	4,188	1,136	78.7%	6,532	3,422
Transfers and subsidies	-	-	-	-	-	-	-	1,240	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>24,157</b>	<b>-</b>	<b>-</b>	<b>24,157</b>	<b>20,898</b>	<b>3,259</b>	<b>86.5%</b>	<b>25,118</b>	<b>18,822</b>

**DEPARTMENT OF HUMAN SETTLEMENTS VOTE 8**  
**APPROPRIATION STATEMENT for the year ended 31 March 2012**

Economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	11,837	-	-	11,837	11,327	510	95.7%	11,490	10,624
Goods and services	10,820	-	-	10,820	8,193	2,627	75.7%	10,146	7,530
Interest and rent on land	-	-	-	-	-	-		-	-
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	-	-	-	-	-	-		1,240	-
Departmental agencies and accounts	-	-	-	-	-	-		-	-
Universities and technikons	-	-	-	-	-	-		-	-
Foreign governments and international organisations	-	-	-	-	-	-		-	-
Public corporations and private enterprises	-	-	-	-	-	-		-	-
Non-profit institutions	-	-	-	-	-	-		-	-
Households	-	-	-	-	-	-		-	-
Gifts and donations	-	-	-	-	-	-		-	-
<b>Payment for capital assets</b>									
Buildings and other fixed structures	-	-	-	-	-	-		-	-
Machinery and equipment	1,500	-	-	1,500	1,378	122	91.9%	2,242	668
Heritage assets	-	-	-	-	-	-		-	-
Specialised military assets	-	-	-	-	-	-		-	-
Biological assets	-	-	-	-	-	-		-	-
Land and subsoil assets	-	-	-	-	-	-		-	-
Software and other intangible assets	-	-	-	-	-	-		-	-
<b>Payments for financial assets</b>	-	-	-	-	-	-		-	-
<b>Total</b>	<b>24,157</b>	<b>-</b>	<b>-</b>	<b>24,157</b>	<b>20,898</b>	<b>3,259</b>	<b>86.5%</b>	<b>25,118</b>	<b>18,822</b>

**DEPARTMENT OF HUMAN SETTLEMENTS VOTE 8**  
**APPROPRIATION STATEMENT for the year ended 31 March 2012**

Detail per sub-programme - 3	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>3.1 Administration</b>									
Current payment	59,309	-	-	59,309	56,140	3,169	94.7%	54,572	54,425
Transfers and subsidies	590	-	-	590	622	(32)	105.4%	120	628
Payment for capital assets	6	-	-	6	15	(9)	250.0%	360	-
Payment for financial assets	-	-	-	-	-	-		-	-
<b>3.2 Financial Interventions</b>									
Current payment	77,010	-	-	77,010	12,221	64,789	15.9%	23,696	7,423
Transfers and subsidies	581,224	-	-	581,224	624,186	(42,962)	107.4%	307,592	456,760
Payment for capital assets	9,029	-	-	9,029	11,310	(2,281)	125.3%	32,528	27,477
Payment for financial assets	-	-	-	-	-	-		-	-
<b>3.3 Incremental Interventions</b>									
Current payment	-	-	-	-	-	-		300	662
Transfers and subsidies	796,852	-	-	796,852	961,162	(164,310)	120.6%	1,139,995	992,674
Payment for capital assets	-	-	-	-	-	-		-	-
Payment for financial assets	-	-	-	-	-	-		-	-
<b>3.4 Social and Rental Interventions</b>									
Current payment	-	-	-	-	-	-		-	-
Transfers and subsidies	134,331	-	-	134,331	142,563	(8,232)	106.1%	178,380	189,992
Payment for capital assets	-	-	-	-	-	-		-	-
Payment for financial assets	-	-	-	-	-	-		-	-
<b>3.5 Rural Interventions</b>									
Current payment	-	-	-	-	-	-		-	-
Transfers and subsidies	1,028,189	-	-	1,028,189	902,891	125,298	87.8%	710,177	917,187
Payment for capital assets	-	-	-	-	-	-		-	-
Payment for financial assets	-	-	-	-	-	-		-	-
<b>Total</b>	<b>2,686,540</b>	<b>-</b>	<b>-</b>	<b>2,686,540</b>	<b>2,711,110</b>	<b>(24,570)</b>	<b>100.9%</b>	<b>2,447,720</b>	<b>2,647,228</b>

**DEPARTMENT OF HUMAN SETTLEMENTS VOTE 8**  
**APPROPRIATION STATEMENT for the year ended 31 March 2012**

Program 3 Per Economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	87,535	-	-	87,535	60,133	27,402	68.7%	53,043	49,952
Goods and services	48,784	-	-	48,784	8,228	40,556	16.9%	25,225	12,366
Interest and rent on land	-	-	-	-	-	-		300	192
<b>Transfers and subsidies</b>									
Provinces and municipalities	65,108	-	-	65,108	19,372	45,736	29.8%	145,020	128,007
Departmental agencies and accounts	-	-	-	-	-	-		-	-
Universities and technikons	-	-	-	-	-	-		-	-
Foreign governments and international organisations	-	-	-	-	-	-		-	-
Public corporations and private enterprises	-	-	-	-	-	-		-	-
Non-profit institutions	-	-	-	-	-	-		-	-
Households	2,476,078	-	-	2,476,078	2,612,052	(135,974)	105.5%	2,191,244	2,429,234
Gifts and donations	-	-	-	-	-	-		-	-
<b>Payments for capital assets</b>									
Buildings and other fixed structures	5,529	-	-	5,529	11,022	(5,493)	199.3%	32,528	27,477
Machinery and equipment	3,506	-	-	3,506	303	3,203	8.6%	360	-
Heritage assets	-	-	-	-	-	-		-	-
Specialised military assets	-	-	-	-	-	-		-	-
Biological assets	-	-	-	-	-	-		-	-
Land and subsoil assets	-	-	-	-	-	-		-	-
Software and other intangible assets	-	-	-	-	-	-		-	-
<b>Payments for financial assets</b>	-	-	-	-	-	-		-	-
<b>Total</b>	<b>2,686,540</b>	<b>-</b>	<b>-</b>	<b>2,686,540</b>	<b>2,711,110</b>	<b>(24,570)</b>	<b>100.9%</b>	<b>2,447,720</b>	<b>2,647,228</b>

**DEPARTMENT OF HUMAN SETTLEMENTS VOTE 8**  
**APPROPRIATION STATEMENT for the year ended 31 March 2012**

Detail per sub-programme - 4	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>4.1 Administration</b>									
Current payment	69,564	-	-	69,564	62,446	7,118	89.8%	66,114	61,957
Transfers and subsidies	3,609	-	2,600	6,209	13,248	(7,039)	213.4%	300	731
Payment for capital assets	77	-	-	77	114	(37)	148.1%	172	5
Payment for financial assets	-	-	-	-	-	-		-	-
<b>4.2 Sale and Transfer of Housing Property</b>									
Current payment	1,739	-	-	1,739	1,105	634	63.5%	38,400	7,563
Transfers and subsidies	-	-	-	-	-	-		90,000	90,000
Payment for capital assets	-	-	-	-	-	-		-	-
Payment for financial assets	-	-	-	-	-	-		-	-
<b>4.3 Housing Properties Maintenance</b>									
Current payment	26,133	-	-	26,133	32,629	(6,496)	124.9%	24,000	19,770
Transfers and subsidies	147,040	-	-	147,040	84,165	62,875	57.2%	300,458	135,525
Payment for capital assets	-	-	-	-	-	-		-	-
Payment for financial assets	-	-	-	-	-	-		-	-
<b>Total</b>	<b>248,162</b>	<b>-</b>	<b>2,600</b>	<b>250,762</b>	<b>193,707</b>	<b>57,055</b>	<b>77.2%</b>	<b>519,444</b>	<b>315,551</b>

**DEPARTMENT OF HUMAN SETTLEMENTS VOTE 8**  
**APPROPRIATION STATEMENT for the year ended 31 March 2012**

Program 4 Per Economic classification	2011/12							2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	67,296	-	-	67,296	60,159	7,137	89.4%	63,960	60,165
Goods and services	30,140	-	-	30,140	36,021	(5,881)	119.5%	64,554	29,125
Interest and rent on land	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	148,495	-	-	148,495	85,616	62,879	57.7%	390,458	225,525
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	2,154	-	2,600	4,754	11,797	(7,043)	248.1%	300	731
Gifts and donations	-	-	-	-	-	-	-	-	-
<b>Payments for capital assets</b>									
Buildings and other fixed structures	77	-	-	77	77	-	100%	-	-
Machinery and equipment	-	-	-	-	37	(37)	-	172	5
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>248,162</b>	<b>-</b>	<b>2,600</b>	<b>250,762</b>	<b>193,707</b>	<b>57,055</b>	<b>77.2%</b>	<b>519,444</b>	<b>315,551</b>



**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**NOTES TO THE APPROPRIATION STATEMENT  
for the year ended 31 March 2012**

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

Detail of these transactions can be viewed in the note on Transfers and subsidies, disclosure notes and Annexure 1 (A-B) to the Annual Financial Statements.

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

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

**3. Detail on payments for financial assets**

Detail of these transactions per programme can be viewed in the note on Payments for financial assets to the Annual Financial Statements.

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

**4.1 Per Programme**

	Final Appropriation	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
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Programme name				
Programme 1: Administration	123,532	116,780	6,752	5%

Explanation of variance: Under expenditure is due to the delay in the filling of vacant funded posts, resulting from the lack of suitably qualified candidates, as well as the fact that the department is reviewing its organisational structure in line with the decentralisation of offices to district municipalities. Also, the department had budgeted to re-imburse the department of Public Works for the payment of office building leases, however, invoices were received late which also accounts for the underspending in this programme.

Programme name				
Programme 2 : Housing Planning And Research	24,157	20,898	3,259	13%

Explanation of variance : Under expenditure is mainly as a result of delay in the payment of IT related costs related to migration of the department's e-mail system from Groupwise to Microsoft outlook. The non- filling of the budgeted posts emanating from the lack of suitable candidates also accounts for the under expenditure.

Programme name				
Programme 3: Housing Development Implementation	2,686,540	2,711,110	(24,570)	(1%)

Explanation of variance: Over expenditure is due to the fact that the department fast-tracked delivery on certain high priority housing projects, such as Lakehaven and social housing project.

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**NOTES TO THE APPROPRIATION STATEMENT  
for the year ended 31 March 2012**

Programme name					
Programme 4: Housing Property Management	250,762	193,707	57,055	23%	

Explanation of variance: Under expenditure is due to the delay in the implementation of the rectification pre- 1994 housing stock, as NHBRC is currently in the process of compiling rectification scoping reports which will indicate exactly what rectification is to be done to which properties.

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

NOTES TO THE APPROPRIATION STATEMENT  
for the year ended 31 March 2012

4.2 Per Economic classification	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Appropriation R'000
<b>Current payments</b>	376,569	298,039	78,530	20.85%
Compensation of employees	224,830	188,020	36,810	16.37%
Goods and services	151,739	110,019	41,720	27.49%
Interest and rent on land	-	-	-	-
Financial transaction in assets and liabilities	-	-	-	-
Unauthorised expenditure approved	-	-	-	-
<b>Transfers and subsidies</b>	2,695,140	2,729,402	(34,262)	(1.27%)
Provinces and municipalities	213,708	105,050	108,658	50.84%
Departmental agencies and accounts	-	-	-	-
Universities and technikons	-	-	-	-
Public corporations and private enterprises	-	-	-	-
Foreign governments and international organisations	-	-	-	-
Non-profit institutions	-	-	-	-
Households	2,481,432	2,624,352	(142,920)	(5.76%)
Gifts and donations	-	-	-	-
<b>Payments for capital assets</b>	13,282	15,054	(1,772)	(13.34%)
Buildings and other fixed structures	5,606	11,099	(5,493)	(97.98%)
Machinery and equipment	7,676	3,955	3,721	48.48%
Heritage assets	-	-	-	-
Specialised military assets	-	-	-	-
Biological assets	-	-	-	-
Land and subsoil assets	-	-	-	-
Software and other intangible assets	-	-	-	-

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**NOTES TO THE APPROPRIATION STATEMENT  
for the year ended 31 March 2012**

**Current expenditure**

Explanation of variance: Compensation of employees – Under expenditure is due to the non filing of budgeted vacant posts due to a lack of suitably qualified candidates as well as the delay in finalising the restructuring process within the department.

Explanation of variance: Goods and services – Under expenditure is mainly as a result of delay in the establishment of the Project Management Unit (PMU) within the department. Delays were experienced in finalising the model to be utilised due to capacity constraints within the department. The Chief Operations Officer (COO) who is driving the programme assumed duties later during the financial year.

**Transfers and Subsidies**

Explanation of variance: Provinces and municipalities – Under expenditure is mainly as a result of delays in the implementation of the rectification of pre – 1994 housing stock. NHBRC was originally appointed to do the assessment and the implementation of this programme. Later during the year a decision was taken that NHBRC would not be involved in the implementation but will oversee the quality aspect on the programme. This resulted in the department having to start the process of procuring the services of project managers for the projects identified and the implementation was therefore delayed. There was also under expenditure on the CRU programme and the department is reviewing its strategy and policy matters.

Explanation of variance: Households – As result of slow progress in the CRU and rectification projects (as explained above), the department took a decision to utilise savings to acquire more land, in anticipation of outcome 8 targets with specific reference to the Informal Settlements Upgrade, Integrated Residential and the Finance linked (gap markets) programme. This then resulted in the overspending within this category.

**Payment for capital assets**

Explanation of variance: Building and other fixed structures – During the 2011/12 Adjustment Estimate, the budget against this category was reduced from R19.774 million to R5.606 million as a result of contractual challenges which resulted in slow delivery. Subsequently, most of these challenges were resolved and contractors went back to site and fast tracked delivery.

Explanation of variance: Machinery and equipment – Under expenditure is due to the department planning to purchase computers, vehicles and furniture for staff. However, due to delays in the review of its organisational structure in line with its decentralisation strategy, the purchase of these items did not go ahead.

