



human settlements

Department:  
Human Settlements  
PROVINCE OF KWAZULU-NATAL

# Annual Report 2013/14

Vote 8



# Annual Report

Department of Human Settlements  
Province of KwaZulu-Natal  
Vote No. 8  
Annual Report

2013/14 Financial Year

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Part A:

# General Information



## 1. DEPARTMENT GENERAL INFORMATION

**NAME:** KwaZulu–Natal Department of Human Settlements

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## 2. LIST OF ABBREVIATIONS/ACRONYMS

<b>ACTT</b>	Anti-Corruption Task Team
<b>AGSA</b>	Auditor General of South Africa
<b>AO</b>	Accounting Officer
<b>APP</b>	Annual Performance Plan
<b>AR</b>	Annual Report
<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
<b>CETA</b>	Construction Education and Training Authority
<b>CFO</b>	Chief Financial Officer
<b>CG</b>	Conditional Grant
<b>CIDB</b>	Construction Industry Development Board
<b>CIP</b>	Comprehensive Infrastructure Plans
<b>COGTA</b>	Cooperative Governance and Traditional Affairs
<b>CoP</b>	Community of Practice
<b>CRU</b>	Community Residential Unit
<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>EEDBS</b>	Ehance Extended Discount Benefit Scheme
<b>EPRE</b>	Estimates of Provincial Revenue and Expenditure
<b>EPWP</b>	Expanded Public Works Programme
<b>FET</b>	Further Education and Training
<b>FLISP</b>	Finance Linked Individual Subsidy Programme
<b>HDA</b>	Housing Development Agency
<b>HDP</b>	Housing Development Plans
<b>HOD</b>	Head of Department
<b>HSDG</b>	Human Settlement Development Grant
<b>HH</b>	Households
<b>IDP</b>	Integrated Development Plan
<b>IGRFA</b>	Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)
<b>ISDS</b>	Integrated Sustainable Development Strategy
<b>ISUP</b>	Informal Settlement Upgrade Programme
<b>ITB</b>	Ingonyama Trust Board
<b>IRDP</b>	Integrated Residential Development Programme
<b>IRDS</b>	Integrated Rural Development Strategy
<b>KZNDHS</b>	KZN Department of Human Settlements
<b>KZNPA</b>	KwaZulu-Natal Provincial Administration
<b>MBASA</b>	Master Builders Association of South Africa
<b>MEC</b>	Member of Executive Council



<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 Expenditure 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 Home Builders Registration Council
<b>NHFC</b>	National Housing Finance Corporation
<b>NSDA</b>	Negotiated Service Delivery Agreement
<b>NSDP</b>	National Spatial Development Plan
<b>NURCHA</b>	National Urban Reconstruction & Housing Association
<b>NUSP</b>	National Upgrading Support Programme
<b>OSS</b>	Operation Sukuma Sakhe
<b>OTP</b>	Office of the Premier
<b>PPC</b>	Provincial Planning Commission
<b>PFMA</b>	Public Finance Management Act
<b>PGDS</b>	Provincial Growth and Development Strategy
<b>PGDP</b>	Provincial Growth and Development Plan
<b>PHDP</b>	Provincial Housing Development Plan
<b>PIAS</b>	Provincial Internal Audit Service
<b>PSEDS</b>	Provincial Spatial Economic Development Strategy
<b>PHP</b>	Peoples Housing Process
<b>RDP</b>	Reconstruction and Development Programme
<b>RHLF</b>	Rural Housing Loan Fund
<b>PSEDS</b>	Provincial Spatial Economic Development Strategy
<b>SABS</b>	South African Bureau of Standards
<b>SCM</b>	Supply Chain Management
<b>SDIP</b>	Service Delivery Improvement Plan
<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
<b>SHSS</b>	Sustainable Human Settlement Strategy
<b>SITA</b>	State Information Technology Agency
<b>SMME</b>	Small Medium and Micro Enterprises
<b>SOE</b>	State Owned Enterprises
<b>SLA</b>	Service Level Agreement
<b>TR</b>	Treasury Regulations

### 3. FOREWORD BY THE MEC



**The Honourable R. R. Pillay, MPL**  
**Member of the Executive Council for**  
**Human Settlements and Public Works**  
**KwaZulu-Natal**

Our vision of creating sustainable settlements is informed by the United Nations Habitat Declaration on Sustainable Human Settlements, namely, the right to basic shelter (as a human right) and the need for settlements to be socially, environmentally and economically sustainable.

This vision also aligns with the Comprehensive Plan on Human Settlements (2004) which emphasizes that delivery must be demand-driven and that housing and other instruments should respond to the needs of people in their specific situations.

In order to achieve this vision, Human Settlements is committed to integrated and sustainable human settlements through the provision of comprehensive housing opportunities.

The Department's key priorities are further aligned with the national outcomes based approach towards Sustainable Human Settlements and Improved Quality of Life as well as the Millennium Development Goals with specific reference to the eradication of slums.

In this regard, the implementation of the Upgrading of Informal Settlements policy; increasing the provision of well-located rental accommodation; mobilisation of well-located public land for low income and affordable housing; as well as the provision of the Finance Linked Individual Subsidy Programme (FLISP) for the gap market play a pivotal role.

The Department has made significant strides in delivery in the period under review. Houses built in the 2013/14 financial year total 29,151. This translates into the provision of housing assistance to 116,604 households. Further statistics detailing this performance is contained in the report. One must be mindful that these outcomes were achieved in spite of the challenges related to the lack of bulk infrastructure, rapid unplanned urbanization, land invasions, planning and capacity constraints, land availability, etc.

Our performance is acknowledged by both our peers and the Ministry of Human Settlements. The Department was awarded the coveted 2014 Govan Mbeki Award for the overall Best Performing Province. The national Govan Mbeki Awards showcases performance by Human Settlements departments countrywide. It also seeks to promote best practice in housing delivery while simultaneously motivating and honoring stakeholders and role players in the human settlements value chain.

KwaZulu-Natal dominated the 2014 Govan Mbeki Awards scooping eight awards including Best Priority Project (Cornubia Integrated Residential Development Project) and Best Rural Enhanced People's Housing Process (Vulindlela Housing Project). The two projects are presently the Province's mega housing projects worth more than R25 billion with an expected yield of more than 75 000 units.

The policy guideline for the next five years of government – 2014/15 to 2018/19 – is the National Human Settlements Medium Term Strategic Framework which will guide the Department in its renewed efforts to reduce the housing backlog in KwaZulu-Natal and increase the transfer of ownership of subsidised houses to qualifying beneficiaries.

The Human Settlements priorities for 2014-2019 are inter alia to:

- Provide and/or facilitate 200 000 housing opportunities;
- Accelerate the provision of basic services in remaining informal settlements;
- Increase the supply of affordable housing opportunities through anticipated housing allowances in the gap market;
- Eliminate the backlog of title deeds and work towards new home-owners in the subsidy market being issued with title deeds on occupation;
- Increase the provision of capital for housing by working with financial institutions, private sector organisations, co-operatives and social partners;
- Increase the number of housing units in better-located, mixed income projects – especially in social, co-operative and rental housing; and
- Use catalytic projects, such as Cornubia to direct investment and overcome apartheid spatial geography.

The Department's total planned targets for delivery of housing opportunities over the period of 2014/15 – 2018/19 is:

- |                                  |         |
|----------------------------------|---------|
| • Houses to be built:            | 167,922 |
| • Sites to be Serviced:          | 40,215  |
| • Title Deeds to be transferred: | 45,455  |

We are under no illusions about the scale of the service delivery challenges that confront us. We have every confidence that we have the policy instruments in place and are steadily growing the requisite human capacity in areas where we are yet to be at optimal levels.

May I extend my gratitude to the Head of Department and the professional team of officials who are central to the execution of our vision.

Together, we are moving South Africa forward.



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**Honourable Mr. Ravigasen Ranganathan Pillay MPL**  
**MEC for Human Settlements and Public Works**

25/08/14

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**Date**

## 4. REPORT OF THE ACCOUNTING OFFICER



**Ms G. M. Apelgren-Narkedien**  
Accounting Officer  
KwaZulu-Natal Department of Human Settlements

- Overview of the operations of the department:

The total amount allocated for the KZN Human Settlements Development Grant for the 2013/14 financial year was R3,332,584,000 which delivered 29,151 houses and the installation of services on 2,790 sites which is inclusive of water, sanitation and electrical installations. A total of 41,791 beneficiary approvals were undertaken which is attributed to the improved communications with municipalities on submission times.

Rural and Urban Human Settlement dialogues were undertaken by the department. The aim of these dialogues was to address housing challenges facing towns and cities, the challenges in developing densified human settlements in rural areas and the challenges of providing housing and basic services in informal settlements which are mushrooming in urban areas. There was strong stakeholder involvement in these dialogues which will culminate in a Human Settlements Summit.

Mega human settlement projects that are delivering substantially are Vulindlela and Cornubia. Vulindlela is a Peoples Housing Process in the Edendale/Vulindlela area in Msunduzi which allows residents to participate in the building of their own houses under the supervision and support of Engineering and construction companies. This financial year 2,619 houses were completed in this project. Cornubia is an Integrated Residential Development Programme which provides for different income levels of housing and also provides for mixed land use e.g. housing clinics, schools, commercial and industrial developments.

- Overview of the financial results of the department:
- **Departmental receipts**

Departmental receipts	2013/2014			2012/2013		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Tax Receipts	-	-	-	-	-	-
Casino taxes	-	-	-	-	-	-
Horse racing taxes	-	-	-	-	-	-
Liquor licences	-	-	-	-	-	-
Motor vehicle licences	-	-	-	-	-	-
Sale of goods and services other than capital assets	434	434	-	412	586	(174)
Transfers received	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	-	-	-
Interest, dividends and rent on land	30	4,142	(4,112)	103	16	87
Sale of capital assets	300	19	281	0	1,494	(1,494)
Financial transactions in assets and liabilities	775	4,836	(4,061)	735	11,477	(10,742)
<b>Total</b>	<b>1,529</b>	<b>9,431</b>	<b>(7,902)</b>	<b>1,250</b>	<b>13,573</b>	<b>(12,323)</b>

The department collected revenue totalling R9,431 million in 2013/14, substantially exceeding the revenue budget by R7,902 million, with *Sale of goods and services other than capital assets*, *Interest, dividends and rent on land* and *Transactions in financial assets and liabilities* showing over-collection, as follows:

- *Sale of goods and services other than capital assets* was over-collected by 0.2 per cent. This category relates to revenue received for rental of government buildings, parking, commission on PERSAL deductions and sale of tender documents. This over-collection is mainly due to the sale of tender documents.
- *Interest, dividends and rent on land* over-collected by R4,112 million. The department received interest in respect of funds transferred to SHRA for the implementation of social housing project as well as from funds transferred to National Housing Finance Corporation (NHFC) for the implementation of FLISP projects.
- There was a substantial over-collection against *Transactions in financial assets and liabilities* of R4,061 million mainly due to the following:
  - Monies recovered by the Special Investigation Unit from finalised fraud cases.
  - The department received an amount of R1,083 million which was derived from a subsidy refund from the eThekweni Metro in respect of the Riverdene Housing project due to the cancellation of 152 beneficiaries. It was noticed that some of the originally approved beneficiaries were not occupying these houses and, after investigations, a verification of beneficiaries was undertaken by the eThekweni Metro, which resulted in the cancellation of these 152 beneficiaries.
  - R817,000 was received from Trustee James de Ridder Attorneys for the transfer of property from Windy View Sugar CC to KwaDukuza Municipality for portion 12, 13, 14 and 23 of the farm VlakSpruit. The funds received related to interest accumulated on the cost of the property of R59 million.

○ **Programme Expenditure**

Programme Name	2013/2014			2012/2013		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	165,093	163,986	1,107	132,302	132,277	25
Housing Needs, Planning and Research	14,590	14,115	475	31,973	23,361	8,612
Housing Development	3,300,532	3,270,961	29,571	3,004,541	3,026,626	(22,085)
Housing Assets Management, Property Management	168,155	167,940	215	209,004	195,507	13,497
<b>Total</b>	<b>3,648,370</b>	<b>3,617,002</b>	<b>31,368</b>	<b>3,377,820</b>	<b>3,377,771</b>	<b>49</b>

Under expenditure of R1,107 million in *Administration* is mainly due to the delay in the implementation of the training programmes, e.g. Project Management course which has been put on hold as a result of higher than anticipated costs.

Under expenditure of R475 000 in *Housing Needs, Planning and Research* is mainly due to the delays in the implementation of the capacity building programme. The delays were caused by the department not being able to attract suitable service providers for training of emerging contractors as well as Senior Manager's posts was vacated therefore expenditure projections were not entirely met.

Under expenditure of R 29,571 million in *Housing Development* is mainly from the compensation of employees due to the delays in the filling of vacant budgeted post. Furthermore, there was also no spending against the funds earmarked to be transferred to the Social Housing Regulatory Authority (SHRA) for the implementation of the social housing programme. Funds could not be transferred as the department had to re-direct funds previously transferred for the acquisition of Phoenix Social Housing units and was affected by social issues. These funds were re-directed to Westgate Grange social housing project for the implementation of this project.

A net under expenditure of R215 000 in *Housing Assets Management, Property Management* is mainly from the Compensation of employees due to the delays in the filling of vacant budgeted posts.

○ **Roll overs**

Request for the roll-over of EPWP Incentive funding amounting to R3 million not spent during the financial year 2013/14 into the 2014/15 financial year has been submitted to Provincial Treasury. If the roll-over is approved, it will be utilised to create job opportunities within the Bhekumthetho Rural Housing Project in the Northern Region.

- The Bhekumthetho Rural Housing project will be completed in the 2014/15 financial year and thereafter the plastering of **700** low cost housing will resume.
- The primary objective is to utilize this fund to implement labour intensive methods to plaster the low income housing units as part of the Bhekumthetho Rural Housing Project. This will contribute towards creation of employment opportunities targeting the unemployed and unskilled sector of the community.

- The project will also enable the project beneficiaries to acquire skills to obtain employment in future aiming at alleviating poverty.
- The programme will assist in the improvement of the housing condition of the beneficiary households, and general living conditions of the Bhekumthetho community.

o **Virements**

From	Amount R'000	To	Amount R'000
<b>Programme 4: Housing Assets Management, Property Management</b>		<b>Programme 3: Housing Development</b>	
<b>Sub-programme: Administration</b>		<b>Sub-programme: Administration</b>	
Compensation of Employees	2,000	Compensation of Employees	2,000
<b>Total</b>	<b>2,000</b>	<b>Total</b>	<b>2,000</b>

From	Amount R'000	To	Amount R'000
<b>Programme 1: Administration</b>		<b>Programme 1: Administration</b>	
<b>Sub-programme: Corporate Services</b>		<b>Sub-programme: Corporate Services</b>	
Goods and Services	752	Transfer to Departmental agencies and accounts	752
<b>Total</b>	<b>752</b>	<b>Total</b>	<b>752</b>

**Reasons for the virement**

**(a) Virement of R2 million from Programme 4: Housing Assets Management, Property Management to Programme 3: Housing Development**

Virement from Programme 4: Housing Assets Management, Property Management: Administration – *Compensation of Employees* is due to the delays in the filling of vacant budgeted posts as well as 55 officials who took severance package during the first quarter of the year hence there is a saving. The saving was moved to Programme 3: Housing Development: Administration - *Compensation of Employees* to cover the under projection relating to employee benefits.

**(b) Shift of R752 000 within Programme 1: Administration**

An amount **R752 000** was shifted from *Goods and Services* under training and development to *Transfer and subsidies to: departmental agencies and accounts* to cater for the payment made to PSETA in respect of affiliation costs.

**• A description of the reasons for unauthorised, fruitless and wasteful expenditure and the amounts involved as well as steps taken to address and prevent a recurrence.**

During the year under review, the department incurred unauthorised expenditure within Programme 3, Housing Development. This relates to funding for the EPWP not spent during the year, these funds were earmarked to be utilised for employing labour to do plastering in one of the projects within the Northern Region. This project was not finalised in time for plastering to commence. A roll-over application of this funding has been requested from Provincial Treasury.



- **Future plans of the department**

There are no changes envisaged in terms of future plans of the department.

- **Public Private Partnerships**

The department has no public private partnerships.

- **Discontinued activities / activities to be discontinued**

No activities have been discontinued nor are there plans to discontinue activities.

- **New or proposed activities**

The Department of Human Settlements will be providing houses of 65m<sup>2</sup> for military veterans. This is in terms of the agreement signed by all provincial human settlement departments with the National Department of Human Settlements. This activity will have no additional financial implications for the department as the additional 25m<sup>2</sup> will be co-funded by the Department of Defence.

- **Supply chain management**

**Unsolicited Bids**

There were no unsolicited bids concluded for the year under review.

**Prevention of Irregular Expenditure**

All bids that are invited must be incorporated in the departmental procurement plan. The departmental procurement plan is linked to the budget. Only goods and services that are in the procurement plan are procured. If the item was not included in the procurement plan at the beginning of the financial year, the end user must obtain authority from the Head of Department and the budget controller must confirm that the budget is available before the item is procured.

Systems and processes are in place. The Supply Chain Management Policy, Asset Management policy and the Supply Chain Management Delegations have been reviewed in order to accommodate the changes in legislation. The bid committees are fully functional and they receive training to ensure that they are always up to date. A departmental disposal policy was also developed to ensure that redundant and obsolete movable assets are disposed in line with the relevant legislation.

**Challenges experienced by Supply Chain Management and how they were resolved**

The unavailability of a quorum for bid committees has a negative impact in achieving service delivery within the projected time frame hence bid committee meetings are planned at the beginning of the financial year.

The service providers that were appointed for the construction of houses for Operation Sukuma Sakhe and houses affected by disasters did not perform because of the limited number of houses that were allocated to them, the geographic conditions and the fact that the houses are scattered. This was resolved by extending the contracts of the implementing agents that are already appointed to construct houses within the affected area or municipality.

The implementation of the COP 17 prevented departments from disposing I.T. equipment. All I.T. equipment is now disposed through the Department of Agriculture, Environmental Affairs and Rural Development. The Department of Agriculture, Environmental Affairs and Rural Development does not have enough space to accommodate all these equipment as all departments in the province are disposing through them.

• **Gifts and Donations received in cash and kind from non-related parties**

Name of Organisation	Nature of Gift, Donation or Sponsorship	R'000
<b>Received in cash</b>		
Corobrik	Cash	15
<b>Subtotal</b>		<b>15</b>
<b>Received in kind</b>		
NHBRC	Makro Gift Voucher	100
Chanti Travels	Wine	6
Nurcha	Nurcha branded bags	15
Group Five	Samsung Galaxy tablet	5
Tongaat Hulett	Samsung Galaxy tablet and gift voucher	8
<b>Subtotal</b>		<b>134</b>
<b>TOTAL</b>		<b>149</b>

• **Exemptions and deviations received from the National Treasury**

There were no exemptions or deviations granted applicable to the Department for neither the current nor the previous financial years

• **Events after the reporting date**

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

• **Other**

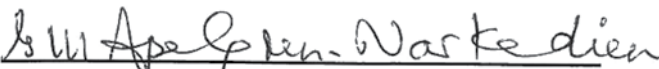
There are no other material facts or circumstances, which may have an effect on the understanding of the financial state of affairs, not addressed elsewhere in this report.

• **Acknowledgments/ Appreciation**

The Department has for the year under review made significant improvement towards housing delivery within the Province. Despite challenges experienced, this department continues to strive to meet its housing demands. This is clearly evident by the fact that this department has been recognised, countrywide, as a leading department within the Human Settlement sector, by winning the much coveted Govan Mbeki 2014 award for the best performing province. It is in recognition of a highly professional and dedicated team of officials that this department has excelled in its service delivery initiatives and I wish to therefore extend my gratitude and appreciation thereof.

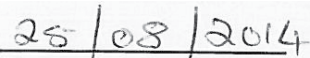
• **Approval and sign off**

The Annual Financial Statements set out on pages 136 to 196 have been approved by the Accounting Officer.

  
Ms G. M. Apelgren-Narkedien

Accounting Officer

KwaZulu-Natal Department of Human Settlements

  
Date

## 5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by the National Treasury.

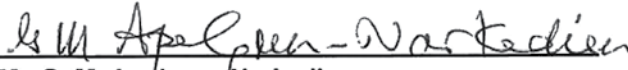
The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

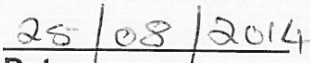
In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the department for the financial year ended 31 March 2014.

Yours faithfully

  
Ms G. M. Apelgren-Narkedien

Accounting Officer

KwaZulu-Natal Department of Human Settlements

  
Date

## 6. STRATEGIC OVERVIEW

### **Vision**

Creating sustainable settlements.

### **Mission**

To create an enabling environment based on a coordinated, integrated and inter-sectorial approach to support human settlement infrastructure development.

### **Values**

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

- Commitment to performance;
- Trust and honesty;
- Transparency and consultation; and
- Integrity.

## 7. LEGISLATIVE AND OTHER MANDATES

The KwaZulu-Natal Department of Human Settlements derives its mandate from various pieces of legislation and mandates. Some of these legislative requirements are specific to the housing sector, while in other instances indirectly impact on the housing industry. These pieces of legislation are listed below as follows.

### Legislative Mandates

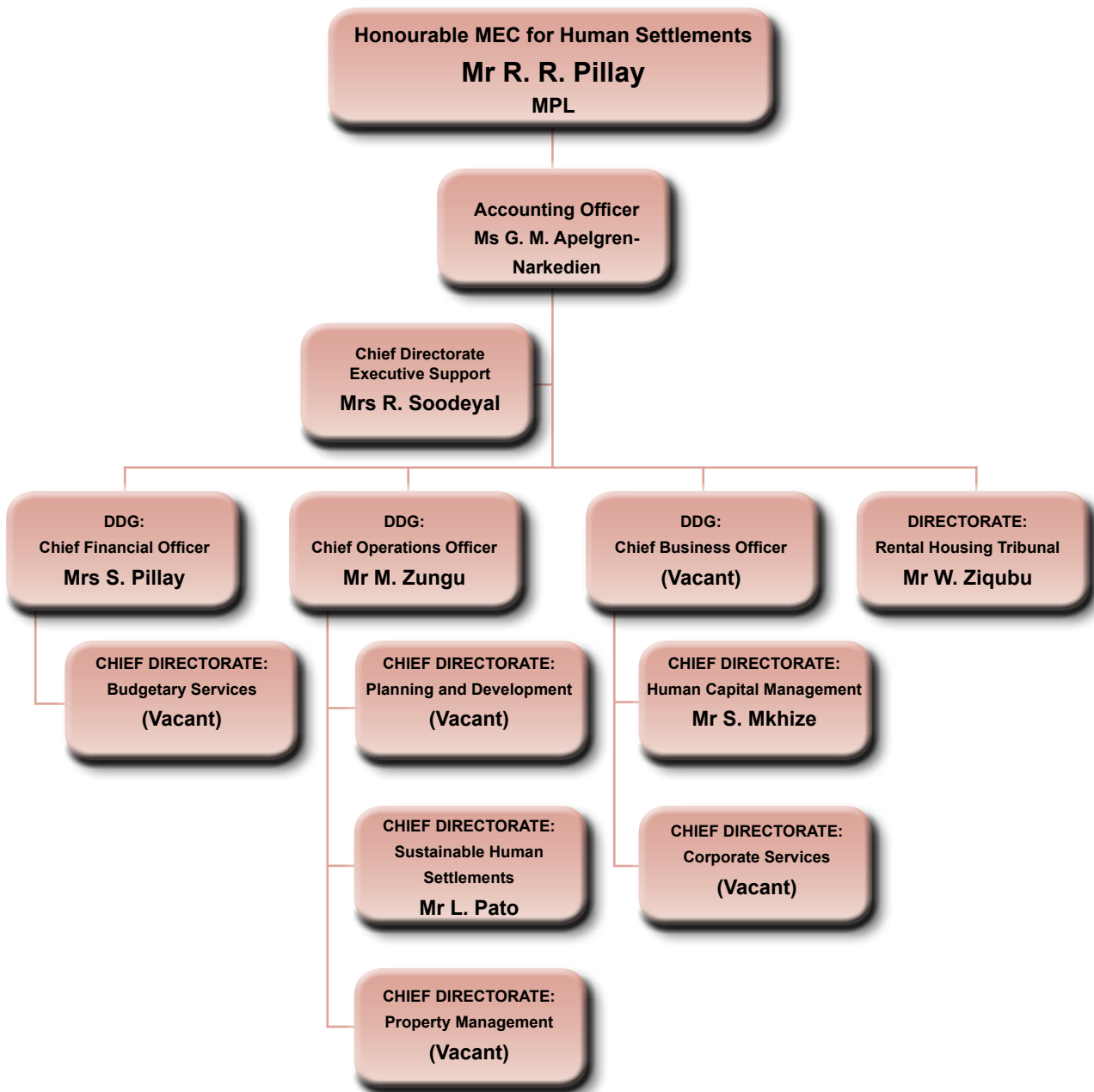
- Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Housing Act, 1997 (Act No. 107 of 1997)
- Consumer Protection Measures Act, 1998 (Act No. 95 of 1998)
- Rental Housing Act, 1999 (Act No. 50 of 1999)
- Sectorial Titles Act, 1986 (Act No. 95 of 1986, as amended by Acts Nos. 24 & 29 of 2003)
- Prevention of Illegal Eviction and Unlawful Occupation of Land Act No. 19 of 1998
- Home Loan and Mortgage Disclosure Act of 2000
- Disestablishment of South African Trust Limited Act of 2002
- Constitutional Court judgment of 2000, on the enforceability of social and economic rights
- KwaZulu-Natal Housing Act, 1998 (Act No. 12 of 1998 as Amended)
- Housing Development Schemes for Retired Persons Act, 1998 (Act No. 65 of 1988) as amended by Act No. 20 of 1998
- National Building Regulations and Building Standards Act, 1977 (Act No. 103 of 1977)
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- Housing Consumer Protection measures Act, 2007, Act No. 17 of 2007
- Social Housing Act 2008, Act No. 16 of 2008
- Housing Development Agency Act, 2008, Act 23 of 2008
- Public Finance Management Act, 1999 (Act No. 1 of 1999)
- Broad Based Black Economic Empowerment, Act 2003 (Act No. 53 of 2003)
- Nations Environmental Management Act, 1998 (Act No. 107 of 1998) as amended by Act No. 8 of 2004
- Communal Land Rights Act, 2004 (Act No. 11 of 2004)

- Communal Property Associations Act, 1996 (Act No. 28 of 1996)
- Deeds Registries Act, 1937 (Act No. 47 of 1937)
- Extension of Security of Tenure Act, 1997 (Act No. 62 of 1997)
- Land Administration Act, 1995 (Act No. 2 of 1995)
- Reconstruction and Development Programme Fund Act, 1994 (Act No. 7 of 1994)
- Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
- Corruption Act, 1994 (Act No. 94 of 2004) as amended /repealed
- Expropriation Act, 1951 as repealed by Act No. 63 of 1975
- National Heritage Resources Act, 1999 (Act No. 25 of 1999)
- Standards Act, 1993 (Act No. 29 of 1993)
- State Land Disposal Act, 1964 (Act No. 48 of 1961)
- Intergovernmental Relations Framework (Act No. 13 of 2005)

#### **Policy Mandates**

- National Development Plan 2030
- Provincial Growth and Development Plan
- Provincial Spatial Economic Development Strategy, October 2006
- Informal Settlement Strategy
- Integrated Sustainable Rural Development Strategy, November 2005
- KZN Rental Housing Strategy
- Housing Code
- The National Spatial Development Perspective (2006)
- Building capacity of housing stakeholders (especially Municipalities)
- Reconstruction and Development Programme (1994)
- The Medium Term Strategic Framework, A Framework to Guide Government's Programme in the Electorate Mandate period (2009-2014)

## 8. ORGANISATIONAL STRUCTURE



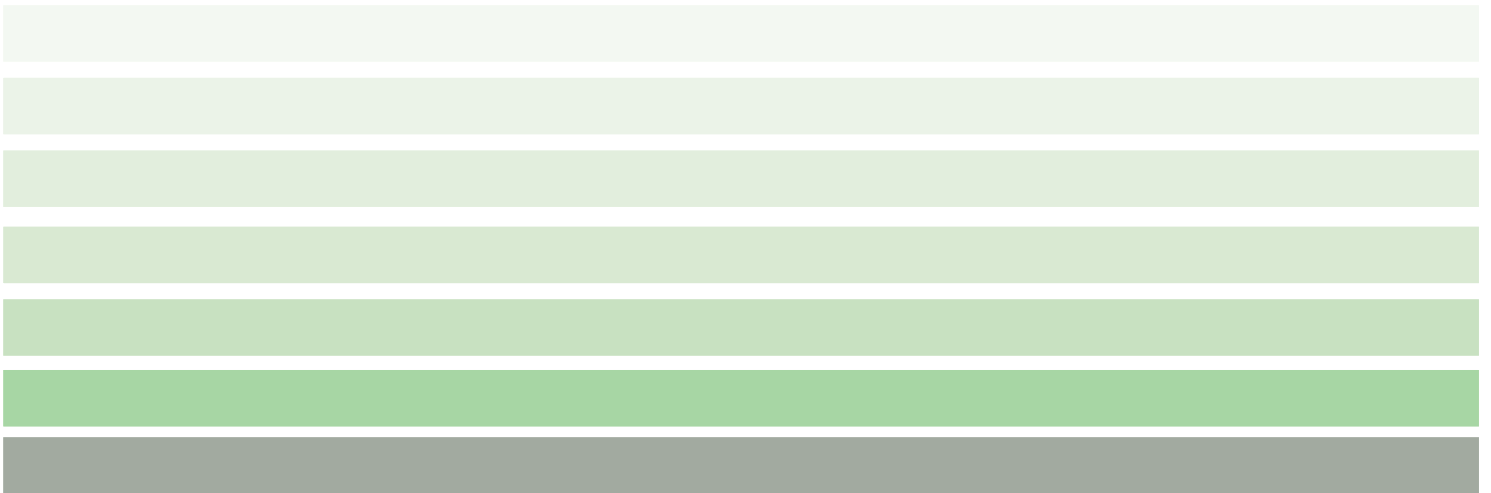
## 9. ENTITIES REPORTING TO THE MEC

The KwaZulu-Natal Housing Fund reports to the KwaZulu-Natal Department of Human Settlements. The department does not have any other public entities reporting to it directly, however it works very closely with the public entities reporting to the National Department of Human settlements and has a number of service level agreements, to guide the services they provide to the department, such as National Home Builders Registration Council (NHBRC), National Housing Finance Corporation (NHFC), Social Housing Regulatory Authority (SHRA), National Urban Reconstruction and Housing Agency (NURCHA) and Rental Housing Association Fund (RHAF).



Part B:

# Performance Information





## 1. AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs certain audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 132 of the Report of the Auditor General, published as Part E: Financial Information.

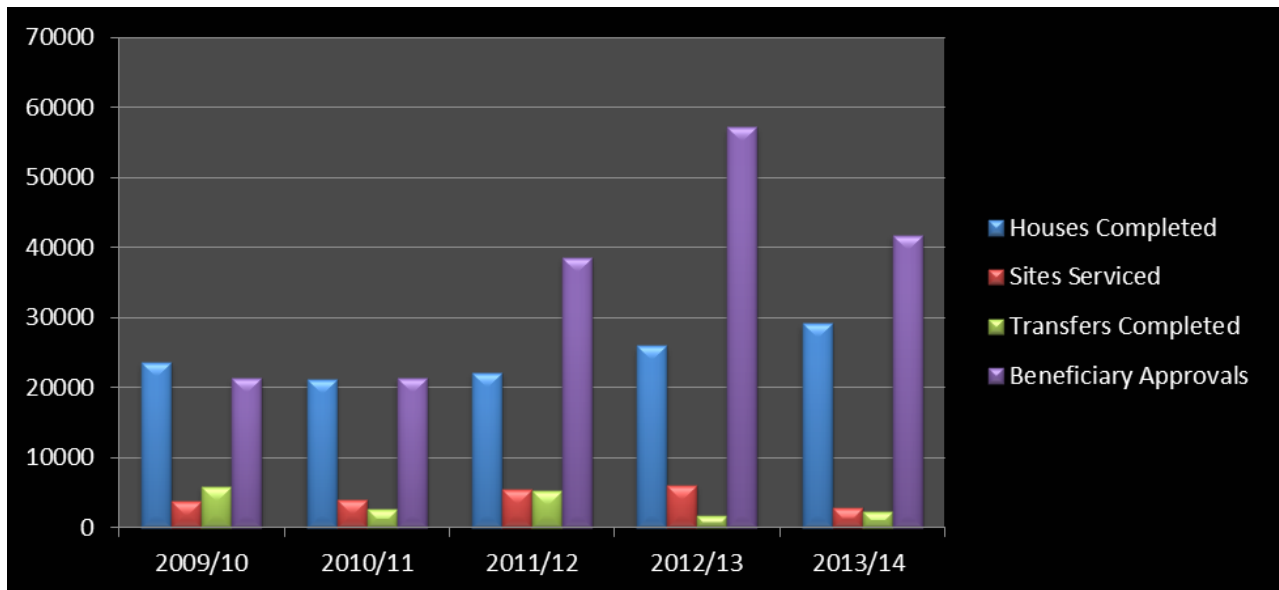
## 2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

### 2.1 Service Delivery Environment

The vision of this Department, i.e. creating sustainable settlements, aligns to the two main objectives of the Habitat Declaration on Sustainable Human Settlements, namely the right to basic shelter as a human right and the need for settlements to be socially, environmentally and economically sustainable. This vision further emphasises the policy objective of the Comprehensive Plan on Human Settlements of 2004 that delivery should be more demand-driven and that housing and other instruments should respond to the needs of people in their specific situations. In order to achieve this vision; the Department is committed to integrated and sustainable human settlements through the provision of comprehensive housing opportunities.

In pursuit of meeting its key objectives, a synopsis together with a graphic illustration of the achievement of the service delivery information relating to housing delivery in the Province since 2009/10 is reflected hereunder:

Service Delivery Indicator	Actual delivery per financial year				
	2009/10	2010/11	2011/12	2012/13	2013/14
Houses Completed	23,639	21,189	22,112	25,940	29,151
Sites Serviced	3,806	4,028	5,426	6,063	2,790
Transfers Completed	5,902	2,634	5,251	2,690	2,336
Beneficiary Approvals	21,382	21,447	38,554	57,188	41,791



A significant increase in housing delivery has been experienced in the 2013/14 financial year, more especially in the rural housing sector where a total of 14,418 housing units have been built. In light of KZN being predominately a rural province this service delivery effort clearly supports the rural development initiative as per the National Development Plan as well as the 5 key priorities of the ruling party. A total of 41,791 beneficiary approvals have also been undertaken which is greatly attributed to the improved communications with municipalities on submission times. Bulk infrastructure challenges which are widespread throughout the province remain a challenge on the under-delivery of sites. The transfer of properties also remains a challenge as residents are resistant to the transfer process as they are concerned over the payment of rates despite the fact that the majority do not qualify to pay rates.

The total amount allocated for the KZN Human Settlements Conditional Grant for the 2013/14 financial year was R3,332,584,000 mainly for the key delivery of a targeted 27,382 units and the installation of services on 10,018 sites which is inclusive of water and sanitation systems. The bulk of the grant was apportioned to the 11 district municipalities that make up the province in accordance to population size, housing need and projected housing projects for the financial year as per the outcome of 2011 Population Census conducted by Statistics South Africa. Therefore eThekweni and uMgungundlovu received the major portion of the grant, while uMzinyathi and Harry Gwala Districts received the least as they are the smallest districts in the Province.

The budget allocated for the financial year in question is also the highest to be received by the province to date. The allocation reflects a steady 4% increase to the allocation of the previous year which was R3,049,774,000. The expenditure outlook for the year is equally impressive. The department managed to spend an impressive R3,304,575,000. 29% of this is linked to the national and provincial agenda of eradicating slums and informal settlements.

Reflected hereunder are the budget allocation and expenditure trends over the medium term strategic framework. Over the five year period the Department has clearly expended 99% of its overall budget allocation. The Financial Turn-around Strategy as adopted by the Department has also resulted in major progress being made to linking the budget with service delivery as well as to effectively manage and spend its allocated budget.

Financial Year	Budget R'000	Expenditure R'000	Variance R'000	% of Budget Spent
2009/10	2,573,713	2,492,647	81,066	97
2010/11	3,102,310	3,089,237	13,073	100
2011/12	3,084,991	3,042,495	42,496	99
2012/13	3,049,774	3,049,774	-	100
2013/14	3,332,584	3,304,575	28,009	99
<b>MTSF Total</b>	<b>15,143,372</b>	<b>14,978,728</b>	<b>164,644</b>	<b>99</b>

Whilst Census 2011 indicates that there has been a significant improvement in the proportions of households living in formal dwellings, i.e. from 55.2% in 1996 to 71.6% in 2011; the housing backlog figures is 742,019; implying that the Department still needs to make a considerable impact towards addressing the housing needs of the Province. Factors that hamper the Department's delivery initiatives include amongst others: the lack of bulk infrastructure across the province and especially in the rural areas; the lack of affordable well located land for low income housing which has resulted in the housing programme largely extending existing areas, often at the urban periphery and achieving limited integration. Urbanization has been one of the most significant demographic and settlement trends over the past few decades; densification and sprawl, encouraged by increased mobility; and capacity constraints both at a provincial and municipal level.

## 2.2 Service Delivery Improvement Plan

The department has completed a service delivery improvement plan. The tables below highlight the service delivery plan and the achievements to date.

