



**PFMA
2022-23**

Budgetary review and recommendations report (BRRR) **Portfolio Committee on Human Settlements**

11 October 2023



AUDITOR-GENERAL
SOUTH AFRICA



MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



VISION

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.



Consuming unsafe water



Schools using pit latrines, no basic amenities

Crossing rivers without bridges



CONTINUED MISUSE of state resources and persistent weaknesses in systems of transparency, accountability and performance are of significant concern for citizens of South Africa broadly

THE NEGATIVE IMPACT on the lived reality of South Africa's people is the most important story represented by the numbers, findings and audit outcomes.

Heavy duty goods transported through roads



Learners learning under trees



Overcrowded hospitals



High influx of illegal immigrants



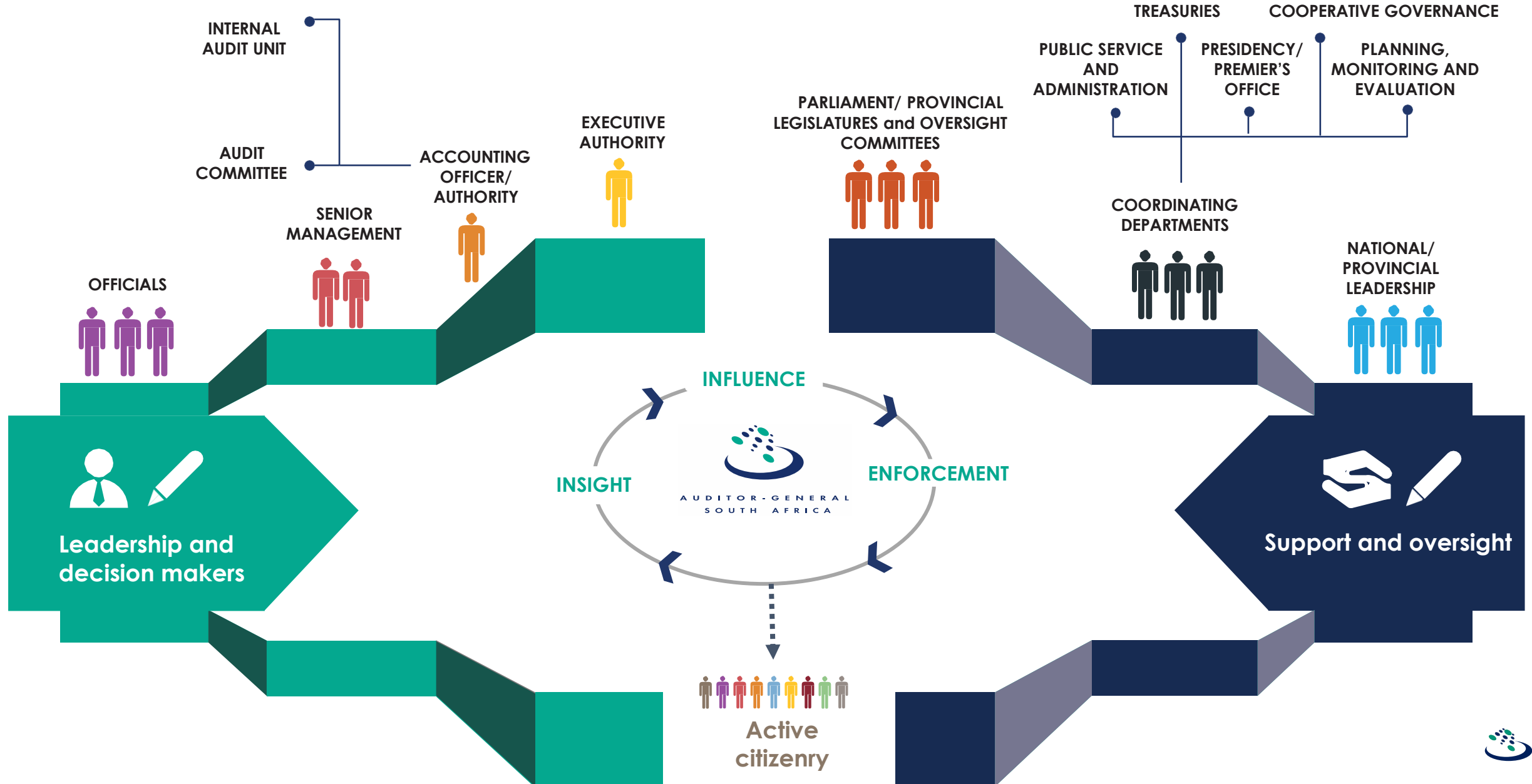
Living in mud houses and shacks



Load shedding



All have a role to play in accountability ecosystem



Improvement over administration term

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2019-20 FIRST YEAR OF ADMINISTRATION	1	4	3	0	0	0	8
2021-22	0	6	2	0	0	0	8
2022-23	0	8	1	0	0	0	9

MOVEMENTS FROM PREVIOUS YEAR:
1 ↑ 0 ↓

FROM FIRST YEAR OF ADMINISTRATION:
2 ↑ 0 ↓

- National Department of Human Settlements (NDHS)
- National Home Builders Registration Council (NHBRC)
- Housing Development Agency (HDA)
- National Housing Finance Corporation (NHFC)
- Social Housing Regulatory Authority (SHRA)
- Community Schemes Ombud Service (CSOS)
- Property Practitioners Fidelity Fund (PPFF)
- Property Sector Transformation Fund (PSTF)

Property Practitioners Regulatory Authority (PPRA) former EAAB

Property Sector Transformation Fund (PSTF) was established during 2022-23.

