



human settlements

Department:
Human Settlements
PROVINCE OF KWAZULU-NATAL

ANNUAL REPORT

FINANCIAL YEAR 2012/13

**DEPARTMENT OF HUMAN
SETTLEMENT
PROVINCE OF KWAZULU-
NATAL
VOTE NO. 8
ANNUAL REPORT
FINANCIAL YEAR 2012/13**

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**ANNEXURE A:
CONFIRMATION OF ACCURACY AND FAIR PRESENTATION OF THE FINANCIAL
ANNUAL REPORT**

I hereby acknowledge that the Annual Report of Human Settlements has been submitted to the Auditor-General for review in terms section 40(1)(c) of the PFMA

I acknowledge my responsibility for the accuracy of the records and the fair presentation of the annual report and confirm, to the best of my knowledge and belief, the following:

Annual Financial statements

- the annual financial statements have been prepared in accordance with modified cash basis of accounting as prescribed in the National Treasury Framework and relevant guidelines specified / issued by the National Treasury.
- all amounts appearing on the annual report and information in the annual report are consistent with the financial statements submitted to the Auditor-General for audit purposes.

Performance Information

- the performance information fairly reflects the operations, the actual outputs against planned targets for performance indicators as per the strategic and annual performance plan of the department for the financial year ended 31 March 2013.
- has been reported on in accordance with the requirements of the guidelines on the annual report as issued by National Treasury.
- a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

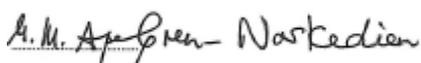
Human Resource Management

- the human resource information contained in the respective tables in Part D of the annual report, fairly reflects the information of the department for the financial year ended 31 March 2013.
- the human resource information is in accordance with the guidelines on the annual report as issued by National Treasury.

General

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

Yours faithfully



Ms Greta M Apelgren-Narkedien
Accounting Officer
KwaZulu-Natal Department of Human settlements
Date: 26 July 2013

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PART A: GENERAL INFORMATION

1. DEPARTMENT GENERAL INFORMATION

PHYSICAL ADDRESS: Head Office
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Pietermaritzburg
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2. LIST OF ABBREVIATIONS/ACRONYMS

AR	Annual Report
APP	Annual Performance Plan
ASGISA	Accelerated and Shared Growth Initiatives for South Africa
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
BNG	Breaking New Ground NDOH policy on sustainable human settlements
CETA	Construction Education and Training Authority
CG	Conditional Grant
CIP	Comprehensive Infrastructure Plans
COGTA	Cooperative Governance and Traditional Affairs
CoP	Community of Practice
CIDB	Construction Industry Development Board
CRU	Community Residential Units
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institutions
DLA	Department of Land Affairs
DHS	Department of Human Settlements
DoRA	Division of Revenue Act
EPRE	Estimates of Provincial Revenue and Expenditure
FLISP	Finance Linked Individual Subsidy Programme
HDA	Housing Development Agency
HDP	Housing Development Plans
HSDG	Human Settlement Development Grant
HH	Households
IDP	Integrated Development Plans
IGRFA	Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)
ISRDP	Integrated Sustainable Development Strategy
IRD	Integrated Residential Development Programme
KZNDOH	KZN Department of Health
KZN	KwaZulu-Natal Province
FET	Further Education and Training institution
IDP	Integrated Development Plan
IRDS	Integrated Rural Development Strategy
ITB	Ingonyama Trust Board
MBASA	Master Builders Association of South Africa
MDG	Millennium Development Goals
MI	Mortgage Insurance
MIG	Municipal Infrastructure Grant
MHDP	Municipal Housing Development Plans
MTEF	Medium Term Strategic Framework
MTSF	Medium Term Strategic Framework
MYHD	Multi Year Housing Development Plan
NDHS	National Department of Human Settlements
NHBRC	National Homebuilders Registration Council
NHFC	National Housing Finance Corporation
NPM	New Public Management
NSDA	Negotiated Service Delivery Agreement
NSDP	National Spatial Development Plan

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NURCHA	National Urban Reconstruction & Housing Association
NUSP	National Upgrading Support Programme
OSS	Operation Sukuma Sakhe
PC	Planning Commission
PGDS	Provincial Growth and Development Plan
PHDP	Provincial Housing Development Plan
PSEDS	Provincial Spatial Economic Development Strategy
PHP	Peoples Housing Process as defined within the Housing Code
RDP	Reconstruction and Development Programme
RHLF	Rural Housing Loan Fund
PSEDS	Provincial Spatial Economic Development Strategy
SABS	South African Bureau of Standards
SHA	Social Housing Associations
SHF	Social Housing Foundation
SHI	Social Housing Institution
SHRA	Social Housing Regulatory Authority to be established in terms of the Social Housing Act
SHSS	Sustainable Human Settlement Strategy
SOE	State Owned Enterprises
SLA	Service Level Agreement &
UISP	Upgrading Informal Settlements Programme

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3. STRATEGIC OVERVIEW

3.1. Vision

Creating sustainable settlements

3.2. Mission

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

3.3. 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;

Integrity

3.4. Strategic outcome orientated goals

Table 1:

Strategic Goal	Goal Statement	Rationale	Expected Outcomes
<ul style="list-style-type: none"> ▪ Overhaul Provincial Human Settlement Services. 	<p>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.</p>	<p>Fully fledged, proficient administrative core ensuring the attainment of the strategic objectives of the Department and administrative support.</p>	<ul style="list-style-type: none"> ▪ Improved access, equity, efficiency, effectiveness and utilisation of human settlements. ▪ 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. ▪ Improved Financial & SCM efficiency and accountability to improve return on investment and value for money, budget aligned with service delivery priorities and needs. ▪ Improved governance including regulatory framework, and policies and delegations to facilitate

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Strategic Goal	Goal Statement	Rationale	Expected Outcomes
			implementation of the Strategic Plan. <ul style="list-style-type: none"> ▪ Decentralised delegations, controls and accountability. ▪ Improved information systems, data quality and information management, and improved performance monitoring and reporting. ▪ Strengthened infrastructure to improve service delivery.
<ul style="list-style-type: none"> ▪ <i>Improve the efficiency and quality of human settlements services.</i> 	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"> ▪ Accreditation of municipalities in line with the identified priorities of Outcome 8. ▪ Improved sector/stakeholder capacity. ▪ Improved human settlements outcomes and upgrading of households in informal houses. ▪ Improved performance towards achieving the MDG targets.
<ul style="list-style-type: none"> ▪ <i>Paradigm shift subsuming integrated development, intersectoral approaches and well-coordinated project management</i> 	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 informal settlement needs in the Province.	<ul style="list-style-type: none"> ▪ Improved human settlements outcomes and upgrading of households in informal houses. ▪ Improved performance towards achieving the MDG targets.

4. 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);
- Housing Consumers Protection Measures Act, 1998 (Act. No. 95 of 1998) as amended by Act No. 27 of 1999);

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- Rental Housing Act, 1999 (Act. No 50 of 1999);
- Sectional 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 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, 1988 (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 Consumers Protection Measures Act, 2007, Act 17 of 2007
- Social Housing Act 2998, Act 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);
- National 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);

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- 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, 1961 (Act No. 48 of 1961);
- Public Finance Management Act, 1999 (Act 1 of 1999);
- Treasury Regulations; and
- Intergovernmental Relations Framework Act, 13 of 2005.

Policy Mandates

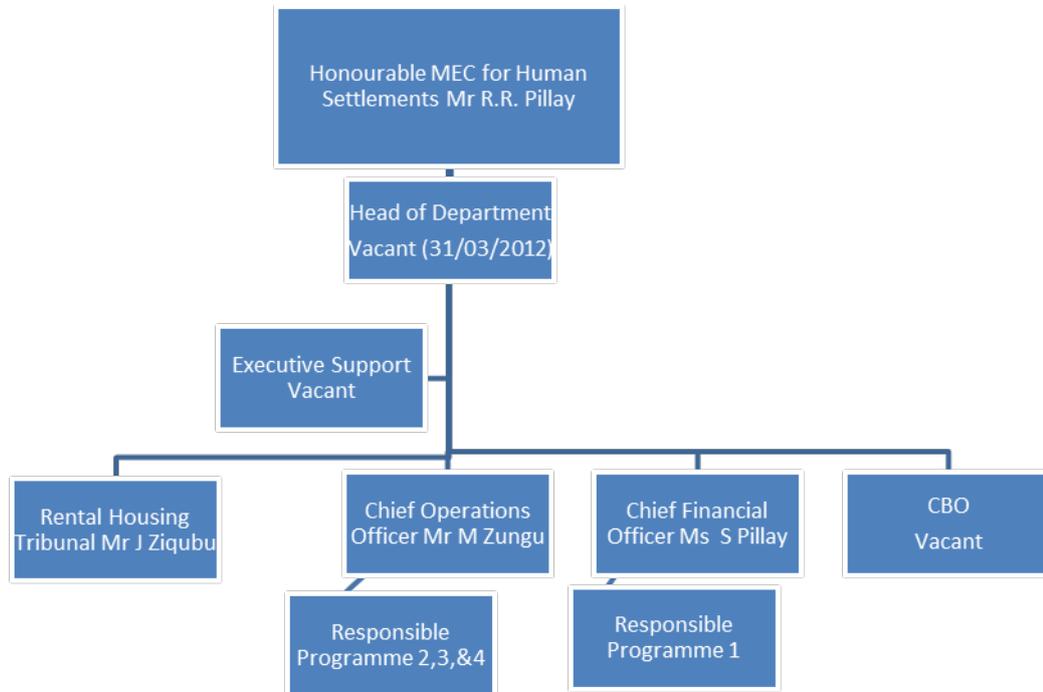
- National Development Plan 2030;
- Provincial Growth and Development Plan;
- KZN Human Settlement Strategy;
- Informal Settlement Strategy;
- KZN Rental Housing Strategy;
- Housing Code;
- Expanded Public Works Programme;
- Eradication of Slums in KwaZulu-Natal;
- Strengthening Governance and Service Delivery;
- Ensuring Job creation through Housing Delivery;
- Accelerating Housing delivery in rural areas;
- Accelerate the hostels upgrade and redevelopment programme;
- Creating rental / social housing opportunities;
- Building Capacity of Housing Stakeholders (especially Municipalities);

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- Promotion of Homeownership;
- Provision of housing for vulnerable groups;
- Ensuring the provision of incremental housing; and
- Implementation of Financial Services Market Programme.

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5. ORGANISATIONAL STRUCTURE¹



6. ENTITIES REPORTING TO THE MEC

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

¹ The Head of Department post was filled with effect from 1 May 2013

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7. FOREWORD BY THE MEC



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

"All people shall have the right to live where they choose, to be decently housed, and to bring up their families in comfort and security. Slums shall be demolished and new suburbs built where all shall have transport, roads, lighting, playing fields, creches and social centres".

This is the bold vision, crafted 55 years ago by the drafters of the Freedom Charter, which captures the essence of our mandate to create integrated and sustainable human settlements.

The Department's approach to human settlements delivery is also crafted to respond to Negotiated Service Delivery Agreement Outcome 8 for Human Settlements, especially with regard to our focus to ensure that everyone living in informal settlements and overcrowded families in KwaZulu-Natal has access to basic services. The province faces a housing backlog of more than 742,019 households, and through the provision of basic services, the Department set itself the task of ensuring that the people of these households at least wait for their houses under more dignified conditions. We are also guided by the Breaking New Ground Policy, which outlines the need for new human settlement plans with a more appropriate housing and township and suburb design and typologies.

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

The Department of Human Settlements first priority is to ensure the accelerated delivery of housing opportunities, including up-scaling the provision and implementation of serviced sites. This is directly aligned to Output 1, the accelerated delivery of housing opportunities, and Output 2, improved access to basic services. In the current financial year, the department spent its entire Human Settlements Development Grant and a total of 25,940 houses were constructed and 6,063 sites were serviced.

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The department's second priority is to inculcate a sense of ownership and personal responsibility among beneficiaries, owners and tenants. This directly relates to Output 4 of an improved property market. Through ensuring security of tenure, title deed transfer and servicing the gap market, as well as ensuring the rights of landlords the KwaZulu-Natal Department of Human Settlements ensures that the conditions supporting a viable and regulated property market are installed.

The National Development Plan speaks to "shifting the housing responsibility to the local planning level"

The overall approach on accreditation has been to build institutional capacity in order to accelerate housing delivery, for the seven (7) municipalities, namely; eThekweni Metro and the six (6) high capacity local municipalities (Newcastle, Emnambithi/Ladysmith, Msunduzi, Hibiscus Coast, KwaDukuza and uMhlatuze). It is anticipated that these municipalities will significantly contribute to this department's vision of creating sustainable human and accelerated housing delivery within the Province as decision making authority will be located settlements at a local implementation level. Finally, the department's third priority, the optimal and sustainable use of resources, is aligned with Output 3, being more efficient land utilisation. Land is viewed as a resource, and strategies for optimal land use include densification of human settlements.

I have learnt that the journey in turning the Department's vision into reality will not be an easy one, but I am privileged to be supported by a highly professional team of Departmental officials. I would therefore like to take this opportunity to extend my gratitude for their commitment and hard work during the year gone by.



Honourable: Mr R. R. Pillay, MPL

Honourable MEC: Department of Human Settlements and Public Works

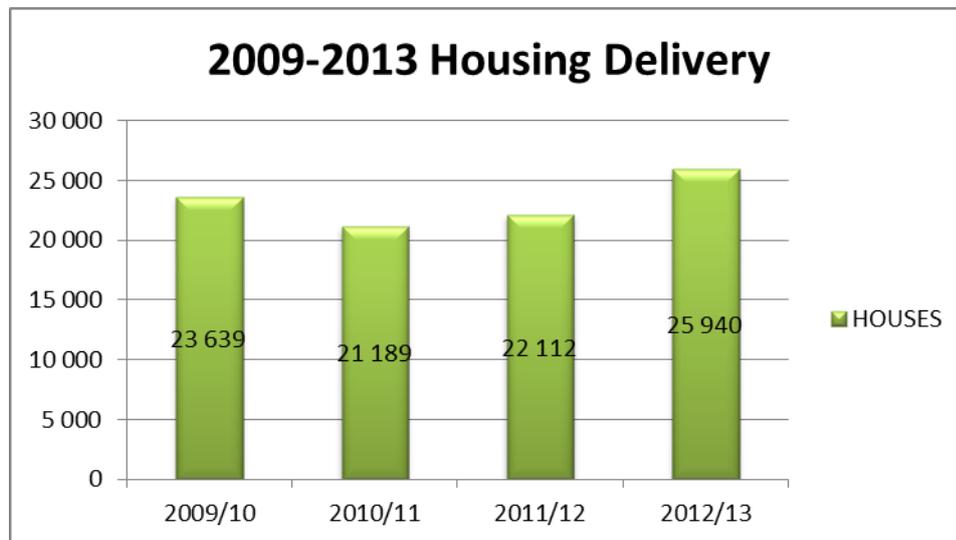
Date : 08/08/13.

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8. OVERVIEW OF THE ACCOUNTING OFFICER

Honourable MEC of the Department of Human Settlements and Public Works KZN, I am honoured as well as privileged to submit to you in terms of Section 65 (1) of the Public Finance Management Act of 1999, the Annual Report of the KwaZulu-Natal Department of Human Settlements for the 2012/13 financial year.

There has been a significant improvement in housing delivery in the province. However, these efforts are undermined by an increase in the population that is in need for housing which therefore keeps the backlog figures on the rise while delivery is being made. The bar-chart below illustrates housing delivery trends from 2009/10 to 2012/13 financial year:



In the current financial year, the department spent its entire Human Settlements Development Grant. The total of 25,940 houses were constructed and 6,063 sites were serviced. Also, the department acquired 1,173 hectares of land for the development of sustainable which formed part of Outcome 8 achievements. Budget 100% spent, PEC document, HR link to QA.

A prioritisation of the approval of projects in support of the Upgrade of Informal Settlements Programme (UISP) has been undertaken during the period under review in order to facilitate the achievement of the Outcome 8 objectives and eradication of slums. In addition, the department's strategic intervention to implement high impact projects such as Cornubia and Inyoni Slums which are currently under construction, are expected to significantly impact on housing delivery. The Department has also initiated the process of acquiring well located land for projects for the Driefontein project within the Ilembe District Municipality, as well as for the Blauwbosch project within Amajuba District Municipality, which collectively has the potential for deliver an estimated 42,000 units. These projects are expected to significantly contribute to the integration of sustainable human settlement developments.

The Province has experienced the increased need to provide affordable rental housing options in well located areas as possible solutions to migration patterns, urbanisation and housing needs. Consequently, a Rental Housing Strategic Plan has been developed in order to ensure that the rental programmes are administered in an integrated and holistic manner. The building of effective partnerships with housing

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stakeholders is the cornerstone of success to this Plan. Of critical importance is the identification of potential projects that is anticipated to significantly impact on Outcome 8 outputs.

In conclusion, I wish to confirm that we are committed to accelerating the provision of housing throughout the province to achieve our performance commitments.

A. M. Apelgren-Narkedien

Ms Greta M Apelgren-Narkedien
Accounting Officer
KwaZulu-Natal Department of Human settlements
Date: 26 July 2013

PART B: PERFORMANCE INFORMATION

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1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of Responsibility for Performance Information for the year ended 31 March 2013

The Accounting Officer is responsible for the preparation of the department's performance information and for the judgements made in this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the performance information of the department for the financial year ended 31 March 2013.

A.M. Apelgren-Narkedien

Ms Greta M Apelgren-Narkedien
Accounting Officer
KwaZulu-Natal Department of Human settlements
Date: 8 August 2013

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2. AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary 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 153 and 158 of the Report of the Auditor General, published as Part E: Financial Information.

3. OVERVIEW OF DEPARTMENTAL PERFORMANCE

3.1. Service Delivery Environment

The total amount allocated for the KZN Human Settlements Conditional Grant for the 2012/13 financial year was R2,915,297 mainly for the delivery of 27,845 units and the servicing of 8,883 sites. 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. Therefore eThekweni and uMgungundlovu received the bigger portions of the grant. While uMzinyathi and Sisonke received the least as they are the smallest districts in the Province.

In terms of the business plan instruments, the largest portion of the grant was allocated to Rural Housing Instrument. This is because KZN remains a rural province and service delivery efforts are therefore aimed at rural development as per the National Development Plan and the 5 key priorities of the ruling party. A significant portion of the grant was also allocated non- housing related activities such the rectification, maintenance and Project Operational costs. These activities are however not reflected in the table below.

The entire grant was spent in 2012/13 and 6,063 sites were serviced leaving a variance of 2,820 sites. The under-performance in terms of the servicing of sites is mainly attributed to the delays from the municipalities in the installation of bulk infrastructure. Also, 25,940 units were constructed leaving a variance of 1,950. In addition to the 25,940 units completed, there are 5,008 units at different stages of construction which accounts for the variance in terms of units delivered by the province. This outlook creates a comfortable platform within which the province can launch an assertive drive not only to achieve but significantly surpass the MTEF target of 120,000 housing units by the year 2015/16. As it stands KZN is second only to Gauteng in terms

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of delivery outlook towards MTEF targets with access to 19,323 sites serviced and 92,880 housing units built from 2009/10 financial year.

Table 2:

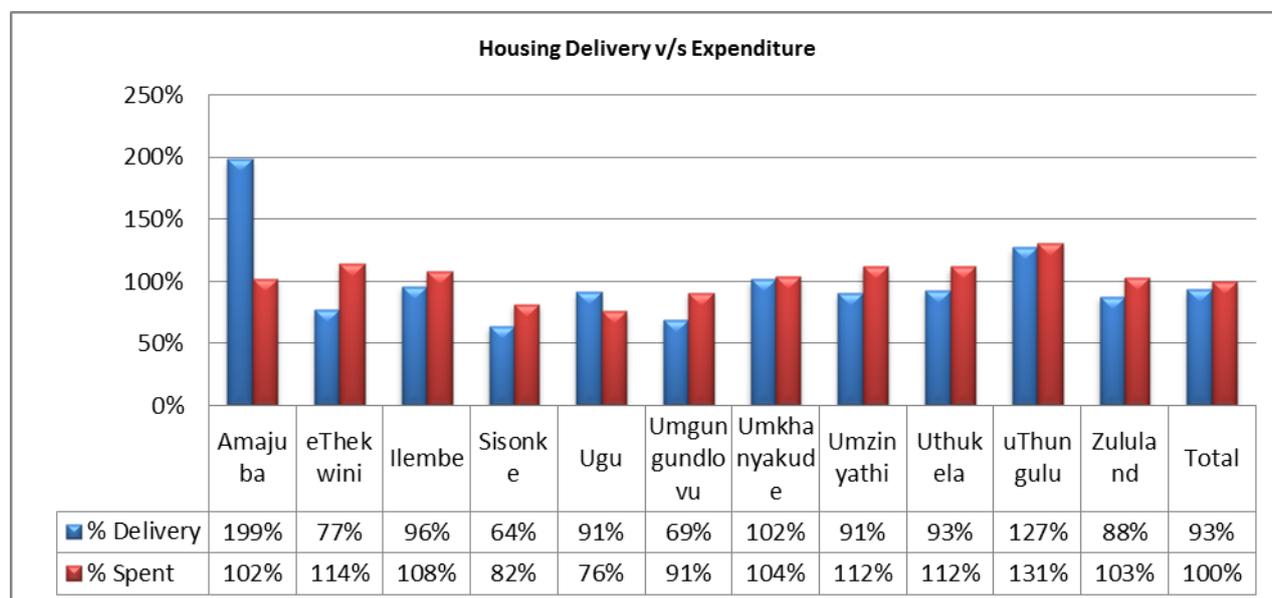
MTEF YEAR	SITES	UNITS
2009/10	3,806	23,639
2010/11	4,028	21,189
2011/12	5,426	22,112
2012/13	6,063	25,940
TOTAL	19,323	92,880

Table 3: 2012/13 Provincial Performance per district

District	Target Sites 2012/13	Actual Sites 2012/13	Variance Sites 2012/13	Target Units 2012/13	Actual Units 2012/13	Variance Units 2012/13
Amajuba	-	-	-	643	1,637	994
eThekweni	4,357	2,966	(1,391)	7,510	6,085	(1,425)
Ilembe	941	544	(397)	2,231	2,142	(89)
Sisonke	512	512	-	818	525	(293)
Ugu	444	359	(85)	2,836	2,588	(248)
uMgungundlovu	677	267	(410)	4,326	2,988	(1,338)
Umkhanyakude	-	-	-	1,499	1,523	24
Umzinyathi	515	-	(515)	938	850	(88)
Uthukela	624	552	(72)	1,904	1,768	(136)
uThungulu	813	863	50	3,367	4,282	915
Zululand	-	-	-	1,773	1,552	(221)
Grand Total	8,883	6,063	(2,820)	27,845	25,940	(1,905)

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Graph 1: Housing Delivery versus Expenditure



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Census 2011 figures estimates that the housing needs are 742,019. A synopsis per district is reflected hereunder:

Table 4: Housing Needs

District Municipality	Traditional dwelling/hut/structure made of traditional materials	House/flat/room in back yard	Informal dwelling/shack in back yard	Informal dwelling/shack NOT in back yard	Total
eThekweni	40,188	17,435	37,981	111,307	206,911
Ugu	53,132	3,698	2,107	5,816	64,753
uMgungundlovu	58,189	4,615	6,399	11,988	81,191
Uthukela	47,353	4,070	1,063	931	53,417
Umzinyathi	48,563	1,293	718	1,958	52,532
Amajuba	7,949	2,237	2,286	2,813	15,285
Zululand	39,485	3,933	1,131	774	45,323
uMkhanyakude	32,811	1,737	1,141	958	36,647
uThungulu	54,380	3,209	2,521	2,235	62,345
iLembe	40,417	2,696	5,569	7,657	56,339
Sisonke	60,829	2,253	1,741	2,458	67,281
Kwazulu-Natal	483,296	47,176	62,658	148,889	742,019

Source: Census 2011

Provincially, there has been an improvement of 16.4% from 1996 to 2011 in the proportions of households living in formal dwellings. 65% of households living in rural areas still however require housing. Vital strategies that drive the alleviation of these backlog figures include, the Sustainable Human Settlement Strategy (SHSS) and the Informal Settlement Eradication Strategy and the Social Rental Strategy. These strategies together with the Provincial Growth and Development Plan are anticipated address housing matters in an integrated, holistic and coordinated manner.

During the year under review the department has however made significant progress on the following initiatives:

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▪ **Accreditation of aspiring metros**

In terms of the accreditation programme, focused attention was placed on building institutional capacity of the following priority municipalities on the basis of their status as aspiring metros:

- Msunduzi,
- Emnambithi,
- Newcastle,
- uMhlathuze,
- KwaDukuza, and
- Hibiscus Coast

These municipalities have undergone extensive capacitation on the administration of both national and provincial human settlements programmes and have subsequently been successfully assessed as follows: Newcastle Level 2, Emnambithi Level 2, uMhlathuze Level 2, KwaDukuza Level 2, Msunduzi Level 1, and Hibiscus Coast Level 1.

It is anticipated that these municipalities will significantly contribute to this department's vision of creating sustainable human settlements and accelerated housing delivery within the Province as decision making authority will be located at a local implementation level.

▪ **Informal Settlements Upgrade Programme**

A prioritisation of the approval of projects in support of the Upgrade of Informal Settlements Programme (UISP) has been undertaken during the period under review in order to facilitate the achievement of the Outcome 8 objectives and eradication of slums. In addition, the department's strategic intervention to implement high impact projects such as Cornubia and Inyoni Slums which are currently under construction, are expected to significantly impact on housing delivery. The Department has also initiated the process of acquiring well located land for projects for the Driefontein project within the Ilembe District Municipality, as well as for the Blauwbosch project within Amajuba District Municipality, which collectively has the potential for deliver an estimated 42,000 units.

These projects are expected to significantly contribute to the integration of sustainable human settlement developments.

▪ **Rural housing development programme**

The Department has continued to strive to facilitate the delivery of housing in rural areas within all districts. In this regard, a total of 13,862 units have been delivered in support of this Department's key strategic objective of accelerating rural housing delivery. Strengthened

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relations with The Ingonyama Trust Board and Traditional Councils have also significantly contributed to the achievement of this deliverable.

▪ **Rental Programmes**

The Province has experienced the increased need to provide affordable rental housing options in well located areas as possible solutions to migration patterns, urbanisation and housing needs. Consequently, a Rental Housing Strategic Plan has been developed in order to ensure that the rental programmes are administered in an integrated and holistic manner. The building of effective partnerships with housing stakeholders is the cornerstone of success to this Plan. Of critical importance is the identification of potential projects that is anticipated to significantly impact on Outcome 8 outputs. A key challenge however is the identification of quality and suitable land for these projects at reasonable cost.

▪ **Inclusionary Housing**

Cornubia, a public-private partnership between the eThekweni Metro, provincial government and Tongaat Hulett Developments, is set to be the largest sustainable integrated human settlement initiative in the province. As a 1,300ha multi-billion rand project, Cornubia will be a mixed-use mixed-income development, incorporating industrial, commercial, residential and open-space uses. This housing project is being developed along the principles of "Breaking New Ground" and to promote the achievement of a non-racial, integrated society through the development of sustainable integrated human settlements and quality housing. The entire Cornubia housing project area has a potential yield of 25,000 residential units, and will be developed in phases. About 15,000 subsidised units will be provided and the balance will be a mixed-use, middle-income development. Hence, the development will cater for different income groups and housing typologies, meeting the objectives of inclusionary housing. Some delays relating to planning and procurement processes were experienced during the year. Despite these challenges, the following progress has been made: Phase 1A consisting of 486 units and Phase 1B consisting of 2,263 sites to be allocated to low income households have started. Phase 1A is in the construction phase, with 282 houses at roof level and 315 foundations have been cast. With regard to Phase 1B, the planning and design stages have been completed. The tender for Phase 1B (1), consisting of the first 623 sites, has been advertised (for services and top structure advertised). The eThekweni Metro is ready to go out on tender for Phases 1B (2) and 1B (3) before year-end.

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3.2. Service Delivery Improvement Plan

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

Main services provided and standards

Table 5:

Main services	Actual customers	Potential customers	Standard of service	Actual achievement against standards
Rental housing complaints and disputes	Landlord and tenants	Municipalities, landlords, tenants, social housing institutions Body Corporate, Tenant formations	Complaints or Dispute resolved within 90 days	1,400 actual cases resolved against 1,380 as the standard
Provide subsidy beneficial approval	Service beneficiaries	Municipalities, implementing agency, individual applicants	Regular processing of beneficiaries applications within 15 days of receipts at subsidy batch for approval to be forwarded to General Manager: SHSM every weekly	100% of the beneficiaries applications achieved
Provide subsidy For low income and affordable housing	Service beneficiaries	Municipality	Target of low cost housing	1,347 actual units completed against 1,013 as the targeted.
Provide subsidy finance payment claims	Service providers and contractors	Municipalities, housing institution	Proper processing and authorising of payments within 7 days of receipts at subsidy administration	100% of the annual total expenditure on housing development conditional Grants achieved
Provide affordable good quality rental accommodation for low income group	Service Beneficiaries Tenants	Municipalities, Private Owners Back yards, Financial Institutions group	Target of CRU	170 actual community residential units completed against 1,886 as the targeted.

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Main services	Actual customers	Potential customers	Standard of service	Actual achievement against standards
Provide range of creative and affordable special need accommodation and shelter	Service Beneficiaries (Special Needs Groups)	Municipalities, Non Profit Organisations, CBO	Target of Institutional.	104 actual institutional units completed against 839 as targeted.
Provide quality social rental accommodation for upper end of the income market	Service Beneficiaries	Social Housing Institutions, Municipalities	Target of social Housing	1,670 actual social rental accommodation completed against 1,242 as targeted.
Provide maintenance of properties or rental accommodation	Tenant, employees and owners of properties	Employees within the province, Service Providers	Emergency repairs for maintenance within 3hours. Priority repairs for maintenance within 48hrs. and routine repairs within 10 days	4,966 actual maintenance of properties achieved against 3,548 as targeted.
Provide beneficiaries education, traditional leader and councillors	Councillors, Municipalities, Traditional Leaders, Izinduna and Service Beneficiaries	SMME, Community, Women in Housing, Youth Organizations		Provide Relevant educations to each role player in Human Settlement
Provide Municipal Support and accreditation of levels	Municipalities		Approved level of accreditation on meeting requirements	Provide and approve level within 24 months
Provide recruitment and selection administration practices	Internal employees and external potential applicants		Filled posts within 6 months periods	100% compliance with processes, policies and prescripts.

