

BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, Dated 26 October 2022.

The Portfolio Committee on Human Settlements (hereinafter, the Committee), having considered and assessed the performance of the Department of Human Settlements (hereinafter, the Department) and its Entities for the 2021/22 Financial Year, and the associated briefs from the office of the Auditor-General South Africa (AGSA) and the Department of Planning, Monitoring and Evaluation (DPME) on 12, 14 and 19 October 2022, reports as follows:

1. INTRODUCTION

The Department's mission is to facilitate the creation of sustainable human settlements and improved quality of household life. The vision of the Department is a nation housed in sustainable human settlements. Its mandate and core business is derived from section 26 of the Constitution, 1996 (which guarantees the right to adequate housing), policies applicable to government, such as Breaking New Ground, and legislation such as the Housing Act, (Act No. 107 of 1997).

The Department has two approaches to addressing housing needs, namely, through the scaled delivery of subsidised housing for low-income households, and through striving to create an environment conducive for operations of the subsidised housing market within the larger economy. The Medium Term Strategic Framework (MTSF) 2019- 2024 identified a number of priorities in relation to human settlements in order to realise the vision of sustainable human settlements and an improved quality of household life.

1.1 MANDATE OF THE COMMITTEE

The Committee's mandate is to maintain an oversight responsibility that ensures a quality process of scrutinising and overseeing government's action. It is driven by the ideal of realising a better quality of life for all people in South Africa. It is also required to facilitate public participation as well as oversee compliance with regulatory legislative frameworks related to human settlements.

In brief, the Committee:

- Considers legislation referred to it;
- Conducts oversight of any organ (s) of state and constitutional institution (s); falling within its portfolio;
- Considers international agreements; and
- Considers budget of Department and Entities falling within its portfolio.

1.2 MANDATE OF THE DEPARTMENT OF HUMAN SETTLEMENTS

The mandate of the Department is to determine, finance, promote, co-ordinate, communicate and monitor the implementation of housing policy and the provision of human settlements.

Since the formulation of the Comprehensive Housing Plan in 2004, the Department has conducted various initiatives to enhance the creation of comprehensive, integrated, co-ordinated, sustainable human settlements and quality housing. These initiatives include the review of the National Housing Code which determines national norms and standards in respect of housing development. In keeping with this responsibility, the Department has set short, medium, and long term human settlements development goals towards breaking of apartheid spatial patterns while promoting access to adequate housing, affordable services in better living environments and a more functional equitable residential property market.

As mentioned in the introduction to this report, Outcome 8 of the government's outcome-based service delivery approach is focused on the mandate of the Department. This mandate is to create sustainable human settlements and work towards improving the quality of household life. Section 26 of the Constitution of the Republic of South Africa (1996) and the Housing Act (No. 107 of 1997) are still considered the foundation for the operational models and the spending focus of the Department.

1.3 AIMS OF THE DEPARTMENT OF HUMAN SETTLEMENTS

In line with the National Development Plan (NDP), the Human Settlements aims at achieving visible results from effectively coordinated spatial planning systems by 2030 and this is done through:

- The development of the Spatial Master Plan for Human Settlements that would direct investments to the priority precincts;
- Implementation of Catalytic Projects;
- Prioritising, targeting and focusing resources (financial and others) towards upscaling delivery;
- Supporting and encouraging government and private sector collaboration and integration;
- Promoting the participation of Youth and Women in human settlements development programmes;
- Scaling up delivery on the informal Settlements Upgrading Programme.

2. PURPOSE OF THE BRRR

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, (No. 9 of 2009) the National Assembly, through its Committees, must annually compile BRRRs that assess service delivery and financial performance of Departments and may provide recommendations on forward use of resources. The BRRR is also a source document for the Committees on Appropriations when considering and making recommendations on the Medium Term Budget Policy Statement (MTBPS).

2.1 METHODOLOGY

The Portfolio Committee on Human Settlements compiled the 2021/22 BRRR using the following documents:

- The NDP: Vision for 2030;
- Medium Term Strategic Framework;
- 2021/22 State of the Nation Address;
- Strategic Plans of the Department and its Entities;
- Annual Performance Plans and Annual Reports of the Department and its Entities, assessment made by the DPME and the AGSA outcomes of audit findings.

3. NATIONAL DEVELOPMENT PLAN VISION 2030

In relation to the NDP 2030, the Department has the following strategic priorities:

- Respond systematically, to the entrenched spatial patterns across all geographic scales that perpetuates social inequality and economic inefficiency;
- Implement strategically the chosen catalytic interventions to achieve spatial governance;
- Achieve a creative balance between spatial equity, economic competitiveness and environmental sustainability;
- Expand personal freedoms by providing the residents of South Africa with greater choice of where to live;
- Support individuals, communities and the private sector in engaging with the state on the future of the spaces and settlements in which they live and work while streamlining processes to enable local governments to implement strategic spatial intervention.

4. MEDIUM TERM STRATEGIC FRAMEWORK (2019-2024)

The 2019- 2024 MTSF is both a five-year plan implementation plan and an integrated monitoring framework. The plan focuses on the seven priorities and related interventions of the sixth administration of government. The integrated monitoring framework focuses on monitoring and outcomes, indicators and targets towards the achievement of priorities. The MTSF promotes alignment, coordination and ultimately full integration of all development planning instruments into an integrated framework without duplication, role conflict and

coordinated development in all spheres of government. The MTSF is structured into priority outcomes which cover the focus areas identified in the NDP Chapters.