### *Main services and standards*

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
Resolve Rental housing complaints and disputes	Landlords and tenants	Rental housing complaints and disputes resolved	Rental housing complaints and disputes resolved	Target: 1,380 Achievement: 1,917
Provide subsidy beneficiary approval	Service beneficiaries	Approved beneficiaries	Approved beneficiaries	Target: 39,663 Achievement: 41,791
Provide maintenance of properties or rental accommodation	Tenant, employees and owners of properties	Emergency repairs for maintenance within 3 hours. Priority repairs for maintenance within 48hrs. and routine repairs within 10 days	Emergency repairs for maintenance within 3 hours. Priority repairs for maintenance within 48hrs. and routine repairs within 10 days	Target: 3,000 Achievement: 3,289
Provide beneficiaries consumer education	Service Beneficiaries	SMME, Community, Women in Housing, Youth Organizations		Target: 6,000 Achievement: 6,859

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
Provide Municipal Support and accreditation of levels	Municipalities	Approved level of accreditation on meeting requirements	Approved level of accreditation on meeting requirements	Target: 7 Achievement: 7

**Batho Pele arrangements with beneficiaries (Consultation, access etc.)**

Current/actual arrangements	Actual Customers	Potential Customers	Actual achievements
Road Shows	Citizens	Municipalities, landlords /Tenants formation, statutory bodies, body corporate	Increase awareness on know your service right campaign
Izimbizo, youth summits, project launches and hand over, implementing agency meeting and District Municipalities forum, OSS	Citizens, youth, women, people with disabilities	Municipalities, interest groups	Improved determination of needs and expectation of the end user of services
Consumer Management forum	Citizen, Traditional leaders, Amakhosi, municipalities	Amakhosi, Municipalities	Improve service delivery and improve awareness
Stakeholder management Forum	Citizen, Municipalities, statutory bodies, provincial departments, national departments	NGO's, CBO's, PPC	Improve integration of service delivery.

**Service delivery information tool**

Current/actual information tools	Actual achievements
Helpdesks, Public Services day events	Improve quality service delivery and customer care service
Complaints handling systems/ procedures	Improve quality time line in the handling of complaints
Utilization of toll- free numbers to report fraud and corruption	Reduce fraud and corruption practices
Training of employees in handling of complaints fast and efficiently	Improve quality customer care services and quality responses

**Complaints mechanism**

Current/actual complaints mechanism	Actual achievements
Suggestion boxes, customer satisfaction questionnaire	Improve quality service delivery and customer care service.
Complaints handling system/ procedures	Improve quality time line in the handling of complaints
Utilization of toll-free number to report fraud and corruption	Reduce fraud and corruption practices
Training of employees in handling of complaints fast and efficiently	Improve quality customer care services and quality responses

### 2.3 Organisational environment

For the period under review the department has also in addition to the above made significant progress towards the following initiatives:

- Strengthened relations with key role players in housing such as the Ingonyama Trust Board, NHBRC, etc. Urban and Rural dialogues have also been undertaken in anticipation of the Human Settlement Summit. The partnership between the eThekweni Metro, the Tongaat Hulett Developments and the Department for the Cornubia project bears testimony to this Department's endeavour to work closely with housing stakeholders;
- The department has vigorously undertaken to recruit skilled staff in order to address capacity constraints (Professionals/technical/Planners as well as key Management posts have also been filled);
- High impact projects such as Cornubia, Inyoni and Vulindlela are now at construction stage and are anticipated to significantly contribute to housing development within the Province;
- In order to address some of the urban challenges experienced, this Department entered into an urban human settlement dialogue with key stakeholders on 5th and 6th of December 2013. Resolutions emanating thereof will culminate to the Human Settlement Summit;
- Informal Settlements Upgrade/Slums Clearance: A total of 8,588 houses (29% expenditure) have been built that have contributed to the national and provincial agenda of eradicating slums and informal settlements. In this regard, projects such as the Rocky Park Project in ILembe as well as the Cornubia Housing Project which is a presidential project are currently under construction and are expected to amongst others, make significant contributions towards the Informal Settlement Upgrade Programme. In addition, the mobilisation of well-located public land for low income and affordable housing, as well as the provision of the Finance Linked Individual Subsidy Programme (FLISP) to address affordability challenges in the gap market plays a pivotal role towards the eradication of slums;
- In support of the Informal Settlements Upgrade/Slums Clearance Programme is the Social Housing Programme which seeks to provide secure tenure to households which prefer the mobility provided by rental accommodation that has convenient access to employment opportunities and the full range of urban amenities. As such, the Department's Social Rental Strategy was launched in May 2013 and is anticipated to drive and guide the implementation of the Social Housing Programme;
- The institutionalization of the Provincial Operational Sukuma Sakhe Programme so as to ensure that the department delivers on its mandate as well as contributes towards the war on poverty campaign;
- The Department continued with its capacity building support initiative of its 7 accredited municipalities where an amount of R33,419,000 has been expended. Towards the latter part of the reporting period, attention has also been placed towards addressing the full Assignment of the housing functions to the eThekweni Municipality; and
- The Provincial Growth & Development Strategy (PGDS) and its subsequent Provincial Growth and Development Plan (PGDP) spatially references the priority intervention areas where there is a high potential to achieve sustainability. The Department, in its effort to operationalise the PGDP has begun to align its human settlement projects to these priority intervention areas.

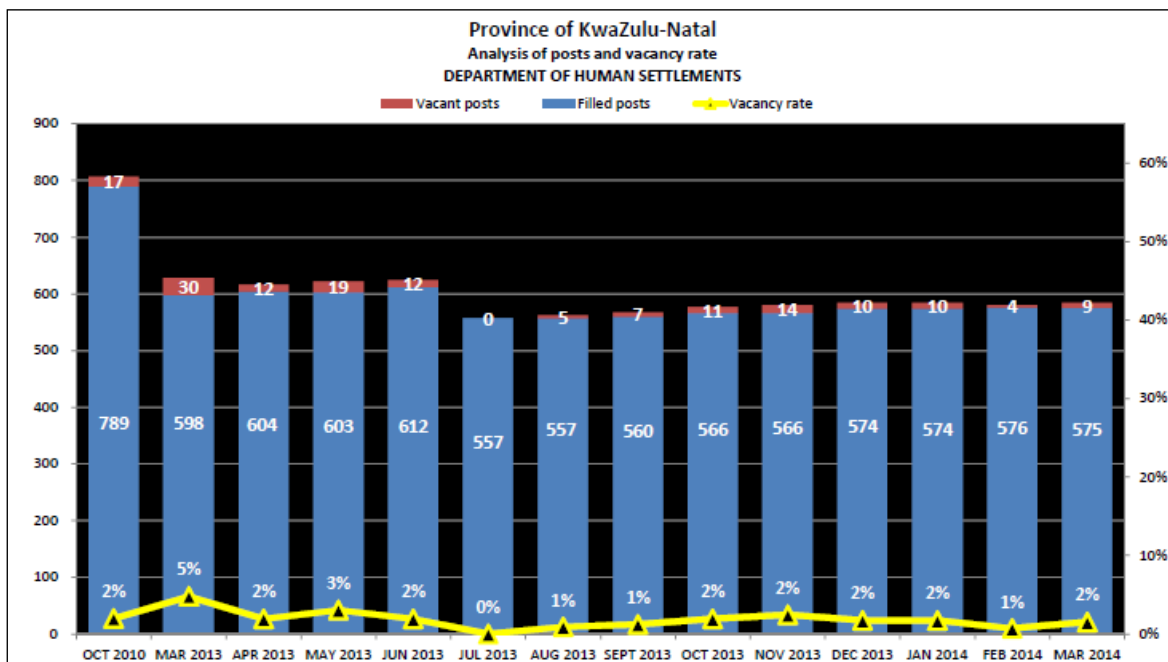
The Department commenced with an organizational review in 2011/12 and this process is still under review. This process is being informed by core business and business processes in the Department in order to ensure appropriate human resources for Human Settlements. The approved 2008 organizational structure of the Department is however currently being utilized and changes are being made where necessary to enhance service delivery.

In order to address the major technical and capacity constraints, the department has embarked on the filling of critical technical and support posts by utilizing Operational Capacity funds. The introduction of expertise in town and regional planning as well as in quality assurance has thus improved the department's position in these spheres to make housing delivery more efficient and effective. The department has also continued to make provision for additional resources at each district thereby ensuring that service delivery is enhanced at the point of customer contact throughout the province.

### Vacancy Rates

Vacancy rates are generally used as standard predictor of human resource gaps, needs and subsequent prioritization for filling of posts. In terms of Cabinet resolution no. 7 dated 22 September 2009; all departments were tasked with ensuring that all unfunded vacant posts and all vacant posts older than 2 years were abolished on the Persal system. In addition to this, departments were requested by the Committee of Head of Departments [CoHoD] to effectively monitor the filling of funded vacant posts in terms of Output 2 of Outcome 12 to ensure a vacancy rate of 5%. The Department has however achieved a 2% vacancy rate as at March 2014 as reflected hereunder:

**Graph 2: Vacancy Rate**



Source: Persal Management Report

**Transformation Profile**

In June 2003, National Cabinet approved the revised minimum national affirmative action targets as follows:

Black employees at Senior Management level: 75%;

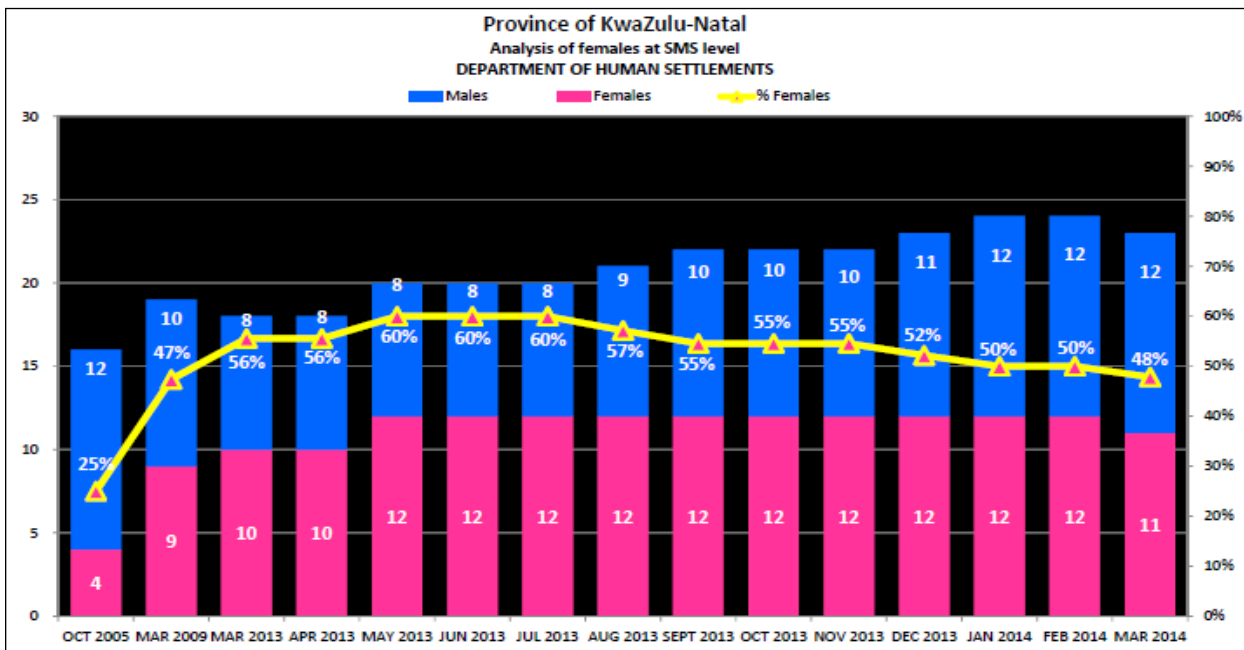
Women at Senior Management level: 30%; and

People with disabilities at all levels: 2%

In March 2006, National Cabinet approved a 50% equity target for women at senior management level. The Premier of KwaZulu-Natal subsequently issued a directive to all Provincial Departments that the 50% female employees at SMS level and 2% employees with disabilities are to be achieved by 31 January 2013.

Reflected hereunder are the graphs depicting female employees at SMS level as well as the employees with disabilities illustrating that as at March 2013, 48% female employees were at SMS level and 1.57% were for the employees with disabilities.

**Graph 3: Females at SMS Level**



Source: Persal Management Report

**2.4 Key policy developments and legislative changes**

There have no key policy developments and legislative developments during the reporting period.

### 3. STRATEGIC OUTCOME ORIENTED GOAL

Strategic Goal	Goal Statement	Rationale	Expected Outcomes	Progress
Overhaul Provincial Human Settlement Services.	Transform the Provincial human settlements system to improve equity, availability, efficiency, quality and effective management to enhance service delivery and improve sustainable human settlements in the province.	Fully fledged, proficient administrative core ensuring the attainment of the strategic objectives of the Department and administrative support.	<ul style="list-style-type: none"> <li>Improved access, equity, efficiency, effectiveness and utilisation of human settlements.</li> </ul>	<ul style="list-style-type: none"> <li>29,151 units completed [increased actual output by 12.4% from 2012/13]</li> </ul>
			<ul style="list-style-type: none"> <li>Improved Human Resource Management including reconfiguration of organisational structures, appropriate placement of staff [appropriate skills mix and competencies], strengthened performance management and decreased vacancy rates.</li> </ul>	<ul style="list-style-type: none"> <li>Approved structure implemented</li> <li>Human Resource Plan developed</li> <li>Vacancy rate less than 5%</li> </ul>
			<ul style="list-style-type: none"> <li>Improved Financial &amp; SCM efficiency and accountability to improve return on investment and value for money, budget aligned with service delivery priorities and needs.</li> </ul>	<ul style="list-style-type: none"> <li>R3,304,575,000 spent</li> <li>[99% of allocation spent]</li> </ul>
			<ul style="list-style-type: none"> <li>Improved governance including regulatory framework, and policies and delegations to facilitate implementation of the Strategic Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Planning Procedure approved</li> <li>Report on Land Invasion</li> <li>Evaluation of EEDBS</li> <li>Cost norms for preparation funding</li> <li>Project Process Documents</li> </ul>
			<ul style="list-style-type: none"> <li>Decentralised delegations, controls and accountability.</li> </ul>	<ul style="list-style-type: none"> <li>Not achieved</li> </ul>
			<ul style="list-style-type: none"> <li>Improved information systems, data quality and information management, and improved performance monitoring and reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Network security policy in place</li> <li>IT user policies in place</li> <li>Disaster Recovery Plan</li> </ul>
			<ul style="list-style-type: none"> <li>Strengthened infrastructure to improve service delivery.</li> </ul>	<ul style="list-style-type: none"> <li>Accommodation sourced for 1 district office</li> </ul>



Strategic Goal	Goal Statement	Rationale	Expected Outcomes	Progress
Improve the efficiency and quality of human settlements services.	Provide an enabling environment and supportive and integrative structure allowing for the successful development of human settlement	Improved compliance with legislative/ policy requirements and Core Standards for quality service delivery in order to improve delivery outcomes.	<ul style="list-style-type: none"> <li>▪ Accreditation of municipalities in line with the identified priorities of Outcome 8.</li> <li>▪ Improved sector/ stakeholder capacity.</li> <li>▪ Improved human settlements outcomes and upgrading of households in informal houses.</li> <li>▪ Improved performance towards achieving the MDG targets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Support provided to 7 Accredited Municipalities</li> <li>▪ 542 Amakhosi trained</li> <li>▪ 309 councillors trained</li> <li>▪ 6,859 housing consumers trained</li> <li>▪ 2,790 sites serviced</li> <li>▪ 8,588 houses (29% expenditure) have been built that have contributed to the national and provincial agenda of eradicating slums and informal settlements.</li> </ul>
Paradigm shift subsuming integrated development, intersectoral approaches and well-coordinated project management	Achieving the best possible human settlements outcomes within the funding envelope and available resources.	Efficient and well-functioning sustainable human settlements with the potential to respond to emergency housing disasters and settlement needs in the Province.	<ul style="list-style-type: none"> <li>▪ Improved response to emergency housing disasters.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 1,693 units built</li> </ul>

## 4. PERFORMANCE INFORMATION BY PROGRAMME

### 4.1 Programme 1: Administration

The purpose of the Administration Programme is to identify and eliminate bottle-necks, as well as continuously improve the flow of financial, administrative and management information.

This Programme further undertakes to:

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

The Sub-Programme within this Programme includes Corporate Services and comprises the following strategic support services:

- Office of the Head of Department;
- Office of the Chief Financial Officer;
- Office of the Chief Operations Officer;
- Financial Management;
- Human Resource Management;
- Monitoring and Evaluation;
- Intergovernmental Relations;
- Legal Services;
- Supply Chain Management;
- Executive Support;
- Communications;
- Information Technology;
- Rental Tribunal;
- Asset Management; and
- Risk Management and Advisory Services.

#### ***Strategic objectives, performance indicators, planned targets and actual achievements***

This Programme has demonstrated that through strong strategic leadership, effective management and improvement of business processes, great strides were made towards meeting key strategic objectives. The target for housing delivery has been exceeded, and 100% reconciliation has been obtained between the conditional grant spent versus the allocation. It was through effective strategic planning, the continued implementation of the finance turn-around strategy and active monitoring of expenditure trends that this was achieved.

Improvements have also been made on the department's information management systems as well as on its inter-governmental relations. The department successfully hosted urban and rural dialogues with key stakeholders to strengthen relations and improve service delivery. In addition, as requested by the Committee of Head of Departments [CoHoD] in order to effectively monitor the filling of funded vacant posts in terms of Output 2 of Outcome 12 Departments were to ensure that a vacancy rate not exceeding 5% was to be maintained. The Department has instead achieved a 2% vacancy rate as at March 2014. In addition, in March 2006, National Cabinet approved a 50% equity target for women at senior management level. The Premier of KwaZulu-Natal subsequently issued a directive to all Provincial Departments that the 50% female employees at SMS level and 2% employees with disabilities are to be achieved by 31 January 2013. Until the resignation of a female employee at SMS Level in February 2013, this department had achieved the 50% target of female employees at SMS level. As at March 2014 1.57% are employees with disabilities. Moreover as per the 2013/14 Cabinet Lekgotla Resolutions, this Department has achieved 100% of phase 1 of its persal data verification process. It is therefore evident that this department has made a concerted effort on addressing some of the core issues that relate to effective and sound management practices under this Programme.

### Strategic objectives

Programme 1: Administration					
Strategic objectives	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for	Comment on deviations
	2012/2013	2013/2014	2013/2014	2013/2014	
To provide strategic leadership to the housing delivery programme [% of houses delivered in respect of targets set annually]	26,960	27,382	29,151	1,769	A significant increase in housing delivery has been experienced in the 2013/14 financial year, more especially in the rural housing sector where a total of 14,418 housing units have been built. In light of KZN being predominately a rural province this service delivery effort clearly supports the rural development initiative as per the National Development Plan.
Reconciliation between service delivery indicators and Conditional Grant [% of Conditional Grant spent versus allocation]	100% [R2,772,232,000]	100% [R3,332,584,000]	99% [R3,304,575,000]	No deviation	-

**Performance indicators**

<b>Programme 1: Administration</b>					
<b>Performance Indicator</b>	<b>Actual Achievement</b>	<b>Planned Target</b>	<b>Actual Achievement</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
	<b>2012/2013</b>	<b>2013/2014</b>	<b>2013/2014</b>		
Tabled APP	1	1	1	No deviation	-
Reduction of vacancy rate <sup>3</sup>	41% <sup>1</sup>	5%	5%	-	-
Persal data verified	23%	100%	100%	No deviation	-
Reduction of vacancy rate <5% <sup>3</sup>	41% <sup>2</sup>	<5%	2%	3%	Vacant posts were filled during the financial year
Approved organisational structure	Not achieved	1	1	No deviation	-
Reviewed/updated Master Systems Plan in Place	Not achieved	1	1	No deviation	-
Updated/reviewed Disaster Recovery Plan in Place	Not Achieved	1	1	No deviation	-
Updated or reviewed Network Security Policy in Place	1	1	1	No deviation	-
Updated or reviewed IT user policies in place	2	1	7	6	Draft policies that were in existence were finalised upon the appointment of the IT SMS manager in the 4 <sup>th</sup> Quarter.
Human Settlements Summit Conducted	0	1	1	No deviation	-
Rental Tribunal: Number of cases resolved	1,400	1,380	1,917	537	The target was exceeded since the number of days for the Rental Housing Tribunal members were increased

In order to provide a supportive and enabling environment to address the strategic objectives of the Department, the components within this Programme, play a fundamental role with issues relating to amongst others, effective and sound financial management, risk management, management of human resources, and administrative support.

1. The vacancy rate stated was erroneously based on the organisational structure, as opposed to funded vacant posts
2. This was erroneously calculated based on the entire orgnogram rather than on vacant and filled funded posts.
3. Performance Indicator changed from 2012/13 to 2013/14

Of significant importance to this Programme is the Outcome Based Approach to service delivery, as was adopted by all Departments in line with the Negotiated Service Delivery Agreements entered into with the President of the Republic of South Africa and various Ministers. In this regard Outcome 12, namely: an efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship, is applicable to this Programme and includes key strategic areas such as: Service Delivery Quality and Access, Human Resource Management and Development, Business process, systems, decision rights and accountability, Corruption tackled effectively, Nation Building and National Identity, Citizen Participation; and Social Cohesion.

#### **Strategy to overcome areas of under performance**

There are no areas of underperformance in Programme 1.

#### **Changes to planned targets**

No performance indicators or targets have been changed during the reporting period.

#### **Linking performance with budgets**

##### **Programme 1: Expenditure**

Administration	2013/2014			2012/2013		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Services	165,093	163,986	1,107	132,302	132,277	25
<b>Total</b>	<b>165,093</b>	<b>163,986</b>	<b>1,107</b>	<b>132,302</b>	<b>132,277</b>	<b>25</b>

## 4.2 Programme 2: Housing Needs, Research and Planning

The main purpose of this programme is to develop tools to guide the department's investment decisions and to provide policy and support to the housing delivery process. In addition, the programme provides for the facilitation and integration of housing sector planning, education of stakeholders in housing sector planning, alignment of housing budget, with the current and future housing needs and the capacitation of housing stakeholders for housing delivery through mentorship and training.

In order to effectively achieve the above, this Programme has three sub-components, namely:

1. Policy (Product Development)
2. Planning (Integrated Planning)
3. Research

### ***Strategic objectives, performance indicators, planned targets and actual achievements***

The major strategic thrust of this Programme is to ensure that housing development is undertaken in an integrated and sustainable manner. The promotion and implementation of sound planning principles is therefore pivotal for the creation of sustainable human settlements as is strengthened capacity and effective development of policies that support and facilitate housing delivery.

During the 2013/14 financial year, focussed attention has been placed on ensuring that this department has a fully functional project pipeline that is aligned to the national and provincial priorities inclusive of making significant improvement to the alignment to the priority intervention areas, nodes and corridors of the Provincial Spatial Economic Development Strategy (PSEDS). The utilisation of the project pipeline further implies that the department is effectively allocating resources for its intended purposes. In addition, by having projects in readiness it ensures that where blockages are experienced with projects in implementation stage, pipeline projects can easily replace such projects so as to ensure that housing delivery is continued. The surge in the project packaging also implies that the project implementation process can be accelerated to expedite housing delivery.

The alignment of projects to the Provincial Growth and Development Plan (PGDP) such as the Mngobokasi Phase 2 and the Embo Phase 2 housing projects further illustrates that this department is committed to the "2030 Provincial Vision" and more especially to the key strategic provincial goal of Human and Community Development. Departmental representatives have also been appointed for the various work groups to address housing related matters. Of significant importance to the PGDP is the Small Town Regeneration Programme which seeks to make identified nodal areas more competitive to stimulate economic development and opportunities. This would invariably lessen the burden of migration to the more urban areas. In conjunction with the project team lead by COGTA, a project has been identified to support this initiative.

In accordance with Outcome 8, this Programme continues to provide support and capacitation to the 7 accredited municipalities. It is anticipated that these accredited municipalities will significantly contribute towards the Social Housing Programme as well as with the Informal Settlement Upgrade Programme. The Municipal Support and Consumer Education Sub-Programme have further placed significant emphasis on capacitation of stakeholders such as the Amakhosi, Councillors and housing consumers. In doing so, it is anticipated that the more effective capacitation of the built environment will greatly assist with housing initiatives within the Province.

**Strategic objectives**

Programme 2: Housing Needs, Research and Planning					
Strategic objectives	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
Accelerate the provision of housing opportunities (number of units in the housing pipeline)	87,845	78,654	86,000	7,346	Units in the housing pipeline are dependent on geotechnical and feasibility surveys. This may impact either positively or negatively the number of units projected for any parcel of land.

**Performance indicators**

Programme 2: Housing Needs, Research and Planning					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
Number of planned human settlement developments based on National and Provincial Priorities	New indicator	5	6	1	The alignment to the Provincial Growth and Development Strategy has allowed the department to align additional projects more significantly. Embo Phase 2 was the additional project.
Number of Municipalities capacitated and supported with regard to human settlement development planning	New Indicator	6	15	9	Existence of additional town planners located in districts provided technical support to additional municipalities.
Number of housing projects packaged	New indicator	30	76	46	The additional town planners allowed for more follow-up with Implementing Agents on plans which commenced in the previous year and lead to more Stage 1 approvals.
Framework for the identification of flood plains	Not achieved	1	1	No deviation	-

<b>Programme 2: Housing Needs, Research and Planning</b>					
<b>Performance Indicator</b>	<b>Actual Achievement</b>	<b>Planned Target</b>	<b>Actual Achievement</b>	<b>Deviation from planned target to Actual Achievement for</b>	<b>Comment on deviations</b>
	<b>2012/2013</b>	<b>2013/2014</b>	<b>2013/2014</b>	<b>2013/2014</b>	
Confirmed project pipeline	1	1	1	No deviation	-
Number of projects aligned with Small Town Regeneration	New indicator	1	1	No deviation	-
<b>Policy and Research</b>					
Number of research projects approved	7	5	4	(1)	The research project on Child Headed Households was referred by the MEC for further consultation with the Department of Social Development, pending approval.
Number of research projects completed	New indicator	5	6	1	The Land Invasion project which led to the to the Land Invasion Guidelines was only anticipated to be completed in the 2014/15 financial year was completed in the last Quarter of the 2013/14 financial year.
Number of policies and/or guidelines approved	6	6	7	1	A need for the prevention of land invasion emanating out of the Cabinet Lekgotla prompted the development of an extra guideline document.
<b>Municipal Support and Consumer Education</b>					
Number of Housing Consumers trained	8,975	6,000	6,859	859	Ward Councillors and Ward Communities have raised more awareness among consumers of the need to be trained and this increased the numbers attending training.
Number of councillors trained	203	160	309	149	The department requested SALGA to assist in improving the attendance at training sessions. SALGA now issues the training invitations and this has boosted the number of councillors attending training sessions.



Programme 2: Housing Needs, Research and Planning					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
Number of Municipalities capacitated on accreditation	6	7	7	No deviation	-
Number of Amakhosi trained	328	160	542	382	The department requested SALGA to assist in improving the attendance at training sessions. SALGA now issues the training invitations and this has boosted the number of councillors attending training sessions.

#### **Strategy to overcome areas of under performance**

This programme had no major areas of underperformance. Only one research project is pending approval subject to more stakeholder engagement.

#### **Changes to planned targets**

No performance indicators or targets have been changed during the reporting period.

#### **Linking performance with budgets**

#### **Programme 2: Expenditure**

Housing Needs, Research and Planning	2013/2014			2012/2013		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	1,605	1,374	231	1,733	1,353	380
Policy	3,769	3,695	74	3,814	3,603	211
Planning	3,184	3,124	60	18,939	12,924	6,015
Capacity Building	6,032	5,922	110	7,487	5,481	2,006
<b>Total</b>	<b>14,590</b>	<b>14,115</b>	<b>475</b>	<b>31,973</b>	<b>23,361</b>	<b>8,612</b>

### 4.3 Programme 3: Housing Development

The purpose of the Programme is to promote effective and efficient delivery of sustainable human settlements within the Province in line with National and Provincial priorities together with the strategic objectives of the department.

In addition, to the implementation of housing projects at district level, this Programme also comprises two sub-components, namely:

- Subsidy Administration
- Contracts and Land Legal Administration

The purpose of these components is:

Subsidy Administration:

To provide and implement an efficient and effective Subsidy Administration service as well as provide housing opportunities to various market segments of the society.

Contracts and Land Legal:

To facilitate the process of land acquisition for housing and administer housing contracts for all approved projects.

The bulk of the programme funding is allocated from the Human Settlement Development Conditional Grant, which comprises financial, incremental, social and rental as well as rural interventions under which various Housing Programmes are classified for housing delivery.

#### **Strategic objectives, performance indicators, planned targets and actual achievements**

This Programme as the core driver for housing delivery continues to strive to address the housing needs of the citizens of the province. This is clearly evident by the fact that the Department has for the 2013/14 financial year delivered the highest number of houses, i.e. 29,151 in comparison to the 5 year period. This is essentially attributed to the effective institutionalisation of monitoring of expenditure trends and project performance as well as improved relations with service providers and the streamlining of business processes to address project approvals and contract administration.

In line with the Millenium Development Goals 1 and 7 as well as Outcome 8, namely Sustainable Human Settlements and Improved Quality of Households, this Programme continues to administer housing programmes that contribute directly to the achievement of the targets set. In this regard, a total of 8,588 houses have been built. The Cornubia Housing Project, in addition to being a Presidential Priority Project, has also been identified as one of the large scale developments that are currently contributing towards the slums clearance initiative. This project has also been identified as one of the catalytic projects within the PGDP to directly stimulate and provide for much higher levels of developments. The provision of well-located land, the implementation of the Finance Linked Individual Subsidy Programme (FLISP) to address affordability challenges in the gap market plays a pivotal role towards the eradication of slums as well as the provision of community residential units. Further alignment to the PDGP is also undertaken especially with regard to the strategic intervention relating to slum clearance-transform into social housing programmes. The Department's Social Rental Strategy that was launched in May 2013 and this is anticipated to drive and guide the implementation of the Social Housing Programme.

Furthermore, in support of Outcome 7 and a key provincial priority as well as Cabinet Lekgotla resolutions relating to rural development, the department continued to effect strategies with the implementation of the Rural Housing Programme. This has subsequently resulted in the provision of 14, 418 houses. The fact that the province is predominately rural implies that due consideration has been made to the plight of the needy.

### Strategic objectives

Programme 3: Housing Development					
Strategic objectives	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/13	2013/2014	2013/2014		
To reduce the provincial Housing Backlog (Census 2011 figure [742,019] less houses built	716,079	688,697	686,928	1,769	The department delivered more housing units than planned.

### Performance indicators

Programme 3: Housing Development					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
<b>Individual Non-Credit Linked</b>  Number of beneficiaries approved	2,086	1,000	1,217	217	The component appointed additional staff, and training was also undertaken. Promoting the programme also increased the number of beneficiaries.
Number of housing units completed	1,347	700	1,502	802	The component appointed additional staff, and training was also undertaken. A panel of Conveyancers was appointed in addition to the State Attorney.
<b>Social and Economic Amenities:</b>  Number of projects completed	-	16	-	(16)	Protracted forensic investigations were completed and the projects were revived in November 2013. Contractors were appointed to complete the projects.

Programme 3: Housing Development					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
<b>Finance Linked Individual Subsidy Programme:</b> Number of Houses completed	24	800	74	(726)	Performance in this instrument continues to be a challenge despite the substantial marketing undertaken by the department. Additionally, banks are not willing to finance houses below R300, 000 for the GAP market.
<b>Project Linked Subsidies:</b>  Number of beneficiaries approved	9,649	2,550	8,004	5,454	The component appointed additional staff, and training was also undertaken. Promoting the programme also increased the number of beneficiaries.
Number of sites serviced	1,554	440	-	(440)	Districts municipalities are not sufficiently aligning water funds to the municipalities' bulk infrastructure requirements. This is being addressed through governments Provincial Water, Sanitation & Energy Forum
Number of houses completed	1,698	990	2,357	1,367	Contractor performance improved, particularly in eThekweni. Previously halted contracts, once regularised contractors went back to site. Other contractors increased their capacity to increase production.
<b>Informal Settlements Upgrade:</b>  Number of sites serviced	3,476	7,269	2,195	(5,074)	Districts municipalities are not sufficiently aligning water funds to the municipalities' bulk infrastructure requirements. This is being addressed through governments Provincial Water, Sanitation & Energy Forum. Additionally, construction was delayed due to social issues.

Programme 3: Housing Development					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
Number of houses completed	1,531	10,957	5,727	(5,230)	Districts municipalities are not sufficiently aligning water funds to the municipalities' bulk infrastructure requirements. This is being addressed through governments Provincial Water, Sanitation & Energy Forum. Additionally, construction was delayed due to social issues.
<b>Integrated Residential Development Programme</b> Number of sites serviced	1,006	1,914	539	(1,375)	The litigation challenges in the tender by eThekweni Metro delayed the process of the appointment of civil contractors for the sites at Cornubia.
Number of houses completed	262	1,361	242	(1,119)	The eThekweni Metro finalised the procurement process and appointed multiple contractors to fast-track the servicing of sites. This will enable top structures to be fast tracked.
<b>Provision of Institutional Subsidies:</b> Number of units completed	104	12	47	35	This instrument does not produce single units. Instead it produces blocks of flats etc. During the financial year there was substantial work in progress following from the previous year which was completed, leading to a higher achievement than planned in this financial year.
<b>Affordable Social Housing:</b> Number of Houses completed	1,604	315	-	(315)	A total of 9 contracts have been awarded in the 3rd Quarter, therefore performance under this instrument will improve in the new financial year. Projects in this are completed in phases and therefore a better measure would be % completion, which a large number of units are completed (e.g. a block of flats).

Programme 3: Housing Development					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
<b>Peoples Housing Process:</b>  Number of Houses completed	2,227	1,518	2,619	1,101	Vulindlela exceeded their target after protracted blockages were resolved.
<b>Disaster Management:</b>  Number of Houses completed	2,174	1,221	1,693	472	eThekweni claimed for work previously completed for storm damaged houses in Quarter 4.
<b>Rectification:</b>  Number of Units rectified (1994-2002)	1,296	1,662	738	(924)	Projects with the eThekweni Metro were delayed relating to market related prices versus fixed prices [used by DHS] in terms of stalled negotiations which delayed the appointment of contractors.
<b>Community Residential Units:</b>  Number of Units completed	170	779	472	(307)	Projects with the eThekweni Metro were delayed relating to market related prices versus fixed prices [used by DHS] in terms of stalled negotiations which delayed the appointment of contractors. Additionally, socio-political challenges e.g. "hostels" conversion of dormitories into family units delayed projects currently under implementation.
<b>Rural Housing:</b>  Number of beneficiaries approved	45,422	20,440	32,312	11,872	The component appointed additional staff, and training was also undertaken. Promoting the programme also increased the number of beneficiaries.

Programme 3: Housing Development					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
Number of Houses complete	14,969	8,481	14,418	5,937	As expressed by municipalities in their IDPs there is a great need for rural housing. The process for undertaking rural housing is less complex than urban not requiring town plans and utilising ITB land which accounts for the deviation.
<b>All Subsidy Instruments:</b>  Number of properties transferred	2,196	13,158	2,336	(10,822)	The State Attorney is fast tracking transfers. Residents are also resistant to the transfer process because they fear the payment of rates, although the majority do not have to pay rates. A Panel of Conveyancers have also been appointed additional to the State Attorney.
Number of beneficiaries approved	57,188	39,663	41,791	2,128	The component appointed additional staff, and training was also undertaken. Promoting the programme also increased the number of beneficiaries.
Number of sites completed	6,063	10,018	2,790	(7,228)	Districts municipalities are not sufficiently aligning water funds to the municipalities' bulk infrastructure requirements. This is being addressed through governments Provincial Water, Sanitation & Energy Forum. Additionally, construction was delayed due to social issues.  The litigation challenges in the tender by eThekweni Metro delayed the process of the appointment of civil contractors for the sites at Cornubia.

Programme 3: Housing Development					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
Number of Houses completed (excluding Rectification)	25,940	27,382	29,151	1,769	As expressed by municipalities in their IDPs there is a great need for rural housing. The process for undertaking rural housing is less complex not requiring town plans and utilising ITB land which accounts for the deviation.
<b>Access to land and densification:</b>  Number of hectares procured	1,173 ha	1,850	1,373	(477)	Municipality did not bring funding applications timeously to the department. Acquiring of land is also a protracted process ( $\pm$ 18 months). The process of valuations etc. can be very lengthy.

Programme 3: Outcome 8					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
<b>Project Linked Subsidies:</b>  Number of houses completed	1,698	990	2,357	1,367	Contractor performance improved, particularly in eThekweni. Previously halted contracts, once regularised contractors went back to site. Other contractors increased their capacity to increase production.
<b>Informal Settlements Upgrade:</b>  Number of houses completed	1,531	10,957	5,727	(5,230)	Districts municipalities are not sufficiently aligning water funds to the municipalities' bulk infrastructure requirements. This is being addressed through governments Provincial Water, Sanitation & Energy Forum. Additionally, construction was delayed due to social issues.



Programme 3: Outcome 8					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
<b>Integrated Residential Development Programme:</b>  Number of houses completed	262	1,361	242	(1,119)	The eThekweni Metro finalised the procurement process [which was delayed] and appointed multiple contractors to fast-track the servicing of sites. This will enable top structures to be fast tracked.
<b>Provision of Institutional Subsidies:</b>  Number of units completed	104	12	47	35	This instrument does not produce single units. Instead it produces blocks of flats, etc. During the financial year there was substantial work in progress following from the previous year which was completed, leading to a higher achievement than planned in this financial year.
<b>Affordable Social Housing:</b>  Number of Houses completed	1,604	315	-	(315)	A total of 9 contracts have been awarded in the 3 <sup>rd</sup> Quarter, therefore performance under this instrument will improve in the new financial year. Projects in this are completed in phases and therefore a better measure would be % completion, which a large number of units are completed (e.g. a block of flats).

Programme 3: Outcome 8					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
	2012/2013	2013/2014	2013/2014		
<b>Community Residential Units:</b>  Number of Units completed	170	779	472	(307)	Projects with the eThekweni Metro were delayed relating to market related prices versus fixed prices [used by DHS] in terms of stalled negotiations which delayed the appointment of contractors. Additionally, socio-political challenges e.g. "hostels" conversion of dormitories into family units delayed projects currently under implementation.
<b>Access to land and densification:</b>  Number of hectares procured	1,173 ha	1,850	1,373	(477)	Municipality did not bring funding applications timeously to the department. Acquiring of land is also a protracted process ( $\pm$ 18 months). The process of valuations etc. can be very lengthy.