Outstanding audits
No outstanding audits

Submission of financial statements by legislated date for portfolio remained stagnant from 100% to **100%**

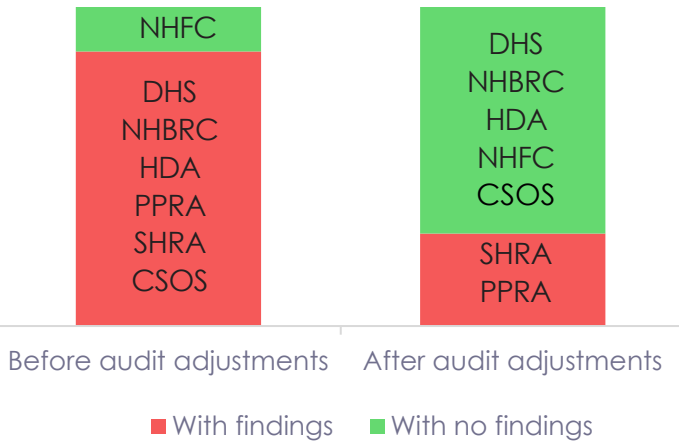
- Reflections**
- HDA & NHBRC: Management implemented corrective action plans to prevent material non-compliance with supply chain management prescripts in the current year.
 - PPRA: Revenue & receivables continued to be qualified in the current year. Reliability of performance information is still of concern as material issues continue to be identified.



Portfolio performance



Quality of performance reports before and after audit



Findings: Planning for service delivery

- The audit evidence submitted for audit did not support the achievements and the actual achievement could therefore not be determined at **SHRA** for:
 - % of construction spend to enterprises that are majority owned by women

Findings: Reporting

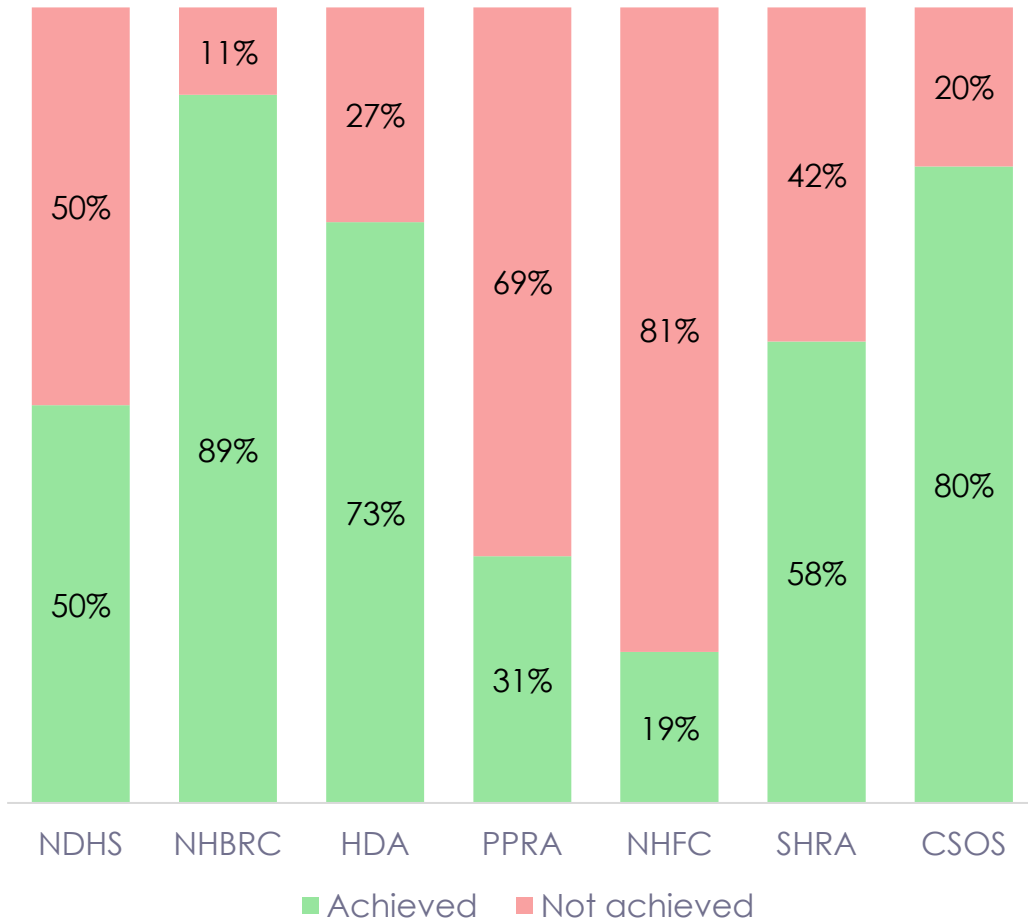
- Supporting evidence for some indicators at **PPRA** could not be provided, resulting in the reported achievements not being reliable:
 - Number of property practitioners registered on the database of PPRA per annum
 - % of all compliant new registrations processed within 30 days
 - % increase of property practitioners who are registered for CPD and have met CPD requirements in full