The focus of the MTSF 2019-2024 for the Human Settlements Sector is to implement a coherent programme to transform human settlements and to ensure that delivery of housing is used to restructure towns and cities, and strengthen the livelihood prospects of households and overcome spatial apartheid patterns. To advance this vision, the MTSF 2019-2024 has three interrelated outcomes with clear targets:

- Spatial transformation through multi-programme integration in priority development areas (PDA's);
- Adequate housing and improved quality living environment;
- Security of tenure through the provision of title deeds.

The following are specific MTSF 2019-2024 targets for the Human Settlements Sector:

- Deliver 450 000 subsidised housing units;
- Approve 20 000 applications to purchase units for Finance Linked Individual Subsidy Programme (FLISP);
- Deliver 300 000 serviced sites;
- Deliver 30 000 social housing/ rental housing units in PDAs;
- Deliver 12 000 Community Residential Units (CRU)/ rental housing units in PDA's;
- Upgrade 1 500 Informal Settlements to Phase 3.

4.1 THE STRATEGIC FOCUS FOR HUMAN SETTLEMENTS

Targeted infrastructure investment is critical for economic growth as well as contributing towards social protection and community development. The focus is on infrastructure development to support economic growth and enhance social protection. The human settlements strategy is grounded on the following:

- Amassing government investment through investment in identified areas.
- Infrastructure development to support both economic growth and enhance social protection.
- Improve neighbourhood design to contribute to a better quality of health and well-being of households.
- Investment in public spaces (walkways, public transport stops, streets, squares, parks, trading spaces, food gardens and the like).
- Supporting the South African construction industry and the real estate industry.
- Supporting job creation and transformation through the appointment of local designated groups.
- Evidence-based directed and big data management.

5. SONA 2021/22: ANALYSIS OF KEY PRIORITIES PERTAINING TO THE DEPARTMENT

During the State of the Nation Address in February 2022, the President referenced the human settlements sector in three respects, namely:

- The Infrastructure Fund was working with state entities to prepare a pipeline of projects with an investment value of about R96 billion in student accommodation, social housing, telecommunications, water and sanitation and transport.
- A number of catalytic projects to the value of R21 billion were anticipated to commence with construction during 2022/23. Of this amount, R2.6 billion was contributed by government, with the rest of the funding coming from private sector and development finance institutions.
- The Department of Public Works and Infrastructure would finalize the transfer of 14 000 hectares of state land to the Housing Development Agency (HDA).

6. DEPARTMENT AND ENTITIES PERFORMANCE

Overall, the Department achieved 56.6% of its targets. The Department reported on a number of factors that hampered the delivery of sustainable human settlements during 2020/21, including the impact of the COVID-19 pandemic, a lack of well-located land for

housing developments and scarce fiscal resources. Furthermore, during 2021/22, KwaZulu-Natal and Gauteng were affected by service disruptions and damage to infrastructure during the riots of July 2021. A number of provinces also experienced natural disasters, including floods and fires. Several houses were damaged and many people were displaced as a result. This highlighted the vulnerability of South Africa's human settlements sector to natural disasters and the anticipated escalating impact of climate change.

Progress was made in providing temporary accommodation, relief efforts and the identification of land for constructing permanent structures, although there is a clear need for more dedicated capacity and systems to respond to disasters effectively. The Department has since resolved to review all its policies related to disasters and emergencies to streamline processes and resource allocation towards disasters. An update can be anticipated during the fourth quarter of 2022/23 in this regard.

The service delivery environment was characterized by a number of challenges, including:

- An increase in households living in informal settlements.
- The lack of and inadequate capacity in bulk infrastructure.
- Delays in the procurement processes.
- Regulatory and governance incapacity in the land planning process.
- The constraints associated with availability of funding.
- The impact of rapid urbanization.
- Increasing inequality.
- A high level of indebtedness of households.

The Department concluded its initial steps to strengthen governance systems at its entities. The appointment of permanent executives at the HDA, the CSOS, the NHBRC had been concluded and the process was at an advanced stage at the SHRA and the NHFC, while there were challenges at the PPRA. There was, however, concern around significant resistance at some entities against efforts to intervene and stabilize struggling entities.

All of the new interventions announced in the 2019/20 Annual Report (for implementation in the 2022/23 financial year) are in the implementation phase, with some already being in the monitoring phase. These include:

- The structure of the Human Settlements Development Grant (HSDG) was configured to allow for the delivery of bulk infrastructure for up to 30% of the grant, especially in rural provinces.
- Front-loading would start in the Northern Cape and Eastern Cape in 2022/23, which allows the significant increase in the scale of housing delivery in a short space of time.
- The Department had partnered with the Infrastructure Fund to accelerate the delivery of large scale social housing projects.
- The Department would intervene directly in municipalities for capacity building around human settlements delivery.
- The Finance-Linked Individual Subsidy Programme (FLISP) was expanded to include rural areas' "permission to occupy" (PTO), Government Employee Housing Scheme, housing loans supported by Employer-Assisted Housing Scheme and Cooperatives or community-based schemes such as stokvels.
- The intervention in areas affected by disasters had been reconfigured to include fast-tracking repairs through a voucher system and also allow provinces and metros to utilise available funds from the HSDG and Informal Settlements Upgrading Programme (ISUP) to intervene in dealing with the damages.