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Consultation arrangements with customers

Table 6

Type of arrangement	Actual Customers	Potential Customers	Actual achievements
Road Shows	Citizens	Municipalities, landlords /Tenants formation, statutory bodies, corporate body	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 access strategy

Table 7:

Access Strategy	Actual achievements
Decentralized functions to districts	Improve quality of service delivery to clients, beneficiaries and disadvantage person
Clear and helpful signage	Improve access to the services
Wearing of name tags by employees	Improve right attitude and easy identification of employees
Use of indigenous languages and displaying of Service Charter and Service Standards, Annual Report to the	Distribution of flyers, pamphlets, budget speech annual reports to citizen in English

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Access Strategy	Actual achievements
citizens.	and Zulu to improve communication barriers

Service information tool

Table 8

Types of information tool	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

Table 9

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 f 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

3.3. Organisational environment

The Department commenced with an organisational review in 2011/12 and 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.

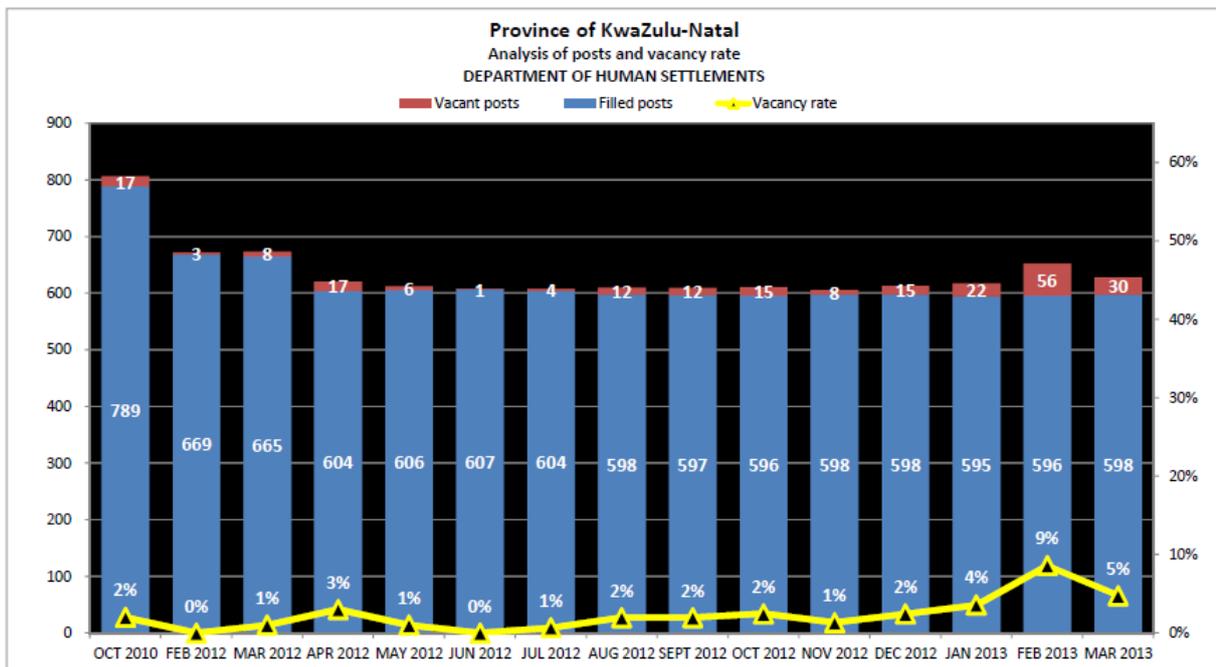
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The Department is still faced with major technical and capacity constraints. It has adopted a twofold approach, whereby it is addressing the matter by embarking on the filling of critical technical and support posts by utilizing Operational Capacity funds to support this endeavour. In addition, the Department is also utilizing the Infrastructure Crack Team from Provincial Treasury to additional expertise.

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 achieved a 9% vacancy rate as reflected hereunder:

Graph 2: Vacancy Rates



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

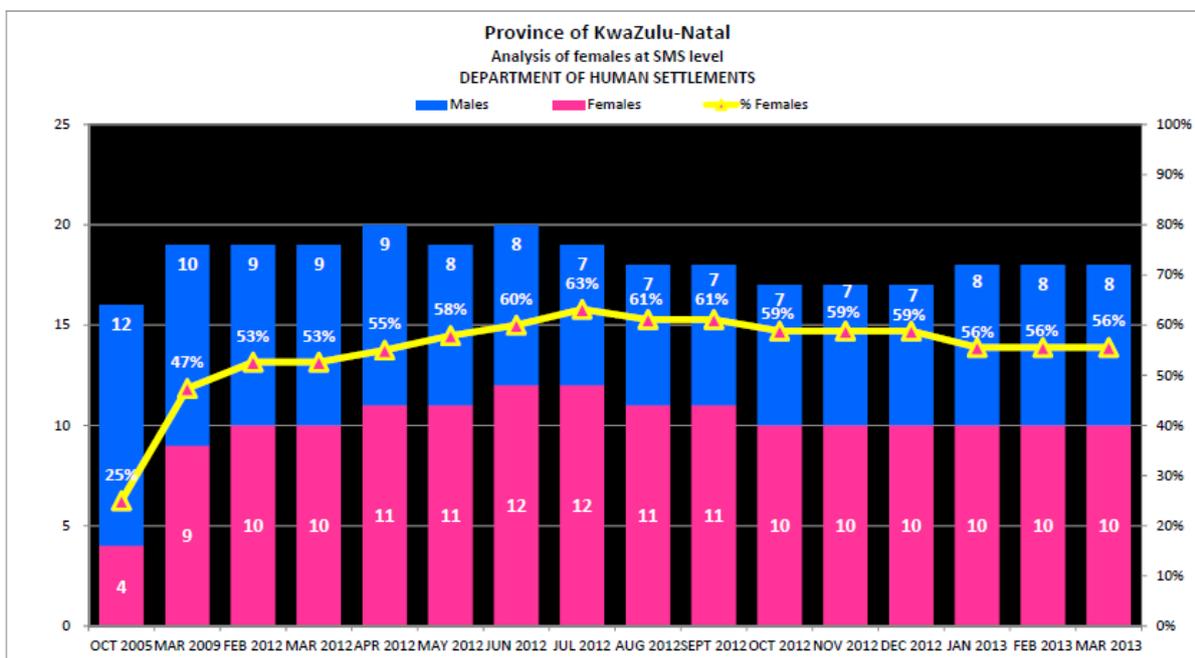
People with disabilities at all levels: 2%

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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 is the graph depicting female employees at SMS level. The Department has exceeded the mandatory percentage by 6% (percentage is 56%)

Graph 3: Females at SMS Level



Source: Persal Management Report

3.4. Key policy developments and legislative changes

The process of moving from housing to human settlements is still challenged by the understanding of the new vision of creating sustainable human settlements. Research has commenced at a National strategic level to move towards a formalised policy position to move towards a green paper in the new 5 year cycle. This will also impact on the legislative review on current housing legislation.

The Provincial Cabinet had adopted the Provincial Growth and Development Plan (PGDP) which will guide all developments in the province. Several aspects relating to human settlement developments still need to be formalised in terms of achievable goals and to support the broader development framework defined in terms of

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the PGDP. This will include a renewed focus on creating sustainable human settlements in a more integrated manner in both the urban and rural context. This will call for reviews to the Sustainable Human Settlement Strategy to allow a more targeted approach, and to include a variety of options. It requires a more holistic approach to the Informal Settlements Upgrade strategy to provide for progressive delivery of sites, services and a variety of housing typology and tenure options.

Alignment with the Small Town Regeneration Programmes and Formalisation of Existing Towns driven by the Department of cooperative Governance and Traditional Affairs will also guide current densification initiatives and considerations. A framework has been drafted to guide densification approaches to allow for flexibility considering social and technical dynamics and integration with the rural development nodes. This will also feed in to the national policy frameworks regarding densification initiatives.

These aspects will require further review of the current delivery models in rural areas to support of the PGDP and Integrated Rural development Framework. A number of issues still need to be debated in the context of tenure arrangements, cost of services and models to comply with the constitutional obligations. The densification model, in the context of rural development suggests that a one-size-fit all approach cannot be effective but rather that a greater drive towards progressive integrated planning is required for these areas, in consultation with all the key stakeholders. The review of Integrated Development Plans, spatial Development Frameworks and annual review of housing sector plans will be key aspects in addressing these development parameters.

The provincial rental strategy was completed and will be launched officially in the new financial year. The document seeks to guide rental housing typologies, including social housing and community residential units.

Limitations with the Community Residential Units (CRU) continued to hamper delivery, and especially in the context of affordability and equity. These matters need to be reviewed at a National level and is programmed to commence in the new financial year. Municipalities had been encouraged to identify key projects that would yield positive results moving forward, in partnership with all stakeholders. These projects would also guide the policy reviews required, including the adoption of national norms and standards and subsidy quantum to ensure value for money is achieved in an equitable manner.

Whilst reviews to the current national rental policies are under review, the identification of restructuring zones has been expanded to other higher capacity municipalities to provide for the increased need in rental housing typologies, and in alignment with the Provincial Rental Housing Strategy.

Housing delivery models and policies relating to housing delivered under the previous dispensation remain a challenge. Reviews of these policies have been initiated in relation to the rectification of pre-1994 rental stock. A provincial guideline had been adopted to deal with issues pertaining to demolition and assessments had been undertaken in partnership with the National Home Builder's Registration Council. Key national policy

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considerations need to be accelerated in the context of units to be replaced as well as the cost and impact on future delivery, balanced against current product norms and standards and funding limitations.

The new building regulations affects the current norms and standards, and in particular the determination of the subsidy quantum and application thereof. These aspects fall within the national sphere of government’s jurisdiction. Considerable research had been undertaken and the impact to deliver energy efficient units will be debated in the new financial year.

The market for affordable housing remains a challenge. Whilst policies had been revised for implementation, the pilot phase has not progressed well. This is mainly due to challenges relating to bulk and infrastructure development alignment yielding insufficient sites for development by the gap-market. Alternative strategies have been explored to engage private sector developments, as well as support from the Housing Development Agency.

4. STRATEGIC OUTCOME ORIENTED GOALS

Table 10:

Strategic Goal	Expected Outcomes	Progress
	<ul style="list-style-type: none"> ▪ Improved access, equity, efficiency, effectiveness and utilisation of human settlements. ▪ 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. ▪ Improved Financial & SCM efficiency and accountability to improve return on investment and value for money, budget aligned with service delivery priorities and needs. ▪ Improved governance including regulatory framework, and policies and delegations to facilitate implementation of the Strategic Plan. ▪ Decentralised delegations, controls and accountability. ▪ Improved information systems, data quality and information management, and improved performance monitoring and reporting. ▪ Strengthened infrastructure to improve service delivery. 	<ul style="list-style-type: none"> ▪ 25,940 units completed [increased actual output by 15% from 2011/12] ▪ Organisational structure discussed with unions ▪ Human Resource Plan developed ▪ Vacancy rate Less than 5% ▪ R2,915,297 billion spent {100% of allocation spent) ▪ Monitoring and Evaluation Framework Approved ▪ Strategic Planning Procedure drafted ▪ Not achieved ▪ Updated and or reviewed Network security policy in place ▪ Updated and or reviewed IT user policies in place
<ul style="list-style-type: none"> ▪ Improve the efficiency and quality of human 	<ul style="list-style-type: none"> ▪ Accreditation of municipalities in line with the identified priorities of Outcome 8. ▪ Improved sector/stakeholder 	<ul style="list-style-type: none"> ▪ 6 Accredited Municipalities ▪ 328 Amakhosi trained

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Strategic Goal	Expected Outcomes	Progress
settlements services.	<ul style="list-style-type: none"> capacity. ▪ Improved human settlements outcomes and upgrading of households in informal houses. ▪ Improved performance towards achieving the MDG targets. 	<ul style="list-style-type: none"> ▪ 203 councillors trained ▪ 8,975 housing consumers trained ▪ 4,482 sites serviced and 4,020 units completed
<ul style="list-style-type: none"> ▪ Paradigm shift subsuming integrated development, intersectoral approaches and well-coordinated project management 	<ul style="list-style-type: none"> ▪ Improved human settlements outcomes and upgrading of households in informal houses. ▪ Improved performance towards achieving the MDG targets. 	<ul style="list-style-type: none"> ▪ 4,482 sites serviced and 4,020 units completed

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Linking performance with budgets

Departmental Expenditure

Table 11:

	2012/13			2011/12		
	final appropriation R'000	actual expenditure R'000	under expenditure R'000	final appropriation R'000	actual expenditure R'000	under expenditure R'000
Department	3,377,820	3,377,771	49	3,084,991	3,042,495	42,496
TOTAL	3,377,820	3,377,771	49	3,084,991	3,042,495	42,496

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5. PERFORMANCE INFORMATION BY PROGRAMME

5.1 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;
- 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;
- Financial Management;
- Human Resource Management;
- Monitoring and Evaluation;
- Intergovernmental Relations;
- Legal Services;
- Supply Chain Management;
- Asset Management;
- Risk Management and Advisory Services;

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.

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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.

PROGRAMME PERFORMANCE 2012/13

ACHIEVEMENTS

Strategic Planning

Great strides have been made with the integration of provincial and district planning processes.

- Alignment of Conditional Grant Business Plan
- Quarterly performance reviews will accentuate linkage between expenditure and service delivery.

Data quality [BAS, Persal, HSS] is still a challenge and interventions have been intensified to address challenges.

Quarterly reviews, in collaboration with Monitoring & Evaluation, will further improve data quality.

Monitoring & Evaluation [M&E]

The Monitoring & Evaluation Policy Framework has been approved and improved for integrated reporting and aligned with service delivery priorities incorporated in the Annual Performance Plan. Performance of all services or programmes, not specifically prioritized in the APP is included in the Operational Plan and will be monitored quarterly. Overall performance outcomes will be incorporated in the 2013/14 Annual Report.

The KZN Department of Human Settlement has progressed in streamlining the implementation of its programmes. It has improved the support and development of standards for processes such as planning, contract management and delivery timelines. Additionally, it is continuing to make progress in enhancing internal capacity, and increasing adherence to standards whilst ensuring quality in all its products.

At a strategic level, monitoring and evaluation is essential for accountability as well as informing decision making. At lower levels of the organization, it provides a learning platform through information sharing about the best and worst practices. Projects are better implemented and thus the Department derives better value for money in its initiatives. More specifically, at a programme or project level, monitoring and evaluation allows project managers to:

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- Determine the extent to which the program/project is on track and allows for timely corrective action;
- Ensure the most efficient use of resources;
- Enhance service delivery; and
- Determine the extent to which the programme/project is having the desired effect

The Department of Human Settlements has a set indicators that are used nationally to measure the performance of department overall, the individual projects and the various delivery instruments that form part of the National Human Settlements service delivery mandate. These are:

- The number of sites serviced;
 - The number of units completed;
 - The number of properties transferred; and
 - The number of beneficiaries approved
-
- **Implementation** – This is the construction phase of housing units. During this phase, district level project management unit's record service delivery information on **Form 4** sheets and the same information is sent for recording on the Housing Subsidy System (HSS). Once recorded **Subsidy Administration** then sends the project information indicating the number of slabs, wall plates and completions per project to Monitoring and Evaluation. On completion of this process the information is stored on the Project List and is ready for analysis by the Monitoring and Evaluation unit. The Finance unit forwards claims to Subsidy Administration for processing on HSS and this is then forwarded to Finance to effect payment on BAS. Finance will then produce an expenditure breakdown/analysis for all departmental projects on a monthly basis based on HSS and payments on BAS.
 - **Reporting** – flowing from the above activities, the following reports as listed in section 1.5 will be generated

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Table 12:

Reports	Required by	Required when
KZN DOHS monitoring report	MANCO	Monthly
APP verification and analysis report	PFMA	Quarterly
Outcome 8 report	National Department of Human Settlements	Quarterly
Annual Report	PFMA	Annually
Cabinet Legkotla	Office of the Premier	Bi-Annually
Quarterly Provincial Report	PMFA	Quarterly
LGTAS	KZN COGTA & DoHS	Quarterly

Specific priorities achieved were:

- To provide a clear performance information verification process for the Department;
- To clarify roles and responsibilities for different units and officials;
- To ensure the KZN DOHS stores verified performance information for auditing purposes;
- To serve as a tool for monitoring progress of the Department towards achieving its annual performance targets;
- To improve the effectiveness of KZN DOHS project management systems; and
- To provide information for effective decisions making by management

Financial Management

The Finance Turn-Around Strategy is still being implemented with monitoring of expenditure trends on weekly basis. Expenditure is actively monitored and significant progress has been made linking budget with service delivery.

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Strategic objectives, performance indicators planned targets and actual achievements

Strategic objectives

ADMINISTRATION					
Priority	Actual Achievement 2011/2012	Planned Target 2012/2013	Actual Achievement 2012/2013	Deviation from planned target to Actual Achievement for 2012/2013	Comment on deviations
To provide strategic leadership to the housing delivery programmes (% of houses delivered in respect of targets set annually)	85% (22,112/25,886)	100% 27,845	97% (26,960/27,845)	3% 885	Deviation is due to work in progress as the department pays per milestone i.e. wall plates and foundations: 5,008
Reconciliation between service delivery indicators and Conditional Grant (% of Conditional grant spent versus allocation)	99% (R2,801,01,000)	100% (R2,772,232,000)	100% (R2,772,232,000)	-	Target Achieved.-

Performance indicators

Table 13

Finance:					
Performance Indicator	Actual Achievement 2011/2012	Planned Target 2012/2013	Actual Achievement 2012/2013	Deviation from planned target to Actual Achievement for 2012/2013	Comment on deviations
Unqualified audit report	unqualified	Unqualified audit report	Achieved	-	Verification of source documentation required.
High levels of compliance with legislative and regulatory mandate	New Indicator	Within 2% budget variation. High levels of budget accountability	Achieved	-	Target achieved
Timely submission of accurate financial statements	31 May 2012	31 May 2013	31 May 2013	-	Target Achieved

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RISK MANAGEMENT AND ADVISORY SERVICES

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

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

During the period under review, this component has developed the drafted a comprehensive risk management strategy and plan so as to ensure that there is an effective and efficient use of government resources. In addition, it also lends support to the work done by the state agencies investigation allegations of fraud and correction, managing the criminal cases raised against departmental staff.

TABLE 14: PERFORMANCE INDICATORS: RISK MANAGEMENT AND ADVISORY SERVICES

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
To identify and evaluate significant exposure to risk and sustain the departments performance by protecting against adverse outcomes	Develop Risk Management strategy	Draft Developed	1	1	-	Target Achieved
	Risk Management plan in place	Draft Developed	1	1	-	Target Achieved

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HUMAN RESOURCE MANAGEMENT

The purpose of this unit is to provide strategic human resource management within the department and to ensure compliance with the various human resource management mandates and prescripts. Focussed attention has been placed on the fast-tracking of the recruitment process for the filling of critical posts, the reviewing of the staff structure as well as on human resource development.

The human resources business unit was facing capacity challenges, however met all targets relating to compliance.

TABLE 15: PERFORMANCE INDICATORS: HUMAN RESOURCE MANAGEMENT

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
To improve Human Resource management systems, and processes in line with the Departmental business processes	Reduction of vacancy rate	1%vacancy rate	5 %	41%	36	The organisational structure is outdated, and inflates the number of posts.
	Persal data verified	Phase 1: 100% verification	100%	Qualification verified: 270 Qualification not verified:894 23% Achieved	77% 894	SAQA does not have the capacity to undertake this as they have not had the bulk requests for prior to 1992.
	Approved organizational structure	Not Achieved	100%	Not Achieved	100%	Initially, full union involvement was not attained, which impacted on the credibility of the processes and delayed them. All relevant unions are now involved in the process.
	Number of SMS Performance Agreements	95%	100%	94%	6%	94% compliance of performance agreement by SMS and 91% level 1-12.

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Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
	submitted					

LEGAL SERVICES

This component provides a legal advisory support service to the Department. Attention has been placed on the drafting of the Amendment of the Prevention of the Re-Emergence of the Slums Act. This legislation will assist the department to meet and manage its key Outcome 8 Targets being the Upgrade of Informal Settlements and provision of rental and gap market. The unit has also managed strategies to address potential litigation against the department emanating from the application of the legislation, the code and any of the departmental policies.

TABLE 16: PERFORMANCE INDICATORS: LEGAL SERVICES

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
To protect and advance the interests of the department through the provision of legal advice and services	Finalisation of the Amendment of the Prevention of the Re-Emergence of the Slums Act	New indicator	Finalise draft	Draft Finalized	-	Target Achieved

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INFORMATION MANAGEMENT SYSTEMS AND TECHNOLOGY

TABLE 17: PERFORMANCE INDICATORS: LEGAL SERVICES

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
To Implement an integrated Information, Systems, and Technology Turn-Around Strategy	Reviewed or updated Master System Plan in place	-	1	Implementation	1	Quotations called for, for MSP. Quote revised.
	Updated or reviewed Disaster Recovery Plan in place	-	1	Implementation	1	Revised draft policy to be finalised and sent to Management for support and approval
	Updated and or reviewed Network security policy in place	-	1	Implementation	-	Target Achieved
	Updated and or reviewed IT user policies in place	-	2	Implementation	-	Completed, signed and approved by the HoD

MONITORING AND EVALUATION

The overall objective of the M&E Unit is to ensure continuous tracking of DOHS progress towards the achievement of planned outputs and outcomes.

The unit has set the following objectives:

- To track progress on DOHS policies, strategies, programmes and projects.
- To monitor progress of projects aligned to work-plans.

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- To assess project progress, challenges and determine progress of mitigation plans.
- To facilitate a culture of learning and organizational performance improvement.
- To influence DOHS management processes (planning, project design, budgeting) and thus ensure informed decision-making.

TABLE 18: PERFORMANCE INDICATORS: MONITORING AND EVALUATION

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
To ensure an integrated outcome based M&E system.	A departmental monitoring framework developed	Draft Policy	1	1	-	Target Achieved

INTERGOVERNMENTAL RELATIONS

The IGR's strategic objective is to enhance service delivery through facilitating and coordinating inter-governmental programs and initiatives.

TABLE 19: PERFORMANCE INDICATORS: INTERGOVERNMENTAL RELATIONS

Strategic Objective	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
To enhance service delivery through facilitating and coordinating inter-governmental programs and initiatives.	Human Settlements Summit conducted	New Indicator	1	-	1	The Human Settlements Summit was moved from the 4 th Quarter to 2013/14 due to increased focus on delivery of Sites and Houses, due to a rainy 3 rd Quarter.

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Linking performance with budgets

Programme 1: Expenditure

Table 20:

Programme 1	2012/13				2011/12			
	final appropriation R'000	actual expenditure R'000	under expenditure R'000		final appropriation R'000	actual expenditure R'000	under expenditure R'000	
Corporate Services	132,302	132,277	25	25	123,532	116,780	6,752	6,752
TOTAL	132,302	132,277	25	25	123,532	116,780	6,752	6,752

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5.2 PROGRAMME 2: HOUSING NEEDS, RESEARCH AND PLANNING
PROGRAMME PURPOSE

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

Key activities undertaken by this Programme include:

- research and quantify the housing needs in the province with the aim of developing appropriate interventions;
- research and identify appropriate technologies in the housing delivery process;
- develop policies and guidelines to facilitate implementation of the sustainable human settlement programme;
- ensure that all stakeholders are capacitated and involved in the continuous appraisal of housing delivery, systems and their improvement;
- facilitate and integrate sustainable human settlement planning with other sectors;
- educate stakeholders in sustainable human settlement planning and implementation;
- align the housing budget through the application of the allocation formula and needs register;
and
- capacitate stakeholders for housing delivery through mentorship and training.

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STRATEGIC OBJECTIVES

Programme Name: Housing Needs, Research and Planning					
Strategic Objective	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from target to Actual Achievement for 2012/13	Comments on deviation
Accelerate the provision of housing opportunities (number of units in the housing pipeline).	New Indicator	97,756	87,845	9,911	Delays due to non-recommendation by HEAC: Projects did not fit the priority intervention PGDP, Projects where there was two different land owners and Projects where bulk infrastructure was not available

Note: 1. The number of units is an estimated yield which will be verified in the Pre-Feasibility stage of each project.
2. Some projects could extend over two financial years depending when its approval was forthcoming

PERFORMANCE INDICATORS

PRODUCT DEVELOPMENT

This is a critical unit responsible for the research and development component of the department. It informs both the planning and the implementation frameworks by testing some of the critical areas of untested and untapped terrain. Policy development will be informed by and tested through implementation to ensure practical policy development and continued improvement to fast track delivery. The critical focus areas of this unit are to ensure the practicality of the legislative, regulatory and policy environment to enable effective and sustainable delivery.

The unit developed new guidelines to steer allocation of the conditional grant in terms of the outcomes based approach of government, and in particular in the context of human settlement developments. Guidelines

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were also finalised for the involvement of cooperatives in partnership with stakeholders and to guide the roles and responsibilities of the Department and engagement with Department of Economic Development. In this financial year this will also facilitate the involvement and monitoring of women and youth organisations in human settlement development initiatives through the utilisation of cooperatives. Guidelines were also drafted to ensure a more equitable application of costs relating to the demolition of buildings where required to facilitate development and a case for the review of the variation amounts pertaining to rental housing typologies was submitted to the National Department for consideration. This will assist the department in addressing additional costs incurred as a result of steep terrain and poor soil conditions experienced in the province that impact adversely on the feasibility of multi-storey developments in relation to affordable rental.

Challenges with Community Residential Units and Enhanced People's Housing Projects had been identified and have been communicated to the National Policy unit to influence policy frameworks of these instruments during this financial year.

An assessment of agri village projects in relation to human settlement developments was undertaken to identify challenges and to guide future implementation to enhance sustainability. Research was also undertaken on progress to agri village projects. Best practices on densification in urban, peri-urban and rural environments were also undertaken to assess possible strategies that would facilitate implementation where possible to improve planning for and access to basic services such as water, sanitation, energy and other services.

The Provincial Department, through this unit, was an initiator of substantial policy reviews relating to the current norms and standards to be aligned to the revised building regulations, thereby facilitating an improved product with greater environmental and energy efficiencies. It included improved designs for wheelchair bound individuals, as well as greater consideration for higher grade services to accommodate densification initiatives in Integrated Residential Programmes.

TABLE 21: PERFORMANCE INDICATORS: PRODUCT DEVELOPMENT

Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
Number of research projects approved	5	5	7	2	MEC requested the commission of 2 urgent projects
Policy/Guideline Development	6	6	6	-	Target Achieved

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INTEGRATED PLANNING

The Integrated Planning Sub-Programme has made significant progress towards the alignment of PSEDs in so far as ensuring that the priority intervention areas, nodes and corridors (PSEDs), Rural settlements (RD&LR data) have been mapped. Engagements with municipalities are also being undertaken to prioritise the alignment thereof as well as to ensure that the GIS spatial referencing of projects are finalised.

A key principle of this sub-programme will be to ensure that where rural development occurs, it is done in an orderly and cost effective manner by concentrating on those areas that meet the requirements of the PGDP as well as where existing clustering of homesteads is found. This will in turn assist municipalities and other organs of state to plan for the roll out of services and amenities that constitute to ensuring sustainability and improve access to government services.

In line with the Outcome 8 target of upgrading informal settlements, the KZN Informal Upgrade Strategy is being rolled out in those municipalities that are affected by such settlements. This programme is being undertaken in conjunction with the National support programme. Interaction with municipalities will continue through the process of “district and family” of municipalities engagement whereby technical assistance will be provided for the reviewing of their Integrated Development Plans (IDP) and Housing Sector Plans (HSP). These plans are seen as vital to the successful forward planning for sustainable human settlements as well as providing more certainty on the allocation or reservation of subsidies throughout the province.

TABLE 22: PERFORMANCE INDICATORS: PRODUCT DEVELOPMENT

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
Improved planning to achieve integrated settlement developments	Framework for the identification of flood plains	New Indicator	1	Implementation	1	Tender Advertised
	Confirmed project pipeline	New Indicator	1	Implementation	-	Projects being packaged according to Project Pipeline
	All projects plotted on the GIS	New Indicator	800	800	-	Target Achieved

MUNICIPAL SUPPORT AND CONSUMER EDUCATION

As part of building institutional capacity of the municipalities, this Sub-Programme has place tremendous focus on the accreditation programme as envisaged in the new comprehensive plan “Breaking New Ground” for

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housing delivery. Accreditation seeks to achieve two fundamental objectives namely, co-ordinated development and accelerated delivery. The accreditation of municipalities ultimately implies that by locating the decision making authority where implementation of housing programmes are being undertaken, i.e. at a local level, municipalities can co-ordinate essential decisions relating to broader sustainability of human settlements. Of significant importance to this approach are the principles relating to inter-governmental relations as well as integrated planning. In addition, the advantages relating to creating certainty on funding allocations and devolving of delivery decision making to local municipalities is anticipated to accelerate housing delivery.

The Municipal Support and Consumer Education unit has thus identified the following municipalities on the basis of their status as “Aspiring Metros”:

- Msunduzi;
- eMnambithi;
- Newcastle;
- Mhlathuze;
- KwaDukuza; and
- Hibiscus Coast.

These six municipalities were identified in terms of the Provincial Spatial Economic Development Strategy (PSEDS) as they fell within the jurisdiction of the areas identified for economic development. They were further targeted to promote social housing (rental) opportunities. The Province also considered its Informal Settlement Upgrade Strategy wherein these municipalities fell within the seventeen (17) municipalities prioritized for informal settlement upgrade interventions.

These priority municipalities have undergone capacitation of Human Settlements functions to administer National and Provincial programmes. In October 2011 these municipalities were assessed by an independent panel to undertake Human Settlements functions.

The outcomes of the assessment were as follows:

- Newcastle level 2
- eMnambithi Level 2
- Mhlathuze Level 2
- KwaDukuza level 2
- Msunduzi Level 1

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- Hibiscus Coast level 1

On the 10th August 2012 they were officially awarded with the Compliance Certificates. The department is now at a stage of entering into agreements (Implementation Protocol) with these municipalities.