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**STATEMENT OF FINANCIAL PERFORMANCE  
for the year ended 31 March 2012**

PERFORMANCE	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>REVENUE</b>			
Annual appropriation	<u>1</u>	3,084,991	3,112,556
Departmental revenue	<u>2</u>	269,168	8,117
<b>TOTAL REVENUE</b>		<u>3,354,159</u>	<u>3,120,673</u>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	<u>4</u>	188,021	174,805
Goods and services	<u>5</u>	110,019	99,578
Interest and rent on land	<u>6</u>	-	192
Aid assistance	<u>3</u>	-	618
<b>Total current expenditure</b>		298,040	275,193
<b>Transfers and subsidies</b>			
Transfers and subsidies	<u>7</u>	2,729,401	2,784,369
<b>Total transfers and subsidies</b>		2,729,401	2,784,369
<b>Expenditure for capital assets</b>			
Tangible capital assets	<u>8</u>	15,054	30,014
Software and other intangible assets	<u>8</u>	-	279
<b>Total expenditure for capital assets</b>		15,054	30,293
<b>TOTAL EXPENDITURE</b>		<u>3,042,495</u>	<u>3,089,855</u>
<b>SURPLUS FOR THE YEAR</b>		<u>311,664</u>	<u>30,818</u>
<b>Reconciliation of Net Surplus for the year</b>			
Voted funds		42,496	23,319
Annual appropriation		13,181	22,827
Conditional grants		29,315	492
Departmental revenue	<u>13</u>	269,168	8,117
Aid assistance	<u>3</u>	-	(618)
<b>SURPLUS FOR THE YEAR</b>		<u>311,664</u>	<u>30,818</u>

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**STATEMENT OF FINANCIAL POSITION  
as at 31 March 2012**

<i>POSITION</i>	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
<b>ASSETS</b>			
<b>Current assets</b>		230,471	232,288
Unauthorised expenditure	<u>9</u>	224,074	226,222
Cash and cash equivalents	<u>10</u>	50	3,120
Receivables	<u>11</u>	6,347	2,946
<b>TOTAL ASSETS</b>		<u>230,471</u>	<u>232,288</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		229,822	231,480
Voted funds to be surrendered to the Revenue Fund	<u>12</u>	66,530	222,234
Departmental revenue to be surrendered to the Revenue Fund	<u>13</u>	1,355	3,473
Bank overdraft	<u>14</u>	158,537	-
Payables	<u>15</u>	3,113	5,486
Aid assistance unutilised	<u>3</u>	287	287
<b>TOTAL LIABILITIES</b>		<u>229,822</u>	<u>231,480</u>
<b>NET ASSETS</b>		<u>649</u>	<u>808</u>
	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
<b>Represented by:</b>			
Recoverable revenue		649	808
<b>TOTAL</b>		<u>649</u>	<u>808</u>

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**STATEMENT OF CHANGES IN NET ASSETS  
for the year ended 31 March 2012**

<i>NET ASSETS</i>	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
<b>Recoverable revenue</b>			
Opening balance		808	796
Transfers:		(159)	12
Debts recovered		(813)	(222)
Debts raised		654	234
<b>Closing balance</b>		649	808

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**CASH FLOW STATEMENT  
for the year ended 31 March 2012**

<i>CASH FLOW</i>	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		3,353,463	3,119,778
Annual appropriated funds received	<u>1.1</u>	3,084,455	3,111,963
Departmental revenue received	<u>2</u>	269,008	7,815
Net (increase)/decrease in working capital		(3,626)	27,396
Surrendered to Revenue Fund		(493,520)	(107,598)
Surrendered to RDP Fund/Donor		-	(2,968)
Current payments		(273,470)	(275,193)
Transfers and subsidies paid		(2,729,401)	(2,784,369)
<b>Net cash flow available from operating activities</b>	<u>16</u>	(146,554)	(22,954)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	<u>8</u>	(15,054)	(30,293)
Proceeds from sale of capital assets	<u>2.3</u>	160	302
<b>Net cash flows from investing activities</b>		(14,894)	(29,991)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease)/increase in net assets		(159)	12
<b>Net cash flows from financing activities</b>		(159)	12
Net decrease in cash and cash equivalents		(161,607)	(52,933)
Cash and cash equivalents at beginning of period		3,120	56,053
<b>Cash and cash equivalents at end of period</b>	<u>17</u>	(158,487)	3,120



**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ACCOUNTING POLICIES  
for the year ended 31 March 2012**

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 1 of 2010.

**1. Presentation of the Financial Statements**

**1.1 Basis of preparation**

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

**1.2 Presentation currency**

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

**1.3 Rounding**

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

**1.4 Comparative figures**

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

**1.5 Comparative figures - Appropriation Statement**

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the Appropriation Statement.

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ACCOUNTING POLICIES  
for the year ended 31 March 2012**

**2. Revenue**

**2.1 Appropriated funds**

Appropriated funds comprises of departmental allocations as well as direct charges against revenue fund (i.e. statutory appropriation).

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

Unexpended appropriated funds are surrendered to the /Provincial Revenue Fund. Any amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised as payable in the statement of financial position.

Any amount due from the Provincial Revenue Fund at the end of the financial year is recognised as a receivable in the statement of financial position.

**2.2 Departmental revenue**

All departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the Provincial Revenue Fund, unless stated otherwise.

Any amount owing to the Provincial Revenue Fund at the end if the financial year is recognised as a payable in the statement of financial position.

No accrual is made for amounts receivable from the last receipt date to the end of the reporting period. These amounts are however disclosed in the disclosure notes to the annual financial statements.

**2.3 Direct Exchequer receipts**

All direct exchequer receipts are recognised in the statement of financial performance when the cash is received and is subsequently paid into the /Provincial Revenue Fund, unless stated otherwise.

Any amount owing to the Provincial Revenue Funds at the end of the financial year is recognised as a payable in the statement of financial position.

**2.4 Direct Exchequer payments**

All direct exchequer payments are recognised in the statement of financial performance when final authorisation for payment is effected on the system (by no later than 31 March of each year).

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ACCOUNTING POLICIES  
for the year ended 31 March 2012**

**2.5 Aid assistance**

Aids assistance is recognised as revenue when received

All in-kind aid assistance is disclosed at fair value on the date of receipt in the annexures to the Annual Financial Statements

The cash payments made during the year relating to aid assistance projects are recognised as expenditure in the statement of financial performance when final authorisation for payments is effected on the system (by no later than 31 March of each year)

The value of the assistance expensed prior to the receipt of funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using aid assistance and any unutilised amounts are recognised as payables in the statement of financial position.

All CARA funds received must be recorded as revenue when funds are received. The cash payments made during the year relating to CARA earmarked projects are recognised as expenditure in the statement of financial performance when final authorisation for payments effected on the system (by no later then 31 March of each year)

Inappropriately expensed amounts using CARA funds are recognised as payables in the statement of financial position. Any unutilised amounts are transferred to retained funds as they are not surrendered to the revenue fund.

**3. Expenditure**

**3.1 Compensation of employees**

**3.1.1 Salaries and wages**

Salaries and wages are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Other employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements at its face value and are not recognised in the statement of financial performance or position.

Employee costs are capitalised to the cost of a capital project when an employee spends more than 50% of his/her time on the project. These payments form part of expenditure for capital assets in the statement of financial performance.

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ACCOUNTING POLICIES  
for the year ended 31 March 2012**

**3.1.2 Social contributions**

Employer contributions to post employment benefit plans in respect of current employees are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

Employer contributions made by the department for certain of its ex-employees (such as medical benefits) are classified as transfers to households in the statement of financial performance.

**3.2 Goods and services**

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

The expense is classified as capital if the goods and/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5, 000). All other expenditures are classified as current.

Rental paid for the use of buildings or other fixed structures is classified as *goods and services* and not as *rent on land*.

**3.3 Interest and rent on land**

Interest and rental payments are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

**3.4 Payments for financial assets**

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or under-spending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but an estimate is included in the disclosure notes to the financial statements amounts.

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

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**3.5 Transfers and subsidies**

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

**3.6 Unauthorised expenditure**

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

Unauthorised expenditure approved with funding is derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the statement of financial performance on the date of approval.

**3.7 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

**3.8 Irregular expenditure**

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

**4. Assets**

**4.1 Cash and cash equivalents**

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

Bank overdrafts are shown separately on the face of the statement of financial position.

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

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**4.2 Other financial assets**

Other financial assets are carried in the statement of financial position at cost.

**4.3 Prepayments and advances**

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and are derecognised as and when the goods/services are received or the funds are utilised.

Prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

**4.4 Receivables**

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentially irrecoverable are included in the disclosure notes.

**4.5 Investments**

Capitalised investments are shown at cost in the statement of financial position.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

**4.6 Loans**

Loans are recognised in the statement of financial position when the cash is paid to the beneficiary. Loans that are outstanding at year-end are carried in the statement of financial position at cost plus accrued interest.

Amounts that are potentially irrecoverable are included in the disclosure notes.

**4.7 Inventory**

Inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

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All inventory items at year-end are reflected using the weighted average cost or FIFO cost formula.

**4.8 Capital assets**

**4.8.1 Movable assets**

**Initial recognition**

A capital asset is recorded in the asset register on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

All assets acquired prior to 1 April 2002 are included in the register R1.

**Subsequent recognition**

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as "expenditure for capital assets" and is capitalised in the asset register of the department on completion of the project.

Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

**4.8.2 Immovable assets**

**Initial recognition**

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.

**Subsequent recognition**

Work-in-progress of a capital nature is recorded in the statement of financial performance as "expenditure for capital assets". On completion, the total cost of the project is included in the asset register of the department that is accountable for the asset.

Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

**4.8.3 Intangible assets**

**Initial recognition**

An intangible asset is recorded in the asset register on receipt of the item at cost. Cost of an intangible asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the intangible asset is stated at fair value. Where fair value cannot be determined, the intangible asset is included in the asset register at R1.

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All intangible assets acquired prior to 1 April 2002 can be included in the asset register at R1.\*

**Subsequent expenditure**

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as “expenditure for capital asset” and is capitalised in the asset register of the department.

Maintenance is expensed as current “goods and services” in the statement of financial performance.

**5. Liabilities**

**5.1 Payables**

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

**5.2 Contingent liabilities**

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

**5.3 Contingent assets**

Contingent assets are included in the disclosure notes to the financial statements when it is probable that an inflow of economic benefits will flow to the entity.

**5.4 Commitments**

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

**5.5 Accruals**

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



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**5.6 Employee benefits**

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

**5.7 Lease commitments**

**Finance lease**

Finance leases are not recognised as assets and liabilities in the statement of financial position. Finance lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

**Operating lease**

Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statement.

**5.8 Impairment**

The department tests for impairment where there is an indication that a receivable, loan or investment may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at year-end. Impairments on investments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows / service potential flowing from the instrument.

**5.9 Provisions**

Provisions are disclosed when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

**6. Receivables for departmental revenue**

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements.

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**7. Net Assets**

**7.1 Capitalisation reserve**

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National/Provincial Revenue Fund when the underlying asset is disposed and the related funds are received.

**7.2 Recoverable revenue**

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National/Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

**8. Related party transactions**

Specific information with regards to related party transactions is included in the disclosure notes.

**9. Key management personnel**

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

**10. Public private partnerships**

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes.

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**1 ANNUAL APPROPRIATION**

**1.1 Annual Appropriation**

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Departments (Voted funds) and Provincial Departments:

	<b>Final Appropriation R'000</b>	<b>2011/12 Actual Funds Received R'000</b>	<b>Funds not requested/ not received R'000</b>	<b>2010/11 Appropriation received R'000</b>
Administration	123,532	123,532	-	120,274
Housing Needs, Research and Planning	24,157	24,157	-	25,118
Housing Development	2,686,540	2,686,004	536	2,447,127
Housing Assets Management, Property Management	250,762	250,762	-	519,444
<b>Total</b>	<u>3,084,991</u>	<u>3,084,455</u>	<u>536</u>	<u>3,111,963</u>

**1.2 Conditional grants**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Total grants received	32	<u>2,801,547</u>	<u>2,845,526</u>

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**2 DEPARTMENTAL REVENUE**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Tax revenue			
Sales of goods and services other than capital assets	2.1	474	387
Interest, dividends and rent on land	2.2	(20)	46
Sales of capital assets	2.3	160	302
Transactions in financial assets and liabilities	2.4	268,554	7,382
<b>Departmental revenue collected</b>		<b><u>269,168</u></b>	<b><u>8,117</u></b>

**2.1 Sales of goods and services other than capital assets**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Sales of goods and services produced by the department	<u>2</u>		
Sales by market establishment		249	-
Other sales		225	384
Sales of scrap, waste and other used current goods		-	3
<b>Total</b>		<b><u>474</u></b>	<b><u>387</u></b>

**2.2 Interest, dividends and rent on land**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Interest	<u>2</u>	(20)	46
<b>Total</b>		<b><u>(20)</u></b>	<b><u>46</u></b>

**2.3 Sale of capital assets**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>Tangible assets</b>			
Machinery and equipment	29.2	160	302
<b>Total</b>		<b><u>160</u></b>	<b><u>302</u></b>

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**2.4 Transactions in financial assets and liabilities**

	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
	<u>2</u>	<b>R'000</b>	<b>R'000</b>
Stale cheques written back		-	1
Other Receipts including Recoverable Revenue		268,554	7,381
<b>Total</b>		<b><u>268,554</u></b>	<b><u>7,382</u></b>

**3 AID ASSISTANCE**

**3.1 Aid assistance received in cash from other sources**

	<b>2011/12</b>	<b>2010/11</b>
	<b>R'000</b>	<b>R'000</b>
<b>Foreign</b>		
Opening Balance	287	3,873
Revenue	-	-
Expenditure		(618)
Current	<span style="border: 1px solid black; padding: 0 5px;">-</span>	<span style="border: 1px solid black; padding: 0 5px;">(618)</span>
Surrendered to the donor	-	(2,968)
<b>Closing Balance</b>	<b><u>287</u></b>	<b><u>287</u></b>

**3.2 Total assistance**

	<b>2011/12</b>	<b>2010/11</b>
	<b>R'000</b>	<b>R'000</b>
Opening Balance	287	3,873
Revenue	-	-
Expenditure		(618)
Current	<span style="border: 1px solid black; padding: 0 5px;">-</span>	<span style="border: 1px solid black; padding: 0 5px;">(618)</span>
Surrendered to the donor	-	(2,968)
<b>Closing Balance</b>	<b><u>287</u></b>	<b><u>287</u></b>

**3.3 Analysis of balance**

	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Other sources		287	287
<b>Closing balance</b>		<b><u>287</u></b>	<b><u>287</u></b>

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**4 COMPENSATION OF EMPLOYEES**

**4.1 Salaries and Wages**

	<i>Note</i> 4	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Basic salary		130,647	120,379
Performance award		23	1,959
Service Based		1,211	334
Compensative/circumstantial		409	1,057
Periodic payments		3,546	2,707
Other non-pensionable allowances		25,938	23,195
<b>Total</b>		<b>161,774</b>	<b>149,631</b>

**4.2 Social contributions**

	<i>Note</i> 4	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>Employer contributions</b>			
Pension		16,496	15,990
Medical		9,711	9,142
Bargaining council		40	42
<b>Total</b>		<b>26,247</b>	<b>25,174</b>
<b>Total compensation of employees</b>		<b>188,021</b>	<b>174,805</b>
Average number of employees		<b>740</b>	<b>820</b>

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**5 GOODS AND SERVICES**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Administrative fees		12	189
Advertising		2,529	1,545
Assets less than R5,000	<u>5.1</u>	168	161
Bursaries (employees)		79	123
Catering		333	436
Communication		5,546	5,213
Computer services	<u>5.2</u>	6,849	7,055
Consultants, contractors and agency/outsourced services	<u>5.3</u>	8,099	15,826
Entertainment		13	31
Audit cost – external	<u>5.4</u>	3,529	3,278
Fleet services		3,261	-
Inventory	<u>5.5</u>	6,798	3,107
Operating leases		19,588	18,571
Property payments	5.6	34,384	25,657
Transport provided as part of the departmental activities		54	16
Travel and subsistence		7,422	5,544
Venues and facilities		10,489	11,808
Training and staff development		249	462
Other operating expenditure	5.7	617	556
<b>Total</b>		<b><u>110,019</u></b>	<b><u>99,578</u></b>

**5.1 Assets less than R5,000**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>Tangible assets</b>	<u>5</u>		
Machinery and equipment		168	161
<b>Total</b>		<b><u>168</u></b>	<b><u>161</u></b>

**5.2 Computer services**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
SITA computer services	<u>5</u>	6,021	6,357
External computer service providers		828	698
<b>Total</b>		<b><u>6,849</u></b>	<b><u>7,055</u></b>

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**5.3 Consultants, contractors and agency/outsourced services**

	<i>Note</i> <u>5</u>	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Business and advisory services		1,535	14,050
Infrastructure and planning		20	1
Legal costs		5,104	911
Contractors		409	177
Agency and support/outsourced services		1,031	687
<b>Total</b>		<b>8,099</b>	<b>15,826</b>

**5.4 Audit cost – External**

	<i>Note</i> <u>5</u>	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Regularity audits		3,352	3,080
Computer audits		177	198
<b>Total</b>		<b>3,529</b>	<b>3,278</b>