7. HUMAN SETTLEMENTS ALLOCATIONS - MTEF ALLOCATIONS

7.2. Expenditure of the Department

By the end of the 2021/22 financial year, the Department spent R30.96 billion out of the final appropriation of R31.68 billion (97.73%). The Department therefore underspent by R720.26 million (2.27% of the total appropriation). This was compared to an underspending of 0.9% in the previous financial year.

7.3. Quarterly Performance per Programme

7.3.1. Programme 1 (Administration)

This programme received an appropriation of R495.61 million, of which it spent 84.09% (compared to 82.58% in 2020/21). It therefore underspent by R78.86 million (15.91%).

7.3.2. Programme 2 (Integrated Human Settlements Planning and Development)

This programme received an appropriation of R21.24 billion, which is 67.03% of the total appropriation of the Department (compared to 89.5% in 2020/21). The Department spent 99.73% of its available budget by the end of the 2021/22 financial year under this programme. Actual expenditure was therefore R56.07 million less than projected (0.27%). Underspending in Programme 2 was attributed to three main areas, namely Compensation of Employees, Goods and Services and Expenditure for Capital Assets.

7.3.3. Programme 3 (Informal Settlements)

This programme received a total appropriation of R8.42 billion (compared to R633.6 million in 2020/21), of which it spent R7.97 billion (94.65%). The programme therefore underspent by R450.14 million (5.45%). Underspending was mainly attributed to underspending on Compensation of Employees, Goods and Services, Transfers and Subsidies and Expenditure for Capital Assets.

7.3.4. Programme 4 (Rental and Social Housing)

This programme received an appropriation of R936.76 million for the 2021/22 financial year (compared to R1.16 billion in 2020/21), of which it spent R850.89 million (90.83%). The programme therefore underspent by R85.87 million (9.17%) in 2021/22, primarily due to underspending on Goods and Services and Expenditure for Capital Assets.

7.3.5. Programme 5 (Affordable Housing)

This programme received a total appropriation of R588.83 million in 2021/22, of which it spent R539.52 million (91.62%). The programme underspent by R49.31 million (8.48%), primarily due to underspending on Compensation of Employees, Goods and Services, Transfers and Subsidies and Expenditure for capital assets.

The overall audit outcomes of the Department remained unchanged from the previous audit cycles, as for the past five years the Department had been receiving an unqualified audit opinion on the annual financial statements as well as no material findings on compliance with legislation, but with material findings on reported performance information. Concerning reported performance information; in the current year, the usefulness issues were finally resolved and the audit outcome on performance information has improved with an unqualified opinion on programme 2. The current year's audit outcome is an unqualified audit opinion with findings on only compliance with legislation. The Department also reported that the Director General was redeployed to a different department within the ambit of the Department of Public Service and Administration (DPSA).

7.4. The Department achieved the following:

- The Department, with the HDA's involvement, prepared a total of 49 integrated implementation programmes for Priority Development Areas (PDAs).
- A total of 1 162 informal settlements upgrading projects were in progress across nine provinces and eight metropolitan municipalities, with a total of 610 informal settlements upgraded by provinces and 552 by metropolitan municipalities.
- A total of 22 822 serviced sites were delivered during 2021/22, of which 20 213 were delivered by provinces and 2 609 by metropolitan municipalities.
- The deployment of service delivery facilitators in the Eastern Cape, KwaZulu-Natal, Limpopo, Mpumalanga and North West delivered improved outcomes in addressing the title deed backlogs in these provinces.
- Provinces performed better than anticipated in assisting applicants of the FLISP, with a total of 2 985 applicants assisted (compared to an anticipated 2 396), while NHFC underperformed in this regard, assisting only 3 268 out of a planned 5 762 applicants to be assisted during 2021/22. A total of 6 253 households received

financial assistance and purchased housing units through FLISP, with the performance of FLISP totalling 13 414 households, against the Medium Terms Strategic Framework (MTSF) target of 20 000 households.

- In terms of the revitalization of mining towns, affected provinces and municipalities reported that their main challenges result from a lack of bulk infrastructure to support the provision of basic services for future human settlements developments. The Department assisted six provinces and the relevant municipalities in each (Limpopo, North West, Mpumalanga, Gauteng, Free State and the Northern Cape) to develop costed multi-year project pipeline reports where the provinces prioritise bulk infrastructure projects.
- The Department identified more than 1 200 blocked projects and intends to close off these projects over a three-year period in partnership with the provincial departments, starting in 2022/23. Projects affected by bulk infrastructure and poor performing contractors would be prioritized.
- A total of 33 One Plans for District and Metropolitan Municipalities were assessed and reviewed across all provinces. This was in order to subject the One Plan to the quality assurance framework and verify the alignment of the One Plan with the District Development Model (DDM) to produce improved plans. Technical support was also provided where necessary, especially where under-performance was noted, before invoking the provisions of the Division of Revenue Act.
- The Property Practitioners Regulatory Authority Act (PPRAA) (which establishes the Property Practitioners Regulatory Authority (PPRA) came into effect in February 2022, which makes provision for the replacement of the Estate Agency Affairs Board by the PPRA.
- The Department developed a number of policies, seeking to respond to the injunction of Section 26 of the Constitution, including:
 - Remodelling the FLISP to effectively address the “GAP” housing market and provide for non-mortgage product offerings and alternative tenure options; and
 - The Policy on Empowerment of Designated Groups (designed to support the achievement of improved social and economic impacts through human settlements construction projects) seeks to provide for setting targets and implementation measures to create jobs, promote small enterprises and to further provide for training opportunities during construction projects implemented or funded by the Department. The primary aim of this policy is to make sure that these opportunities are first made available to unemployed people, youth, women and people with disabilities.