It is therefore envisaged that by capacitating and accrediting these municipalities, the full potential of creating sustainable human settlements and their contributions to eradicating the backlogs will be realized. It is further envisaged that by finalising the process of accrediting these municipalities, this Sub-Programme will promote the achievement of the objectives of Outcome 8 in line with the Negotiated Service Delivery Agreement.

In addition to the Accreditation Programme, this Sub-Programme has further continued with the training of the Amakhosi and Councillors as well as training for women and youth. The Housing Consumer Education Programme has also played a dominant role during the 2012/13 financial year.

In doing so, the Sub- Programme has continued to meet its key objective of capacitating the built in environment. Challenges were however experienced with the development of a framework for the project management unit regarding the Emerging Contractors Programme. This is to be pursued in the forthcoming year.

TABLE 23: PERFORMANCE INDICATORS: MUNICIPAL SUPPORT AND CONSUMER EDUCATION

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
Improved planning to achieve integrated settlement developments	Number of Emerging Contractors trained on construction skills and entrepreneurial programmes	New Indicator	20	-	20	Vulindlela Housing Project was identified for the implementation of empowering programme for emerging contractors. Due to the challenges experienced in the project, the programme could not be implemented. The project has been replaced by Sponya housing project for the installation of water tanks and delivery is anticipated in the next financial year

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Linking performance with budgets

Programme2: Expenditure

Table 24:

Programme 2	2012/13				2011/12			
	final appropriation R'000	actual expenditure R'000	under expenditure R'000		final appropriation R'000	actual expenditure R'000	under expenditure R'000	
Administration Support	1,733	1,353	380		1,331	1,149	182	
Product Development	3,814	3,603	211		3,321	3,166	155	
Planning	18,939	12,924	6,015		14,181	12,395	1,786	
Capacity Building	7,487	5,481	2,006		5,324	4,188	1,136	
Total	31,973	23,361	8,612		24,157	20,898	3,259	

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5.3 PROGRAMME 3: HOUSING DEVELOPMENT

PROGRAMME PURPOSE

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:

- The Subsidy Administration
- The Contracts and Land Legal Administration

The objectives of these components are:

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.

The housing subsidy instruments implemented within this Programme include:

- Individual
- Project linked,
- Institutional,
- Consolidation, and
- Rural

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The Programme is administrated through the Project Management Chief Directorate, and is responsible for the implementation and monitoring of housing delivery within all districts including the eThekweni Metro through various subsidy mechanisms in terms of national and provincial policies.

The implementation of Outcome 8 targets is one of the key deliverables / outputs for the performance of this programme. The programme has a number of projects at various stages of implementation within each municipality. The programme is also expected to achieve certain key strategic objectives of the department through the implementation of projects using various subsidy instruments. With most areas of the province being rural in nature and in line with rural development as one of the key priorities of government, there are many rural housing projects being implemented in the province.

The increasing demand for housing and the backlog in the delivery of housing in the province has made the department, through this programme, review the approach to be adopted in the delivery of housing in the province. The approach of delivering large scale versus small scale projects has been approved for implementation and this is seen as a way of making a huge impact in the delivery of housing in the province. The big priority projects such as Cornubia in eThekweni, Driefontein in KwaDukuza, Blaaubosch in Newcastle, Vulindlela in Umsunduzi and Inyoni in Mandeni are set to deliver an average of 15,000 units each when they are completed. This approach will go a long way in addressing the backlogs and at the same time contribute towards achieving the Outcome 8 targets for 2014.

The new approach for delivery by this programme is also to strengthen working relationship with the Housing Development Agency (HDA) and the municipalities in identifying and acquiring well located suitable land for human settlements, most notably Municipalities with accreditation. This will assist in preventing potential delays on the implementation of projects due to unresolved land issues. Many old projects were affected by land issues and became stalled or blocked which has had a negative impact on the performance of this programme.

The programme is also responsible for the provision of housing on the Finance-Linked Individual Subsidy category which caters for the gap market where the subsidy is linked to a mortgage bond. Currently, the National Housing Finance Corporation has been mandated nationally to implement pilot projects in all provinces to fast track the implementation of this programme under the revised policy effective 1 April 2012. KZN has identified 3 pilot projects, namely, Woodmead (250 units) and Rocky Park (350 units) in the Ilembe District, and Merlewood (177 units) in the Ugu District. The non- credit linked individual subsidy programme

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catering for the low income category is performing due to the secondary market of the old housing stock that has become a niche market.

The Sukuma Sakhe Programme which is aimed at fast tracking service delivery by government to the citizens of this province and is co-ordinated by the Office of the Premier is implemented through this programme within the department. The most deprived families are identified in various districts and urgent interventions are undertaken to provide affected people with houses that restore dignity to the families. This programme ensures that government responds quickly to the demands of people regarding housing and other service delivery issues. The Department has created a database of Service Providers to undertake the current emergency/disaster/ Operation Sukume Sakhe projects and, in addition will be available to immediately undertake any future emergency contracts in these programmes.

In line with National and Provincial Priorities, a substantial increase in the overall housing delivery within the rural housing subsidy instrument has been experienced, particularly in those areas that have previously been excluded. Through the assistance of NHBRC the department has been able to identify poorly built houses in different municipalities and relevant disciplinary actions are currently being taken against service providers and staff responsible for this.

In line with the new Outcome 8 mandate, the Informal Settlements Upgrade / Slums Clearance initiatives has shown a positive move by government to deal with eradication of slums by 2014. Many projects on Informal Settlements Upgrade projects have been approved and are currently being implemented at various stages. The success in the packaging of five big priority provincial projects within various municipalities have shown a positive trend towards Integrated Sustainable Human Settlements that will ensure increased volume in housing delivery and job creation, as well as have significant impact on eradication of the housing backlogs currently experienced in the province.

In contrast, an underperformance has been experienced on property transfers, which was largely attributed to lengthy delays in town planning and land legal issues, specifically in the more urban context where these issues are more prevalent. Delays in approvals from other key stake holder departments have also delayed the implementation of civil construction.

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The Emergency Housing Programme which seeks to provide assistance in a wide range of emergency situations relating to exceptional housing needs also resulted in a marked increase in the provision of housing. This was as a result of the needs determined through Operation Sukume Sakhe that identifies the most deprived households through the war on poverty profiling exercise undertaken in the most deprived wards of the province.

The challenge of acquiring suitable and well located land has motivated the department to seek partnerships with the department of Rural Development and Land Reform (The DRD&LR) and the Housing Development Agency (the HDA). The Implementation Protocol Agreement signed by the Department and the DRD&LR serves as a vehicle for the acquisition of suitable land. However funding constraints have hampered this relationship being aggressively pursued and outputs realized. However some progress has been made in some of the land acquisition areas, e.g. the department, eThekweni Municipality and the Housing Development Agency have finalised negotiations for the conclusion of an Implementation Protocol that will establish institutional arrangements for the identification, purchase and holding of land by the HDA for the creation of sustainable human settlements.

4. STRATEGIC OBJECTIVES

Programme Name: Housing Development					
Strategic Objective	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from target to Actual Achievement for 2012/13	Comments on deviation
To reduce the provincial Housing Backlog (census 2011 figure [742,019]less houses built)	-	27,845	25,940	(1,905)	Work in progress accounts for deviation: wall plates and foundation 5,008

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5. PERFORMANCE INDICATORS

6. TABLE 25: PERFORMANCE INDICATORS: HOUSING DEVELOPMENT

Instruments	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
Individual Non Credit Linked Programme	Number of Houses completed	951	800	1,347	547	Individual Beneficiary approvals are high due to the accessing of this subsidy instrument being utilised optimally due to the applications not having to be subjected to the requirements of the NCA. Also, this high approval rate was possible by the regular interaction between the relevant stakeholders viz beneficiaries, conveyances and staff. Full time manning of the help desk in the department assisted greatly in ensuring that beneficiaries and conveyances were familiarized with departments requirements resulting in fewer rejections."
Project Linked Programme	Number of Houses completed	1,954	2,933	1,698	(1,235)	"Under-performance in terms of servicing of sites is due to the delays in the

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Instruments	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
Informal Settlements Upgrade	Number of Houses completed	3,666	2,100	1,531	(569)	installation of bulk infrastructure by the municipalities. Unseasonably, extended rainfall during the 3 rd quarter in conjunction with difficult terrain on some projects delayed construction. However, the department has work in progress: 161 wall-plates and 471 foundations.
Integrated Residential Development Programme	Number of Houses completed	294	1,652	262	(1,390)	An unrealistic target was set during the Business Plan process given the 2011/12 Actual Achievement.
Rural Housing Development Programme	Number of Houses completed	11,773	13,250	14,969	1,719	Over-expenditure in this instrument is due to the additional 1 566 units at wall plate level and 1 412 units at foundation level.
Social Housing	Number of Units completed	162	793	1,604	811	Over performance in this instrument was due to the 360 units acquired from Newcastle which were not planned for initially. Additionally, 451 units were acquired from eThekweni. The department saw this as an opportunity to make up for the previous years

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Instruments	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
Access to land and densification	Number of Hectares procured	5,782 ha	2,000 ha	1,173 ha	(827)	under performance in this instrument. The land purchased in uMgungundlovu (Shorts Retreat) is zoned industrial which cost R218,461 per hectare. This resulted in a decrease in the number of hectares compared to land purchased in Ilembe at a cost of R882,644 per hectare. The land at Shorts Retreat was to be acquired by expropriation to provide permanent housing for the occupants of this land who were under threat of eviction by the landowners.
Implementation of FLISP	Number of Houses completed	Not Applicable	200	24	(176)	Delays have been experienced with the finalisation of the IP Agreement with NHFC.
Community Residential Units	Number of Units completed	0	1,934	170	(1,764)	Delays due to eThekwinini revising appointment of professionals, hence work will only commence proper in the new financial year 2013/2014.
Provision of institutional Subsidies	Number of Units	225	372	104	(268)	There are additional 216 units at wall plate level

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Instruments	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
(inclusive of vulnerable housing)	completed					and 226 at foundation level which accounts for the deviation.
EPHP	Number of Houses completed	945	3,455	2,227	(1,228)	"Under-performance in terms of servicing of sites is due to the delays in planning at eThekweni Special Needs Project where the 300 sites were targeted. There are additional 216 units at wall plate level and 226 at foundation level."
Disaster Management Rehabilitation (inclusive of Sukuma Sakhe)	Number of Units completed	1,949	2,290	2,174	(116)	There are no targets set for beneficiaries assisted in the 2012/13 Business Plan. The output reported is the number of houses completed and not the number of beneficiaries.
Rectification	Number of Units rectified	771	1,749	1,296	(453)	Under-performance and under-expenditure in this instrument is mainly due to the delay in the finalization of assessments and approval processes.
Consolidation Subsidy	Number of Houses completed	5	-	-	-	

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OUTCOME 8

Table 26: Ugu District

Instrument	2012/13 Budget	2012/13 Expenditure	2012/13						
	R'000	R'000	Target No. of houses	Actual No. of houses	Deviation	Target No. of sites	Actual No. of sites	Deviation	Comment on Deviations
Informal Settlement Upgrade	29,100	3,666	288	-	(288)	365	-	(365)	Unseasonably, extended rainfall during the 3 rd quarter in conjunction with difficult terrain on some projects delayed construction.
Total	29,100	3,666	288	-	(288)	365	-	(365)	

Table 26: Ilembe District

Instrument	2012/13 Budget	2012/13 Expenditure	2012/13						
	R'000	R'000	Target No. of houses	Actual No. of houses	Deviation	Target No. of sites	Actual No. of sites	Deviation	Comment on Deviations
Informal Settlement Upgrade	45,921	51,525	355	38	(317)	855	334	(521)	Unseasonably, extended rainfall during the 3 rd quarter in conjunction with difficult terrain on some projects delayed construction.
IRDP	4,424	2,347	71	-	(71)	-	210	210	The sites delivered were not targeted for. However, the department saw this as an opportunity to make up for under-performance from other districts.

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Instrument	2012/13 Budget	2012/13 Expenditure	2012/13						
	R'000	R'000	Target No. of houses	Actual No. of houses	Deviation	Target No. of sites	Actual No. of sites	Deviation	Comment on Deviations
Total	50,345	53,872	426	38	(388)	1.142	544	(311)	

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Table 27: eThekweni District

Instrument	2012/13 Budget	2012/13 Expenditure	2012/13						
	R'000	R'000	Target No. of houses	Actual No. of houses	Deviation	Target No. of sites	Actual No. of sites	Deviation	Comment on Deviations
ISU	144,120	108,842	1,257	1,179	(78)	2,324	1,858	(466)	Delays in the installation of bulk services affected delivery on sites serviced. Also, unseasonably extended rainfall during the 3 rd quarter in conjunction with difficult terrain on some projects delayed construction..
PHP	21,620	41,674	430	471	41	-	-	-	Target exceeded to make up for under-performing districts
Rural	53,600	31,339	857	327	(530)	-	-	-	Difficult terrain in some of the projects led to under-performance.
Institutional Subsidy	30,000	99,613	132	104	(28)	45	27	(18)	Additional 20 units at wall-plate level and 35 units at foundation level account for the variance.
IRDP	66,000	-	647	230	(417)	863	419	(444)	Investigations delayed construction in most of the projects.
Total	315,340	281,468	3,323	2,311	(1,012)	3 232	2,304	(928)	

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Table 28: Umgungundlovu District

Instrument	2012/13 Budget	2012/13 Expenditure	2012/13						
	R'000	R'000	Target No. of houses	Actual No. of houses	Deviation	Target No. of sites	Actual No. of sites	Deviation	Comment on Deviations
Rectification of RDP Stock 1994-2002	28,600	54	501	-	(501)	-	-	-	No houses or sites delivered under this instrument
IRDP:	10,079	3,892	100	32	(68)	153	18	(135)	Unseasonably, extended rainfall during the 3rd quarter in conjunction with difficult terrain on some projects delayed construction
Enhanced Peoples Housing Process	238,903	216,077	3,025	-	(3,025)	-	-	-	No houses or sites delivered under this instrument.
ISU	41,868	46,090	82	5	(77)	1,290	220	(1,070)	Delays in the installation of bulk services affected delivery on sites serviced. Also, unseasonably extended rainfall during the 3rd quarter in conjunction with difficult terrain on some projects delayed construction.
Total	290,850	266,133	3.708	37	(3,170)	1,443	238	(1,205)	

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Table 29: Uthukela District

Instrument	2012/13 Budget	2012/13 Expenditure	2012/13						
	R'000	R'000	Target No. of houses	Actual No. of houses	Deviation	Target No. of sites	Actual No. of sites	Deviation	Comment on Deviations
Informal Settlement Upgrade	12,842	21,951	73	153	80	220	552	332	Target exceeded to make up for under-performing districts
Total	12,842	21,951	73	153	80	220	552	332	

Table 30: Sisonke District

Instrument	2012/13 Budget	2012/13 Expenditure	2012/13						
	R'000	R'000	Target No. of houses	Actual No. of houses	Deviation	Target No. of sites	Actual No. of sites	Deviation	Comment on Deviations
IRDP:	58,752	-	417	-	(417)	-	-	-	Project could not take off as anticipated
ISU:	-	25,051	-	156	156	-	512	512	Target exceeded to make up for under-performing districts
Total	58 752	25,051	417	156	(261)	-	512	512	

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Table 31: Umzinyathi District

Instrument	2012/13 Budget	2012/13 Expenditure	2012/13						
	R'000	R'000	Target No. of houses	Actual No. of houses	Deviation	Target No. of sites	Actual No. of sites	Deviation	Comment on Deviations
ISU:	8,884	-	45	-	(45)	135	-	(135)	Project is still at planning stage.
Total	8,884	-	45	-	(45)	135	-	(135)	

Table 32: Amajuba District

Instrument	2012/13 Budget	2012/13 Expenditure	2012/13						
	R'000	R'000	Target No. of houses	Actual No. of houses	Deviation	Target No. of sites	Actual No. of sites	Deviation	Comment on Deviations
IRDP	3,456	150	-	-	-	-	-	-	Projects are still at planning stage.
ISU	7,510	2,367	-	-	-	-	-	-	Projects are still at planning stage.
Total	10,966	2517	-	-	-	-	-	-	

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Table 33:

Contract & Land Legal Administration

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
Improved planning to achieve integrated settlement developments	Number of land parcels vested in the Prov. Govt. of KZN	55	30	88	58	There was quick turn-around time by the Department of Land Reform and Rural Development with the signing of the item 28(1) certificate.
	Number of municipalities taking transfer of land	3	12	7	(5)	There have been delays from municipalities the deliverables will be achieved in the next financial year.
	Number of agreements packaged and signed	160	114	158	44	There was increase in project approvals by the MEC.
	Number of hectares acquired	5,782	2,000	1,173	(827)	The land purchased in uMgungundlovu (Shorts Retreat) is zoned industrial which cost R 218,461 per hectare. This resulted in a decrease in the number of hectares compared to land

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Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
						<p>purchased in Ilembe at a cost of R 882,644 per hectare. The land at Shorts Retreat was to be acquired by expropriation to provide permanent housing for the occupants of this land who were under threat of eviction by the landowners.</p>

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Linking performance with budgets

Programme3: Expenditure

Table 34:

Programme 3 Sub-programme	2012/13			2011/12		
	final appropriation R'000	actual expenditure R'000	under expenditure R'000	final appropriation R'000	actual expenditure R'000	under expenditure R'000
Administration	77,459	86,049	(8,590)	59,905	56,777	3,128
Financial Interventions	549,014	535,382	13,632	667,263	647,717	19,546
Incremental Interventions	863,574	864,574	(1,000)	796,852	961,162	(164,310)
Social and Rental Interventions	348,699	348,699	-	134,331	142,563	(8,232)
Rural Interventions	1,165,795	1,191,922	(26,127)	1,028,189	902,891	125,298
Total	3,004,541	3,026,626	(22,085)	2,686,540	2,711,110	(24,570)

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5.4 PROGRAMME 4: HOUSING 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).

In addition, the Rental Tribunal is responsible for the regulation of good relationships between the tenants and the landlords.

This Programme comprises the two sub-components, namely the:

- The Housing Assets Management, Property Management and
- The Rental Housing Tribunal

Table 35:

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
To provide secure tenure to communities	Number of residential properties transferred to beneficiaries	1,857	2,500	2,472	(28)	Under-performance in this instrument is due to delays in the processing of transfers that resulted from the termination of contract with the previous service provider that was contracted. Since termination of the contract, the Department has had to utilise the State Attorney services to handle transfers of both the Department and the Municipal housing stock.

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						However, Legal Services stated that the State Attorney could not be utilised for Municipal stock.
Number of units maintained	4,246	3,500	1,604	(1,896)		The rectification programme is intended to make properties habitable and saleable. However, the delay in the commencement of the rectification of department stock has resulted in the Department having to address more day to day maintenance repairs than originally targeted. This resulted in both over-performance and over-expenditure in this instrument.
Number of units Rectified and or Upgraded	-	1,500	579	(921)		There have been delays in the rectification programme due to the Municipalities deviating in the scope of work in relation to the technical assessments provided by the NHBRC. The reason for this is that the Municipalities argue that the assessment reports received from NHBRC are incomplete in a sense that they tend not to include some of the things that need to be the houses assessed. However, the Department is currently engaging with both the Municipalities and NHBRC in trying to resolve this issue.

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	Rental Tribunal: No. of cases resolved	980	1.380	1.400	20	Due to a streamline process
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Linking performance with budgets

Programme4: Expenditure

Table 36:

Programme 4 Sub-programme	2012/13			2011/12		
	final appropriation R'000	actual expenditure R'000	under expenditure R'000	final appropriation R'000	actual expenditure R'000	under expenditure R'000
Administration	58,675	58,673	2	75,850	75,808	42
Discount Benefit Scheme	7,076	5,085	1,991	1,739	1,105	634
Housing Properties Maintenance	143,253	131,749	11,504	173,173	116,794	56,379
Total	209,004	195,507	13,497	250,762	193,707	57,055

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6. SUMMARY OF FINANCIAL INFORMATION

6.1. Departmental receipts

Table 37:

Departmental receipts	2012/2013			2011/2012		
	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	412	586	(174)	375	474	(99)
Transfers received						
Fines, penalties and forfeits						
Interest, dividends and rent on land	103	16	87	94	(20)	114
Sale of capital assets	-	1,494	(1,494)	-	160	(160)
Financial transactions in assets and liabilities	735	11,477	(10,742)	667	268,554	(267,887)
Total	1,250	13,573	(12,323)	1,136	269,168	(268,032)

The department collected revenue totalling R13,573 million in 2012/13, substantially exceeding the revenue budget by R12,323 million. The over-collection was as a result of the following:

- *Sale of goods and services other than capital assets* was over-collected by 142.33 per cent or R 174,000, due to sale of tender documents which was under projected as it is not possible to provide an exact estimate and sale of goods.
- The department did not budget for *Sale of capital assets*, however, it has collected an amount of R 1,494 due to sale of government vehicles which was inadequately estimated.
- There was significant over-collection against *Transactions in financial assets and liabilities* mainly due to funds received in respect of the previous financial year expenditure. The department purchased the land prescribed as portion 31 of 8 of the farm Hyde Park no 10233 for an amount of R55 million. The said amount was invested by the attorneys Shepstone & Wylie. The interest accumulated on the investment was then paid over to the department as agreed in the contract entered into.

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Interest, dividends and rent on land was under-collected at year-end due to under-collection on the recovery of interest on staff debts, which is difficult to accurately project.

6.2. Programme Expenditure

Table 38:

Programme Name	2012/2013			2011/2012		
	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
Programme 1: Administration	132,302	132,277	25	123,532	116,780	6,752
Programme 2: Housing Needs, Planning and Research	31,973	23,361	8,612	24,157	20,898	3,259
Programme 3: Housing Development	3,004,541	3,026,626	(22,085)	2,686,540	2,711,110	(24,570)
Programme 4: Housing Property Management	209,004	195,507	13,497	250,762	193,707	57,055
Total	3,377,820	3,377,771	49	3,084,991	3,042,495	42,496

6.3. Transfer payments, excluding public entities

As is reflected in the above table, the department under-spent it's 2012/13 Final Appropriation a marginal amount of R 49,000. However, at programme level expenditure reflects variances as explained below:

- Programme 1: Administration was under-spent by R 25,000, with 99.99 per cent of the Final Appropriation being spent at year-end. This under-expenditure emanates mainly from the over projection made in respect of licence fees for departmental vehicles which is paid through Department of Transport. Not all vehicles ordered were delivered during the year.
- Programme 2: Housing Needs, Research and Planning reflects an under-expenditure of R8,612 million due to delay in filling of budgeted vacant posts due to delay in the finalisation of the restructuring process. The delays in the procurement process for the purchase of the computer hardware as well as delays in the implementation of capacity building programmes e.g. Emerging Contractors training, implementation of cost cutting measures whereby training (Amakhosi Training) was facilitated internally instead of use of consultants as planned. Provision was made to pay for SITA services and not all invoices were received timeously.
- Programme 3: Housing Development which caters for the significant portion of the Human Settlements Development Grant (HSDG) reflects an over-expenditure of R22,085 million at year-end. The over-expenditure is as a result accelerating of service delivery in various instruments under this classification e.g. spending on the Vulindlela project, Umlazi Infill, Kwamathukusa, etc.

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- Programme 4: Housing Asset Management, Property Management was under-spent by R13,497 million, with 94 per cent of the Final Appropriation being spent at year-end. The under-expenditure is as a result of slow spending on the EEDBS programme due to the delay in the implementation of the rectification programme as the rectification of properties need to take place before transfer to beneficiaries can be effected. And also delays in the rectification of Austerville due to delay in the appointment of the service provider. The service provider initially appointed declined its appointment citing that it has under quoted, and this required engagement in a process to award another service provider to commence with the job.

The table below reflects the transfer payments made for the period 1 April 2012 to 31 March 2013

Table 39:

Name of transferee	Purpose for which the funds were used	Compliance with s 38 (1) (j) of the PFMA	Amount transferred (R'000)	Amount spent by the entity	Reasons for the funds unspent by the entity
Dept. of Transport	Licence fees	Yes	145	145	
Ethekwini Metro	Transfer of R293 staff	Yes	3,111	3,111	
Various Municipalities	Rates and taxes	Yes	19,003	19,003	
Ethekwini Metro	Maintenance of R293 and hostels	Yes	84,192	60,000	R4,192 million iro EEDBS, procurement of services and resources still at tender stage. R20 million iro Rectification of pre-1994 housing stock currently still on adjudication stage
ethekwini Metro Umhlatuze Municipality	CRU Programme	Yes	115,000	-	Delays in the SCM processes, the Municipality is still adjudicating tenders received.
Social Housing Regulatory Authority	Social Housing Subsidy	Yes	134,477	134,477	
Transfers to Households	HSDG and social benefits	Yes	2,688,893	2,688,893	
Total			3,044,821	2,905,629	

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The table below reflects the transfer payments which were budgeted for in the period 1 April 2012 to 31 March 2013, but no transfer payments were made.

Table 40:

Name of transferee	Purpose for which the funds were to be used	Amount budgeted for (R'000)	Amount transferred (R'000)	Reasons why funds were not transferred
National Housing Finance Cooperation	Finance Linked Subsidy Programme	1, 000	-	The process to approve the pilot projects was delayed no beneficiaries could be approved. However this allocation was moved to Transfers to Households due to expenditure pressures.

6.4. Public Entities

The Department does not have any public entities reporting to it.

6.5. Conditional grants and earmarked funds paid

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

Table 41:

Conditional Grant 1: Human Settlement Development Grant

Department who transferred the grant	National Department of Human Settlements
Purpose of the grant	To provide funding 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)	R2,915,297
Amount received (R'000)	R2,915,297
Reasons if amount as per DORA was not received (R'000)	n/a
Amount spent by the department (R'000)	R2,915,297
Reasons for the funds unspent by the entity	n/a
Monitoring mechanism by the receiving department	Weekly performance/expenditure review meetings Quarterly performance review meetings

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6.6. Conditional grants and earmarked funds received

Table 42:

Conditional Grant : Housing Disaster Relief Grant

Department who transferred the grant	National Department of Human Settlements
Purpose of the grant	To provide emergency relief in support of reconstruction work to housing and related infrastructure damaged by storms in KwaZulu-Natal.
Expected outputs of the grant	Emergency relief to household affected by disasters in the province.
Actual outputs achieved	See performance report
Amount per amended DORA (R'000)	R27,637 (Roll- over from 11/12 Financial year)
Amount received (R'000)	R27,637
Reasons if amount as per DORA was not received (R'000)	n/a
Amount spent by the department (R'000)	R27,637
Reasons for the funds unspent by the entity	n/a
Monitoring mechanism by the receiving department	Weekly performance/expenditure review meetings Quarterly performance review meetings

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6.7. Donor Funds

No donor funds were received during the year under review.

6.8. Capital investment, maintenance and asset management plan

Table 43:

Infrastructure projects	2012/2013			2011/2012		
	Final Appropriation R'000	Actual Expenditure R'000	Under Expenditure R'000	Final Appropriation R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
New and replacement assets	1,009	1,009	-	5,606	11,099	(5,493)
Existing infrastructure assets						
- Upgrades and additions						
- Rehabilitation, renovations and refurbishments	13,126	1,852	11,274	-	-	-
- Maintenance and repairs	26,361	28,361	-	26,033	48,816	(22,783)
Infrastructure transfer	175,000	175,000	-	60,000	60,000	-
- Current	60,000	60,000	-	60,000	60,000	-
- Capital	115,000	115,000	-			
Total	217,496	206,222	11,274	91,639	119,915	(28,276)

- The department spent its entire budget against *new infrastructure assets* at year- end and this is for the Social and Economic Amenities programme, projects within this programme are however not completed yet due to forensic audits and investigations which resulted in stoppages of work in all sites during the year. The programme is expected to take off and completed in the new financial year.
- *Rehabilitation, renovations and refurbishments* was significantly under-spent by R11,274 million due to the slow spending against the allocation for the rectification of pre-1994 housing stock owned by the department as a result of delays in the rectification of Austerville due to delay in the appointment of the service provider. The service provider initially appointed declined its appointment citing that it has under quoted, and this required engagement in a process to award another service provider to commence with the job.
- The department spent its entire budget against *Maintenance and repairs* at year-end and classification it's for the day to day maintenance of housing properties owned by the department.
- The department spent its entire budget against *Infrastructure transfers* which is made up of *Infrastructure transfer – current* for the transfer made to Ethekewini Municipality in respect of maintenance of R293 hostels and *Infrastructure transfer – capital* for the CRU programme, this transfer has been made to eThekewini Municipality amounting to R95 million and Umhlatuze Municipality amounting to R20 million.

PART C: GOVERNANCE

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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 ensured that 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 service 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

Risk Management is dynamic and it is challenging 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.

Enterprise risk management is the process that will enable management to identify, assess and manage risks in the face of uncertainty and it is therefore integral to value creation and preservation.

The Risk and Advisory Services Directorate had facilitated four (4) types of risk assessments via risk workshops over the past years for the department, which has been incorporated into a risk profile. The department is utilizing a Cura Risk Database which contained the original 52 risks, and these risks were consolidated via a streamlining exercise and reduce to 32 risks. 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.

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The risk register of the department was also reviewed in-line with the progress reports that were received with regard to the status of implementation of action plans for the all quarters and all the completed action plans were moved to become existing/current controls.

Further to the above, the review of the following documents was done in order to update the risk register: -Auditor-General's Management Reports, Assurance Reports, Forensic Investigation Reports, Strategic Plan documents and benchmark with other departments.

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

3. FRAUD AND CORRUPTION

In order to improve the environment on fighting fraud and corruption the Department has developed a Fraud Prevention Plan, including 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. This plan has been published in the departmental website as part of the implementation process. All internal and external stakeholders are encouraged to report all suspicion of fraud and corruption to the National Fraud Hotline. In reporting all suspicion of fraud and corruption, stakeholders are advised that they may make confidential disclosure about suspected fraud and corruption. A gift policy has also been adopted for use by the Department and has been implemented to further enhancement of our commitment to zero tolerance of fraud, corruption and maladministration of public funds. All cases reported to the department are recorded and investigated and reported to the Office of the Premier.