Impact

- Overall, the portfolio has achieved an average of 58% of its targets (refer to slide 8). The non-achievement of key indicators affects lived experiences of citizens due to e.g. 4 housing programme agreements for mining communities not being developed, quarterly reports on title deeds not including information from all provinces by NHDS, etc. NHBRC, CSOS and HDA reported significant achievements of their targets. This raises concerns on whether the entities in the portfolio are fulfilling their different mandates.
- The department evaluates quarterly performance reports of the entities and provides recommendation and action plans on how to improve. However, there is no evidence that the monitoring process have led to improvements in performance.



Achievement of annual targets as reported in annual performance report (all indicators) – 2022-23



Key targets not achieved include:
Refer to slide 10 to 12 for details for each auditee's non achieved targets

Impact of targets not achieved (also over the medium term)

- The persistently high housing backlog will result in an increase in service delivery protests and riots
- The surge in informal settlements and land invasions resulting from inadequate housing provision by the sector.
- Achieving the MTSF targets may be challenging as this marks the fourth year of the current administration's term.
- The “missing middle” population will continue to remain unserved in their numbers due to lack of financial assistance through programmes such as FLISP etc.

NOTE: PPF and PSTF did not report on performance information. Their performance information is included in PPRA's APP & APR.



Achieving key performance targets – summarised information from performance report

Key targets in medium-term strategic framework for portfolio

Indicators	5 year MTSF target	4 year totals (2019-20 , 2020-21, 2021-22, 2022-23)		
		MTSF target over four years	Sector own target over four years	Contributing Entities (Including provincial departments)
Number of BNG houses delivered – HSDG	300 000	240 000	115 656 (48%)	HDA
Number of serviced sites delivered – HSDG	300 000	240 000	183 852 (77%)	HDA
Number of title deeds registered – HSDG	1 193 222	954 578	499 717 (53%)	HDA

- The HDA contributes as an implementing agent towards to the MTSF target relating to number of houses delivered and has not achieved the target in the current year.
- The portfolio is currently behind schedule in achieving its medium-term targets, considering it is in the fourth year of the current administration. Addressing the title deeds and housing backlogs in the country remains a priority, with one more year remaining to meet these objectives.
- The impact on the citizens is lack of basic housing and lack of security of tenure which further impact on the dignity of citizens and exacerbate the challenges of spatial planning that are plaguing the country such as social unrests and inequality.
- Additional entities, such as NRBRC, SHRA, and NHFC, did not achieve some of their key targets. While they may not directly contribute to the key targets mentioned above, it is important to note that their failure to meet their own targets can indirectly affect the overall attainment of MTSF targets within the portfolio.



Achieving key performance targets – summarised information from performance report

National Home Builders Registration Council (NHBRC)

Performance indicator	Target	Actual performance	Reason for non-achievement
Percentage of prosecutable matters set down for hearing before the Disciplinary Committee within 30 working days	100% of prosecutable matters set down for hearing before the Disciplinary Committee within 30 working days	93% of prosecutable matters set down for hearing before the Disciplinary Committee within 30 working days	Delays in appointment of Disciplinary Committee in the first quarter that affected the turnaround time of prosecutable matters.
Percentage of disputes resolved	100% of disputes resolved within 90 days	93% of disputes resolved within 90 days	Disputes that were closed after 90 days due to delay in completion of rectification by homebuilders. NHBRC will review its processes to ensure that homebuilders are rectifying defects & turnaround time is not impacted.

National Housing Finance Corporation SOC Limited (NHFC)

Performance indicator	Target	Actual performance	Reason for non-achievement
Grant facilitation (FLISP) - Value of disbursements (R'm)	R359m	R221m	This reflects the fact that disbursements were for approved subsidies backed by mortgages which on average are of a smaller size as beneficiaries are in the upper income brackets of the Programme.

Overall performance and Impact: Entity also did not achieve majority of its targets (81%) which affects its ability to execute its mandate of providing financial assistance to the missing middle and contribute to the development of sustainable human settlements as a developmental finance institution.