8. HUMAN SETTLEMENTS ENTITIES

8.1. National Home Builders Registration Council (NHBRC)

The NHBRC's net surplus for the year was R 1.2 billion. This was largely as a result of the reversal of Additional Unexpired Risk Provision of R 571 million which was a requirement of the Auditor General. This was questioned by the NHBRC but ultimately the Auditor General had concluded that this provision was not required. In so far as the overall financial and supply chain aspects are concerned, the NHBRC spent an average of 75% of its budget on BEE suppliers and, on average, took 21 days to facilitate supplier payments.

The overall audit outcomes of the entity have remained unchanged from the previous three audit cycles, with the entity receiving an unqualified audit opinion on the annual financial statements and compliance with legislation. Material misstatements were identified in some key balances of the entity such as actuarial provisions as well as the investments and financial instruments disclosures, which have been adjusted. The disclosures made in the notes for investments and financial instruments were not accurate and these were not identified through the review processes undertaken by the entity over financial reporting. The differences identified in actuarial provisions were a result of differences in the application of the selected methodology for calculating the actuarial provisions. The overall outcomes on performance reporting have remained fairly the same, with a slight increase in the number of indicators receiving a modified opinion. The misstatements identified were a result of inadequate controls over the collection and collation of information that supports performance reporting. As similar issues were raised in the previous financial years, this indicates that the action plans developed are inadequate to address the findings and/or were not effectively monitored to yield the desired impact.

The NHBRC achieved the following:

- NHBRC heeded the National Treasury's call for State Entities to tighten their purses in response to the COVID-19 pandemic and to exercise prudence in managing public funds. Cost containment measures, as guided by the cost containment measures issued by National Treasury were implemented during the reporting period.
- NHBRC spent 75% of its budget on Black Economic Empowerment (BEE) suppliers and, on average, it took 21 days to facilitate supplier payments.
- NHBRC received unqualified audit outcome.
- NHBRC achieved 93% of its performance targets which was an improvement from the prior year (83% in 2020/21).
- NHBRC launched an online registration and renewal pilot project which enables new and existing homebuilders to access the NHBRC services from anywhere in the country through online platforms.

8.2. National Housing Finance Institution (NHFC)

NHFC reported a consolidated surplus for the year of R73.9 million against a budgeted surplus of R16.6 million. The primary contributors to this positive variance were lower than budgeted impairments and operating costs. The NHFC's financial performance was heavily dependent on the growth of its loan book and the prevailing interest rates. The total group interest on advances for the 2021/22 financial year is at R377.3 million which is under budget by R60 million and has decreased by 6% from the 2020/21 financial year, this was due to:

- Disbursements being primarily in short-term products, leading to a lower book budgeted from the start of the year and continuing throughout the year.
- Lower interest rates throughout the year, budgeted interest rates were projected to increase from the beginning of the year. Unfortunately, they only actually started increasing from November 2021.
- The impairments were lower than budgeted mainly due to impairment policy now more realistically calculating the security held against NHFC products. The budgeted company cost to income ratio of 71.8% included the costs of transitioning into the HSDB. As the legislation has not been presented to Parliament, many of these expenses were not incurred resulting in the positive variance with actual cost to income ratio of 63.0%.

The NHFC remained the same for the past three years, while some improvements have been noted in some areas of the audit. However, the audit outcome achieved is the unqualified audit opinion with findings on compliance with legislation, predominantly due to material misstatements that are identified in the financial statements submitted for audit and non-compliance identified with relevant legislation. The nature of the misstatements has varied over the years, but common to all has been the inaccurate underlying documents that support the amounts disclosed in the annual financial statements and misinterpretation of legislation, which result in material non-compliance.

The above can be attributed to management's slow response in addressing and improving the key risk areas through their audit action plan. This is also caused by the instability in the finance leadership that has occurred over the years. Management is urged to ensure that adequate controls are put in place to address the material findings identified on the financial statements and compliance with legislation. Furthermore, management should ensure that the recommendations by external auditors are implemented timely and the key finance leadership vacancies are filled.

NHFC achieved the following:

- The FLISP would, as of the 2022/2023 Financial Year, extend to nonmortgage housing finance facilities. It was important to note that, during the review period, the FLISP benefitted a high percentage of women – supporting objectives of the NDP in this regard. The digitisation of the FLISP and Customer Relationship Management (CRM) systems had been fully implemented during the period, enabling beneficiaries to submit online applications for subsidy. This development means that NHFC reach an extended gap market by availing the services in a more convenient manner.

- The governance of the NHFC had been closely monitored by the Board, who have provided sufficient assurance that the necessary mitigations and actions plans are in place following the previous year's findings by the Auditor-General. The reconstitution of the NHFC Board was concluded on 29 March 2022, and saw many new appointments being made.
- NHFC approved loans of R1.488 billion and has already disbursed about 65% of the approvals. The approved loans provided 26,300 incremental finance opportunities with 5,264 housing units. The empowerment of women, youth and people with disabilities is still a key socioeconomic transformation impact target of government. In this regard, NHFC must be applauded for disbursing R284 millions of approved loans to women beneficiaries.
- The work towards the establishment of the Human Settlements Development Bank remains on course though at a slow place. This was an area that NHFC needed to pick up pace and improve on to support the much needed institution that is classified correctly to support the demands of the sector.