**5.5 Inventory**

	<i>Note</i> <u>5</u>	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Learning and teaching support material		184	32
Food and food supplies		60	6
Fuel, oil and gas		12	1
Other consumable materials		520	444
Materials and supplies		4,826	1,728
Stationery and printing		999	829
Medical supplies		197	67
<b>Total</b>		<b>6,798</b>	<b>3,107</b>

**5.6 Property payments**

	<i>Note</i> <u>5</u>	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Municipal services		22,519	15,087
Property maintenance and repairs		8,269	7,540
Other		3,596	3,030
<b>Total</b>		<b>34,384</b>	<b>25,657</b>



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**5.7 Other operating expenditure**

	<i>Note</i> <u>5</u>	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Learnerships		-	136
Resettlement costs		33	-
Other		584	420
<b>Total</b>		<u>617</u>	<u>556</u>

**6 INTEREST AND RENT ON LAND**

	<i>Note</i>	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Interest paid		-	192
<b>Total</b>		<u>-</u>	<u>192</u>

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**7 TRANSFERS AND SUBSIDIES**

		<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Provinces and municipalities	<i>Note</i> 33/ Annex 1A	105,051	353,590
Households	Annex 1B	2,624,350	2,430,779
<b>Total</b>		<b><u>2,729,401</u></b>	<b><u>2,784,369</u></b>
Unspent funds transferred to the above beneficiaries		<b>1,025,059</b>	<b>646,000</b>

**8 EXPENDITURE FOR CAPITAL ASSETS**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>Tangible assets</b>		15,054	30,014
Buildings and other fixed structures	31.1	11,099	27,477
Machinery and equipment	29.1	3,955	2,537
<b>Software and other intangible assets</b>		-	279
Computer software	30.1	-	279
<b>Total</b>		<b><u>15,054</u></b>	<b><u>30,293</u></b>

**8.1 Analysis of funds utilised to acquire capital assets – 2011/12**

	<b>Voted funds R'000</b>	<b>Total R'000</b>
<b>Tangible assets</b>	15,054	15,054
Buildings and other fixed structures	11,099	11,099
Machinery and equipment	3,955	3,955
<b>Total</b>	<b><u>15,054</u></b>	<b><u>15,054</u></b>

**8.2 Analysis of funds utilised to acquire capital assets – 2010/11**

	<b>Voted funds R'000</b>	<b>Total R'000</b>
<b>Tangible assets</b>	30,014	30,014
Buildings and other fixed structures	27,477	27,477
Machinery and equipment	2,537	2,537
<b>Software and other intangible assets</b>	279	279
Computer software	279	279
<b>Total</b>	<b><u>30,293</u></b>	<b><u>30,293</u></b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**9 UNAUTHORISED EXPENDITURE**

**9.1 Reconciliation of unauthorised expenditure**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Opening balance		226,222	52,557
Unauthorised expenditure – discovered in current year	12	24,570	199,508
Less: Amounts approved by Parliament/Legislature with funding		(17,415)	(16,540)
Less: Amounts approved by Parliament/Legislature without funding and written off in the Statement of Financial Performance		(9,303)	(9,303)
Current		(9,303)	(9,303)
<b>Unauthorised expenditure awaiting authorisation</b>		<b>224,074</b>	<b>226,222</b>

**9.2 Analysis of unauthorised expenditure awaiting authorisation per economic classification**

	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Current	-	26,714
Transfers and subsidies	224,074	199,508
<b>Total</b>	<b>224,074</b>	<b>226,222</b>

**9.3 Analysis of unauthorised expenditure awaiting authorisation per type**

	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Unauthorised expenditure relating to overspending of the vote or a main division within a vote	224,074	226,222
<b>Total</b>	<b>224,074</b>	<b>226,222</b>

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**9.4 Details of unauthorised expenditure – current year**

Incident	Reason	2011/12 R'000
Programme 3	Fast-tracking delivery on certain high priority housing projects	24,570
<b>Total</b>		<u><u>24,570</u></u>

**10 CASH AND CASH EQUIVALENTS**

	<i>Note</i>	2011/12 R'000	2010/11 R'000
Consolidated Paymaster General Account		-	3,070
Cash on hand		50	50
<b>Total</b>		<u><u>50</u></u>	<u><u>3,120</u></u>

**11 RECEIVABLES**

	<i>Note</i>	2011/12			R'000 Total	2010/11 R'000 Total
		R'000 Less than one year	R'000 One to three years	R'000 Older than three years		
Claims recoverable	11.1	4,680	-	-	4,680	1,067
	Annex 3					
Staff debt	11.2	467	88	312	867	1,823
Other debtors	11.3	13	787	-	800	56
<b>Total</b>		<u><u>5,160</u></u>	<u><u>875</u></u>	<u><u>312</u></u>	<u><u>6,347</u></u>	<u><u>2,946</u></u>

#

**DEPARTMENT OF HUMAN SETTLEMENTS  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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11.1 Claims recoverable  
#

	<i>Note</i> 11	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Provincial departments		4,680	1,067
<b>Total</b>		<b><u>4,680</u></b>	<b><u>1,067</u></b>

11.2 Staff debt

	<i>Note</i> 11	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Salary Debts		428	351
Bursary Debts		166	216
Other		<u>273</u>	<u>1,256</u>
<b>Total</b>		<b><u>867</u></b>	<b><u>1,823</u></b>

11.3 Other debtors

	<i>Note</i> 11	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Salary: Tax Debt		13	11
Salary: Deduction Disallowance Debt		-	45
Suppliers Overpayments		<u>787</u>	<u>-</u>
<b>Total</b>		<b><u>800</u></b>	<b><u>56</u></b>

**12 VOTED FUNDS TO BE SURRENDERED TO THE REVENUE FUND**

	<i>Note</i>	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Opening balance		222,234	98,482
Transfer from statement of financial performance		42,496	23,319
Add: Unauthorised expenditure for current year	<u>9</u>	24,570	199,508
Voted funds not received	<u>1.1</u>	(536)	(593)
Paid during the year		<u>(222,234)</u>	<u>(98,482)</u>
<b>Closing balance</b>		<b><u>66,530</u></b>	<b><u>222,234</u></b>

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**13 DEPARTMENTAL REVENUE TO BE SURRENDERED TO THE REVENUE  
FUND**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Opening balance		3,473	4,472
Transfer from Statement of Financial Performance		269,168	8,117
Paid during the year		<u>(271,286)</u>	<u>(9,116)</u>
<b>Closing balance</b>		<b><u>1,355</u></b>	<b><u>3,473</u></b>

**14 BANK OVERDRAFT**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Consolidated Paymaster General Account		<u>158,537</u>	<u>-</u>
<b>Total</b>		<b><u>158,537</u></b>	<b><u>-</u></b>

**15 PAYABLES – CURRENT**

	<i>Note</i>	<b>2011/12 Total</b>	<b>2010/11 Total</b>
Clearing accounts	<u>15.1</u>	1,266	185
Other payables	<u>15.2</u>	<u>1,847</u>	<u>5,301</u>
<b>Total</b>		<b><u>3,113</u></b>	<b><u>5,486</u></b>

15.1 Clearing accounts

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Salary Related		1,244	38
Pension Related		22	146
Bursary debt duplicated		<u>-</u>	<u>1</u>
<b>Total</b>		<b><u>1,266</u></b>	<b><u>185</u></b>

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15.2 Other payables

	<i>Note</i> 15	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
KwaZulu-Natal Housing Fund		707	4,196
Salary Related debts		35	-
eThekwin Municipality		1,105	1,105
<b>Total</b>		<b><u>1,847</u></b>	<b><u>5,301</u></b>

**16 NET CASH FLOW AVAILABLE FROM OPERATING ACTIVITIES**

	<i>Note</i>	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Net surplus as per Statement of Financial Performance		311,664	30,818
Add back non cash/cash movements not deemed operating activities		(458,218)	(53,772)
(Increase)/decrease in receivables – current		(3,401)	2,825
Decrease in prepayments and advances		-	45
Decrease in other current assets		26,718	25,843
Decrease in payables – current		(2,373)	(1,317)
Proceeds from sale of capital assets		(160)	(302)
Expenditure on capital assets		15,054	30,293
Surrenders to Revenue Fund		(493,520)	(107,598)
Surrenders to donor		-	(2,968)
Voted funds not received		(536)	(593)
<b>Net cash flow generated by operating activities</b>		<b><u>(146,554)</u></b>	<b><u>(22,954)</u></b>

**17 RECONCILIATION OF CASH AND CASH EQUIVALENTS FOR CASH FLOW PURPOSES**

	<i>Note</i>	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Consolidated Paymaster General account		(158,537)	3,070
Cash on hand		50	50
<b>Total</b>		<b><u>(158,487)</u></b>	<b><u>3,120</u></b>

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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

**18 Contingent liabilities and contingent assets**

**18.1 Contingent liabilities**

<b>Liable to</b>	<b>Nature</b>	<i>Note</i> 18	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Housing loan guarantees	Employees	Annex 2A	55	127
Claims against the department		Annex 2B	122,180	354,452
Other departments (interdepartmental unconfirmed balances)		Annex 4	112	907
<b>Total</b>			<b><u>122,347</u></b>	<b><u>355,486</u></b>

**19 Commitments**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000 Restated</b>
<b>Current expenditure</b>			
Approved and contracted		5,832	15,945
Approved but not yet contracted		11,468	1,403
		17,300	17,348
<b>Capital expenditure</b>			
Approved and contracted		13,696,185	9,498,787
Approved but not yet contracted		1,204,111	1,647,048
		14,900,296	11,145,835
<b>Total Commitments</b>		<b><u>14,917,596</u></b>	<b><u>11,163,183</u></b>

Most of the commitments are for a period of longer than one year.
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**DEPARTMENT OF HUMAN SETTLEMENTS  
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**20 Accruals**

<b>Listed by economic classification</b>	<b>2011/12</b>			<b>2010/11</b>
	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>	<b>R'000</b>
Goods and services	9,618	80	9,698	4,085
Transfers and subsidies	120,687	17,310	137,997	85,986
Capital assets	-	-	-	340
<b>Total</b>	<b>130,305</b>	<b>17,390</b>	<b>147,695</b>	<b>90,411</b>

<b>Listed by programme level</b>	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Programme 1 – Administration		5,717	2,739
Programme 2 – Housing Needs, research and Planning		122	1,362
Programme 3 – Housing Development		140,115	86,135
Programme 4 – Housing Assets Management, Property Management		1,741	175
<b>Total</b>		<b>147,695</b>	<b>90,411</b>

<b>Confirmed balances with other departments</b>	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Confirmed balances with other departments	<i>Annex 4</i>	1,209	2,372
<b>Total</b>		<b>1,209</b>	<b>2,372</b>

**21 Employee benefits**

	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Leave entitlement		8,966	8,816
Service bonus (Thirteenth cheque)		9,750	5,095
Performance awards		1,607	-
Capped leave commitments		27,611	31,019
<b>Total</b>		<b>47,934</b>	<b>44,930</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**22 Lease commitments**

**22.1 Operating leases expenditure**

	<b>Buildings and other fixed structures</b>	<b>Machinery and equipment</b>	<b>Total</b>
<b>2011/12</b>			
Not later than 1 year	16,587	623	17,210
Later than 1 year and not later than 5 years	62,768	499	63,267
Later than five years	-	-	-
<b>Total lease commitments</b>	<b>79,355</b>	<b>1,122</b>	<b>80,477</b>

	<b>Buildings and other fixed structures</b>	<b>Machinery and equipment</b>	<b>Total</b>
<b>2010/11</b>			
Not later than 1 year	11,481	528	12,009
Later than 1 year and not later than 5 years	3,115	836	3,951
Later than five years	-	-	-
<b>Total lease commitments</b>	<b>14,596</b>	<b>1,364</b>	<b>15,960</b>

**22.2 Finance leases expenditure\*\***

	<b>Machinery and equipment</b>	<b>Total</b>
<b>2011/12</b>		
Not later than 1 year	2,127	2,127
Later than 1 year and not later than 5 years	-	-
Later than five years	-	-
<b>Total lease commitments</b>	<b>2,127</b>	<b>2,127</b>
LESS: finance costs	20	20
<b>Total present value of lease liabilities</b>	<b>2,107</b>	<b>2,107</b>

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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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	<b>Machinery and equipment</b>	<b>Total</b>
<b>2010/11 - Restated</b>		
Not later than 1 year	1,786	1,786
Later than 1 year and not later than 5 years	1,747	1,747
Later than five years	-	-
<b>Total lease commitments</b>	<u>3,533</u>	<u>3,533</u>
LESS: finance costs	76	76
<b>Total present value of lease liabilities</b>	<u><u>3,457</u></u>	<u><u>3,457</u></u>

**23 Receivables for departmental revenue**

	<i>Note</i> <b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Transactions in financial assets and liabilities	<u>15,722</u>	<u>14,804</u>
<b>Total</b>	<u><u>15,722</u></u>	<u><u>14,804</u></u>

**23.1 Analysis of receivables for departmental revenue**

	<i>Note</i> <b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Opening balance	14,804	10,476
Less: amounts received	4,804	2,564
Add: amounts recognised	<u>5,722</u>	<u>6,892</u>
<b>Closing balance</b>	<u><u>15,722</u></u>	<u><u>14,804</u></u>

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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**24 Irregular expenditure**

**24.1 Reconciliation of irregular expenditure**

	<i>Note</i> 24	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Opening balance		381,511	-
Add: Irregular expenditure – relating to prior year		1,321	310,463
Add: Irregular expenditure – relating to current year		19,492	71,048
<b>Irregular expenditure awaiting condonation</b>		<b><u>402,324</u></b>	<b><u>381,511</u></b>

**Analysis of awaiting condonation per age classification**

Current year	19,492	71,048
Prior years	382,832	310,463
<b>Total</b>	<b><u>402,324</u></b>	<b><u>381,511</u></b>

No irregular expenditure was condoned during the financial year review, awaiting feed back from Provincial Treasury. The R 11,678 million of the R 19,492 million shown as irregular expenditure for the current year relates to projects that were declared as irregular in the previous year. These projects are of a long term nature.

**24.2 Details of irregular expenditure – current year**

<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>	<b>2011/12</b> <b>R'000</b>
Deviation from calling of bids – these projects relate to the previous financial years – they are of a long term nature.		11,678
Deviation from calling of bids		7,814
<b>Total</b>		<b><u>19,492</u></b>

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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**25 Fruitless and wasteful expenditure**

**25.1 Reconciliation of fruitless and wasteful expenditure**

	<i>Note</i> 25	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Opening balance		300	108
Fruitless and wasteful expenditure – relating to prior year		15,325	192
Fruitless and wasteful expenditure – relating to current year		9,538	-
Less: amounts resolved		24,863	-
<b>Fruitless and wasteful expenditure awaiting condonement</b>		<b>300</b>	<b>300</b>

**25.2 Analysis of awaiting condonement per economic classification**

	<b>2011/12</b> <b>R'000</b>	<b>2010/11</b> <b>R'000</b>
Current	300	300
<b>Total</b>	<b>300</b>	<b>300</b>

**25.3 Analysis of Current year's Fruitless and wasteful expenditure**

Surplus staff – Ex – R 293	9,538
	<b>9,538</b>

<p>The amount of R 15,325 million relates to the prior year respect of the surplus staff – ex – R 293. The said expenditure of R 24,863 million was condoned by the Accounting officer in the year under review.</p>
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**26 Related party transactions**

<b>Payments made</b>	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000 Restated</b>
Compensation of employees		51,544	53,043
Goods and services		35,315	28,603
Transfers		97,402	226,189
<b>Total</b>		<u><u>184,946</u></u>	<u><u>307,835</u></u>
	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>Year end balances arising from revenue/payments</b>			
Payables to related parties		707	4,196
<b>Total</b>		<u><u>707</u></u>	<u><u>4,196</u></u>

*List related party relationships*

The department of Human Settlements controls the Kwa-Zulu Natal Housing Fund. The said fund does not have its own account. All monies received by the said fund are deposited in the department's bank account.