Achieving key performance targets – summarised information from performance report

Social Housing Regulatory Authority (SHRA)

Performance indicator	Target	Actual performance	Reason for non-achievement
Number of social housing units tenanted	3 529 Social housing units tenanted	2 595 social housing units tenanted	Tenancing of units versus the 4th quarter projection to exceed the target, had not materialised. The regularisation of tenancing of estates as well as the slow uptake of units can be attributed to the current economic environment.
Percentage of construction spend to enterprises that are majority owned by women	40% of construction spend to enterprises that are majority owned by women	9% of construction spend to enterprises that are majority owned by women	SHRA's target is beyond the number of registered women-owned contractors according to the CIDB Register of Contractors.
Percentage of construction spend to enterprises that are majority owned by youth	20% of construction spend to enterprises that are majority owned by youth	0.89% of construction spend to enterprises that are majority owned by youth	SHRA's target is beyond the number of registered youth-owned contractors according to the CIDB Register of Contractors.
Percentage of construction spend to enterprises that are majority owned by people with disabilities	5% of construction spend to enterprises that are majority owned by people with disabilities	0% of construction spend to enterprises that are majority owned by people with disabilities	The number of contractors owned by PWDs is unknown.



Achieving key performance targets – summarised information from performance report

Housing Development Agency (HDA)

Performance indicator	Medium Target	Actual performance	Reason for non-achievement
Number of hectares of well-located land acquired within PDAs	1 500 hectares of well-located acquired within PDAs	993.0012 hectares of well-located acquired within PDAs	Funding limitations from Provinces and slow release of state land located within the PDA's.
Percentage of the 1786.1527 ha of land acquired during 2014 – 2019 falling within PDAs rezoned	50% of the 1786.1527 ha of land acquired during 2014 – 2019 falling within PDAs rezoned	0% of the 1786.1527 ha of land acquired during 2014 – 2019 falling within PDAs rezoned	Funding limitations and inconsistent Municipal Planning Tribunal committee sittings which delayed the achievement of this target.
Number of housing units delivered i.r.o. projects implemented by the HDA	3 428 housing units delivered i.r.o. projects implemented by the HAD	1 433 housing units delivered i.r.o. projects implemented by the HAD	Slow progress on top structure projects due to contractor termination in the NC, further NDHS reprioritised funding meant for running projects in EC which delayed the delivery of housing units.
Number of HDA bankable business plans/cases Approved	5 HDA bankable business plans/cases Approved for projects	0 HDA bankable business plans/cases Approved for projects	Slow implementation due to budget constraints for bankable projects that were planned for implementation in the Free State and KZN. Impact on MTSF: None

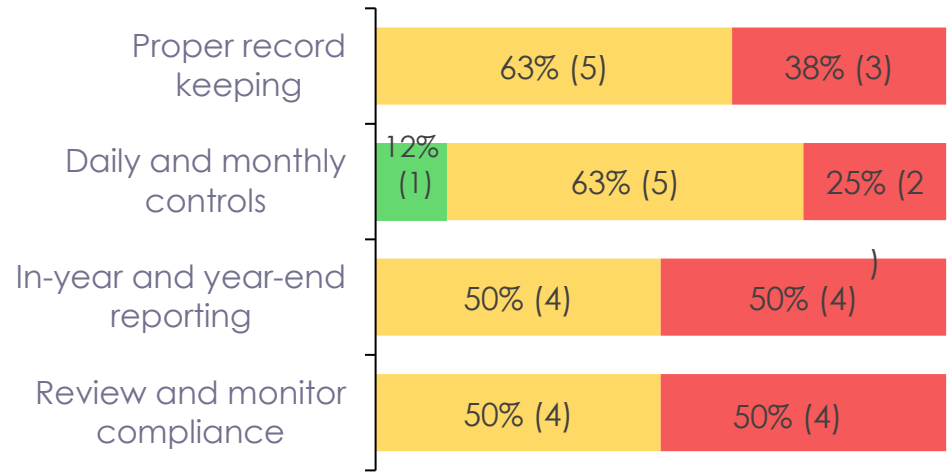




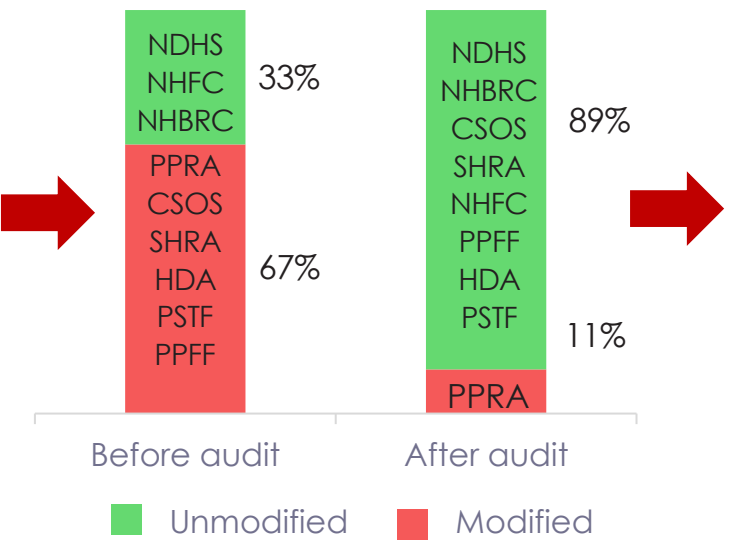
Financial management and compliance



Financial management controls



Impact on quality of financial statements submitted for auditing



Main qualification areas (PPRA)