8.3. Social Housing Regulatory Authority (SHRA)

Expenditure on the Consolidated Capital Grant as part of the Project Development and Funding Programme increased from R587 227 628 in the previous financial year to R744 790 731 in the period under review against R713 146 000 allocation received (104% spent against receipts).

The overall audit outcome has remained the same, as the entity has received an unqualified audit opinion with findings issued for the 2021-22 and 2020-21 financial years. However, internal control deficiencies identified during the audit resulted in the following:

- Non-compliance with relevant laws and regulations in the following area:
 - Material amendments made to the financial statements.
 - Material amendments made to the annual performance report.

SHRA achieved the following:

- SHRA's performance achievement was 61% (19/31) for the 2021/22 year. Regular monitoring of in-year performance with remedial action plans to improve levels of performance were being implemented.
- There are 90 accredited institutions on the SHRA Accreditation Register, eight of which are fully accredited, and 82 were conditionally accredited. Thirty-six had stock under management or approved projects and seventeen had projects in the pipeline.
- 2 771 units were completed in 2021/22 and a total of 7 637 units completed (42% of the revised 18 000 MTSF target).
- There are 90 accredited institutions on the SHRA Accreditation Register, eight of which were fully accredited, and 82 were conditionally accredited. Thirty-six had stock under management or approved projects and seventeen had projects in the pipeline.
- Indexation of the grant quantum and income bands (R1 850 – R22 000 gross household income) were approved in the year for implementation in the 2022/23 financial year.
- Inclusion of six Social Housing projects in the Infrastructure Fund. An additional R305 million for the Social Housing Programme (SHP) with the Budget Facility for Infrastructure (BFI) was approved over the MTEF.
- The last quarter of the year under review was the last quarter for the implementation of the Covid-19 Rent Relief Fund. By the end of March 2022, a total amount of R2 069 172 was disbursed (0.7% of the R300m allocation). Policy changes would support the motivation for optimal utilization and the retention of cash surplus.
- There were two findings raised in 2021/22 relating to minuting of bid specification meetings and terms of reference. These supply chain matters had been resolved.
- Five audit findings raised during 2020/21 - three fully and two partially addressed during the period under review with the most important the appointment of the SHRA Council on 26 November 2021.
- Of the 31 performance indicators, 11 indicators related to transformation, eight of these were achieved. The remedial action plans to target designated groups and support transformed entities would be implemented in the ensuing financial year.
- Staff vacancy rate as of March 2022 was 19.64% with a headcount of 45 full time staff.

- Commencement of an organizational design and review undertaken in the year.

8.4. Housing Development Agency (HDA)

The HDA reported of R109 million surplus, and revenue collected was R380 million. The HDA audit outcome remained stagnant from the previous financial year as a result of the significant material misstatements and the weakened control environment which had seen an increased number of control deficiencies that had been identified during the audit and ultimately resulting in a qualified opinion on the financial statements. The entity was without a functioning and effective accounting authority for eight months of the financial period, with a board being appointed in November 2021. This left the public entity operating without the board and effectively leaderless, to some extent. The entity continued to have significant positions of senior and key management personnel vacant, which resulted in employees filling these roles in an acting capacity for long periods of time. This impacted continuity and the general internal control environment, which had a significant impact on the audit outcomes.

HDA achieved the following:

- During the period under review the former Minister of Human Settlements appointed Mr. Neville Chainee as Administrator effective 17 February 2021. Mr Chainee was replaced by Dr Mahapa as the Administrator in July 2021, in order to stabilize the entity.
- The Audit and Risk Committee remained the only functional committee to support the organisation under the leadership of the Administrator.
- The Board was appointed by the Minister in November 2021.
- Mr. Stephen Poya was appointed as Acting 17th of February in 2021 to 27th of August 2021.
- Ms Daphney Ngoasheng was appointed Acting CEO from 27th August 2021 to 31st May 2022.
- The Board with the support of the Minister expedited the appointment of the CEO and CFO who resumed their duties in June and July 2022 respectively.
- 2 451 housing units were delivered.
- 1765,5591 Hectares was acquired.
- 40 Development Plans for PSHDA completed.
- 2 806 Serviced Sites were developed.
- 1 566 Title Deeds were issued.

8.5. Property Practitioners Regulatory Authority (PPRA)

The 10 months 2021/22 operations resulted in a surplus of R23.8m, an indication that the revenue was sufficient to cover all operating expenses in the normal course of business. The above resulting in R18.5m (R26.4m budget) cash generated from operations, to cover for capital investment, and growth in investments.

The overall audit outcome for the PPRA was a qualified opinion regressed from unqualified in the last financial year to qualified audit opinion in the year under review due to the material misstatements on opening balances of receivables from exchange, receivables from non-exchange, payables from exchange and payables from exchange which were not supported by reliable underlying records.

The Property Practitioners Fidelity Fund (PPFF) regressed due to non-compliance findings noted; these non-compliances were mainly due to non-compliance with supply chain management processes. There were instances of non-compliance findings noted that were in relation to the supply chain's management policy; however, the procurement process was conducted by the PPRA, previously known as Estate Agency Affairs Board. The accounting authority needs to urgently and adequately conduct an investigation into the causes of the non-compliance.

PPRA achieved the following:

- A key change in the operating environment of the EAAB was the repealing of the legislation that governed the entity, namely the Estate Agency Affairs Act no. 112 of 1976 ushering in the Property Practitioners Regulatory Authority. The reports would be based on 10 months under the EAAB and 2 months under the PPRA.