The Kwa-Zulu Natal Housing Fund does not receive funding from the National department of Human Settlements. The Provincial Department of Human Settlements pays for its expenses in terms of Dora. The said payments are paid from the funding allocated to programme 4 – R 184.261 million (2010/11 – R 307.835 million). The department provides a free service to the Kwa-Zulu Natal Housing Fund. The department of Human Settlements – KZN and Department of Public Works – KZN, falls under the same MEC's portfolio. The Department pays Public Works for rental R 19.583 million.

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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**27 Key management personnel**

	<b>No. of Individuals</b>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
Political office bearers (provide detail below)			
Officials:			
Level 15 to 16	3	2,921	1,937
Level 14 (incl. CFO if at a lower level)	2	1,462	825
<b>Total</b>		<b><u>4,383</u></b>	<b><u>2,762</u></b>

**28 Impairment**

	<i>Note</i>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>Impairment</b>			
Debtors		76	62
<b>Total</b>		<b><u>76</u></b>	<b><u>62</u></b>

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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**29 Movable Tangible Capital Assets**

**MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012**

	Opening balance	Curr Year Adjust- ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>27,245</b>	-	<b>4,079</b>	<b>1,573</b>	<b>29,751</b>
Transport assets	13,258	-	2,018	692	14,584
Computer equipment	9,413	-	1,628	133	10,908
Furniture and office equipment	4,372	-	404	748	4,028
Other machinery and equipment	202	-	29	-	231
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>27,245</b>	-	<b>4,079</b>	<b>1,573</b>	<b>29,751</b>



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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**29.1 Additions**

**ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012**

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>3,955</b>	<b>197</b>	-	<b>(73)</b>	<b>4,079</b>
Transport assets	2,018	-	-	-	2,018
Computer equipment	1,701	-	-	(73)	1,628
Furniture and office equipment	207	197	-	-	404
Other machinery and equipment	29	-	-	-	29
<b>TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>3,955</b>	<b>197</b>	-	<b>(73)</b>	<b>4,079</b>

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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**29.2 Disposals**

**DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012**

	Sold for cash  R'000	Transfer out or destroyed or scrapped  R'000	Total disposals  R'000	Cash Received Actual  R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>692</b>	<b>881</b>	<b>1,573</b>	<b>160</b>
Transport assets	692	-	692	160
Computer equipment	-	133	133	-
Furniture and office equipment	-	748	748	-
<b>TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>692</b>	<b>881</b>	<b>1,573</b>	<b>160</b>

**29.3 Movement for 2010/11**

**MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011**

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>26,471</b>	<b>2,914</b>	<b>2,140</b>	<b>27,245</b>
Transport assets	13,111	1,730	1,583	13,258
Computer equipment	8,471	1,018	76	9,413
Furniture and office equipment	4,692	161	481	4,372
Other machinery and equipment	197	5	-	202
<b>TOTAL MOVABLE TANGIBLE ASSETS</b>	<b>26,471</b>	<b>2,914</b>	<b>2,140</b>	<b>27,245</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**29.4 Minor assets**

**MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2012**

	<b>Machinery and equipment R'000</b>	<b>Total  R'000</b>
Opening balance	4,066	4,066
Current Year Adjustments to Prior Year balances	150	150
Additions	907	907
Disposals	390	390
<b>TOTAL MINOR ASSETS</b>	<b><u>4,733</u></b>	<b><u>4,733</u></b>
	<b>Machinery and equipment</b>	<b>Total</b>
Number of R1 minor assets	7	7
Number of minor assets at cost	3	3
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b><u>10</u></b>	<b><u>10</u></b>

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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**29.5 MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED AS AT 31 MARCH 2011**

	<b>Machinery and equipment R'000</b>	<b>Total  R'000</b>
Assets written off	39	39
<b>TOTAL MOVABLE ASSETS WRITTEN OFF</b>	<b>39</b>	<b>39</b>
	<b>Machinery and equipment</b>	<b>Total</b>
Number of R1 minor assets	7	7
Number of minor assets at cost	2	2
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>9</b>	<b>9</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**30 Intangible Capital Assets**

**MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012**

	Opening balance	Current Year Adjust- ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	1,308	-	-	-	1,308
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>1,308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,308</b>

**30.1 Movement for 2010/11**

**MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011**

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	1,029	279	-	1,308
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>1,029</b>	<b>279</b>	<b>-</b>	<b>1,308</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**31 Immovable Tangible Capital Assets**

**MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012**

	Opening balance	Curr Year Adjust- ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>					
Other fixed structures	-	-	76	-	76
<b>TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>-</b>	<b>76</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012**

**31.1 Additions**

**ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012**

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>BUILDING AND OTHER FIXED STRUCTURES</b>					
Other fixed structures	11,099	-	(11,023)	-	76
<b>TOTAL ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>11,099</b>	<b>-</b>	<b>(11,023)</b>	<b>-</b>	<b>76</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012**

**32 STATEMENT OF CONDITIONAL GRANTS RECEIVED**

NAME OF DEPARTMENT	GRANT ALLOCATION					SPENT			2010/11 - Restated	
	Division of Revenue Act/ Provincial Grants	Roll Overs	DORA Adjustments	Other Adjustments	Total Available	Amount received by department	Amount spent by department	% of available funds spent by department	Division of Revenue Act	Amount spent by department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Integrated Housing Fund and Human Settlement Development	2,769,871	-	-	-	2,769,871	2,769,871	2,769,871	100%	2,711,133	2,711,234
Housing Disaster Relief Grant	31,140	-	-	-	31,140	31,140	2,361	8%	133,800	133,800
EPWP	536	-	-	-	536	-	-		593	-
	<b>2,801,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,801,547</b>	<b>2,801,011</b>	<b>2,772,232</b>		<b>2,845,526</b>	<b>2,845,034</b>

We hereby certify that all monies allocated to the Department of Human Settlements, is in respect of the above mentioned grants, were deposited into the Departments primary bank account.



**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012**

**33. STATEMENT OF UNCONDITIONAL GRANTS PAID TO THE PROVINCES**

NAME PROVINCE GRANT	OF /	GRANT ALLOCATION				TRANSFER		SPENT			2010/11
		Amount	Roll Overs	Other Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Amount received by department	Amount spent by department	% of available funds spent by department	Division of Revenue Act
		R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Transport – KZN – Motor Vehicle Licence		63	-	-	63	63	100	63	63	100	-
		<b>63</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>63</b>		<b>63</b>	<b>63</b>		<b>-</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012**

**ANNEXURE 1A  
STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES**

NAME MUNICIPALITY	OF	GRANT ALLOCATION				TRANSFER			SPENT			2010/11	
		Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re- allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act	
		R'000	R'000	R'000		R'000	R'000	%	R'000	R'000	%	R'000	
eThekwini		140,500	-	-	140,500	82,035	-	-	82,035	82,088	100%	336,412	
Vulamehlo		-	-	-	-	-	-	-	-	-		8	
Umdoni		30	-	-	30	43	-	-	43	43		4	
Hibiscus Coast		-	-	-	-	19	-	-	19	19		15	
uMshwathi		110	-	-	110	80	-	-	80	80	100%	87	
uMngeni		160	-	-	160	144	-	-	144	144	100%	56	
Msunduzi		6,000	-	-	6,000	2,390	-	-	2,390	2,390	100%	8,520	
Richmond		30	-	-	30	21	-	-	21	21	100%	18	
Emnambithi/Ladysmith		70	-	-	70	57	-	-	57	57	100%	51	
Umtshezi		-	-	-	-	-	-	-	-	-		7	
Umvoti		-	-	-	-	-	-	-	-	-		3	
Newcastle		-	-	-	-	-	-	-	-	-		17	
UMhlathuze		1,700	-	-	1,700	827	-	-	827	827	100%	8,392	
KwaDukuza		65,098	-	-	65,098	19,372	-	-	19,372	19,372	100%	-	
<b>Total</b>		<b>213,698</b>	<b>-</b>	<b>-</b>	<b>213,698</b>	<b>104,988</b>	<b>-</b>	<b>-</b>	<b>104,988</b>	<b>105,041</b>		<b>353,590</b>	

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012**

**ANNEXURE 1B  
STATEMENT OF TRANSFERS TO HOUSEHOLDS**

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2010/11
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
<b>Transfers</b>							
Project Linked	975,355	-	-	975,355	933,441	96%	1,189,527
Individual	61,051	-	-	61,051	71,989	118%	35,043
Consolidation	-	-	-	-	-		1,215
Institutional	14,555	-	-	14,555	123,191	846%	5,992
Rural support	1,028,189	-	-	1,028,189	906,527	88%	917,187
Emergency Housing	287,528	-	-	287,528	148,881	52%	274,729
Informal Settlements Upgrade	90,253	-	-	90,253	125,002	139%	-
Peoples Housing Process	18,567	-	-	18,567	302,398	1,629%	4,919
Other	3,334	-	2,600	5,934	12,921	218%	2,167
<b>Total</b>	<b>2,478,832</b>	<b>-</b>	<b>2,600</b>	<b>2,481,432</b>	<b>2,624,350</b>		<b>2,430,779</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012**

**ANNEXURE 1C  
STATEMENT OF AID ASSISTANCE RECEIVED**

NAME OF DONOR	PURPOSE	OPENING BALANCE R'000	REVENUE R'000	EXPENDI- TURE R'000	CLOSING BALANCE R'000
<b>Received in cash</b>					
Flanders	Capacity Building – Phase 1	287	-	-	287
<b>TOTAL</b>		<b>287</b>	<b>-</b>	<b>-</b>	<b>287</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012**

**ANNEXURE 1D**

**STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE**

NATURE OF GIFT, DONATION OR SPONSORSHIP	2011/12	2010/11
	R'000	R'000
<b>Remissions, refunds, and payments made as an act of grace</b>		
Excess and damages paid on motor vehicles and property	-	3
Other	-	2
<b>TOTAL</b>	<b>-</b>	<b>5</b>

DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012

**ANNEXURE 2A**  
**STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2012 – LOCAL**

Guarantor institution	Guarantee respect of	in	Original guaranteed capital amount	Opening balance 1 April 2011	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2012	Guaranteed interest for year ended 31 March 2012	Realised losses not recoverable i.e. claims paid out
			R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
ABSA	Housing		-	14	-	-	-	14	-	-
First National Bank	Housing		-	54	-	27	-	27	-	-
Ithala	Housing		-	29	-	29	-	-	-	-
Nedperm/Old Mutual	Housing		-	16	-	16	-	-	-	-
Standard	Housing		-	14	-	-	-	14	-	-
<b>TOTAL</b>			<b>-</b>	<b>127</b>	<b>-</b>	<b>72</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>-</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012**

**ANNEXURE 2B  
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2012**

Nature of Liability	Opening Balance  1 April 2011 R'000	Liabilities incurred during the year R'000	Liabilities paid/cancell ed/reduced during the year R'000	Liabilities recoverabl e (Provide details hereunder) R'000	Closing Balance 31 March 2012 R'000
<b>Claims against the department</b>					
Breach of Contract	122,210	-	30	-	122,180
Liability Dispute	232,242	-	232,242	-	-
<b>TOTAL</b>	<b>354,452</b>	<b>-</b>	<b>232,272</b>	<b>-</b>	<b>122,180</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012**

**ANNEXURE 3  
CLAIMES RECOVERABLE**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
Public Works	-	-	-	17	-	17
Co-operative Governance & Traditional Affairs - KZN	-	35	4,652	-	4,652	35
Transport – Limpopo	-	-	-	9	-	9
Provincial Treasury – KZN	-	1,006	-	-	-	1,006
Human Settlements – National	-	-	6	-	6	-
Office of the Premier – KZN	22	-	-	-	22	-
<b>TOTAL</b>	<b>22</b>	<b>1,041</b>	<b>4,658</b>	<b>26</b>	<b>4,680</b>	<b>1,067</b>



**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012**

**ANNEXURE 4  
INTER-GOVERNMENT PAYABLES**

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	R'000	R'000	R'000	R'000	R'000	R'000
<b>DEPARTMENTS</b>						
<b>Current</b>						
Transport – KZN	8	-	-	-	8	-
Public Works – KZN	401	1,960	81	657	482	2,617
Justice & Constitutional Development	359	146	31	250	390	396
Office of the Premier – KZN	441	225	-	-	441	225
Provincial Treasury - KZN	-	41	-	-	-	41
<b>Total</b>	<b>1,209</b>	<b>2,372</b>	<b>112</b>	<b>907</b>	<b>1,321</b>	<b>3,279</b>

**DEPARTMENT OF HUMAN SETTLEMENTS  
VOTE 8**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2012**

**ANNEXURE 5  
INVENTORY**

<b>Inventory</b>	<i>Note</i>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
Opening balance		1,702,726	4,848,124
Less: Adjustments to prior year balance		-	(3,464,664)
Add: Additions/Purchases - Cash		2,411,359	2,124,114
Less: Issues		(1,963,866)	(1,804,848)
<b>Closing balance</b>		<b>2,150,219</b>	<b>1,702,726</b>

KWAZULU-NATAL HOUSING FUND

ANNUAL FINANCIAL STATEMENTS

# PART D

# ANNUAL FINANCIAL

# STATEMENTS

# KZN HOUSING FUND

Report by the Accounting Officer to the Executive Authority and KwaZulu-Natal Provincial Legislature

**1. General review of the state of financial affairs**

The KwaZulu-Natal Housing Fund is dormant and receives no funding from the National Department of Human Settlements.

**2. General**

The Housing Act, Act no.107 of 1997 that governs the Housing Fund is currently in the process of being amended at a national level in order to dis-establish the National Housing Fund. Once the said act has been amended the KwaZulu-Natal Department of Housing will be in a position to amend the KwaZulu-Natal Housing Act 12 of 1998, to allow for the de-establishment of the KwaZulu-Natal Housing Fund and to transfer all its assets and liabilities to the KwaZulu-Natal Department of Human Settlements.

The KwaZulu-Natal Housing fund is in the process of being cleaned-up and significant progress has been made to date. No recommended changes have been made to the fund thus far; the reason being is that all recommended changes has to be vetted prior to it being enacted into the fund.

During the financial year 3 investigations were underway and these investigations are at various stages of completion.

**3. Events after the reporting date**

No significant events have occurred after the reporting date that will materially affect the information presented in the annual financial statements.

**Approval**

The attached annual financial statements set out in pages 185 to 209 have been approved by the Accounting Officer.

  
\_\_\_\_\_  
**ACTING ACCOUNTING OFFICER  
KWAZULU-NATAL HOUSING FUND**

15/08/2012.  
**DATE**

**REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE  
ON THE KWAZULU-NATAL HOUSING FUND  
REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the financial statements of the KwaZulu-Natal Housing Fund set out on pages 185 to 209, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

**Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the KwaZulu-Natal Housing Act, 1998 (Act No. 12 of 1998), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor-General's responsibility**

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

**Basis for adverse opinion**

**Property, plant and equipment**

6. Property, plant and equipment as disclosed in note 10 to the annual financial statements to an amount of R165,746 million (2010-11: R168,140 million) includes properties for which the ownership did not vest with the fund. A further 167 properties to the value of R4,893 million,

which were subject to the suspensive sale arrangements, were erroneously included in the property, plant and equipment register.