4. MINIMISING CONFLICT OF INTEREST

Maintaining transparency in the delivery of services, the department has ensured that all employees complete a financial disclosure form, to declare their financial interests. Declaration registers has been introduced 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.

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5. CODE OF CONDUCT

In order to maintain high values and ethical conduct in the business environment, the department has finalised a policy on the code of conduct and business ethics as part of the fraud prevention plan. 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 adopted and business units report on a quarterly basis on a standardised template 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 of Human Settlements cares about the health and wellbeing of its employees and recognizes that enhancing employee health and fitness will produce benefits for the employees and the organization. In this quest the department has finalised a Health, Safety, Environmental Risk and Quality Management Policy. The core function of the department is exposure to risks association with construction and employees are provided with safety gear based on their exposure to this environment.

7. INTERNAL CONTROL UNIT

Based on the annual internal audit plan, which was approved by the Cluster Risk and Audit Committee, significant progress was made on audit assignments aligned to this plan. 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.

Significant success was achieved on audit and investigation assignments over the reporting period; however some investigations are work in progress. The nature of investigation into some projects are complex, resulting in them taking longer than planned, also some complainant's are not always will to part with information at the beginning of an investigation

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8. REPORT OF THE AUDIT & RISK COMMITTEE ON

VOTE 8– HUMAN SETTLEMENTS

The KwaZulu-Natal Provincial Audit & Risk Committee is pleased to present its report for the financial year ended 31 March 2013.

Provincial Audit & Risk Committee Members and Attendance

The Provincial Audit and Risk Committee (the PARC) consists of the members listed hereunder. The PARC is split into three (3) Cluster Audit & Risk Committees (the CARC) which consists of members of the PARC; is responsible for the Governance & Administration, Social and Economic Clusters respectively and reporting into the PARC. The Chairman of the PARC is also the Chairman of the different CARCs and attends all CARC meetings. The CARC and the PARC are required to meet at least four times and two times respectively in a financial year. During the financial year ending 31 March 2013, a total of sixteen meetings (16) were held, namely, two (2) PARC meetings, twelve (12) CARC meetings, and two (2) special meetings. Members attended the meetings as reflected below:

Surname & Initial	PARC		CARC		Special		Total no. of Meetings	Total no. of Meetings Attended
	No. of Meetings Held	Attended	No. of Meetings Held	Attended	No. of Meetings Held	Attended		
Ms T Tsautse (Chairman)	2	2	12	12 [#]	2	2	16	16
Ms M Mothipe	2	2	4	4 [*]	2	2	8	8
Ms N Jaxa	2	2	4	4 [*]	2	2	8	8
Mr L Mangquku	2	2	4	4 [*]	2	2	8	8
Mr T Boltman	2	2	4	4 [*]	2	2	8	8
Mr F Docrat	2	2	4	4 [*]	2	2	8	8
Mr V Naicker	2	2	4	2 [*]	2	2	8	6

* - 4 Meetings per cluster were held

- Chairman attends all CARC meetings

Provincial Audit & Risk Committee Responsibility

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

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The Effectiveness of Internal Control

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

- Human Resource Management
- Asset Management
- Supply Chain Management
- Subsistence & Travel Allowances
- Information Technology General and Application Controls
- Capacity Building programmes

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

The Provincial Audit and Risk Committee, through the Internal Audit Function, was satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and the department during the year under review, except for under spending of the budget and he inadequate monitoring and reconciliations of transfers and subsidies by the department.

Audit of Performance Information

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

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

The Committee reviewed the Internal Audit and Auditor-General reports relating to Performance Information and noted the following material deficiencies:

- Lack of policies and procedures to address performance reporting requirements
- Lack of documentation to support achieved outputs.

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Internal Audit Function

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

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

Risk Management Function

Risk Management is a proactive discipline that is intended to provide reasonable assurance that the department will achieve its objectives.

During this financial year, the Committee reviewed risk reports of the department on a quarterly basis, with particular focus being on:

- Reviewing the Risk Maturity Gap Analysis Report as compiled and presented by the PIAS to determine if this department has key structures and policies to take over its risk management responsibilities.

The result of this analysis was discussed with the department's management, and the department was advised to build its internal risk management capacity through, among other things, the appointment of a Risk Manager at an appropriate level – i.e. the Risk Manager should be appointed at level 13 and should report directly to the HOD.

- Reviewing progress report on the implementation of risk mitigation plans. The department was urged to finalise the outstanding risk mitigation plans and to update its risk register with completed risk mitigations plans and emerging risks.

Other Governance Issues

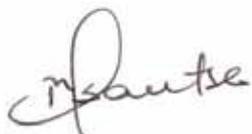
As part of its governance responsibilities, the Committee also monitors the fraud prevention strategies that have been developed and implemented by provincial departments, and these responsibilities include monitoring the implementation of recommendations arising from forensic investigations.

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

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Evaluation of Financial Statements

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



Chairperson: Provincial Audit & Risk Committee

Date: 31 July 2013

PART D: HUMAN RESOURCE MANAGEMENT

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Human Resource Management

1. LEGISLATION THAT GOVERNS HR MANAGEMENT

The information provided in this part is prescribed by the Public Service Regulations (Chapter 1, Part III J.3 and J.4).

2. INTRODUCTION

Overview of HR matters

The financial year 2012/13 brought both positive outcomes as well as challenges for the department. However, the sustainable interventions were developed and are currently being rolled out.

The key priorities of the department were: to fast track the recruitment of the skilled professional and technical staff required to enhance effective service delivery. Ensuring compliance with the Public Service Act and the Public Service Regulations. Additionally, enhancement of performance management systems across the department measuring performance and achievement of targets.

The component focused on the targeted training programmes of the internal personnel especially the technical staff to ensure that the requisite skills exist within the department. Project management training was conducted by the University of KwaZulu-Natal and an Artisan Development programme will see most of managers and staff in Project Management and Property Management fully trained.

There have been a number of developments that emerged which were the key focus areas of the department. Among these are the process of decentralization and bringing of services closer to the communities by establishing the Department's presence at a district level through the establishment of offices in each district and staffing with the critical components that will provide the first line response and support to the district family of municipalities. This will strengthen the department's ability to monitor and provide timely interventions to service delivery challenges.

Set HR priorities for the year under review and the impact of these priorities

The following are the set Human Resource priorities for the year under review:

- Employment and resourcing;
- Employee attrition;
- Placing and matching of excess/ supernumerary employees;
- Finalize restructuring process;
- Ensure achievement of employment equity targets;

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- Provide training to close gaps of skills shortage;
- Implement the reviewed performance management and development policy; and
- Effective implementation of Employee Wellness Pillars programme.

Workforce planning framework and keys strategies to attract and recruit a skilled and capable workforce

The component continues to ensure that the department balances the supply and demand of scarce skills. The department has also enrolled on the contractual basis the services of graduates who are the beneficiaries of the Department of Human Settlements Bursary Scheme.

Challenges

Ability to retain skilled personnel continues to be a challenge. However, the department has instituted measures in place to **attract and recruit a skilled workforce. These measures include:**

- Granting of bursaries to the youth to pursue disciplines within the construction sector and other related skills.
- Offering competitive market –related remuneration packages to attract experienced and skilled personnel.

Employee Performance Management Framework

The Reviewed Provincial Policy Framework on Employee Performance Management and Development was adopted for implementation with effect from 1 April 2012. The department achieved 100% compliance on the submission of Performance Agreements by SMS and 90% compliance by non-SMS.

Employee Wellness programmes

In terms of the Employee Health and Wellness Strategic Framework, the department has implemented three (3) pillars of Employee Health and Wellness programme.

Policy Development

The department adopted nine (9) Provincial Policy Frameworks for implementation and developed the following department policy frameworks:

- Policy framework on Departmental Service Excellence awards; and
- Policy framework on experiential/ in-service training.

The biggest achievement was the recruitment process for the critical skills that has seen the department improving its performance and managing the programmes in a more efficient manner. The department has also managed to achieve the target of 56% female women employees at SMS level.

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Challenges faced by the component

Among the challenges faced by the department is:

- Job evaluations;
- Stringent cost cutting measures;
- Finalization of the restructuring processes;
- Retention of scarce and critical skills;
- Attracting professionals and technical candidates;
- Achieving 2% targets on disability;
- Non-compliance with the strategy to reduce vacancy period and vacancy rate; and
- Finalization of long outstanding grievances.

Future Human Resource plans / goals

In order to address the above mentioned challenges the component plans to:

- Improve on the filling of critical funded vacant posts. The department also has to comply with the strategy to reduce the vacancy period and vacancy rate in the public service;
- Improve on the management of incapacity leave;
- Ensure the development and implementation of HRD strategies, plans and programs;
- Facilitate, co-ordinate and communicate service delivery improvement initiatives;
- Coordinate the implementation of Batho Pele Revitalization strategy;
- Ensure promotion of sound labour relations;
- The alignment and implementation of HR Adjusted plans in terms of job access strategy, Gender Equity Strategic Framework for the public service and other related public services prescripts;
- Finalization of the restructuring process in order to implement the organizational structure which supports the department in achieving its mandate;
- The department will be engaged on the business process management aligned to the service delivery planning framework and methodology; and
- Finalize the cleaning of PERSAL in terms of Persal clean up strategy.

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3. HUMAN RESOURCE OVERSIGHT STATISTICS

3.1. Personnel related expenditure

Table 3.1.1 Personnel expenditure by programme

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)
Programme 1: Administration	132,277	65,717	-	-	49.6	90
Programme 2: Housing Needs, Research and Planning	23,361	12,182	-	-	52.6	17
Programme 3: Housing Development	3,026,626	78,016	-	-	2.6	107
Programme 4: Housing Asset management, Property management.	195,507	52,357	-	-	33.8	72
TOTAL	3,377771	208,272	-	-	6.2	286

Table 3.1.2 Personnel costs by salary band

Salary band	Personnel Expenditure (R'000)	% of total personnel cost	Number of employees	Average personnel cost per employee (R'000)
Lower skilled (Levels 1-2)	4,318	2	38	113.682
Skilled (level 3-5)	16,177	7.5	125	129.416
Highly skilled production (levels 6-8)	78,868	36	279	282.681
Highly skilled supervision (levels 9-12)	54,994	25.5	127	433.024
Senior and Top management (levels 13-16)	15,752	7.3	18	875.111
Contract (Levels 1-2)	1,301	0.6	37	35.162
Contract (Levels 3-5)	1,451	0.7	12	120.917
Contract (Levels 6-8)	6,911	3.2	31	222.935
Contract (Levels 9-12)	19,639	9.1	53	370.547

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Salary band	Personnel Expenditure (R'000)	% of total personnel cost	Number of employees	Average personnel cost per employee (R'000)
Contract (Levels 13-16)	4,096	1.9	6	682.667
Periodical Remuneration	4,765	2.2	7	680.714
Abnormal Appointment	-	-	-	-
Total	208,272	96	733	284.136

Table 3.1.3 Salaries, Overtime, Home Owners Allowance and Medical Aid by programme

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
Programme 1	4,6424	72.3	458	0.7	1,952	3	3,464	5.4
Programme 2	9,513	74.5	-	-	369	2.9	444	3.5
Programme 3	41,402	69.6	28	-	1,183	2	2,314	3.9
Programme 4	56,834	72.5	446	0.6	2,346	3	2,947	3.8
TOTAL	154,173	71.6	932	0.4	5,850	2.7	9,169	4.3

Table 3.1.4 Salaries, Overtime, Home Owners Allowance and Medical Aid by salary band

Salary Bands	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)	4,230	96	2	0.2	346	7.8	347	7.9
Skilled (level 3-5)	12,317	75.1	110	0.7	1,143	7	1,421	8.7
Highly skilled production (levels 6-8)	60,968	104	742	0.9	2,664	3.4	5,075	6.4
Highly skilled supervision (levels 9-12)	60,197	102.7	76	0.1	983	1.7	1,972	3.6
Senior management	16,461	95.6	-	-	715	7.5	353	2.5

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Salary Bands	Salaries	Overtime	Home Owners Allowance	Medical Aid
(level 13-16)				
Total	154,173	83.5	930	0.5
			5,851	2.7
				9,168
				4.3

3.2. Employment and Vacancies

Table 3.2.1 Employment and vacancies by programme

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Programme 1	375	186	49.6	62
Programme 2	98	31	31.63	24
Programme 3	373	146	39.14	49
Programme 4	461	174	37.74	10
Total	1,307	537	41.09	145

Table 3.2.2 Employment and vacancies by salary band

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)	214	27	12.61	37
Skilled(3-5)	144	94	65.27	13
Highly skilled production (6-8)	589	272	46.17	35
Highly skilled supervision (9-12)	327	126	38.53	56
Senior management (13-16)	33	18	54.55	4
Total	1,307	537	41.09	145

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Table 3.2.3 Employment and vacancies by critical occupations

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Administrative related, permanent	118	110	6.8	37
All Artisans in the building metal machinery etc. permanent	30	29	3.3	-
Architects town and traffic planners, permanent	5	5	-	4
Artisan project and related superintendents, permanent	4	4	-	-
Attorneys, permanent	1	1	-	-
Auxiliary and related workers	4	4	-	-
Bus and heavy vehicle drivers, permanent	3	3	-	-
Cartographic surveying and related technicians, permanent	2	2	-	1
Civil engineering technicians, permanent	5	5	-	5
Cleaners in offices workshops hospitals	78	68	12.8	-
Client inform clerks(switch receipt inform clerks), permanent	4	3	-	-
Communication and information related, permanent	4	3	25	2
Community development workers, permanent	4	4	-	4
Computer system designs and analysis, permanent	1	1	-	-
Engineers and related professionals,	11	10	9.1	5

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Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
permanent				
finance and economics related, permanent	7	7	-	-
Financial and related professionals, permanent	5	5	-	-
Financial clerks and credit controllers, permanent	45	43	4.4	-
General legal administration and rel, professionals, permanent	3	3	-	-
Head of department/chief executive officer, permanent	1	-	100	-
Human resource& organisational development &related prof, permanent	12	12	-	-
Human resource clerks, permanent	35	35	-	15
Human resource related, permanent	3	3	-	-
Information technology related, permanent	7	6	14.3	4
Inspectors of apprentices works and vehicles, permanent	48	47	2.1	6
Legal related, permanent	1	1	-	-
Library mail and related clerks, permanent	13	12	7.7	-
Light vehicle drivers, permanent	9	7	22.2	-
Logistical support personnel, permanent	1	1	-	-

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Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Material-recording and transport clerks, permanent	5	5	-	-
Messengers porters and deliveries, permanent	5	5	-	1
Other administrative & related clerks and organisers, permanent	105	105	-	26
Other administrative policy and related officers, permanent	104	102	1.9	-
Other information technology personnel, permanent	1	1	-	-
Quantity surveyors & related prof not class elsewhere, permanent	4	4	-	2
Risk management and security services, permanent	1	-	100	-
Secretaries & other keyboard operating clerks, permanent	18	18	-	1
Security guards, permanent	10	8	20	-
Security officers, permanent	1	1	-	-
Senior managers, permanent	15	14	6.7	1
Trade labourers, permanent	38	36	7.9	-
TOTAL	771	733	4.92	114

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3.3. Job Evaluation

Table 3.3.1 Job Evaluation by Salary band

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)	134	134	100	-	-	-	-
Skilled (Levels 3-5)	223	119	53.4	72 post	60.5	-	-
Highly skilled production (Levels 6-8)	579	7	-	-	-	-	-
Highly skilled supervision (Levels 9-12)	332	-	-	-	-	-	-
Senior Management Service Band A	29	2	6.9%	-	-	-	-
Senior Management Service Band B	6	-	-	-	-	-	-
Senior Management Service Band C	3	-	-	-	-	-	-
Senior Management Service Band D	1	-	-	-	-	-	-
Contract (Levels 1-2)	-	-	-	-	-	-	-
Contract (Levels 3-5)	-	-	-	-	-	-	-
Contract (Levels 6-8)	-	-	-	-	-	-	-
Contract (Levels 9-12)	-	-	-	-	-	-	-
Contract (Band A)	-	-	-	-	-	-	-
Contract (Band B)	-	-	-	-	-	-	-
Contract (Band C)	-	-	-	-	-	-	-
Contract (Band D)	-	-	-	-	-	-	-
Total	1,307	262	20.0	72	27.5	-	-

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Table 3.3.2 Profile of employees whose positions were upgraded due to their posts being upgraded

Beneficiary	African	Asian	Coloured	White	Total
Female	7	-	-	-	7
Male	6	2	2	-	10
Total	13	2	2	-	17
Employees with a disability					

Table 3.3.3 Employees with salary levels higher than those determined by job evaluation by occupation

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
Percentage of total employed				

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

Table 3.3.4 Profile of employees who have salary levels higher than those determined by job evaluation

Beneficiary	African	Asian	Coloured	White	Total
Female	-	-	-	-	-
Male	-	-	-	-	-
Total	-	-	-	-	-
Employees with a disability	-	-	-	-	-

Total Number of Employees whose remuneration exceeded the grade determined by job evaluation in 2012/13	-
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3.4. Employment Changes

Table 3.4.1 Annual turnover rates by salary band

Salary Band	Number of employees at beginning of period-April 2012	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Lower skilled (Levels 1-2)	43	-	1	2.3
Skilled (Levels3-5)	129	1	4	3.1
Highly skilled production (Levels 6-8)	293	1	11	3.8
Highly skilled supervision (Levels 9-12)	119	6	3	2.5
Senior Management Service Bands A	13	-	2	15.4
Senior Management Service Bands B	1	-	-	-
Senior Management Service Bands C	2	-	-	-
Senior Management Service Bands D	1	-	1	100
Contracts	53	90	23	43.4
Total	654	98	45	9

Table 3.4.2 Annual turnover rates by critical occupation

Critical Occupation	Number of employees at beginning of period-April 2012	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Administrative related, permanent	68	45	9	13.2
All artisans in the building metal machinery etc., permanent	31	-	2	6.5
Architects town and traffic planners, permanent	-	5	-	-
Artisan project and related superintendents, permanent	4	-	-	-
Attorneys, permanent	1	-	-	-
Auxiliary and related workers	4	-	-	-
Bus and heavy vehicle drivers, permanent	3	-	-	-

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Critical Occupation	Number of employees at beginning of period-April 2012	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Cartographic surveying and related technicians, permanent	1	1	-	-
Civil engineering technicians, permanent	-	4	-	-
Cleaners in offices workshops hospitals	64	-	-	-
Client inform clerks(switch receipt inform clerks), permanent	4	-	-	-
Communication and information related, permanent	1	2	1	100
Community development workers, permanent	-	4	-	-
Computer system designs and analysis, permanent	1	-	-	-
Engineers and related professionals, permanent	8	2	-	-
finance and economics related, permanent	7	-	-	-
Financial and related professionals, permanent	6	-	-	-
Financial clerks and credit controllers, permanent	44	-	4	9.1
General legal administration and rel, professionals, permanent	2	-	-	-
Head of department/chief executive officer, permanent	1	-	1	100
Human resource& organisational development &related prof, permanent	12	-	-	-
Human resource clerks, permanent	34	-	2	5.9
Human resource related, permanent	1	1	-	-
Information technology related, permanent	1	6	-	-
Inspectors of apprentices works and vehicles, permanent	44	7	4	9.1
Library mail and related clerks, permanent	12	-	1	8.3

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Critical Occupation	Number of employees at beginning of period-April 2012	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Light vehicle drivers, permanent	7	-	1	14.3
Logistical support personnel, permanent	1	-	-	-
Material-recording and transport clerks, permanent	6	-	1	16.7
Messengers porters and deliveries, permanent	4	1	-	-
Other administrative & related clerks and organisers, permanent	89	18	8	9
Other administrative policy and related officers, permanent	107	-	6	5.6
Other information technology personnel, permanent	1	-	-	-
Quantity surveyors & related prof not class elsewhere, permanent	2	1	-	-
Secretaries & other keyboard operating clerks, permanent	17	1	-	-
Security guards, permanent	14	-	1	7.1
Security officers, permanent	1	-	-	-
Senior managers, permanent	13	-	2	15.4
Trade labourers, permanent	38	-	2	5.3
TOTAL	654	98	45	6.9

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Table 3.4.3 Reasons why staff left the department

Termination Type	Number	% of Total Resignations
Death	3	6.7
Resignation	18	40
Expiry of contract	14	31.1
Dismissal – operational changes	-	-
Dismissal – misconduct	2	4.4
Dismissal – inefficiency	-	-
Discharged due to ill-health	1	2.2
Retirement	7	15.6
Transfer to other Public Service Departments	3	6.7
Other	-	-
Total	48	106.7
Total number of employees who left as a % of total employment	-	-

Table 3.4.4 Promotions by critical occupation

Occupation	Employees 1 April 2012	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	68	6	8.8	52	76.5
All artisans in the building metal machinery etc., permanent	31	-	-	21	67.7
Artisan project and related superintendents, permanent	4	-	-	4	100
Attorneys, permanent	1	-	-	2	200
Auxiliary and related workers	4	-	-	3	75
Bus and heavy vehicle drivers, permanent	3	-	-	2	66.7

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Occupation	Employees 1 April 2012	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
Cartographic surveying and related technicians, permanent	1	-	-	-	-
Cleaners in offices workshops hospitals	64	-	-	20	31.3
Client inform clerks(switch receipt inform clerks), permanent	4	-	-	4	100
Communication and information related, permanent	1	-	-	-	-
Computer system designs and analysis, permanent	1	-	-	1	100
Engineers and related professionals, permanent	8	-	-	-	-
finance and economics related, permanent	7	1	14.3	5	71.4
Financial and related professionals, permanent	6	-	-	2	33.3
Financial clerks and credit controllers, permanent	44	1	2.3	35	79.5
General legal administration and rel, professionals, permanent	2	-	-	-	-
Head of department/chief executive officer, permanent	1	-	-	-	-
Human resource& organisational development &related prof, permanent	12	1	8.3	10	83.3
Human resource	34	-	-	18	52.9

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Occupation	Employees 1 April 2012	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
clerks, permanent					
Human resource related, permanent	1	1	100	-	-
Information technology related, permanent	1	-	-	1	100
Inspectors of apprentices works and vehicles, permanent	44	1	2.3	12	27.3
Library mail and related clerks, permanent	12	-	-	11	91.7
Light vehicle drivers, permanent	7	1	14.3	5	71.4
Logistical support personnel, permanent	1	-	-	1	100
Material-recording and transport clerks, permanent	6	-	-	5	83.3
Messengers porters and deliveries, permanent	4	-	-	4	100
Other administrative & related clerks and organisers, permanent	89	1	1.1	71	79.8
Other administrative policy and related officers, permanent	107	1	0.9	84	78.5
Other information technology personnel, permanent	1	-	-	-	-
Quantity surveyors & related prof not class elsewhere, permanent	2	-	-	-	-
Secretaries & other keyboard operating	17	1	5.9	9	52.9

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Occupation	Employees 1 April 2012	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
clerks, permanent					
Security guards, permanent	14	-	-	4	28.6
Security officers, permanent	1	-	-	-	-
Senior managers, permanent	13	1	7.7	16	123.1
Trade labourers, permanent	38	-	-	19	50
TOTAL	654	16	2.4	421	64.4

Table 3.4.5 Promotions by salary band

Salary Band	Employees 1 April 2012	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)	43	-	-	3	7
Skilled (Levels3-5)	135	1	0.7	86	63.7
Highly skilled production (Levels 6-8)	311	1	0.3	214	68.8
Highly skilled supervision (Levels 9-12)	146	10	5.5	89	61
Senior Management (Level 13-16)	19	4	15.8	29	115.8
Total	654	16	2.4	421	64.4

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3.5. Employment Equity

Table 3.5.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2013

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	6	1	1	1	3	-	1	1	14
Professionals	24	-	8	-	28	1	4	1	66
Technicians and associate professionals	70	6	25	7	94	3	14	9	228
Clerks	56	7	16	2	117	6	11	7	222
Service and sales workers	9	-	-	-	-	-	-	-	9
Skilled agriculture and fishery workers	-	-	-	-	-	-	-	-	-
Craft and related trades workers	55	4	13	4	4	-	-	-	80
Plant and machine operators and assemblers	9	1	-	-	-	-	-	-	10
Elementary occupations	69	11	6	-	17	-	1	-	104
Total	298	30	69	14	263	10	31	18	733
Employees with disabilities	6	1	-	-	1	-	-	2	10

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Table 3.5.2 Total number of employees (including employees with disabilities) in each of the following occupational bands on 31 March 2013

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management(L15-L16)	1	-	-	-	-	-	1	-	2
Senior Management(L13-L14)	6	1	2	1	8	1	2	1	16
Professionally qualified and experienced specialists and mid-management	75	5	19	5	58	1	13	4	127
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	100	9	38	8	128	8	14	12	286
Semi-skilled and discretionary decision making	80	9	9	-	39	-	-	-	125
Unskilled and defined decision making	36	6	1	-	30	-	2	-	75
Total	298	30	69	14	263	10	32	17	733

Table 3.5.3 Recruitment

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	18	-	2	-	14	-	-	1	35

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mid-management									
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	6	-	-	-	7	-	-	-	13
Semi-skilled and discretionary decision making	1	-	-	-	4	--	-	-	5
Unskilled and defined decision making	13	-	1	-	27	-	2	1	44
Total	39	-	3	-	52	-	2	2	98
Employees with disabilities	-	-	-	-	-	-	-	-	-

Table 3.5.4 Promotions

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management									
Senior Management	7	1	-	2	10	2	2	2	26
Professionally qualified and experienced specialists and mid-management	31	2	14	5	33	1	10	3	99
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	76	7	20	4	79	7	13	11	217
Semi-skilled and discretionary decision making	54	8	5	-	28	-	-	-	95
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	168	18	39	11	150	10	25	16	437
Employees with disabilities	-	-	-	-	-	-	-	-	-

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Table 3.5.5 Terminations

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	-	-	-	-	1	-	-	-	1
Senior Management	1	-	-	-	1	-	-	-	2
Professionally qualified and experienced specialists and mid-management	4	-	1	-	1	-	-	1	7
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	12	-	1	-	4	-	1	1	19
Semi-skilled and discretionary decision making	2	-	1	-	6	-	-	-	9
Unskilled and defined decision making	4	-	-	-	3	-	-	-	7
Total	23	-	3	-	16	-	1	2	45
Employees with Disabilities	-	-	-	-	-	-	-	-	-

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Table 3.5.6 Disciplinary action

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Insolvency behaviour	5	-	-	-	-	-	--	-	5
Under influence of alcohol	6	-	-	-	-	-	-	--	6
Absenteeism	2	-	-	-	-	1	-	-	3
Assault	1	-	-	-	-	-	-	-	1
Negligence	1	-	-	-	-	-	-	-	1
Damages to state owned vehicles	1	-	-	-	-	-	-	-	1
Abuse to a state owned vehicle	1	-	-	-	-	-	-	-	1
Derogatory remarks	-	-	1	-	-	-	-	-	1
TOTAL	17	-	1	-	-	1	-	-	19

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Table 3.5.7 Skills development

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	1	1	-	1	-	-	-	-	3
Professionals	24	-	10	1	30	-	3	-	68
Technicians and associate professionals	4	-	-	-	3	-	-	1	8
Clerks	11	1	2	2	40	2	7	2	67
Service and sales workers	-	-	-	-	-	-	-	-	-
Skilled agriculture and fishery workers	-	-	-	-	-	-	-	-	-
Craft and related trades workers	2	-	-	-	-	-	-	-	2
Plant and machine operators and assemblers	2	-	-	-	-	-	-	-	2
Elementary occupations	10	2	1	-	4	-	-	-	17
Total	54	4	13	4	77	2	10	3	167
Employees with disabilities	-	-	-	-	-	-	-	-	-

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3.6. Performance Rewards

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability), salary bands and critical occupations.

Table 3.6.1 Performance Rewards by race, gender and disability

Race and Gender	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee
African, Male	93	296	31.8	907	9.751
Asian, Male	46	69	66.7	661	14.372
Coloured Male	16	29	55.2	148	9.243
White Male	4	14	28.6	38	9.482
African Female	116	258	45	1,263	10.885
Asian Female	23	31	74.2	412	17.927
Coloured Female	5	10	50	54	10.753
White Female	11	16	68.8	158	14376
Employees with disabilities	7	10	70	48	6.801
TOTAL	321	733	44	3,689	11.490

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Table 3.6.2 Performance Rewards by salary band for personnel below Senior Management Service.

Salary Band	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
Lower Skilled (Levels 1-2)	5	75	6.7	31	6.000	6.7
Skilled (level 3-5)	56	137	40.9	235	4.196	40.9
Highly skilled production (level 6-8)	177	313	56.5	1,958	11.062	56.6
Highly skilled supervision (level 9-12)	83	180	46.1	1,465	17.650	46.1
Total	321	705		3,689	9.727	45.5

Table 3.6.3 Performance Rewards by critical occupation

Critical Occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Administrative related, permanent	46	110	41.8	924	20.087
All artisans in the building metal machinery etc., permanent	9	29	31	84	9.333
Architects town and traffic planners	-	5	-	-	-
Artisan project and related superintendents, permanent	1	4	25	14	14.000
Attorneys, permanent	-	1	-	-	-
Auxiliary and related workers	1	4	25	4	4.000
Bus and heavy vehicle drivers, permanent	3	3	100	22	7.333

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Critical Occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Cartographic surveying and related technicians, permanent	-	2	-	-	-
Civil engineering technician	-	5	-	-	-
Cleaners in offices workshops hospitals	17	64	26.6	69	4.059
Client inform clerks(switch receipt inform clerks), permanent	3	4	75	10	3.333
Communication and information related, permanent	1	3	33.3	6	6.000
Community development workers	-	4	-	-	-
Computer system designs and analysis, permanent	1	1	100	7	7.000
Engineers and related professionals, permanent	-	10	-	-	-
finance and economics related, permanent	5	7	71.4	99	19.800
Financial and related professionals, permanent	3	5	60	28	9.333
Financial clerks and credit controllers, permanent	39	43	90.7	470	12.051
General legal administration and rel, professionals, permanent	1	3	33.3	6	6.000
Human resource& organisational development &related prof, permanent	7	12	58.3	140	20.000
Human resource clerks, permanent	15	35	42.9	145	9.667

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Critical Occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Human resource related, permanent	1	3	33.3	15	15.000
Information technology related, permanent	-	6	-	-	-
Inspectors of apprentices works and vehicles, permanent	14	47	29.8	149	10.643
Legal related	-	1	-	-	-
Library mail and related clerks, permanent	10	12	83.3	48	4.800
Light vehicle drivers, permanent	4	7	57.1	20	5.000
Logistical support personnel, permanent	-	1	-	-	-
Material-recording and transport clerks, permanent	5	5	100	38	7.600
Messengers porters and deliveries, permanent	4	5	80	15	3.750
Other administrative & related clerks and organisers, permanent	61	105	58.1	571	9.361
Other administrative policy and related officers, permanent	57	102	55.9	709	12.439
Other information technology personnel, permanent	1	1	100	5	5.000
Quantity surveyors & related prof not class elsewhere, permanent	-	4	-	-	-
Secretaries & other keyboard operating clerks, permanent	6	18	33.3	75	12.500
Security guards, permanent	1	8	12.5	2	2.000
Security officers, permanent	-	1	-	-	-

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Critical Occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Senior managers, permanent	-	14	-	-	-
Trade labourers, permanent	5	39	14.3	14	2.800
Total	321	733	44	3,689	11.492

Notes

The CORE classification, as prescribed by the DPSA, should be used for completion of this table.