- The EAAB received qualified audit finding for the 2021/22 financial year and the entity prioritized action plans to address the root cause of the key findings that led to undesirable audit outcome.
- A concern raised by external auditors in the past financial year audit report was the lack of the internal auditor function. A milestone was achieved and the internal audit function was appointed and the Audit and Risk Committee has reported their satisfaction with progress made on the internal audit plan.
- Core programmes of Fidelity Fund, Education and Training as well as Transformation under the EAAB achieved 100%, 67% and 43% of its targets, respectively.
- Despite the economic downturn estate agents continued to register and renew their license and the total FFC's issued for the 10 months of this financial year was 53 739 compared to a total of 51 063 issued the previous year.
- The transformation initiatives aimed assisting Previously Disadvantaged Individuals (PDI) Under the year in review assisted just over 308 applicants, a 23% increase from the previous year which saw 250 PDI applicants being exempted. Transformation of the property sector remains an imperative that the PPRA would continue to support in order to build a sector that is reflective of the society it serves.

8.6. Community Schemes Ombud Services (CSOS)

Though there was underspending overall in the CSOS, this had improved compared to prior periods and CSOS intends to apply for roll overs or retention of surpluses from National Treasury. The CSOS was granted approval by the National Treasury to retain R170 million of the 247.6 million in 2020/21 financial year and the balance of R77.6 million balance was still under negotiation as at year end and not surrendered.

Improvement of the audit outcome from the baseline which was a qualified to Unqualified audit opinion. The oversight role and Management's resolve to institute adequate controls started to yield positive results. CSOS was in the process of attending to the identified material findings which relate to the historical problems with revenue collection and recognition.

CSOS achieved the following:

- The new Board hit the ground running, seeking to build on the foundation that the previous board had laid to ensure continuous quality improvements and that performance targets are met.
- The organisation did phenomenally well in terms of achieving its set annual performance targets, registering 82% performance thus exceeding its previous year performance by 22%.
- The Board also reports on the progress made with regards to implementation of the key priority areas that had been identified:
 - Approved a process to analyze, verify, and cleanse data of all registered schemes, in order to identify schemes not registered with CSOS to enable the implementation of the Compliance and Enforcement Strategy.
 - In collaboration with the Department the process of amending the CSOS's Act and STSMA for purpose of enhancing the CSOS mandate, regulatory powers, and operational efficiencies had also progressed somewhat, although at very slow pace, and the amended regulations were submitted for processing to the Department.
 - Business Automation project was launched, code-named "CSOS Connect" to fully digitize the CSOS environment and business platforms.
 - The historical backlog was cleared, and Regions ensured that there would be tight controls on turnaround times for current disputes in order to avert a relapse into the backlog once again.
 - There was also an improvement in the dispute resolution process as some of disputes were concluded and handled via virtual platforms.

9. REFLECTION BY AUDITOR- GENERAL SOUTH AFRICA(AGSA) FOR 2021/22

The Committee was briefed in a virtual meeting by the AGSA on the audit opinion. The AGSA indicated that overall, three years into the current administration, the human

settlements sector had shown no sign of improvement in overall audit outcomes, performance targets, consequence management and coordination. This was characterised by stagnant audit outcomes where material findings were reported for most entities, as well as poor performance against set targets. AGSA identified projects that were incomplete due to insufficient and inadequate project management skills within implementing entities. AGSA observed that the current processes in place remained inadequate, leading to ineffective coordination of efforts towards milestones. This, in turn, created doubt on the ability of the human settlements sector to fulfil its mandate of providing qualifying citizens with housing.

As an example, targets relating to prioritised development areas and breaking new ground were constantly not met, resulting in a backlog of the supply of low-cost houses. The FLISP programme had also not been effectively implemented, leaving those people who are often referred to as the 'missing middle' stranded. Furthermore, an availability of sufficient social houses close to economic hubs could have cushioned citizens from rising transport costs recently experienced in the country. However, a few of the housing projects that were included for a follow-up had no repeat findings. On the follow-up on prior years' findings confirmed that some accounting officers were not implementing a responsive action plan to address the AGSA findings. This was indicative that the call for action was not taken seriously, and this was driving the observed negative trend of repeat audit findings.

9.3. Recommendations to the Committee

The AGSA provided the following recommendations to the Committee:

- Better coordinate planning and reporting across the sector, by ensuring that the planned performance of the Department and its grant beneficiaries are customized in the respective annual performance plans and annual performance reports, thereby improving the usefulness and reliability of reported performance against predetermined objectives.
- Ensure that the resources of the sector are used effectively, efficiently and economically; and follow up on any instances where the money spent does not correlate with the actual performance. This would ensure that action is taken against any non-compliance that causes material financial losses to the Departments.
- Seek to ensure that projects attracting housing investment from the government should have schools, clinics, recreational facilities, running water and adequate sanitation and, importantly, access to basic and economic activities.
- Require the NHBRC to report on instances where quality defects are identified during inspections of projects and adequate steps are not taken by the provincial department.
- Develop mechanisms that ensures recommendations made to provinces and entities to improve performance are implemented and followed up on. There should be streamlined processes that allow for a direct link between expenditure reported and performance achieved against targets.