- Receivables from exchange transactions
- Receivables from non-exchange transactions
- Property Practitioners funds received in advance
- Movement in allowances for credit losses
- Revenue from exchange transactions: Fidelity Fund Certificate
- Revenue from non-exchange transactions -penalties

■ Good
 ■ Of concern
 ■ Intervention required
 ■ Unmodified
 ■ Modified

NOTE: SHRA did not report on financial management controls

Impact

- The outcome for PPRA remain unchanged due to management not addressing prior year audit findings, as a result, debtors were not properly managed resulting in debtors outstanding for long periods of time. Instances were noted where debtors were charged interest when there was no resultant debt. The entity further relied on a consultant to clear the receivables issues without ensuring that the debtors balances that the consultant work from are accurate and correct. The SAP system in place does not distinguish between new and existing practitioners and thus making it difficult to provide evidence to support the annual performance report. The entity for the better part of the 2022/23 financial year had several vacancies particularly at the executive level (CEO, CFO, COO, CRO), this had a direct impact on the audit outcomes of annual financial statements and audit of predetermined objectives.



Revenue



Expenditure



Impact



Debt-collection period > 90 days at **4** auditees
(CSOS, HDA, NHFC, PPRA)

Average debt-collection period = **231 days**

More than 10% of debt irrecoverable at **3**
auditees (CSOS, NHBRC, PPRA)

R473 792 of expenditure was **fruitless and wasteful**
(5 auditees) (CSOS, DHS, HDA, NHFC, PPRA)

Creditor-payment period > 30 days at **5** auditees
(CSOS, HDA, NHBRC, NHFC; PPRA)

Average creditor-payment period = 62 days

- **None** of the entities incurred unauthorised expenditure and there were no events or conditions identified which cast significant doubts on all entities' ability to continue as a going concern in the foreseeable future. The financial viability of all entities is healthy and sound.
- However, the portfolio should develop mechanisms that will reduce the period it takes to collect debts (currently 231 days on average), as this has the potential of adding strain on the already limited government resources.

There is no doubt that any of the auditees will continue as a going concern



Compliance with key legislation



2022-23



● No material findings ● Material findings



Most common areas of non-compliance	NDHS	NHBRC	HDA	CSOS	SHRA	NHFC	PSTF	PPRA	PPFF
Procurement and contract management				X				X	
Quality of financial statements			X	X	X		X	X	X
Prevention of irregular, unauthorised, and fruitless and wasteful expenditure	X		X	X	X	X		X	X
Effecting consequences		X							

Reflections: The portfolio has not adequately implemented action plans developed to respond to non-compliance findings raised in prior years. Majority of entities continue to transgress laws and regulations governing financial matters, as previously reported. Most entities reported non-compliance relating to prevention of irregular and fruitless and wasteful expenditure which coincides with the increase in irregular expenditure as reflected in slide 19. This is due to lack of proactive reviews and weak monitoring controls to prevent the non-compliance.



Status of compliance with legislation on procurement and contract management



2022-23



MOVEMENTS FROM PREVIOUS YEAR:
1 ↑ 3 ↓

FROM FIRST YEAR OF ADMINISTRATION:
1 ↑ 2 ↓

● With no findings ● With findings ● With material findings

Details of procurement findings	PPRA	CSOS
Deviations	X	
Non-compliance: Competitive bidding process (Unable to obtain evidence that goods and services were procured by inviting competitive bids)		X
Non-compliance: Quotation process (preference points not allocated and calculated in accordance with the requirements of the PPPFA and PPR)		X

Reflections:
HDA – Improved from the prior year mainly due to stability in appointment of the CFO and CEO.
CSOS, DHS & PPRA: Regressed from prior year due to deficiencies in internal controls. However, all goods and services paid for were received.



National Treasury Instruction No. 4 of 2022/2023: **PFMA Compliance and Reporting Framework** (Instruction) which came into effect on **03 January 2023**, was issued in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA

Public objective of the Instruction note is to prescribe the **principles and compliance reporting requirements** for PFMA institutions to the Public Finance Management Act, 1999 regarding **unauthorised, irregular and fruitless and wasteful expenditure** (UIF&WE).

Framework

The new framework brought **significant changes** in relation to the disclosure of **irregular, and fruitless and wasteful expenditure** (IFWE). These changes are as follows:

1

Movement in the disclosure note of IFWE has been moved from annual financial statements to the annual report.

2

PFMA institutions will only disclose IFWE incurred in the current year, with a one-year comparative analysis.