Table 3.6.4 Performance related rewards (cash bonus), by salary band for Senior Management Service

Salary Band	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
Band A	-	-	-	-	-	-
Band B	-	-	-	-	-	-
Band C	-	-	-	-	-	-
Band D	-	-	-	-	-	-
Total	-	-	-	-	-	-

3.7. Foreign Workers

Table 3.7.1 Foreign workers by salary band

Salary Band	01 April 2012		31 March 2013		Change	
	Number	% of total	Number	% of total	Number	% Change
Lower skilled	-	-	-	-	-	-
Highly skilled production (Lev. 6-8)	-	-	-	-	-	-
Highly skilled supervision (Lev. 9-12)	-	-	-	-	-	-

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Salary Band	01 April 2012		31 March 2013		Change	
	Number	% of total	Number	% of total	Number	% Change
Contract (level 9-12)	-	-	-	-	-	-
Contract (level 13-16)	-	-	-	-	-	-
Total	-	-	-	-	-	-

Table 3.7.2 Foreign workers by major occupation

Major Occupation	01 April 2012		31 March 2013		Change	
	Number	% of total	Number	% of total	Number	% Change
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
Total	-	-	-	-	-	-

3.8. Leave utilisation

Table 3.8.1 Sick leave

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)	134	51.5	30	6.9	4	30
Skilled (levels 3-5)	662	79.3	70	16.1	9	211
Highly skilled production (levels 6-8)	1,786	78.2	208	47.8	9	1,188
Highly skilled supervision (levels 9 -12)	659	70	111	25.5	6	846
Top and Senior management (levels 13-16)	107	59.8	16	3.7	7	318
Total	3,348	80.8	435	100	8	2,593

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Table 3.8.2 Disability leave (temporary and permanent)

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)	-	-	-	-	-	-
Skilled (Levels 3-5)	82	100	7	20	12	26
Highly skilled production (Levels 6-8)	272	100	24	68.6	11	194
Highly skilled supervision (Levels 9-12)	54	100	4	11.4	21	70
Senior management (Levels 13-16)	-	-	-	-	-	-
Total	408		35	100	12	290

Table 3.8.3 Annual Leave

Salary Band	Total days taken	Number of Employees using annual leave	Average per employee
Lower skilled (Levels 1-2)	800.25	22	73
Skilled Levels 3-5)	2521	33	132
Highly skilled production (Levels 6-8)	7,164.21	36	323
Highly skilled supervision (Levels 9-12)	3,040.00	31	176
Senior management (Levels 13-16)	428	30	29
Total	13,953	19	733

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Table 3.8.4 Capped leave

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 at 31 March
Lower skilled (Levels 1-2)	24	5	5	73
Skilled Levels 3-5)	23	7	3	74
Highly skilled production (Levels 6-8)	191	13	15	88
Highly skilled supervision(Levels 9-12)	2	2	1	90
Senior management (Levels 13-16)	-	-	-	-
Total	240	27	9	84

The following table summarise payments made to employees as a result of leave that was not taken.

Table 3.8.5 Leave pay-outs

Reason	Total Amount (R'000)	Number of Employees	Average per employee (R'000)
Leave pay-out for 2011/12 due to non-utilisation of leave for the previous cycle	-	-	-
Capped leave pay-outs on termination of service for 2012/13	414	52	7.962
Current leave pay-out on termination of service for 2012/13	-	15	-
Total	414	67	6.179

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3.9. HIV/AIDS & Health Promotion Programmes

Table 3.9.1 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 3.9.2 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		The Acting Senior Manager: HRM Mr W J. Ziqubu is responsible for the management of HIV/AIDS programme
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		Employee Health and Wellness Programme (EWP) is a dedicated unit. Mr VB Mdletshe, Assistant Manager: EWP, Mrs P Z Mlaba, Administrative Assistant. The EWP budget is in the HRM Directorate.
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		EWP was officially launched on the 4 July 2003, EWP sub programme: Alcohol and drug abuse, visits to ill employees, HIV/AIDS programme and Counselling, rehabilitation, supervisor and Management training in the identification and referral of non-coping employee, Health promotion (TB, STI's, cancer), family and marital counselling, financial life Skills, Domestic violence, work Retrenchment counselling, dealing with strife, parental skills, women, Disability and AIDS Day Programs.
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	The Department does not have an established HIV/AIDS committee
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		Approved Departmental Recruitment and selection Policy, was last reviewed in 2009, Employment Equity Policy, last reviewed in 2012. It prohibits unfair discrimination and promotes non-discrimination on the basis of HIV/AIDS
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list	X		HIV/AIDS Awareness campaigns; EWP confidentiality (separated computerized database) separate filing systems to the EWP records. Monthly supply of immune Boosters packs.

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Question	Yes	No	Details, if yes
the key elements of these measures.			
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	X		<ul style="list-style-type: none"> ▪ Every employee is encouraged to go for testing when there is worksite Quarterly Health Screening. Number of people getting tested on our Quarterly Health Screening sessions is increasing, GEMS provider with screening results, professional nurses conduct the VCT and refer individuals to EWP; Worksite Support Groups have been established to assist HIV positive employees with care and support
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		EWP has introduced evaluation forms which employees are required to complete after each Health promotion / information session during the Health assessment on all employees, GEMS provide us.

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3.10. Labour Relations

Table 3.10.1 Collective agreements

Subject Matter	Date
Nil	

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

Table 3.10.2 Misconduct and disciplinary hearings finalised

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	2	9
Verbal warning	1	5
Written warning	1	5
Final written warning	4	19
Suspended without pay	1	5
Fine	-	-
Demotion	-	-
Dismissal	4	19
Not guilty	-	-
Case withdrawn	8	38
Total	21	100

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Table 3.10.3 Types of misconduct addressed at disciplinary hearings

Type of misconduct (based on annexure A)	Number	% of total
Absent from work without reason	2	17
Disrespect /abusive or insolent behaviour	5	42
Possesses or wrongfully uses property of state	1	8.20
Assault	1	8.20
Negligence driving	1	8.20
Damages to state vehicle	1	8.20
Under influence of alcohol at work	1	8.20
Total	12	100

Table 3.10.4 Grievances logged

	Number	% of Total
Number of grievances resolved	6	19
Number of grievances not resolved	25	81
Total number of grievances lodged	31	100

Table 3.10.5 Disputes logged

	Number	% of Total
Number of disputes upheld	8	67
Number of disputes dismissed	4	33
Total number of disputes lodged	12	100

Table 3.10.6 Strike actions

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

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Table 3.10.7 Precautionary suspensions

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

3.11. Skills development

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

Table 3.11.1 Training needs identified

Occupational Category	Gender	Number of employees as at 1 April 2012	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	6	-		-	-
	Male	9	-	<ul style="list-style-type: none"> • Change Management • People Management and empowerment • Strategic capability and Leadership • Project Management 	-	-
Professionals	Female	22	-		-	-
	Male	22	-	<ul style="list-style-type: none"> • Change Management • Embracing Diversity • Financial Management • Conflict Resolution • Information Management • Risk Management • Project Management 	-	-

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Occupational Category	Gender	Number of employees as at 1 April 2012	Training needs identified at start of the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Technicians and associate professionals	Female	99	-	<ul style="list-style-type: none"> • Risk Management • Ms Project Management • Embracing Diversity • Financial management • Information Management • SHEQ 	-	-
	Male	102	-		-	-
Clerks	Female	140	-	<ul style="list-style-type: none"> • Change Management • Embracing Diversity • Financial Management • Facilitating Course • Conflict Resolution • Information Management • Supply Chain Management • Project Management 	-	-
	Male	86	-		-	-
Service and sales workers	Female	-	-		-	-
	Male	15	-		-	-
Skilled agriculture and fishery workers	Female	-	-		-	-
	Male	-	-		-	-
Craft and related trades workers	Female	4	-		-	-
	Male	81	-		-	-
Plant and machine operators and assemblers	Female	-	-		-	-
	Male	9	-		-	-
Elementary occupations	Female	21	-	<ul style="list-style-type: none"> • Recognition Prior Learning (RPL) for Artisan 	-	-

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Occupational Category	Gender	Number of employees as at 1 April 2012	Training needs identified at start of the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
	Male	85			-	-
Sub Total	Female	264	-		-	-
	Male	378	-		-	-
Total		642	-		-	-

Table 3.11.2 Training provided for the period

Occupational Category	Gender	Number of employees as at 1 April 2012	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	6	-	<ul style="list-style-type: none"> • Retirement Planning • Housing Subsidy Systems/ HSS online overview Training 	-	-
	Male	9	-		-	3
Professionals	Female	22	-	<ul style="list-style-type: none"> • Organisational design phase I&II • Problem Solving and decision making • Women in management • Housing Subsidy Systems/ HSS Online Overview Training • KHAEDU Action Learning Programme • Customer Care • Retirement planning 	-	33
	Male	22	-		-	35
Technicians and associate professionals	Female	99	-	<ul style="list-style-type: none"> • KHAEDU Action Learning Programme • Retirement Planning 	-	4
	Male	82	-		-	4
Clerks	Female	140	-	<ul style="list-style-type: none"> • Problem solving and Decision Making • Woman in management • Housing Subsidy/ HSS online overview Training • KHAEDU Action Learning Programme 	-	51
	Male	66	-		-	16

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Occupational Category	Gender	Number of employees as at 1 April 2012	Training provided within the reporting period			Total
			Learnerships	Skills Programmes & other short courses	Other forms of training	
				<ul style="list-style-type: none"> • Customer Care • Retirement Planning • Persal • Bursary 		
Service and sales workers	Female	-	-	<ul style="list-style-type: none"> • Retirement Planning 	-	-
	Male	15	-		-	2
Skilled agriculture and fishery workers	Female	-	-		-	-
	Male	-	-	<ul style="list-style-type: none"> • Retirement Planning 	-	-
Craft and related trades workers	Female	4	-		-	-
	Male	81	-		-	2
Plant and machine operators and assemblers	Female	-	-	<ul style="list-style-type: none"> • Retirement Planning 	-	-
	Male	9	-		-	2
Elementary occupations	Female	21	-	<ul style="list-style-type: none"> • Retirement planning 	-	4
	Male	66	-		-	11
Sub Total	Female	292	-		-	92
	Male	350	-		-	75
Total		642	-			167

3.12. Injury on duty

The following tables provide basic information on injury on duty.

Table 3.12.1 Injury on duty

Nature of injury on duty	Number	% of total
Required basic medical attention only	5	0.67
Temporary Total Disablement	-	-

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Nature of injury on duty	Number	% of total
Permanent Disablement	-	-
Fatal	-	-
Total	5	0.67

3.13. Utilisation of Consultants

The department did not make use of consultants during the 2012/13 financial year

Table 3.13.1 Report on consultant appointments using appropriated funds

Project Title	Total Number of consultants that worked on project	Duration Work days	Contract value in Rand
-	-	-	-
-	-	-	-

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

Table 3.13.2 Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs)

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

Table 3.13.3 Report on consultant appointments using Donor funds

Project Title	Total Number of consultants that worked on project	Duration Work days	Donor and Contract value in Rand
-	-	-	-
-	-	-	-

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Table 3.13.4 Analysis of consultant appointments using Donor funds, in terms of Historically Disadvantaged Individuals (HDIs)

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

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PART E: FINANCIAL INFORMATION

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**REPORT OF THE ACCOUNTING OFFICER
VOTE 8: HUMAN SETTLEMENTS**

1. REPORT OF THE ACCOUNTING OFFICER

Report by the Accounting Officer to the Executive Authority and Parliament/Provincial Legislature of the Republic of South Africa.

1.1 General review of the state of financial affairs

The entire grant was spent in 2012/13 and 6,063 sites were serviced leaving a variance of 2,820 sites. The under-performance in terms of the servicing of sites is mainly attributed to the delays from the municipalities in the installation of bulk infrastructure. Also, 25,940 units were constructed leaving the variance 1,950. In addition to the 25,940 units completed, there are 5,008 units at different stages of construction which accounts for the variance in terms of units delivered by the province. This outlook creates a comfortable platform within which the province can launch an assertive drive not only to achieve but significantly surpass the MTEF target of 120,000 housing units by the year 2015/16.

In line with the Outcome 8 target of upgrading informal settlements, the KZN Informal Upgrade Strategy is being rolled out in those municipalities that are affected by such settlements. This programme is being undertaken in conjunction with the national support programme. Interaction with municipalities will continue through the process of “district and family” of municipalities engagement whereby technical assistance will be provided for the reviewing of their Integrated Development Plans (IDP) and Housing Sector Plans (HSP). These plans are seen as vital to the successful forward planning for sustainable human settlements as well as providing more certainty on the allocation or reservation of subsidies throughout the province.

As part of building institutional capacity of the municipalities, the department has placed tremendous focus on the accreditation programme as envisaged in the new comprehensive plan “Breaking New Ground” for housing delivery. Accreditation seeks to achieve two fundamental objectives namely, co-ordinated development and accelerated delivery. The accreditation of municipalities ultimately implies that by locating the decision making authority where implementation of housing programmes are being undertaken, i.e. at a local level, municipalities can co-ordinate essential decisions relating to broader sustainability of human settlements. Of significant importance to this approach are the principles relating to inter-governmental relations as well as integrated planning. In addition, the advantages relating to creating certainty on funding allocations and devolving of delivery decision making to local municipalities is anticipated to accelerate housing delivery.

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The Municipal Support and Consumer Education have thus identified the following municipalities on the basis of their status as “Aspiring Metros”:

- Msunduzi;
- eMnambithi;
- Newcastle;
- Mhlathuze;
- KwaDukuza; and
- Hibiscus Coast.

These six municipalities were identified in terms of the Provincial Spatial Economic Development Strategy (PSEDS) as they fell within the jurisdiction of the areas identified for economic development. They were further targeted to promote social housing (rental) opportunities. The Province also considered its Informal Settlement Upgrade Strategy wherein these municipalities fell within the seventeen (17) municipalities prioritized for informal settlement upgrade interventions.

These priority municipalities have undergone capacitation of Human Settlements functions to administer National and Provincial programmes. In October 2011 these municipalities were assessed by an independent panel to undertake Human Settlements functions.

The outcomes of the assessment were as follows:

- Newcastle level 2;
- eMnambithi Level 2;
- Mhlathuze Level 2;
- KwaDukuza level 2;
- Msunduzi Level 1; and
- Hibiscus Coast level 1.

On the 10th August 2012 they were officially awarded with the Compliance Certificates. The department is now at a stage of entering into agreements (Implementation Protocol) with these municipalities.

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It is therefore envisaged that by capacitating and accrediting these municipalities, the full potential of creating sustainable human settlements and their contributions to eradicating the backlogs will be realized. It is further envisaged that by finalising the process of accrediting these municipalities, this Sub-Programme will promote the achievement of the objectives of Outcome 8 in line with the Negotiated Service Delivery Agreement.

The Department appointed Planning Officers on a 5 year contract and deployed them to the various district municipal areas to assist the respective “family” of municipalities with planning related activities associated with human settlement development. These appointments are part of the department’s decentralised approach to assisting municipalities with the roll out of integrated and sustainable human settlement development aligned to the PSEDS and PGDP. The deployment has fostered greater working relations with municipalities and the availability of technical assistance has seen projects being packaged a lot faster for implementation. In addition, the relationship between the local and district municipalities has begun to gel and greater co-operation is the result. A level of trust is being created that can only bode well for integrated and supportive development. Funding is derived through OPSCAP under the conditional grant.

Comment on major projects undertaken or completed during the year

- In line with the new Outcome 8 mandate, the Informal Settlements Upgrade / Slums Clearance initiatives has shown a positive move by government to deal with eradication of slums by 2014. Many projects on Informal Settlements Upgrade projects have been approved and are currently being implemented at various stages. The success in the packaging of five big priority provincial projects within various municipalities have shown a positive trend towards Integrated Sustainable Human Settlements that will ensure increased volume in housing delivery and job creation, as well as have significant impact on eradication of the housing backlogs currently experienced in the province.
- The Sukuma Sakhe Programme which is aimed at fast tracking service delivery by government to the citizens of this province and is co-ordinated by the Office of the Premier is implemented through project management within the department. The most deprived families are identified in various districts and urgent interventions are undertaken to provide affected people with houses that restore dignity to the families. This programme ensures that government responds quickly to the demands of people regarding housing and other service delivery issues. The Department has created a database of Service Providers to undertake the current

**DEPARTMENT OF HUMAN SETTLEMENTS
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**REPORT OF THE ACCOUNTING OFFICER
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emergency/disaster/ Operation Sukume Sakhe projects and, in addition will be available to immediately undertake any future emergency contracts in these programmes.

- During the financial year 2012/13, eThekweni was allocated the biggest portion of the conditional grant, a total amount of R 221,229,000. This is about 28% of the total grant. The district has overspent its budget by reporting the expenditure of 136% of what was allocated. Over a third of projects in eThekweni are Informal Settlements Upgrade projects. Another third is rural housing projects and the rest is spread between IRDP, Social Housing, Hostels and CRU projects. The ISU programme is also the biggest driver of regional expenditure with projects such as Ntuzuma D Phase 2&3, Folweni Formalization and Uganda showing dominance in the expenditure outlook. Throughout the year eThekweni Municipality had encountered a number of internal challenges, and these certainly did hamper the speed of delivery as a number of projects were temporarily on hold as the metro attended to these sensitive issues. Many of the challenges have since been resolved and service delivery is once again in back to normal and this is reinforced by the positive figures as reflected in the table below. eThekweni symbolically, also houses one of the priority projects in the National Human Settlements Plan, the Cornubia Project. This project is located on the outskirts of the suburb of Phoenix in Durban. The project is a Public Private Partnership endeavour between the department and Hullets Sugar. The IRDP project has an expected yield of 647 units over a 5 year period. During the year 2012/13 the construction of this modern state of the art establishment started in earnest and to date, a total of 230 units have been completed. This project can potentially change the provincial human settlements landscape and there are very few partnerships of this nature globally. Therefore if Cornubia does become a success the model will in all likelihood be replicated in other parts of the province and the country at large.
- Ilembe District Municipality is the fastest growing municipality in the province. The district is home to a number of strategic points such as the King Shaka International Airport, Ballito and Dube Trade Port. The chief driver of service delivery in Ilembe District was Ndwedwe Local Municipality. Service delivery in this district is to a large extent spearheaded by three rural projects. These are Hlophe, Nodwengu and Nkumbanyuswa.
- The primary contributor to uMgungundlovu was uMsunduzi Local Municipality which contributed a total of 1,762 units and 249 sites serviced. Within uMsunduzi the delivery outlook was dominated by the Vulindlela Housing Project which reported a total contribution of 1,756 units.
- The department is also responsible for the provision of housing on the Finance-Linked Individual Subsidy category which caters for the gap market where the subsidy is linked to a mortgage bond. Currently, the National Housing Finance Corporation has been mandated nationally to implement pilot projects in all provinces to fast track the implementation of this programme under the revised policy effective 1 April 2012. KZN has identified 3 pilot projects, namely, Woodmead (250 units) and Rocky Park (350 units) in the Ilembe District, and Merlewood (177 units) in the Ugu District. The non- credit linked individual subsidy programme

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catering for the low income category is performing due to the secondary market of the old housing stock that has become a niche market.

Important policy decisions and strategic issues facing the department

The non-review of Housing Chapters of the IDP's by municipalities poses a serious challenge in so far as the effective integration of planning and sustainability of housing development being undertaken.

The lack of a credible and accurate housing needs database (reliant on Census 2001 and Community Survey of 2007) have also impacted negatively on effective planning.

The non-alignment to Outcome 8 targets still impacts on the achievement of deliverables.

Targets are still skewed towards rural housing development.

In addition, a lack of alignment of bulk infrastructure funding also impacts adversely on housing delivery

Spending trends

The Department was allocated a total amount of R 3,377,820 billion as at the end of the financial year.

R 3,377,771 billion was spent, resulting in 100 % spent or R 49,000 savings of the budgets allocated.

The net under expenditure is broken down as follows:

Programme	Final Adjustment R'000	Actual Expenditure R '000	Amount under spent R '000
Administration	132,302	132,277	25
Housing Needs, Research and Planning	31,973	23,361	8,612
Housing Development	3,004,541	3,026,626	(22,085)
Housing Asset Management, Property Management	209,004	195,507	13,497
Total	3,377,820	3,377,771	49

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(b) Virement of R 1.900 million from Programme 2: Housing Needs, Planning and Research

Saving amounting to R 1.900 million were identified from *Goods and Services* due to SITA invoices which were not received timeously. This saving was moved to Programme 1: Administration, *Payments for capital assets* for the replacement of the departmental old vehicles, as well as the purchase of new ones which was inadequately budgeted.

(c) Virement of R 1.468 million from Programme 4: Housing Assets Management, Property Management

Saving amounting to R1.468 million were identified from *Compensation of employees* due to non-filling of vacant budgeted posts due to restructuring process. This saving was moved to Programme 1: Administration, *Payments for capital assets* for the replacement of the departmental old vehicles, as well as the purchase of new ones which was inadequately budgeted.

(d) Virement of R 20.000 million within Programme 3: Housing Development

Saving amounting to R 20.000 million were identified from *Transfers and subsidies: Households* in respect of Rocky Park CRU programme which was delayed due to technical dispute between NHBRC and the service provider which has since been resolved. This saving was moved to *Transfer and subsidies: Municipalities* for Umhlatuze Municipality CRU programme which was inadequately budgeted.

(e) Virement of R 9.381 million within Programme 3: Housing Development

Saving amounting to R8.991 million were identified from *Payments for capital assets* which is for to Social and Economic Amenities, this programme was affected by forensic audits and investigations which resulted in stoppages of work in all sites as well as *Machinery and equipment* amounting to R390 thousand, this is due to non-filling of vacant budgeted post as the provision was made for the purchase of equipment. The total saving was moved to Rural Interventions, Households due to acceleration of service delivery in rural housing development projects.

(f) Virement of R 24.452 million from Programme 4: Housing Assets Management, Property Management

Saving amounting to R 24.452 million were identified from Sub-programme - Housing Properties Maintenance, *Buildings and other fixed structures* for the rectification of Pre-1994 stock programme in Austerville which were delayed due to the delay in the appointment of the service provider. The service provider initially appointed declined its appointment citing that it has under quoted, and this required engagement in a process

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to award another service provider to commence with the job. Saving amounting to R5.448 million was moved to Rural Interventions, *Transfer and subsidies: Households* due to acceleration of service delivery in rural housing development projects as well as saving amounting to R19,004 was moved to *Transfer and subsidies: Municipalities* for Rectification of pre-1994 of housing stock where transfers has been made to eThekweni Municipality due to rectification of properties owned by the municipality which was inadequately budgeted.

(g) Shift of R 4.192 million within Programme 4: Housing Assets Management, Property Management

An amount of R 4.192 million which was originally allocated under *Goods and Services* has been shifted to *Transfer and subsidies: Municipalities* for the transfer made to eThekweni Municipality for the transfers and operational cost in respect of Extended Enhanced Discount Benefit Scheme (EEDBS) programme.

2.1 Service rendered by the department

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

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

2.2 Tariff policy

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

2.3 Free Services

The Department provides free services to the KwaZulu-Natal Housing Fund (R183, 406 million – inclusive of operational costs). The services that the department provides to the Fund are:

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

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3.1 Capacity constraints

- The Department is in the process of restructuring to align to Outcome 8 deliverables. The Department has embarked on a programme to set up offices in the various district municipalities. The proposed new structure is currently being reviewed by the DPSA and consultations are in progress with. Once the structure is approved, positions will be filled. The Department did however, fill several technical positions with staff skilled in the built environment and is continuing to seek appropriate technical skills. Several critical posts have been filled and others are in the process of being filled. The plan for the year ahead is to fill all funded vacancies whilst the new structure is in the process of being approved.
- Despite the deployment of Planning Officers and other staff to the districts, there is still a general lack of capacity to manage the human settlement process at municipal level with staff turnover being high.

4.1 Utilisation of donor funds

There is an amount of R287,000 which represents the balance remaining after the implementation of Phase 1 of the Flanders Capacity Building Programme in the municipalities. The donor will be requested to allow the department to utilise this balance for other housing related programmes within the department in the next financial year. (See annexure 1D)

5.1 Trading entities and public entities

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

There has been a national decision to dis-establish the Housing Funds in all Provinces; however the legislative changes to the National Housing Act have not yet been enacted. The Department has therefore not been in a

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position to de-establish the KwaZulu-Natal Housing Fund, and as a result the department has continued to prepare a separate set of annual financial statements for the Housing Fund.

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

6.1 Organisations to whom transfer payments have been made

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

7.1 Public private partnerships (PPP)

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

8.1 Corporate governance arrangements

During the financial year 2012/2013 the risk profile containing 32 risks were managed and action plans were reported to the Cluster Audit and Risk Committee on a quarterly basis.

The risk register of the department was reviewed in-line with the progress reports that were received with regard to the status of implementation of action plans for the all quarters and all the completed action plans were moved to become existing/current controls.

Further to the above, the review of the following documents was done in order to update the risk register: - Auditor-General's Management Reports, Assurance Reports, Forensic Investigation Reports, Strategic Plan documents and benchmark with other departments.

The Fraud Prevention Plan, including its appendices, namely the Code of Conduct and Business Ethics, Disciplinary Code and Procedures, Fraud Policy and Response Plan, Whistle Blowing Policy and Matrix of responsibilities of the Department was review by an external service provider during this financial year and

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improvements to the fraud prevention plan will be finalized during the 2013/1014 financial year. The plan has also introduced the Gift Policy which will be incorporated as an appendix to the plan. This plan remains published on the Departmental website as an awareness strategy and also contributing to the enhancement of our commitment to zero tolerance of fraud, corruption and maladministration of public funds.

The Department has embarked on an initiative to improve controls within its ambit and has finalized and published the Business Continuity Policy as a phase approach in the development and implementation of the Business Continuity Plan. This initiative will prepare the Department in readiness to deal with any Disaster that may hamper service delivery as outlined in the five-year Strategic Plan. In this phased approach the department will be conducting Business Impact Assessment per business unit to identify critical risks and action plans to address during disasters. These assessments are structure to commence during the 2013/1014 financial year.

The fight against Fraud and Corruption always remains a major challenge in our service of quality housing to the poorest of the poor. During the financial year 2012/2013, we joined forces with law enforcement agencies to manage sensitive matters related to fraud and corruption. The services of the Special Investigation Unit, Hawks, and the Anti-Corruption Unit, including the South African Police Services and Provincial Treasury have been fundamental in driving initiatives with the Department on Fraud and Corruption.

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

During the financial year ending 31 March 2013, 53 dockets were registered with the South African Police Services to the value of R589,000 and 12 cases were successfully prosecuted with various outcomes.

In pursuing these investigation acknowledgements of debts totalling R 665,000 were signed with non -qualifying beneficiaries. We have further received a sum of R3.5 million from government employees related to low income housing subsidy fraud.

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Working together on the Special Task Team with the Office of the Premier we have prepared and successfully finalized 33 disciplinary cases against various government employees within the Province.

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.

There is one investigation that commenced during the financial year and this investigation is in the early stage of investigation. This investigation includes allegations of deviation from tender regulations, and alleged bribery and corruption in the awarding of cleaning services by departmental officials.

9.1 Discontinued activities/activities to be discontinued

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

10.1 New/proposed activities

The department continued its strategy of capacitating district-based teams, thereby capacitating officials working at the coal-face of service delivery.

Human Settlements Summit

The change of the mandate of the department of Human Settlements in 2009, from that of providing shelter to that of creating sustainable human settlements has necessitated the department to work in an integrated manner to achieve efficient service delivery. A summit has not been held to drive the collaboration of all stakeholders in line with this new mandate.

The summit aims to communicate the department's strategy and vision and its programs to other sector departments who form key players in the creation of sustainable human settlements in line with Outcome 8, Human Settlements Vision 2030, NDP, National Growth Plan, the Logic Framework of 2010 to 2014 in which the National Growth Plan looks at the Outcomes based approach the PGDP and the situational analysis drafted by the PPC read with Census 2011.

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The summit will inform the MTSF for the coming 5 years of the department's operations. The financial implications are estimated at R1, 535,000.

11.1 Asset management

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

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

12.1 Inventories

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

13.1 Events after the reporting date

There are no events to report on after the reporting date of the financial statements.

14.1 Information on predetermined objectives

14.1. Background

The adoption of the outcomes-based monitoring and evaluation approach by the SA government in order to improve service delivery has major implications on how government plans, executes, monitors and reports on projects. Measuring outcomes requires meticulous planning process that includes proper problem analysis, clear intervention logic and indicator development, and consistent output monitoring for planned outcomes. In order to measure development outcomes, there is a need to plan, and consistently monitor and report on progress towards such planned outcomes. Structured planning and monitoring process therefore set a good grounding for effective measuring and accountability for outcomes.

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Among other things, KZN Department of Human Settlements is expected to develop internal control systems as part of risk management strategy to ensure organizational efficacy. One of such controls is to ensure that reported annual performance targets have been verified. Performance verification process will also provide information for the auditing process, and thus ensuring that required evidence is available during the annual auditing by the Auditor General. This is even more crucial given that auditing information in future will be used to inform the Auditor General's opinion in his report, unlike the previous situation where it formed part of the management report for internal use. The implication for this is that monitoring needs to be done in a more structured, vigorous and detailed manner. To respond to this challenge the M&E Unit has developed a comprehensive monitoring and evaluation strategy, with a view to influence and strengthen a culture of learning and improvement in organizational performance.