10. REFLECTION BY THE DEPARTMENT OF PLANNING, MONITORING AND EVALUATION (DPME)

The Committee was briefed in a virtual meeting by the DPME on its analysis of the quarterly performance reports of the Department. The DPME raised the following concerns:

- Lack of suitable land for the development of low-cost houses had resulted in land invasion becoming increasingly rampant as an alternative for those in need.
- Delays in transfer and rezoning of land, including government owned land, denies the poor households to improve their living conditions.
- High cost of well-located land for human settlements development drives development to periphery; contributing to urban sprawl.
- As a result of slow rezoning of strategically well-located land in PDAs, developments still implemented outside urban edge, adversely affecting poor households.
- Slow delivery of serviced sites delays the improvement of the living conditions of poor households.
- Slow pace in delivery of social housing exacerbated by Covid-19 as tenants defaulted monthly rentals despite debt relief grant provided by government.

- Community Residential Units (low income rental) performance remained sub-optimal; most municipalities reluctant to build more due to culture of non-payment and high costs in maintenance.
- Lack of forward planning by provinces and poor contractor performance affects overall delivery of houses for the poor who suffer the consequences of inefficiency.

10.1. Recommendations to the Committee

The DPME provided the following recommendations to the Committee:

- Ensure the release of strategically well-located public and privately-owned land for human settlements development should be prioritized; urgent rezoning of acquired land in PDAs.
- Ensure the implementation and upscaling of upgrading of informal settlements by resolving outstanding policy issues. Attention to the implementation and programme management capacity at the different levels of government.
- Ensure the establishment of a new set of operational and institutional arrangements to inform the development of an appropriate funding mechanism for Human Settlements programmes.
- Urgently address the systemic issues contributing to growing title deed backlog; consider best practice models. Presidency or DPME to urgently coordinate intergovernmental Title Deed Summit and implementation of the recommendations be placed under the Inter-Ministerial Committee for Land.

11. OBSERVATIONS AND RECOMMENDATIONS

Having been briefed by the Office of the AG, the DPME, the Department and its Entities on its annual report, the Committee adopted recommendations provided by AG and the DPME outlined in section 9.3 and 10.1. The Committee also made the following observations and recommendations:

1. **Observation:** The Committee was deeply concerned about the lack of project management skills at departmental and provincial level, with much reliance on the professional teams or implementing agents who were appointed to manage the projects.

Recommendation: Conduct project management training for relevant technical staff. Progress in this regard must be presented to the Committee in the first quarter of the 2022/23 financial year.

2. **Observation:** The Committee was concerned about the lack of adequate enforcement of action plans on non-performance challenges to ensure that concerns are addressed through appropriate interventions and actions.

Recommendation: Consequence management must be applied to prevent the recurrence of irregular, fruitless and wasteful expenditure.

3. **Observation:** The Committee observed that there was a slow response in improving key controls and addressing risk areas which is indicative of lack of accountability.

Recommendation: Ensure the establishment of action plans that should be closely monitored to ensure issues raised are addressed to avoid repeat findings.

4. **Observation:** The Committee observed that there was a lack of adequate coordination by the Departments with other government Departments, municipalities and implementing agents. This results in fragmented human settlements with a lack of access to schools, clinics, recreational facilities, lack of running water, adequate sanitation, and economic activities.

Recommendation: Ensure coordinate planning and reporting across the government institutions and agents, to ensure that projects attracting housing investment from the government access to basic and economic activities.

5. **Observation:** The Committee noted that outcome of some of the entities that remained no improvement for the past four years (the Department, NHBRC, NHFC and SHRA)

have been receiving an unqualified with findings outcome. The CSOS had improved from qualifying to unqualified with findings. However, the Committee was concerned that the HDA had been stagnant with a qualified opinion. The EAAB regressed from unqualified with findings to a qualification.

Recommendation: Develop plans to address recurring, regression, and stagnation by both the Department and affected entities. This plan must be presented to the Committee in the third quarter of the 2022/23 financial year.

6. **Observation:** The Committee was concerned about misinterpretation and non-compliance of legislation by NHFC and SHRA. Part of the problem is the instability in the finance leadership that has occurred over the years.

Recommendation: Ensure that NHFC and SHRA management puts adequate controls in place to address the material findings identified on the financial statements and compliance with legislation. Furthermore, management should ensure that the recommendations by external auditors are implemented timely and the key finance leadership vacancies are filled.

7. **Observation:** The Committee observed that the HDA audit outcome had remained stagnant from the previous financial year as a result of the significant material misstatements and the weakened control environment which has seen an increased number of control deficiencies that had been identified during the audit and ultimately resulting in a qualified opinion on the financial statements. The entity was without a functioning and effective accounting authority for eight months of the financial period, with a board being appointed in November 2021.

Recommendation: Put in place controls to prevent further control deficiencies. Ensure the employment of qualified and ethical individuals in key positions to prevent employees from acting in positions for a long time.

8. **Observation:** The Committee noted with concern that the Property Practitioners Fidelity Fund (PPFF) has regressed due to non-compliance findings noted; these non-compliances were mainly due to non-compliance with supply chain management processes. There were instances of non-compliance findings noted that were in relation to the supply chain's management policy.

Recommendation: Ensure compliance with supply chain's management policy. Urgently and adequately conduct an investigation into the causes of the non-compliance. Institute consequence management towards those officials who deliberately do not comply with supply chain's management policy.

9. **Observation:** The Committee noted that there were disparities spending versus achievement on the HSDG in provinces. For example, North West spent 92% of their grant but only met 50% of the top structures. Furthermore, the Free States province spent 97% of its budget but only achieved 40% of the completed top structures.