7. Furthermore, GRAP 17 states that where an asset is acquired at no cost, or for a nominal cost, such cost shall be measured at its fair value as at the date of acquisition. Of 13 026 properties recorded in the fixed assets register of the fund, 1 563 properties are recorded at zero value, while 1 082 properties were recorded at nominal values. Consequently, property, plant and equipment are understated by an unknown amount.
8. In terms of the accounting policy of the fund, properties are stated at both cost and market value, which is contrary to GRAP 17 as the standard requires only one method to be selected and applied to the entire class of property, plant and equipment.
9. The fund did not assess property, plant and equipment at the reporting date for indications of impairment as required by GRAP 21. Also, no review had been conducted on the residual values of property, plant and equipment at the reporting date as required by GRAP 17.

#### **Receivables**

10. GRAP 13 requires lessors to recognise lease payments receivable under a finance lease as assets in their statement of financial position. Also, the standard outlines specific disclosure requirements for finance leases. Suspensive sale debtors to the amount of R384,776 million (2010-11: R370,628 million) were not presented in line with GRAP 13 (measurement and presentation requirements).
11. Included in suspensive sale debtors of R384,776 million (2010-11: R370,628 million) are debtors whose properties had already been transferred to owners. Consequently, suspensive sale debtors have been overstated.
12. Included in receivables is interest which had exceeded the capital portion, contrary to the requirements of section 103(5)(d) of the National Credit Act. Consequently, receivables have been overstated.

#### **Revaluation reserve**

13. I was unable to obtain sufficient appropriate audit evidence to satisfy myself on the existence of revaluation reserve of R103,352 million as disclosed in note 13.1 to the financial statements. I was unable to confirm the existence of the revaluation reserve by alternative means.

#### **Adverse opinion**

14. In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, the financial statements do not present fairly, the financial position of the KwaZulu-Natal Housing Fund as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA and the KwaZulu-Natal Housing Act, 1998 (Act No. 12 of 1998).

#### **Emphasis of matters**

15. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Restatement of corresponding figures**

16. As disclosed in note 16 to the financial statements, the corresponding figures for 31 March 2011 have been restated as a result of an error discovered during 2012 in the financial statements of the KwaZulu-Natal Housing Fund at, and for the year ended 31 March 2011.

### **Going concern**

17. As disclosed in note 19 to financial statements, MINMEC had approved the disestablishment of the provincial housing funds in 2003 subsequent to the introduction of the Division of Revenue Act (DoRA). The Housing Act, 1997 (Act No. 107 of 1997) is yet to be amended to give effect to the disestablishment of the Housing Fund. This factor, amongst others, indicates a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

### **Material impairments**

18. As disclosed in note 6 to the financial statements, the KwaZulu-Natal Housing Fund had impaired receivables to the amount of R409,087 million (2010-11: R392,042 million) which had been outstanding for more than 12 months.

### **Irregular expenditure**

19. As disclosed in note 19 to the financial statements, irregular expenditure amounting to R6,976 million was identified during the year under review due to non-compliance with supply chain management requirements.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

20. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### **Predetermined objectives**

21. I was unable to conduct the audit of performance against predetermined objectives as the fund is not required to prepare a report on its performance against predetermined objectives.

### **Compliance with laws and regulations**

22. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

### **Annual financial statements, performance and annual reports**

23. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1) of the PFMA. Material misstatements in capital assets, receivables and disclosure items identified by the auditors were not adequately corrected, which resulted in the financial statements receiving an adverse opinion.

### **Revenue management**

24. The accounting officer did not take effective and appropriate steps to timeously collect all money due to the Fund as per the requirements of TR 11.2.1.

### **Internal control**

25. I considered internal control relevant to my audit of the financial statements and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for adverse opinion, and the findings on compliance with laws and regulations included in this report.

### **Financial and performance management**

26. The accounting officer has not developed and implemented a system that is appropriate to facilitate the preparation of fairly presented financial statements. Proper records were not maintained to ensure information to support financial statements was readily available.

27. Insufficient reviews were performed on information supporting the preparation of the annual financial statements. Monitoring systems to ensure that financial data is valid, accurate and complete are inadequate.

### **OTHER REPORTS**

#### **Investigations**

28. During the financial year, three investigations into allegations regarding various housing projects were finalised, which led to the dismissal of officials.

*Auditor - General*

Pietermaritzburg

31 July 2012



**A U D I T O R - G E N E R A L**  
**S O U T H A F R I C A**

*Auditing to build public confidence*



**KWAZULU-NATAL HOUSING FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2012**

	Note	2011/12 R'000	2010/11 R'000 Restated
<b>ASSETS</b>			
<b>Current assets</b>		49,494	51,482
Inventory	4.6	4,067	1,334
Receivables and prepayments	6	22,874	24,106
Provincial Revenue Fund	7	21,846	21,846
Department of Human Settlements	9 / 17.1	707	4,196
<b>Non-current assets</b>		165,746	168,140
Land and Buildings	5 / 10	165,746	168,140
<b>TOTAL ASSETS</b>		<u>215,240</u>	<u>219,622</u>
<b>LIABILITIES</b>			
<b>Current liability</b>		7,720	8,222
Accounts Payable	8	7,720	8,222
<b>TOTAL LIABILITY</b>		<u>7,720</u>	<u>8,222</u>
<b>NET ASSETS</b>		<u>207,520</u>	<u>211,400</u>
<b>Represented by:</b>		207,520	211,400
Accumulated Funds		104,168	108,048
Non - Distributable Reserve		103,352	103,352
<b>TOTAL</b>		<u>207,520</u>	<u>211,400</u>

**KWAZULU-NATAL HOUSING FUND**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**AT 31 MARCH 2012**

	Note	2011/12 R'000	2010/11 R'000 Restated
<b>REVENUE</b>	2	2,637	3,875
<b>OTHER REVENUE</b>	3	195,397	428,826
<b>TOTAL REVENUE</b>		198,034	432,701
<b>EXPENDITURE</b>	4	201,311	341,409
<b>NET (LOSS)/SURPLUS FOR THE YEAR</b>		(3,277)	91,292
<b>TRANSFERRED TO ACCUMULATED FUNDS</b>		3,277	(91,292)
		-	-

**KWAZULU-NATAL HOUSING FUND**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**AT 31 MARCH 2012**

	<b>Note</b>	<b>2011/12 R'000</b>	<b>2010/11 R'000 Restated</b>
<b>Accumulated Funds</b>			
Balance at beginning of the year as previously stated		108,048	117,278
Fundamental error	16		(2,431)
Prior year adjustment	6 / 14	-	(98,091)
Balance at beginning of the year restated (10/11)		108,048	16,756
Transfer from LI Suspense	6.1 / 12.1	(603)	-
Net (loss)/surplus for the year transferred from statement of financial performance		(3,277)	91,292
Closing balance		<u>104,168</u>	<u>108,048</u>
<b>Non - Distributable Reserve</b>			
Revaluation Reserve	13.1	<u>103,352</u>	<u>103,352</u>
<b>TOTAL</b>		<u>207,520</u>	<u>211,400</u>

**KWAZULU-NATAL HOUSING FUND**

**CASH FLOW STATEMENT  
AT 31 MARCH 2012**

	<b>Note</b>	<b>2011/12 R'000</b>	<b>2010/11 R'000 Restated</b>
<b>CASH FLOW UTILISED FOR OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Debtors: -			
- Sold		2,456	2,808
- Rental		878	-
- Individual Loan		35	106
-Transfers received from Department of Human Settlements		184,261	307,835
<b>Expenditure</b>			
Payments			
- Clean-up of Housing Fund		3,604	-
- Commission on post office receipts		56	68
- Funded by Department of Human Settlements		184,261	307,835
- Recoverable rates		2,382	1,675
- Recoverable maintenance		380	-
- Refunds		35	-
<b>Net cash flows from operating activities</b>		<b>(3,088)</b>	<b>1,171</b>
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>			
Decrease in Accumulated Funds		(825)	(2,696)
Acquisition of Property	5	(825)	(2,133)
		-	(563)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>			
Decrease in clearing accounts	6.1	3,913	1,525
Decrease in in Department of Human Settlements	9	424	158
		3,489	1,367
<b>Net increase in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>-</b>	<b>-</b>

## KWAZULU-NATAL HOUSING FUND

### ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 55(1) (b) of the Public Finance Management Act, (Act No.1 of 1999 as amended by Act No. 29 of 1999). Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GRAP. The accounting policies are applied consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements.

#### **1. Presentation of the Financial Statements**

##### **1.1 Basis of preparation**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for financial instruments that have been measured at fair value.

##### **1.2 Presentation currency**

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

##### **1.3 Rounding**

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

##### **1.4 Comparative figures**

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

##### **1.5 Revenue**

###### **1.5.1 Net Revenue**

The net cash revenue received is surrendered to the Provincial Revenue Fund.

###### **1.5.2 Revenue recognition**

Represents interest charged on suspensive sale debtors at various rates, admin fees charged at a fixed and rental charged at a pre-determined formula.

Rentals are recognised on a straight-line basis over the term on the lease agreement. Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment.

Revenue from the sale of good is recognised when all the following conditions have been satisfied:

## KWAZULU-NATAL HOUSING FUND

### ACCOUNTING POLICIES

- the Fund has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Fund retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.6 Going concern assumption

These annual financial statements are prepared on the basis that the Fund will remain a going concern for the foreseeable future.

#### 1.7 Impairment of financial assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value.

After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

#### 1.8 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of the net revenue. The write off occurs at year-end or when funds are available. Provision is made for irrecoverable amounts.

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

#### 1.9 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

#### 1.10 Irregular expenditure

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

## KWAZULU-NATAL HOUSING FUND

### ACCOUNTING POLICIES

#### Assets

#### 1.11 Property, plant and equipment

Property, plant and equipment are tangible items that:

- Are held for the use in the production or supply of goods and services, for rental to others or for administrative purposes; and
- Are expected to be used during more than one period.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Land and buildings are stated in the statement of financial position at cost with certain of the properties stated at market or municipal valuation.

The revaluation increase arising on the revaluation of such land and buildings is credited in equity to revaluation reserve.

Properties in the course of construction for purpose of sale and rental, are carried at cost, less any recognised impairment loss.

The property portfolio held by the Fund is purely residential by nature and is not depreciated but is evaluated on an annual basis to determine any impairment that should be recognised. Where applicable, depreciation on all other assets is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The annual depreciation rates are based on the following estimated useful lives.

	<u>Years</u>
Land & Buildings (Residential)	0
Buildings (administration)	30
Office equipment	3-7
Furniture and fittings	7-10

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or services potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance

## KWAZULU-NATAL HOUSING FUND

### ACCOUNTING POLICIES

#### 1.12 Prepayments and advances

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

#### 1.13 Receivables and prepayments

Receivables and prepayments, included in the statement of financial position comprises rental debtors, suspensive sale debtors and individual loan debtors.

Receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible, it is written off in terms of the Fund's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

#### Liabilities

#### 1.14 Payables

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

#### 1.15 Contingent liabilities

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

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

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

Contingent liabilities are included in the notes.



## KWAZULU-NATAL HOUSING FUND

### ACCOUNTING POLICIES

#### 1.16 Commitments

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

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

#### Net Assets

#### 1.17 Accumulated Funds

Accumulated Funds comprise amounts recognised as receivables and other assets raised.

#### 1.18 Non-Distributable Reserve

Non-distributable reserves comprise revaluations to immovable property.

#### 1.19 Related party transactions

Related parties are entities that control or significantly influence the fund in making financial and operating decisions. Specific information with regards to related party transactions is included in the notes.

#### 1.20 Inventory

Inventories are stated at cost or net realisable value. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the time of acquisition.

All inventory items at year-end are reflected using the FIFO cost formula.

**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

		<b>2011/12 R'000</b>		<b>2010/11 R'000</b>
<b>2 Revenue</b>				
Admin fees received		133		116
Profit on sale of properties to debtors		1,022		816
Rent received from rental debtors		1,482		2,943
<b>Total</b>		<b>2,637</b>		<b>3,875</b>
<b>3 Other Revenue</b>				
Decrease in provision for doubtful debts	6	-		77,609
Interest received on suspensive sale and individual loan debtors		11,136		43,382
Transfers received from Department of Human settlements		184,261		307,835
<b>Total</b>		<b>195,397</b>		<b>428,826</b>
<b>4 Expenditure</b>				
<b>4.1 Funded by the KwaZulu-Natal Housing Fund:</b>		24,712		32,050
Clean-up of Housing Fund		6,976		-
Commissions paid on post office receipts		56		68
EEDBS - capital adjustments / rebates / write-offs		87		(39)
Increase in provision for doubtful debts	6	17,045		-
Induplum interest write back		-		18,065
Subsidies given to debtors on receipt of instalments		448		13,956

KWAZULU-NATAL HOUSING FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012

	Note	2011/12 R'000	2010/11 R'000 Restated
<b>4.2</b>			
<b><i>Funded by the Department of Human settlements:</i></b>		176,599	309,359
<b>Compensation of employees</b>			
Salaries and wages			
Basic salary		36,668	38,212
Performance awards		106	643
Service Based		923	128
Compensative/circumstantial		-	94
Periodic payments		-	170
Other non-pensionable allowances		5,968	5,753
<b>Total</b>		<b>43,665</b>	<b>45,000</b>
Social Contributions			
Employer contributions			
Pension		4,688	4,923
Medical		3,174	3,101
bargaining council		17	19
<b>Total</b>		<b>7,879</b>	<b>8,043</b>
<b>Total compensation of employees</b>		<b>51,544</b>	<b>53,043</b>

**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

	<b>Note</b>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>Goods and services</b>			
Advertising		5	1
Assets less than R5,000	4.3	79	1
Catering		5	-
Communication		254	242
Computer services	4.4	101	77
Consultants, contractors and agency/outsourced services	4.5	1,950	8,392
Inventory	4.6	2,970	2,249
Operating leases		42	22
Property payments	4.7	21,864	18,818
Transport provided as part of the departmental activities		1	-
Travel and subsistence		328	323
Venues and facilities		13	-
Other operating expenditure		41	2
<b>Total</b>		<u>27,653</u>	<u>30,127</u>
<b>Transfers and subsidies</b>			
Provinces and municipalities	4.8	85,616	225,525
Households	4.9	11,786	664
<b>Total</b>		<u>97,402</u>	<u>226,189</u>
<b>Total expenditure</b>		<u>201,311</u>	<u>341,409</u>
<b>4.3 Assets less than R5,000</b>			
<b>Tangible assets</b>			
Machinery and equipment		46	1
Office furniture		33	-
<b>Total</b>		<u>79</u>	<u>1</u>

KWAZULU-NATAL HOUSING FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012

	Note	2011/12 R'000	2010/11 R'000 Restated
<b>4.4 Computer services</b>			
External computer service providers		101	77
<b>Total</b>		101	77
<b>4.5 Consultants, contractors and agency/outsourced services</b>			
Business and advisory services		1,174	8,215
Infrastructure and planning		20	-
Legal costs		241	177
Contractors		280	-
Agency and support/outsourced services		235	-
<b>Total</b>		1,950	8,392
<b>4.6 Inventory</b>			
<b>Opening balance</b>		1,334	1,567
Fuel, oil and gas		12	1
Other consumables		516	256
Materials and supplies		5,147	1,718
Stationery and printing		28	41
<b>Closing balance</b>		(4,067)	(1,334)
<b>Total</b>		2,970	2,249

**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

	<b>2011/12 R'000</b>	<b>2010/11 R'000 Restated</b>
<b>4.7 Property payments</b>		
Municipal services	17,764	9,757
Property maintenance and repairs	4,100	9,061
<b>Total</b>	<u>21,864</u>	<u>18,818</u>
<b>4.8 Provinces and municipalities</b>		
Claims against the state	-	3
Property maintenance and rectification	77,252	210,000
Rates and taxes	8,364	15,524
	<u>85,616</u>	<u>225,527</u>
<b>4.9 Households</b>		
Employee benefits	11,797	662
	<u>11,797</u>	<u>662</u>

**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

**5 Property, plant and equipment**

	<b>2012</b>		<b>2011</b>	
	<b>R'000</b>		<b>R'000</b>	
	<b>Cost</b>	<b>Carrying value</b>	<b>Cost</b>	<b>Carrying value</b>
Land & Building	165,746	165,746	168,140	168,140

**Reconciliation of property, plant and equipment - 2012**

	<b>Opening balance</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Total</b>
Land & Building	168,140	-	2,394	165,746

**Reconciliation of property, plant and equipment - 2011**

	<b>Opening balance</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Total</b>
Land & Building	168,017	563	440	168,140

Property comprises of vacant land, commercial and residential (serviced and unserviced) land and buildings. Certain commercial land is stated at market / municipal values.