#### Strategy to overcome areas of under performance

Programme 3 over performed against its ultimate target of building 27,382 houses in 2013/14. However, certain instruments within the programme did not meet their targets. In particular, the province under performed on servicing of sites. This mainly related to challenges around the availability of bulk infrastructure for serviced sites. This in turn has a ripple effect for programmes such as Informal Settlement Upgrading and Integrated Residential Development Programme where units cannot be delivered if planned serviced sites are not achieved. This is being addressed through government's Provincial Water, Sanitation & Energy Forum. In respect of IRDP houses, the eThekweni Metro finalised the procurement process and appointed multiple contractors to fast-track the servicing of sites. This will enable the delivery top structures to be fast tracked. Community Residential Units have work in progress of units at wall plate level however due to the nature of the building (e.g. block of flats) this cannot be reported until the building is fully completed. To address performance on FLISP a marketing consultant is being appointed fast track progress delivery in this instrument via a focussed marketing strategy. For Social and Economic amenities contractors have been appointed and delivery is anticipated.

**Changes to planned targets**

No performance indicators or targets have been changed during the reporting period.

**Linking performance with budgets****Programme 3: Expenditure**

Housing Development	2013/2014			2012/2013		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	72,953	71,354	1,599	77,459	86,049	(8,590)
Financial Interventions	701,137	444,529	256,608	549,014	535,382	13,632
Incremental Interventions	1,281,337	1,104,695	176,642	863,574	864,574	(1,000)
Social and Rental Interventions	273,689	60,205	213,484	348,699	348,699	-
Rural Intervention	971,416	1,590,178	(618,762)	1,165,795	1,191,922	(26,127)
<b>Total</b>	<b>3,300,532</b>	<b>3,270,961</b>	<b>29,571</b>	<b>3,004,541</b>	<b>3,026,626</b>	<b>(22,085)</b>

## 4.4 Programme 4: Property Management

This Programme comprises the the Housing Assets Management and Property Management .

The purpose of this programme is to co-ordinate the maintenance of the departmental rental housing stock, 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). This programme comprises the Housing Assets Management, Property Management.

### **Strategic objectives, performance indicators, planned targets and actual achievements**

The Bill of Rights in the South African Constitution, (1996) enshrines the right of all citizens to have access to adequate housing. In addition, National Output 4 of Outcome 8 (regarding of an improved property market) provides for instilling a sense of ownership and personal responsibility amongst beneficiaries, owners and tenants. By ensuring security of tenure, title deed transfers as well as the rights of landlords, the department creates conditions to support a viable and regulated property market. The sale and transfer of housing properties to beneficiaries is undertaken by this Programme.

Delays experienced with the Rectification Programme have also resulted in an increase in the number of units maintained, i.e. 3,289. These delays have since been addressed and it is anticipated that delivery in rectification will improve during the 2014/15 financial year. A concerted effort has also been made by the department to address the title deed transfer to beneficiaries. In this regard, 787 transfers have been finalised.

### **Strategic objectives**

<b>Programme 4: Housing Asset Management, Property Management</b>					
<b>Strategic objectives</b>	<b>Actual Achievement</b>	<b>Planned Target</b>	<b>Actual Achievement</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
	<b>2012/2013</b>	<b>2013/2014</b>	<b>2013/2014</b>		
Promote security of tenure (number of EEDBS houses remaining to be transferred)	2,472	996	787	(209)	The targets were not met because of delays in the State Attorney's office

**Performance indicators**

<b>Programme 4: Housing Asset Management, Property Management</b>					
<b>Performance Indicator</b>	<b>Actual Achievement</b>	<b>Planned Target</b>	<b>Actual Achievement</b>	<b>Deviation from planned target to Actual Achievement for</b>	<b>Comment on deviations</b>
	<b>2012/2013</b>	<b>2013/2014</b>	<b>2013/2014</b>	<b>2013/2014</b>	
Number of units rectified or upgraded pre 1994	579	884	60	(824)	Projects with the eThekweni Metro were delayed due to market related prices versus fixed prices [used by DHS] in terms of stalled negotiations which delayed the appointment of contractors
Number of units maintained	1,604	3,000	3,289	289	There was an increase in the amount of work undertaken by in-house maintenance teams
Number of rental units sold to beneficiaries	764	996	787	(209)	The targets were not met because of delays in the State Attorney's office
Number of rental properties transferred to beneficiaries	2,472	996	787	(209)	The targets were not met because of delays in the State Attorney's office
Number of rental units devolved to municipalities in terms of Section 15 of the Housing Act, 1997	-	62	43	(19)	Letter have been written to the municipalities to fast track transfers in terms of Section 15 of the Housing Act 107 of 1997
Number of Debtors reduced per financial year	-	1,605	787	(818)	The targets were not met because of delays in the State Attorney's office

**Strategy to overcome areas of under performance**

The Department has appointed a conveyancing panel in addition to the State Attorney to assist with the reduction of debtors, the transfer of rental properties to beneficiaries and to increase the sale of rental units to beneficiaries. This strategy will streamline the process and increase service delivery in these areas. Additionally the Department will educate those lease holders that are reluctant to take ownership of their properties because they fear having to pay rates, although they are exempted from rates. The MEC has approved an organisational structure for Programme 4 and posts will be advertised to increase capacity in this component.

### Changes to planned targets

No performance indicators or targets have been changed during the reporting period.

### Linking performance with budgets

#### Programme 4: Expenditure

Housing Asset Management, Property Management	2013/2014			2012/2013		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	60,150	58,304	1,846	58,675	58,673	2
Sale and Transfer of Housing Properties	241	241	-	7,076	5,085	1,991
Housing Properties Maintenance	107,764	109,395	(1,631)	143,253	131,749	11,504
<b>Total</b>	<b>168,155</b>	<b>167,940</b>	<b>215</b>	<b>209,004</b>	<b>195,507</b>	<b>13,497</b>

## 5. TRANSFER PAYMENTS

### 5.1. Transfer payments to public entities

Name of Public Entity	Services rendered by the public entity	Amount transferred to the public entity R'000	Amount spent by the public entity R'000
PSETA	Affiliation costs	752	752
KwaZulu-Natal Housing Fund	Maintenance of the Departmental rental housing stock	167,909	167,909

**5.2. Transfer payments to all organisations other than public entities**

The table below reflects the transfer payments made for the period 1 April 2013 to 31 March 2014

Name of transferee	Type of organisation	Purpose for which the funds were used	Did the dept. comply with s 38 (1) (j) of the PFMA	Amount transferred (R'000)	Amount spent by the entity (R'000)	Reasons for the funds unspent by the entity
Department of Transport	Provincial Department	Motor Licences fees	Y	55	55	-
Ethekwini Municipality	Municipality	Operational Costs for Accredited Municipalities	Y	14,823	14,823	-
Umsunduzi Municipality	Municipality	Operational Costs for Accredited Municipalities	Y	3,495	-	Funds are committed by the Municipality against its operational costs.
Emnambithi/Ladysmith	Municipality	Operational Costs for Accredited Municipalities	Y	865	865	-
Newcastle Municipality	Municipality	Operational Costs for Accredited Municipalities	Y	1,485	-	Funds are committed by the Municipality against its operational costs.
Umhlatuze Municipality	Municipality	Operational Costs for Accredited Municipalities	Y	7,779	6,709	Funds are committed by the Municipality against its operational costs.
KwaDukuza Municipality	Municipality	Operational Costs for Accredited Municipalities	Y	4,973	4,973	-

Name of transferee	Type of organisation	Purpose for which the funds were used	Did the dept. comply with s 38 (1) (j) of the PFMA	Amount transferred (R'000)	Amount spent by the entity (R'000)	Reasons for the funds unspent by the entity
Ethekwini Municipality	Municipality	Rectification of pre-1994 housing stock	Y	27,000	-	Funds are committed by the Municipality against contracts put in place for the completion of 350 units. In terms of agreement the municipality will provide us a reconciliation of the R27m when the 350 units have been completed. The projects are currently underway.
Ethekwini Municipality	Municipality	Community Residential Units	Y	6,963	-	The Municipality is still in the process of appointing a project manager as well as a professional team via its SCM processes
Various Municipalities	Municipality	Rates and taxes	Y	15,778	15,778	-
Ethekwini Municipality	Municipality	Compensation of employees for the transferred staff	Y	3,326	3,326	-
Transfers to households	Various	HSDG and social benefits	Y	3,149,884	3,149,884	-



The table below reflects the transfer payments which were budgeted for in the period 1 April 2013 to 31 March 2014, but no transfer payments were made.

Name of transferee	Purpose for which the funds were to be used	Amount budgeted (R'000)	Amount transferred (R'000)	Reasons why funds were not transferred
Ethekwini Municipality	The department scheduled a transfer of funds to eThekweni Municipality for hostel refurbishment in respect of Community Residential Units (CRU) as per the agreement.	100,000	-	Funds could not be transferred due to the municipality not providing the reconciliation report for the funds which were transferred during 2012/13 financial year. According to the agreement entered into for this programme, the municipality had to exhaust most of funds previously transferred

## 6. CONDITIONAL GRANTS

### 6.1. Conditional grants and earmarked funds received

The table below describes each of the conditional grants and earmarked funds received by the department.

Conditional Grant 1: Human Settlement Development Grant

Department/ Municipality from whom the grant has been transferred	National Department of Human Settlements
Purpose of the grant	To provide for the creation of sustainable human settlements
Expected outputs of the grant	Sustainable Human Settlements
Actual outputs achieved	See performance report
Amount per amended DORA (R'000)	3,332,584
Amount transferred (R'000)	3,332,584
Reasons if amount as per DORA not transferred	N/A
Amount spent by the department/ municipality (R'000)	3,304,575
Reasons for the funds unspent by the entity	N/A
Monitoring mechanism by the transferring department	Weekly performance/expenditure review meetings. Quarterly performance review meetings

### 6.2. Conditional grants and earmarked funds paid

Refer to Note 8 (Transfer and Subsidies) to the Annual Financial Statements for the conditional grants and earmarked funds paid during the period 1 April 2013 to 31 March 2014.

## 7. DONOR FUNDS

### 7.1. Donor Funds Received

No donor funds were received during the year under review.

## 8. CAPITAL INVESTMENT

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

Infrastructure projects	2013/2014			2012/2013		
	Final Appropriation R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Final Appropriation R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
New and replacement assets	14,892	6,799	8,093	1,009	1,009	-
Existing infrastructure assets	59,781	60,785	(1,004)	41,487	30,214	11,273
- Upgrades and additions	-	-	-	-	-	-
- Rehabilitation, renovations and refurbishments	34,253	30,051	4,202	13,126	1,852	R11,273
- Maintenance and repairs	25,528	30,734	(5,206)	28,361	28,361	-
Infrastructure transfer	166,937	67,384	99,553	175,000	175,000	-
- Current	14,500	27,000	(12,500)	60,000	60,000	-
- Capital	152,437	40,384	112,053	115,000	115,000	-
<b>Total</b>	<b>241,610</b>	<b>134,968</b>	<b>106,642</b>	<b>217,496</b>	<b>206,223</b>	<b>R11,273</b>

- *New and replacement assets* was under-spent by R8,093 million at year-end emanating from the Social and Economic Amenities programme being affected by forensic investigations conducted on the programme. This resulted in stoppages of work in all sites. The programme was anticipated to restart by the end of the second quarter and there were delays in the finalisation of the contract documentation. The projects only started towards the end of the third quarter.
- *Rehabilitation, renovations and refurbishments* caters for renovations of housing properties owned by the department. The under-expenditure of R4,202 million is due to delays in the renovations of housing properties in Austerville and Shallcross. The department experienced delays in the finalisation of the MOA between the department and Public Works. The MOA was signed in October.
- *Maintenance and repairs* was over-spent by R5,206 million as a result of an increase maintenance costs for housing properties owned by the department.

- *Infrastructures transfers: Current* relates to transfers to the eThekweni Metro for maintenance of pre-1994 housing stock. The over-expenditure of R12,500 million is due to the department inadvertently under-estimating the funds to be transferred to the eThekweni Metro in respect of the maintenance of pre-1994 housing stock in Lamontville.
- *Infrastructure transfers: Capital* caters for the CRU funds. There was an under-spending of R112,053 million. The significant under-expenditure is due to the withholding of transfers to the eThekweni Metro for the refurbishment of hostels in respect of the CRU programme. The department did not receive the reconciliation of funds which were paid to the eThekweni Metro during 2012/13 in respect of this project.



Part C:

# Governance



## 1. INTRODUCTION

The fundamental of ensuring good governance in the public service is enshrined in Corporate Governance King III. To maintain this high standard of governance the department has appointed various committees to ensure that good governance prevails in the effective, efficient and economical use of state resources. These Committees include an Executive Committee, Management Committee, Budget Committee, Expenditure Review Committee and a Risk Committee. The department has also recognised that the fight against Fraud and Corruption always remains a major challenge in our provision of quality housing to the poorest of the poor. During the reporting period, 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.

## 2. RISK MANAGEMENT

Enterprise risk management is the process that enables management to identify, assess and manage risks in the face of uncertainty and therefore it remains an integral part of governance to ensure value creation and preservation and service delivery.

Risk Management remains a dynamic and challenging focus for the Department to stay on top of emerging risks that arise from changes to the external environment and strategic changes within the Department. One of the main tasks of the Department is to assess whether the Department is adopting the right strategy, acting in accordance with the expectations of stakeholders and assessing whether it is able to identify and manage the right risks. To assist the department achieve this, a risk management policy is in place.

The Risk and Advisory Services Directorate has facilitated workshops on identifying key risks that impede the Department in ensuring good governance, including efficient and effective service delivery. These workshops have identified risks that are reflective in the risk profile of the Department. The risk management tool used by the department is Cura Risk Database, which is used to records all risks contained in the risk profile. Based on the risks identified the Department has achieved success in finalising action plans in mitigation of risks, which have become current controls. These risks were also reviewed for further mitigation action plans to further reduce the residual risk. The revised risk profile has 46 risks which are being managed and monitored.

This risk profile was adopted by the Cluster Audit and Risk Committee, and the department reports quarterly on the action plans to mitigate these risks.

The Department has made significant progress on actions plans in the risk profile was made. Revised completion dates were set for actions plans that were not achieved during the financial year, which included matters that required legislative amendments and information technology interventions.

## 3. FRAUD AND CORRUPTION

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 were reviewed by an external service provider during the financial year. After considering the findings of the external service provider the fraud prevention plan was reviewed by the Department Committees and subsequently approved. The plan now includes an approved Gift Policy as an additional appendix to the Plan. This plan has been published on the Departmental website as an awareness strategy and also contributes to the enhancement of the department's commitment to zero tolerance of fraud, corruption and maladministration of public funds. Structured workshops are planned in the 2014-2015 financial year to further implement the plan to all stakeholders.

#### **4. MINIMISING CONFLICT OF INTEREST**

The Department has embarked on completing all financial disclosure forms for all Senior Management Services employees, via the “eDisclosure” system managed through the Department of Public Service Administration. All financial disclosure forms are signed off by the appointed Ethics Officer and thereafter submitted for sign-off by the Executive Authority prior to being sent off to the Department of Public Service Administration. In order to ensure and maintain transparency in the delivery of services, the department has ensured that employee’s complete declaration registers as a policy directive during all Supply Chain bid committees and Housing Evaluation and Advisory Committee meetings. Based on the assessment of financial disclosure forms, all deviations are followed up to conclusion.

#### **5. CODE OF CONDUCT**

The business code and ethics policy remain an integral part of the fraud prevention plan as an appendix. This policy ensures the maintenance of high values and ethical conduct in the business environment. This policy has been published on the departmental website as part of the implementation plan. In enhancing the code of conduct, a gift policy has been approved and business units report on a quarterly basis on a standardised template on all gifts received and approved for acceptance. Any form of unethical behaviour reported is investigated and appropriate action is taken on reported findings.

#### **6. HEALTH SAFETY AND ENVIRONMENTAL ISSUES**

The Department recognises the value of its employees and to ensure that employee’s wellbeing is taken care of, an Employee Well Being unit exists on the department structure which takes care of employee’s health and well being. In its quest the department has finalised a Health, Safety, Environmental Risk and Quality Management Policy. The Department has held various roadshows on health screening and marketing in conjunction with GEMS. These sessions have shown positive results based on the program that was undertaken. The core function of the department remains the exposure to risks associated with construction and maintenance of state properties, therefore all employees in the built environment are provided with safety gear based on their exposure to this environment.

In striving towards excellence and maintaining health and safety requirements the department has embarked on finalising the Business Continuity Plan, in case of disasters and interventions of other impeding hazards that may obstruct the department during its operations. In this phased approach the department has conducted Business Impact Assessment with various key business units to identify critical risks and action plans to address during disasters. These assessments have culminated into a simulation workshop which is being targeted during the first quarter of the 2014-2015 financial year.

## 7. PORTFOLIO COMMITTEES

### Finance Portfolio Committee

- No meetings held during the 2013/14 financial year. 2013/14 Budget Hearing held on 28 March 2013.
- The table below reflects the Resolutions tabled by the Finance Portfolio Committee during the 2013/14 financial year and subsequent responses by the Department.

Resolution No.	Subject	Details	Response by the department
30/2013	Monitoring of eThekweni projects	<p>The Committee noting –</p> <p>That the Department spends the largest portion of its service delivery budget in the eThekweni Metropolitan Council due to high demand for housing in this region.</p> <p>The Committee resolved –</p> <p>That the Department submits a report by 31 July 2013 on progress with all projects funded by the department in terms of the Human Settlements Development Grant in the eThekweni Metropolitan Council, and the intervention of Provincial Treasury's Infrastructure Crack Team as a result of the vacancy in key managerial posts in eThekweni's housing division.</p>	<p>Reports reflecting the progress of the projects within the eThekweni Municipality and the reports from the Crack Team were submitted to the Committee.</p>
31/2013	Quantification of housing outstanding for disaster repairs	<p>The Committee resolved –</p> <p>That the Department submits a report to the committee by 31 July 2013 on the number of houses that still have to be repaired as a result of damage through natural disasters and a quantification of how the cost of these repairs will be funded.</p>	<p>A report on the Disaster Housing was provided to the Committee.</p>
32/2013	Investigation by the Booysen Commission	<p>The Committee hereby resolves –</p> <p>That the Department provides a detailed report by 30 June 2013 detailing the list of all properties that were part of the investigation done by the Booysen Commission, the value of these properties, whether these properties are listed on the province's fixed asset register, and what the future plans are for these properties.</p>	<p>There were twenty seven (27) properties which were the subject to the Booysen's Report. These properties were acquired in 2003 by the Head of Department, Adv. Khoza in excess of the market value. The actions of the former Head of Department then resulted in his criminal conviction and imprisonment.</p>

Resolution No.	Subject	Details	Response by the department
33/2013	Bulk infrastructure	<p>The Committee hereby resolves –</p> <ol style="list-style-type: none"> <li>1. That the Department provides a report to the Committee by 30 June 2013 on all human settlement projects in the province that have been handed over for occupation with a lack of bulk infrastructure, such as water, sanitation and electricity.</li> <li>2. That this list is provided to the Department of COGTA which must provide a report to the Committee by 30 August 2013 on what intervention measures it has made with municipalities for each project to ensure that bulk connections are made.</li> </ol>	<p>The schedule of all projects handed over for occupation with a lack of infrastructure was submitted to the Committee for their perusal.</p>
51/2013	Curtailling wasteful expenditure	<p>The Committee noting –</p> <p>That the MEC for Finance during her budget speech 2013/2014 (pages 16 – 17) provided details of an expanded set of cost-cutting measures.</p> <p>The Committee hereby resolves –</p> <p>That all Departments and public entities provide the Committee with a report by 30 July 2013 on each cost-cutting item, demonstrating to the Legislature that real savings will be effected in the 2013/2014 financial year, with particular detail provided with reference to:</p> <ol style="list-style-type: none"> <li>1. The review of all organograms must be undertaken with a view to eliminating duplication of functions and non-essential posts permanently.</li> <li>2. A head count exercise must be undertaken with a view to possible elimination of 'ghost' employees.</li> <li>3. Catering for meetings must be stopped and external meetings, workshops and events must be held in government facilities.</li> </ol>	<p>Refer to Table 1 below.</p>
52/2013	Planning for events	<p>The Committee hereby resolves –</p> <p>That the Departments and Public Entities submit reports to the Committee by 30 June 2013 detailing the budget for all events planned by the Departments and Public Entities, listing each event and the cost thereof.</p>	<p>Table 2 reflects the events scheduled to be undertaken during the financial year.</p>



Resolution No.	Subject	Details	Response by the department
54/2013	Employment of drivers for Heads of Departments and public entities	The Committee hereby resolves –  That the Departments report to the Committee by 30 June 2013 on whether their Head of Department and Public Entities and other senior managers have a personal driver, whether the driver is employed by the department or public entity or by the Head of Department or Public Entity and if the driver is employed by the Department or Public Entity, what is the cost to the department or Public Entity.	There are no personal drivers in the employ of the Department providing services to the Head of Department or senior managers.
55/2013	Newly acquired assets	The Committee hereby resolves –  1. That all Departments provide a report to the Committee by 30 June 2013 giving an assurance to the Committee that the list of all newly acquired or built fixed assets by the Department have been given to the Department of Public Works and that the Department of Public Works was involved in the approval of the planning phase.  2. That the Department of Public Works provides a report to the Committee by 31 August 2013 that its list of assets by Departments is up to date.	The Department has not acquired or built any fixed assets in the 2012/13 financial year. The department has consulted Public Works in respect of the construction of the Departmental Head Office in Pietermaritzburg.
56/2013	Vacant Land	The Committee hereby resolves –  1. That all Departments provide a report to the Committee by 30 June 2013 detailing its infrastructure plan for vacant properties under its management, and which properties can be released back to the Department of Public Works.  2. That the Department of Public Works provides a quarterly progress report, with the first report due on 31 December 2013, on the future use of any vacant properties of no further use to certain Departments.	The Department has no vacant land in its possession.  Land registered in the name of the Department are currently being disposed to the municipalities within their respective domain.

TABLE 1

Cost Cutting Item	Response
<ul style="list-style-type: none"> <li>A review of all organograms MUST be undertaken with the view of eliminating some non-essential posts permanently.</li> </ul>	<ul style="list-style-type: none"> <li>The Department is currently in the process of reviewing the organisational structure. Critical funded vacant service delivery posts are currently being filled only.</li> </ul>
<ul style="list-style-type: none"> <li>A head count exercise MUST be undertaken with a view to possible elimination of "ghost" employees.</li> </ul>	<ul style="list-style-type: none"> <li>Head counts are performed on an annual basis thereby eliminating "ghost" employees.</li> </ul>
<ul style="list-style-type: none"> <li>Overseas trips to be rationalised with the number of delegates being kept to a minimum.</li> </ul>	<ul style="list-style-type: none"> <li>No overseas trips have been undertaken.</li> </ul>
<ul style="list-style-type: none"> <li>Business class travel only for MECs and HODs (and MPLs, where applicable).</li> </ul>	<ul style="list-style-type: none"> <li>Other officials within the Department utilise "Economy" class.</li> </ul>
<ul style="list-style-type: none"> <li>Air travel to be limited to essential meetings with only one representative to attend, unless otherwise required.</li> </ul>	<ul style="list-style-type: none"> <li>Air travel is limited and compliance to the invitations received is strictly adhered to.</li> </ul>
<ul style="list-style-type: none"> <li>Only essential trips to be undertaken within the Province and domestically.</li> </ul>	<ul style="list-style-type: none"> <li>Essential trips are undertaken and monitored by Management.</li> </ul>
<ul style="list-style-type: none"> <li>Car hire bookings – class of vehicle to be lowered.</li> </ul>	<ul style="list-style-type: none"> <li>Officials travel in groups and shuttle services from hotels are utilised reducing car hire costs.</li> </ul>
<ul style="list-style-type: none"> <li>Kilometre controls to be implemented on travelling.</li> </ul>	<ul style="list-style-type: none"> <li>Mileage is strictly monitored and monthly cap of 1,750 kms is adhered to. The Accounting Officer has to approve all mileage travelled in excess of 1,750 kms.</li> </ul>
<ul style="list-style-type: none"> <li>Officials to travel together unless absolutely unavoidable.</li> </ul>	<ul style="list-style-type: none"> <li>Meetings are centralised at the Head Office and officials (Project Management) within the various districts attending these meetings travel individually.</li> </ul>
<ul style="list-style-type: none"> <li>Where there are one-day meetings in other provinces, officials must travel there and back on the same day (where possible).</li> </ul>	<ul style="list-style-type: none"> <li>Over-night accommodation is only procured for meetings in excess of 1 day.</li> </ul>
<ul style="list-style-type: none"> <li>Unnecessary overnight accommodation to be cut down.</li> </ul>	<ul style="list-style-type: none"> <li>No accommodation is procured for meetings less than 500 kms from the centre of employment.</li> </ul>
<ul style="list-style-type: none"> <li>Meetings to be planned carefully and the number of meetings rationalised (saving both time and money).</li> </ul>	<ul style="list-style-type: none"> <li>Meetings are held as and when necessary and logistics synchronised with officials to minimise travel.</li> </ul>
<ul style="list-style-type: none"> <li>Internal meetings, strategic planning sessions and workshops to be held in departments' offices instead of private venues.</li> </ul>	<ul style="list-style-type: none"> <li>All meetings are held in the departmental offices and strategic sessions held in the Training Academy.</li> </ul>
<ul style="list-style-type: none"> <li>No furniture or equipment may be bought, unless it is an essential requirement for service delivery.</li> </ul>	<ul style="list-style-type: none"> <li>Furniture and equipment is procured for service delivery components in the district offices only.</li> </ul>
<ul style="list-style-type: none"> <li>Catering for meetings to be stopped.</li> </ul>	<ul style="list-style-type: none"> <li>No catering is provided for meetings.</li> </ul>
<ul style="list-style-type: none"> <li>No bottled water may be procured for meetings, etc. Bottled water only permissible where the water is unsafe for human consumption.</li> </ul>	<ul style="list-style-type: none"> <li>No bottled water is procured for meetings.</li> </ul>
<ul style="list-style-type: none"> <li>External meetings, workshops and events to be held in government facilities instead of private venues (exceptions to be approved by Provincial Treasury). Use of marquees only to be considered in exceptional cases where such events could not be held in municipal halls, school halls, FET College facilities, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Events held during the financial year is limited to municipal halls and facilities where no compensation is payable.</li> <li>Marquees are procured for these events where municipal grounds are utilised.</li> </ul>

Cost Cutting Item	Response
<ul style="list-style-type: none"> <li>Essential training to be done in-house.</li> </ul>	<ul style="list-style-type: none"> <li>All training is facilitated through the Provincial Training Academy.</li> </ul>
<ul style="list-style-type: none"> <li>A cap is placed on the number of events held, and a cap is placed on the cost per event: the number of community events is capped at a maximum of 2 per month per Department. (i.e. 24 events per Department in total per annum);with the cost per event capped as follows: An event with 3 500 community members should not cost more than R1 million to host. Events where 1 500 to 2 000 community members attend may not cost more than R500 000 – R700 000 per event).</li> </ul>	<ul style="list-style-type: none"> <li>The Department has one event per month.</li> <li>These events are for a maximum of 1,500 community members and costs are restricted to R500,000 per event.</li> </ul>
<ul style="list-style-type: none"> <li>No team building exercises or year-end/Christmas functions (only permitted if paid for by the staff themselves).</li> </ul>	<ul style="list-style-type: none"> <li>No team building or year-end functions are procured by the Department.</li> </ul>
<ul style="list-style-type: none"> <li>When printing Annual Performance Plans, Strategic Plans, Annual Reports and any other publication material, the use of colour pages to be minimised and lighter weight paper and covers to be used to reduce cost.</li> </ul>	<ul style="list-style-type: none"> <li>The number of copies of the Annual Performance Plans, Strategic Plans and Annual Reports is restricted.</li> <li>Colour pages is minimised.</li> <li>Design and layout is performed internally.</li> </ul>
<ul style="list-style-type: none"> <li>No promotional items, such as shirts, caps, bags, etc., to be purchased (exceptions to be approved by Provincial Treasury).</li> </ul>	<ul style="list-style-type: none"> <li>No promotional items are procured.</li> </ul>
<ul style="list-style-type: none"> <li>No leave conversion payments to be made (leave to be taken).</li> </ul>	<ul style="list-style-type: none"> <li>No leave conversion payments are made.</li> </ul>
<ul style="list-style-type: none"> <li>Overtime must be strictly controlled and only used when absolutely essential.</li> </ul>	<ul style="list-style-type: none"> <li>Overtime is strictly monitored and all overtime is approved by the Accounting Officer.</li> </ul>

TABLE 2

Event	Budget
Govan Mbeki Awards	R600,000
Human Settlements Summit	R750,000
Launch of the Social and Rental Housing Strategic Plan	R118,000

## 8. SCOPA RESOLUTIONS

Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
24/2013	KZN Housing Fund: Basis for disclaimed audit opinion	1. That the Accounting Officer reports by 28 February 2014 on the project presently being undertaken by consultants to resolve the audit issues around the KZN Housing Fund and what measures would be put in place in the department to ensure that the fund is properly managed once the project being undertaken by the consultants is finalised.	The department is in the process of capacitating the Property Management unit to eliminate the audit issues around the KZN Housing Fund thereby ensuring that transfer of skills from the clean-up process is efficiently and effectively executed.  This will ensure the Housing Fund is GRAP compliant which will result in the receipt of an unqualified audit opinion in the 2013/14 financial year.	Yes
		2. That the interim financial statements of the Housing Fund which were presently being prepared be submitted to the Auditor-General by 31 December 2013.	A copy of the interim financial statements for the period ending 31 December 2013 was forwarded to the Auditor-General.	Yes
25/2013	2012/2013 Findings of the Auditor-General on Information Technology	1. That the Accounting Officers report by 31 January 2014 on what action is being taken in the departments and public entities to address the findings of the Auditor-General on Information Technology controls and to ensure the implementation of the recommendations which have been made by the Auditor-General to mitigate the audit findings.	a) 8 of the 13 findings in the AG report have been resolved. The other five are in various stages of resolution.  b) The two major findings relate to the DRP/BCP and the ICT Governance framework. Approval for the procurement of a service provider for the development of a BCP has been sought by the Head of Department. The DRP is in draft format but will not be submitted for approval until the BCP is completed. This is to ensure there is complete alignment between the two processes and documents. This is scheduled to be completed by the end of the financial year.	Yes

Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
25/2013	2012/2013 Findings of the Auditor-General on Information Technology		c) The other major finding is the ICT Governance Framework. This is a major project with various associated documents, e.g. ICT Governance Policy/Charter. The project has commenced and every effort is being made to complete it by March 2014, which is the DPSA deadline.	
		2. That Provincial Treasury reports by 31 January 2014 on whether the provincial IT governance framework has been approved and implemented and whether the government wide IT governance framework has been rolled out by the DPSA.	Provincial Treasury's responsibility to provide a response.	Yes
		3. That the State Information Technology Agency (SITA) be invited to attend one of the committee hearings in February 2014 to discuss the ongoing matters around information technology and possible solutions to these.	N/A.	Yes
26/2013	2012/2013 Irregular Expenditure	<p>1. That the Accounting Officers of the departments, the Provincial Legislature and the Accounting Authorities of the public entities that have incurred irregular expenditure during the 2012/2013 financial year be requested to report to Provincial Treasury on the following matters by 31 January 2014:</p> <p>(1.1) A breakdown of the amounts making up the irregular expenditure (including a breakdown per financial year showing irregular expenditure from previous financial years and the 2012/2013 financial year), the reasons for the irregular transactions taking place and whether value for money was received for the amounts spent in an irregular manner.</p>	<p>The department maintains a register of Irregular Expenditure which complies with National Treasury Practice Note No. 4 of 2008/2009.</p> <p>Provincial Treasury is investigating the department's irregular expenditure, and is assisting the department to condone such expenditure where applicable.</p>	

Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
26/2013	2012/2013 Irregular Expenditure	<p>(1.2) All instances of irregular expenditure where the emergency deviation was used to circumvent the SCM processes relating to competitive bidding and use of 3 quotations, including the reasons provided by the Accounting Officer for the so-called emergency.</p> <p>(1.3) Whether the procedure for the treatment of irregular expenditure has been followed as per Annexure "A" and Annexure "B" attached to the National Treasury Practice Note No. 4 of 2008/2009 i.e.:</p> <p>(1.3.1) Has the irregular expenditure been reported to National or Provincial Treasury depending on the category of the irregular expenditure?</p> <p>(1.3.2) Has application been made for condonation of the irregular expenditure amounts? If so which authority will condone the individual amounts and what motivation has been provided for condonation?</p> <p>(1.3.3) What disciplinary steps have been taken by the Accounting Officer in terms of Section 38(1)(h) (iii) and the Accounting Authority in terms of Section 51(1)(e)(iii) of the Public Finance Management Act against those people responsible for the irregular expenditure? If no disciplinary steps can be taken, the Accounting Officer or Accounting Authority must provide reasons for this.</p> <p>(1.4) What action is being taken to resolve the weaknesses which exist in Supply Chain Management and the general disregard for laws and regulations governing procurement in the Provincial Government?</p> <p>(1.5) Does the department or public entity keep an irregular expenditure register as required by the National Treasury Practice Note No. 4 of 2008/2009 and has that register had to be corrected by Provincial Treasury due to substantial errors?</p>	<p>Arising from finalised investigations, the department has finalised disciplinary cases against 4 Senior Officials with different sanctions on successful cases. Disciplinary action against 5 other senior officials were not finalised due these officials either resigning or no more being in the employ of the state prior to the finalisation of the disciplinary processes. Disciplinary action, against 2 other senior officials is being managed by their new departments.</p> <p>Based on the 7 (seven) forensic investigations undertaken, all contracts with Service Providers that were found to irregular were declared into the schedule of irregular expenditure.</p> <p>Weaknesses in SCM have been strengthened as follows:</p> <ul style="list-style-type: none"> <li>➤ The use of SCM Delegation 5.1 has been curbed;</li> <li>➤ All projects are presented to the Housing Evaluation and Assessment Committee then to MEC for approval. Thereafter the SCM tender process is followed;</li> <li>➤ The Accounting Officer signs all Service Level Agreements; and</li> <li>➤ Monthly Management Committee meetings, Executive Committee meetings and weekly Strategic meetings are held to ensure accountability of Management, sound financial management, human resource management, policy and governance and risk management strategies are incorporated to achieve the outcomes of the Department; and</li> <li>➤ All orders are scrutinized and authorized by the CFO for all amounts of goods and services to be procured.</li> </ul>	Yes
		<p>2. That Provincial Treasury reports by 31 January 2014 on the Departmental Responses received to resolution (1) above.</p>	<p>Provincial Treasury's responsibility to provide a response.</p>	Yes

Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
26/2013	2012/2013 Irregular Expenditure	3. That Provincial Treasury reports by 31 January 2014 on what criteria are used in deciding which amounts of irregular expenditure will be condoned in each category particularly in cases where services were not delivered, competitive bidding was not followed, tax clearance certificates not obtained from service providers and payment made before service level agreement is signed.	Provincial Treasury's responsibility to provide a response.	Yes
27/2013	Reports on forensic investigations	1. That copies of the reports on the investigations completed during the 2012/2013 financial year be provided to the committee by 31 January 2014.	During the financial year 2012/2013, there were no investigations completed.	Yes
		2. That the Accounting Officers of the departments and public entities where investigations were completed during the 2012/2013 financial year report by 31 January 2014 on action taken against officials and service providers to implement the recommendations contained in the reports on their completed investigations, disciplinary cases that may have been initiated, criminal cases that may have been opened, action taken as a result of findings of disciplinary cases and recovery of money by way of civil proceedings.	<p>Arising from previous investigations the following is reported:</p> <p><b>Seven Investigations</b></p> <p>Arising from these investigations, the department has finalised disciplinary cases against 4 Senior Officials with different sanctions on successful cases. Disciplinary action against 5 other senior officials were not finalised due these officials either resigning or no more being in the employ of the state prior to the finalisation of the disciplinary processes. Disciplinary action, against 2 other senior officials is being managed by their new departments.</p> <p><b>Criminal Action</b></p> <p>A docket has been registered with the SAPS (CAS 129/12/10). This matter has been transferred to the Anti-corruption Task Team for further criminal investigation. The Anti-Corruption Task Team is working together with the service provider and the Prosecutor on the criminal investigation.</p>	Yes



Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
27/2013	Reports on forensic investigations	3. Where copies of the reports are not released to provide reasons duly substantiating the grounds for refusal in law, taking into account the protection offered by in camera proceedings and providing timeframe for the release of the reports.	The investigations have resulted in a criminal docket has been registered with the SAPS (CAS 129/12/10). This matter has been transferred to the Anti-corruption Task Team for further criminal investigation. The Anti-Corruption Task Team is working together with the service provider and the Prosecutor on the criminal investigation. Upon completion of phase 2 of the forensic investigation as documented in Cabinet Resolution No. 143 dated 16 May 2012, these reports will be released.	Yes
		4. That the Accounting Officers provide the Internal Audit Unit with a detailed list of all other investigations being conducted internally or by other relevant authorities within their departments or public entities under the control of the departments.	The Department engages with Provincial Treasury at the Cluster Audit and Risk Committee and all investigations outside Provincial Treasury is reported on a Forensic Table and updates are reported on a quarterly basis.	Yes
28/2013	Material misstatements and omissions in submitted Annual Financial Statements	1. That in order to comply with Section 40(1)(b) of the Public Finance Management Act, Accounting Officers be requested to ensure that financial statements are prepared regularly during the financial year and that due diligence is exercised to ensure that the financial statements are correct in all respects and that the financial statements are submitted to Internal Audit and the Provincial Audit and Risk Committee timeously.	This finding is noted and will be implemented. Interim financial statements are prepared quarterly and submitted to Provincial Treasury. Assessments are conducted by their Internal Audit Services and reports submitted on findings noted.	Yes



Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
28/2013	Material misstatements and omissions in submitted Annual Financial Statements	2. That all Accounting Officers report by 31 January 2014 on action taken in terms of resolution (1) above to resolve this audit issue and that a further hearing of the Public Accounts Standing Committee be convened to consider the Departmental Responses and any further action to be taken regarding this matter.	<p>The reason that the annual financial statements of the Vote 8 was re-stated is that the KwaZulu-Natal Housing Fund had to be prepared using GRAP standards whereas the Vote 8 is being prepared on the modified cash basis of accounting.</p> <p>Owing to the KwaZulu-Natal Housing Funds annual financial statements being prepared on GRAP (accrual basis of accounting), certain housing fund transactions had to be removed and be incorporated into the housing fund's annual financial statements.</p> <p>Notwithstanding the above, there was a computation error (leases) that resulted in the annual financial statements being restated.</p> <p>The process that is in place now is that all directorates provide their inputs in the prescribed format. On completion of the annual financial statements, another departmental official test checks the information and then passes the annual financial statements and the working paper files to the CFO for final test checking.</p> <p>Also, interim financial statements are prepared per quarter Provincial Treasury reviews the interim and annual financial statements. With regard to the annual financial statements, an official from a firm of Chartered Accountants are sent to each Department to review the annual financial statements. They perform a follow up on the queries raised prior to the annual financial statements being submitted.</p>	Yes

Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
31/2013	Human Resources matters – Filling of key vacancies	That the Accounting Officers of the relevant departments report by 31 January 2014 on what action is being taken in the departments and public entities to address the findings of the Auditor-General with regard to the filling of vacancies in senior management positions.	<p>The following key vacant positions have been filled during the 2013/14 financial year:</p> <ul style="list-style-type: none"> <li>• Head of Department</li> <li>• General Manager: Sustainable Human Settlements</li> <li>• Senior Manager: Risk Management &amp; Advisory Services</li> <li>• Senior Manager: Information Management Services &amp; Technology</li> <li>• Senior Manager: EPWP</li> <li>• Senior Manager: Communications</li> <li>• General Manager: Human Capital Management</li> </ul> <p>The following positions have been advertised, interviews and competency assessments conducted and awaiting finalisation of the interview process:</p> <ul style="list-style-type: none"> <li>• Senior Manager: Budget Management</li> <li>• Senior Manager: Human Resource Management</li> </ul>	Yes
34/2013	2011/2012 Unauthorised Expenditure of R24,570,000 and 2012/2013 Unauthorised Expenditure of R22,085,000	That in terms of Section 34(1) of the Public Finance Management Act an amount of R46,651,000 be approved as a direct charge against the Revenue Fund to cover the unauthorised expenditure disclosed in the 2011/2012 (R24,570,000) and 2012/2013 (R22,085,000) annual financial statements of the Department of Human Settlements.	This finding is noted and will be implemented.	Yes

## 9. PRIOR MODIFICATIONS TO AUDIT REPORTS

Include a discussion on mechanisms put in place by the Accounting Officer to resolve the matters reported by the AGSA in the previous financial year. This should include all matters in the audit report and those noted as important in the management report.