14.2. Legislative Frameworks

The Monitoring Strategy is the implementation plan of the Provincial Performance Management Framework, which was approved by Treasury in 2008. The strategy is also informed by the Discussion Paper on Performance Monitoring and Evaluation, and the National Evaluation Policy Framework which seeks to improve service delivery through monitoring and evaluation of outcomes. Other legislative mandates include the Public Auditing Act, Public Finance Management Act, Constitution, Government-wide Monitoring and Evaluation (GWM&E) Framework, KZN DOHS M&E Framework, and Managing Programme Performance Information (MPPI) Framework.

14.3. Objectives

The overall objective of the KZN DOHS comprehensive monitoring strategy is to ensure continuous tracking of the departmental progress towards the achievement of planned outputs and outcomes.

Specific objectives include:

- To track progress on departmental policies, strategies, programs and projects.
- To check if projects are executed according to work-plans (inputs, activity schedules and targets)
- To assess project progress, challenges and identify mitigation plans.
- To conduct project spot check verification through site visits, and thus provide evidence on reported outputs.

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- To facilitate a culture of learning and organizational performance improvement.
- To influence departmental management processes (planning, project design, budgeting) and thus ensure informed decision-making.

14.4. Methodology

A monitoring methodology can be defined as an observation system for the project managers to verify whether the project activities are taking place according to the set plans. In addition, the system can be used to determine whether resources are used in an efficient manner. The system must supply the project management with a continuous flow of information throughout the course of the project to allow for correct and timely decisions. Monitoring is limited to the relationship between the implementation of the activities and the results/outputs, in which the results/outputs are directly and only determined by the project activities. This section therefore details the various approaches ways of conducting the actual monitoring. Two main approaches to monitoring KZN DOHS programmes and projects are as follows:

- The Process Flow: when key phases in the projects life cycles and the accompanying responsibilities are outlined.
- Performance Information Verification: the validation process of the outputs as per annual performance plan.

These two main approaches to monitoring are shown in the Monitoring Framework process flow below. This process flow includes other issues that are centred on monitoring such the “why, when, how and who”.

14.4.1. Process Flow

The process flow approach initially identifies the key phases in the project life cycle of departmental projects and subsequently outlining the respective major M&E roles. The key phases of the project life cycle for a normal project are concept development, initiation, execution, and close out. In this monitoring strategy we narrow these phases to:

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- During the implementation phase, project information is stored on the Housing Subsidy system (HSS). The recording and management of this information is the responsibility of the department Subsidy Administration Unit.
- The financial management unit is an important stakeholder in the monitoring process. The Finance Unit will produce an expenditure analysis for different sub-programmes on a weekly, monthly, quarterly and annual basis. This financial information then forms a basis within which service delivery is contrasted to expenditure.
- The M&E unit conducts performance verification. This process involves the collection of supporting documents as evidence for reported performance. Annual Performance Plan verification is also conducted during this phase. The verified information is then submitted to the Provincial Treasury. All these processes are key sources of information during the evaluation stage.

14.4.2. Performance Information Verification

The key phases in the verification cycle are the Development of the Annual Performance Plan: the population of the verification template; the collection of actually achieved performance outputs against the planned performance targets; this is followed by the verification of the actual performance evidence, then the performance evidence is submitted on request to the Auditor General's office and to the Provincial treasury for auditing at various intervals. In this framework we provide details into each of the steps that are involved in the verification process.

14.5. Reporting

Following above mentioned activities, the following reports will be generated:

- Monthly and Quarterly Performance Report
- Monthly and Quarterly Outcome 8 Report
- Quarterly Treasury Report
- Annual Performance Report
- On an ad hoc basis the monitoring component is also required to provide responses to parliamentary questions related to Human Settlements at both provincial and district level. These reports are channelled to the accounting officer who then communicates information to parliament.

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14.6. Feedback

Feedback is both a process and a product of the monitoring activities. As a product, feedback refers to information generated through monitoring and is transmitted to management, project managers and other relevant stakeholders for whom it will be relevant. It includes findings, conclusions, recommendations and lessons drawn from projects. As a process, feedback involves the organization and packaging of relevant information in the appropriate form, the dissemination of that information to the management, project managers (for corrective action) or other relevant stakeholders (accountability). However, the most critical element of this feedback is its use as a basis for decision-making and the promotion of a learning culture in the organization.

15.1 SCOPA resolutions

Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
Resolution 8/2012	2010/11 unauthorised expenditure of R199,508,000	In terms of Section 34(1) of the PFMA an amount of R199,508,000 be approved as a direct charge against the Revenue Fund to cover the unauthorised expenditure recorded in the 2010/2011 annual financial statements of the Department of Human Settlements
Resolution 45/2012	Completed investigations	The recommendations of the report were followed up with the Integrity Unit in the Office the Premier whom are managing these disciplinary cases with the respective Departments, were they are employed.

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Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
		<p>As reported by the Office of the Premier: Integrity Unit, the charges for disciplinary hearings have been prepared against the two employees.</p> <p>The Anti-Corruption Task Team (ACTT) is still pursuing investigations into the allegations as per KZN DPCI ACTT PROJECT DoHS - SAP POINT CAS 129/12/2010.</p>

16.1 Prior modifications to audit reports

The Department received an unqualified opinion for the year ending 31 March 2012, with other matters reported below:

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
Non-compliance – the Departments annual performance report was not presented in time for audit.	2011/12	The Department subsequently established a Monitoring and Evaluation unit to ensure that the report on performance information is accurate and submitted timeously for audit purposes. All current year reports have been timeous.
Non-compliance – annual financial statements were	2011/12	The Department ensures that all information is accurate,

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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
corrected after submission – disclosure notes were corrected.		complete and is disclosed in accordance with the PFMA.
Non-compliance – procurement and contract management of goods and services between R 10,000 and R 500,000 – less than three quotations were used to award certain contracts.	2010/11	The Department issues requests for quotations to 8 service providers, but in certain instances less than three quotations are received. The Department re-invites quotations when less than 3 service providers respond subject to timeframes. Should this not be practical, a deviation is duly authorised.
Non-compliance – the Department did not invite competitive bids for goods and services procured above R 500,000.	2011/12	The department currently ensures that all goods and services exceeding R500 000 are advertised, evaluated and adjudicated via the bid process.
Non-compliance – the Accounting Officer did not take reasonable steps to prevent irregular expenditure.	2011/12	The Department is compliant with all legislation, procedures and policies thereby irregular expenditure is minimised. Irregular expenditure emanating from contracts initiated in prior financial years was disclosed.

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17.1 Exemptions and deviations received from the National Treasury

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

18.1 Interim Financial Statements

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

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

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

19.1 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.

20.1 Approval

The Annual Financial Statements set out on pages 159 to 217 have been approved by the Accounting Officer(s).

A. M. Apelgren-Narkedien

**Ms Greta M Apelgren-Narkedien
Accounting Officer
KwaZulu-Natal Department of Human settlements
Date: 26 July 2013**

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2. ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITY

**Statement of Responsibility for the Annual Financial Statements for the
year ended 31 March 2013**

The Accounting Office is responsible for the preparation of the department's annual financial statements and for the judgements made in this information.

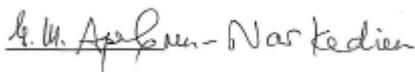
The Accounting Officer is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements

In my opinion, the financial statements fairly reflects the operations of the department for the financial year ended 31 March 2013

The external auditors are engaged to express an independent opinion on the AFS of the department.

The Department of Human Settlements Annual Financial Statement for the year ended 31 March 2013 have been examined by the external auditors and their report is presented on page 153 to 158.

The Annual Financial Statements of the Department set out on page 159 to page 217 have been approved.



Ms Greta M Apelgren-Narkedien
Accounting Officer
KwaZulu-Natal Department of Human settlements
Date: 26 July 2013

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Department of Human Settlements set out on pages 159 to 217, which comprise the appropriation statement, the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the *Departmental financial reporting framework* prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012)(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 these 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 of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Human Settlements as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the *Departmental financial reporting framework* prescribed by the National Treasury and the requirements of the PFMA and DoRA.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in notes 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.

Material underspending of the budget

9. 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 scheme 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.

Unauthorised expenditure

10. 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).

Irregular expenditure

11. 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.

Additional matters

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

Unaudited supplementary schedules

13. The supplementary information set out on page 218 to 224 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Financial reporting framework

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and the *general notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 35 to 72 of the annual report.
17. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury’s annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

18. The material findings are as follows:

Usefulness of information

19. There were no material findings on the annual performance report concerning the usefulness of the information.

Reliability of information

Reported information not reliable

20. The National Treasury *Framework for managing programme performance information (FMPPi)* 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:

- Materially misstated as there were material differences between recorded information and supporting documentation.
- Not reliable when compared to the source information and evidence provided.

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.

Additional matter

21. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

22. 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.

Compliance with laws and regulations

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

Annual financial statements

24. 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.

Internal audit

25. 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.

Expenditure management

26. 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.

Procurement and contract management

27. 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.

Transfer of funds and conditional grants

28. 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.

Internal control

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

Leadership

30. 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.

Financial and performance management

31. A system of record management was not adequate to support financial and performance reporting. Validation and verification procedures were not adequately implemented.

OTHER REPORTS

Investigations

32. 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.

Auditor-General
Pietermaritzburg

31 July 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**APPROPRIATION STATEMENT
for the year ended 31 March 2013**

Appropriation statement	Appropriation per programme							2011/12	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Administration									
Current payment	122,242	-	(765)	121,477	121,319	158	99.9%	120,157	113,978
Transfers and subsidies	990	-	750	1,740	1,654	86	95.1%	705	565
Payment for capital assets	4,665	-	4,402	9,067	9,286	(219)	102.4%	2,670	2,237
Payment for financial assets	224	-	(206)	18	18	-	100.0%	-	-
	128,121	-	4,181	132,302	132,277	25		123,532	116,780
2. Housing needs, research and planning									
Current payment	31,776	-	(1,930)	29,846	21,365	8,481	71.6%	22,657	19,520
Transfers and subsidies	15	-	30	45	45	-	100.0%	-	-
Payment for capital assets	2,725	-	(643)	2,082	1,951	131	93.7%	1,500	1,378
Payment for financial assets	-	-	-	-	-	-		-	-
	34,516	-	(2,543)	31,973	23,361	8,612		24,157	20,898
3. Housing development									
Current payment	103,828	-	(17,044)	86,784	91,863	(5,079)	105.9%	136,319	68,361
Transfers and subsidies	2,873,449	-	42,959	2,916,408	2,933,528	(17,120)	100.6%	2,541,186	2,631,424
Payment for capital assets	10,730	-	(9,381)	1,349	1,235	114	91.5%	9,035	11,325
Payment for financial assets	-	-	-	-	-	-		-	-
	2,988,007	-	16,534	3,004,541	3,026,626	(22,085)		2,686,540	2,711,110
4. Housing asset management, property management									
Current payment	97,935	-	(11,928)	86,007	84,015	1,992	97.7%	97,436	96,180
Transfers and subsidies	91,483	-	18,342	109,825	109,594	231	99.8%	153,249	97,413
Payment for capital assets	37,748	-	(24,622)	13,126	1,852	11,274	14.1%	77	114
Payment for financial assets	10	-	36	46	46	-	100.0%	-	-
	227,176	-	(18,172)	209,004	195,507	13,497		250,762	193,707
Total	3,377,820	-	-	3,377,820	3,377,771	49	100.0%	3,084,991	3,042,495

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**APPROPRIATION STATEMENT
for the year ended 31 March 2013**

	2012/13		2011/12	
	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure
Total (brought forward)	3,377,820		3,084,991	
Reconciliation with statement of financial performance				
Add				
Departmental receipts	13,573		269,168	
Actual amounts per statement of financial performance (total revenue)	3,391,393		3,354,159	
Actual amounts per statement of financial performance (total expenditure)		3,377,771		3,042,495

DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8

APPROPRIATION STATEMENT
for the year ended 31 March 2013

Appropriation per economic classification									
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
Current payments									
Compensation of employees	234,652	-	(26,380)	208,272	208,272	-	100.0%	224,830	188,020
Goods and services	121,129	-	(5,287)	115,842	110,290	5,552	95.2%	151,739	110,019
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies									
Provinces and municipalities	178,341	-	43,196	221,537	221,451	86	100.0%	213,708	105,050
Departmental agencies and accounts	144,477	-	-	144,477	134,477	10,000	93.1%	-	-
Universities and technicons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	2,643,119	-	18,885	2,662,004	2,688,893	(26,889)	101.0%	2,481,432	2,624,352
Gifts and donations	-	-	-	-	-	-	-	-	-
Payments for capital assets									
Buildings and other fixed structures	47,578	-	(33,443)	14,135	2,861	11,274	20.2%	5,606	11,099
Machinery and equipment	8,290	-	2,864	11,154	11,128	26	99.8%	7,676	3,955
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	335	335	335	-	100.0%	-	-
Payments for financial assets	234	-	(170)	64	64	-	100.0%	-	-
Total	3,377,820	-	-	3,377,820	3,377,771	49	100.0%	3,084,991	3,042,495

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**APPROPRIATION STATEMENT
for the year ended 31 March 2013**

**Details per programme 1 – Administration
For the year ended 31 March 2013**

Details per sub-Programme	2012/13						2011/12		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Corporate services									
Current payment	122,242	-	(765)	121,477	121,319	158	99.9%	120,157	113,978
Transfer payment	990	-	750	1,740	1,654	86	95.1%	705	565
Payment for capital assets	4,665	-	4,402	9,067	9,286	(219)	102.4%	2,670	2,237
Payment for financial assets	224	-	(206)	18	18	-	100.0%	-	-
Total	128,121	-	4,181	132,302	132,277	25	100.0%	123,532	116,780

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**APPROPRIATION STATEMENT
for the year ended 31 March 2013**

Statutory Appropriation per economic classification										
Program 1 Per Economic classification	2012/13					2011/12				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
Current payments										
Compensation of employees	70,382	-	(4,665)	65,717	65,717	-	100.0%	58,162	56,401	
Goods and services	51,860	-	3,900	55,760	55,602	158	99.7%	61,995	57,577	
Interest and rent on land	-	-	-	-	-	-	-	-	-	
Transfers and subsidies										
Provinces and municipalities	230	-	-	230	145	85	63.0%	105	62	
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-	
Universities and technikons	-	-	-	-	-	-	-	-	-	
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-	
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-	
Non-profit institutions	-	-	-	-	-	-	-	-	-	
Households	760	-	750	1,510	1,509	1	99.9%	600	503	
Gifts and donations	-	-	-	-	-	-	-	-	-	
Payments for capital assets										
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-	
Machinery and equipment	4,665	-	4,402	9,067	9,286	(219)	102.4%	2,670	2,237	
Heritage assets	-	-	-	-	-	-	-	-	-	
Specialised military assets	-	-	-	-	-	-	-	-	-	
Biological assets	-	-	-	-	-	-	-	-	-	
Land and subsoil assets	-	-	-	-	-	-	-	-	-	
Software and other intangible assets	-	-	-	-	-	-	-	-	-	
Payments for financial assets	224	-	(206)	18	18	-	100.0%	-	-	
Total	128,121	-	4,181	132,302	132,277	25	100.0%	123,532	116,780	

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**APPROPRIATION STATEMENT
for the year ended 31 March 2013
Detail per programme 2 – HOUSING NEEDS, RESEARCH AND PLANNING
For the year ended 31 March 2013**

Detail per sub-programme	2012/13					2011/12			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
2.1 Administration									
Current payment	1,733	-	-	1,733	1,353	380	78.1%	1,331	1,149
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
2.2 Policy									
Current payment	3,814	-	-	3,814	3,603	211	94.5%	3,321	3,166
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
2.3 Planning									
Current payment	18,757	-	(1,930)	16,827	10,947	5,880	65.1%	12,681	11,017
Transfers and subsidies	-	-	30	30	32	(2)	106.7%	-	-
Payment for capital assets	2,725	-	(643)	2,082	1,945	137	93.4%	1,500	1,378
Payment for financial assets	-	-	-	-	-	-	-	-	-
2.4. Research									
Current payment	7,472	-	-	7,472	5,462	2,010	73.1%	5,324	4,188
Transfers and subsidies	15	-	-	15	13	2	86.7%	-	-
Payment for capital assets	-	-	-	-	6	(6)	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	34,516	-	(2,543)	31,973	23,361	8,612	73.1%	24,157	20,898

DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8

APPROPRIATION STATEMENT
for the year ended 31 March 2013

Programme 2 Per Economic classification	2012/13						2011/12		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	17,620	-	(30)	17,590	12,182	5,408	69.3%	11,837	11,327
Goods and services	14,156	-	(1,900)	12,256	9,183	3,073	74.9%	10,820	8,193
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:									
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	15	-	30	45	45	-	100.0%	-	-
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for capital assets									
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	2,725	-	(978)	1,747	1,616	131	92.5%	1,500	1,378
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	335	335	335	-	100.0%	-	-
Payments for financial assets									
Total	34,516	-	(2,543)	31,973	23,361	8,612	73.1%	24,157	20,898

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**APPROPRIATION STATEMENT
for the year ended 31 March 2013**

**Details per programme 3 – HOUSING DEVELOPMENT
For the year ended 31 March 2013**

Detail per sub-programme	2012/13					2011/12			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
3.1 Administration									
Current payment	65,856	-	10,641	76,497	85,209	(8,712)	111.4%	59,309	56,140
Transfers and subsidies	387	-	445	832	824	8	99.0%	590	622
Payment for capital assets	130	-	-	130	16	114	12.3%	6	15
Payment for financial assets	-	-	-	-	-	-	-	-	-
3.2 Financials Interventions									
Current payment	37,972	-	(27,687)	10,285	6,652	3,633	64.7%	77,010	12,221
Transfers and subsidies	580,695	-	(43,185)	537,510	527,511	9,999	98.1%	581,224	624,186
Payment for capital assets	10,600	-	(9,381)	1,219	1,219	-	100.0%	9,029	11,310
Payment for financial assets	-	-	-	-	-	-	-	-	-
3.3 Incremental Interventions									
Current payment	-	-	2	2	2	-	100.0%	-	-
Transfers and subsidies	890,181	-	(26,609)	863,572	864,572	(1,000)	100.1%	796,852	961,162
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
3.4 Social and Rental Interventions									
Current payment	-	-	-	-	-	-	-	-	-
Transfers and subsidies	359,020	-	(10,321)	348,699	348,699	-	100.0%	134,331	142,563
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
3.5 Rural Interventions									
Current payment	-	-	-	-	-	-	-	-	-
Transfers and subsidies	1,043,166	-	122,629	1,165,795	1,191,922	(26,127)	102.2%	1,028,189	902,891
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	2,988,007	-	16,534	3,004,541	3,026,626	(22,085)	100.7%	2,686,540	2,711,110

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**APPROPRIATION STATEMENT
for the year ended 31 March 2013**

Programme 3 Per Economic classification	2012/13						2011/12		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	81,980	-	(9,375)	72,605	78,016	(5,411)	107.5%	87,535	60,133
Goods and services	21,848	-	(7,669)	14,179	13,847	332	97.7%	48,784	8,228
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:									
Provinces and municipalities	95,000	-	20,000	115,000	115,000	-	100.0%	65,108	19,372
Departmental agencies and accounts	144,477	-	-	144,477	134,477	10,000	93.1%	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	2,633,972	-	22,959	2,656,931	2,684,051	(27,120)	101.0%	2,476,078	2,612,052
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for capital assets									
Buildings and other fixed structures	10,000	-	(8,991)	1,009	1,009	-	100.0%	5,529	11,022
Machinery and equipment	730	-	(390)	340	226	114	66.5%	3,506	303
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets									
Total	2,988,007	-	16,534	3,004,541	3,026,626	(22,085)	100.7%	2,686,540	2,711,110

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**APPROPRIATION STATEMENT
for the year ended 31 March 2013
Details per programme 4 – HOUSING ASSETS MANAGEMENT, PROPERTY MANAGEMENT
For the year ended 31 March 2013**

Detail per sub-programme	2012/13						2011/12		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
4.1 Administration									
Current payment	67,158	-	(12,396)	54,762	54,760	2	100.0%	69,564	62,446
Transfers and subsidies	4,061	-	(194)	3,867	3,867	-	100.0%	6,209	13,248
Payment for capital assets	170	-	(170)	-	-	-	100.0%	77	114
Payment for financial assets	10	-	36	46	46	-	-	-	-
4.2 Sale and Transfer of Housing Properties									
Current payment	7,076	-	(4,192)	2,884	893	1,991	31.0%	1,739	1,105
Transfers and subsidies	-	-	4,192	4,192	4,192	-	100.0%	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
4.3 Housing Properties Maintenance									
Current payment	23,701	-	4,660	28,361	28,362	(1)	100.0%	26,133	32,629
Transfers and subsidies	87,422	-	14,344	101,766	101,535	231	99.8%	147,040	84,165
Payment for capital assets	37,578	-	(24,452)	13,126	1,852	11,274	14.1%	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	227,176	-	(18,172)	209,004	195,507	13,497	93.5%	250,762	193,707

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**APPROPRIATION STATEMENT
for the year ended 31 March 2013**

Economic classification	2012/13							2011/12	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments									
Compensation of employees	64,670	-	(12,310)	52,360	52,357	3	100.0%	67,296	60,159
Goods and services	33,265	-	382	33,647	31,658	1,989	94.1%	30,140	36,021
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:									
Provinces and municipalities	83,111	-	23,196	106,307	106,306	1	100.0%	148,495	85,616
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	8,372	-	(4,854)	3,518	3,288	230	93.5%	4,754	11,797
Gifts and donations	-	-	-	-	-	-	-	-	-
Payment for capital assets									
Buildings and other fixed structures	37,578	-	(24,452)	13,126	1,852	11,274	14.1%	77	77
Machinery and equipment	170	-	(170)	-	-	-	-	-	37
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets									
	10	-	36	46	46	-	100.0%	-	-
Total	227,176	-	(18,172)	209,004	195,507	13,497	93.5%	250,762	193,707

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2013

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
Programme 1: Administration	132,302	132,277	25	0%

Explanation of variance: The under expenditure arose as a result of the over provision in respect of licence fees for departmental vehicles which are paid through Department of Transport. Not all vehicles ordered were delivered during the year.

Programme 2: Housing Needs, Research and Planning	31,973	23,361	8,612	27%
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Explanation of variance: The under expenditure arose as a result of the delay in filling of budgeted vacant post, as a result of the delay in finalising the restructuring process. Further reasons include the delays in the procurement process for the purchase of the computer hardware as well as delays in the implementation of capacity building programmes e.g. emerging contractors training, implementation of cost cutting measures whereby training (Amakhosi Training) was facilitated internally instead of the use of consultants as planned. Provision was made to pay SITA services and not all invoices were received timeously.

Programme 3: Housing Development	3,004,541	3,026,626	(22,085)	(1%)
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Explanation of variance: The over expenditure arose as a result of accelerating service delivery in various instruments under this classification e.g. spending on the Vulindlela project, Umlazi Infill and KwaMathukusa, etc

Programme 4: Housing Asset Management, Property management	209,004	195,507	13,497	6%
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**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2013

Explanation of variance: The under expenditure arose as a result of the slow spending on the EEDBS programme due to the delay in the implementation of the rectification of programmes, as the rectification of properties need to take place before transfer to beneficiaries can be effected. Further, there were delays in the rectification of Austerville, due to a delay in the appointment of the service provider. The service provider initially appointed, declined its appointment citing that they had under quoted, and this required engagement and a further process to award another service provider to commence with the project.

4.2 Per economic classification	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
Current payments	324,114	318,562	5,552	2
Compensation of employees	208,272	208,272	-	-
Goods and services	115,842	110,290	5,552	5
Interest and rent on land	-	-	-	-
Unauthorised expenditure approved	-	-	-	-
Transfers and subsidies	3,028,018	3,044,821	(16,803)	(1)
Provinces and municipalities	221,537	221,451	86	-
Departmental agencies and accounts	144,477	134,477	10,000	7
Universities and technikons	-	-	-	-
Public corporations and private enterprises	-	-	-	-
Foreign governments and international organisations	-	-	-	-
Non-profit institutions	-	-	-	-
Households	2,662,004	2,688,893	(26,889)	(1)
Gifts and donations	-	-	-	-
Payments for capital assets	25,624	14,324	11,300	44
Buildings and other fixed structures	14,135	2,861	11,274	80
Machinery and equipment	11,154	11,128	26	-
Heritage assets	-	-	-	-
Specialised military assets	-	-	-	-
Biological assets	-	-	-	-
Land and subsoil assets	-	-	-	-
Software and other intangible assets	335	335	-	-
Payments for financial assets	64	64	-	-
Total	3,377,820	3,377,771	49	

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2013**

Current Expenditure

Explanation of variance: Goods and Services:- The under expenditure arose mainly as a result of the slow spending on EEDBS as a result of the need to rectify properties before transfer to beneficiaries. Provision was also made for payment of the 'Crack Team' from Treasury for the capacity provided within project management unit, but invoices were not received. Provision was also made to pay for SITA services, not all invoices were received on time.

Transfer and Subsidies

Explanation of variance: Provinces and Municipalities:- The under expenditure arose due to the projection made in respect of licence fees for departmental vehicles, which is paid through the Department of Transport. Not all vehicles ordered were delivered during the year.

Explanation of variance: Households:- The over expenditure arose as a result of the accelerating of service delivery in various instruments under this classification e.g. spending on the Vulindlela project, Umlazi Infill, KwaMthukusa, etc

Payment for Capital Assets

Explanation of variance: Building and other fixed structure:- The under expenditure arose as a result of the delays in the rectification of Austerville, due to delay in the appointment of the service provider. The service provider that was initially appointed, declined the appointment citing that they under quoted. This required engagement in a process to award another service provider to commence with the job.

4.3 Per conditional grant	Final Appropriation n R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Appropriation R'000
Human Settlements				
Human Settlement Dev Grant	2,915,297	2,915,297	-	-
Urban Settlement Dev Grant				

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
Revenue			
Annual appropriation	1	3,377,820	3,084,991
Departmental revenue	2	13,573	269,168
Total Revenue		3,391,393	3,354,159
Expenditure			
Current expenditure			
Compensation of employees	4	208,272	188,021
Goods and services	5	110,290	110,019
Total current expenditure		318,562	298,040
Transfers and subsidies			
Transfers and subsidies	7	3,044,821	2,729,401
Total transfers and subsidies		3,044,821	2,729,401
Expenditure for capital assets			
Tangible capital assets	8	13,989	15,054
Software and other intangible assets	8	335	-
Total expenditure for capital assets		14,324	15,054
Payments for financial assets	6	64	-
Total Expenditure		3,377,771	3,042,495
Surplus for the Year		13,622	311,664
Reconciliation of Net Surplus for the year			
Voted funds		49	42,496
Annual appropriation		49	13,181
Conditional grants		-	29,315
Departmental revenue	13	13,573	269,168
Surplus for the Year		13,622	311,664

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**STATEMENT OF FINANCIAL POSITION
as at 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
Assets			
Current assets			
Unauthorised expenditure	9	46,651	224,074
Cash and cash equivalents	10	50	50
Receivables	11	13,549	6,347
Total Assets		60,250	230,471
Liabilities			
Current liabilities			
Voted funds to be surrendered to the Revenue Fund	12	22,134	66,530
Departmental revenue to be surrendered to the Revenue Fund	13	1,165	1,355
Bank overdraft	14	34,905	158,537
Payables	15	1,106	3,113
Aid assistance unutilised	3	287	287
Total Liabilities		59,597	229,822
Net Assets		653	649
Represented by:			
Recoverable revenue		653	649
Total		653	649

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2013**

	<i>Note</i>	2012/13 R'000	2011/12 R'000
Recoverable revenue			
Opening balance		649	808
Transfers:		4	(159)
Debts recovered		(201)	(813)
Debts raised		205	654
Closing balance		653	649

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**CASH FLOW STATEMENT
for the year ended 31 March 2013**

	<i>Note</i>	2012/13 R'000	2011/12 R'000
Cash Flows from Operating Activities			
Receipts		3,389,899	3,353,463
Annual appropriated funds received	1.1	3,377,820	3,084,455
Departmental revenue received	2	12,079	269,008
Net decrease/(increase) in working capital		168,214	(3,626)
Surrendered to Revenue Fund		(80,293)	(493,520)
Current payments		(296,477)	(273,470)
Payments for financial assets		(64)	-
Transfers and subsidies paid		(3,044,821)	(2,729,401)
Net cash flow available from operating activities	16	136,458	(146,554)
Cash Flows from Investing Activities			
Payments for capital assets	8	(14,324)	(15,054)
Proceeds from sale of capital assets	2.3	1,494	160
Net cash flows from investing activities		(12,830)	(14,894)
Cash Flows from Financing Activities			
Increase/(decrease) in net assets		4	(159)
Net cash flows from financing activities		4	(159)
Net increase/(decrease) in cash and cash equivalents		123,632	(161,607)
Cash and cash equivalents at beginning of period		(158,487)	3,120
Cash and cash equivalents at end of period	17	(34,855)	(158,487)

DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8

ACCOUNTING POLICIES
for the year ended 31 March 2013

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

1. Presentation of the Financial Statements

1.1 Basis of preparation

The financial statements have been prepared on a modified cash basis of accounting.

Under this basis, the effects of transactions and other events are recognised in the financial records when the resulting cash is received or paid. The “modification” results from the recognition of certain near-cash balances in the financial statements as well as the revaluation of foreign investments and loans and the recognition of resulting revaluation gains and losses.

In addition supplementary information is provided in the disclosure notes to the financial statements where it is deemed to be useful to the users of the financial statements.