3

Historical balances (i.e., opening balances) have been completely removed from the annual financial statements

Message to portfolio committee

The change to **remove the disclosure of historical balances for IFWE** means that the **oversight structures may not be able to fully exercise their oversight roles**. Furthermore, **no audit assurance** will be provided on the additional disclosures that have been moved from the AFS

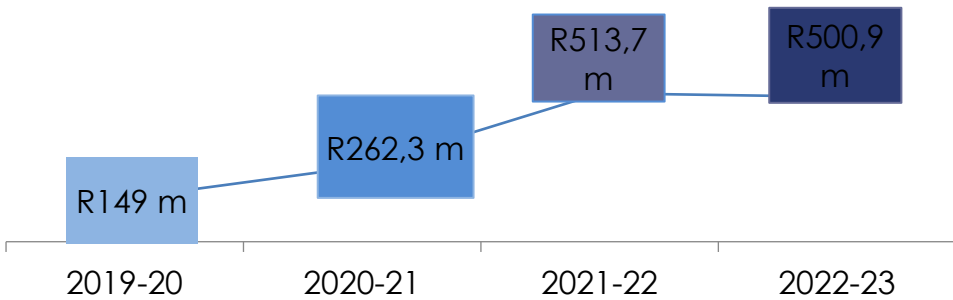
AGSA refined its audit approach to uphold transparency by continuing to audit the IFWE disclosure in the annual report

There is a clear messaging in the audit report on reliability of the IFWE disclosure in the annual report

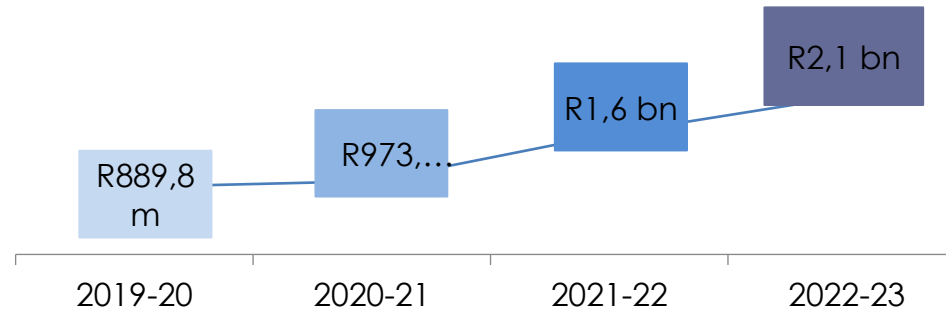
The objective was to ensure that we could still be in a position to report to users of the AFS in cases where these historic balances of IFWE are not complete and accurate. This had no impact on the audit opinion.

Irregular expenditure

Annual irregular expenditure



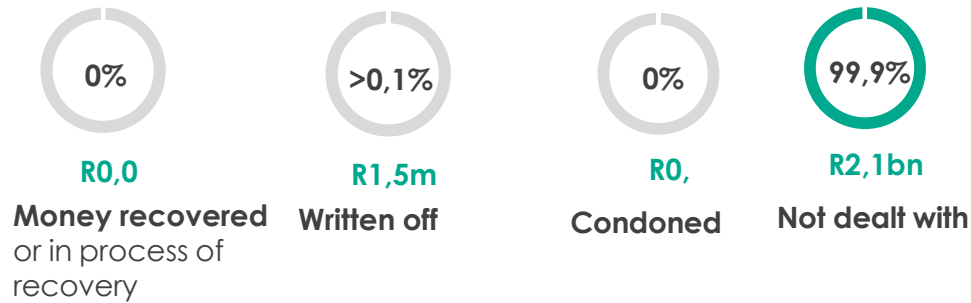
Closing balance of irregular expenditure continues to increase



Top contributors



How have auditees dealt with irregular expenditure



Investigated and awaiting condonement
 HDA (+-R705,3m)
 SHRA

Investigation in progress / investigation completed and disciplinary processes in progress
 DHS
 HDA
 CSOS
 NHFC
 PPRA

Reflections:

There is a concern as there is an increase in portfolio's closing balance of irregular expenditure over the last four years of administration.

NHBRC & PSTF did not incur any irregular expenditure in the current year.

Adequate consequence management process were instituted in the portfolio except for **NHBRC**.

HDA – R362,3 m relates to multi year contract that was entered into in the prior year.

SHRA – R77,8 m due to transactions that were approved by interim Council on CCG project approvals and ensuing disbursements.

Proactive review and monitoring controls still need to be strengthened to eliminate non-compliance.



Conclusions and recommendations



In 2021-22, we recommended the following:

- Monitor and regularly follow up with EA/AO on progress on **audit action plans** at the department and entities.
- Monitor the **key vacancies** at the department and entities to ensure stability of leadership.
- Follow up with department and entities that incurred IFWE to ensure there is **consequence management**.