The discussion should be limited to all matters that gave rise to a qualification, disclaimer, adverse opinion and matters of non-compliance only. The department may include the information in a table as follows:

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
<b>Emphasis of Matter</b>		
<p><b>1. Restatement of corresponding figures</b> As disclosed in notes 7 and 19 to the financial statements, the corresponding figures for 31 March 2012 have been restated as a result of an error discovered during 31 March 2013 in the financial statements of the Department of Human Settlements at, and for the year ended 31 March 2012.</p>	2011/12	<p><b>Response</b> The reason for the restatement of the prior year figures and the current figures subsequent to submission of the annual financial statements for audit, was that in the prior years the KwaZulu-Natal Housing Fund was accounted for using a mixture of modified cash basis and GRAP accounting standards. As agreed with the Auditor General in the prior year, based on the fact that the accounting system does not allow the Department to fully implement GRAP accounting standards, the Department utilised related party transactions to account for the Housing Fund expenditure. In the current financial year, GRAP standards were enforced resulting in the Department restating the financial statements (note 7). In respect of note 19 (Finance leases), prior years and current year figures were restated to account for present value of Finance lease costs.</p> <p><b>Current Process</b> In the current financial year (13/14) the said notes will not change, as the bench mark has been set and will follow through from the previous financial year.</p>
<p><b>2. Material under spending of the budget</b> As disclosed in the appropriation statement, the department has materially under spent the budget on programme 2 (Housing planning and research) and programme 4 (Housing asset management and property management) by R8,61 million and R 13,50 million respectively. The under spending on programme 2 was as a result of the delay in filling budgeted vacant posts due to delays in finalising the restructuring process as well as delays in purchase of capital equipment and capacity building programmes. The under spending on Programme 4 was as a result of the slow spending on the Enhanced extended discount benefit programme due to the delay in the rectification programme. However, overall as disclosed in the statement of financial performance, the department had a net saving on appropriated funds of R49 000.</p>	2010/11	<p><b>Response</b></p> <ul style="list-style-type: none"> <li>• Under expenditure in programme 2 is mainly as a result in the delays in the procurement of computer equipment and in the implementation of the capacity building programmes e.g. emerging contractors training. The non- filling of the budgeted posts emanating from the lack of suitable candidates also accounts for the under expenditure; and</li> <li>• Under expenditure in programme 4 arose as a result of slow spending on the EEDBS programme due to the delay in the implementation of the rectification programmes.</li> </ul>

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
		<p><b>Current Process</b></p> <ul style="list-style-type: none"> <li>• Adjustments Estimate process undertaken to identify movement of funds to programmes where deficits are likely to occur;</li> <li>• Revision of the business plan and cash flow schedule for conditional grant draw downs undertaken to forecast realistic projections for financial year.;</li> <li>• Monitoring mechanisms have been implemented to ensure budgets are aligned to their respective programmes (The department schedules a cash flow meeting every Monday, to ensure that the Department is on target in terms of spending its budget) ;</li> <li>• Monthly management reports compiled for conditional grant providing an early warning system for unauthorised expenditure;</li> <li>• IYM used as a reporting tool enabling Programme Managers to manage their budgets effectively and</li> <li>• Monthly Budget Advisory Committee meetings held to perform a monthly analysis of the department expenditure for a specific month and consider revision of projections for the financial year.</li> </ul>
<p><b>3. Irregular expenditure</b> As disclosed in note 24 to the annual financial statements, the department incurred irregular expenditure of R11,03 million during the year under review as a result of proper procurement processes not being followed and acting allowances paid beyond the stipulated period.</p>	<p>2007/08</p>	<p><b>Response</b></p> <ul style="list-style-type: none"> <li>• The R 10,40 million of the R 11,03 million shown as irregular expenditure for the current year relates to projects that were declared as irregular in the previous year. Expenditure incurred in respect of historical non-compliance to SCM requirements will continue to be disclosed as irregular until completion of the investigations/condonation by Provincial Treasury.</li> <li>• Transversal contracts and contracts signed with Provincial Treasury and OTP resulted in current irregular expenditure. A panel of service providers appointed for maintenance work did not comply fully with SCM prescripts.</li> <li>• SCM processes are stringently applied in terms of the SCM prescripts, policies, circulars and processes. Compliance with all aspects of these regulations must be adhered to prior to placement of goods and services being ordered or tendered.</li> </ul>

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
		<p><b>Current Process</b></p> <ul style="list-style-type: none"> <li>All projects are presented to the Housing Evaluation and Assessment Committee and then to MEC for approval. Thereafter the SCM tender process is followed;</li> <li>The use of 5.1 delegation has been limited to emergency cases;</li> <li>Disciplinary action will be taken against those officials who deliberately deviate from the SCM processes ;and</li> <li>The Accounting Officer signs all contracts and Service Level Agreements.</li> </ul>
<p><b>4. Unauthorised expenditure</b> As disclosed in the appropriation statement and note 9 to the annual financial statements, the department incurred unauthorised expenditure of R22,09 million due to overspending as a result of accelerating service delivery in various instruments within programme 3 (Housing development).</p>	<p>2010/11</p>	<p><b>Response</b></p> <ul style="list-style-type: none"> <li>Service delivery was enhanced due to Emergency and Disaster funding being utilised from the Human Settlements Development Grant (HSDG) to fast track housing delivery for disaster affected areas e.g. eThekweni Metro</li> <li>A Virement was not possible as the 8% ceiling was exceeded in this regard.</li> </ul> <p><b>Current Process</b></p> <ul style="list-style-type: none"> <li>Business Plan and Annual Performance Plan reviewed to ensure targets and funding are aligned.</li> <li>Funding appropriated in Programme 3 aligned to service delivery targets to ensure no authorised expenditure is incurred.</li> </ul>
<b>Report on other legal and regulatory requirements</b>		
<p><b>1. Predetermined Objectives</b> The National Treasury <i>Framework for managing programme performance information (FMPPi)</i> requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets with respect to programme 3 and 4 are:</p> <ul style="list-style-type: none"> <li>Materially misstated as there were material differences between recorded information and supporting documentation.</li> <li>Not reliable when compared to the source information and evidence provided.</li> </ul> <p>This was due to the lack of standard operating procedures for the accurate recording of actual achievements and monitoring of the completeness of source documentation in support of actual achievements.</p>	<p>2011/12</p>	<p><b>Response</b></p> <ul style="list-style-type: none"> <li>Material misstatements: All source documentation is collected by Monitoring &amp; Evaluation (M&amp;E), no performance is reported which is not evidence based.</li> <li>Reconciliations between Housing Subsidy System (HSS) and M&amp;E are performed on a monthly basis.</li> <li>All D6s and Form 4s are checked and reconciled prior to being captured on HSS.</li> </ul> <p><b>Current Process</b></p> <ul style="list-style-type: none"> <li>The department is in the process of recruiting a Senior Manager: Evaluation.</li> <li>The department is also assessing data systems to collect, verify and store information for M&amp;E and anticipates that such a system will be available in the next financial year.</li> </ul>

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
<p><b>2. Achievement of planned targets</b> Of the total number of 43 targets planned for the year, 28 of the targets were not achieved during the year under review. This represents 65% of total planned targets that were not achieved during the year under review. As per the annual performance report, this was mainly due to funds expended on work classified as still in progress and project delays due to bulk infrastructure and rainfall.</p>	2011/12	<p><b>Response</b></p> <ul style="list-style-type: none"> <li>• Targets per the Annual Performance Plan are tabled at the beginning of the financial year, these targets are re-prioritised during the year and as such, cannot be changed during the financial year resulting in under-achievement and non-delivery in these instruments.</li> <li>• The Department, based on the Mid-Term Report has revised its Business Plan to ensure that targets for the current financial year can be attained.</li> </ul> <p><b>Current Process</b> Weekly monitoring of achievements and challenges regarding Programme 3 &amp; 4 allow for timely management interventions to enhance Project achievements.</p>
<p><b>3. Annual Financial Statements</b> The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1) of the PFMA. Material misstatements of irregular expenditure, fruitless and wasteful expenditure, commitments and unspent grants identified by the auditors in the financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.</p>	2009/10	<p><b>Response</b> The reason for the restatement of the prior year figures and the current figures subsequent to submission of the annual financial statements for audit, was that in the prior years the KwaZulu-Natal Housing Fund was accounted for using a mixture of modified cash basis and GRAP accounting standards. As agreed with the Auditor General in the prior year, based on the fact that the accounting system does not allow the Department to fully implement GRAP accounting standards, the Department utilised related party transactions to account for the Housing Fund expenditure. In the current financial year, GRAP standards were enforced resulting in the Department restating the financial statements (note 7). In respect of note 19 (Finance leases), prior years and current year figures were restated to account for Finance lease costs.</p> <p><b>Current Process</b> Processes have been implemented to ensure that these misstatements do not recur:</p> <ul style="list-style-type: none"> <li>• Prior to preparation of the AFS, letters are issued to Management requesting information in this regard;</li> <li>• These pertinent issues are also discussed at Manco meetings and</li> <li>• The Accounting Officer approves the information disclosed.</li> </ul>

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
<p><b>4. Internal Audit</b> The internal audit function did not assess the operational procedure and monitoring mechanisms over all transfers made and received, including transfers in terms of the annual DoRA, as required by Treasury Regulation 3.2.8.</p>	2011/12	<p><b>Response</b></p> <ul style="list-style-type: none"> <li>• The internal audit function is provided by Provincial Treasury.</li> <li>• The Department maintains the Municipal Housing Operating Accounts (MHOA) unit to audit all transfers made to Municipalities on a monthly basis.</li> </ul> <p><b>Current Process</b></p> <ul style="list-style-type: none"> <li>• Assurance that funds transferred will be utilised for the intended purposes i.e. housing delivery is obtained from the institutions prior to any transfers being made.</li> <li>• Systems of internal control have been enhanced and monitoring mechanisms implemented to ensure transfers made are compliant with legislation.</li> </ul>
<p><b>5. Procurement and contract management</b> Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.</p>	2010/11	<p><b>Response</b></p> <ul style="list-style-type: none"> <li>• A circular was issued to all staff indicating that deviations are not permitted. Also note response on irregular expenditure in note 3 above.</li> <li>• Staff were made aware that stringent disciplinary measures will be taken for non-adherence to prescripts.</li> </ul> <p><b>Current Process</b></p> <ul style="list-style-type: none"> <li>• Matters related to transactions entered into in prior years. During the current year all projects are first presented to the Housing Evaluation and Assessment Committee and then presented for approval to the MEC. Once approved, the tender process follows in full compliance with SCM prescripts before appointments are made;</li> <li>• Circular issued to all staff indicating that 3 quotations must be requested and obtained for all services between R10 000 and R500 000, Department ensures that at least 8 services providers are requested to provide quotations for any given service to be rendered;</li> <li>• Bid forms have been amended to include “declaration of interest” thereby informing the Department of any persons in service of state who tender for contracts;</li> <li>• All bid documents are compliant with SBD4 forms and are strictly adhered to;</li> <li>• SLA’s in place for all tenders awarded to service providers prior to commencement of work and</li> <li>• All orders are scrutinised and authorised by the CFO for all amounts of goods and services to be procured.</li> </ul>



Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
<p><b>6. Expenditure management</b> Money owed by the department were not settled within 30 days as required by section 38(1)(f) of the PFMA and Treasury Regulation 8.2.3.</p>	2009/10	<p><b>Response</b></p> <ul style="list-style-type: none"> <li>• Every endeavour is being made to pay suppliers within 30 days. The department is limited by the 2 payment runs owing to Treasury's cash flow management. The invoices are loaded onto the system for payment within the stipulated 30 day period. When Treasury releases the funds for payment, it may exceed the 30 day period.</li> <li>• With regard to the invoices received from the municipalities for rates, the turnaround time is 15 days. Where possible the department negotiates with the municipalities to waiver the interest which is negligible.</li> </ul> <p><b>Current Process</b></p> <ul style="list-style-type: none"> <li>• A circular was issued to all staff indicating that invoices must be fast tracked and invoices prioritised and processes followed to ensure all payments are made within the 30 days period.</li> <li>• Staff were made aware that stringent disciplinary measures will be taken for non-adherence to prescripts.</li> </ul>
<p><b>7. Transfer of funds and conditional grants</b> The accounting officer did not maintain appropriate measures to ensure that transfers and subsidies to entities were applied for their intended purposes, as required by Treasury Regulations 8.4.1.</p>	2010/11	<p><b>Response</b> All transfers and subsidies to entities are made with the assurance that entities maintain efficient, effective and transparent financial management and internal control systems.</p> <p><b>Current Process</b></p> <ul style="list-style-type: none"> <li>• The department enters into SLA's with all entities stating deliverables and timelines prior to any transfers being effected.</li> <li>• Audit of books of entities can be done at any stage during the financial year thus ensuring accountability and transparency.</li> </ul>
<b>Internal Control</b>		
<p><b>1. Leadership</b> The management did not adequately review the financial statements and annual performance report prior to submission for audit. Also, compliance with laws and regulations was not adequately monitored by the accounting officer throughout the financial year. Staff training and key controls on performance information management and reporting was not adequate.</p>	2011/12	<p><b>Response</b></p> <ul style="list-style-type: none"> <li>• Internal controls, processes and procedures have been implemented to ensure compliance to laws, regulations and all reporting frameworks.</li> <li>• Monthly Management Committee meetings, Executive Committee meetings and weekly Strategic meetings are held to ensure accountability of Management, sound financial management, human resource management, policy and governance and risk management strategies are incorporated to achieve the outcomes of the Department.</li> </ul>



Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
		<p><b>Current Process</b></p> <ul style="list-style-type: none"> <li>The use of SCM Delegation 5.1 has been stopped;</li> <li>All projects are presented to the Housing Evaluation and Assessment Committee and then to MEC for approval. Thereafter the SCM tender process is followed;</li> <li>The Accounting Officer signs all Service Level Agreements and</li> <li>Monthly Management Committee meetings, Executive Committee meetings and weekly Strategic meetings are held to ensure accountability of Management, sound financial management, human resource management, policy and governance and risk management strategies are incorporated to achieve the outcomes of the Department.</li> </ul>
<p><b>2. Financial and performance management</b> A system of record management was not adequate to support financial and performance reporting. Validation and verification procedures were not adequately implemented.</p>	<p>2010/11</p>	<p><b>Response</b></p> <ul style="list-style-type: none"> <li>The deviations arose as a result of procurement outside of the SCM unit.</li> <li>The Department has now streamlined its processes to ensure all procurement is done in the SCM unit and all orders are signed by the CFO.</li> <li>The fully resourced Monitoring and Evaluation unit has now ensured that all deadlines are met.</li> </ul> <p><b>Current Process</b></p> <ul style="list-style-type: none"> <li>The Annual Report has been subsequently reviewed and approval granted by the Auditor-General for the printing thereof;</li> <li>A committee to analyse and interrogate the annual financial statements and annual report prior to submission is in the process of being established. This will minimise irregularities in terms of completeness and accuracy;</li> <li>IYM and DORA reports are reviewed monthly by the Chief Financial Officer and approved by the Accounting Officer prior to submission and</li> <li>Quarterly service delivery reports submitted to Treasury are verified by the Monitoring and Evaluation unit to ensure accurate information is disclosed in the Annual Report against the targets contained in the Annual Performance Plan.</li> </ul>
<b>Other Reports</b>		
<p><b>1. Investigations</b> During the financial year, the department pursued seven investigations which resulted in a criminal docket being registered. These investigations resulted in disciplinary action being concluded against senior officials. The criminal docket is currently being handled by the Anti-Corruption Task Team.</p>	<p>2011/12</p>	<p><b>Response</b></p> <ul style="list-style-type: none"> <li>The Fraud Prevention Plan and all its appendices namely the Code of Conduct and Business Ethics, Fraud Policy and Fraud Response Plan, Disciplinary Code and Procedure, Whistle Blowing Policy and Matrix</li> </ul>

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
		<p>of Responsibilities has been published on the departmental website, and communicated to all staff in the Department. Workshops are planned to be conducted on this plan in the last two quarters of the Financial Year;</p> <ul style="list-style-type: none"> <li>• Stringent internal control measures have been instituted within the department to ensure administration of the Department is executed smoothly thereby providing service delivery to the public; and</li> <li>• All departmental officials are required to fill declarations of interest for each financial year, disclosing vested interests in service providers embarking on business with the department.</li> <li>• Arising from finalised investigations, the department has finalised disciplinary cases against 4 Senior Officials with different sanctions on successful cases. Disciplinary action against 5 other senior officials were not finalised due these officials either resigning or no more being in the employ of the state prior to the finalisation of the disciplinary processes. Disciplinary action, against 2 other senior officials is being managed by their new departments.</li> </ul> <p><b>Current Processes</b></p> <ul style="list-style-type: none"> <li>• Investigation reports have been received from Provincial Treasury and the recommendations have commenced action. Disciplinary processes have commenced and were finalised against 4 Senior Managers. Recommended disciplinary action against two former employees of the Department is being pursued by a team of professionals with their respective departments. No disciplinary action can be pursued against officials who have subsequently left the services of government;</li> <li>• A criminal docket has been registered with the South African Police Services on allegations of fraud and corruption against former Senior Officials and service providers. This case has been referred to the Anti-corruption Task Team (ACTT), whom are pursuing the case further.</li> <li>• Investigations related to subsidy fraud has resulted in successful conviction of numerous government employees and 351 Disciplinary cases have been finalised by various Provincial Departments against officials whom have transgressed.</li> <li>• On-going recoveries are being made on Acknowledgements of Debts related to subsidy fraud.</li> </ul>

## 10. INTERNAL CONTROL UNIT

The departmental internal control unit strives towards providing objective assurance and consulting service designed to add value and improve departments operations through evaluations of the systems of internal control, risk management and corporate governance processes.

The unit is responsible for conducting internal assignments in terms of the identified risk areas independently from the Provincial Internal Audit Unit who service the Department's internal audit requirements as a function that was set up under sections 38 (1)(a)(i) and 76 (4)(e) of the PFMA, and mandated in terms of Internal Audit Act 2 of 2001, as a shared function for the KwaZulu-Natal Provincial Administration (KZNPA), and in terms of paragraph 3.2.3 of the Treasury Regulations.

In managing all activities related to the internal control environment audit improvement strategies were developed related to all finding in the audit reports of the Auditor-General for the two sets of financials tabled during the last financial year, which include the Departmental Vote and the Human Settlement Housing Fund. The audit improvement strategies included all finding tabled in management letters issued by the Auditor-General and all finding tabled in the assurance reports issued by Provincial Treasury.

These strategies were managed and monitored on a monthly basis on actions plans agreed by management, which were reported to the Cluster Audit and Risk Committee on a quarterly basis during the financial year. The audit improvement strategies also contributed towards reporting on the quarterly dashboard report of the Auditor-General with the Executive Authority. The dashboard report has shown significant improvement in the drivers of internal control to achieve a clean administration.

## 11. INTERNAL AUDIT AND AUDIT COMMITTEES

The Department's internal audit requirements are and have been serviced by Provincial Treasury's "Provincial Internal Audit Service" (PIAS), a function that was set up under sections 38 (1)(a)(i) and 76 (4)(e) of the PFMA, and mandated in terms of Internal Audit Act 2 of 2001, as a shared function for the KwaZulu-Natal Provincial Administration (KZNPA), and in terms of paragraph 3.2.3 of the Treasury Regulations.

The strategic objective of Provincial Treasury is to provide an independent and objective assurance and consulting service designed to add value and improve KwaZulu-Natal Provincial Administration operations through evaluations of the systems of internal control, risk management and corporate governance processes.

The PIAS consists of two sub-programmes, namely Assurance Services that is responsible for conducting internal audit assignments in terms of the identified risk areas as per the attached plan; and the Risk & Advisory Services that provides risk management support, consulting services as well as conducting forensic investigations.

Although investigating fraud and other irregularities are not the primary focus of internal audit's approach, a close liaison with management of Human Settlements is maintained should such issues be identified. These cases are then referred accordingly for forensic auditing.

The PFMA requires provincial government departments and public entities to establish a system of risk management and internal control and to ensure that risk assessments are conducted regularly to identify emerging risks within the department's therefore provincial treasury provides support in managing this process.

Based on the annual internal audit plan for the financial year as approved by the Cluster Risk and Audit Committee, all major assignments were completed. Two reports were not issued, to allow management time to review finding in-depth and provide salient management comments and action plans. One assignment was carried over into the new financial year, since this was a transversal performance audit across all provincial departments.

All findings emanating from these audit reports were translated into an audit improvement strategy to follow-up on actions plans related to these findings. Quarterly reporting on the audit improvement strategy was tabled to the Cluster Risk and Audit Committee.

## 12. REPORT OF THE AUDIT & RISK COMMITTEE ON VOTE 8 – HUMAN SETTLEMENTS

### 1. Objective and responsibility of the Audit and Risk Committee

The Provincial Audit and Risk Committee (PARC) has been established to assist the KZN Provincial Government in fulfilling its oversight responsibilities for the integrity of financial reporting processes, system of internal control over financial reporting, audit process for monitoring compliance with laws and regulations and KZN Provincial Government Code of conduct, fraud prevention, the risk management process and any other good governance processes.

The Provincial Audit and Risk Committee reports that it has complied with its responsibilities arising from the Public Finance Management Act, No.1 of 1999 (PFMA), Treasury Regulations 3.1, including all other related prescripts. 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.

The Committee is therefore, pleased to present its report for the financial year ended 31 March 2014.

### 2. Audit Committee Members and Attendance

The KwaZulu Natal Provincial Government has established the PARC as the shared audit committee for its provincial departments. The PARC is further sub-divided into three Cluster Audit and Risk Committees (CARCs) to provide oversight to provincial departments – i.e. with the Department of Human Settlements being served by the Social CARC. The PARC and the Social CARC consists of the members listed below. As per its approved terms of reference, the Social CARC and PARC should meet at least 4 times per annum respectively. During the financial year under review, four (4) PARC and four (4) Social CARC meetings were held as outlined below.

Number	Name of Member	PARC Meetings Attended	Social CARC Meetings Attended
1.	Ms T Tsautse (Chairperson)	4	4
2.	Ms M Mothipe	4	-
3.	Mr V Naicker	2	-
4.	Ms N Jaxa	4	-
5.	Mr L Mangquku	4	-
6.	Mr F Docrat	4	4
7.	Mr T Boltman	4	4

N/A = Not a member of the Social CARC

- PARC meetings, include 2 special meetings.

### 3. The Effectiveness of Internal Control

The Committee has reviewed the reports of the Internal Auditors, the Audit report on the Annual Financial Statements and Management Report of the Auditor General of South Africa (AGSA) and has noted with concern, the weaknesses in controls around the following areas:

- Occupational Health and Safety
- Property Management(Housing Fund)
- Expenditure Management (Payments to suppliers)
- Contingent Liabilities

### **Risk Management**

With regard to risk management, the Committee has noted that the department has not taken full responsibility and ownership for compliance with section 38(1)(a)(i) of the PFMA, which requires the Accounting Officer to ensure the maintenance of an effective system of internal control and risk management. During the period under review, the department was assisted by the Provincial Internal Audit Services in updating its risk register, and tracking progress in the implementation of risk mitigation plans. The Committee is however, pleased that the department has now employed a capable Risk Manager who will assist the department to comply fully with section 38(1)(a)(i) of the PFMA.

In order to improve the general control environment in relation to risk management, the department have been advised to:

- Ensure that completed risk mitigation plans are validated, measured and the risk register regularly updated;
- Report on emerging risks, if any, on a quarterly basis;
- The Provincial Internal Audit Service capacitates the department and its Risk Management Officer to enable them to execute the risk management activities on their own.
- Establish additional capacity in the department to ensure that each Programme has the risk champion that will be responsible for undertaking the daily risk management responsibilities and report to the Risk Management Officer.

### **Forensics Investigations**

During the period under review, the Committee noted that there were Two (2) forensic investigations relating to financial management irregularities, that the department has referred to the Provincial Internal Audit Services for investigation. All of these investigations were completed. The department and the Provincial Internal Audit Service are urged to promptly work together to implement recommendations on the finalized investigation.

The Committee is unable to comment on the completeness of the investigations conducted during the year under review as the department has failed to respond to the request to furnish the Provincial Internal Audit Services (PIAS) with a list of any other in-house or outsourced investigations to other service providers by the Department. As a result, the committee is unable to further comment on the completeness of the department's fraud risk profile.

### **Quality of in year management and monthly/quarterly reports**

The Committee was satisfied with the content and quality of quarterly reports in respect of in year management and quarterly performance reports submitted in terms of the PFMA and the Division of Revenue Act prepared and issued by the Accounting Officer of the Department during the year under view. Based on the reports of Internal Audit and the Auditor General, the committee noted that no material findings were raised regarding the usefulness and reliability of performance information.

## **4. Evaluation of Financial Statements**

The Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor General and the Accounting Officer;
- Reviewed the Auditor General's Management Report and Management's response thereto;
- Reviewed the Department's processes for compliance with legal and regulatory provisions and a concern is noted around failure to pay suppliers within 30 days.
- Reviewed material adjustments resulting from the audit of the Department and has noted that the material misstatements were adequately corrected. The Committee is however concerned that financial information with material errors had been presented for audit. This area that requires immediate attention and the Department has been urged to devise improvement strategies to address the weakness.

The Committee concurs and accepts the Auditor General's opinion regarding the Annual Financial Statements, and proposes that the Audited Annual Financial Statements be accepted and read together with the report of the Auditor General.

## 5. Internal Audit

In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit Function provides the Audit Committee and Management with reasonable assurance that the internal controls are adequate and effective. This is achieved through the implementation of a risk based Internal Audit plan. The Committee has, through the CARC monitoring processes, considered internal audit reports issued after assessing the adequacy and effectiveness of controls designed to mitigate the risks associated with operational and strategic activities of the department, as well as the appropriateness of the of corrective actions provided by management to improve the control environment.

The Internal Audit 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. The Committee also monitored the implementation of Internal Audit recommendations to the Department.

## 6. Auditor-General's Report

The Committee has throughout the financial year, constantly monitored the implementation of corrective action plans to address the audit issues raised in the prior year by the Auditor General. The Committee has met with the Auditor General of South Africa to ensure that there were no unresolved issues that emanated from the current regulatory audit.

The Committee will ensure that corrective actions on the detailed findings emanating from the current regulatory audit are monitored on a quarterly basis through the CARC processes.

## 7. Appreciation

The Committee wishes to express its appreciation to the Management of the Department, the Auditor General of South Africa, and the Provincial Internal Audit Services for the co-operation and information they have provided to enable us to compile this report.



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**Ms T Tsautse**  
**Chairman: KZN Provincial Audit and Risk Committee**

**11 August 2014**



Part D:

# Human Resource Management





## 1. INTRODUCTION

The Department commenced with an organizational review in 2011/12 and this process is still under review. This process is being informed by core business and business processes in the Department in order to ensure appropriate human resources for Human Settlements. The approved 2008 organizational structure of the Department is however currently being utilized and changes are being made where necessary to enhance service delivery.

In order to address the major technical and capacity constraints, the department has embarked on the filling of critical technical and support posts by utilizing Operational Capacity funds. The introduction of expertise in town and regional planning as well as in quality assurance has thus improved the department's position in these spheres to make housing delivery more efficient and effective. The department has also continued to make provision for additional resources at each district thereby ensuring that service delivery is enhanced at the point of customer contact throughout the province. The department has vigorously undertaken to recruit skilled staff in order to address capacity constraints Professionals/technical/Planners as well a key Management posts have been filled. Additionally, all employee performance assessments have been undertaken.

Vacancy rates are generally used as standard predictor of human resource gaps, needs and subsequent prioritization for filling of posts. In terms of Cabinet Resolution No. 7 dated 22 September 2009; all departments were tasked with ensuring that all unfunded vacant posts and all vacant posts older than 2 years were abolished on the Persal system. In addition to this, departments were requested by the Committee of Head of Departments [CoHoD] to effectively monitor the filling of funded vacant posts in terms of Output 2 of Outcome 12 to ensure a vacancy rate of 5%. The Department has however achieved a 2% vacancy rate as at March 2014.

The Department recognises the value of its employees and to ensure that employee's wellbeing is taken care off, an Employee Well Being unit exists on the department structure which takes care of employee's health and well being. In its quest the department has finalised a Health, Safety, Environmental Risk and Quality Management Policy. The Department has held various roadshows on health screening and marketing in conjunction with GEMS.

## 2. HUMAN RESOURCES OVERSIGHT STATISTICS

### 2.1 Personnel related expenditure

Table 2.1.1 Personnel expenditure by programme for the period 1 April 2013 and 31 March 2014

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services expenditure (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
Administration	163,986	91,377	-	-	2,5	341
Housing Needs, Research and Planning	14,115	11,435	-	-	0,3	347
Housing Development	3,300,365	99,659	-	-	2,8	557
Housing Asset Management, Property Management	167,940	45,712	-	-	1,3	153
<b>Total</b>	<b>3,617,002</b>	<b>248,183</b>	<b>-</b>	<b>-</b>	<b>6,9</b>	<b>319</b>

Table 2.1.2 Personnel costs by salary band for the period 1 April 2013 and 31 March 2014

Salary band	Personnel expenditure (R'000)	% of total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Lower skilled (Levels 1-2)	3,220	1,3	5	644
Skilled (level 3-5)	21,240	8,6	120	177
Highly skilled production (levels 6-8)	82,443	33,2	290	284
Highly skilled supervision (levels 9-12)	63,944	25,8	137	467
Senior and Top management (levels 13-16)	19,727	7,9	23	858
Lower skilled (Levels 1-2) (contract)	1,563	0,6	54	29
Skilled (level 3-5) (contract)	3,516	1,4	18	195
Highly skilled production (levels 6-8) (contract)	10,547	4,2	45	234
Highly skilled supervision (levels 9-12) (contract)	30,155	12,2	73	413
Senior and Top management (levels 13-16) (contract)	5,816	2,3	7	831
Periodical Remuneration	6,012	2,4	7	859
<b>TOTAL</b>	<b>248,183</b>	<b>100</b>	<b>779</b>	<b>319</b>

Table 2.1.3 Salaries, Overtime, Home Owners Allowance and Medical Aid by programme for the period 1 April 2013 and 31 March 2014

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Administration	57,723	23,3	564	0,2	2,101	0,8	3,581	1,4
Housing Needs, Research and Planning	10,407	4,2	1	-	352	0,1	485	0,2
Housing Development	45,897	18,5	257	0,1	1,312	0,5	2,460	1,0
Housing Asset Management, Property Management	70,580	28,4	1,332	0,5	2,158	0,9	2,748	1,1
<b>Total</b>	<b>184,607</b>	<b>74,4</b>	<b>2,154</b>	<b>0,9</b>	<b>5,923</b>	<b>2,4</b>	<b>9,274</b>	<b>3,7</b>

Table 2.1.4 Salaries, Overtime, Home Owners Allowance and Medical Aid by salary band for the period 1 April 2013 and 31 March 2014

Salary band	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Skilled (level 1-2)	1,318	0,5	-	-	137	0,1	166	0,1
Skilled (level 3-5)	11,440	4,6	132	0,1	1,116	0,4	1,376	0,6
Highly skilled production (levels 6-8)	59,460	24,0	1,604	0,6	2,712	1,1	4,993	2,0
Highly skilled supervision (levels 9-12)	46,800	18,9	219	0,1	1,178	0,5	2,160	0,9
Senior management (level 13-16)	15,848	6,4	-	-	515	0,2	377	0,2
Skilled (level 1-2) (contract)	1,554	0,6	1	-	-	-	-	-
Skilled (level 3-5) (contract)	3,441	1,4	69	-	-	-	-	-
Highly skilled production (levels 6-8) (contract)	10,389	4,2	117	-	-	-	-	-
Highly skilled supervision (levels 9-12) (contract)	29,117	11,7	12	-	56	-	172	0,1
Senior management (level 13-16) (contract)	5,240	2,1	-	-	209	0,1	30	-
Periodical Remuneration	-	-	-	-	-	-	-	-
<b>Total</b>	<b>184,607</b>	<b>74,4</b>	<b>2,154</b>	<b>0,9</b>	<b>5,923</b>	<b>2,4</b>	<b>9,274</b>	<b>3,7</b>

**2.2. Employment and Vacancies**

Table 2.2.1 Employment and vacancies by programme as on 31 March 2014

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy Rate %	Number of employees additional to the establishment
Administration	273	268	2	50
Housing Needs, Research and Planning	35	33	5,7	4
Housing Development	180	179	0,6	21
Housing Asset Management, Property Management	305	299	2	101
<b>Total</b>	<b>793</b>	<b>779</b>	<b>1,8</b>	<b>176</b>

Table 2.2.2 Employment and vacancies by salary band as on 31 March 2014

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy Rate %	Number of employees additional to the establishment
Lower skilled ( 1-2)	5	5	-	-
Skilled(3-5)	127	120	5,5	-
Highly skilled production (6-8)	299	290	3	-
Highly skilled supervision (9-12)	138	137	0,7	-
Senior management (13-16)	27	23	14,8	-
Lower skilled ( 1-2)(contract)	54	54	-	54
Skilled(3-5)(contract)	18	18	-	18
Highly skilled production (6-8) (contract)	45	45	-	45
Highly skilled supervision (9-12) (contract)	73	73	-	54
Senior management (13-16) (contract)	7	7	-	5
<b>Total</b>	<b>793</b>	<b>772</b>	<b>2,6</b>	<b>176</b>

Table 2.2.3 Employment and vacancies by critical occupations as on 31 March 2014

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate %	Number of employees additional to the establishment
Administrative related, Permanent	146	143	2,1	42
Agriculture related, Permanent	2	2	-	2
All artisans in the building metal machinery etc., Permanent	20	19	5	-
Architects town and traffic planners, Permanent	6	6	-	6
Attorneys, Permanent	1	1	-	-
Auxiliary and related workers, Permanent	3	3	-	-
Bus and heavy vehicle drivers, Permanent	2	2	-	-
Cartographic surveying and related technicians, Permanent	2	2	-	-
Civil engineering technicians, Permanent	7	6	14,3	6
Cleaners in offices workshops hospitals etc., Permanent	40	40	-	-
Client inform clerks(switchboard/ reception inform clerks), Permanent	4	4	-	-
Communication and information related, Permanent	1	1	-	-
Community development workers, Permanent	6	6	-	6
Computer system designers and analysts., Permanent	1	1	-	-
Engineering sciences related, Permanent	1	1	-	-
Engineers and related professionals, Permanent	20	19	5	14
Finance and economics related, Permanent	7	7	-	-
Financial and related professionals, Permanent	2	2	-	-
Financial clerks and credit controllers, Permanent	62	53	14,5	6
Food services aids and waiters, Permanent	1	1	-	-
General legal administration & rel. professionals, Permanent	3	6	-	-
Head of department/chief executive officer, Permanent	1	1	-	-

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate %	Number of employees additional to the establishment
Human resources & organisational development & related prof, Permanent	19	17	10,5	-
Human resources clerks, Permanent	41	41	-	20
Human resources related, Permanent	7	7	-	-
Information technology related, Permanent	2	2	-	-
Inspectors of apprentices works and vehicles, Permanent	59	59	-	21
Legal related, Permanent	4	4	-	1
Library mail and related clerks, Permanent	11	11	-	-
Light vehicle drivers, Permanent	8	8	-	-
Logistical support personnel, Permanent	2	2	-	-
Material-recording and transport clerks, Permanent	5	5	-	-
Messengers porters and deliverers, Permanent	3	3	-	-
Other administration & related clerks and organisers, Permanent	109	109	-	45
Other administrative policy and related officers, Permanent	108	106	1,9	-
Other information technology personnel., Permanent	1	1	-	-
Quantity surveyors & related prof not class elsewhere, Permanent	4	4	-	2
Road workers, Permanent	1	1	-	-
Secretaries & other keyboard operating clerks, Permanent	22	21	4,5	2
Security guards, Permanent	3	3	-	-
Security officers, Permanent	1	1	-	-
Senior managers, Permanent	19	18	5,3	2
Trade labourers, Permanent	24	24	-	-
Trade related, Permanent	1	1	-	-
Trade/industry advisers & other related profession, Permanent	1	1	-	-
<b>TOTAL</b>	<b>793</b>	<b>772</b>	<b>2,6</b>	<b>176</b>

### 2.3. Filling of SMS Posts

Table 2.3.1 SMS post information as on 31 March 2014

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department	1	1	100	-	-
Salary Level 16	-	-	-	-	-
Salary Level 15	2	2	100	-	-
Salary Level 14	5	4	80	1	20
Salary Level 13	20	18	90	2	10
<b>Total</b>	<b>28</b>	<b>25</b>	<b>89,3</b>	<b>3</b>	<b>10,7</b>

Table 2.3.2 SMS post information as on 30 September 2013

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department	1	1	100	-	-
Salary Level 16	-	-	-	-	-
Salary Level 15	2	2	100	-	-
Salary Level 14	5	3	60	2	40
Salary Level 13	20	17	85	3	15
<b>Total</b>	<b>28</b>	<b>23</b>	<b>82,1</b>	<b>5</b>	<b>17,9</b>

Table 2.3.3 Advertising and filling of SMS posts for the period 1 April 2013 and 31 March 2014

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department	1	1	100	-	-
Salary Level 16	-	-	-	-	-
Salary Level 15	2	2	100	-	-
Salary Level 14	5	4	80	1	20
Salary Level 13	20	18	90	2	10
<b>Total</b>	<b>28</b>	<b>25</b>	<b>89,3</b>	<b>3</b>	<b>10,7</b>



*Table 2.3.4 Reasons for not having complied with the filling of funded vacant SMS - Advertised within 6 months and filled within 12 months after becoming vacant for the period 1 April 2013 and 31 March 2014*

Reasons for vacancies not advertised within six months
Senior Manager: Human Resources Management advertised. Submission with the MEC for approval.