**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

	<b>Note</b>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>6 Receivables and prepayments</b>			
Clearing accounts	6.1	(98)	326
Rental debtors	6.2	46,847	44,980
Suspensive sale debtors	6.3	385,212	370,842
Less: provision for doubtful debts	3 / 4	<u>(409,087)</u>	<u>(392,042)</u>
		<u>22,874</u>	<u>24,106</u>
<b>6.1 Clearing Accounts</b>			
LI Suspense		(272)	160
Inter departmental transactions		-	3
Post Office		174	163
		<u>(98)</u>	<u>326</u>
<b>6.2 Rental debtors</b>		<u>46,847</u>	<u>44,980</u>
<p>These debtors are in respect of rentals owing by individuals on properties rented.</p>			
<b>6.3 Suspensive sale debtors</b>		385,212	370,842
Individual loans		5,567	5,339
Debtors contra		436	214
Sold properties	6.1	379,209	365,289



**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**6.3.1** These debtors are in respect of sales of individual properties where the monthly repayment is over a 30 year period. Ownership is transferred immediately with respect to individual loans and with respect to sold properties ownership is transferred on repayment of the loan in full.

**6.3.2** No induplum interest was written back during the current financial year (R 18.06 million - 2010/11).

**6.3.3** Enhanced extended discount benefit scheme (EEDBS)

The KwaZulu-Natal Housing Fund as emarked on a drive to promote the EEDBS policy. This policy encourages the debtors to take advantage of the said policy. This policy is directed at indigent people and it also promotes home ownership.

**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

	<b>Note</b>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>7 Provincial Revenue Fund</b>			
Balance at beginning of the year		<u>21,846</u>	<u>21,846</u>
 <b>8 Accounts Payable</b>			
Trade Creditors		3,732	5,289
Debtors' Credit Balances		<u>3,988</u>	<u>2,933</u>
		<u>7,720</u>	<u>8,222</u>
 <b>9 Department of Human Settlements</b>		<u>707</u>	<u>4,196</u>

The KwaZulu-Natal Housing Fund does not have its own bank account. All its cash transactions are done via the Department of Human Settlements bank account.

**10 Property, plant and equipment**

The Housing Fund did not acquired property, plant and equipment during the year under review (2010/11 - R 563).

**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>11 Reconciliation of net cash flows from operating activities to (deficit) / surplus</b>		
<b>(deficit) / Surplus</b>	(3,277)	91,292
<b>Non - cash movements</b>		
<b>Revenue</b>		
admin fees received	133	116
profit on sale of properties to debtors	1,022	816
rent received from rental debtors	1,482	2,943
Decrease in provision for doubtful debts	-	77,609
Interest received on suspensive sale and individual loan debtors	11,136	43,382
	(17,050)	(33,574)

KWAZULU-NATAL HOUSING FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012

	Note	2011/12 R'000	2010/11 R'000 Restated
<b>11 Reconciliation of net cash flows from operating activities to deficit (continued)</b>		<b>(17,050)</b>	<b>(33,574)</b>
<b>Expenditure</b>			
(Decrease) / increase in trade accruals		(4,929)	1,291
Clean-up of Housing Fund - accrual		3,372	-
EEDBS - capital adjustments / rebates / write offs		187	(39)
Increase in provision for doubtful debts		17,045	-
(Increase) / decrease in inventory		(2,733)	233
Induplum interest write back		-	18,065
Subsidies given to debtors on receipt of instalments		448	13,956
		<u>(3,660)</u>	<u>(68)</u>
<b>Cash receipts and expenditure</b>			
Receipts from debtors		3,369	2,914
Recoverable expenditure relating to debtors		2,797	1,675
<b>Net cash flows from operating activities</b>		<u><u>(3,088)</u></u>	<u><u>1,171</u></u>

**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>12 Accumulated Funds</b>	<u>603</u>	<u>-</u>
<b>12.1</b> Correction of transactions that did not interface from the LI suspense account.		
<b>13 Non-Distributable Reserve</b>	<u>103,352</u>	<u>103,352</u>
<b>13.1</b> This item relates to certain commercial and industrial land and buildings that were revalued to market / municipal values.		
<b>14 Prior Year Adjustment</b>	<u>-</u>	<u>98,091</u>
The prior year adjustment arose as a result the induplum interest write back relating to prior years did not interface in the 2009/10 financial year, also the net rental receipts were transferred to the Department of Human Settlements.		

**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

<b>15 Commitment</b>	<b>2011/12 R'000</b>	<b>2010/11 R'000</b>
<b>Current expenditure</b>		
Approved and contracted for	12,623	10,385
Approved and not contracted for	<u>18,184</u>	<u>1,100</u>
	<u><u>30,807</u></u>	<u><u>11,485</u></u>
<b>Capital expenditure</b>		
Approved and contracted for	74,700	69,984
Approved and not contracted for	<u>1,300,000</u>	<u>42,840</u>
	<u><u>1,374,700</u></u>	<u><u>112,824</u></u>
<b>Total commitments</b>	<u><u>1,405,507</u></u>	<u><u>124,309</u></u>
	<b>Note</b>	<b>2011/12 R'000</b>
		<b>2010/11 R'000 Restated</b>

**16 Correction of Prior Period Error**

The Fund did not account for all its income and expenditure in terms of GRAP. GRAP. The said omission resulted in adjustments being made to amounts amounts previously reported in the annual financial statements of the Fund arising fund arising from the implementation of GRAP standards: -

**Net loss for the year**

Balance as previously reported	92,816
Increase in expenditure funded by the Department of Human Settlements	1,291
Opening inventory	1,567
Closing inventory	<u>1,334</u>
Balance as currently reported	<u><u>91,292</u></u>

**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

	<b>2011/12</b>	<b>2010/11</b>
	<b>R'000</b>	<b>R'000</b>
		<b>Restated</b>
<b>Accumulated Funds</b>		
Balance as previously reported		111,789
Increase in expenditure funded by the Department of Human Settlements- 2009/10		3,998
Increase in expenditure funded by the Department of Human Settlements- 2010/11		1,291
Closing inventory		<u>1,334</u>
Balance as currently reported		<u><u>107,834</u></u>
<b>Current liability</b>		
Balance as previously reported		2,933
Trade creditors		<u>5,289</u>
Balance as currently reported		<u><u>8,222</u></u>
<b>Inventory</b>		
Balance as previously reported		-
Inventory		<u>1,567</u>
Balance as currently reported		<u><u>1,567</u></u>

**17 Related party transactions**

The following related parties were identified

<b>17.1</b>	Department of Human Settlements	<u><u>707</u></u>	<u><u>4,196</u></u>
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The Department of Human Settlements controls the KwaZulu-Natal Housing Fund. The said fund does not have its own bank account. All monies received by the said fund is deposited in the Departments bank account

**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

	<b>2011/12</b>	<b>2010/11</b>
	<b>R'000</b>	<b>R'000</b>
		<b>Restated</b>
<b>17.2</b> Transfers received from the Department of Human Settlements	<u>184,261</u>	<u>307,835</u>

The KwaZulu-Natal Housing Fund does not receive any funding from the National Department of Human Settlements. The provincial Department of Human Settlements pays for its expenses in terms of DoRA. The Fund receives free services from the Department of Human Settlements.

	<b>Note</b>	<b>2011/12</b>	<b>2010/11</b>
		<b>R'000</b>	<b>R'000</b>
			<b>Restated</b>
<b>18 Inventory</b>			
Opening balance		1,334	1,567
Add: purchases		5,307	2,016
less: issues		<u>2,574</u>	<u>2,249</u>
Closing balance		<u>4,067</u>	<u>1,334</u>

Inventory comprises of building and maintenance materials.



**KWAZULU-NATAL HOUSING FUND**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 31 MARCH 2012**

	<b>2011/12 R000</b>	<b>2010/11 R 000 Restated</b>
<b>19 Irregular Expenditure</b>		
<b>Reconciliation of irregular expenditure</b>		
Opening balance	-	-
Add: irregular expenditure - relating to the current year	6,976	-
Irregular expenditure awaiting condonation	6,976	-
<b>Details of irregular expenditure - current year</b>		
<b>Incident</b>		
Deviation from calling of bids	6,976	-
<b>20 Going Concern</b>		

The annual financial statements are prepared on the basis that the Fund will remain a going concern for the foreseeable future, although a national decision was made to de-establish the Provincial Housing Funds, however the legislative changes to the National Housing Act, 1997 (Act no.107 of 1997) have not yet been enacted to allow for the de-establishment of the Fund.

The Fund is dormant as far as its operations and activities are concerned and it does not engage in its own operations.

The Fund aims to finalise the sensitization of the properties meaning to transfer, delete and devolve the properties and phasing out of the debtor book by promoting ownership by March 2014, at which stage, subjected to the expected amendments to the housing legislation, the Fund will be closed and the remaining assets of the Fund will be transferred to the books of the Department or devolved to municipalities/local authorities.

Furthermore there are no factors that are contrary to our evaluation. There is no intention for the Fund to be liquidated or cease operations.

There is no significant doubt that the Fund will continue to exist at this stage. The Statement of Financial Position continues to reflect a positive net asset current ratio and the Property Portfolio of the Fund.

**KWAZULU-NATAL HOUSING FUND**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**AT 31 MARCH 2012**

**NOTES**

# PART E

# HUMAN RESOURCE OVERSIGHT REPORT

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8. SERVICE DELIVERY

The following tables reflect the components of the Service Delivery Implementation Plan [SDIP] as well as progress made in the implementation of the plans.

**Table 25: Main services provided and standards**

Main services	Actual customers	Potential customers	Standard of service	Actual achievement against standards
Regulate relationship between landlord and tenants	Landlords, Tenants	Citizens. Landlords/ Tenants formations, Social Housing Institutions municipalities	Complaints resolved within 90 days	981 Complaints resolved
Maintain rental housing properties	Owners of properties	Service providers, staff of the department	Repairs for maintenance within 3 hours	4246 properties were maintained
Management of Project Payments	Service Providers and Contractors	Municipalities	The due and proper processing and authorising of payments within 7 days of receipt at Subsidy Administration	100% of the annual total expenditure on housing development grant achieved
Management of Beneficiary Administration	Service beneficiaries	Municipalities, Implementing Agents	The regular processing of beneficiaries application within 15 days of receipt at Subsidy Batch for approval to be forwarded to GM: PM every week	100% beneficiaries application achieved.
Labour Relations	All employees of the Department	None	Knowledge of conditions of Service and Labour Relations prescripts	Competencies developed at District/Institutional levels to manage labour relations cases.
Evaluation of posts	All employees of the Department	None	Appropriate levels of posts determined	Appropriate skills mix and competencies identified to compliment the Department's organogram and service delivery responsibilities.

**Table 26: Consultation arrangements with customers**

Type of arrangement	Actual Customers	Potential Customers	Actual achievements
Road shows	Citizen	Municipalities, landlords/ tenants formation, statutory bodies	Increased awareness on Know your service rights campaign
Izimbizo/ Project Launches	Citizens, staff, youth, women disabled people	Interest groups, municipalities	Improved determination of needs and expectation of end users
Stakeholders management forums	Municipalities, Statutory bodies, provincial departments	NGO's, CPO's	Improved integration of service delivery
Customer Surveys	Citizens	Municipalities	Improved service delivery

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**Table 27: Service delivery access strategy**

Access Strategy	Actual achievements
DECENTRALISED OFFICES	Improved service delivery to physically disadvantaged persons
Clear and helpful signage	Improved access to the service
Usage of indigenous language and displaying of Service Charter	Distribution of flyers, pamphlets, budget speech in Zulu and English to improve communication barriers
Wearing of name tags by frontline staff	Improved right attitude

**Table 28: Service information tool**

Types of information tool	Actual achievements
Helpdesks	Improved service delivery and customer care services
Brochures, posters, press releases and radio talk shows	Implementation of promotion of access to information act. Improves awareness of the product and perceptions
Available information at service points	Improved awareness of the product
Frontline staff training	Improved customer care service

**Table 29: Complaints mechanism**

Complaints Mechanism	Actual achievements
SUGGESTION BOXES AND CUSTOMERS SATISFACTION QUESTIONNAIRES	Improved delivery and customer care service
Complaints handling systems/ procedures	Improved time line in the handling of complaints Improved customer care service
Utilisation of toll-free number to report fraud and corruption	Reduced fraud and corruption practices
Training of staff in handling complaints fast and efficiently	Improved customer care service

Source: HRMS

**EXPENDITURE**

The following tables summarise final audited expenditure by programme [Table 2.1] and by salary bands [Table 2.2]. In particular, it provides an indication of the amount spent on personnel costs in terms of each of the programmes or salary bands within the Department.

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Table 30: Personnel costs by Programme - 2011/12

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Personnel Cost as % of Total Expenditure	Average Personnel Cost per Employee (R'000)
Administration	116,780	56 401	0	0	50.8	70
housing need, research & plan	20,898	11 327	0	0	62.3	14
housing development	2,711,110	60 133	0	0	2.3	75
Housing ass management, property management	193,707	60 160	0	0	38.2	76
<b>Total</b>	<b>3,042,495</b>	<b>188 021</b>	<b>0</b>	<b>0</b>	<b>6.5</b>	<b>235</b>

Table 31: Personnel costs by salary bands - 2011/12

Salary bands	Personnel Expenditure (R'000)	% of Total Personnel Cost	Average Personnel Cost per Employee (R'000)
Lower skilled (Levels 1-2)	4 997	2.8	94 283
Skilled (Levels 3-5)	19 937	11.2	121 567
Highly skilled production (Levels 6-8)	86 711	46.1	227 170
Highly skilled supervision (Levels 9-12)	46 166	26 339 456	
Senior management (Levels 13-16)	12 101	6.8	3 025 250
Contract (level 1 – 2)	608	0.3	46769
Contract (level 3 – 5)	570	0.3	95 000
Contract (level 6 – 8)	2 905	1.6	161 389
Contract (level 9 – 12)	8 348	4.7	309 185
Contract (level 13 – 16 )	2 564	1.4	854 667
Periodical Remuneration	2 959	1.7	227615
Abnormal appointments	155	0.1	0
<b>Total</b>	<b>188 021</b>	<b>96.7</b>	<b>229 893</b>

Source: HRMS

## KWAZULU-NATAL DEPARTMENT OF HUMAN SETTLEMENTS - VOTE 8

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The following tables provide a summary per programme [Table 2.3] and salary bands [Table 2.4] of expenditure incurred as a result of salaries, overtime, home owners allowance and medical assistance. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

**Table 32: Salaries, Overtime, Home Owners Allowance and Medical Assistance by Programme - 2011/12**

Programme	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical Assistance as a % of personnel cost
Programme 1 : Administration	39139	73.6	148	0.2	1842	3.2	3472	6.1
Programme 2: housing plan & develop	7922	75.6	0	0	339	2.9	498	4.3
Programme 3: housing development	43294	71.6	43	0	1278	2.2	2313	4.3
Programme 4: property management	40292	70.2	5	0	2602	3.8	3428	4.8
<b>Total</b>	<b>130647</b>	<b>71.9</b>	<b>158</b>	<b>0.1</b>	<b>5556</b>	<b>3.1</b>	<b>8942</b>	<b>5</b>

Source: HRMS

**Table 33: Salaries, Overtime, Home Owners Allowance and Medical Assistance by salary bands – 2011/12**

Salary Bands	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical Assistance as a % of personnel cost
Lower skilled (Levels 1-2)	3368	67.3	0	0	386	7.7	440	8.8
Skilled (Levels 3-5)	13428	66	0	0	1311	6.4	1524	7.5
Highly skilled production (Levels 6-8)	52665	70.6	102	0.1	2360	3.3	4901	6.8
Highly skilled supervision (Levels 9-12)	36740	73.2	22	0	880	1.8	1793	3.7
Senior management (Levels 13-16)	9851	74.7	0	0	504	3.8	256	1.9
Contract (level 1 -2)	599	98	9	1.5	0	0	0	0
Contract (level 3 – 5)	570	99.8	0	0	0	0	0	0
Contract (level 6 – 8)	2904	99.8	0	0	0	0	0	0

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Salary Bands	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical Assistance as a % of personnel cost
Contract (level 9 – 12)	8225	97.8	25	0.3	0	0	0	0
Contract (level 13 – 16)	2298	83.2	0	0	116	4.2	16	0.6
<b>Total</b>	<b>130647</b>	<b>71.9</b>	<b>158</b>	<b>0.1</b>	<b>557</b>	<b>3.1</b>	<b>8943</b>	<b>5</b>

Source: HRM

*EMPLOYMENT AND VACANCIES*

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rates, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables i.e. Programme [Table 3.1], Salary Band [Table 3.2] and Critical Occupations [Table 3.3]. Table 3.3 provides establishment and vacancy information for the key critical occupations, with the vacancy rate reflecting the percentage of posts that are not filled.