Recommendation: Assist provincial departments to spend HSDG. Provide training on the development of business plans. Ensure that all prospective projects comply with the project readiness matrix system. Both the North West and Free State should present their challenges encountered in proper spending of all human settlements grants.

10. **Observation:** The Committee noted with concern the persisting problem of the lack of suitable land for the development of low-cost houses has resulted in land invasion becoming increasingly rampant as an alternative for those in need. Delays in transfer and rezoning of land, including government owned land, denies the poor households to improve their living conditions. High cost of well-located land for human settlements development drives development to periphery; contributing to urban sprawl. As a result of slow rezoning of strategically well-located land in PDAs, developments still implemented outside urban edge, adversely affecting poor households.

Recommendation: Ensure that the HDA identifies, acquire, and release suitable land for human settlements. Government owned land should be identified and released for the development of human settlements. Fast-track the zoning processes of strategically located land.

11. **Observation:** The Committee observed that there was a lack of forward planning by provinces and poor contractor performance affects overall delivery of houses for the poor who suffer the consequences of inefficiency.

Recommendation: Assist provinces and municipalities to ensure that they plan for the future. Blacklist contractors who perform poorly.
12. **Observation:** The Committee was concerned about the poor delivery of title deeds of both historical backlog and new title deeds; a cumulative total of 73 764 (6,2%) against the MTSF target of 1 193 222.

Recommendation: Urgently address the systemic issues contributing to growing title deed backlog; consider best practice models. A framework for addressing these issues should be presented to Committee in the third quarter of the 2022/23 financial year. Support the initiative by Presidency or DPME to urgently coordinate intergovernmental Title Deed Summit and implementation of the recommendations be placed under the Inter-Ministerial Committee for Land (As suggested in DPME recommendations to the Committee in section 10.1).
13. **Observation:** The Committee expressed with serious concerns that the Department did not reach its own 30% annual target of rezoning land for PDA's.

Recommendation: Improve performance in the rezoning of land for PDAs. Closely work with the HDA to ensure that rezoning of land for PDAs is improved. The Department should provide the Committee with clear time frames on when they would meet their target of rezoning PDA's. Furthermore, the HDA should ensure the release of strategically well-located public and privately-owned land for human settlements development.
14. **Observation:** The Committee was concerned about five tenders, with a value of 13 Million, which was awarded even though proper tender processes were not followed; tenders were not published in the tender portal even though there were no funds lost, the Department deviated from following proper procedures.

Recommendation: Institute consequence management for irregular and improper awarding of tenders. The Department should provide the Committee with an action plan and clear timeframes in this regard.
15. **Observation:** The Committee raised serious concerns that the Department failed to utilise the total allocated budget for the financial year ending 31 March 2022 in order to improve the lives of south Africans.

Recommendation: Ensure that the Department has proper plans to utilise budget allocated to human settlements sector. Ensure that business plans (at the national and provincial level) are developed on time to prevent re-allocation of funds and fiscal-dumping.
16. **Observation:** The Committee noted with concern that the overall of 51 percent of targets were achieved which is one of the lowest performance matrix which also suggests that the Department started on a very low bar. The Committee also expressed concerns regarding the programmes of the Departments as programme 2 and 3 the integrated human settlement planning which only achieved only 41.7% of targets but the Departments spent 99.3% of their budget and that's a red flag.

Recommendation: Develop plans to improve departmental performance and stabilize the human settlements sector. This plan must be presented to the Committee in the second quarter of the 2022/23 financial year. Furthermore, ensure that funds spent are align to targets achieved.
17. **Observation:** The Committee was concerned about individuals who deliberately do not pay service providers within the stipulated 30-day period. The Committee also expressed concern that some of these individuals are only given warning in irregular expenditures as some of these cases are recurring cases.

Recommendation: Ensure consequence management is applied to those individuals who deliberately do not pay service providers within the stipulated 30-day period.
18. **Observation:** The Committee noted the reports that the Property Practitioners and Regulatory Authority is undertaking disciplinary measures against senior managers.

Recommendation: The Committee wishes to encourage the entity and the Department to fast track the disciplinary processes and provide the committee with quarterly updates on the matter.

19. **Observation:** The Committee observed that the department even though it had revised its Medium Terms Strategic Framework (2019-2024) downwards, it seems that it is not going to achieve those revised targets.

Recommendation: develop plans to ensure that the Department achieves those revised targets and those plans should be presented to the Committee on the second quarter of the 2022/23 financial year.

20. **Observation:** The Committee was concerned about the lack of visibility of the NHBRC in communities, which results in shoddy workmanship by contractors.

Recommendation: Ensure that NHBRC is visible in all communities, with a special emphasis on rural communities. NHBRC should employ enough inspectors to monitor construction of houses in all provinces.

21. **Observation:** The Committee observed that SHRA was not doing enough to ensure that people are bankable in order to benefit from the FLISP programme.

Recommendation: Work closely with SHRA, the Banking Association of South Africa, and other lending institution to ensure that poor people have access to banks. Furthermore, ensure that blacklisted poor people are assisted in order to benefit from FLISP programme.

12. CONCLUSION

It is the submission of the Committee that the implementation of these recommendations would positively respond to the objectives of the Department and Entities, the NDP and the lives of the people. Recurring challenges observed would be resolved as swiftly as possible if accountability regarding these recommendations could be forthcoming from all the Entities within the sector. To ensure the realisation of these objectives at specified timeframes, the Committee will conduct its oversight on specified intervals. In addition, Parliament should track the implementation of these recommendations by the Executive.

Report to be considered.