Reasons for vacancies not filled within six months
Posts not funded

*Table 2.3.5 Disciplinary steps taken for not complying with the prescribed timeframes for filling SMS posts within 12 months for the period 1 April 2013 and 31 March 2014*

Reasons for vacancies not advertised within six months
Posts not funded

Reasons for vacancies not filled within six months
Posts not funded

#### **2.4. Job Evaluation**

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. The following table 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 2.4.1 Job Evaluation by Salary band for the period 1 April 2013 and 31 March 2014

Salary band	Number of posts on approved establishment	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)	5	-	-	-	-	-	-
Skilled (Levels 3-5)	127	-	-	-	-	-	-
Highly skilled production (Levels 6-8)	299	-	-	-	-	-	-
Highly skilled supervision (Levels 9-12)	138	-	-	-	-	-	-
Senior Management Service Band A	21	-	-	-	-	-	-
Senior Management Service Band B	3	-	-	-	-	-	-
Senior Management Service Band C	2	-	-	-	-	-	-
Senior Management Service Band D	1	-	-	-	-	-	-
Lower Skilled (Levels 1-2) Contract	54	-	-	-	-	-	-
Skilled (Levels 3-5) Contract	18	-	-	-	-	-	-
Highly skilled production (Levels 6-8) Contract	45	-	-	-	-	-	-
Highly skilled supervision (Levels 9-12) Contract	73	-	-	-	-	-	-
Senior Management Service Band A Contract	4	-	-	-	-	-	-
Senior Management Service Band B Contract	3	-	-	-	-	-	-
<b>Total</b>	<b>793</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following table provides a summary of the number of employees whose positions were upgraded due to their post 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 2.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2013 and 31 March 2014

Gender	African	Asian	Coloured	White	Total
Female	-	-	-	-	-
Male	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

Employees with a disability	-
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The following table summarises the number of cases where remuneration bands exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

Table 2.4.3 Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2013 and 31 March 2014

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
-	-	-	-	-
<b>Total number of employees whose salaries exceeded the level determined by job evaluation</b>				-
<b>Percentage of total employed</b>				-

The following table summarises the beneficiaries of the above in terms of race, gender, and disability.

Table 2.4.4 Profile of employees who have salary levels higher than those determined by job evaluation for the period 1 April 2013 and 31 March 2014

Gender	African	Asian	Coloured	White	Total
Female	-	-	-	-	-
Male	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

<b>Employees with a disability</b>	-	-	-	-	-
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Total number of Employees whose salaries exceeded the grades determine by job evaluation	-
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## 2.5. 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 and critical occupations (see definition in notes below).

Table 2.5.1 Annual turnover rates by salary band for the period 1 April 2013 and 31 March 2014

Salary band	Number of employees at beginning of period-1 April 2013	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate %
Lower skilled ( Levels 1-2)	38	-	15	39,5
Skilled (Levels 3-5)	123	6	34	27,6
Highly skilled production (Levels 6-8)	277	11	21	7,6
Highly skilled supervision (Levels 9-12)	125	3	5	4
Senior Management Service Bands A	16	-	-	-
Senior Management Service Bands B	1	1	1	100
Senior Management Service Bands C	2	-	-	-
Senior Management Service Bands D	-	-	-	-
Lower skilled ( Levels 1-2)(contract)	37	51	11	29,7
Skilled (Levels 3-5)(contract)	6	11	8	133,3
Highly skilled production (Levels 6-8) (contract)	28	18	11	39,3
Highly skilled supervision (Levels 9-12) (contract)	54	21	2	3,7
Senior Management Service Bands A (contract)	3	1	-	-
Senior Management Service Bands B (contract)	3	-	-	-
<b>Total</b>	<b>713</b>	<b>123</b>	<b>108</b>	<b>15,1</b>

Table 2.5.2 Annual turnover rates by critical occupation for the period 1 April 2013 and 31 March 2014

Critical occupation	Number of employees at beginning of period-April 2013	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate %
Administrative related, Permanent	111	17	7	6,3
Agriculture related, Permanent	-	2	-	-
All artisans in the building metal machinery etc., Permanent	29	-	9	31
Architects town and traffic planners, Permanent	5	2	1	20
Artisan project and related superintendents, Permanent	3	-	3	100
Attorneys, Permanent	1	-	-	-
Auxiliary and related workers, Permanent	4	-	-	-
Bus and heavy vehicle drivers, Permanent	3	-	1	33,3
Cartographic surveying and related technicians, Permanent	2	-	-	-
Civil engineering technicians, Permanent	5	3	2	40
Cleaners in offices workshops hospitals etc., Permanent	64	-	30	46,9
Client inform clerks(switchboard receiv inform clerks), Permanent	4	-	-	-
Communication and information related, Permanent	3	-	1	33,3
Community development workers, Permanent	4	2	-	-
Computer system designers and analysts., Permanent	1	-	-	-
Engineers and related professionals, Permanent	10	11	2	20
Finance and economics related, Permanent	7	-	-	-
Financial and related professionals, Permanent	5	-	-	-
Financial clerks and credit controllers, Permanent	43	6	12	27,9
General legal administration & rel. professionals, Permanent	3	-	-	-
Human resources & organisat developm & relate prof, Permanent	11	-	1	9,1
Human resources clerks, Permanent	32	2	3	9,4
Human resources related, Permanent	3	-	-	-

Critical occupation	Number of employees at beginning of period- April 2013	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate %
Information technology related, Permanent	6	-	-	-
Inspectors of apprentices works and vehicles, Permanent	47	16	2	4,3
Legal related, Permanent	1	1	-	-
Library mail and related clerks, Permanent	12	-	-	-
Light vehicle drivers, Permanent	7	2	1	14,3
Logistical support personnel, Permanent	1	-	-	-
Material-recording and transport clerks, Permanent	5	-	-	-
Messengers porters and deliverers, Permanent	5	-	1	20
Other administrat & related clerks and organisers, Permanent	93	52	11	11,8
Other administrative policy and related officers, Permanent	102	-	3	2,9
Other information technology personnel., Permanent	1	-	-	-
Quantity surveyors & rela prof not class elsewhere, Permanent	4	-	-	-
Secretaries & other keyboard operating clerks, Permanent	18	5	2	11,1
Security guards, Permanent	8	-	6	75
Security officers, Permanent	1	-	-	-
Senior managers, Permanent	14	2	1	7,1
Trade labourers, Permanent	35	-	9	25,7
<b>TOTAL</b>	<b>713</b>	<b>123</b>	<b>108</b>	<b>15,1</b>

Table 2.5.3 Reasons why staff left the department for the period 1 April 2013 and 31 March 2014

Termination Type	Number	% of Total Resignations
Death	9	8
Resignation	15	14
Expiry of contract	24	22
Dismissal – operational changes	1	1
Dismissal – misconduct	-	-
Dismissal – inefficiency	-	-
Discharged due to ill-health	-	-
Retirement	59	55
Transfer to other Public Service Departments	-	-
Other	-	-
<b>Total</b>	<b>108</b>	<b>100</b>
<b>Total number of employees who left as a % of total employment</b>		<b>15</b>

Table 2.5.4 Promotions by critical occupation for the period 1 April 2013 and 31 March 2014

Occupation	Employees 1 April 2013	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Administrative related, Permanent	111	16	14.4	50	45
All artisans in the building metal machinery etc., Permanent	29	-	-	12	41,4
Architects town and traffic planners, Permanent	5	-	-	-	-
Artisan Project and related superintendents	3	-	-	1	33,3
Attorneys, Permanent	1	-	-	1	100
Auxiliary and related workers, Permanent	4	-	-	1	25
Bus and heavy vehicle drivers, Permanent	3	-	-	-	-
Cartographic surveying and related technicians, Permanent	2	-	-	-	-
Civil engineering technicians, Permanent	5	-	-	-	-

Occupation	Employees 1 April 2013	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Cleaners in offices workshops hospitals etc., Permanent	64	-	-	16	25
Client inform clerks(switchb receipt inform clerks), Permanent	4	-	-	4	100
Communication and information related, Permanent	3	1	33,3	-	-
Community development workers, Permanent	4	-	-	-	-
Computer system designers and analysts., Permanent	1	-	-	1	100
Engineering sciences related, Permanent	-	1	-	-	-
Engineers and related professionals, Permanent	10	1	10	-	-
Finance and economics related, Permanent	7	-	-	6	85,7
Financial and related professionals, Permanent	5	-	-	2	40
Financial clerks and credit controllers, Permanent	43	1	2,3	40	93
General legal administration & rel. professionals, Permanent	3	-	-	-	-
Head of department/ chief executive officer, Permanent	-	1	-	-	-
Human resources & organisat developm & relate prof, Permanent	11	2	18,2	9	81,8
Human resources clerks, Permanent	32	-	-	16	50
Human resources related, Permanent	3	2	66,7	-	-
Information technology related, Permanent	6	-	-	-	-
Inspectors of apprentices works and vehicles, Permanent	47	-	-	17	36,2



Occupation	Employees 1 April 2013	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Legal related, Permanent	1	-	-	1	100
Library mail and related clerks, Permanent	12	1	8,3	4	33,3
Light vehicle drivers, Permanent	7	-	-	4	57,1
Logistical support personnel, Permanent	1	-	-	1	100
Material-recording and transport clerks, Permanent	5	-	-	5	100
Messengers porters and deliverers, Permanent	5	-	-	4	80
Other administrat & related clerks and organisers, Permanent	93	3	3,2	57	61,3
Other administrative policy and related officers, Permanent	102	5	4,9	89	87,3
Other information technology personnel., Permanent	1	-	-	1	100
Quantity surveyors & rela prof not class elsewhere, Permanent	4	-	-	1	25
Secretaries & other keyboard operating clerks, Permanent	18	2	11,1	9	50
Security guards, Permanent	8	-	-	1	12,5
Security officers, Permanent	1	-	-	-	-
Senior managers, Permanent	14	1	7,1	11	78,6
Trade labourers, Permanent	35	-	-	15	42,9
Trade/industry advisers & other related profession, Permanent	-	1	-	-	-
<b>Total</b>	<b>713</b>	<b>38</b>	<b>5,3</b>	<b>379</b>	<b>53,2</b>

Table 2.5.5 Promotions by salary band for the period 1 April 2013 and 31 March 2014

Salary Band	Employees 1 April 2013	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progression as a % of employees by salary bands
Lower skilled (Levels 1-2)	38	-	-	-	-
Skilled (Levels 3-5)	123	-	-	58	47
Highly skilled production Levels 6-8)	277	21	7,6	202	73
Highly skilled supervision (Levels 9-12)	125	12	9,6	91	73
Senior Management (Level 13-16)	19	3	15,8	14	74
Contract (level 1 - 2)	37	-	-	-	-
Contract (level 3 – 5)	6	-	-	1	17
Contract (level 6 – 8)	28	1	3,6	3	11
Contract (level 9 – 12)	54	1	1,9	4	7
Contract (level 13 – 16)	6	-	-	6	100
<b>Total</b>	<b>713</b>	<b>38</b>	<b>5.3</b>	<b>379</b>	<b>53</b>

**2.6 Employment Equity**

Table 2.6.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2014

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	7	1	2	1	5	1	2	-	19
Professionals	31	1	6	1	38	1	6	1	85
Technicians and associate professionals	94	6	25	6	100	6	15	10	262
Clerks	57	6	20	2	135	5	13	6	244
Service and sales workers	4	-	-	-	-	-	-	-	4
Skilled agriculture and fishery workers	0	-	-	-	-	-	-	-	-
Craft and related trades workers	52	3	12	4	8	-	-	-	79
Plant and machine operators and assemblers	8	1	-	-	1	-	-	-	10
Elementary occupations	46	7	3	-	13	-	-	-	69
<b>Total</b>	<b>299</b>	<b>25</b>	<b>68</b>	<b>14</b>	<b>300</b>	<b>13</b>	<b>36</b>	<b>17</b>	<b>772</b>
<b>Employees with disabilities</b>	6	1	-	-	1	-	-	1	9

Table 2.6.2 Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2014

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	-	-	-	-	1	1	-	3
Senior Management	7	1	2	1	6	1	2	-	20
Professionally qualified and experienced specialists and mid-management	49	4	17	5	44	1	13	4	137
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	89	7	37	8	112	9	16	12	290
Semi-skilled and discretionary decision making	69	9	5	-	37	-	-	-	120
Unskilled and defined decision making	2	2	-	-	1	-	-	-	5
Contract Senior Management	1	-	2	-	3	-	-	1	7
Contract Professionally qualified	47	2	3	-	20	-	1	-	73
Contract Skilled Technically	12	-	-	-	31	1	1	-	45
Contract Semi-skilled	3	-	-	-	15	-	-	-	18
Contract Unskilled	19	-	2	-	31	-	2	-	54
<b>Total</b>	<b>299</b>	<b>25</b>	<b>68</b>	<b>14</b>	<b>300</b>	<b>13</b>	<b>36</b>	<b>17</b>	<b>772</b>

Table 2.6.3 Recruitment for the period 1 April 2013 to 31 March 2014

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	-	-	-	-	-	-	-	-	-
Senior Management	1	-	-	-	-	-	-	-	1
Professionally qualified and experienced specialists and mid-management	2	-	-	-	1	-	-	-	3
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	3	-	1	-	7	-	-	-	11
Semi-skilled and discretionary decision making	2	-	-	-	4	-	-	-	6
Unskilled and defined decision making	-	-	-	-	-	-	-	-	0
Contract Senior Management	-	-	-	-	1	-	-	-	1
Contract Professionally qualified	15	-	1	-	5	-	-	-	21
Contract Skilled Technically	7	-	-	-	10	1	-	-	18
Contract Semi-skilled	3	-	-	-	7	-	1	-	11
Contract Unskilled	18	-	3	-	29	-	1	-	51
<b>Total</b>	<b>51</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>64</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>123</b>
<b>Employees with disabilities</b>	-	-	-	-	-	-	-	-	-

Table 2.6.4 Promotions for the period 1 April 2013 to 31 March 2014

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	-	-	-	-	1	1	-	3
Senior Management	4	1	1	1	5	1	1	-	14
Professionally qualified and experienced specialists and mid-management	32	3	16	5	30	1	12	4	103
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	65	6	23	5	92	7	15	10	223
Semi-skilled and discretionary decision making	35	6	2	-	15	-	-	-	58
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Contract Senior Management	-	-	3	-	2	-	-	1	6
Contract Professionally qualified	4	1	-	-	-	-	-	-	5
Contract Skilled Technically	3	-	-	-	-	-	1	-	4
Contract Semi-skilled	-	-	-	-	1	-	-	-	1
<b>Total</b>	<b>144</b>	<b>17</b>	<b>45</b>	<b>11</b>	<b>145</b>	<b>10</b>	<b>30</b>	<b>15</b>	<b>417</b>
<b>Employees with disabilities</b>	5	1	-	-	1	-	-	1	8

Table 2.6.5 Terminations for the period 1 April 2013 to 31 March 2014

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	-	-	-	-	-	-	-	-	-
Senior Management	-	-	-	-	1	-	-	-	1
Professionally qualified and experienced specialists and mid-management	2	-	2	-	1	-	-	-	5
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	14	1	1	-	4	-	-	1	21
Semi-skilled and discretionary decision making	23	3	4	-	4	-	-	-	34
Unskilled and defined decision making	11	2	-	-	2	-	-	-	15
Contract Professionally qualified	1	-	-	-	1	-	-	-	2
Contract Skilled Technically	5	-	-	-	5	-	1	-	11
Contract Semi-skilled	4	-	-	-	4	-	-	-	8
Contract Unskilled	2	-	1	-	7	-	1	-	11
<b>Total</b>	<b>62</b>	<b>6</b>	<b>8</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>2</b>	<b>1</b>	<b>108</b>
<b>Employees with Disabilities</b>	-	-	-	-	-	-	-	1	1

Table 2.6.6 Disciplinary action for the period 1 April 2013 to 31 March 2014

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary	4	-	2	-	-	1	-	-	7
Hearing/found guilty	-	-	-	-	-	-	-	-	-

Table 2.6.7 Skills development for the period 1 April 2013 to 31 March 2014

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	7	1	3	-	7	1	-	1	20
Professionals	10	-	-	-	18	-	-	-	28
Technicians and associate professionals	47	3	12	2	24	-	-	-	88
Clerks	22	1	3	-	52	4	1	1	84
Service and sales workers	-	-	-	-	-	-	-	-	-
Skilled agriculture and fishery workers	-	-	-	-	-	-	-	-	-
Craft and related trades workers	13	-	-	-	-	-	-	-	13
Plant and machine operators and assemblers	1	1	-	-	-	-	-	-	2
Elementary occupations	2	1	-	-	-	-	-	-	3
<b>Total</b>	<b>102</b>	<b>7</b>	<b>18</b>	<b>2</b>	<b>101</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>238</b>
<b>Employees with disabilities</b>	-	-	-	-	-	-	-	-	-



**2.7 Signing of Performance Agreements by SMS Members**

All members of the SMS must conclude and sign performance agreements within specific timeframes. Information regarding the signing of performance agreements by SMS members, the reasons for not complying within the prescribed timeframes and disciplinary steps taken is presented here.

Table 2.7.1 Signing of Performance Agreements by SMS members as on 31 May 2013

SMS Level	Total number of funded SMS posts	Total number of SMS members	Total number of signed performance agreements	Signed performance agreements as % of total number of SMS members
Director-General/ Head of Department	1	1	1	100
Salary Level 16	-	-	-	-
Salary Level 15	2	2	2	100
Salary Level 14	5	5	4	80
Salary Level 13	18	18	16	88,8
<b>Total</b>	<b>26</b>	<b>26</b>	<b>23</b>	<b>88,46</b>

Table 2.7.2 Reasons for not having concluded Performance agreements for all SMS members as on 31 March 2014

Reasons
Newly appointed officials

Table 2.7.3 Disciplinary steps taken against SMS members for not having concluded Performance agreements as on 31 March 2014

Reasons
None

## 2.8 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, disability, salary bands and critical occupations (see definition in notes below).

Table 2.8.1 Performance Rewards by race, gender and disability for the period 1 April 2013 to 31 March 2014

Race and Gender	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee (R'000)
<b>African</b>					
Male	75	293	26	975	13
Female	106	299	36	1,400	13
<b>Asian</b>					
Male	43	68	63	841	20
Female	22	36	61	566	26
<b>Coloured</b>					
Male	13	24	54	160	12
Female	4	13	31	62	16
<b>White</b>					
Male	4	14	29	60	15
Female	10	16	63	172	17
<b>Employees with disabilities</b>	<b>6</b>	<b>9</b>	<b>67</b>	<b>113</b>	<b>19</b>
<b>Total</b>	<b>283</b>	<b>772</b>	<b>37</b>	<b>4,348</b>	<b>15</b>

Table 2.8.2 Performance Rewards by salary band for personnel below Senior Management Service for the period 1 April 2013 to 31 March 2014

Salary band	Beneficiary Profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee (R'000)	
Lower Skilled (Levels 1-2)	2	5	40	8	4	-
Skilled (Level 3-5)	41	120	34	246	6	-
Highly skilled production (Level 6-8)	161	290	56	2,000	12	1
Highly skilled supervision (Level 9-12)	67	137	49	1,476	22	1
Contract level 1 - 2	-	54	-	-	-	-
Contract level 3 - 5	1	18	6	4	4	-
Contract level 6 - 8	-	45	-	-	-	-
Contract level 9 - 12	1	73	1	15	15	-
Periodical remuneration	-	7	-	-	-	-
<b>Total</b>	<b>273</b>	<b>749</b>	<b>36</b>	<b>3,749</b>	<b>14</b>	<b>2</b>

Table 2.8.3 Performance Rewards by critical occupation for the period 1 April 2013 to 31 March 2014

Critical occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee (R'000)
Administrative related, Permanent	45	143	31	993	7
Agriculture related, Permanent	-	2	-	-	-
All artisans in the building metal machinery etc., Permanent	3	19	16	31	2
Architects town and traffic planners, Permanent	-	-	-	-	-
Attorneys, Permanent	-	1	-	-	-
Auxiliary and related workers, Permanent	1	3	33	4	1
Bus and heavy vehicle drivers, Permanent	1	2	50	14	7
Cartographic surveying and related technicians, Permanent	-	2	-	-	-
Civil engineering technicians, Permanent	-	6	-	-	-
Cleaners in offices workshops hospitals etc., Permanent	12	40	30	55	1
Client inform clerks (switchboard receipt inform clerks), Permanent	3	4	75	14	4
Communication and information related, Permanent	-	1	-	-	-
Community development workers, Permanent	-	6	-	-	-
Computer system designers and analysts., Permanent	1	1	100	12	12
Engineering sciences related, Permanent	-	1	-	-	-
Engineers and related professionals, Permanent	-	19	-	-	-
Finance and economics related, Permanent	4	7	57	100	14
Financial and related professionals, Permanent	2	2	100	136	68
Financial clerks and credit controllers, Permanent	38	53	72	513	10
Food services aids and waiters, Permanent	1	1	100	4	4

Critical occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee (R'000)
General legal administration & rel. professionals, Permanent	1	3	33	22	7
Head of department/ chief executive officer, Permanent	-	1	-	-	-
Human resources & organisat developm & relate prof, Permanent	10	17	59	154	9
Human resources clerks, Permanent	7	41	17	59	1
Human resources related, Permanent	1	7	14	27	4
Information technology related, Permanent	-	2	-	-	-
Inspectors of apprentices works and vehicles, Permanent	11	59	19	146	2
Legal related, Permanent	-	4	-	-	-
Library mail and related clerks, Permanent	8	11	73	65	6
Light vehicle drivers, Permanent	2	8	25	17	2
Logistical support personnel, Permanent	1	2	50	10	5
Material-recording and transport clerks, Permanent	4	5	80	33	7
Messengers porters and deliverers, Permanent	3	3	100	18	6
Other administration & related clerks and organisers, Permanent	43	109	39	550	5
Other administrative policy and related officers, Permanent	62	106	58	851	8
Other information technology personnel., Permanent	1	1	100	9	9
Quantity surveyors & related prof not class elsewhere, Permanent	1	4	25	104	26
Road workers, Permanent	1	1	100	10	10
Secretaries & other keyboard operating clerks, Permanent	5	21	24	61	3
Security guards, Permanent	-	3	-	-	-

Critical occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee (R'000)
Security officers, Permanent	-	1	-	-	-
Senior managers, Permanent	6	18	33	310	17
Trade labourers, Permanent	4	24	17	20	1
Trade related, Permanent	1	1	100	5	5
Trade/industry advisers & other related profession, Permanent	-	1	-	-	-
<b>TOTAL</b>	<b>283</b>	<b>772</b>	<b>37</b>	<b>4,347</b>	<b>6</b>

Table 2.8.4 Performance related rewards (cash bonus), by salary band for Senior Management Service for the period 1 April 2013 to 31 March 2014

Salary band	Beneficiary Profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee Cost	
Band A	8	22	36,4	470	59	2,6
Band B	-	5	-	-	-	-
Band C	2	2	100	129	65	4,6
Band D	-	1	-	-	-	-
<b>Total</b>	<b>10</b>	<b>30</b>	<b>33,3</b>	<b>599</b>	<b>60</b>	<b>2,8</b>

## 2.9 Foreign Workers

The tables below summarise the employment of foreign nationals in the department in terms of salary band and major occupation.

Table 2.9.1 Foreign workers by salary band for the period 1 April 2013 and 31 March 2014

Salary band	01 April 2013		31 March 2014		Change	
	Number	% of total	Number	% of total	Number	% Change
Lower skilled	-	-	-	-	-	-
Highly skilled production (Lev. 6-8)	-	-	-	-	-	-
Highly skilled supervision (Lev. 9-12)	-	-	-	-	-	-
Contract (level 9-12)	1	100	1	100	-	-
Contract (level 13-16)	-	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>-</b>	<b>-</b>

Table 2.9.2 Foreign workers by major occupation for the period 1 April 2013 and 31 March 2014

Major occupation	01 April 2013		31 March 2014		Change	
	Number	% of total	Number	% of total	Number	% Change
Professionals and managers	1	100	1	100	-	-
<b>Total</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>-</b>	<b>-</b>

## 2.10 Leave utilisation

Table 2.10.1 Sick leave for the period 1 January 2013 to 31 December 2013

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 Skills (Level 1-2)	64	1,2	8	1,4	8	26
Skilled (levels 3-5)	1,233	23,7	101	18,0	12	437
Highly skilled production (levels 6-8)	2,618	50,4	240	42,9	11	1,951
Highly skilled supervision (levels 9 -12)	660	12,7	104	18,6	6	943
Top and Senior management (levels 13-16)	114	2,2	16	2,9	7	348
Contract level 1 - 2	44	0,8	20	3,6	2	7
Contract level 3 - 5	102	2,0	19	3,4	5	35
Contract level 6 – 8	131	2,5	20	3,6	7	76
Contract level 9 – 12	169	3,3	30	5,4	6	245
Contract level 13 - 16	32	0,6	2	0,4	16	112
<b>Total</b>	<b>5,197</b>	<b>100</b>	<b>560</b>	<b>100</b>	<b>9</b>	<b>5,180</b>

Table 2.10.2 Disability leave (temporary and permanent) for the period 1 January 2013 to 31 December 2013

Salary band	Total days	% Days with Medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	56	100	1	12,5	56	16
Skilled (Levels 3-5)	81	100	3	37,5	27	35
Highly skilled production (Levels 6-8)	175	100	4	50	44	129
Highly skilled supervision (Levels 9-12)	-	-	-	-	-	-
Senior management (Levels 13-16)	-	-	-	-	-	-
<b>Total</b>	<b>312</b>	<b>100</b>	<b>8</b>	<b>100</b>	<b>39</b>	<b>180</b>



Table 2.10.3 Annual Leave for the period 1 January 2013 to 31 December 2013

Salary band	Total days taken	Number of Employees using annual leave	Average per employee
Lower skilled (Levels 1-2)	193	11	18
Skilled Levels 3-5)	2,747	18	153
Highly skilled production (Levels 6-8)	6,964	23	303
Highly skilled supervision(Levels 9-12)	3,139	22	143
Senior management (Levels 13-16)	406	17	24
Contract level 1 - 2	263	4	66
Contract level 3 - 5	320	12	27
Contract level 6 – 8	693	13	53
Contract level 9 – 12	856	13	66
Contract level 13 - 16	106	15	7
<b>Total</b>	<b>15,787</b>	<b>18</b>	<b>877</b>

Table 2.10.4 Capped leave for the period 1 January 2013 to 31 December 2013

Salary band	Total days of capped leave taken	Number of Employees using capped leave	Average number of days taken per employee	Average capped leave per employee as on 31 March 2014
Lower skilled (Levels 1-2)	-	-	-	-
Skilled Levels 3-5)	11	11	1	6
Highly skilled production (Levels 6-8)	55	7	7,9	18
Highly skilled supervision(Levels 9-12)	6	3	2	6
Senior management (Levels 13-16)	3	3	1	1
<b>Total</b>	<b>75</b>	<b>6</b>	<b>13</b>	<b>32</b>

Table 2.10.5 Leave payouts for the period 1 April 2013 and 31 March 2014

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave payout for 2013/14 due to non-utilisation of leave for the previous cycle	-	-	-
Capped leave payouts on termination of service for 2013/14	1,172	23	51
Current leave payout on termination of service for 2013/14	93	15	6
<b>Total</b>	<b>1,265</b>	<b>38</b>	<b>33</b>

## 2.11 HIV/AIDS & Health Promotion Programmes

Table 2.11.1 Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
None	

Table 2.11.2 Details of Health Promotion and HIV/AIDS Programmes (tick the applicable boxes and provide the required information)

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.	X		Ms GC Sikhakane Acting Senior Manager: HRM
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.	X		Mr VB Mdletshe Mrs PZ Mlaba  Annual Budget: N/A
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.	X		Alcohol & drug abuse, HIV/AIDS programme & counselling, Health Promotion (TB, STI'S, Cancer, etc.) Family & Marital counselling, Financial Life Skills, Domestic Violence, Work Retrenchment counselling, Health & Safety and Disability Issues
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.		X	
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.		X	

Question	Yes	No	Details, if yes
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.	X		Office support groups have been established. Monthly meetings are held with the groups dealing with different topics that addresses the issues of wellness.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	X		Quarterly Health Screening are conducted in all offices by GEMS Medical Aid
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.		X	For the past two financial years the Department has been using the tool developed by DPSA.

## 2.12 Labour Relations

Table 2.12.1 Collective agreements for the period 1 April 2013 and 31 March 2014

Subject matter	Date
No collective agreement signed in respect of misconduct	-

Total number of Collective agreements	-
---------------------------------------	---

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

Table 2.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2013 and 31 March 2014

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	-	-
Verbal warning	-	-
Written warning	-	-
Final written warning	1	12,5
Suspended without pay	1	12,5
Fine	-	-
Demotion	-	-
Dismissal	-	-
Not guilty	-	-
Case withdrawn	6	75
<b>Total</b>	<b>8</b>	<b>100</b>

Total number of Disciplinary hearings finalised	-
---	---

Table 2.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2013 and 31 March 2014

Type of misconduct	Number	% of total
Derogatory remarks	1	14
Insolent behavior	1	14
Negligence	1	14
Absenteesm	2	30
Acceptance of bribery	1	14
Assault	1	14
<b>Total</b>	<b>7</b>	<b>100</b>

Table 2.12.4 Grievances logged for the period 1 April 2013 and 31 March 2014

Grievances	Number	% of Total
Number of grievances resolved	21	72
Number of grievances not resolved	8	28
<b>Total number of grievances lodged</b>	<b>29</b>	<b>100</b>

Table 2.12.5 Disputes logged with Councils for the period 1 April 2013 and 31 March 2014

Disputes	Number	% of Total
Number of disputes upheld	14	78
Number of disputes dismissed	4	22
<b>Total number of disputes lodged</b>	<b>18</b>	<b>100%</b>

Table 2.12.6 Strike actions for the period 1 April 2013 and 31 March 2014

Total number of persons working days lost	-
Total costs working days lost	-
Amount recovered as a result of no work no pay (R'000)	-

Table 2.12.7 Precautionary suspensions for the period 1 April 2013 and 31 March 2014

Number of people suspended	-
Number of people whose suspension exceeded 30 days	-
Average number of days suspended	-
Cost of suspension(R'000)	-

### 2.13 Skills development

This section highlights the efforts of the department with regard to skills development.

Table 2.13.1 Training needs identified for the period 1 April 2013 and 31 March 2014

Occupational category	Gender	Number of employees as at 1 April 2013	Training needs identified at start of the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	54		<ul style="list-style-type: none"> <li>- Conflict Management</li> <li>- Risk Management</li> <li>- Occupational Health &amp; Safety</li> <li>- Property Management</li> <li>- Executive Development Programme</li> <li>- Project Management</li> </ul>		54
	Male	45				45
Professionals	Female	54	3	<ul style="list-style-type: none"> <li>- Project Management</li> <li>- Financial Management</li> <li>- Risk Management</li> <li>- Change Management</li> <li>- Course on Facilitating Learning</li> <li>- Occupational Health &amp; Safety</li> <li>- Ms Project</li> <li>- Conflict Management</li> <li>- Learnership (Internal Audit)</li> </ul>		57
	Male	49	3			52
Technicians and associate professionals	Female	27		<ul style="list-style-type: none"> <li>- Ms Project</li> <li>- Financial Management</li> <li>- Housing Subsidy System (HSS)</li> <li>- Occupational Health &amp; Safety</li> <li>- Project Management</li> <li>- Conflict Management</li> </ul>		27
	Male	77				77

Occupational category	Gender	Number of employees as at 1 April 2013	Training needs identified at start of the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Clerks	Female	133		<ul style="list-style-type: none"> <li>- Financial Management Course on Facilitating Learning</li> <li>- Conflict Management</li> <li>- Risk Management</li> <li>- Occupational Health &amp; Safety</li> <li>- Property Management</li> <li>- Housing Subsidy System (HSS)</li> <li>- Project Management</li> </ul>		133
	Male	92				92
Service and sales workers	Female	-		AET		-
	Male	7				7
Skilled agriculture and fishery workers	Female	-				-
	Male	-				-
Craft and related trades workers	Female	9		<ul style="list-style-type: none"> <li>- Artisan Development : Recognition of Learning (Plumbing)</li> <li>- Artisan Development : Recognition of Learning (Electricity)</li> <li>- Artisan Development : Recognition of Learning (Carpentry)</li> <li>- Artisan Development : RPL (Painting)</li> <li>- Artisan Development: RPL (Welding)</li> <li>- Artisan Development: RPL (Bricklaying)</li> <li>- Occupational Health and Safety</li> </ul>		9
	Male	68				68
Plant and machine operators and assemblers	Female	4		<ul style="list-style-type: none"> <li>- Electrical (RPL)</li> <li>- Plumbing (RPL)</li> <li>- Customer Care</li> <li>- Telephone Etiquette</li> </ul>		4
	Male	10				10

Occupational category	Gender	Number of employees as at 1 April 2013	Training needs identified at start of the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Elementary occupations	Female	13		<ul style="list-style-type: none"> <li>- Artisan Development : Recognition of Learning (Carpentry )</li> <li>- Artisan Development : Recognition of Learning (Electricity)</li> <li>- Artisan Development : Recognition of Learning (Plumbing)</li> <li>- Artisan Development : RPL (Painting)</li> <li>- Artisan Development: RPL (Welding)</li> <li>- Artisan Development: RPL (Bricklaying)</li> <li>- Occupational Health and Safety</li> </ul>		13
	Male	57				57
Sub Total	Female	294	3			297
	Male	405	3			408
<b>Total</b>		<b>699</b>	<b>6</b>			<b>705</b>

Table 2.13.2 Training provided for the period 1 April 2013 and 31 March 2014

Occupational category	Gender	Number of employees as at 1 April 2013	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	9		<ul style="list-style-type: none"> <li>- Quality Assurance Training</li> <li>- Supply Chain Management for Public service</li> <li>- Project Management</li> <li>- Housing Subsidy System (HSS)</li> <li>- Compulsory Induction Programme (CIP) Module 1</li> <li>- Legal Writing Workshop</li> <li>- National Rental Tribunal Mediation Training</li> </ul>		9
	Male	11				11

Occupational category	Gender	Number of employees as at 1 April 2013	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Professionals	Female	18	3	- Compulsory Induction Programme (CIP) Orientation And Module 1 - Quality Assurance training - Project Management - National Rental Tribunal Mediation Training - Adult Education & Training Curriculum and Assessment Workshop		21
	Male	10	3			13
Technicians and associate professionals	Female	24		- Compulsory Induction Programme (CIP) Orientation And Module 1 - Quality Assurance training - Project Management		24
	Male	64				64
Clerks	Female	58		- Compulsory Induction Programme (CIP) Orientation And Module 1 - Quality Assurance training - National Rental Tribunal Mediation Training - Housing Subsidy System (HSS) - Safety, Health and Environmental Principles and Procedures in a workplace - Supply Chain Management for Public Service - Assessor Course - Train the Trainer (Compulsory Induction Programme)		58
	Male	26				26
Service and sales workers	Female	-				-
	Male	-				-
Skilled agriculture and fishery workers	Female	-				-
	Male	-				-



Occupational category	Gender	Number of employees as at 1 April 2013	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Craft and related trades workers	Female	-		<ul style="list-style-type: none"> <li>- Recognition of Learning (RPL) Assessment- Plumbing</li> <li>- Recognition of Learning (RPL) Assessment- Bricklaying</li> <li>- Recognition of Learning (RPL) Assessment- Carpentry</li> <li>- Recognition of Learning (RPL) Assessment- Painting</li> <li>- Recognition of Learning (RPL) Assessment- Welding</li> <li>- Recognition of Learning (RPL) Assessment- Electrical</li> <li>- Occupational Health and Safety</li> </ul>		-
	Male	13				13
Plant and machine operators and assemblers	Female	-		<ul style="list-style-type: none"> <li>- Occupational Safety and Health</li> <li>- Recognition of Prior Learning (RPL) Assessment – Electrical</li> </ul>		-
	Male	2				2
Elementary occupations	Female	-		<ul style="list-style-type: none"> <li>- Supply Chain Management for Public Service</li> <li>- Recognition of Prior Learning (RPL) Assessment – Electrical</li> </ul>		-
	Male	3				3
Sub Total	Female	109	3			112
	Male	129	3			132
<b>Total</b>		<b>238</b>	<b>6</b>			<b>244</b>

## 2.14 Injury on duty

The following tables provide basic information on injury on duty.