1.2 Presentation currency

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

1.3 Rounding

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

1.4 Comparative figures

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

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**ACCOUNTING POLICIES
for the year ended 31 March 2013**

1.5 Comparative figures - Appropriation Statement

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

2. Revenue

2.1 Appropriated funds

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

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

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

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

2.2 Departmental revenue

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

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

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

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**ACCOUNTING POLICIES
for the year ended 31 March 2013**

2.3 Direct Exchequer receipts

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

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

2.4 Direct Exchequer payments

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

2.5 Aid assistance

Aids assistance is recognised as revenue when received

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

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

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

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

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

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

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**ACCOUNTING POLICIES
for the year ended 31 March 2013**

3. Expenditure

3.1 Compensation of employees

3.1.1 Salaries and wages

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

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

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

3.1.2 Social contributions

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

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

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

3.2 Goods and services

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

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

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**ACCOUNTING POLICIES
for the year ended 31 March 2013**

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

3.3 Interest and rent on land

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

3.4 Payments for financial assets

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

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

3.5 Transfers and subsidies

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

3.6 Unauthorised expenditure

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

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

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

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**ACCOUNTING POLICIES
for the year ended 31 March 2013**

3.7 Fruitless and wasteful expenditure

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

3.8 Irregular expenditure

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

4. Assets

4.1 Cash and cash equivalents

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

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

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

4.2 Other financial assets

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

4.3 Prepayments and advances

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

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

DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8

ACCOUNTING POLICIES
for the year ended 31 March 2013

4.4 Receivables

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

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

4.5 Investments

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

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

4.6 Loans

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

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

4.7 Inventory

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

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

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**ACCOUNTING POLICIES
for the year ended 31 March 2013**

4.8 Capital assets

4.8.1 Movable assets

Initial recognition

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

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

Subsequent recognition

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

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

4.8.2 Immovable assets

Initial recognition

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

Subsequent recognition

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

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

4.8.3 Intangible assets

Initial recognition

An intangible asset is recorded in the asset register on receipt of the item at cost. Cost of an intangible asset is defined as the total cost of acquisition. Where the cost cannot be determined

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**ACCOUNTING POLICIES
for the year ended 31 March 2013**

accurately, the intangible asset is stated at fair value. Where fair value cannot be determined, the intangible asset is included in the asset register at R1.

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

Subsequent expenditure

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

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

5. Liabilities

5.1 Payables

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

5.2 Contingent liabilities

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

5.3 Contingent assets

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

5.4 Commitments

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

DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8

ACCOUNTING POLICIES
for the year ended 31 March 2013

5.5 Accruals

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

5.6 Employee benefits

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

5.7 Lease commitments

Finance lease

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

Operating lease

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

5.8 Impairment

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

5.9 Provisions

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

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**ACCOUNTING POLICIES
for the year ended 31 March 2013**

6. Receivables for departmental revenue

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements. These receivables are written off when identified as irrecoverable and are disclosed separately.

7. Net Assets

7.1 Capitalisation reserve

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

7.2 Recoverable revenue

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

8. Related party transactions

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

9. Key management personnel

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

10. Public private partnerships

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

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

1. Annual Appropriation

1.1 Annual Appropriation

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

	Final Appropriation	2012/13 Actual Funds Received	Funds not requested/ not received	2011/12 Appropriation received
	R'000	R'000	R'000	R'000
Administration	132,302	132,302	-	123,532
Housing Needs, Research and Planning	31,973	31,973	-	24,157
Housing Development	3,004,541	3,004,541	-	2,686,004
Housing Assets Management, Property Management	209,004	209,004	-	250,762
Total	3,377,820	3,377,820	-	3,084,455

Note	2012/13 R'000	2011/12 R'000
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1.2 Conditional grants

Total grants received	32	2,942,934	2,801,547
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**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
2. Departmental revenue			
Sales of goods and services other than capital assets	2.1	586	474
Interest, dividends and rent on land	2.2	16	(20)
Sales of capital assets	2.3	1,494	160
Transactions in financial assets and liabilities	2.4	11,477	268,554
Departmental revenue collected		13,573	269,168
2.1 Sales of goods and services other than capital assets			
Sales of goods and services produced by the department	2	586	474
Sales by market establishment		219	249
Other sales		367	225
Total		586	474
2.2 Interest, dividends and rent on land			
Interest	2	16	(20)
Total		16	(20)
2.3 Sale of capital assets			
Tangible assets	2	1,494	160
Machinery and equipment	29.2	1,494	160
Total		1,494	160
2.4 Transactions in financial assets and liabilities			
Other Receipts including Recoverable Revenue	2	11,477	268,554
Total		11,477	268,554

**DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
3. Aid assistance			
Foreign			
Opening Balance		287	287
Revenue		-	-
Expenditure		-	-
Current		-	-
Capital		-	-
Transfers		-	-
Prepayments		-	-
Surrendered to the donor		-	-
Closing Balance		287	287
3.1 Total assistance			
Opening Balance		287	287
Revenue		-	-
Expenditure		-	-
Current		-	-
Capital		-	-
Transfers		-	-
Prepayments		-	-
Surrendered / Transferred to retained funds		-	-
Closing Balance		287	287
3.2 Analysis of balance			
Aid assistance unutilised			
Other sources		287	287
Closing balance		287	287

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
4. Compensation of employees			
4.1 Salaries and Wages			
Basic salary		141,035	130,647
Performance award		3,700	23
Service Based		414	1,211
Compensative/circumstantial		1,541	409
Periodic payments		4,765	3,546
Other non-pensionable allowances		30,039	25,938
Total		<u><u>181,494</u></u>	<u><u>161,774</u></u>
4.2 Social contributions			
Employer contributions			
Pension		17,545	16,496
Medical		9,196	9,711
Bargaining council		37	40
Total		<u><u>26,778</u></u>	<u><u>26,247</u></u>
Total compensation of employees		<u><u>208,272</u></u>	<u><u>188,021</u></u>
Average number of employees		<u><u>733</u></u>	<u><u>740</u></u>

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
5. Goods and services			
Administrative fees		5	12
Advertising		6,384	2,529
Assets less than R5,000	5.1	647	168
Bursaries (employees)		112	79
Catering		1,083	333
Communication		5,737	5,546
Computer services	5.2	6,232	6,849
Consultants, contractors and agency/outsourced services	5.3	8,470	8,099
Entertainment		33	13
Audit cost – external	5.4	3,876	3,529
Fleet services		4,343	3,261
Inventory	5.5	3,409	6,798
Operating leases		19,556	19,588
Property payments	5.6	33,573	34,384
Rental and hiring		28	-
Transport provided as part of the departmental activities		121	54
Travel and subsistence	5.7	13,301	7,422
Venues and facilities		1,773	10,489
Training and staff development		447	249
Other operating expenditure	5.8	1,160	617
Total		110,290	110,019
5.1 Assets less than R5,000			
Tangible assets	5		
Machinery and equipment		647	168
Total		647	168
5.2 Computer services			
SITA computer services	5	5,160	6,021
External computer service providers		1,072	828
Total		6,232	6,849

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
5.3 Consultants, contractors and agency/outsourced services			
Business and advisory services	5	652	1,535
Infrastructure and planning		174	20
Legal costs		4,800	5,104
Contractors		-	409
Agency and support/outsourced services		2,844	1,031
Total		8,470	8,099
5.4 Audit cost – External			
Regularity audits	5	3,876	3,352
Computer audits		-	177
Total		3,876	3,529
5.5 Inventory			
Learning and teaching support material	5	-	184
Food and food supplies		71	60
Fuel, oil and gas		17	12
Other consumables		900	520
Materials and supplies		922	4,826
Stationery and printing		1,499	999
Medical supplies		-	197
Total		3,409	6,798
5.6 Property payments			
Municipal services	5	27,937	22,519
Property management fees		423	-
Property maintenance and repairs		-	8,269
Other		5,213	3,596
Total		33,573	34,384

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
5.7 Travel and subsistence			
Local	5	13,265	7,284
Foreign		36	138
Total		<u><u>13,301</u></u>	<u><u>7,422</u></u>
5.8 Other operating expenditure			
Resettlement costs	5	363	33
Other		797	584
Total		<u><u>1,160</u></u>	<u><u>617</u></u>
6. Payments for financial assets			
Debts written off	6.1	64	-
Total		<u><u>64</u></u>	<u><u>-</u></u>
6.1 Debts written off			
Nature of debts written off	6		
Out of service debts written off		64	-
Total debt written off		<u><u>64</u></u>	<u><u>-</u></u>
7. Transfers and subsidies			
Provinces and municipalities	33, Annex 1A,	221,451	105,051
Departmental agencies and accounts	Annex 1B	134,477	-
Households	Annex 1C	2,688,893	2,624,350
Total		<u><u>3,044,821</u></u>	<u><u>2,729,401</u></u>
Unspent funds transferred to the above beneficiaries		975,551	Restated 1,294,558

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
8. Expenditure for capital assets			
Tangible assets		13,989	15,054
Buildings and other fixed structures	31.1	2,861	11,099
Machinery and equipment	29.1	11,128	3,955
Software and other intangible assets		335	-
Computer software	30.1	335	-
Total		14,324	15,054

8.1 Analysis of funds utilised to acquire capital assets – 2012/13

	Voted funds R'000	Total R'000
Tangible assets	13,989	13,989
Buildings and other fixed structures	2,861	2,861
Machinery and equipment	11,128	11,128
Software and other intangible assets	335	335
Computer software	335	335
Total	14,324	14,324

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

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

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
9. Unauthorised expenditure			
9.1 Reconciliation of unauthorised expenditure			
Opening balance		224,074	226,222
Unauthorised expenditure – discovered in current year	12	22,085	24,570
Less: Amounts approved by Parliament/Legislature with funding		(199,508)	(17,415)
Less: Amounts transferred to receivables for recovery		-	(9,303)
Unauthorised expenditure awaiting authorisation / written off		46,651	224,074
9.2 Analysis of unauthorised expenditure awaiting authorisation per economic classification			
Transfers and subsidies		46,651	224,074
Total		46,651	224,074
9.3 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	224,074
Total		46,651	224,074
9.4 Details of unauthorised expenditure – current year			
Incident		Disciplinary steps taken/criminal proceedings	2012/13 R'000
Programme 3 – Housing Development		Acceleration of service delivery in various instruments under – households	22,085
Total			22,085

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
10. Cash and cash equivalents			
Cash on hand		50	50
Total		50	50

11. Receivables

		2012/13			R'000	2011/12 R'000
		R'000 Less than one year	R'000 One to three years	R'000 Older than three years		
	Note					
Claims recoverable	11.1 Annex 3	1,522	-	-	1,522	4,680
Staff debt	11.2	366	93	315	774	867
Other debtors	11.3	10,419	-	834	11,253	800
Total		12,307	93	1,149	13,549	6,347

	Note	2012/13 R'000	2011/12 R'000
11.1 Claims recoverable			
Provincial departments	11	1,522	4,680
Total		1,522	4,680

**DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
11.2 Staff debt			
Listed by major categories	11		
Salary Debts		332	428
Bursary Debts		196	166
Other		246	273
Total		<u>774</u>	<u>867</u>
11.3 Other debtors			
Listed by major categories	11		
Salary Tax Debt		47	13
Salary Deduction Disallowance Debt		17	-
KwaZulu-Natal Housing Fund		9,236	-
Supplier Overpayments		834	787
Salary Reversal		31	-
Disallowance Miscellaneous		7	-
Receipts outstanding from the sale of motor Vehicles		1,081	-
Total		<u>11,253</u>	<u>800</u>
12. Voted funds to be surrendered to the Revenue Fund			
Opening balance		66,530	222,234
Transfer from statement of financial performance		49	42,496
Add: Unauthorised expenditure for current year	9	22,085	24,570
Voted funds not requested/not received	1.1	-	(536)
Paid during the year		(66,530)	(222,234)
Closing balance		<u>22,134</u>	<u>66,530</u>
13. Departmental revenue to be surrendered to the Revenue Fund			
Opening balance		1,355	3,473
Transfer from Statement of Financial Performance		13,573	269,168
Paid during the year		(13,763)	(271,286)
Closing balance		<u>1,165</u>	<u>1,355</u>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
14. Bank Overdraft			
Consolidated Paymaster General Account		34,905	158,537
Total		34,905	158,537
15. Payables – current			
Clearing accounts	15.1	1	1,266
Other payables	15.2	1,105	1,847
Total		1,106	3,113
15.1 Clearing accounts			
Listed by major categories	15		
Salary Related		-	1,244
Pension Related		-	22
Medical Aid Related		1	-
Total		1	1,266
15.2 Other payables			
Listed by major categories	15		
KwaZulu-Natal Housing Fund		-	707
Salary Related Debt		-	35
eThekwin Municipality		1,105	1,105
Total		1,105	1,847

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
16. Net cash flow available from operating activities			
Net surplus as per Statement of Financial Performance		13,622	311,664
Add back non cash/cash movements not deemed operating activities		122,836	(458,218)
Increase in receivables – current		(7,202)	(3,401)
Decrease in other current assets		199,508	26,718
Decrease in payables – current		(2,007)	(2,373)
Proceeds from sale of capital assets		(1,494)	(160)
Expenditure on capital assets		14,324	15,054
Surrenders to Revenue Fund		(80,293)	(493,520)
Voted funds not requested/not received		-	(536)
Net cash flow generated by operating activities		136,458	(146,554)
17. Reconciliation of cash and cash equivalents for cash flow purposes			
Consolidated Paymaster General account		(34,905)	(158,537)
Cash on hand		50	50
Total		(34,855)	(158,487)

**DEPARTMENT OF HUMAN SETTLEMENTS
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

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

	Note	2012/13 R'000	2011/12 R'000
18. Contingent liabilities and contingent assets			
18.1 Contingent liabilities			
Liable to	Nature		
Housing loan guarantees	Employees	Annex 2A 55	55
Claims against the department		Annex 2B 146,162	122,180
Intergovernmental payables (unconfirmed balances)		Annex 4 -	112
Total		<u>146,217</u>	<u>122,347</u>
19. Commitments			
Current expenditure			Restated
Approved and contracted		16,175	5,832
Approved but not yet contracted		<u>8,536</u>	<u>11,468</u>
		24,711	17,300
Capital expenditure			
Approved and contracted		7,856,133	12,147,907
Approved but not yet contracted		<u>142,292</u>	<u>1,204,111</u>
		<u>7,998,425</u>	<u>13,352,018</u>
Total Commitments		<u>8,023,136</u>	<u>13,369,318</u>

Most of the commitments are for the period of more than a year.

**DEPARTMENT OF HUMAN SETTLEMENTS
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

		2012/13 R'000	2011/12 R'000
20. Accruals			
Listed by economic classification			
	30 Days	30+ Days	Total
Goods and services	7,812	1,525	9,337
Transfers and subsidies	104,303	10,295	114,598
Capital assets	444	-	444
Total	112,559	11,820	124,379
			147,695
	Note	2012/13 R'000	2011/12 R'000
Listed by programme level			
Programme 1: Administration		7,037	5,717
Programme 2: Housing Needs, Research and Planning		2,429	122
Programme 3: Housing Development		114,847	140,115
Programme 4: Housing Asset Management, Property Management		66	1,741
Total		124,379	147,695
Confirmed balances with other departments	Annex 4	1,686	1,209
Total		1,686	1,209
21. Employee benefits			
Leave entitlement		10,688	8,966
Service bonus (Thirteenth cheque)		9,701	9,750
Performance awards		-	1,607
Capped leave commitments		27,316	27,611
Total		47,705	47,934

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

22.1 Operating leases expenditure

	Buildings and other fixed structures	Machinery and equipment	Total
2012/13			
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
Later than five years	-	-	-
Total lease commitments	41,315	647	41,962

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

22.2 Finance leases expenditure

	Machinery and equipment	Total
2012/13		
Not later than 1 year	3,463	3,463
Later than 1 year and not later than 5 years	3,307	3,307
Later than five years	-	-
Total lease commitments	6,770	6,770

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

**DEPARTMENT OF HUMAN SETTLEMENTS
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

	Note	2012/13 R'000	2011/12 R'000
23. Receivables for departmental revenue			
Transactions in financial assets and liabilities	23.1	15,123	15,722
Total		<u><u>15,123</u></u>	<u><u>15,722</u></u>
23.1 Analysis of receivables for departmental revenue			
Opening balance		15,722	14,804
Less: amounts received		2,520	4,804
Add: amounts recognised		1,921	5,722
Closing balance		<u><u>15,123</u></u>	<u><u>15,722</u></u>
24. Irregular expenditure			
24.1 Reconciliation of irregular expenditure			
Opening balance		402,324	381,511
Add: Irregular expenditure – relating to prior year		-	1,321
Add: Irregular expenditure – relating to current year		11,032	19,492
Less: Amounts condoned		(1,781)	-
Irregular expenditure awaiting condonation		<u><u>411,575</u></u>	<u><u>402,324</u></u>
Analysis of awaiting condonation per age classification			
Current year		11,032	19,492
Prior years		400,543	382,832
Total		<u><u>411,575</u></u>	<u><u>402,324</u></u>

**DEPARTMENT OF HUMAN SETTLEMENTS
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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Provincial Treasury embarked on an exercise to reconcile the disclosures 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 the time of transgression. The payments were individually evaluated 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 Departments for further investigations. Cases that are under forensic or other investigations were not considered at this stage, pending the outcome of the investigations.

In 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 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 the matters;
- (i) The extent of possible misinterpretation of the prescript; and
- (j) The practical challenges to adhere to all the prescripts.

24.2 Details of irregular expenditure – current year

Incident	Disciplinary steps taken/criminal proceedings	2012/13 R'000
Competitive bidding process was not followed, and motivation for deviation as approved by the Accounting Officer, was not accepted by the Auditor General. This case related to contracts that were declared irregular in the current and prior years.		2,495
Acting allowance paid beyond stipulated period.		190
Competitive bidding process was not followed, and no deviations approved by the Accounting Officer. This case relates to a contract that was declared irregular in the previous year.		8,347
Total		11,032

**DEPARTMENT OF HUMAN SETTLEMENTS
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

24.3 Details of irregular expenditure condoned

Incident	2012/13 R'000
3 Quotes not obtained	363
Single source	97
Competitive bidding process not followed	1,321
Total	<u>1,781</u>

24.4 Details of irregular expenditures under investigation

Incident	2012/13 R'000
Cases which are under investigation by:	
- Forensic investigations	382,626
Further information required:	
- Did not request 3 quotes	1,854
- Competitive bidding process was not followed	26,261
Total	<u>410,741</u>

	<i>Note</i>	2012/13 R'000	2011/12 R'000
25. Fruitless and wasteful expenditure			
25.1 Reconciliation of fruitless and wasteful expenditure			
Opening balance		300	300
Fruitless and wasteful expenditure – relating to prior year		834	15,325
Fruitless and wasteful expenditure – relating to current year		7,448	9,538
Less: Amounts resolved		(7,385)	(24,863)
Fruitless and wasteful expenditure awaiting resolution		<u>1,197</u>	<u>300</u>

**DEPARTMENT OF HUMAN SETTLEMENTS
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	Note	2012/13 R'000	2011/12 R'000
25.2 Analysis of awaiting resolution per economic classification			
Current		1,197	300
Capital		-	-
Transfers and subsidies		-	-
Total		<u>1,197</u>	<u>300</u>

25.3 Analysis of Current year's fruitless and wasteful expenditure

Incident	2012/13 R'000
Surplus Staff – Ex R293	7,385
Interest paid on overdue rates invoices	63
Total	<u>7,448</u>

	Note	2012/13 R'000	2011/12 R'000
26. Related party transactions			
Revenue received			
Sales of goods and services other than capital assets		48,192	35,315
Transactions in financial assets and liabilities		46	-
Transfers		152,718	148,946
Total		<u>200,956</u>	<u>184,261</u>
Year end balances arising from revenue/payments			
Receivables from related parties		9,236	-
Payables to related parties		3,691	707
Total		<u>12,927</u>	<u>707</u>

**DEPARTMENT OF HUMAN SETTLEMENTS
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**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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Goods and services provided/received

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

The KwaZulu-Natal Housing Fund does not receive funding from the National Department of Human Settlements.

The Provincial Department of Human Settlements pays for its expenses in terms of DoRA. The said payments are paid from the funding allocated to programme 4, R 183,405 million (R 184,261 million 11/12). Transfers includes an amount of R 41,272 million relates to compensation of employees (R 51,544 million -11/12). The Department provides a free service to the KwaZulu-Natal Housing Fund. The Department of Human Settlements – KZN and Public Works – KZN, same MEC's portfolio. The Department pays Public Works for rentals R 17,550 million. (R 19,583 million)

Related party relationships

KwaZulu-Natal Housing Fund
Provincial Department of Public Works – KZN

27. Key management personnel

	No. of Individuals	2012/13 R'000	2011/12 R'000
Officials:			
Level 15 to 16	3	3,066	2,921
Level 14	2	1,798	1,462
Total		4,864	4,383

28. Impairment

Debtors	49	76
Total	49	76

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

29. Movable Tangible Capital Assets

Movement in Movable 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
Machinery And Equipment					
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
Total Movable Tangible Capital Assets	29,751	-	11,594	5,302	36,043

29.1 Additions

Additions to Movable Tangible Capital Assets per Asset Register for the Year Ended 31 March 2013

	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
Machinery And Equipment					
Transport assets	9,251	-	-	323	9,574
Computer equipment	1,624	-	-	(17)	1,607
Furniture and office equipment	247	134	-	26	407
Other machinery and equipment	6	-	-	-	6
Total Additions To Movable Tangible Capital Assets	11,128	134	-	332	11,594

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

29.2 Disposals

Disposals of Movable Tangible Capital Assets per Asset Register for the Year Ended 31 March 2013

	Sold for cash R'000	Transfer out or destroyed or scrapped R'000	Total disposals R'000	Cash Received Actual R'000
Machinery And Equipment				
Transport assets	3,997	-	3,997	1,494
Computer equipment	-	1,153	1,153	-
Furniture and office equipment	-	152	152	-
Other machinery and equipment	-	-	-	-
Total Disposal Of Movable Tangible Capital Assets	3,997	1,305	5,302	1,494

29.3 Movement for 2011/12

Movement in Movable Tangible Capital Assets per Asset Register for the Year Ended 31 March 2012

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
Machinery And Equipment				
Transport assets	13,258	2,018	692	14,584
Computer equipment	9,413	1,628	133	10,908
Furniture and office equipment	4,372	404	748	4,028
Other machinery and equipment	202	29	-	231
Total Movable Tangible Assets	27,245	4,079	1,573	29,751

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

29.4 Minor assets

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Opening balance	410	4,323	4,733
Current Year Adjustments to Prior Year balances	-	-	-
Additions	-	704	704
Disposals	-	125	125
Total Minor Assets	410	4,902	5,312

	Machinery and equipment	Total
Number of R1 minor assets	7	7
Number of minor assets at cost	3	3
Total Number Of Minor Assets	10	10

Movement in Minor Assets per the Asset Register for the Year Ended As At 31 March 2012

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
	Restated	Restated	
Opening balance	410	3,806	4,216
Additions	-	907	907
Disposals	-	390	390
Total Minor Assets	410	4,323	4,733

	Machinery and equipment	Total
Number of R1 minor assets	7	7
Number of minor assets at cost	3	3
Total Number of Minor Assets	10	10

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

29.5 Movable assets written off

	Machinery and equipment R'000	Total R'000
Assets written off	86	86
Total Movable Assets Written Off	86	86

	Machinery and equipment R'000	Total R'000
Assets written off	390	390
Total Movable Assets Written Off	390	390

30. Intangible Capital Assets

Movement in Intangible Capital Assets per Asset Register for the Year Ended 31 March 2013

	Opening balance R'000	Current Year Adjustments to prior year balances R'000	Additions R'000	Disposals R'000	Closing Balance R'000
Computer Software	1,308	-	456	-	1,764
Total Intangible Capital Assets	1,308	-	456	-	1,764

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

30.1 Additions

**Additions to Intangible Capital Assets per Asset Register for the Year Ended
31 March 2013**

	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
Computer Software	335	-	-	121	456
Total Additions to Intangible Capital Assets	335	-	-	121	456

30.2 Movement for 2011/12

Movement in Intangible Capital Assets per Asset Register for the Year Ended 31 March 2012

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Computer Software	1,308	-	-	1,308
Total Intangible Capital Assets	1,308	-	-	1,308

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

31. Immovable Tangible Capital Assets

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
Buildings And Other Fixed Structures					
Other fixed structures	76	-	-	-	76
Total Immovable Tangible Capital Assets	76	-	-	-	76

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

31.1 Additions

Additions to Immovable Tangible Capital Assets per Asset Register for the Year Ended 31 March 2013

	Cash R'000	Non-cash R'000	(Capital Work in Progress current costs and finance lease payments) R'000	Received current, not paid (Paid current year, received prior year) R'000	Total R'000
Building And Other Fixed Structures					
Dwellings	1,852	-	(1,852)	-	-
Other fixed structures	1,009	-	(1,009)	-	-
Total Additions to Immovable Tangible Capital Assets	2,861	-	(2,861)	-	-

Properties vested in the Provincial Government of KwaZulu-Natal in terms of item 28(1) certificates, department is in process of endorsing the deeds in the name of the Provincial Government are disclosed by the Provincial Department of Public Works.

Properties vested and title deeds endorsed in the name of the Provincial Government of KwaZulu-Natal are disclosed by the Provincial Department of Public Works.

31.2 Movement for 2011/12

Movement in Immovable Tangible Capital Assets per Asset Register for the Year Ended 31 March 2012

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
Buildings And Other Fixed Structures				
Other fixed structures	-	76	-	76
Total Immovable Tangible Assets	-	76	-	76

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

32. Statement of Conditional Grants Received

Name of Department	Grant Allocation					Spent			2011/12		
	Division of Revenue Act/ Provincial Grants R'000	Roll Overs R'000	DORA Adjustment s R'000	Other Adjustment s R'000	Total Available R'000	Amount received by department t R'000	Amount spent by department t R'000	Under / (Overspending) R'000	% of available funds spent by department t %	Division of Revenue Act R'000	Amount spent by department R'000
Integrated Housing & Human Settlements											
Development Grant	2,915,297	-	-	-	2,915,297	2,915,297	2,915,297	-	100%	2,769,871	2,769,871
Housing Disaster Relief Grant	-	27,637	-	-	27,637	27,637	27,637	-	100%	31,140	2,361
EPWP	-	-	-	-	-	-	-	-	-	536	-
Total	2,915,297	27,637	-	-	2,942,934	2,942,934	2,942,934	-	-	2,801,547	2,772,232

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 bank account.

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

33. Statement of Unconditional Grants Paid To The Provinces

Name of Province / Grant	Grant Allocation			Transfer		Spent		2011/12 Division of Revenue Act R'000		
	Amount	Roll Over	Other Adjustment	Total Availabl e	Actual Transfe r	Available funds Transferred	Amount received by department		Amount spent by department	% of available funds spent by department
	R'000	R'000	R'000	R'000	R'000	%	R'000		R'000	%
Department of Transport – KZN – Motor Vehicle Licence	230	-	-	230	91	40%	91	91	100%	63
Total	230	-	-	230	91		91	91		63

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

**Annexure 1A
Statement of Conditional Grants Paid To Municipalities**

Name of Municipality	Grant Allocation				Transfer			Spent			2011/12 Division of Revenue Act R'000
	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	%	
eThekwini	169,418	-	23,196	192,614	190,630	-	-	69,373	69,373	100%	82,088
Umdoni	40	-	-	40	48	-	-	48	48	-	43
Hibiscus Coast	5	-	-	5	10	-	-	8	8	-	19
uMshwathi	-	-	-	-	20	-	-	11	11	-	80
uMngeni	3	-	-	3	113	-	-	106	106	-	144
Msunduzi	4,000	-	-	4,000	5,600	-	-	5,087	5,087	-	2,390
Richmond	5	-	-	5	3	-	-	3	3	-	21
eMinambithi / Ladysmith	-	-	-	-	-	-	-	-	-	-	57
Newcastle	-	-	-	-	297	-	-	-	-	-	-
Umhlatuze	130	-	20,000	20,130	20,158	-	-	133	133	-	827
KwaDukuza	-	-	-	-	-	-	-	(1)	(1)	-	19,372
Endumeni	-	-	-	-	427	-	-	-	-	-	-
Ulundi	4,500	-	-	4,500	4,007	-	-	4,007	4,007	-	-
Umlalazi	10	-	-	10	-	-	-	-	-	-	-
Mthonjaneni	-	-	-	-	7	-	-	4	4	-	-
uThungulu District Municipality	-	-	-	-	-	-	-	1	1	-	-
uMgungundlovu District Municipality	-	-	-	-	40	-	-	39	39	-	-
Total	178,111	-	43,196	221,307	221,360	-	-	78,819	78,819	-	105,041

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

**Annexure 1B
Statement of Transfers to Departmental Agencies and Accounts**

Department/ Agency/ Account	Transfer Allocation				Transfer		2011/12 Appropriation Act R'000
	Adjusted Appropriation R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %	
Social Housing Regulatory Authority	134,477	-	-	134,477	134,477	100%	-
National Home Finance Cooperation	10,000	-	-	10,000	-	-	-
Total	144,477	-	-	144,477	134,477		-

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

**Annexure 1C
Statement of Transfers To Households**

Households	Transfer Allocation				Expenditure		2011/12
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Project Linked Individual	655,900	-	(47,767)	608,133	539,661	89%	933,441
Institutional	87,929	-	-	87,929	108,134	123%	71,989
Rural Support	129,543	-	(30,321)	99,222	99,248	100%	123,191
Emergency Housing	1,043,166	-	122,629	1,165,795	1,237,118	106%	906,527
Informal Settlements Upgrade	221,657	-	(26,609)	195,048	160,704	82%	148,881
Peoples Housing Process	228,869	-	-	228,869	274,204	129%	125,002
Other	273,828	-	-	273,828	266,657	97%	302,398
	2,227	-	953	3,180	3,167	100%	12,921
Total	2,643,119	-	18,885	2,662,004	2,688,893		2,624,350

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

**Annexure 1D
Statement Of Aid Assistance Received**

Name of Donor	Purpose	Opening Balance R'000	Revenue R'000	Expenditure R'000	Closing Balance R'000
Received in cash Flanders	Capacity Building – Phase 1	287	-	-	287
Total		287	-	-	287

**Annexure 2A
Statement of Financial Guarantees Issued as at 31 March 2012 – Local**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount R'000	Opening balance 1 April 2012 R'000	Guarantees draw downs during the year R'000	Guarantees repayments/ cancelled/ reduced/ released during the year R'000	Revaluations R'000	Closing balance 31 March 2013 R'000	Guaranteed interest for year ended 31 March 2013 R'000	Realised losses not recoverable i.e. claims paid out R'000
ABSA	Housing	-	14	-	-	-	14	-	-
First National Bank	Housing	-	27	-	-	-	27	-	-
Standard Bank	Housing	-	14	-	-	-	14	-	-
Total		-	55	-	-	-	55	-	-

DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013

Annexure 2B
Statement of Contingent Liabilities as at 31 March 2013

Nature of Liability	Opening Balance	Liabilities incurred during the year	Liabilities paid/cancelled during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance
	1 April 2012 R'000	year R'000	year R'000	hereunder) R'000	31 March 2013 R'000
Claims against the department					
Breach of contract	122,180	708	1,852	-	121,036
Loss of profits	-	25,000	-	-	25,000
Labour related grievances	-	126	-	-	126
Total	122,180	25,834	1,852	-	146,162

Annexure 3
Claimes Recoverable

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	R'000	R'000	R'000	R'000	R'000	R'000
Department						
Dept. Cogta – KZN	2	-	1,519	4,652	1,521	4,652
Dept. Human Settlements – Eastern Cape	1	-	-	-	1	-
Dept. Human Settlements – National	-	-	-	6	-	6
Office of the Premier – KZN	-	22	-	-	-	22
Total	3	22	1,519	4,658	1,522	4,680

**DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8**

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013**

**Annexure 4
Inter-Government Payables**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	R'000	R'000	R'000	R'000	R'000	R'000
Departments						
Current						
Dept. Justice & Constitutional Development	143	359	-	31	143	390
Office of the Premier – KZN	134	441	-	-	134	441
Dept. Transport – KZN	17	8	-	-	17	8
Dept. Public Works – KZN	1,392	401	-	81	1,392	482
Total	1,686	1,209	-	112	1,686	1,321

DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 8

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013

Annexure 5
Inventory

Inventory	Note	2012/13 R'000	2011/12 R'000
Opening balance		2,150,219	1,702,726
Add: Additions/Purchases - Cash		2,419,358	2,411,359
(Less): Issues		(2,027,331)	(1,963,866)
Closing balance		2,542,246	2,150,219

Annexure 6
Movement in Capital Work In Progress

Movement in Capital Work in Progress for the Year Ended 31 March 2013

	Opening balance R'000	Current Year Capital WIP R'000	Completed Assets R'000	Closing balance R'000
Buildings and other Fixed Structures				
Dwellings	-	1,852	-	1,852
Other fixed structures	132,587	1,009	-	133,596
Total	132,587	2,861	-	135,448

PART E
ANNUAL FINANCIAL STATEMENTS
KZN HOUSING FUND

PERFORMANCE INFORMATION

The purpose of this Housing Fund 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 the two sub-components, namely the:

- The Housing Assets Management, and
- Property Management.