**Table 34: Employment and vacancies by programme - 31 March 2012**

Programme	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Programme 1: Administration	215	214	0.5	29
Programme 2: Housing needs, Research & Planning	33	32	3	1
Programme 3: Housing Development	150	149	0.7	28
Programme 4: Housing Assets Management, Property Management	340	336	1.2	9
<b>Total</b>	<b>738</b>	<b>731</b>	<b>0.9</b>	<b>67</b>

Source: HRM



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Table 34: Employment and vacancies by salary bands - 31 March 2012

Salary band	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	53	53	0	0
Skilled (Levels 3-5)	164	160	2.4	0
Highly skilled production (Levels 6-8)	312	311	0.3	0
Highly skilled supervision (Levels 9-12)	123	122	0.8	0
Senior management (Levels 13-16)	19	18	5.3	0
Contract (level 1 -2)	13	13	0	13
Contract (level 3 – 5)	6	6	0	6
Contract (level 6 – 8)	18	18	0	18
Contract (level 9 – 12)	29	29	0	29
Contract (level 13 – 16)	1	1	0	1
<b>TOTAL</b>	<b>738</b>	<b>731</b>	<b>0.9</b>	<b>67</b>

Source: HRM

Table 35: Employment and vacancies by critical occupation - 31 March 2012

Critical occupations	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
General Manager	4	1	75	1
<b>Total</b>	<b>4</b>	<b>1</b>	<b>75</b>	<b>1</b>

Source: HRM

The information in each case reflects the situation as at 31 March 2011. For an indication of changes in staffing patterns over the year under review, please refer to section 5 of this report.

## JOB EVALUATION

The Public Service Regulations, 1999 introduced job evaluation as a way of ensuring that work of equal value is remunerated equally. Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. This was complemented by a decision by the Minister for the Public Service and Administration that all SMS jobs must be evaluated before 31 December 2002.

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The following table (Table 4.1) summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

**Table 37: Job Evaluation - 1 April 2011 to 31 March 2012**

Salary band	Number of posts	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded		Posts Downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower skilled (Levels 1-2)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Skilled (Levels 3-5)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Highly skilled production (Levels 6-8)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Highly skilled supervision (Levels 9-12)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Senior Management Service Band A	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Senior Management Service Band B	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Senior Management Service Band C	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Senior Management Service Band D	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Total</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Source: HRM

The following table provides a summary of the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

**Table 38: Profile of employees whose salary positions were upgraded due to their posts being upgraded - 1 April 2011 to 31 March 2012**

Beneficiaries	African	Asian	Coloured	White	Total
Female	Nil	Nil	Nil	Nil	Nil
Male	Nil	Nil	Nil	Nil	Nil
<b>Total</b>	Nil	Nil	Nil	Nil	Nil
Employees with a disability					0

Source: HRM

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The following table summarises the number of cases where remuneration levels exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

**Table 39: Employees whose salary level exceed the grade determined by job evaluation - 1 April 2011 to 31 March 2012 (in terms of PSR 1.V.C.3)**

Total Number of Employees whose salaries exceeded the level determined by job evaluation in 2011/12	0
Percentage of total employment	0

Source: HRM

Table 40 summarises the beneficiaries of the above in terms of race, gender, and disability.

**Table 40: Profile of employees whose salary level exceed the grade determined by job evaluation - 1 April 2011 to 31 March 2012 (in terms of PSR 1.V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Employees with a disability</b>	<b>0</b>
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Source: HRMS

***EMPLOYMENT CHANGES***

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the department. The following tables provide a summary of turnover rates by salary band (Table 5.1) and by critical occupations (Table 5.2). (These "critical occupations" should be the same as those listed in Table 3.3).

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**Table 41: Annual turnover rates by salary band - 1 April 2011 to 31 March 2012**

Salary Band	Number of employees per band as on 1 April 2011	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Lower skilled (Levels 1-2)	61	0	14	23
Skilled (Levels 3-5)	202	0	72	35.6
Highly skilled production(Levels 6-8)	330	0	34	10.3
Highly skilled supervision(Levels 9-12)	125	1	8	6.4
Senior Management Service Band A	15	0	0	0
Senior Management Service Band B	1	0	0	0
Senior Management Service Band C	1	1	0	0
Senior Management Service Band D	1	0	0	0
Contract (level 1 – 2)	20	0	18	90
Contract (level 3 – 5)	6	0	1	16.7
Contract (level 6 – 8)	18	0	0	0
Contract (level 9 – 12)	11	16	2	18.2
Contract (Band A)	3	0	1	33.3
Contract (Band B)	0	1	0	0
<b>Total</b>	<b>794</b>	<b>19</b>	<b>150</b>	<b>18.9</b>

Source: HRM

**Table 42: Annual turnover rates by critical occupation - 1 April 2011 to 31 March 2011**

Occupation:	Number of employees per occupation as on 1 April 2010	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
General Manager	2		1	50
<b>Total</b>	<b>2</b>		<b>1</b>	<b>50</b>

Source: HRM

Table 43 identifies the major reasons why staff left the department.

**Table 43: Reasons why staff was leaving the Department**

Termination Type	Number	% of total
Death	11	1.49
Resignation	7	0.95
Expiry of contract	32	4.35
Dismissal – operational changes	0	0
Dismissal – misconduct	2	0.27

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Termination Type	Number	% of total
Dismissal – inefficiency	0	0
Discharged due to ill-health	1	0.13
Retirement	26	3.54
Transfers to other Public Service Departments	30	4.08
Other Severance Package	55	7.49
<b>Total</b>	<b>169</b>	
Total number of employees who left as a % of the total employment		23.03

Source: HRM

**Table 44: Promotions by critical occupation**

Occupation	Employees as at 1 April 2011	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progressions as a % of employees by occupation
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: HRMS

**Table 45: Promotions by salary band**

Salary Band	Employees on 1 April 2010	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Lower skilled (Levels 1-2)	65	0	0	5	7.69
Skilled (Levels 3-5)	171	0	0	82	4.79
Highly skilled production (Levels 6-8)	329	0	0	200	60.79
Highly skilled supervision (Levels 9-12)	150	0	0	76	5.06
Senior management (Levels 13-16)	19	0	0	0	0
<b>Total</b>	<b>734</b>	<b>0</b>	<b>0</b>	<b>363</b>	<b>49.45</b>

Source: HRM

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EMPLOYMENT EQUITY

The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

**Table 46: Total number of employees (including employees with disabilities) in each of the following occupational categories - 31 March 2012**

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	6	1	1	1	6	1	2	1	19
Professionals	14	0	8	0	16	1	4	1	44
Technicians and associate professionals	54	5	26	7	63	3	14	8	180
Clerks	58	7	14	3	112	7	11	9	221
Service and sales workers	15	0	0	0	0	0	0	0	15
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	73	5	13	4	5	0	0	0	100
Plant and machine operators and assemblers	10	1	2	0	0	0	0	0	13
Elementary occupations	93	12	7	0	30	0	0	0	142
<b>Total</b>	<b>323</b>	<b>31</b>	<b>71</b>	<b>15</b>	<b>232</b>	<b>12</b>	<b>31</b>	<b>19</b>	<b>734</b>
Employees with disabilities	<b>3</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>

Source: HRM

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**Table 47: Total number of employees (including employees with disabilities) in each of the following occupational bands - 31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	1	0	1	0	3
Senior Management	5	1	1	1	5	1	1	1	16
Professionally qualified and experienced specialists and mid-management	54	5	19	6	45	2	14	5	150
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	117	9	39	8	120	9	14	13	329
Semi-skilled and discretionary decision making	108	10	12	0	42	0	0	0	172
Unskilled and defined decision making	38	6	0	0	19	0	1	0	64
<b>Total</b>	<b>323</b>	<b>31</b>	<b>71</b>	<b>15</b>	<b>232</b>	<b>12</b>	<b>31</b>	<b>19</b>	<b>734</b>

Source: HRM

**Table 48: Recruitment for the period 1 April 2011 to 31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1								1
Senior Management			1						1
Professionally qualified and experienced specialists and mid-management	7		1		5				13
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	9				1				10
Semi-skilled and	3				6				9

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Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
discretionary decision making									
Unskilled and defined decision making	6				6		1		13
<b>Total</b>	26	0	2	0	18	0	1	0	47

<b>Employees with disabilities</b>	0	0	0	0	0	0	0	0	0
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Source: HRM

**Table 49: Promotions for the period 1 April 2011 to 31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
<i>Top Management</i>	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	1	0	1	0	0	0	0	0	2
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	1	0	1	0	0	0	0	0	2

Employees with disabilities	0	0	0	0	0	0	0	0	0
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Source: HRM



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**Table 50: Terminations for the period 1 April 2011 to 31 March 2012**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	1	0	0	2	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management	4	0	0	2	2	0	0	0	8
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	28	0	2	2	4	0	0	0	36
Semi-skilled and discretionary decision making	60	1	2	0	5	0	0	0	68
Unskilled and defined decision making	12	0	0	0	19	0	1	0	32
<b>Total</b>	<b>105</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>30</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>147</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0

Source: HRM

**Table 51: Disciplinary action for the period 1 April 2011 to 31 March 2012**

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	13	3	2	2	4	2	0	0	26

Source: HRM

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**Table 52: Skills development for the period 1 April 2011 to 31 March 2012**

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	3	1	0	0	2	1	0	0	7
Professionals	20	1	9	3	51	1	11	0	96
Technicians and associate professionals	17	0	1	1	6	0	0	0	25
Clerks	52	2	7	1	91	3	11	6	173
Service and sales workers	3	0	0	0	0	0	0	0	3
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	21	0	1	0	0	0	0	0	22
Plant and machine operators and assemblers	7	0	0	0	0	0	0	0	7
Elementary occupations	14	0	0	0	16	0	0	0	30
<b>Total</b>	<b>137</b>	<b>4</b>	<b>18</b>	<b>5</b>	<b>166</b>	<b>5</b>	<b>22</b>	<b>6</b>	<b>363</b>
Employees with disabilities	2	0	0	0	0	0	0	0	2

Source: HRM

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PERFORMANCE REWARDS

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability (Table 6.1), salary bands (table 6.2) and critical occupations (Table 6.3).

Table 53: Performance rewards by race, gender, and disability - 1 April 2011 to 31 March 2012

	Beneficiary Profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee
<b>African</b>					
Male	0	325	0	0	0
Female	0	227	0	0	0
<b>Asian</b>					
Male	1	72	1.4	22	21 936
Female	0	30	0	0	0
<b>Coloured</b>					
Male	0	29	0	0	0
Female	0	11	0	0	0
<b>White</b>					
Male	0	14	0	0	0
Female	0	18	0	0	0
<b>Employees with a disability</b>	0	5	0	0	0
<b>Total</b>	<b>1</b>	<b>731</b>	<b>0.1</b>	<b>22</b>	<b>21 936</b>

Source: Vulindlela

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Table 54: Performance rewards by salary bands for personnel below Senior Management Service - 1 April 2011 to 31 March 2012

Salary Bands	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
Lower skilled (Levels 1-2)	0	53	0.00%	0	0	0.00%
Skilled (Levels 3-5)	0	160	0.00%	0	0	0.00%
Highly skilled production (Levels 6-8)	0	311	0.00%	0	0	0.00%
Highly skilled supervision (Levels 9-12)	1	122	0.80%	22	22 000	0.01%
Contract (Levels 1-2)	0	13	0.00%	0	0	0.00%
Contract (Levels 3-5)	0	6	0.00%	0	0	0.00%
Contract (Levels 6-8)	0	18	0.00%	0	0	0.00%
Contract (Levels 9-12)	0	27	0.00%	0	0	0.00%
Periodical Remuneration	0	13	0.00%	0	0	0.00%
<b>TOTAL</b>	<b>1</b>	<b>723</b>	<b>0.10%</b>	<b>22</b>	<b>22000</b>	<b>0.01%</b>

Source: Vulindlela

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Table 55: Performance rewards by critical occupations - 1 April 2011 to 31 March 2012

Critical Occupations	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Administrative related	0	69	0	0	0
All artisans in the building metal machinery etc.	0	51	0	0	0
Artisan project and related superintendents	0	4	0	0	0
Attorneys	0	1	0	0	0
Auxiliary and related workers	0	5	0	0	0
Bus and heavy vehicle drivers	0	4	0	0	0
Cartographic surveying and related technicians	0	1	0	0	0
Cleaners in offices workshops hospitals etc.	0	82	0	0	0
Client inform clerks(inform clerks)	0	4	0	0	0
Communication and information related	0	1	0	0	0
Computer system designers and analysts.	0	1	0	0	0
Engineers and related professionals	0	8	0	0	0
Finance and economics related	1	7	14.3	22	22 000
Financial and related professionals	0	6	0	0	0
Financial clerks and credit controllers	0	44	0	0	0
General legal administration & rel. professionals	0	2	0	0	0
Head of department/chief executive officer	0	1	0	0	0
Human resources & organisat development & relate prof	0	13	0	0	0

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Critical Occupations	Beneficiary Profile			Cost	
Human resources clerks	0	34	0	0	0
Human resources related	0	1	0	0	0
Information technology related	0	1	0	0	0
Inspectors of apprentices works and vehicles	0	44	0	0	0
Library mail and related clerks	0	12	0	0	0
Light vehicle drivers	0	9	0	0	0
Logistical support personnel	0	1	0	0	0
Material-recording and transport clerks	0	6	0	0	0
Messengers porters and deliverers	0	4	0	0	0
Other administrat & related clerks and organisers	0	102	0	0	0
Other administrative policy and related officers	0	107	0	0	0
Other information technology personnel.	0	1	0	0	0
Quantity surveyors & rela prof not class elsewhere	0	2	0	0	0
Secretaries & other keyboard operating clerks	0	17	0	0	0
Security guards	0	14	0	0	0
Security officers	0	1	0	0	0
Senior managers	0	15	0	0	0
Trade labourers	0	56	0	0	0
<b>TOTAL</b>	<b>1</b>	<b>731</b>	<b>0.1</b>	<b>22</b>	<b>22000</b>

Source: Vulindlela

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Table 55: Performance related rewards (cash bonus) by salary band for Senior Management Service

Salary Band	Beneficiary Profile			Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within band			
Band A	0	16	0	0	0	0
Band B	0	1	0	0	0	0
Band C	0	2	0	0	0	0
Band D	0	1	0	0	0	0
<b>Total</b>		<b>20</b>				

Source: Vulindlela

FOREIGN WORKERS

The tables below summarise the employment of foreign nationals in the department in terms of salary bands and by major occupation. The tables also summarise changes in the total number of foreign workers in each salary band and by each major occupation.