Table 2.14.1 Injury on duty for the period 1 April 2013 and 31 March 2014

Nature of injury on duty	Number	% of total
Required basic medical attention only	4	100
Temporary Total Disablement	-	-
Permanent Disablement	-	-
Fatal	-	-
<b>Total</b>	<b>4</b>	<b>100</b>

## 2.15 Utilisation of Consultants

Table 2.15.1 Report on consultant appointments using appropriated funds for the period 1 April 2013 and 31 March 2014

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
Osmond Lange	Architects	-	238,602,00
Jeffares & Green	Civil Engineers	-	136,686,00
Lungi Afrika Quantity	Procurement of Professional Services	-	182,600,00
Ibuya Consulting	Electrical Engineer	-	840,360,00
Jeffares & Green	Professional Services I.R.O Court Case	-	Charges per hour
Sookan & Associates	Engineers	-	79,800,00
Impande Engineers	Structural Engineers	-	240,540,00
Pricewater House Coopers	Governance Requirements	-	490,200,00
MHP Geomatics Incorporated	Surveyor	-	283,888,50

Table 2.15.2 Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2013 and 31 March 2014

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
-	-	-	-

Table 2.15.3 Report on consultant appointments using Donor funds for the period 1 April 2013 and 31 March 2014

Project title	Total Number of consultants that worked on project	Duration (Work days)	Donor and contract value in Rand
-	-	-	-

Total number of projects	Total individual consultants	Total duration Work days	Total contract value in Rand
-	-	-	-

Table 2.15.4 Analysis of consultant appointments using Donor funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2013 and 31 March 2014

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
-	-	-	-

## 2.16 Severance Packages

Table 2.16.1 Granting of employee initiated severance packages for the period 1 April 2013 and 31 March 2014

Salary band	Number of applications received	Number of applications referred to the MPSA	Number of applications supported by MPSA	Number of packages approved by department
Lower skilled (Levels 1-2)	12	12	12	12
Skilled Levels 3-5)	32	32	32	32
Highly skilled production (Levels 6-8)	10	10	10	10
Highly skilled supervision(Levels 9-12)	1	1	1	1
Senior management (Levels 13-16)	-	-	-	-
<b>Total</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>55</b>



Part E:

# Financial Information

Vote 8: Department of Human Settlements



## REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON VOTE NO. 8: KWAZULU-NATAL 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 136 to 184, which comprise the appropriation statement, the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as 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 the Modified Cash Standard as prescribed by 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, 2013 (Act No. 2 of 2013)(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 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 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 2014 and its financial performance and cash flows for the year then ended, in accordance with the Modified Cash Standard as prescribed by 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.

### Significant uncertainties

8. With reference to note 22 to the financial statements, the department is the defendant in 10 lawsuits for alleged breaches in contracts and services that have been rendered to the estimated value of R218,91 million. The ultimate outcome of these matters cannot presently be determined, and thus a contingent liability that may result, has been disclosed in the financial statements.

### Additional matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### Unaudited supplementary schedules

10. The supplementary information set out on pages 185 to 196 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.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2014:
  - Programme 3: housing development on pages 41 to 50
  - Programme 4: housing asset management and property management on pages 51 to 53
13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

**Additional matter**

17. I draw attention to the following matter. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matter:

**Achievement of planned targets**

18. Refer to the annual performance report on pages 33 to 53 for information on the achievement of the planned targets for the year.

**Compliance with legislation**

19. I performed procedures to obtain evidence that the department had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

**Annual financial statements**

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

**Expenditure management**

21. Money owed by the department was not settled within 30 days as required by section 38(1)(f) of the PFMA and treasury regulation 8.2.3.

**Internal control**

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

**Leadership**

23. Management did not adequately review the financial statements prior to submission for audit. Additionally, compliance with laws and regulations was not adequately monitored.

**Financial and performance management**

24. Systems and control were not adequately designed in a manner to prevent, detect and address risks that impact on financial and compliance reporting. In this regard, the accounting officer did not ensure that regular, accurate and complete financial reports were prepared, which were supported and evidenced by reliable information. This resulted in material corrections in financial systems.

## OTHER REPORTS

### Investigations

25. Provincial Treasury performed an investigation at the request of the department, which covered the period 2010 to 2011. The investigation was initiated based on allegations of fraud relating to procurement. These investigations were completed in the previous year and the department is monitoring the criminal case that is currently with the anti-corruption task team.

*Auditor-General*

Pietermaritzburg

31 July 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



Appropriation Statement for the year ended 31 March 2014

Appropriation per programme											
	2013/14						2012/13				
	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	R'000	
<b>1. Administration</b>											
Current payment	156,177	-	(1,327)	154,850	153,932	918	99.4	121,477	121,319		
Transfers and subsidies	919	-	1,264	2,183	2,108	75	96.6	1,740	1,654		
Payment for capital assets	7,997	-	-	7,997	7,884	113	98.6	9,067	9,286		
Payment for financial assets	-	-	63	63	62	1	98.4	18	18		
	165,093	-	-	165,093	163,986	1,107		132,302	132,277		
<b>2. Housing needs, Research and Planning</b>											
Current payment	14,305	-	-	14,305	14,038	267	98.1	29,846	21,365		
Transfers and subsidies	-	-	-	-	-	-		45	45		
Payment for capital assets	285	-	-	285	77	208	27.0	2,082	1,951		
Payment for financial assets	-	-	-	-	-	-		-	-		
	14,590	-	-	14,590	14,115	475		31,973	23,361		
<b>3. Housing Development</b>											
Current payment	136,948	-	(11,458)	125,490	119,691	5,799	95.4	86,784	91,863		
Transfers and subsidies	3,144,916	-	13,407	3,158,323	3,144,131	14,192	99.6	2,916,408	2,933,528		
Payment for capital assets	16,668	-	-	16,668	7,088	9,580	42.5	1,349	1,235		
Payment for financial assets	-	-	51	51	51	-	100.0	-	-		
	3,298,532	-	2,000	3,300,532	3,270,961	29,571		3,004,541	3,026,626		
<b>4. Housing Assets Management, Property Management</b>											
Current payment	72,315	-	445	72,760	-	72,760	-	86,007	84,015		
Transfers and subsidies	63,393	-	(2,480)	60,913	167,909	(106,996)	275.7	109,825	109,594		
Payment for capital assets	34,447	-	-	34,447	31	34,416	0.1	13,126	1,852		
Payment for financial assets	-	-	35	35	-	35	-	46	46		
	170,155	-	(2,000)	168,155	167,940	215		209,004	195,507		
<b>Total</b>	<b>3,648,370</b>	<b>-</b>	<b>-</b>	<b>3,648,370</b>	<b>3,617,002</b>	<b>31,368</b>	<b>99.1</b>	<b>3,377,820</b>	<b>3,377,771</b>		

Appropriation Statement for the year ended 31 March 2014

	2013/14		2012/13	
	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure
<b>TOTAL (brought forward)</b>	3,648,370	3,617,002	3,377,820	3,377,771
<b>Reconciliation with statement of financial performance</b>				
<b>ADD</b>				
Departmental receipts	9,431		13,573	
<b>Actual amounts per statement of financial performance (total revenue)</b>	<b>3,657,801</b>		<b>3,391,393</b>	
Aid assistance		287		
<b>Actual amounts per statement of financial performance (total expenditure)</b>		<b>3,617,289</b>		<b>3,377,771</b>

## Appropriation Statement for the year ended 31 March 2014

Appropriation per economic classification									
	2013/14					2012/13			
	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	248,183	-	(614)	247,569	202,048	45,521	81.6	208,272	208,272
Goods and services	131,435	-	(11,707)	119,728	85,501	34,227	71.4	115,842	110,290
Interest and rent on land	108	-	-	108	112	(4)	103.7	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	198,044	-	7	198,051	40,447	157,604	20.4	221,537	221,451
Departmental agencies and accounts	175,447	-	752	176,199	168,661	7,538	95.7	144,477	134,477
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	2,835,756	-	11,413	2,847,169	3,105,041	(257,872)	109.1	2,662,004	2,688,893
Gifts and donations	-	-	-	-	-	-	-	-	-
<b>Payments for capital assets</b>									
Buildings and other fixed structures	49,145	-	-	49,145	6,799	42,346	13.8	14,135	2,861
Machinery and equipment	10,052	-	(22)	10,030	8,058	1,972	80.3	11,154	11,128
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Intangible assets	200	-	22	222	222	-	100.0	335	335
<b>Payments for financial assets</b>									
	-	-	149	149	113	36	76.8	64	64
<b>Total</b>	<b>3,648,370</b>	<b>-</b>	<b>-</b>	<b>3,648,370</b>	<b>3,617,002</b>	<b>31,368</b>	<b>99.1</b>	<b>3,377,820</b>	<b>3,377,771</b>

Appropriation Statement for the year ended 31 March 2014

Detail per programme 1 – ADMINISTRATION  
For the year ended 31 March 2014

Detail per sub-programme	2013/14						2012/13		
	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. CORPORATE SERVICES</b>									
Current payment	156,177	-	(1,327)	154,850	153,932	918	99.4	121,477	121,319
Transfers and subsidies	919	-	1,264	2,183	2,108	75	96.6	1,740	1,654
Payment for capital assets	7,997	-	-	7,997	7,884	113	98.6	9,067	9,286
Payment for financial assets	-	-	63	63	62	1	98.4	18	18
<b>Total</b>	<b>165,093</b>	<b>-</b>	<b>-</b>	<b>165,093</b>	<b>163,986</b>	<b>1,107</b>	<b>99.3</b>	<b>132,302</b>	<b>132,277</b>

## Appropriation Statement for the year ended 31 March 2014

Statutory Appropriation per economic classification										
Programme 1 Per Economic classification	2013/14					2012/13				
	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	91,377	-	(438)	90,939	90,922	17	100.0	65,717	65,717	
Goods and services	64,800	-	(889)	63,911	63,006	905	98.6	55,760	55,602	
Interest and rent on land	-	-	-	-	4	(4)	-	-	-	
<b>Transfers and subsidies</b>										
Provinces and municipalities	130	-	-	130	56	74	43.1	230	145	
Departmental agencies and accounts	-	-	752	752	752	-	100.0	-	-	
Higher education institutions	-	-	-	-	-	-	-	-	-	
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-	
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-	
Non-profit institutions	-	-	-	-	-	-	-	-	-	
Households	789	-	512	1,301	1,301	-	100.0	1,510	1,509	
Gifts and donations	-	-	-	-	-	-	-	-	-	
<b>Payments for capital assets</b>										
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-	
Machinery and equipment	7,797	-	(22)	7,775	7,661	114	98.5	9,067	9,286	
Heritage assets	-	-	-	-	-	-	-	-	-	
Specialised military assets	-	-	-	-	-	-	-	-	-	
Biological assets	-	-	-	-	-	-	-	-	-	
Land and subsoil assets	-	-	-	-	-	-	-	-	-	
Intangible assets	200	-	22	222	222	-	100.0	-	-	
<b>Payments for financial assets</b>										
	-	-	63	63	62	1	98.4	18	18	
<b>Total</b>	<b>165,093</b>	<b>-</b>	<b>-</b>	<b>165,093</b>	<b>163,986</b>	<b>1,107</b>	<b>99.3</b>	<b>132,302</b>	<b>132,277</b>	

Appropriation Statement for the year ended 31 March 2014

**Details per programme 2 – HOUSING NEEDS, RESEARCH AND PLANNING**  
**For the year ended 31 March 2014**

Detail per sub-programme	2013/14						2012/13		
	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	1,715	-	(110)	1,605	1,365	240	85.0	1,733	1,353
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	9	(9)	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>2.2 Policy</b>									
Current payment	3,862	-	(93)	3,769	3,695	74	98.0	3,814	3,603
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>2.3 Planning</b>									
Current payment	3,074	-	-	3,074	3,056	18	99.4	16,827	10,947
Transfers and subsidies	-	-	-	-	-	-	-	30	32
Payment for capital assets	110	-	-	110	68	42	61.8	2,082	1,945
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>2.4 Research</b>									
Current payment	5,654	-	203	5,857	5,922	(65)	101.1	7,472	5,462
Transfers and subsidies	-	-	-	-	-	-	-	15	13
Payment for capital assets	175	-	-	175	-	175	-	-	6
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>14,590</b>	<b>-</b>	<b>-</b>	<b>14,590</b>	<b>14,115</b>	<b>475</b>	<b>96.7</b>	<b>31,973</b>	<b>23,361</b>

Appropriation Statement for the year ended 31 March 2014

Programme 2 per Economic classification	2013/14					2012/13			
	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	11,435	-	-	11,435	11,496	(61)	100.5	17,590	12,182
Goods and services	2,870	-	-	2,870	2,542	328	88.6	12,256	9,183
Interest and rent on land	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	45	45
Gifts and donations	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	285	-	-	285	77	208	27.0	1,747	1,616
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	335	335
<b>Payments for financial assets</b>									
<b>Total</b>	<b>14,590</b>	<b>-</b>	<b>-</b>	<b>14,590</b>	<b>14,115</b>	<b>475</b>	<b>96.7</b>	<b>31,973</b>	<b>23,361</b>

Appropriation Statement for the year ended 31 March 2014

**Detail per programme 3 – HOUSING DEVELOPMENT  
For the year ended 31 March 2014**

Detail per sub-programme	2013/14					2012/13			
	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	70,377	-	1,942	72,319	71,227	1,092	98.5	76,497	85,209
Transfers and subsidies	300	-	7	307	56	251	18.2	832	824
Payment for capital assets	276	-	-	276	20	256	7.2	130	16
Payment for financial assets	-	-	51	51	51	-	100.0	-	-
<b>3.2 Financial Interventions</b>									
Current payment	66,571	-	(13,400)	53,171	48,464	4,707	91.1	10,285	6,652
Transfers and subsidies	631,574	-	-	631,574	388,997	242,577	61.6	537,510	527,511
Payment for capital assets	16,392	-	-	16,392	7,068	9,324	43.1	1,219	1,219
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>3.3 Incremental Interventions</b>									
Current payment	-	-	-	-	-	-	-	2	2
Transfers and subsidies	1,281,337	-	-	1,281,337	1,104,695	176,642	86.2	863,572	864,572
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>3.4 Social and Rental Interventions</b>									
Current payment	-	-	-	-	-	-	-	-	-
Transfers and subsidies	273,689	-	-	273,689	60,205	213,484	22.0	348,699	348,699
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>3.5 Rural Interventions</b>									
Current payment	-	-	-	-	-	-	-	-	-
Transfers and subsidies	958,016	-	13,400	971,416	1,590,178	(618,762)	163.7	1,165,795	1,191,922
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,298,532</b>	<b>-</b>	<b>2,000</b>	<b>3,300,532</b>	<b>3,270,961</b>	<b>29,571</b>	<b>99.1</b>	<b>3,004,541</b>	<b>3,026,626</b>



Appropriation Statement for the year ended 31 March 2014

Programme 3 per Economic classification	2013/14					2012/13			
	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	99,659	-	1,993	101,652	99,630	2,022	98.0	72,605	78,016
Goods and services	37,181	-	(13,451)	23,730	19,953	3,777	84.1	14,179	13,847
Interest and rent on land	108	-	-	108	108	-	100.0	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	152,437	-	7	152,444	40,391	112,053	26.5	115,000	115,000
Departmental agencies and accounts	175,447	-	-	175,447	-	175,447	-	144,477	134,477
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	2,817,032	-	13,400	2,830,432	3,103,740	(273,308)	109.7	2,656,931	2,684,051
Gifts and donations	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Buildings and other fixed structures	14,892	-	-	14,892	6,799	8,093	45.7	1,009	1,009
Machinery and equipment	1,776	-	-	1,776	289	1,487	16.3	340	226
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>									
	-	-	51	51	51	-	100.0	-	-
<b>Total</b>	<b>3,298,532</b>	<b>-</b>	<b>2,000</b>	<b>3,300,532</b>	<b>3,270,961</b>	<b>29,571</b>	<b>99.1</b>	<b>3,004,541</b>	<b>3,026,626</b>

Appropriation Statement for the year ended 31 March 2014

**Details per programme 4 – HOUSING ASSETS MANAGEMENT, PROPERTY MANAGEMENT**  
**For the year ended 31 March 2014**

Detail per sub-programme	2013/14						2012/13		
	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	49,214	-	(2,223)	46,991	-	46,991	-	54,762	54,760
Transfers and subsidies	12,742	-	188	12,930	58,273	(45,343)	450.7	3,867	3,867
Payment for capital assets	194	-	-	194	31	163	16.0	-	-
Payment for financial assets	-	-	35	35	-	35	100.0	46	46
<b>4.2 SALE AND TRANSFER OF HOUSING PROPERTIES</b>									
Current payment	1,489	-	(1,248)	241	-	241	-	2,884	893
Transfers and subsidies	-	-	-	-	241	(241)	-	4,192	4,192
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>4.3 HOUSING PROPERTIES MAINTENANCE</b>									
Current payment	21,612	-	3,916	25,528	-	25,528	-	28,361	28,362
Transfers and subsidies	50,651	-	(2,668)	47,983	109,395	(61,412)	228	101,766	101,535
Payment for capital assets	34,253	-	-	34,253	-	34,253	-	13,126	1,852
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>170,155</b>	<b>-</b>	<b>(2,000)</b>	<b>168,155</b>	<b>167,940</b>	<b>215</b>	<b>99.9</b>	<b>209,004</b>	<b>195,507</b>

## Appropriation Statement for the year ended 31 March 2014

Programme 4 Per Economic classification	2013/14						2012/14		
	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	45,712	-	(2,169)	43,543	-	43,543	-	52,360	52,357
Goods and services	26,584	-	2,633	29,217	-	29,217	-	33,647	31,658
Interest and rent on land	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	45,477	-	-	45,477	-	45,477	-	106,307	106,306
Departmental agencies and accounts	-	-	-	-	167,909	(167,909)	(100.0)	-	-
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	17,935	-	(2,499)	15,436	-	15,436	-	3,518	3,288
Gifts and donations	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Buildings and other fixed structures	34,253	-	-	34,253	-	34,253	-	13,126	1,852
Machinery and equipment	194	-	-	194	31	163	16.0	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>									
Total	170,155	-	(2,000)	168,155	167,940	215	99.9	209,004	195,507

**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-C) 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
	<b>Administration</b>	165,093	163,986	1,107	1

**Explanation of variance:** Under expenditure of R1.107 million is mainly due to the delay in the implementation of the training programmes, e.g. Project Management course which has been put on hold as a result of higher than anticipated costs.

	<b>Housing Needs, Planning and Research</b>	14,590	14,115	475	3
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**Explanation of variance:** Under expenditure of R 475,000 is mainly due to the delay in the implementation of the capacity building programme. The delays were caused by the department not being able to attract suitable service providers for training of emerging contractors as well as Senior Manager who vacated the post therefore expenditure projections were not entirely met.

	<b>Housing Development</b>	3,300,532	3,270,961	29,571	1
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**Explanation of variance:** Under expenditure of R 29,571 million is mainly from the compensation of employees due to the delays in the filling of vacant budgeted post. Furthermore, there was also no spending against the funds earmarked to be transferred to the Social Housing Regulatory Authority (SHRA) for the implementation of the social housing programme. Funds could not be transferred as the department had to re-direct funds previously transferred for the acquisition of Phoenix Social Housing units and was affected by social issues. These funds were re-directed to Westgate Grange social housing project for the implementation of this project.

	<b>Housing Asset Management, Property management</b>	168,155	167,940	215	0
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**Explanation of variance:** A net under expenditure of R 215,000 is mainly from the Compensation of employees due to the delays in filling of vacant budgeted post.

Notes to the Appropriation Statement for the year ended 31 March 2014

4.2 Per economic classification	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
<b>Current payments</b>	<b>367,405</b>	<b>287,661</b>	<b>79,744</b>	<b>22</b>
Compensation of employees	247,569	202,048	45,521	18
Goods and services	119,728	85,501	34,227	29
Interest and rent on land	108	112	(4)	(4)
Unauthorised expenditure approved	-	-	-	-
<b>Transfers and subsidies</b>	<b>3,221,419</b>	<b>3,314,149</b>	<b>(92,730)</b>	<b>(3)</b>
Provinces and municipalities	198,051	40,447	157,604	80
Departmental agencies and accounts	176,199	168,661	7,538	4
Higher education institutions	-	-	-	-
Public corporations and private enterprises	-	-	-	-
Foreign governments and international organisations	-	-	-	-
Non-profit institutions	-	-	-	-
Households	2,847,169	3,105,041	(257,872)	(9)
Gifts and donations	-	-	-	-
<b>Payments for capital assets</b>	<b>59,397</b>	<b>15,079</b>	<b>44,318</b>	<b>75</b>
Buildings and other fixed structures	49,145	6,799	42,346	86
Machinery and equipment	10,030	8,058	1,972	20
Heritage assets	-	-	-	-
Specialised military assets	-	-	-	-
Biological assets	-	-	-	-
Land and subsoil assets	-	-	-	-
Intangible assets	222	222	-	-
<b>Payments for financial assets</b>	<b>149</b>	<b>113</b>	<b>36</b>	<b>24</b>
<b>Total</b>	<b>3,648,370</b>	<b>3,617,002</b>	<b>31,368</b>	<b>1</b>

### Current Expenditure

**Explanation of variance: Compensation of employees:** under expenditure is due to the delays in the filling of vacant budgeted posts e.g. Senior Manager: HRM and Senior Manager: Budget and Planning, other lower level posts. And also saving incurred due to some posts being vacated.

**Explanation of variance: Goods and Services:** over expenditure is due to the increase in maintenance costs of housing properties.

**Explanation of variance: Interest and rent on land:** over expenditure against this category is as a result of the interest paid on overdue accounts in respect of Social Economic Amenities which were delayed due to insufficient funding on the project.

### Transfers and subsidies

**Explanation of variance: Provinces and municipalities:** under expenditure is due to the fact that the department scheduled a transfer of funds to eThekweni Municipality for hostel refurbishment in respect of Community Residential Units (CRU) as per the agreement. Funds could not be transferred due to the municipality not providing the reconciliation report for the funds which were transferred during 2012/13 financial year. According to the agreement entered into for this programme, the municipality had to exhaust most of funds previously transferred. Furthermore, Operational Costs for the accredited municipalities are dependent on the performance of projects. Savings are due to slow and under expenditure by some municipalities in their projects during the course of the year.

**Explanation of variance: Departmental agencies and accounts:** under expenditure is due to the funds earmarked for transfer to NHFC in respect of the Finance Linked Individual Subsidy Programme (FLISP) pilot projects which were identified but did not meet the policy requirement. The projects affected are Rocky Park in ILembe District, Marlewood in Ugu District and Woodmead in the eThekweni Metro. The department indicated during the year that new advertisements were placed in the media calling for developers and implementing agents to submit their proposals, for new projects under this programme. These proposals were submitted and have been reviewed. For all viable proposals the department is meeting with developers to make use of departmental owned serviced sites in line with the Cabinet resolution to make such sites available to developers for these developments. Furthermore, there was also no spending against the funds earmarked to be transferred to the Social Housing Regulatory Authority (SHRA) for the implementation of the Social Housing Programme. Funds could not be transferred as the department had to re-direct funds previously transferred for the acquisition of Phoenix Social Housing units and was affected by the social issues. These funds were re-directed to Westgate Grange social housing project for the implementation of this project.

**Explanation of variance: Households:** over expenditure is due to acceleration of service delivery mainly in rural development.

### Payment for capital assets

**Explanation of variance: Building and other fixed structure:** under expenditure is as a result of Social and Economic Amenities programme which was affected by forensic investigations. The programme was anticipated to restart by the end of the second quarter and there were delays in the finalisation of the contract documentation. The projects were only started towards the end of the third quarter. The following are projects which were budgeted but were not started. Umziki and Stepmore under Harry Gwala Cluster.

**Explanation of variance: Machinery and equipment:** under expenditure is due to provision made for the purchase of capital assets i.e. computer equipment and furniture for the newly appointed employees and there were delays in the filling of vacant budgeted posts as mentioned in the compensation of employees classification.

4.3 Per conditional grant	Final	Actual	Variance	Variance as
	Appropriation	Expenditure		a % of Final
	R'000	R'000	R'000	%
Human Settlement Development Grant	3,332,584	3,304,575	28,009	1

## Statement of Financial Performance for the year ended 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
<b>REVENUE</b>			
Annual appropriation	1	3,648,370	3,377,820
Departmental revenue	2	9,431	13,573
<b>TOTAL REVENUE</b>		<b>3,657,801</b>	<b>3,391,393</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	4	202,048	208,272
Goods and services	5	85,501	110,290
Interest and rent on land	6	112	-
Aid assistance	3	287	-
<b>Total current expenditure</b>		<b>287,948</b>	<b>318,562</b>
<b>Transfers and subsidies</b>			
Transfers and subsidies	8	3,314,149	3,044,821
<b>Total transfers and subsidies</b>		<b>3,314,149</b>	<b>3,044,821</b>
<b>Expenditure for capital assets</b>			
Tangible assets	9	14,857	13,989
Intangible assets	9	222	335
<b>Total expenditure for capital assets</b>		<b>15,079</b>	<b>14,324</b>
<b>Payments for financial assets</b>	7	<b>113</b>	<b>64</b>
<b>TOTAL EXPENDITURE</b>		<b>3,617,289</b>	<b>3,377,771</b>
<b>SURPLUS FOR THE YEAR</b>		<b>40,512</b>	<b>13,622</b>
<b>Reconciliation of Net Surplus for the year</b>			
Voted funds		<b>31,368</b>	<b>49</b>
Annual appropriation		359	49
Conditional grants		31,009	-
Departmental revenue	14	9,431	13,573
Aid assistance	3	(287)	-
<b>SURPLUS FOR THE YEAR</b>		<b>40,512</b>	<b>13,622</b>

Statement of Financial Position as at 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
<b>ASSETS</b>			
<b>Current assets</b>		94,601	60,250
Unauthorised expenditure	10	46,651	46,651
Cash and cash equivalents	11	-	50
Receivables	12	47,950	13,549
<b>TOTAL ASSETS</b>		<b>94,601</b>	<b>60,250</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		93,828	59,597
Voted funds to be surrendered to the Revenue Fund	13	31,368	22,134
Departmental revenue to be surrendered to the Revenue Fund	14	4,252	1,165
Bank overdraft	15	54,233	34,905
Payables	16	3,975	1,106
Aid assistance unutilised	3	-	287
<b>TOTAL LIABILITIES</b>		<b>93,828</b>	<b>59,597</b>
<b>NET ASSETS</b>		<b>773</b>	<b>653</b>
<b>Represented by:</b>			
Recoverable revenue		773	653
<b>TOTAL</b>		<b>773</b>	<b>653</b>



## Statement of Changes in Net Assets for the year ended 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
<b>Recoverable revenue</b>			
Opening balance		653	649
Transfers:		120	4
Debts recovered		(458)	(201)
Debts raised		578	205
<b>Closing balance</b>		<b>773</b>	<b>653</b>

Cash Flow Statement for the year ended 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		3,657,782	3,389,899
Annual appropriated funds received	1.1	3,648,370	3,377,820
Departmental revenue received	2	5,270	12,063
Interest received	2.3	4,142	16
Net (increase)/decrease in working capital		(34,366)	168,214
Surrendered to Revenue Fund		(28,478)	(80,293)
Current payments		(285,002)	(296,477)
Interest paid	6	(112)	-
Payments for financial assets		(113)	(64)
Transfers and subsidies paid		(3,314,149)	(3,044,821)
<b>Net cash flow available from operating activities</b>	<b>17</b>	<b>(4,438)</b>	<b>136,458</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	9	(15,079)	(14,324)
Proceeds from sale of capital assets	2.3	19	1,494
<b>Net cash flows from investing activities</b>		<b>(15,060)</b>	<b>(12,830)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in net assets		120	4
<b>Net cash flows from financing activities</b>		<b>120</b>	<b>4</b>
Net (decrease)/increase in cash and cash equivalents		(19,378)	123,632
Cash and cash equivalents at beginning of period		(34,855)	(158,487)
<b>Cash and cash equivalents at end of period</b>	<b>18</b>	<b>(54,233)</b>	<b>(34,855)</b>

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated.

The historical cost convention has been used, except where otherwise indicated. Management has used assessments and estimates in preparing the annual financial statements. These are based on the best information available at the time of preparation.

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 (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.

**1 Basis of preparation**

The financial statements have been prepared in accordance with the Modified Cash Standard.

**2 Going concern**

The financial statements have been prepared on a going concern basis.

**3 Presentation currency**

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

**4 Rounding**

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

**5 Foreign currency translation**

Cash flows arising from foreign currency transactions are translated into South African Rands using the exchange rates prevailing at the date of payment / receipt.

**6 Current year comparison with budget**

A comparison between the approved, final budget and actual amounts for each programme and economic classification is included in the appropriation statement.

**7 Revenue**

**7.1 Appropriated funds**

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

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

The net amount of any appropriated funds from the relevant revenue fund at the reporting date is recognised as a receivable in the statement of financial position.

**7.2 Departmental revenue**

Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise.

Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.

### **7.3 Accrued departmental revenue**

Accruals in respect of departmental revenue (excluding tax revenue) are recorded in the notes to the financial statements when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the department; and
- the amount of revenue can be measured reliably.

The accrued revenue is measured at the fair value of the consideration receivable.

Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents.

## **8 Expenditure**

### **8.1 Compensation of employees**

#### **8.1.1 Salaries and wages**

Salaries and wages are recognised in the statement of financial performance on the date of payment.

#### **8.1.2 Social contributions**

Social contributions made by the department in respect of current employees are recognised in the statement of financial performance on the date of payment.

Social contributions made by the department in respect of ex-employees are classified as transfers to households in the statement of financial performance on the date of payment.

### **8.2 Other expenditure**

Other expenditure (such as goods and services, transfers and subsidies and payments for capital assets) is recognised in the statement of financial performance on the date of payment. The expense is classified as a capital expense if the total consideration paid is more than the capitalisation threshold.

### **8.3 Accrued expenditure payable**

Accrued expenditure payable is recorded in the notes to the financial statements when the goods are received or, in the case of services, when they are rendered to the department.

Accrued expenditure payable is measured at cost.

### **8.4 Leases**

#### **8.4.1 Operating leases**

Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment.

The operating lease commitments are recorded in the notes to the financial statements.

#### **8.4.2 Finance leases**

Finance lease payments made during the reporting period are recognised as capital expenditure in the statement of financial performance on the date of payment.

The finance lease commitments are recorded in the notes to the financial statements and are not apportioned between the capital and interest portions.

Finance lease assets acquired at the end of the lease term are recorded and measured at the lower of:

- cost, being the fair value of the asset; or
- the sum of the minimum lease payments made, including any payments made to acquire ownership at the end of the lease term, excluding interest.

**9 Aid Assistance****9.1 Aid assistance received**

Aid assistance received in cash is recognised in the statement of financial performance when received. In-kind aid assistance is recorded in the notes to the financial statements on the date of receipt and is measured at fair value.

Aid assistance not spent for the intended purpose and any unutilised funds from aid assistance that are required to be refunded to the donor are recognised as a payable in the statement of financial position.

**9.2 Aid assistance paid**

Aid assistance paid is recognised in the statement of financial performance on the date of payment. Aid assistance payments made prior to the receipt of funds are recognised as a receivable in the statement of financial position.

**10 Cash and cash equivalents**

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

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.

**11 Prepayments and advances**

Prepayments and advances are recognised in the statement of financial position when the department receives or disburses the cash.

Prepayments and advances are initially and subsequently measured at cost.

**12 Loans and receivables**

Loans and receivables are recognised in the statement of financial position at cost plus accrued interest, where interest is charged, less amounts already settled or written-off.

**13 Investments**

Investments are recognised in the statement of financial position at cost.

**14 Impairment of financial assets**

Where there is an indication of impairment of a financial asset, an estimation of the reduction in the recorded carrying value, to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset, is recorded in the notes to the financial statements.

**15 Payables**

Loans and payables are recognised in the statement of financial position at cost.

**16 Capital Assets**

**16.1 Immovable capital assets**

Immovable capital assets are initially recorded in the notes to the financial statements at cost. Immovable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.

Where the cost of immovable capital assets cannot be determined accurately, the immovable capital assets are measured at R1 unless the fair value of the asset has been reliably estimated, in which case the fair value is used.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) are recorded at R1.

Immovable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the immovable asset is recorded by another department in which case the completed project costs are transferred to that department.

**16.2 Movable capital assets**

Movable capital assets are initially recorded in the notes to the financial statements at cost. Movable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.

Where the cost of movable capital assets cannot be determined accurately, the movable capital assets are measured at fair value and where fair value cannot be determined; the movable assets are measured at R1.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) are recorded at R1.

Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.

Biological assets are subsequently carried at fair value.

Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the movable asset is recorded by another department/entity in which case the completed project costs are transferred to that department.

**16.3 Intangible assets**

Intangible assets are initially recorded in the notes to the financial statements at cost. Intangible assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition.

Internally generated intangible assets are recorded in the notes to the financial statements when the department commences the development phase of the project.

Where the cost of intangible assets cannot be determined accurately, the intangible capital assets are measured at fair value and where fair value cannot be determined; the intangible assets are measured at R1.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) are recorded at R1.

Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the intangible asset is recorded by another department/entity in which case the completed project costs are transferred to that department.

**17 Provisions and Contingents**

**17.1 Provisions**

Provisions are recorded in the notes to the financial statements 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 or service potential will be required to settle the obligation and a reliable estimate of the obligation can be made. The provision is measured as the best estimate of the funds required to settle the present obligation at the reporting date.

**17.2 Contingent liabilities**

Contingent liabilities are recorded in the notes to the financial statements when there 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 within the control of the department or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably

**17.3 Contingent assets**

Contingent assets are recorded in the notes to the financial statements when a possible asset arises from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department

**17.4 Commitments**

Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the department will discharge its responsibilities thereby incurring future expenditure that will result in the outflow of cash

**18 Unauthorised expenditure**

Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:

- approved by Parliament or the Provincial Legislature with funding and the related funds are received; or
- approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or
- transferred to receivables for recovery.

Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.

**19 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.

Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

**20 Irregular expenditure**

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefor are provided in the note.

Irregular expenditure is removed from the note when it is either condoned by the relevant authority, transferred to receivables for recovery or not condoned and is not recoverable.

Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

## 1. Annual Appropriation

### 1.1 Annual Appropriation

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

	2013/14		2012/13	
	Final Appropriation R'000	Actual Funds Received R'000	Funds not requested/ not received R'000	Appropriation received R'000
Administration	165,093	165,093	-	132,302
Housing Needs, Research and Planning	14,590	14,590	-	31,973
Housing Development	3,300,532	3,300,532	-	3,004,541
Housing Assets Management, Property Management	168,155	168,155	-	209,004
<b>Total</b>	<b>3,648,370</b>	<b>3,648,370</b>	<b>-</b>	<b>3,377,820</b>

Note	2013/14 R'000	2012/13 R'000
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### 1.2 Conditional grants

Total grants received	32	<u>3,332,584</u>	<u>2,942,934</u>
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## 2. Departmental revenue

Sales of goods and services other than capital assets	2.1	434	586
Interest, dividends and rent on land	2.2	4,142	16
Sales of capital assets	2.3	19	1,494
Transactions in financial assets and liabilities	2.4	4,836	11,477
<b>Departmental revenue collected</b>		<u><b>9,431</b></u>	<u><b>13,573</b></u>



Notes to the Annual Financial Statements for the year ended 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
<b>2.1. Sales of goods and services other than capital assets</b>	<b>2</b>		
Sales of goods and services produced by the department			
Sales by market establishment		214	219
Other sales		220	367
<b>Total</b>		<b>434</b>	<b>586</b>
<b>2.2. Interest, dividends and rent on land</b>	<b>2</b>		
Interest		4,142	16
<b>Total</b>		<b>4,142</b>	<b>16</b>
<b>2.3. Sale of capital assets</b>	<b>2</b>		
Tangible assets			
Machinery and equipment	29.2	19	1,494
<b>Total</b>		<b>19</b>	<b>1,494</b>
<b>2.4. Transactions in financial assets and liabilities</b>	<b>2</b>		
Other Receipts including Recoverable Revenue		4,836	11,477
<b>Total</b>		<b>4,836</b>	<b>11,477</b>
<b>3. Aid assistance</b>			
<b>3.1. Aid assistance received in cash from other sources</b>			
<b>Foreign</b>			
Opening Balance		287	287
Expenditure		(287)	-
Current		(287)	-
<b>Closing Balance</b>		<b>-</b>	<b>287</b>
<b>3.2. Total assistance</b>			
Opening Balance		287	287
Expenditure		(287)	-
Current		(287)	-
<b>Closing Balance</b>		<b>-</b>	<b>287</b>

Notes to the Annual Financial Statements for the year ended 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
<b>3.3. Analysis of balance</b>			
Aid assistance unutilised		-	287
Other sources		-	287
<b>Closing balance</b>		<b>-</b>	<b>287</b>
<b>4. Compensation of employees</b>			
<b>4.1. Salaries and Wages</b>			
Basic salary		138,141	141,035
Performance award		3,907	3,700
Service Based		180	414
Compensative/circumstantial		1,532	1,541
Periodic payments		6,013	4,765
Other non-pensionable allowances		31,409	30,039
<b>Total</b>		<b>181,182</b>	<b>181,494</b>
<b>4.2. Social contributions</b>			
Employer contributions			
Pension		13,835	17,545
Medical		6,998	9,196
UIF		1	-
Bargaining council		32	37
<b>Total</b>		<b>20,866</b>	<b>26,778</b>
<b>Total compensation of employees</b>		<b>202,048</b>	<b>208,272</b>
<b>Average number of employees</b>		<b>555</b>	<b>733</b>

Notes to the Annual Financial Statements for the year ended 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
<b>5. Goods and services</b>			
Administrative fees		438	5
Advertising		1,738	6,384
Minor assets	5.1	928	647
Bursaries (employees)		326	112
Catering		1,701	1,083
Communication		6,861	5,737
Computer services	5.2	9,158	6,232
Consultants, contractors and agency/outsourced services	5.3	5,284	8,470
Entertainment		4	33
Audit cost – external	5.4	4,620	3,876
Fleet services		4,757	4,343
Inventory	5.5	463	1,010
Consumables	5.6	1,932	2,399
Operating leases		21,317	19,556
Property payments	5.7	7,279	33,573
Rental and hiring		116	28
Transport provided as part of the departmental activities		500	121
Travel and subsistence	5.8	13,441	13,301
Venues and facilities		1,982	1,773
Training and development		861	447
Other operating expenditure	5.9	1,795	1,160
<b>Total</b>		<b>85,501</b>	<b>110,290</b>
<b>5.1. Minor assets</b>	<b>5</b>		
<b>Tangible assets</b>		867	647
Machinery and equipment		867	647
<b>Intangible assets</b>		61	-
<b>Total</b>		<b>928</b>	<b>647</b>
<b>5.2. Computer services</b>	<b>5</b>		
SITA computer services		8,356	5,160
External computer service providers		802	1,072
<b>Total</b>		<b>9,158</b>	<b>6,232</b>

	Note	2013/14 R'000	2012/13 R'000
<b>5.3. Consultants, contractors and agency/outsourced services</b>	<b>5</b>		
Business and advisory services		1,291	652
Infrastructure and planning		446	174
Legal costs		2,830	4,800
Agency and support/outsourced services		717	2,844
<b>Total</b>		<b>5,284</b>	<b>8,470</b>
<b>5.4. Audit cost – External</b>	<b>5</b>		
Regularity audits		4,620	3,876
<b>Total</b>		<b>4,620</b>	<b>3,876</b>
<b>5.5. Inventory</b>	<b>5</b>		
Food and food supplies		31	71
Fuel, oil and gas		-	17
Materials and supplies		432	922
<b>Total</b>		<b>463</b>	<b>1,010</b>
<b>5.6. Consumables</b>	<b>5</b>		
Consumable supplies		682	900
Uniform and clothing		61	230
Household supplies		6	3
Building material and supplies		8	-
IT consumables		35	-
Other consumables		572	667
Stationery, printing and office supplies		1,250	1,499
<b>Total</b>		<b>1,932</b>	<b>2,399</b>
<b>5.7. Property payments</b>	<b>5</b>		
Municipal services		2,952	27,937
Property maintenance and repairs		26	423
Other		4,301	5,213
<b>Total</b>		<b>7,279</b>	<b>33,573</b>
<b>5.8. Travel and subsistence</b>	<b>5</b>		
Local		13,441	13,265
Foreign		-	36
<b>Total</b>		<b>13,441</b>	<b>13,301</b>

Notes to the Annual Financial Statements for the year ended 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
<b>5.9. Other operating expenditure</b>	<b>5</b>		
Resettlement costs		304	363
Other		1,491	797
<b>Total</b>		<b>1,795</b>	<b>1,160</b>
<b>6. Interest and rent on land</b>			
Interest paid		112	-
<b>Total</b>		<b>112</b>	<b>-</b>
<b>7. Payments for financial assets</b>			
Debts written off	<b>7.1</b>	113	64
<b>Total</b>		<b>113</b>	<b>64</b>
<b>7.1 Other debt written off</b>			
Out of service debts written off		49	64
Debts incorrectly stated during the conversion process from FMS to BAS		64	-
<b>Total</b>		<b>113</b>	<b>64</b>
<b>8. Transfers and subsidies</b>			
Provinces and municipalities	<b>33 Annex 1A</b>	40,437	221,451
Departmental agencies and accounts	<b>Annex 1B</b>	168,661	134,477
Households	<b>Annex 1C</b>	3,105,051	2,688,893
<b>Total</b>		<b>3,314,149</b>	<b>3,044,821</b>
Unspent funds transferred to the above beneficiaries		<b>792,137</b>	<b>975,551</b>
<b>9. Expenditure for capital assets</b>			
<b>Tangible assets</b>		<b>14,857</b>	<b>13,989</b>
Buildings and other fixed structures	<b>31</b>	6,799	2,861
Machinery and equipment	<b>29</b>	8,058	11,128
<b>Intangible assets</b>		<b>222</b>	<b>335</b>
Software	<b>30</b>	222	335
<b>Total</b>		<b>15,079</b>	<b>14,324</b>

**9.1. Analysis of funds utilised to acquire capital assets – 2013/14**

	Voted funds R'000	Aid assistance R'000	Total R'000
<b>Tangible assets</b>	14,857	-	14,857
Buildings and other fixed structures	6,799	-	6,799
Machinery and equipment	8,058	-	8,058
<b>Intangible assets</b>	222	-	222
Software	222	-	222
<b>Total</b>	<b>15,079</b>	<b>-</b>	<b>15,079</b>

**9.2. Analysis of funds utilised to acquire capital assets – 2012/13**

	Voted funds R'000	Aid assistance R'000	Total R'000
<b>Tangible assets</b>	13,989	-	13,989
Buildings and other fixed structures	2,861	-	2,861
Machinery and equipment	11,128	-	11,128
<b>Intangible assets</b>	335	-	335
Software	335	-	335
<b>Total</b>	<b>14,324</b>	<b>-</b>	<b>14,324</b>

Note	2013/14 R'000	2012/13 R'000
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**10. Unauthorised expenditure**

**10.1. Reconciliation of unauthorised expenditure**

Opening balance	46,651	224,074
Unauthorised expenditure – discovered in current year (as restated)	-	22,085
Less: Amounts approved by Parliament/Legislature with funding	-	(199,508)
<b>Unauthorised expenditure awaiting authorisation / written off</b>	<b>46,651</b>	<b>46,651</b>

Notes to the Annual Financial Statements for the year ended 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
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**10.2. Analysis of unauthorised expenditure awaiting authorisation per economic classification**

Transfers and subsidies		46,651	46,651
<b>Total</b>		<b>46,651</b>	<b>46,651</b>

**10.3. Analysis of unauthorised expenditure awaiting authorisation per type**

Unauthorised expenditure relating to overspending of the vote or a main division within a vote		46,651	46,651
<b>Total</b>		<b>46,651</b>	<b>46,651</b>

**10.4. Details of unauthorised expenditure – current year**

Incident	Disciplinary steps taken/criminal proceedings	2013/14 R'000
-	-	-
<b>Total</b>		<b>-</b>

**11. Cash and cash equivalents**

Cash on hand		-	50
<b>Total</b>		<b>-</b>	<b>50</b>

**12. Receivables**

	Note	R'000 Less than one year	R'000 One to three years	R'000 Older than three years	2013/14 R'000 Total	2012/13 R'000 Total
Claims recoverable	12.1 Annex 3	233	1,519	-	1,752	1,522
Staff debt	12.2	503	72	226	801	774
Other debtors	12.3	44,509	-	888	45,397	11,253
<b>Total</b>		<b>45,245</b>	<b>1,591</b>	<b>1,114</b>	<b>47,950</b>	<b>13,549</b>

Notes to the Annual Financial Statements for the year ended 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
<b>12.1. Claims recoverable</b>	<b>12</b>		
Provincial departments		1,752	1,522
<b>Total</b>		<b>1,752</b>	<b>1,522</b>
<b>12.2. Staff debt</b>	<b>12</b>		
Salary Debts		513	332
Bursary Debts		155	196
Other		133	246
<b>Total</b>		<b>801</b>	<b>774</b>
<b>12.3. Other debtors</b>	<b>12</b>		
Salary: Tax Debt		1	47
Salary: Deduction Disallowance Debt		-	17
KwaZulu Natal Housing Fund		14,889	9,236
Supplier Overpayments		888	834
Salary: Reversal		10	31
Disallowance Miscellaneous		29,595	7
Receipts Outstanding from the Sale of Motor Vehicles		-	1,081
Pension Recoverable Account		6	-
Other Debtors		8	-
<b>Total</b>		<b>45,397</b>	<b>11,253</b>
<b>12.4. Impairment of receivables</b>	<b>12</b>		
Estimate of impairment of receivables		76	49
<b>Total</b>		<b>76</b>	<b>49</b>
<b>13. Voted funds to be surrendered to the Revenue Fund</b>			
Opening balance		22,134	66,530
Transfer from statement of financial performance		31,368	49
Add: Unauthorised expenditure for current year	<b>10</b>	-	22,085
Paid during the year		(22,134)	(66,530)
<b>Closing balance</b>		<b>31,638</b>	<b>22,134</b>
<b>14. Departmental revenue to be surrendered to the Revenue Fund</b>			
Opening balance		1,165	1,355
Transfer from Statement of Financial Performance		9,431	13,573
Paid during the year		(6,344)	(13,763)
<b>Closing balance</b>		<b>4,252</b>	<b>1,165</b>



Notes to the Annual Financial Statements for the year ended 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
<b>15. Bank Overdraft</b>			
Consolidated Paymaster General Account	18	54,233	34,905
<b>Total</b>		<b>54,233</b>	<b>34,905</b>
<b>16. Payables – current</b>			
Advances received	16.1	3,600	-
Clearing accounts	16.2	375	1
Other payables	16.3	-	1,105
<b>Total</b>		<b>3,975</b>	<b>1,106</b>
<b>16.1. Advances received</b>	<b>16</b>		
National departments		3,600	-
<b>Total</b>		<b>3,600</b>	<b>-</b>
<b>16.2. Clearing accounts</b>			
Salary Related		353	-
Pension Related		21	-
Medical Aid		1	1
<b>Total</b>		<b>375</b>	<b>1</b>
<b>16.3. Other payables</b>			
eThekweni Municipality		-	1,105
<b>Total</b>		<b>-</b>	<b>1,105</b>
<b>17. Net cash flow available from operating activities</b>			
Net surplus as per Statement of Financial Performance		40,512	13,622
Add back non cash/cash movements not deemed operating activities		(44,950)	122,836
Increase in receivables – current		(34,401)	(7,202)
Decrease in other current assets		-	199,508
Increase/(decrease) in payables – current		2,869	(2,007)
Proceeds from sale of capital assets		(19)	(1,494)
Expenditure on capital assets		15,079	14,324
Surrenders to Revenue Fund		(28,478)	(80,293)
<b>Net cash flow generated by operating activities</b>		<b>(4,438)</b>	<b>136,458</b>

	Note	2013/14 R'000	2012/13 R'000
<b>18. Reconciliation of cash and cash equivalents for cash flow purposes</b>	<b>15</b>		
Consolidated Paymaster General account		(54,233)	(34,905)
Cash on hand		-	50
<b>Total</b>		<b>(54,233)</b>	<b>(34,855)</b>

## Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2014

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

	Note	2013/14 R'000	2012/13 R'000	
<b>19. Contingent liabilities and contingent assets</b>				
<b>19.1. Contingent liabilities</b>				
<b>Liable to</b>	<b>Nature</b>			
Housing loan guarantees	Employees	Annex 2A	14	55
Claims against the department		Annex 2B	218,914	146,162
Intergovernmental payables (unconfirmed balances)		Annex 4	254	-
<b>Total</b>			<b>219,182</b>	<b>146,217</b>

Claims against the state: The contingent liabilities disclosed relates to matters in which monies are claimed against the Department in respect of housing projects and professional services rendered by various service providers and loss of profits. These claims are breach of contract by service providers which is facilitated in a court and/or arbitration process. These amounts are estimated since they do not take into account the award that might be made by the Judge or Arbitrator. A claim can be amended at any time before leading evidence and a successful judgement includes payment of the claim, interest and legal costs. The interest will be determined only on the award of the judgement and the costs on taxation by the taxing master in the High Court. In order to deal with the factual difficulty in relation to the claims and interest charging, the contingent liability schedule is monitored on a monthly basis and therefore any amendments can be done monthly to prevent any under or over estimation of amounts. It must be noted from previous years that in construction (Human Settlements) disputes, the awards is usually far less than what is claimed.

**20. Commitments****Current expenditure**

Approved and contracted	14,323	16,175
Approved but not yet contracted	2,780	8,536
	<b>17,103</b>	<b>24,711</b>

**Capital expenditure**

Approved and contracted	10,259,096	7,856,133
Approved but not yet contracted	2,705,888	142,292
	<b>12,964,984</b>	<b>7,998,425</b>

**Total Commitments**

	<b>12,982,087</b>	<b>8,023,136</b>
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Most commitments are of a long term nature.

	Note	2013/14 R'000	2012/13 R'000
<b>21. Accruals</b>			
<b>Listed by economic classification</b>			
	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>
			<b>Total</b>
Goods and services	9,320	2,953	12,273
Transfers and subsidies	251,834	20,940	272,774
Capital assets	480	-	480
Other	4	-	4
<b>Total</b>	<b>261,638</b>	<b>23,893</b>	<b>285,531</b>
<b>Listed by programme level</b>			
Programme 1: Administration		4,935	7,037
Programme 2: Housing Needs, Research and Planning		399	2,429
Programme 3: Housing Development		274,068	114,847
Programme 4: Housing Assets Management, Property Management		6,129	66
<b>Total</b>		<b>285,531</b>	<b>124,379</b>
Confirmed balances with other departments	<b>Annex 4</b>	1,732	1,686
<b>Total</b>		<b>1,732</b>	<b>1,686</b>
<b>22. Employee benefits</b>			
Leave entitlement		11,927	10,688
Service bonus (Thirteenth cheque)		10,877	9,701
Performance awards		52	-
Capped leave commitments		27,335	27,316
Other		42	-
<b>Total</b>		<b>50,233</b>	<b>47,705</b>

Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2014

**23. Lease commitments****23.1. Operating leases expenditure**

2013/14	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	18,946	716	19,662
Later than 1 year and not later than 5 years	4,649	1,302	5,951
<b>Total lease commitments</b>	<b>23,595</b>	<b>2,018</b>	<b>25,613</b>

2012/13	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	18,511	488	18,999
Later than 1 year and not later than 5 years	22,804	159	22,963
<b>Total lease commitments</b>	<b>41,315</b>	<b>647</b>	<b>41,962</b>

**23.2. Finance leases expenditure**

2013/14	Machinery and equipment R'000	Total R'000
Not later than 1 year	3,762	3,762
Later than 1 year and not later than 5 years	610	610
<b>Total lease commitments</b>	<b>4,372</b>	<b>4,372</b>

2012/13	Machinery and equipment R'000	Total R'000
Not later than 1 year	3,463	3,463
Later than 1 year and not later than 5 years	3,307	3,307
<b>Total lease commitments</b>	<b>6,770</b>	<b>6,770</b>

	Note	2013/14 R'000	2012/13 R'000
<b>24. Accrued departmental revenue</b>			
Transactions in financial assets and liabilities		13,698	15,123
<b>Total</b>		<b>13,698</b>	<b>15,123</b>
<b>24.1. Analysis of accrued departmental revenue</b>			
Opening balance		15,123	15,722
Less: amounts received		(2,153)	(2,520)
Add: amounts recognised		1,727	1,921
Less: amounts written-off/reversed as irrecoverable		(999)	-
<b>Closing balance</b>		<b>13,698</b>	<b>15,123</b>
<b>24.2. Accrued department revenue written off</b>			
<b>Nature of losses</b>			
Opening Balance Adjustment		999	-
<b>Total</b>		<b>999</b>	<b>-</b>
<b>25. Irregular expenditure</b>			
<b>25.1. Reconciliation of irregular expenditure</b>			
Opening balance		411,575	402,324
Add: Irregular expenditure – relating to current year		5,246	11,032
Less: Prior year amounts condoned		(7,814)	(1,781)
<b>Irregular expenditure awaiting condonation</b>		<b>409,007</b>	<b>411,575</b>
<b>Analysis of awaiting condonation per age classification</b>			
Current year		5,246	11,032
Prior years		403,761	400,543
<b>Total</b>		<b>409,007</b>	<b>411,575</b>

Provincial Treasury embarked on an exercise to reconcile the disclosure with the departmental registers and to investigate each case with the responsible department.

Provincial Treasury consulted and assisted departments in verifying the amounts involved and the circumstances prevailing at condonement by a committee at the time of transgression. The payments were individually evaluated and recommended for condonement by a committee consisting of the Acting Accountant-General and representatives of the Supply Chain Management and the Internal Audits at Provincial Treasury. Where the information was insufficient to make recommendations the case was referred back to the department for further investigations. Cases that are under forensic or other investigations were not considered at this stage, pending the outcome of the investigations.

In the evaluation, each case the Provincial Treasury considered the following:-

- a) The circumstances of the transgression;
- b) The extent of the expenditure involved;
- c) The nature and the seriousness of the transgression;
- d) Outstanding investigations and court proceedings;
- e) The effect of the compliance on service delivery;
- f) Whether the service was provided and a check on value for money;
- g) The potential cost involved in further investigations into old cases;
- h) Steps taken by Departments to rectify matters;
- i) The extent of possible misinterpretation of the prescript; and
- j) The practical challenges to adhere to all the prescripts.

#### 25.2. Details of irregular expenditure – current year

Incident	Disciplinary steps taken/criminal proceedings	2013/14 R'000
Competitive bidding not followed	These cases relates to contracts that were declared irregular in the previous year.	5,154
Acting allowance paid beyond the stipulated period.	Declared irregular in the previous year.	92
<b>Total</b>		<b>5,246</b>

#### 25.3. Details of irregular expenditure condoned

Incident	2013/14 R'000
3 quotes not requested	1,578
Competitive bidding process not followed.	6,236
<b>Total</b>	<b>7,814</b>

#### 25.4. Details of irregular expenditures under investigation

Incident	2013/14 R'000
3 quotes not obtained	444
Acting allowance longer than prescribed period	282
Competitive bidding process not followed	408,281
<b>Total</b>	<b>409,007</b>

	Note	2013/14 R'000	2012/13 R'000
<b>26. Fruitless and wasteful expenditure</b>			
<b>26.1. Reconciliation of fruitless and wasteful expenditure</b>			
Opening balance		1,197	300
Fruitless and wasteful expenditure – relating to prior year		-	834
Fruitless and wasteful expenditure – relating to current year	<b>26.3</b>	1,393	7,448
Less: Amounts resolved		(1,281)	(7,385)
Less: Amounts transferred to receivables for recovery	<b>12</b>	-	-
Fruitless and wasteful expenditure awaiting resolution		<u><u>1,309</u></u>	<u><u>1,197</u></u>
<b>26.2. Analysis of awaiting resolution per economic classification</b>			
Current		1,309	1,197
<b>Total</b>		<u><u>1,309</u></u>	<u><u>1,197</u></u>
<b>26.3. Analysis of Current year's fruitless and wasteful expenditure Incident</b>			
			<b>2013/14 R'000</b>
Excess employees – R 293 staff			1,281
Interest paid on overdue accounts			112
<b>Total</b>			<u><u>1,393</u></u>
<b>27. Related party transactions</b>			
<b>Payments made</b>			
Goods and services		49,264	48,192
Transactions in financial assets and liabilities		-	46
Transfers and subsidies		167,909	152,718
<b>Total</b>		<u><u>217,173</u></u>	<u><u>200,956</u></u>
<b>Year end balances arising from revenue/payments</b>			
Receivables from related parties		14,889	9,236
Payables to related parties		-	3,691
<b>Total</b>		<u><u>14,889</u></u>	<u><u>12,927</u></u>



## Disclosure Notes to the Annual Financial Statements for the year ended 31 March 2014

	2013/14 R'000
<b>In kind goods and services provided</b>	
Payments made on behalf of the KwaZulu-Natal Housing Fund	167,909
Payments made to Public Works in respect of procurement of leases	49,264
<b>Total</b>	<b>217,173</b>

KwaZulu-Natal Housing Fund – controlled by the Accounting Officer of the Department of Human Settlements.  
KwaZulu-Natal Department of Public Works – same MEC.

**28. Key management personnel**

	No. of individuals	2013/14 R'000	2012/13 R'000
Officials:			
Level 15 to 16	3	3,696	3,066
Level 14	5	3,653	1,798
<b>Total</b>		<b>7,349</b>	<b>4,864</b>

**29. Movable Tangible Capital Assets****Movement in movable tangible capital assets per asset register for the year ended 31 March 2014**

	Opening balance R'000	Curr Year Adjust- ments to prior year balances R'000	Additions R'000	Disposals R'000	Closing Balance R'000
<b>Machinery and equipment</b>	<b>36,043</b>	<b>194</b>	<b>9,520</b>	<b>(1,315)</b>	<b>44,442</b>
Transport assets	20,161	-	4,039	(70)	24,130
Computer equipment	11,362	194	3,367	(866)	14,057
Furniture and office equipment	4,283	-	2,108	(379)	6,012
Other machinery and equipment	237	-	6	-	243
<b>Total movable tangible capital assets</b>	<b>36,043</b>	<b>194</b>	<b>9,520</b>	<b>(1,315)</b>	<b>44,442</b>

**29.1. Additions**

**Additions to movable tangible capital assets per asset register for the year ended 31 March 2014**

	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>8,058</b>	<b>1,578</b>	<b>-</b>	<b>(116)</b>	<b>9,520</b>
Transport assets	4,362	-	-	(323)	4,039
Computer equipment	3,166	-	-	201	3,367
Furniture and office equipment	524	1,578	-	6	2,108
Other machinery and equipment	6	-	-	-	6
<b>Total additions to movable tangible capital assets</b>	<b>8,058</b>	<b>1,578</b>	<b>-</b>	<b>(116)</b>	<b>9,520</b>

**29.2. Disposals**

**Disposals of movable tangible capital assets per asset register for the year ended 31 March 2014**

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
<b>Machinery and equipment</b>	<b>70</b>	<b>1,245</b>	<b>1,315</b>	<b>19</b>
Transport assets	70	-	70	19
Computer equipment	-	866	866	-
Furniture and office equipment	-	379	379	-
Other machinery and equipment	-	-	-	-
<b>Total disposal of movable tangible capital assets</b>	<b>70</b>	<b>1,245</b>	<b>1,315</b>	<b>19</b>

**29.3. Movement for 2012/13****Movement in movable tangible capital assets per assets register for the year ended 31 March 2013**

	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>29,751</b>	-	<b>11,594</b>	<b>(5,302)</b>	<b>36,043</b>
Transport assets	14,584	-	9,574	(3,997)	20,161
Computer equipment	10,908	-	1,607	(1,153)	11,362
Furniture and office equipment	4,028	-	407	(152)	4,283
Other machinery and equipment	231	-	6	-	237
<b>Total movable tangible capital assets</b>	<b>29,751</b>	-	<b>11,594</b>	<b>(5,302)</b>	<b>36,043</b>

**29.4. Minor assets****Movement in minor assets per the asset register for the year ended 31 March 2014**

	Intangible assets	Machinery and equipment	Total
	R'000	R'000	R'000
Opening balance	410	4,902	5,312
Curr Year Adjustments to Prior Year balances	-	-	-
Additions	61	1,406	1,467
Disposals	-	(775)	(775)
<b>Total minor assets</b>	<b>471</b>	<b>5,533</b>	<b>6,004</b>

	Intangible assets	Machinery and equipment	Total
Number of R1 minor assets	-	6,520	6,520
Number of minor assets at cost	234	3,837	4,071
<b>Total number of minor assets</b>	<b>234</b>	<b>10,357</b>	<b>10,591</b>

**Minor assets**

**Movement in minor assets per the asset register for the year ended 31 March 2013**

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Opening balance	410	4,323	4,733
Curr Year Adjustments to Prior Year balances	-	-	-
Additions	-	704	704
Disposals	-	(125)	(125)
<b>Total minor assets</b>	<b>410</b>	<b>4,902</b>	<b>5,312</b>

	Intangible assets	Machinery and equipment	Total
Number of R1 minor assets	-	6,605	6,605
Number of minor assets at cost	234	3,313	3,547
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>234</b>	<b>9,918</b>	<b>10,152</b>

**29.5. Movable assets written off**

**Movable assets written off for the year ended 31 March 2014**

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Assets written off	-	1,245	1,245
<b>Total movable assets written off</b>	<b>-</b>	<b>1,245</b>	<b>1,245</b>

**Movable assets written off for the year ended 31 March 2013**

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Assets written off	-	1,305	1,305
<b>Total movable assets written off</b>	<b>-</b>	<b>1,305</b>	<b>1,305</b>

**30. Intangible Capital Assets****Movement in intangible capital assets per asset register for the year ended 31 March 2014**

	Opening balance	Current Year Adjust- ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Software	1,764	-	222	-	1,986
<b>Total intangible capital assets</b>	<b>1,764</b>	<b>-</b>	<b>222</b>	<b>-</b>	<b>1,986</b>

**30.1. Additions****Additions to intangible capital assets per asset register for the year ended 31 March 2014**

	Cash	Non-Cash	(Develop- ment work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Software	222	-	-	-	222
<b>Total additions to intangible capital assets</b>	<b>222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222</b>

**30.2. Movement for 2012/13****Movement in intangible capital assets per asset register for the year ended 31 March 2013**

	Opening balance	Current Year Adjust- ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Software	1,308	-	456	-	1,764
<b>Total intangible capital assets</b>	<b>1,308</b>	<b>-</b>	<b>456</b>	<b>-</b>	<b>1,764</b>

### 31. Immovable Tangible Capital Assets

#### Movement in immovable tangible capital assets per asset register for the year ended 31 March 2014

	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>76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76</b>

#### 31.1. Additions

#### Additions to immovable tangible capital assets per asset register for the year ended 31 March 2014

	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>					
Dwellings	6,799	-	(6,799)	-	-
<b>Total additions to immovable tangible capital assets</b>	<b>6,799</b>	<b>-</b>	<b>(6,799)</b>	<b>-</b>	<b>-</b>

**31.2. Movement for 2012/13****Movement in immovable tangible capital assets per asset register for the year ended 31 March 2013**

	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>76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76</b>

32. Statement of conditional grants received

Name of Department	Grant allocation						Spent			2012/13	
	Division of Revenue Act/ Provincial Grants	Roll Overs	DORA Adjustments	Other Adjustments	Total Available	Amount received by department	Amount spent by department	Under / (Over spending)	% 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	R'000
Human Settlements Development Grant	3,275,584	-	-	57,000	3,332,584	3,332,584	3,304,575	28,009	99%	2,915,297	2,915,297
Housing Disaster Relief Grant	-	-	-	-	-	-	-	-	-	27,637	27,637
EPWP	3,000	-	-	-	3,000	-	-	3,000	0%	-	-
<b>Total</b>	<b>3,278,584</b>	<b>-</b>	<b>-</b>	<b>57,000</b>	<b>3,335,584</b>	<b>3,332,584</b>	<b>3,304,575</b>	<b>31,009</b>		<b>2,942,934</b>	<b>2,942,934</b>

We hereby certify that all monies allocated to the Department of Human Settlements in respect of the above mentioned grants were deposited into the Departments Primary Account.



33. Statement of unconditional grants paid to the provinces

Name of Province / grant	Grant allocation			Transfer		Spent		2012/13 Division of Revenue Act R'000	
	Amount R'000	Roll Overs R'000	Other Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %	Amount received by department R'000		Amount spent by department R'000
Department of Transport	130	-	-	130	53	41%	53	53	100%
<b>Total</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>53</b>	<b>41%</b>	<b>53</b>	<b>53</b>	<b>100%</b>

Annexures to the Annual Financial Statements for the year ended 31 March 2014

**Annexure 1A**  
**Statement of conditional grants paid to municipalities**

Name of municipality	Grant allocation			Transfer			Spent			2012/13	
	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
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	Division of Revenue Act
eThekweni	166,435	-	-	166,435	21,787	-	-	21,787	21,787	100	69,373
Umdoni	45	-	-	45	-	-	-	-	-	-	48
Hibiscus coast	1,497	-	-	1,497	-	-	-	-	-	-	8
uMshwathi	-	-	-	-	-	-	-	-	-	-	11
uMngeni	5	-	-	5	-	-	-	-	-	-	106
Misunduzi	9,327	-	-	9,327	3,495	-	-	3,495	3,495	100	5,087
Richmond	-	-	-	-	-	-	-	-	-	-	3
Mkhambathi	10	-	-	10	-	-	-	-	-	-	-
eMnambithi/ Ladysmith	733	-	-	733	865	-	-	865	865	100	-
Umtshezi	2	-	-	2	-	-	-	-	-	-	-
Newcastle	5,439	-	-	5,439	1,485	-	-	1,485	1,485	100	-
Umtshuze	4,383	-	-	4,383	7,779	-	-	7,779	7,779	100	133
KwaDukuza	5,162	-	-	5,162	4,973	-	-	4,973	4,973	100	(1)
Ulundi	4,861	-	-	4,861	-	-	-	-	-	-	4,007
Umtlatzi	15	-	-	15	-	-	-	-	-	-	-
Mthonjaneni	-	-	-	-	-	-	-	-	-	-	4
uThungulu	-	-	-	-	-	-	-	-	-	-	1
Umgungundlovu	-	-	-	-	-	-	-	-	-	-	39
<b>Total</b>	<b>197,914</b>	<b>-</b>	<b>-</b>	<b>197,914</b>	<b>40,384</b>	<b>-</b>	<b>-</b>	<b>40,384</b>	<b>40,384</b>	<b>100</b>	<b>78,819</b>

**Annexure 1B**  
**Statement of transfers to departmental agencies and accounts**

Department/ agency/ account	Transfer allocation					Transfer		2012/13 Appropriation Act R'000
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred		
	R'000	R'000	R'000	R'000	R'000	%		
National Housing Finance Corporation	100,000	-	-	100,000	-	-	-	
Social Housing Regulatory Authority	75,447	-	-	75,447	-	-	134,477	
Public Sector SETA	-	-	752	752	752	100	-	
KwaZulu-Natal Housing Fund					167,909			
<b>Total</b>	<b>175,447</b>	<b>-</b>	<b>752</b>	<b>176,199</b>	<b>168,661</b>		<b>134,477</b>	

**Annexure 1C**  
**Statement of transfers to households**

Households	Transfer allocation				Expenditure		2012/13 Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %	
<b>Transfers</b>							
Project Linked	774,205	-	(2,668)	771,537	413,024	54	539,661
Individuals	21,466	-	-	21,466	121,874	568	108,134
Institutional	93,642	-	-	93,642	54,043	58	99,248
Rural Support	958,016	-	13,400	971,416	1,633,954	168	1,237,118
Emergency Housing	64,432	-	-	64,432	231,529	359	160,704
Informal Settlements	647,837	-	-	647,837	364,810	56	274,204
Peoples Housing Process	265,584	-	-	265,584	284,425	107	266,657
Other	10,574	-	682	11,256	1,383	12	3,167
Claims Against the State	-	-	7	7	9	129	-
<b>Total</b>	<b>2,835,756</b>	<b>-</b>	<b>11,421</b>	<b>2,847,177</b>	<b>3,105,051</b>		<b>2,688,893</b>

Annexures to the Annual Financial Statements for the year ended 31 March 2014

**Annexure 1D**  
**Statement of gifts, donations and sponsorships received**

Name of organisation	Nature of gift, donation or sponsorship	2013/14	2012/13
		R'000	R'000
<b>Received in cash</b>			
Corobrik	Cash	15	-
<b>Subtotal</b>		<b>15</b>	<b>-</b>
<b>Received in kind</b>			
NHBRC	Metro Gift Voucher	100	-
Chanti Travel	Wine	6	-
Nurcha	Nurcha branded Bags	15	-
Group Five	Samsung Galaxy Tablet	5	-
Tongaat Hulet	Samsung Galaxy Tablet and Gift Vouchers	8	-
<b>Subtotal</b>		<b>134</b>	<b>-</b>
<b>Total</b>		<b>149</b>	<b>-</b>

**Annexure 1E**  
**Statement of aid assistance received**

Name of donor	Purpose	Opening balance R'000	revenue R'000	expenditure 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>287</b>	<b>-</b>

**Annexure 2A**  
**Statement of financial guarantees issued as at 31 March 2014 – local**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2013	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2014	Guaranteed interest for year ended 31 March 2014	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	-	27	-	(27)	-	-	-	-
Standard Bank	Housing	-	14	-	(14)	-	-	-	-
<b>Total</b>		-	<b>55</b>	-	<b>(41)</b>	-	<b>14</b>	-	-

**Annexure 2B**  
**Statement of contingent liabilities as at 31 March 2014**

Nature of Liability	Opening Balance 1 April 2013 R'000	Liabilities incurred during the year R'000	Liabilities paid/ cancelled/reduced during the year R'000	Liabilities recoverable (Provide details hereunder) R'000	Closing Balance 31 March 2014 R'000
<b>Claims against the department</b>					
Breach of Contract	121,036	40,693	(20,817)	-	140,912
Loss of Profits	25,000	750	(25,750)	-	-
Service Rendered	-	78,002	-	-	78,002
Labour Related Grievances	126	-	(126)	-	-
<b>Total</b>	<b>146,162</b>	<b>119,445</b>	<b>(46,693)</b>	<b>-</b>	<b>218,914</b>



Annexures to the Annual Financial Statements for the year ended 31 March 2014

**Annexure 3  
Claims recoverable**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
COGTA – KZN	1,492	2	260	1,519	1,752	1,521
Human Settlements – Eastern Cape	-	1	-	-	-	1
<b>Total</b>	<b>1,492</b>	<b>3</b>	<b>260</b>	<b>1,519</b>	<b>1,752</b>	<b>1,522</b>

**Annexure 4  
Inter-government payables**

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2014 R'000	31/03/2013 R'000	31/03/2014 R'000	31/03/2013 R'000	31/03/2014 R'000	31/03/2013 R'000
<b>Departments</b>						
<b>Current</b>						
Transport - KZN	58	17	6	-	64	17
Justice and Constitutional Development	650	143	17	-	667	143
Public Works - KZN	1,024	1,392	231	-	1,255	1,392
Office of the Premier - KZN	-	134	-	-	-	134
<b>Total</b>	<b>1,732</b>	<b>1,686</b>	<b>254</b>	<b>-</b>	<b>1,986</b>	<b>1,686</b>

Annexures to the Annual Financial Statements for the year ended 31 March 2014

**Annexure 5  
Inventory**

Inventory	Note	2013/14	2012/13
		R'000	R'000
Opening balance		2,542,246	2,150,219
Less: Adjustments to prior year balance		(2,368,362)	-
Add: Additions/Purchases - Cash		2,786,841	2,419,358
Less: Issues		(2,844,917)	(2,027,331)
<b>Closing balance</b>		<b>115,808</b>	<b>2,542,246</b>

**Annexure 6A  
Movement in capital work in progress**

Movement in capital work in progress for the year ended 31 March 2014

	Opening balance R'000	Current Year Capital WIP R'000	Completed Assets R'000	Closing balance R'000
<b>Buildings and other fixed structures</b>	<b>135,448</b>	<b>36,850</b>	<b>-</b>	<b>172,298</b>
Dwellings	1,852	6,799	-	8,651
Other fixed structures	133,596	30,051	-	163,647
<b>Total</b>	<b>135,448</b>	<b>36,850</b>	<b>-</b>	<b>172,298</b>

**Annexure 7A  
Inter-entity advances received (note 16)**

Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2014 R'000	31/03/2013 R'000	31/03/2014 R'000	31/03/2013 R'000	31/03/2014 R'000	31/03/2013 R'000
<b>National departments</b>						
<b>Current</b>						
Military Veterans	3,600	-	-	-	3,600	-
<b>Total</b>	<b>3,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,600</b>	<b>-</b>



# Financial Information

KWAZULU-NATAL HOUSING FUND



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

### Introduction

1. I have audited the financial statements of the Housing Fund set out on pages 206 to 243, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

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

2. The accounting authority is responsible for the preparation and fair presentation of these 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 for such internal control as the accounting authority 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 qualified audit opinion.

### Basis for qualified opinion

#### Property, plant and equipment

6. The entity did not comply with the requirements of GRAP 21 *Non cash-generating assets* when calculating and accounting for the impairment of property, plant and equipment. Consequently, property, plant and equipment was understated and expenditure overstated by an unknown amount, as it was impracticable to quantify the misstatement.
7. The entity did not comply with GRAP 17 *Property, plant and equipment* when accounting for the revaluation of properties. Consequently, property, plant and equipment and the revaluation surplus were overstated by an unknown amount, as it was impracticable to quantify the misstatement.

**Expenditure**

8. The entity did not account for expenditure relating to employee compensation in accordance with GRAP 25 *Employee benefits* in respect of employees performing shared services. Consequently, employee costs were misstated by an unknown amount, as it was impracticable to quantify the misstatement.

**Revenue**

9. The entity did not account for the correction of an error in respect of *in-duplum* interest amounting to R110 million in accordance with GRAP 3 *Accounting policies, estimates and errors*. I was not able to determine the full extent of the impact of the error during the current and prior years. Consequently, revenue was understated and the accumulated fund overstated by an unknown amount, as it was impracticable to quantify the impact of the misstatement.

**Qualified opinion**

10. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Housing Fund as at 31 March 2014 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.

**Emphasis of matters**

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

**Restatement of corresponding figures**

12. As disclosed in note 16 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of an error discovered during the year ended 31 March 2014 in the financial statements of the fund at, and for the year ended, 31 March 2013.

**Material losses**

13. As disclosed in note 4.1 to the financial statements, material losses of R12,02 million were incurred as a result of the write-off of irrecoverable receivables in terms of EEDBS policy.

**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 on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

**Predetermined objectives**

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2014:
- Programme 4: housing asset management and property management, on pages 203 to 204.
16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
17. I evaluated the usefulness of the reported performance information to determine whether it was presented



in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.

18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. I did not raise any material findings on the usefulness and reliability of the reported performance information for programme 4: housing asset management and property management.

**Additional matter**

20. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected programme, I draw attention to the following matter:

**Achievement of planned targets**

21. Refer to the annual performance report on pages 51 to 53 for information on the achievement of the planned targets for the year.

**Compliance with legislation**

22. I performed procedures to obtain evidence that the fund had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

**Annual financial statements**

23. The financial statements submitted for auditing were not prepared in all material respects in accordance with the prescribed financial reporting framework as required by section 55(1) of the Public Finance Management Act. Material misstatements in property, plant and equipment, expenditure, inventory and receivables identified by the auditors in the submitted financial statement were subsequently corrected, however material misstatements in revenue, expenditure and property plant and equipment were not corrected subsequently resulting in the financial statements receiving a qualified audit opinion.

**Internal control**

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on non-compliance with legislation included in this report.