Table 01:

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
To provide secure tenure to communities	Number of residential properties transferred to beneficiaries	1,857	2,500	2,472	(28)	Under-performance in this instrument is due to delays in the processing of transfers that resulted from the termination of contract with the previous service provider that was contracted. Since termination of the contract, the Department has had to utilise the State Attorney services to handle transfers of both the Department and the Municipal housing stock.

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
						However, Legal Services stated that the State Attorney could not be utilised for Municipal stock.
	Number of units maintained	4,246	3,500	1,604	(1,896)	The rectification programme is intended to make properties habitable and saleable. However, the delay in the commencement of the rectification of department stock has resulted in the Department having to address more day to day maintenance repairs than originally targeted. This resulted in both over-performance and over-expenditure in this instrument.

Priority	Performance indicator	Actual Achievement 2011/2012	Planned Target 2012/13	Actual Achievement 2012/2013	Deviation from planned target to actual Achievement for 2012/13	Comment on Deviations
	Number of units Rectified and or Upgraded	-	1,500	579	(921)	There have been delays in the rectification programme due to the Municipalities deviating in the scope of work in relation to the technical assessments provided by the NHBRC. The reason for this is that the Municipalities argue that the assessment reports received from NHBRC are incomplete in a sense that they tend not to include some of the things that need to be the houses assessed. However, the Department is currently engaging with both the Municipalities and NHBRC in trying to resolve this issue.

Annual Financial Statements
KwaZulu-Natal Housing Fund

**Report of the Accounting Officer
for the year end 31 March 2013**

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

1. General review of the state of financial affairs

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

2. General

The Housing Act, Act no.107 of 1997 that governs the Housing Fund is currently in the process of being amended at a national level in order to dis-establish the National Housing Fund. Once the said act has been amended the KwaZulu-Natal Department of Housing will be in a position to amend the KwaZulu-Natal Housing Act 12 of 1998, to allow for the de-establishment (target date 31 March 2015) 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 (refer to note 16). All the recommended changes are in the process of being effected.

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

Scopa resolutions

(a) The findings on property, plant and equipment stated in paragraphs 6 – 9 of the 2011/2012 report of the Auditor-General.	As at 31 March 2012, the Housing Fund Property Register had 13,026 property records. During the financial year 2012/2013 it was found that 5,646 property records were not properties belonging to the fund. Corrective measures were implemented for the 5,646 property records which ensured the correction of Housing Fund Property Register. As at 31 March 2013, the Housing Fund Property Register had 7,380 property records. 5,034 Property records were confirmed to belong to the Department, the remaining 2,346 should be removed from the Property Register. Corrective measures are been effected for the 2,346 property records.
(b)The findings on receivables stated in paragraphs 10 – 12 of the 2011/2012 report of	With regard to the disclosure of receivables as lease payments, a report has been formulated to meet the criteria of GRAP 13. (refer

Annual Financial Statements
KwaZulu-Natal Housing Fund

<p>the Auditor-General.</p>	<p>disclosure note 6).</p> <p>With regard to the suspensive sale debtors, there are two types of sales, namely, a sale with immediate transfer and a sale with normal transfer.</p> <p>A debtor who opted for a sale with immediate transfer would qualify for a discount and the immediate transfer of the property, however for the duration of the repayment period the debtor would be charged market related interest.</p> <p>A debtor who opted for a sale with normal transfer would only receive transfer of the property once full settlement is received.</p> <p>The EEDBS was implemented to facilitate the settlement of debt and transfer of property to individuals. All types of sale debtors could apply for the EEDBS.</p> <p>It is normal for debtors to still appear in the books of the Department whilst the property is already transferred in the debtor's name, however debtors approved for the EEDBS and properties transferred should no longer appear in the books of the Department. The Department is in the process of correcting all debtor accounts approved in terms of the EEDBS and property transfer.</p> <p>With regard to the interest exceeding the capital, the debtors have a culture of non-payment. The National Department of Human Settlements used to perform an induplum interest run at year end. In respect of the query raised on the specific debtor, by the AG, the said induplum write back did not take place because of a programme error. Currently, National Department of Human Settlements do not perform the induplum interest run at year end, due to the system being written in an "old programming language". However at the time of settlement of debt, induplum calculations are effected.</p>
<p>c)The findings in paragraph 13 of the 2011/2012 report of the Auditor-General which</p>	<p>This figure came into being in 1994 when the properties where being accounted for on the</p>

Annual Financial Statements
KwaZulu-Natal Housing Fund

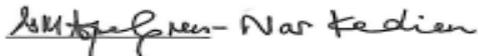
states that the Auditor-General was unable to obtain sufficient appropriate audit evidence to support the existence of revaluation reserve of R103,352 million as disclosed in note 13.1 to the financial statements.	modified cash basis. These properties relates to properties that were purchases, inherited and donated, which dates back prior to 1994. There is no documentation to support the revaluation reserve. In the year under review we wrote off the said amount in terms of GRAP.
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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 239 to 260 have been approved by the Accounting Officer.



Ms Greta M Apelgren-Narkedien
Accounting Officer
KwaZulu-Natal Housing Fund
Date: 26 July 2013

Annual Financial Statements
KwaZulu-Natal Housing Fund

3. Accounting Officer's Statement of Responsibility

Statement of Responsibility for the Annual Financial Statements for the year ended 31 March 2013

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

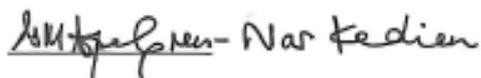
The Accounting Officer is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements

In my opinion, the financial statements fairly reflects the operations of the Fund for the financial year ended 31 March 2013, (refer point 2 – paragraph 2 of the accounting officers report).

The external auditors are engaged to express an independent opinion on the AFS of the Fund.

The Fund's Annual Financial Statements for the year ended 31 March 2013 have been examined by the external auditors and their report is presented on pages 234 to 238.

The Annual Financial Statements of the Fund set out on page 239 to page 260 have been approved.



Ms Greta M Apelgren-Narkedien
Accounting Officer
KwaZulu-Natal Housing Fund
Date: 26 July 2013

Annual Financial Statements
KwaZulu-Natal Housing Fund

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the KwaZulu-Natal Housing Fund set out on pages 239 to 260 which comprise the statement of financial position as at 31 March 2013, statements of financial performance, changes in net assets and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of 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 the KwaZulu-Natal Housing Act, 1998 (Act No. 12 of 1998), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the 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. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence that management has properly accounted for all property, plant and equipment for the current and prior year due to the status of the accounting records. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustment to property, plant and equipment stated at R76,24 million (2012: R76,61 million) in note 5 to the financial statements was necessary.

Receivables

5. I was unable to obtain sufficient appropriate audit evidence that management has properly accounted for all receivables for the current and prior year due to the status of the accounting records. I was unable to confirm the receivables by alternative means. Consequently, I was unable to determine whether any adjustment to receivables stated at R466,86 million (2012: R425,65 million) in note 6 to the financial statements was necessary.

Revenue

6. I was unable to obtain sufficient appropriate audit evidence that management has properly accounted for all rental and interest revenue for the current and prior year due to the status of the accounting records. I was unable to confirm the rental and interest revenue by alternative means. Consequently, I was unable to determine whether any

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adjustment to the interest and rental revenue stated at R41,85 million (2012: R12,62 million) in note 2 to the financial statements was necessary.

Expenditure

7. I was unable to obtain sufficient appropriate evidence for R1,69 million included in expenditure as the supporting documentation to validate the amounts disclosed was not provided for audit purposes. I was unable to confirm the expenditure by alternative means. Consequently I was unable to determine whether any adjustment relating to an item of expenditure stated at R1,69 million in the financial statements was necessary.

Disclaimer of opinion

8. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matters

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

Restatement of corresponding figures

10. As disclosed in note 16 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 KwaZulu-Natal Housing Fund at, and for the year ended, 31 March 2012.

Going concern

11. As disclosed in note 20 to financial statements, the Ministers and members of provincial executive council (MINMEC) had approved the disestablishment of the provincial housing funds in 2003 subsequent to the introduction of the Division of Revenue Act of South Africa (DoRA). The Housing Act, 1997 (Act No. 107 of 1997) is yet to be amended to give effect to the disestablishment of the Housing Fund. This factor, amongst others, indicates a material uncertainty that may cast significant doubt on the fund's ability to continue as a going concern.

Irregular expenditure

12. As disclosed in note 19 of the annual financial statements, the fund incurred irregular expenditure of R6,61 million during the year under review as a result of proper procurement processes not being followed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and the *general notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

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Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 227 to 229 of the annual report.
15. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

16. The material findings are as follows:

Usefulness of information

17. There were no material findings on the annual performance report concerning the usefulness of the information.

Reliability of information

Reported information not reliable

18. The National Treasury *Framework for managing programme performance information (FMPPi)* 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 Housing assets management and property management programme are:

- Materially misstated as there were material differences between recorded information and supporting documentation.
- Not reliable when compared to the source information and evidence provided.

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.

Additional matter

19. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

20. Of the total number of 4 planned targets, 3 of targets were not achieved during the year under review. This represents 75% of total planned targets that were not achieved during the year under review.
This was mainly due to delays in the processing of transfers and delays in rectification and maintenance.

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Compliance with laws and regulations

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

Annual financial statements

22. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 55(1) of the PFMA. Material misstatements in property, plant and equipment, receivables, revenue and expenditure identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a disclaimer of opinion.

Revenue management

23. The accounting officer did not take effective and appropriate steps to timeously collect all money due to the Fund as per the requirements of TR 11.2.1.

Internal control

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

Leadership

25. The oversight role of the accounting officer over annual financial statements was inadequate as completeness, accuracy and validity controls were not in place to detect annual financial statements and performance information accuracy errors and limitations. Furthermore, compliance with laws and regulations was not adequately monitored by the accounting officer throughout the financial year.

Financial and performance management

26. The system to support the annual financial statement preparation and annual performance report was not adequately developed and implemented by the accounting officer to ensure fair presentation of financial statements and the availability of supporting documentation to validate the information reported on.

OTHER REPORTS

Investigations

27. During the financial year, the Fund followed up on 3 criminal investigations arising from investigations concluded in the previous financial years. The four officials were dismissed

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from service and one criminal docket was finalised. The remaining 3 criminal dockets are still being pursued through the courts.

Auditor - General

Pietermaritzburg

31 July 2013



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

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Statement of Financial Performance
for the year ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
Revenue	2	2,844	2,637
Other Revenue	3	222,607	195,397
Total Revenue		<u>225,451</u>	<u>198,034</u>
Expenditure	4	230,134	201,311
Net Loss for the Year		<u>(4,683)</u>	<u>(3,277)</u>
Transferred To Accumulated Funds		4,683	3,277
		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>

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Statement of Financial Position
for the year ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000 Restated
Assets			
Current assets		49,275	43,081
Inventory	4.6	3,266	4,067
Receivables and prepayments	6	24,163	16,461
Provincial Revenue Fund	7	21,846	21,846
Department of Human Settlements	9 / 17.1	-	707
Non-current assets		76,242	76,610
Land and Buildings	5 / 10	76,242	76,610
Total Assets		<u>125,517</u>	<u>119,691</u>
Liabilities			
Current liability		18,160	7,720
Accounts Payable	8	8,924	7,720
Department of Human Settlements	9 / 17.1	9,236	-
Total Liability		<u>18,160</u>	<u>7,720</u>
Net Assets		<u>107,357</u>	<u>111,971</u>
Represented by:		107,357	111,971
Accumulated Funds		107,357	111,971
Non - Distributable Reserve		-	-
Total		<u>107,357</u>	<u>111,971</u>

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**Statement of Accounting Policies and Related Matters
for the year ended 31 March 2013**

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 55(1) (b) of the Public Finance Management Act, (Act No.1 of 1999 as amended by Act No. 29 of 1999). Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GRAP. The accounting policies are applied consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements.

1. Presentation of the Financial Statements

1.1 Basis of preparation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for financial instruments that have been measured at fair value.

1.2 Presentation currency

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

1.3 Rounding

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

1.4 Comparative figures

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

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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;
- the Fund retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.6 Going concern assumption

These annual financial statements are prepared on the basis that the Fund will remain a going concern for the foreseeable future.

1.7 Impairment of financial assets

Annually an assessment is made as to whether there 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.

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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

Property, plant and equipment are tangible items that:

- Are held for the use in the production or supply of goods and services, for rental to others or for administrative purposes; and
- Are expected to be used during more than one period.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Land and buildings are stated in the statement of financial position at cost.

Properties in the course of construction for purpose of sale and rental, are carried at cost, less any recognised impairment loss.

The property portfolio held by the Fund is purely residential by nature and is not depreciated but is evaluated on an annual basis to determine any impairment that should be recognised. Where applicable, depreciation on all other assets is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The annual depreciation rates are based on the following estimated useful lives.

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	<u>Years</u>
Land & Buildings (Residential)	0
Buildings (administration)	30
Office equipment	3-7
Furniture and fittings	7-10

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or services potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance

1.12 Prepayments and advances

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

1.13 Receivables and prepayments

Receivables and prepayments, included in the statement of financial position comprises rental debtors, suspensive sale debtors and individual loan debtors.

Receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible, it is written off in terms of the Fund's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

Liabilities

1.14 Payables

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

1.15 Contingent liabilities

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

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

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

Contingent liabilities are included in the notes.

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1.16 Commitments

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

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

Net Assets

1.17 Accumulated Funds

Accumulated Funds comprise amounts recognised as receivables and other assets raised.

1.18 Non-Distributable Reserve

Non-distributable reserves comprise revaluations to immovable property.

1.19 Related party transactions

Related parties are entities that control or significantly influence the fund in making financial and operating decisions. Specific information with regards to related party transactions is included in the notes.

1.20 Inventory

Inventories are stated at cost or net realisable value. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the time of acquisition.

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

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Statement of Changes in Net Assets

For the year ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000 Restated
Accumulated Funds			
Balance at beginning of the year as previously stated		111,971	108,048
Fundamental error	16	-	(95,549)
Prior year adjustment	13 / 14	-	103,352
Balance at beginning of the year restated (11/12)		111,971	115,851
Transfer from LI Suspense	6.1 / 12.1	69	(603)
Net loss for the year transferred from statement of financial performance		(4,683)	(3,277)
Closing balance		<u>107,357</u>	<u>111,971</u>
Non - Distributable Reserve			
Revaluation Reserve	13.1	-	-
Total		<u>107,357</u>	<u>111,971</u>

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Cash Flow Statement

for the year ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
Cash Flow Utilised For Operating Activities			
Receipts			
Debtors: -			
- Sold		1,951	2,456
- Rental		658	878
- Individual Loan		44	35
-Transfers received from Department of Human Settlements		183,406	184,261
Expenditure			
Payments			
- Clean-up of Housing Fund		8,347	3,604
- Commission on post office receipts		53	56
- Funded by Department of Human Settlements		183,406	184,261
- Recoverable rates		3,716	2,382
- Recoverable maintenance		11	380
- Refunds		-	35
Net cash flows from operating activities		(9,474)	(3,088)
Net Cash Flow From Investing Activities			
Decrease / (increase) in Accumulated Funds		69	(825)
Increase in Debtors contra		(637)	-
Net Cash Flow From Financing Activities		10,042	3,913
Decrease in clearing accounts	6.1	100	424
Decrease in in Department of Human Settlements	9	9,942	3,489
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

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Notes to the Annual Financial Statements
for the year ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
2 Revenue			
Admin fees received		110	133
Profit on sale of properties to debtors		83	1,022
Rent received from rental debtors		2,651	1,482
Total		2,844	2,637
3 Other Revenue			
Interest received on suspensive sale and individual loan debtors		39,201	11,136
Transfers received from Department of Human settlements		183,406	184,261
Total		222,607	195,397
4 Expenditure			
4.1 Funded by the KwaZulu-Natal Housing Fund:		43,474	24,712
Clean-up of Housing Fund		6,614	6,976
Commissions paid on post office receipts		53	56
EEDBS - capital adjustments / rebates / write-offs		2,947	187
Increase in provision for doubtful debts	6	33,410	17,045
Subsidies given to debtors on receipt of installments		450	448

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KwaZulu-Natal Housing Fund

	Note	2012/13 R'000	2011/12 R'000
4.2			
<i>Funded by the Department of Human settlements and accruals:</i>		186,660	176,599
Compensation of employees			
Salaries and wages			
Basic salary		28,928	36,668
Performance awards		492	106
Service Based		162	923
Compensative / circumstantial		410	-
Other non-pensionable allowances		4,935	5,968
Total		<u>34,927</u>	<u>43,665</u>
Social Contributions			
Employer contributions			
Pension		3,711	4,688
Medical		2,622	3,174
bargaining council		12	17
Total		<u>6,345</u>	<u>7,879</u>
Total compensation of employees		<u>41,272</u>	<u>51,544</u>

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	Note	2012/13 R'000	2011/12 R'000
Goods and services			
Advertising		110	5
Assets less than R5,000	4.3	41	79
Catering		25	5
Communication		273	254
Computer services	4.4	133	101
Consultants, contractors and agency/outsourced services	4.5	911	1,950
Inventory	4.6	1,931	2,970
Operating leases		40	42
Property payments	4.7	27,478	21,864
Transport provided as part of the departmental activities		-	1
Travel and subsistence		448	328
Venues and facilities		-	13
Other operating expenditure		255	41
Total		31,645	27,653
Payment for financial assets			
		45	-
Transfers and subsidies			
Provinces and municipalities	4.8	108,559	85,616
Households	4.9	5,140	11,786
Total		113,699	97,402
Total expenditure		230,134	201,311
4.3 Assets less than R5,000			
Tangible assets			
Machinery and equipment		31	46
Office furniture and other		10	33
Total		41	79

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KwaZulu-Natal Housing Fund

	Note	2012/13 R'000	2011/12 R'000
4.4 Computer services			
External computer service providers		<u>133</u>	<u>101</u>
4.5 Consultants, contractors and agency/outsourced services			
Business and advisory services		208	1,174
Infrastructure and planning		-	20
Legal costs		451	241
Contractors		-	280
Agency and support/outsourced services		252	235
Total		<u>911</u>	<u>1,950</u>
4.6 Inventory			
Opening balance		4,067	1,334
Fuel, oil and gas		17	12
Other consumables		191	516
Materials and supplies		899	5,147
Stationery and printing and other		23	28
Closing balance		(3,266)	(4,067)
Total		<u>1,931</u>	<u>2,970</u>
4.7 Property payments			
Municipal services		24,243	17,764
Property maintenance and repairs		3,235	4,100
Total		<u>27,478</u>	<u>21,864</u>
4.8 Provinces and municipalities			
Property maintenance and rectification		87,303	77,252
Rates and taxes		21,256	8,364
		<u>108,559</u>	<u>85,616</u>
4.9 Households			
Employee benefits		<u>5,140</u>	<u>11,786</u>

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5 Property, plant and equipment

	2013		2012	
	R'000		R'000	
	Cost	Carrying value	Cost	Restated Carrying value
Land & Building	76,242	76,242	76,610	76,610

Reconciliation of property, plant and equipment - 2013

	Opening balance	Acquisitions	Disposals	Total
Land & Building	76,610	-	368	76,242

Reconciliation of property, plant and equipment - 2012 - Restated

	Opening balance	Acquisitions	Disposals/write- off	Total
Land & Building	168,140	-	91,530	76,610

Property comprises of vacant land, commercial and residential (serviced and un-serviced) land and buildings.
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	Note	2012/13 R'000	2011/12 R'000
6 Receivables and prepayments			
Clearing accounts	6.1	(199)	(98)
Rental debtors	6.2	42,520	40,725
Suspensive sale debtors	6.3	424,339	384,921
Less: provision for doubtful debts	4	<u>(442,497)</u>	<u>(409,087)</u>
		<u>24,163</u>	<u>16,461</u>
6.1 Clearing Accounts			
LI Suspense		(367)	(272)
Post Office		<u>168</u>	<u>174</u>
		(199)	(98)
6.2 Rental debtors		<u>42,520</u>	<u>40,725</u>

These debtors are in respect of rentals owing by individuals on properties rented.

6.3 Suspensive sale debtors		424,339	384,921
Individual loans		6,343	5,567
Debtors contra		1,074	436
Sold properties	6.1	416,922	378,918

6.3.1 These debtors are in respect of sales of individual properties where the monthly repayment is over a 30 year period. Ownership is transferred immediately with respect to individual loans and with respect to sold properties, ownership is transferred on repayment of the loan.

6.3.2 No induplum interest was written back during the current financial year

6.3.3 Enhanced extended discount benefit scheme (EEDBS)

The KwaZulu-Natal Housing Fund as earmarked 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.

6.3.4 Reconciliation between the total gross investment in the lease and present value of the minimum lease payments:

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	Note	2012/13 R'000	2011/12 R'000
Gross investment in finance lease			
Not later than 1 year		16,436	16,465
Later than 1 year and not later than 5 years		65,744	65,859
Later than 5 years		91,033	107,429
		173,213	189,753
Unearned future finance income		100,489	136,792
Net investment in finance leases		72,724	52,961
7 Provincial Revenue Fund			
Balance at beginning of the year		<u>21,846</u>	<u>21,846</u>
8 Accounts Payable			
Trade Creditors		4,451	3,732
Debtors' Credit Balances		4,473	3,988
		<u>8,924</u>	<u>7,720</u>
9 Department of Human Settlements		<u>9,236</u>	<u>707</u>
The KwaZulu-Natal Housing Fund does not have its own bank account. All its cash transactions are done via the Department of Human Settlements bank account.			
10 Property, plant and equipment		<u>76,242</u>	<u>76,610</u>
The Housing Fund did not acquired property, plant and equipment during the year under review.			

Annual Financial Statements
KwaZulu-Natal Housing Fund

	Note	2012/13 R'000	2011/12 R'000
11 Reconciliation of net cash flows from operating activities:			
deficit		(4,683)	(3,277)
Non - cash movements			
Revenue			
admin fees received		110	133
profit on sale of properties to debtors		83	1,022
rent received from rental debtors		2,651	1,482
Interest received on suspensive sale and individual loan debtors		39,201	11,136
		(46,728)	(17,050)
11 Reconciliation of net cash flows from operating activities to deficit (continued)		(46,728)	(17,050)
Expenditure			
Increase / (Decrease) in trade accruals		718	(1,557)
EEDBS - capital adjustments / rebates / write-offs		2,947	187
Increase in provision for doubtful debts		33,410	17,045
Decrease / (Increase) in inventory		801	(2,733)
Subsidies given to debtors on receipt of installments		450	448
		(8,402)	(3,660)
Cash receipts and expenditure			
Receipts from debtors		2,653	3,369
Recoverable expenditure relating to debtors		3,725	2,797
Net cash flows from operating activities		(9,474)	(3,088)
12 Accumulated Funds		69	603
12.1 Correction of transactions that did not interface from the LI suspense account.			

Annual Financial Statements
KwaZulu-Natal Housing Fund

	Note	2012/13 R'000	2011/12 R'000
13 Non-Distributable Reserve		-	103,352
Prior year adjustment		-	(103,352)
		<u>-</u>	<u>-</u>
13.1	This item related to certain properties that were purchased many years ago on the cash basis, and was now accounted for on the modified cash basis.		
14 Prior Year Adjustment		<u>-</u>	<u>103,352</u>
<p>The prior year adjustment arose as a result of the write off of the non-distributable reserve.</p>			
15 Commitment			
Current expenditure			
Approved and contracted for		12,901	12,623
Approved and not contracted for		-	18,184
		<u>12,901</u>	<u>30,807</u>
Capital expenditure			
Approved and contracted for		1,424,830	74,700
Approved and not contracted for		19,800	1,300,000
		<u>1,444,630</u>	<u>1,374,700</u>
Total commitments		<u>1,457,531</u>	<u>1,405,507</u>

Annual Financial Statements
KwaZulu-Natal Housing Fund

		2012/13	2011/12
	Note	R'000	R'000
			Restated
16	Correction of Prior Period Error		
	The correction of prior year errors arose as a result of the fund being cleaned up.		
	Accumulated Funds		
	Balance as previously reported		108,048
	Fundamental error – write-off in terms of the housing fund clean up		(95,549)
	- land and Buildings		(89,136)
	- Rental Debtors		(6,122)
	- Suspensive Sale Debtors		(291)
	Write off of accumulated funds		103,352
	Balance as currently reported		<u><u>115,851</u></u>
	land and Buildings		
	Balance as previously reported		165,749
	Fundamental error – write-off in terms of the housing fund clean up		(89,136)
	Balance as currently reported		<u><u>76,613</u></u>
	Rental Debtors		
	Balance as previously reported		46,847
	Fundamental error - writeoff in terms of the housing fund clean up		(6,122)
	Balance as currently reported		<u><u>40,725</u></u>
	Suspensive Sale Debtors		
	Balance as previously reported		379,209
	Fundamental error – write-off in terms of the housing fund clean up		(291)
	Balance as currently reported		<u><u>378,918</u></u>

Annual Financial Statements
KwaZulu-Natal Housing Fund

	2012/13	2011/12
Note	R'000	R'000

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 3,789 million of the R89,136 million relates to properties that were devolved to the municipalities between 2002 and 2005.

Suspensive Sale and Rental Debtors

Suspensive Sale - the R 291 000 represents debtors that that were devolved to the municipality in 2005, but was only devolved from the debtors system in 2013. Rental - the R6,122 million represent rental debtors that are termed "previous tenants" who absconded and we were not in a position to locate. Bulk of these debtors were from prior to 1994. The entry done to remove these balances from the debtors system / books of account -debit: accumulated funds and credit: suspensive sale and rental debtors.

17 Related party transactions

The following related parties were identified

17.1	Department of Human Settlements	9,236	707
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The Department of Human Settlements controls the KwaZulu-Natal Housing Fund. The said does not have its own bank account. All monies received by the said fund is deposited in the Department's bank account.

17.2	Transfers received from the Department of Human Settlements	183,406	184,261
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The KwaZulu-Natal Housing Fund does not receive any funding from the National Department of Human Settlements. The provincial Department of Human settlements pays for its expenses in terms of DoRA. The Fund receives free services from the Department of Human Settlements.

Annual Financial Statements
KwaZulu-Natal Housing Fund

	Note	2012/13 R'000	2011/12 R'000
18 Inventory			
Opening balance		4,067	1,334
Add: purchase's		1,130	5,307
less: issues		<u>1,931</u>	<u>2,574</u>
Closing balance		<u>3,266</u>	<u>4,067</u>
Inventory comprises of building and maintenance materials.			
19 Irregular Expenditure			
Reconciliation of irregular expenditure			
Opening balance		6,976	-
Add: irregular expenditure - relating to the current year		<u>6,614</u>	<u>6,976</u>
Irregular expenditure awaiting condonation		<u>13,590</u>	<u>6,976</u>
Details of irregular expenditure - current year			
Incident			
Deviation from calling of bids		<u>13,590</u>	<u>6,976</u>

Annual Financial Statements KwaZulu-Natal Housing Fund

20 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 is dormant as far as its operations and activities are concerned and it does not engage in its own operations.

The Fund aims to finalise the sensitization of the properties meaning to transfer, delete and devolve the properties and phasing out of the debtor book by promoting ownership by March 2014, at which stage, subjected to the expected amendments to the housing legislation, the Fund will be closed and the remaining assets of the Fund will be transferred to the books of the Department or devolved to municipalities/local authorities.

Furthermore there are no factors that are contrary to our evaluation. There is no intention for the Fund to be liquidated or cease operations.

There is no significant doubt that the Fund will continue to exist at this stage. The Statement of Financial Position and the property portfolio of the fund continues to reflect a positive net asset current ratio.



human settlements

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