Overall reflections on implementation of recommendations:

- **Audit action plans** are in place at the department and entities, however there are repeat audit findings in the portfolio.
- Some of the **key vacancies** were filled at **DHS, HDA, NHFC & SHRA**, however there are still key vacancies that still need to be filled at **CSOS, DHS, NHBRC & PPRA** to ensure stability of leadership.
- Committee monitored implementation of **consequence management** with entities that incurred IFWE. However, there was an increase in irregular expenditure incurred in the portfolio.

● Implemented

● In progress

● Not implemented



Root causes, recommendations and commitments

Key root causes	<ul style="list-style-type: none">• Some of the deficiencies identified were due to vacancies in key positions.• Inadequate enforcement by AAs/AOs of action plans on non-performance challenges to ensure that concerns are addressed through appropriate interventions and actions.
Key recommendations	<ul style="list-style-type: none">• AOs should ensure that filling of key vacancies is fast-tracked while remaining within applicable legislation.• Monitor the implementation of audit action plans to ensure issues raised are addressed to avoid repeat findings.• Implement and enforce consequence management processes for public entities with poor performance in executing own mandate and meeting performance targets.
Commitments by executive authority	<ul style="list-style-type: none">• Setting up a dedicated team to deal with disasters and disaster funds should be centralised at national level.• Engaging NT to review grant conditions and finding the balance between performance and compliance with DORA.• Improving business plans and close misalignment gap between MTSF and available funds.• Filling three DDG positions which is currently at Cabinet and then filling other vacancies.• Engage entities to obtain feedback, commitments from the entities and to hold them accountable.



Key messages going forward

1

PPRA – Lack of **effective system to manage the property practitioners** and their related accounts. As a result, debtors were not properly managed resulting in **debtors outstanding for long periods** of time.

NHFC – The AFS submitted were **free from material misstatements**.

2

Reduction in material non-compliances compared to the previous year.

No material misstatements in AoPO, however a significant part of the core targets (20/25) in programme 2, 4 and 5 were not achieved which is concerning.

Focus on achieving its mandate to improve the experiences of lived citizens.

3

HDA – An **improvement in the overall control environment and audit outcomes**.

Management is in the process of the **implementation of improved internal controls**.

Management is **enforcing a culture of strict consequence management**.

Improvement in the achievement of performance targets from **29%** in the prior year to the 73% achievement in the current year.

4

SHRA - An improvement in the **overall control environment** can be achieved through effective implementation of internal controls that will prevent material misstatements in the future as the root cause of the findings raised is Internal control deficiencies

5

NHBRC – Remaining **critical vacancies** should be filled.

Adequate **consequence management processes** should be followed to resolve on previous irregular and fruitless and wasteful expenditure incurred.

Inspections are performed, however quality of houses remain a concern.