Table 56: Foreign Workers by salary band - 1 April 2011 to 31 March 2012

Salary Band	1 April 2011		31 March 2012		Change	
	Number	% of total	Number	% of total	Number	% change
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0	0	0
Senior management (Levels 13-16)	0	0	0	0	0	0
Contract (Levels 3-5)	0	0	0	0	0	0
Contract (Levels 6-8)	0	0	0	0	0	0
Contract (Levels 9-12)	0	0	0	0	0	0
Contract (Levels 13-16)	0	0	0	0	0	0
Periodical Remuneration	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Vulindlela

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**Table 57: Foreign Worker by major occupation - 1 April 2011 to 31 March 2012**

Major Occupation	1 April 2011		31 March 2012		Change	
	Number	% of total	Number	% of total	Number	% change
Administrative office workers	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0
Elementary occupations	0	0	0	0	0	0
Professionals and managers	0	0	0	0	0	0
Social natural technical and medical sciences + supp	0	0	0	0	0	0
Technicians and associated professionals	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Vulindlela

*LEAVE UTILISATION*

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave (Table 9.1) and disability leave (Table 9.2). In both cases, the estimated cost of the leave is also provided.

**Table 58: Sick leave - 1 January 2011 to 31 December 2012**

Salary Band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	133	78.2	17	3.3	8	33
Skilled (Levels 3-5)	979	85.8	103	20.3	10	291
Highly skilled production (Levels 6-8)	2232	81.1	243	47.8	9	1390
Highly skilled supervision (Levels 9-12)	860	82.3	108	21.3	8	1069
Senior management (Levels 13-16)	58	63.8	11	2.2	5	155
Contract (level 1 – 2)	29	62.1	8	1.6	4	5
Contract (level 3 – 5)	33	72.7	5	1	7	10
Contract (level 6 – 8)	66	93.9	6	1.2	11	31
Contract (level 9 – 12)	19	78.9	6	1.2	3	25



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Salary Band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Contract (level 13 – 16)	8	100	1	0.2	8	21
<b>Total</b>	<b>4417</b>	<b>82.1</b>	<b>508</b>	<b>100</b>	<b>9</b>	<b>3030</b>

Source: HRM

**Table 59: Disability leave (temporary and permanent) – 1 January 2011 to 31 December 2012**

Salary Band	Total days taken	% days with medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	17	100	3	7.1	6	4
Skilled (Levels 3-5)	144	93.1	12	28.6	12	45
Highly skilled production (Levels 6-8)	310	100	19	45.2	16	199
Highly skilled supervision (Levels 9-12)	166	100	5	11.9	33	316
Senior management (Levels 13-16)	17	100	2	4.8	9	43
Contract (level 6 – 8)	8	100	1	2.4	8	3
<b>Total</b>	<b>662</b>	<b>98.5</b>	<b>42</b>	<b>100</b>	<b>16</b>	<b>610</b>

Source: HRMS

Table 9.3 summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

**Table 60: Annual Leave - 1 January 2011 to 31 December 2012**

Salary Bands	Total days taken	Average per employee
Lower skilled (Levels 1-2)	752.32	19
Skilled Levels 3-5)	3439.4	22
Highly skilled production (Levels 6-8)	7241.4	22
Highly skilled supervision(Levels 9-12)	2913	23
Senior management (Levels 13-16)	436	24
Contract (level 1 - 2)	117	7
Contract (level 3 – 5)	93	16
Contract (level 6 – 8)	237	13

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Salary Bands	Total days taken	Average per employee
Contract (level 9 – 12)	188	9
Contract (level 13 – 16)	41	10
<b>Total</b>	<b>15458.12</b>	<b>21</b>

Source: HRM

**Table 61: Capped leave - 1 January 2011 to 31 December 2012**

Salary Bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2010
Lower skilled (Levels 1-2)	10	3	77
Skilled Levels 3-5)	109	7	78
Highly skilled production (Levels 6-8)	265	14	90
Highly skilled supervision (Levels 9-12)	98	25	95
Senior management (Levels 13-16)			
<b>Total</b>	<b>482</b>	<b>12</b>	<b>87</b>

Source: HRMS

The following table summarises payments made to employees as a result of leave that was not taken.

**Table 62: Leave payouts for the period 1 April 2011 to 31 March 2012**

Reason	Total Amount (R'000)	Number of Employees	Average payment per employee
Leave pay out for 2011/12 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave pay outs on termination of service for 2011/12	1211	66	18348
Current leave pay out on termination of service for 2011/12	34	6	5667
<b>Total</b>	<b>1245</b>	<b>72</b>	<b>17292</b>

Source: HRM

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*HIV AND AIDS & HEALTH PROMOTION PROGRAMMES*

**Table 63: High risk employees**

Units/ categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
None	Not Applicable

Source: HRM

**Table 64: Details of Health Promotion and HIV and AIDS Programmes**

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.			Mr. WJ Ziqubu Acting Senior Manager: Human Resources Management
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.			Mr. VB Mdletshe, the Assistant Manager Mrs. PZ Mlaba – Administrative Clerk
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.			Alcohol & drug abuse, visits to ill employees, HIV/AIDS programme & counseling, Rehabilitation, Supervisor & Management training in the identification and referral of uncoping employee, Health Screening (HIV & Chronic Disease), Family & Marital counselling, Financial Life Skills, Domestic Violence, Work Retrenchment Counselling, Dealing with strife, Parenting Skills, Women, Disability and AIDS Day Programs and Wellness/Sports activities
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.			The Department does not have an established HIV/AIDS Committee
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.			The approved Departmental Policy on HIV/AIDS prohibits unfair discrimination and promotes on-discrimination on the basis of HIV/AIDS
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.			HIV/AIDS Awareness campaign; EWP Confidentiality (separated computerized data-base), no other staff has an access to the EWP
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.			Every employee is encouraged to go for testing when there is an Awareness Campaign. EWP clients and those who approach the EWP office individually, Health Screening sessions are held once every quarter.
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.			EWP has introduced evaluation forms which employees are required to complete after each health promotion session During the Quarterly Health Screenings and Annual Provincial Sports & Wellness Days employees are invited to give feedback

Source: HRM

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*LABOUR RELATIONS*

The following collective agreements were entered into with trade unions within the Department.

**Table 65: Collective Agreements - 1 April 2011 to 31 March 2012**

Subject Matter	Date
Nil	

Source: HRMS

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

**Table 66: Misconduct and disciplinary hearings finalised - 1 April 2011 to 31 March 2012**

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0
Verbal warning	2	0.52
Written warning	6	1.56
Final written warning	5	1.3
Suspended without pay	2	0.52
Fine	1	0.26
Demotion	0	0
Dismissal	1	0.26
Not guilty	1	0.26
Case withdrawn	8	2.08
<b>Total</b>	<b>26</b>	<b>4.76</b>

Source: HRM

**Table 67: Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of total
Absenteeism	11	2.9
Fraud and Corruption	1	0.26
Negligence	9	2.34

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Type of misconduct	Number	% of total
Misuse of state vehicle	1	0.26
Putting an name of Department into disrepute	1	0.26
Failure to carry out instruction	2	0.52
<b>Total</b>	<b>26</b>	<b>6.54</b>

Source: HRM

**Table 68: Grievances lodged for the period 1 April 2011 to 31 March 2012**

	Number	% of Total
Number of grievances resolved	3	1.8
Number of grievances not resolved	57	34.2
Total number of grievances lodged	60	36

Source: HRM

**Table 69: Disputes lodged with Councils for the period 1 April 2011 to 31 March 2012**

	Number	% of Total
Number of disputes upheld	0	0
Number of disputes dismissed	7	1.26
Total number of disputes lodged	18	1.26

Source: HRM

**Table 70: Strike actions for the period 1 April 2011 to 31 March 2012**

Total number of person working days lost	0
Total cost (R'000) of working days lost	0

Source: HRM

**Table 71: Precautionary suspensions for the period 1 April 2011 to 31 March 2012**

Number of people suspended	0
Number of people whose suspension exceeded 30 days	0
Average number of days suspended	0
Cost (R'000) of suspensions	0

Source: HRM

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SKILLS DEVELOPMENT

This section highlights the efforts of the department with regard to skills development.

Table 72: Training needs identified - 1 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of employees as at 1 April 2010	Training needs identified at start of reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	6	0	11	0	11
	Male	10	0	11	0	11
Professionals	Female	23	3	14	0	14
	Male	18	3	14	0	14
Technicians and associate professionals	Female	99	0	2	0	2
	Male	80	0	2	0	2
Clerks	Female	149	0	13	0	13
	Male	97	0	13	0	13
Service and sales workers	Female	0	0	1	0	1
	Male	21	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	19	0	0	0	0
	Male	79	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	16	0	1	0	1
Elementary occupations	Female	36	0	1	0	1
	Male	163	0	1	0	1
<b>Sub-Total</b>	<b>Female</b>	<b>332</b>	<b>3</b>	<b>41</b>	<b>0</b>	<b>41</b>
	<b>Male</b>	<b>484</b>	<b>3</b>	<b>43</b>	<b>0</b>	<b>43</b>
<b>Grand Total</b>		<b>816</b>	<b>6</b>	<b>84</b>	<b>0</b>	<b>84</b>

Source: HRD

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Table 73: Training provided - 1 April 2010 to 31 March 2011

Occupational Categories	Gender	Number of employees as at 1 April 2010	Training needs identified at start of reporting period			Total
			Learnerships	Skills Programmes & other short courses	Other forms of training	
Clerks	Male	2,324	0	562	0	562
	Female	3,993	0	908	0	908
Craft and related trades workers	Male	445	0	215	0	215
	Female	22	0	45	0	45
Elementary occupations	Male	3,216	0	270	0	270
	Female	6,816	0	486	0	486
Legislators, senior officials and managers	Male	90	0	115	0	115
	Female	55	0	144	0	144
Plant and machine operators and assemblers	Male	53	0	158	0	158
	Female	147	0	30	0	30
Professionals	Male	776	0	708	0	708
	Female	142	0	2,170	0	2,170
Service and sales workers	Male	2,795	0	1,403	0	1,403
	Female	9,260	0	2,389	0	2,389
Technicians And Associate Professionals	Male	3,929	0	7	0	0
	Female	22,990	0	40	0	0
<b>Sub-Totals</b>	<b>Male</b>	<b>18,667</b>	<b>0</b>	<b>3,431</b>	<b>0</b>	<b>3,431</b>
	<b>Female</b>	<b>39,980</b>	<b>0</b>	<b>6,172</b>	<b>0</b>	<b>6,172</b>
<b>Grand Total</b>		<b>58,647</b>	<b>0</b>	<b>9,603</b>	<b>0</b>	<b>9,603</b>

Source: HRD

*INJURY ON DUTY*

The following tables provide basic information on injury on duty.

Table 74: Injury on duty - 1 April 2011 to 31 March 2012

Nature of injury on duty	Number	% of total
Required basic medical attention only	1	0.13
Temporary Total Disablement	2	0.27

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Nature of injury on duty	Number	% of total
Permanent Disablement	0	0
Fatal	0	0
<b>Total</b>	<b>3</b>	<b>0.40</b>

Source: HRMS

### UTILISATION OF CONSULTANTS

**Table 75: Report on consultant appointments using appropriated funds**

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
Rental Tribunal	1	365	73 102.16
Financial Management	10	365	2 936 273.46
Total number of projects	Total individual consultants	Total duration: Work days	Total contract value in Rand
2	11	365	3 009 375.62
Rental Tribunal	1	365	73 102.16

Source: HRM

**Table 76: Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs)**

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
0	0	0	0

Source: HRM

**Table 77: Report on consultant appointments using Donor funds**

Project Title	Total Number of consultants that worked on the project	Duration: Work days	Donor and Contract value in Rand
0	0	0	0
Total number of projects	Total individual consultants	Total duration: Work days	Total contract value in Rand
0	0	0	0

Source: HRM



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**GLOSSARY OF TERMS**

<b>AR</b>	Annual Report
<b>APP</b>	Annual Performance Plan
<b>ASGISA</b>	Accelerated and Shared Growth Initiatives for South Africa
<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>BEE</b>	Black Economic Empowerment
<b>BNG</b>	Breaking New Ground NDOH policy on sustainable human settlements
<b>CETA</b>	Construction Education and Training Authority
<b>CG</b>	Conditional Grant
<b>CIP</b>	Comprehensive Infrastructure Plans
<b>COGTA</b>	cooperative Governance and Traditional Affairs
<b>CoP</b>	Community of Practice
<b>CIDB</b>	Construction Industry Development Board
<b>CRU</b>	Community Residential Units
<b>DBSA</b>	Development Bank of Southern Africa
<b>DFI</b>	Development Finance Institutions
<b>DLA</b>	Department of Land Affairs
<b>DHS</b>	Department of Human Settlements
<b>DORA</b>	Division of Revenue Act
<b>EPRE</b>	Estimates of Provincial Revenue and Expenditure
<b>FLISP</b>	Finance Linked Individual Subsidy Programme
<b>HDA</b>	Housing Development Agency
<b>HDP</b>	Housing Development Plans
<b>HH</b>	Households
<b>IDP</b>	Integrated Development Plans
<b>IGRFA</b>	Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)
<b>ISRDP</b>	Integrated Sustainable Development Strategy
<b>IRDP</b>	Integrated Residential Development Programme
<b>KZNDOH</b>	KZN Department of Human Settlements
<b>KZN</b>	KwaZulu-Natal Province
<b>FET</b>	Further Education and Training institution
<b>IDP</b>	Integrated Development Plan
<b>ITB</b>	Ingonyama Trust Board
<b>MBASA</b>	Master Builders Association of South Africa
<b>MDG</b>	Millennium Development Goals
<b>MI</b>	Mortgage Insurance
<b>MIG</b>	Municipal Infrastructure Grant
<b>MHDP</b>	Municipal Housing Development Plans
<b>MTEF</b>	Medium Term Strategic Framework
<b>MTSF</b>	Medium Term Strategic Framework
<b>MYHD</b>	Multi Year Housing Development Plan
<b>NDHS</b>	National Department of Human Settlements
<b>NHBRC</b>	National Homebuilders Registration Council
<b>NHFC</b>	National Housing Finance Corporation
<b>NPM</b>	New Public Management
<b>NSDP</b>	National Spatial Development Plan
<b>NURCHA</b>	National Urban Reconstruction & Housing Association

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<b>NUSP</b>	National Upgrading Support Programme
<b>PC</b>	Planning Commission
<b>PHDP</b>	Provincial Housing Development Plan
<b>PHP</b>	Peoples Housing Process as defined within the Housing Code
<b>RDP</b>	Reconstruction and Development Programme
<b>RHLF</b>	Rural Housing Loan Fund
<b>SABS</b>	South African Bureau of Standards
<b>SHA</b>	Social Housing Associations
<b>SHF</b>	Social Housing Foundation
<b>SHI</b>	Social Housing Institution
<b>SHRA</b>	Social Housing Regulatory Authority to be established in terms of the Social Housing Act
<b>SOE</b>	State Owned Enterprises
<b>SLA</b>	Service Level Agreement
<b>UISP</b>	Upgrading Informal Settlements Programme

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