**Leadership**

25. Management did not adequately oversee the preparation of the financial statements.

**Financial and performance management**

26. Management did not implement adequate controls to ensure that the financial statements were prepared in accordance with SA Standards of GRAP and were supported by accurate and reliable evidence, as material misstatements were identified in the financial statements during the audit.

## OTHER REPORTS

### Investigations

27. The South African Police Service is currently investigating an allegation of fraud. The investigation covers the period 2010 to 2012. An internal disciplinary process was followed and an official was dismissed. The criminal process is still with the South African Police Service.

*Auditor - General*

Pietermaritzburg

31 July 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

**Domicile:**

- Physical address : Old Mutual Building  
203 Church Street  
Pietermaritzburg  
3201
- Postal address : Private bag X9157  
Pietermaritzburg  
3200

**Legal form:**

- The KwaZulu-Natal Housing Fund is an unlisted public entity in terms of Section 47 (2) of the Public Finance management Act, 1999, (Act No. 1 of 1999).

**Jurisdiction: -**

- Province of KwaZulu-Natal.

**Entities operations and principal activities:**

- Is to maintain the properties that are owned by the KwaZulu-Natal Housing Fund;
- Is to dispose of its properties, by: -
  - promoting home ownership in term of the Enhanced Extended Discount Benefit scheme; and
  - devolving properties in terms of the Housing Act, 1997 (Act, 107 of 1997).

Legislation governing the entity's operations:-

- Constitution of the Republic of South Africa, 1996, (Act, No 108 of 1996);
- Housing Act, 1997 (Act, 107 of 1997);
- KwaZulu-Natal Housing Act, 1998 (Act No. 12 of 1998 as Amended); and
- Public Finance Management Act, 1999 (Act No. 1 of 1999).

**Controlling Entity:**

- The KwaZulu-Natal Housing Fund is administered by the KwaZulu-Natal Department of Human Settlements (Vote 8).

## 1.1 Programme 4: Property Management

The purpose of this programme is to co-ordinate the maintenance of the departmental rental housing stock, 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).

This Housing Fund comprises of two sub-components, namely the:

- The Housing Assets Management, and
- Property Management.

### **Strategic objectives, performance indicators, planned targets and actual achievements**

The Bill of Rights in the South African Constitution, 1996 enshrines the right of everyone to have access to adequate housing. In addition, National Output 4 (regarding of an improved property market) provides for instilling a sense of ownership and personal responsibility amongst beneficiaries, owners and tenants. By ensuring security of tenure, title deed transfers as well as the rights of landlords, the department creates conditions to support a viable and regulated property market. The sale and transfer of housing properties to beneficiaries is undertaken by this Programme.

Delays experienced with the Rectification Programme have also resulted in an increase in the number of units maintained, i.e. 3,289. These delays have since been addressed and it is anticipated that delivery will increase during the 2014/15 financial year. A concerted effort has also been made by the department to address the title deed transfer to beneficiaries. In this regard, 787 transfers have been finalised.

### **Strategic objectives**

Programme 4: Housing Asset Management, Property Management					
Strategic objectives	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
Promote security of tenure(number of EEDBS houses remaining to be transferred)	2,472	996	787	(209)	The targets were not met because of delays in the State Attorney's office

General Information for the year end 31 March 2014

**Performance indicators**

<b>Programme 4: Housing Asset Management, Property Management</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Number of units rectified or upgraded pre 1994	579	884	60	(824)	Projects with the eThekweni Metro were delayed relating to market related prices versus fixed prices [used by DHS] in terms of stalled negotiations which delayed the appointment of contractors
Number of units maintained	1,604	3,000	3,289	289	There was an increase in the amount of work undertaken by in-house maintenance teams
Number of rental units sold to beneficiaries	-	996	787	(209)	The targets were not met because of delays in the State Attorney's office
Number of rental properties transferred to beneficiaries	2,472	996	787	(209)	The targets were not met because of delays in the State Attorney's office
Number of rental units devolved to municipalities in terms of Section 15 of the Housing Act, 1997	-	62	43	(19)	Letter have been written to the municipalities to fast track transfers in terms of Section 15 of the Housing Act 107 of 1997
Number of Debtors reduced per financial year	-	1,605	787	(818)	The targets were not met because of delays in the State Attorney's office

**Strategy to overcome areas of under performance**

The Department has appointed a conveyancing panel in addition to the State Attorney to assist with the reduction of debtors, the transfer of rental properties to beneficiaries and to increase the sale of rental units to beneficiaries. This strategy will streamline the process and increase service delivery in these areas. Additionally the Department will educate those lessees that are reluctant to take ownership of their properties because they fear having to pay rates, although they are exempted from rates. The MEC has signed an organisational structure for Programme 4 and posts will be advertised to increase capacity in this component.

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

The KwaZulu-Natal Housing Fund 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 (target date 31 March 2017) 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. Recommended changes have been effected to the fund thus far. All the recommended changes are in the process of being effected.

The South African Police Service is currently investigating an allegation of fraud. The investigation covers the period 2010 to 2012. An internal disciplinary process was followed and an official was dismissed. The criminal process is still with the South African Police Service.

**Scopa resolutions**

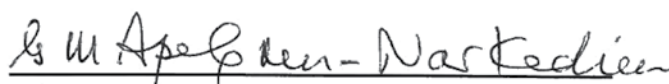
Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
24/2013	KZN Housing Fund: Basis for disclaimed audit opinion	1. That the Accounting Officer reports by 28 February 2014 on the project presently being undertaken by consultants to resolve the audit issues around the KZN Housing Fund and what measures would be put in place in the department to ensure that the fund is properly managed once the project being undertaken by the consultants is finalised.	The department is in the process of capacitating the Property Management unit to eliminate the audit issues around the KZN Housing Fund thereby ensuring that transfer of skills from the clean-up process is efficiently and effectively executed. This will ensure the Housing Fund is GRAP compliant which will result in the receipt of an unqualified audit opinion in the 2013/14 financial year.	Yes
		2. That the interim financial statements of the Housing Fund which were presently being prepared be submitted to the Auditor-General by 31 December 2013.	A copy of the interim financial statements for the period ending 31 December 2013 was forwarded to the Auditor-General.	Yes

**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**

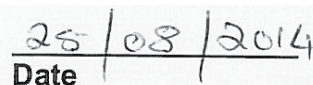
The attached annual financial statements set out in pages 206 to 243 have been approved by the Accounting Officer.



Ms G. M. Apelgren-Narkedien

Accounting Officer

KwaZulu-Natal Housing Fund



Date

## Statement of Financial Performance for the year end 31 March 2014

	Note	2013/14 R'000	2012/13 R'000 Restated
Revenue	2	2,900	2,844
Other revenue	3	287,077	352,877
<b>Total revenue</b>		289,977	355,721
Expenditure	4	318,894	197,851
<b>Net (deficit) / surplus for the year</b>		(28,917)	157,870
Revaluation reserve realised on sale of properties		20,205	-
		(8,712)	157,870
<b>Transferred to accumulated funds</b>		8,712	(157,870)
		-	-

## Statement of Financial Position as at 31 March 2014

		2013/14	2012/13
	Note	R'000	R'000
			Restated
<b>Assets</b>			
<b>Current assets</b>			
		34,587	37,059
Inventory	4.6 / 18	2,724	3,266
Receivables from exchange transactions	6	10,017	11,947
Provincial revenue fund	7	21,846	21,846
<b>Non current assets</b>			
		968,318	1,094,772
Property, plant and equipment	5	968,318	1,094,772
<b>Total assets</b>		<b>1,002,905</b>	<b>1,131,831</b>
<b>Liabilities</b>			
<b>Current liability</b>			
		22,454	18,160
Accounts payable	8	7,565	8,924
Department of human settlements	9 / 17.2	14,889	9,236
<b>Total liabilities</b>		<b>22,454</b>	<b>18,160</b>
<b>Net assets</b>		<b>980,451</b>	<b>1,113,671</b>
<b>Represented by:</b>			
		980,451	1,113,671
Accumulated funds		56,476	65,193
Non - distributable reserve	13	923,975	1,048,478
<b>Total</b>		<b>980,451</b>	<b>1,113,671</b>



## Statement of Changes in Net Assets for the year ended 31 March 2014

	Note	Revaluation Reserve R'000	Accumulated Surplus R'000	Total Net Assets R'000
<b>Accumulated Funds</b>				
Opening balance as previously reported		-	111,971	111,971
Prior year error		-	(204,717)	(204,717)
Depreciation	14/16	-	(2,255)	(2,255)
Fundamental error	16	-	(202,462)	(202,462)
<b>Balance at 01 April 2012 as restated</b>				
		-	(92,746)	(92,746)
As previously reported		-	111,971	111,971
Prior year error		-	(204,717)	(204,717)
Transfer from LI Suspende	12.1	-	69	69
Net surplus for the year transferred from statement of financial performance		-	157,870	157,870
Revaluation adjustment	13	1,048,478	-	1,048,478
As previously reported		1,098,914	-	1,098,914
Accumulated depreciation on revalued portion of buildings		(50,436)	-	(50,436)
<b>Balance at 01 April 2013</b>				
		1,048,478	65,193	1,113,671
Transfer from LI Suspende	12.1	-	(5)	(5)
Net deficit for the year transferred from statement of financial performance		-	(8,712)	(8,712)
Revaluation adjustment	13	(124,503)	-	(124,503)
Accumulated depreciation on revalued portion of buildings		(16,728)	-	(16,728)
Transfer of revaluation reserve realised on sale of properties		(20,205)	-	(20,205)
Accumulated impairments on revalued portion of buildings		(87,570)	-	(87,570)
<b>Balance at 31 March 2014</b>				
		923,975	56,476	980,451

## Cash Flow Statement for the year end 31 March 2014

	2013/14	2012/13
Note	R'000	R'000
<b>CASH FLOW UTILISED FOR OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Debtors:		
- Sold	1,175	1,951
- Rental	751	658
- Individual Loan	119	44
- Transfers received from Department of Human Settlements	167,909	183,406
<b>Expenditure</b>		
Payments		
- Clean-up of Housing Fund	3,992	8,347
- Commission on post office receipts	54	53
- Funded by Department of Human Settlements	167,909	183,406
- Recoverable rates	3,586	3,716
- Recoverable maintenance	53	11
- Refunds	-	-
<b>Net cash flows from operating activities</b>	<b>(5,640)</b>	<b>(9,474)</b>
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Increase) / decrease in Accumulated Funds	(5)	(568)
Increase in Debtors contra	-	(637)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Increase) / decrease in clearing accounts	5,645	10,042
Decrease in in Department of Human Settlements	6.1 (8)	100
	9 5,653	9,942
<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>

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, unless specified otherwise.

### **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 goods is recognised when all the following conditions have been satisfied:

- the Fund has transferred to the buyer the significant risks and rewards of ownership of the goods;

## Statement of Accounting Policies and Related Matters for the year end 31 March 2014

- 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, although a national decision was made to disestablish the Provincial Housing Funds, however legislative changes to the National Housing Act, 1997 (Act no. 107 of 1997) have not been enacted to allow for the disestablishment of the Fund.

**1.7 Impairment of financial assets**

Annually an assessment is made as to whether there are any impairments of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Debtors are stated at cost less any provision for impairment. The provision of 95 % is made of all debtors at year end. The reason for using 95 % is that history and trends have shown us that we only collect about 5 % of our debtors inclusive of the subsidy amount. The other factor of making a provision of 95 % is that a significant portion of our debtors are indigent and there are debtors who on approval of their EEDBS application cease to pay. We assess the recoverability of debtors collectively after grouping the indigent and/or approved EEDBS 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.

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.

## Assets

### 1.11 Property, plant and equipment

The Fund's primary property portfolio is held to provide a social service and which also generates cash flows. The Fund holds a large housing stock used to provide housing to low income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held.

As per the guidance provided in GRAP 16: Investment property; such property is not considered as investment property nor inventories and would be accounted for in accordance with the Standard of GRAP on property, plant and equipment.

#### Initial recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Fund. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an item of property, plant and equipment is acquired at no cost, or for nominal cost, its cost is its fair value as at the date of the acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired non-monetary asset's fair value is undeterminable, its deemed cost is the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Major spare parts and stand by equipment which are expected to be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

### Subsequent measurement – Revaluation model

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are done every 5 years, only if market conditions have significantly changed, causing the carrying amount to materially differ from the fair value that would be determined at the end of the reporting period. Management considers the latest municipal values as a reliable basis as compared to fair value.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to the revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

An impairment test is conducted on an annual basis. If an indication of an impairment is present, the asset will be written down to its recoverable amount.

Any decrease in an asset's carrying amount, as a result of a devaluation, is recognised directly in surplus or deficit for the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset first.

### Depreciation

Subsequent to initial measurement property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual values. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The useful lives of property plant and equipment have been assessed as follows:

Category	Years
Land	0
Buildings	30
Office equipment	3 – 7
Furniture and fittings	7 – 10

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The residual value, the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectation differs from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

## De-recognition

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such a difference is recognised in surplus or deficit when the item is derecognised.

### 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.

### 1.14 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one Fund and a financial liability or a residual interest of another Fund.

## Financial assets

A financial asset:

- Cash;
- a residual interest of another Fund;
- a contractual right to:
- a contractual right to; or
- exchange financial assets or financial liabilities with another Fund under conditions that are potentially favourable to the Fund.

## Financial liabilities

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another Fund; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Fund.

### Classification

The Fund has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans and receivables	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

### Initial recognition

The Fund recognises a financial asset or a financial liability in its statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

The Fund recognises financial assets using trade date accounting.

### Initial measurement

The Fund measures a financial asset and financial liability at amortised cost initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### Subsequent measurement

The Fund measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at fair value.
- Financial instrument at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Fund establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Fund uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on Fund-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial



instruments. Periodically, a Fund calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

### **Gains and losses**

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

### **Impairment and uncollectibility of financial assets**

The Fund assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the Fund, significant financial difficulties of the debtor and default of payments are all considered indicators of impairment.

### **Financial assets measured at amortised cost**

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been, had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

**Derecognition****Financial Assets**

The Fund derecognises financial assets using trade date accounting.

The Fund derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The Fund transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The Fund, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restriction on the transfer. In this case, the Fund:
  - Derecognise the asset; and
  - Recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, is recognised in surplus or deficit.

**Financial liabilities**

The Fund removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished, that is when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or a part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another Fund by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

**Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Fund currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.15 Impairment of cash-generating assets

Cash-generating assets are those assets held by the Fund with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated Fund, it generates a commercial return.

Fair value less costs to sell, is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### Identification

The Fund assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the Fund estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the Fund also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually, by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the Fund estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the Fund applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **Recognition and measurement (cash-generating unit)**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Fund determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

### **Reversal of impairment loss**

The Fund assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Fund estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

### **1.16 Impairment of non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

**Identification**

The Fund assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Fund estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the Fund also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

**Value in use**

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approaches:

**Depreciated replacement cost approach**

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

**Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level.

The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

**Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Reversal of an impairment loss

The Fund assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Fund estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### 1.17 Provisions

Provisions are recognised when:

- the Fund has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating.

### 1.18 Contingencies

A contingent asset is a possible asset 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.

A contingent liability is defined as 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 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 not recognised.

### 1.19 Revenue from exchange transactions

Exchange transactions are transactions in which one Fund receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another Fund in exchange.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Interest, royalties and dividends

Revenue arising from the use by others or Fund assets yielding interest, royalties and dividends are recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Fund has transferred to the purchaser, 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 cost incurred or to be incurred in respect of the transaction can be measured reliably

## 1.20 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a Fund either receives value from another Fund without directly giving approximately equal value in exchange, or gives value to another Fund without directly receiving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting fund.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Fund satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Fund has complied with any of the criteria, conditions or obligations embodied in the agreement, to the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Fund.

When, as a result of a non-exchange transaction, the Fund recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### Gifts and donations, including goods and services in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Fund and the fair value of the assets can be measured reliably.

Services in-kind are not recognized.



## Revenue from the Department of Human Settlements

Revenue from the Department is assistance by the Department in the form of transfer of resources in return for compliance with conditions relating to operating activities. Revenue is recognised on a systematic basis over periods necessary to match them with the related costs.

## Transfers

Apart from services in kind, which are not recognised, the Fund recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

### 1.21 Budget Information

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 April 2013 to 31 March 2014.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the Statement of comparison of budget and actual amounts.

## Liabilities

### 1.22 Payables

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

### 1.23 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.

### 1.24 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.

## 1.25 Employee benefits

### Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of period in which the employees render the related service.

When an employee has rendered services to the Fund during a reporting period, the Fund recognises the undiscounted amount of the short term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Fund recognise that in excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, reduction in future payments or a cash refund; and
- As an expense, unless another standard requires or permits the inclusion of benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, the case of non- accumulating absences, when the absence occurs. The Fund measures the expected cost of accumulating absences as the additional amount that the Fund expects to pay as a result of the unused entitlement that has accumulated at reporting date.

The Fund recognises the expected cost of bonus; incentive and performance related payments when the Fund has a legal or constructive obligation to make such payment as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the Fund has no realistic alternative but to make payments.

## 1.26 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.

## 1.27 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**Operating leases – lessor**

Operating lease revenue is recognised as revenue on a straight line basis over the lease term. The difference between amounts recognised as income and the contractual payments are recognised as an operating lease liability or asset.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight line basis.

Any contingent rent is recognised separately as revenue in the period in which they are received.

Income for leases is disclosed under revenue in the statement of financial performance.

**Finance leases – lessor**

The Fund recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the Fund's net investment in the finance lease.

**Net Assets****1.28 Accumulated Funds**

Accumulated Funds comprise amounts recognised as receivables and other assets raised.

**1.29 Non-Distributable Reserve**

Non-distributable reserves comprise revaluations to immovable property.

**1.30 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.

## Notes to the Annual Financial Statements for the year end 31 March 2014

		2013/14	2012/13
	Note	R'000	R'000
<b>2</b>	<b>Revenue</b>		
	Admin fees received		
	- individual loan debtors	3	4
	- finance leases (suspensive sale debtors)	3	106
	Profit on sale of properties to debtors	-	83
	Rent received from rental debtors	2,894	2,651
	<b>Total</b>	<b>2,900</b>	<b>2,844</b>
<b>3</b>	<b>Other Revenue</b>		
	Interest received		
	- individual loan debtors	580	834
	- finance leases (suspensive sale debtors)	35,975	38,367
	Transfers received from Department of Human settlements	167,909	183,406
	Decrease in provision for doubtful debts	6 82,613	130,270
	<b>Total</b>	<b>287,077</b>	<b>352,877</b>
<b>4</b>	<b>Expenditure</b>		
<b>4.1</b>	<b>Funded by the KwaZulu-Natal Housing Fund</b>	147,576	11,191
	Clean up of Housing Fund	2,353	6,614
	Commissions paid on post office receipts	54	53
	Depreciation - buildings	5 1,120	1,127
	EEDBS - capital adjustments / rebates / writeoffs	12,024	2,947
	Induplum interest right back	110,183	-
	Loss on sale of land and Buildings	19,441	-
	Subsidies given to debtors on receipt of instalments	2,401	450

Notes to the Annual Financial Statements for the year end 31 March 2014

	2013/14	2012/13
Note	R'000	R'000
<b>4.2 Funded by the Department of Human settlements and accruals</b>	<b>171,318</b>	<b>186,660</b>
<b>Compensation of employees</b>		
Salaries and wages		
Basic salary	28,583	28,928
Performance awards	462	492
Service Based	125	162
Compensative / circumstantial	1,370	410
Other non-pensionable allowances	4,746	4,935
<b>Total</b>	<b>35,286</b>	<b>34,927</b>
Social Contributions		
Employer contributions		
Pension	4,178	3,711
Medical	2,295	2,622
bargaining council	11	12
<b>Total</b>	<b>6,484</b>	<b>6,345</b>
<b>Total compensation of employees</b>	<b>41,770</b>	<b>41,272</b>

Notes to the Annual Financial Statements for the year end 31 March 2014

		2013/14	2012/13
	Note	R'000	R'000
<b>Goods and services</b>			
Advertising		146	110
Assets less than R5,000	4.3	156	41
Catering		1	25
Communication		327	273
Computer services	4.4	197	133
Consultants, contractors and agency/ outsourced services	4.5	4,400	911
Inventory	4.6	1,508	1,931
Operating leases		96	40
Property payments	4.7	29,350	27,478
Transport provided as part of the departmental activities		32	-
Travel and subsistence		2,032	448
Venues and facilities		71	-
Other operating expenditure		360	255
<b>Total</b>		<b>38,676</b>	<b>31,645</b>
<b>Payment for financial assets</b>			
		<b>35</b>	<b>45</b>
<b>Transfers and subsidies</b>			
Provinces and municipalities	4.8	75,396	108,559
Households	4.9	15,441	5,140
<b>Total</b>		<b>90,837</b>	<b>113,699</b>
<b>Total expenditure</b>			
		<b>318,894</b>	<b>197,851</b>
<b>4.3 Assets less than R5,000</b>			
<b>Tangible assets</b>			
Machinery and equipment		34	31
Office furniture and other		122	10
<b>Total</b>		<b>156</b>	<b>41</b>

Notes to the Annual Financial Statements for the year end 31 March 2014

	2013/14	2012/13
Note	R'000	R'000
<b>4.4 Computer services</b>		
External computer service providers	197	133
<b>4.5 Consultants, contractors and agency/outsourced services</b>		
Business and advisory services	-	208
Infrastructure and planning	-	-
Legal costs	243	451
Contractors	4,157	-
Agency and support/outsourced services	-	252
<b>Total</b>	<b>4,400</b>	<b>911</b>
<b>4.6 Inventory</b>		
<b>Opening balance</b>	3,266	4,067
Fuel, oil and gas	70	17
Other consumables	286	191
Materials and supplies	572	899
Stationery and printing and other	38	23
<b>Closing balance</b>	<b>(2,724)</b>	<b>(3,266)</b>
<b>Total</b>	<b>1,508</b>	<b>1,931</b>
<b>4.7 Property payments</b>		
Municipal services	27,115	24,243
Property maintenance and repairs	2,235	3,235
<b>Total</b>	<b>29,350</b>	<b>27,478</b>
<b>4.8 Provinces and municipalities</b>		
Property maintenance and rectification	60,377	87,303
Rates and taxes	15,019	21,256
<b>Total</b>	<b>75,396</b>	<b>108,559</b>
<b>4.9 Households</b>		
Employee benefits	15,441	5,140

Notes to the Annual Financial Statements for the year end 31 March 2014

**5 Property, plant and equipment**

	<b>Cost/Valuation</b>	<b>Accumulated depreciation and accumulated impairment</b>	<b>Carrying Value</b>
<b>2014</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Land	596,796	-	596,796
Buildings	529,721	(158,199)	371,522
	<b>1,126,517</b>	<b>(158,199)</b>	<b>968,318</b>
<b>2013</b>			
Land	610,835	-	610,835
Buildings	537,754	(53,817)	483,937
	<b>1,148,589</b>	<b>(53,817)</b>	<b>1,094,772</b>
<b>Reconciliation of property, plant and equipment</b>			
<b>2014</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposal</b>
Land	611,394	-	(14,039)
Buildings	483,378	-	(6,997)
	<b>1,094,772</b>	<b>-</b>	<b>(21,036)</b>
<b>2014</b>	<b>Revaluations / Impairments</b>	<b>Depreciation</b>	<b>Total</b>
Land			597,355
Buildings	(87,570)	(17,848)	370,963
	<b>(87,570)</b>	<b>(17,848)</b>	<b>968,318</b>



## Notes to the Annual Financial Statements for the year end 31 March 2014

2013	Opening Balance	Additions	Disposal
Land	611,582	-	(188)
Buildings	502,061	-	(180)
	<b>1,113,643</b>	<b>-</b>	<b>(368)</b>

2013	Revaluations	Depreciation	Total
Land	-	-	611,394
Buildings	-	(18,503)	483,378
	<b>-</b>	<b>(18,503)</b>	<b>1,094,772</b>

Properties comprise vacant land, residential (serviced and unserviced) and commercial land and buildings.

Properties are stated at market valued.

### Revaluations

The effective date of the revaluations was 1 April 2010. Land and buildings are revalued at municipal values and where applicable an independent valuer was used.

The method used by the independent valuer in estimating the market value of the properties was a comparative market analysis, also known as direct comparison method. Adjustments were made to the sale price of the comparable properties for inevitable differences between the comparable properties and the subject properties.

An impairment test was carried out on 31 March 2014 on Buildings, and it was found that the carrying amount of Buildings exceeded the recoverable amount. Buildings was subsequently written down by an amount of R 87,570 million.

## Notes to the Annual Financial Statements for the year end 31 March 2014

	Note	2013/14 R'000	2012/13 R'000 Restated
<b>6 Receivables and prepayments</b>			
Clearing accounts	6.1	(191)	(199)
Rental debtors	6.2	43,923	42,520
Suspensive sale debtors	6.3	162,488	248,443
Less: provision for doubtful debts		(196,203)	(278,817)
		<b>10,017</b>	<b>11,947</b>
<b>6.1 Clearing Accounts</b>			
LI Suspense		(372)	(367)
Rental deposit		21	-
Post Office		160	168
		<b>(191)</b>	<b>(199)</b>
<b>6.2 Rental debtors</b>		<b>43,923</b>	<b>42,520</b>
These debtors are in respect of rentals owing by individuals on rented properties.			
<b>6.3 Suspensive sale debtors</b>		<b>162,488</b>	<b>248,443</b>
Individual loans		6,628	6,343
Debtors contra		(1,291)	1,074
Sold properties		157,151	241,026
<b>6.3.1</b>	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.		
<b>6.3.2</b>	Induplum interest was written back during the current financial year - R 110,183 million		
<b>6.3.3</b>	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.		

## Notes to the Annual Financial Statements for the year end 31 March 2014

	Note	2013/14 R'000	2012/13 R'000 Restated
<b>6.3.4</b>			
Reconciliation between the total gross investment in the lease and present value of the minimum lease payments:			
<b>Gross investment in finance lease</b>			
Not later than 1 year		11,736	16,436
Later than 1 year and not later than 5 years		46,945	65,744
Later than 5 years		49,862	91,033
		108,543	173,213
Unearned future finance income		74,802	100,489
<b>Net investment in finance leases</b>		<b>33,741</b>	<b>72,724</b>
<b>6.4</b>			
<b>Financial assets by category</b>			
<b>Financial instrument at amortised cost</b>			
Rental debtors		2,196	2,126
Suspensive sale debtors		8,189	12,368
		<b>10,385</b>	<b>14,494</b>
<b>7</b>			
<b>Provincial Revenue Fund</b>			
Balance at beginning of the year		<b>21,846</b>	<b>21,846</b>
<b>8</b>			
<b>Accounts Payable</b>			
Trade Creditors		5,680	4,451
Debtors' Credit Balances		1,885	4,473
	10	<b>7,565</b>	<b>8,924</b>
<b>9</b>			
<b>Department of Human Settlements</b>			
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.			

## Notes to the Annual Financial Statements for the year end 31 March 2014

	Note	2013/14 R'000	2012/13 R'000 Restated
<b>10</b>			
<b>Financial Liability by category</b>			
<b>Financial instrument at amortised cost</b>			
Trade creditors	8	5,680	4,451
Debtors' with credit balances	8	1,885	4,473
Department of Human Settlements	9	14,889	9,236
	<b>20.4</b>	<b>22,454</b>	<b>18,160</b>
<b>11</b>			
<b>Reconciliation of net cash flows from operating activities:</b>			
<b>(deficit) / surplus</b>		(28,917)	157,870
<b>Non - cash movements</b>			
<b>Revenue</b>			
admin fees received		6	110
profit on sale of properties to debtors		-	83
rent received from rental debtors		2,894	2,651
Interest received on suspensive sale and individual loan debtors		36,555	39,201
Decrease in provision for doubtful debts		82,613	130,270
		(150,985)	(14,445)
<b>Expenditure</b>			
Increase in trade accruals		1,229	718
Depreciation		1,120	1,127
EEDBS - capital adjustments / rebates / writeoffs		12,024	2,947
Induplum interest write back		110,183	-
Loss on sale of land and buildings		19,441	-
Decrease in inventory		542	802
Subsidies given to debtors on receipt of instalments		2,400	450
		(4,046)	(8,401)
<b>Cash receipts and expenditure</b>			
Receipts from debtors		2,045	2,653
Recoverable expenditure relating to debtors		3,639	3,726
<b>Net cash flows from operating activities</b>		<b>(5,640)</b>	<b>(9,474)</b>
<b>12</b>			
<b>Accumulated Funds</b>		<b>(5)</b>	<b>69</b>
<b>12.1</b>			
Correction of transactions that did not interface from the LI suspense account.			

## Notes to the Annual Financial Statements for the year end 31 March 2014

	2013/14	2012/13
Note	R'000	R'000
<b>13 Non-Distributable Reserve</b>		
<b>Revaluation of land and buildings</b>	1,048,478	-
Prior year adjustment	-	1,098,914
Less accumulated depreciation on revalued portion of buildings	(16,728)	(50,436)
transfer of revaluation reserve realised on sale of properties	(20,205)	-
less accumulated impairments on revalued portion of buildings	(87,570)	-
	<b>923,975</b>	<b>1,048,478</b>
<b>13.1</b> The non-distributable reserve arose as a result of revaluing of the land and buildings to market value.		
<b>14 Prior Year Adjustment</b>		
- accumulated depreciation	16	<b>2,255</b>
The prior year adjustment arose as a result of the provision of depreciation on buildings.		
<b>15 Commitment</b>		
<b>Current expenditure</b>		
Approved and contracted for	1,502	12,901
Approved and not contracted for	532	-
	<b>2,034</b>	<b>12,901</b>
<b>Capital expenditure</b>		
Approved and contracted for	1,493,145	1,424,830
Approved and not contracted for	2,308,749	19,800
	<b>3,801,894</b>	<b>1,444,630</b>
<b>Total commitments</b>	<b>3,803,928</b>	<b>1,457,531</b>

Note	2013/14 R'000	2012/13 R'000 Restated
<b>16 Correction of Prior Period Error / change in accounting policy</b>		
The correction of prior year errors arose as a result of the fund being cleaned-up.		
<b>Accumulated Funds</b>		
Balance as previously reported		111,971
Prior year adjustment - depreciation of Buildings		(2,255)
Fundamental error - writeoff in terms of the housing fund clean-up:-		
- land and Buildings		(26,566)
- Suspensive Sale Debtors		(175,896)
Balance as currently reported		<u><u>(92,746)</u></u>
<b>land and Buildings</b>		
Balance as previously reported		76,242
Fundamental error - writeoff in terms of the housing fund clean up		(26,566)
Revaluation of land and Buildings		1,098,913
Accumulated depreciation		(53,817)
Balance as currently reported		<u><u>1,094,772</u></u>
<b>Suspensive Sale Debtors</b>		
Balance as previously reported		416,922
Fundamental error - writeoff in terms of the housing fund clean up		(175,896)
Balance as currently reported		<u><u>241,026</u></u>

**Fundamental Error****Land and Buildings and Revaluation reserve**

The fundamental error arose when a consolidated asset register was formulated per Province in 1994. At the time of consolidation, the property register was not cleaned up. The entry that was done to bring the assets into the books of account, was - debit: land and Buildings and credit: accumulated funds and revaluation reserve. The clean-up exercise revealed that these properties that were deleted should not have been taken on to the property register / books of account, the reason being was that these properties were private ownership. R 2,339 million of the R 26,566 million relates to properties that were devolved to the municipalities between 2002 and 2005.

**Suspensive Sale**

Suspensive Sale - the R 3,601 represents debtors that were devolved to the municipality in 2005, but was only devolved from the debtors system in 2014, through the "clean-up" process.

**Change in accounting policy**

Prior to 1 April 2010 the property portfolio held by the Fund was not depreciated and property, plant and equipment was carried at cost. As of 1 April 2010 all properties are depreciated on a straight line basis over their expected useful life to their estimated residual values subsequent to initial measurement. Furthermore property, plant and equipment is now carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Property, plant and equipment was revalued on 1 April 2010.

		2013/14	2012/13
	Note	R'000	R'000
<b>17</b>	<b>Related party transactions</b>		
	The following related parties were identified		
<b>17.1</b>	<b>Value of the Transactions</b>	<b>3</b>	<b>167,909</b>
	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.	<b>183,406</b>	
<b>17.2</b>	<b>Department of Human Settlements</b>	<b>9</b>	<b>14,889</b>
	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. This obligation is expected to be settled in the entities normal operating cycle, i.e. on receipts from its debtors.	<b>9,236</b>	
<b>17.3</b>	<b>Commitments</b>	<b>15</b>	<b>3,803,928</b>
	These commitments are of a long term nature, in relation to the operations of the KwaZulu-Natal Housing Fund and in respect of maintenance and rectification of its properties.	<b>1,457,531</b>	
<b>17.4</b>	<b>Guarantees</b>		
	The KwaZulu-Natal Housing Fund will meet its obligations in the normal course of business through its funding from The Provincial Department of Human Settlements via DoRA.		

## Notes to the Annual Financial Statements for the year end 31 March 2014

		2013/14	2012/13
	Note	R'000	R'000
<b>17.5 Key Management Personnel</b>			
	<b>No of individuals</b>		
Class of management			
- Level 15 to 16	3	1,109	920
- Level 14	5	1,095	539
		<b>2,204</b>	<b>1,459</b>

The remuneration per class of management relates to management of the Department of Human settlements. Time spent of the KwaZulu-Natal Housing Fund's operation, of the managers total cost is recorded in the above note. The cost of R 2,204 (2013 - R 1,459), is not included in the compensation to employees figure in note - 4.2. This figure comprises a percentage of basic salary and performance bonuses were applicable.

<b>18 Inventory</b>			
Opening balance		3,266	4,067
Add: purchases		966	1,130
less: issues		1,508	1,931
Closing balance		<b>2,724</b>	<b>3,266</b>

Inventory comprises of building and maintenance materials.

<b>19 Irregular Expenditure</b>			
<b>Reconciliation of irregular expenditure</b>			
Opening balance		13,590	6,976
Add: irregular expenditure - relating to the current year		2,353	6,614
Less: condoned		(3,604)	-
Irregular expenditure awaiting condonation		<b>12,339</b>	<b>13,590</b>

**Details of irregular expenditure - current year****Incident**

Deviation from calling of bids		<b>12,339</b>	<b>13,590</b>
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**20 Risk Management****20.1 Financial Risk Management**

The Fund's activities exposed it to a variety of financial risks:

- market risks (including interest rate risk);
- credit risk; and
- liquidity risks.

This note presents information about the Fund's exposure to each of the above risks, the fund's objectives, policies and processes for the measuring and managing risks, and the Fund's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Accounting Authority has the overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund's risk management policies are established to identify and analyse the risk faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the fund's activities. The Fund, through its training and management standards and procedures, aims to develop a discipline and constructive control environment in which all employees understand their roles and obligations.

**20.2 Credit Risk**

Credit risk is the risk of the financial loss to the Fund if a customer to a financial instrument fails to meet its contractual obligations, and arises primarily from the Fund's receivables from customers.

**Trade and Loans Receivables**

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The demographics of the Fund's customer base have less of an influence on credit risk. Geographically, there is no concentration of risk.

The Fund establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables and loans receivable. The collective loss allowance is determined, based on historical data payment statistics for similar financial assets.

Note	2013/14	2012/13
	R'000	R'000

The carrying amount of the financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Trade receivables from exchange transactions - rentals	43,923	42,520
Suspensive sale debtors	163,779	247,369
	<b>207,702</b>	<b>289,889</b>

**20.3 Interest Rate Risk**

The Fund's interest rate risk arises from suspensive sale debtors. credit issued at variable rates exposes the Fund to cash flow interest rate risk.

Credit issued at fixed rates expose the Fund to fair value interest rate risk.

**20.4 Liquidity Risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The table below analyses the fund's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end and to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

	<b>Less than 1 year R'000</b>	<b>between 1 and 2 years R'000</b>	<b>Total R'000</b>
<b>2014</b>			
Trade and other payables	<b>22,455</b>	-	<b>22,455</b>
<b>2013</b>			
Trade and other payables	<b>18,160</b>	-	<b>18,160</b>

Notes to the Annual Financial Statements for the year end 31 March 2014

21 Budget vs Actual  
21.1 Comparison of Budget to Actuals

Economic classification	2013/14				2012/13	
	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
<b>Current</b>	<b>72,760</b>	<b>80,446</b>	<b>-7,686</b>	<b>2</b>	<b>72,922</b>	<b>72,917</b>
Compensation of employees	43,543	41,770	1,773	95,9	41,275	41,272
Goods and services	29,217	38,676	(9,459)	132,4	31,647	31,645
Interest and rent on land	-	-	-	-	-	-
<b>Transfers &amp; subsidies</b>	<b>95,166</b>	<b>90,837</b>	<b>4,329</b>	<b>194,6</b>	<b>122,951</b>	<b>113,699</b>
Provinces & municipalities	79,730	75,396	4,334	94,6	119,433	108,559
Households	15,436	15,441	(5)	100,0	3,518	5,140
Gifts and donations	-	-	-	-	-	-
<b>Payment for financial assets</b>	<b>35</b>	<b>35</b>	<b>-</b>	<b>0,0</b>	<b>46</b>	<b>44</b>
Financial transactions in assets and liabilities	35	35	-	-	46	44
<b>Total</b>	<b>167,961</b>	<b>171,318</b>	<b>(3,357)</b>	<b>-2,0%</b>	<b>195,919</b>	<b>186,660</b>

## 21.2 Explanation of Variance

### Current expenditure

**Explanation of variance: Compensation of employees:** under expenditure is due to the delays in the filling of vacant budgeted posts E.g. Senior Managers post and other posts lower level posts. And also savings incurred due to some posts being vacated.

**Explanation of variance: Goods and services** - Over expenditure is due to increase in maintenance costs of housing properties and payment for services.

### Transfers and subsidies

**Explanation of variance: Provinces and municipalities** - under expenditure is due to the fact that the department scheduled a transfer of funds to eThekweni Municipality for rectification as per the agreement. According to the agreement entered into for this programme, the municipality had to exhaust most of funds previously transferred.

**Explanation of variance: Households** - over expenditure is due to the payments for rates and taxes.

## 22. Going Concern

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 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 2017, 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 and the property portfolio of the fund continues to reflect a positive net asset current ratio.





## human settlements

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