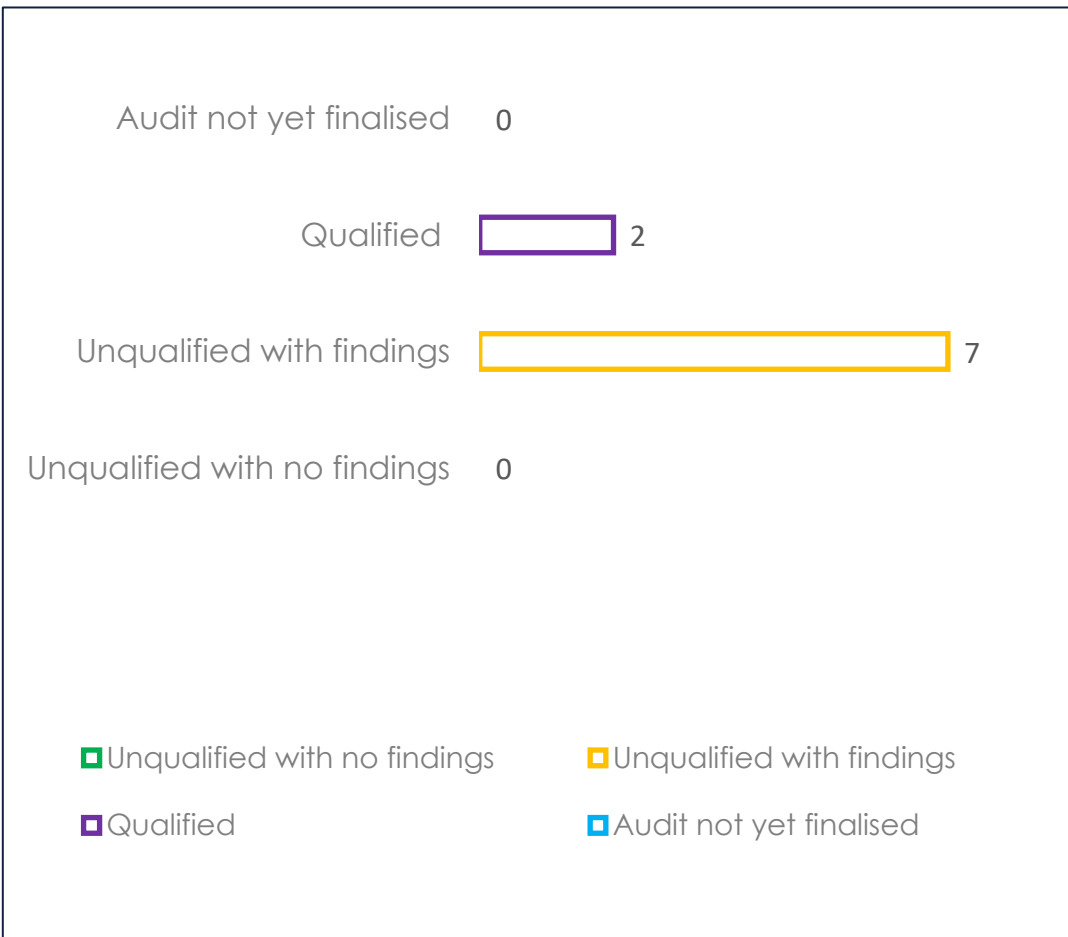




Sector



Summary of audit outcomes



GP and **NW** received an unqualified audit opinion with findings on performance information and compliance and this is an improvement from qualification received in the prior year. **EC, NC, LP, WC** and **KZN** received an unqualified with findings on performance information and compliance audit outcome. This is caused by inadequate monitoring of the implementation of action plans, as reflected by the **repetitive nature of performance reporting and non-compliance issues raised**.

MP and **FS** received a qualified audit outcome as a result of slow response by management to **issues raised in prior years**.

None of the provinces achieved a **clean audit**.



MTSF Analysis

MTSF indicators	EC	LP	MP	GP	NC	NW	WC	FS	KZN
Number of PDAs invested in									
Number of implementation programmes for PDAs completed									
% of land acquired during 2014-2019 and falling in PDAs rezoned									
Number of BNG houses delivered									
Number of households that received financial assistance and purchased units through FLISP									
Number of serviced sites delivered									
No. of rental housing units delivered in PDAs									
No. of CRUs									
No. of informal settlements formalised/ upgraded to Phase 3 of the Informal Settlements Upgrading Programme									
Number of outstanding pre-1994 title deeds registered									
Outstanding post-1994 title deeds registered									
Outstanding post-2014 title deeds registered									
Number of new title deeds registered									

Reflection on MTSF indicator analysis

An analysis was performed to assess whether the MTSF indicators have been included in the APPs of the provincial departments as this is the fourth year of administration. From a total of 13 MTSF indicators an average of 88% are included in the APPs of the provincial departments. An average of 12% are not included in the provincial APPs but are included in some of the entities in the Human Settlements portfolio. Reason provided for the non-inclusion of the indicators was that the indicators are being implemented by some of the entities in the Human Settlements portfolio.

FS did not include all 4 indicators relating to PDAs because by the time sector standardised indicators were concluded - 94 PDA's were already declared. For the indicator relating to rental housing units delivered in PDAs, we noticed that all provinces had not started except for EC. The departmental MTSF targets were revised including the one for rental units.



MTSF Achievement

Indicators	5 year MTSF target	4 year totals (2019-20 , 2020-21, 2021-22, 2022-23)		
		MTSF target over four years	Sector own target over four years	Sector achievement of own target over four years
Number of BNG houses delivered – HSDG	300 000	240 000	115 656 (48%)	95 531 (83%)
Number of serviced sites delivered – HSDG	300 000	240 000	183 852 (77%)	140 825 (77%)
Number of title deeds registered – HSDG	1 193 222	954 578	499 717 (53%)	143 707 (29%)

Reflection on sector performance

BUDGET	TRANSFERRED	SPENDING – March 2023
R14 570 748 000	R14 255 610 000	R13 598 013 000 (95%)

- The department developed 13 standardised indicators which are included in the APPs of provinces and as an annexure in the APP of the national department.
- For all three indicators, the total targets set by the sector are all less than the average total targets after four years. For example, the planned target for the ***‘Number of title deeds registered (all 4 categories)’*** over the four years is 53%, of the MTSF estimated target (954 578). This is a demonstration that the human settlements sector continues to under-plan.
- Additionally, the sector is achieving below what it has planned. This is demonstrated, for example, by the only 29% of the ***‘Number of title deeds registered’*** own target that has been achieved. Despite planning targets below the MTSF targets, the sector is still not able to achieve those lower targets.
- Therefore, we continue to observe that the current processes in place are still not adequate in ensuring that there is an **effective coordination of efforts** toward the same milestones by the role players. This may bring doubt on whether the human settlements sector is adequately fulfilling its **mandate of providing citizens with housing**.
- The processes should be redesigned in such a manner that all provinces include all MTSF indicators in the annual performance plans and the consolidated targeted numbers add up to the annual required MTSF target.



Problem statement

Failure to utilise NHNR increases mismanaging of the housing assistance programs resulting in the needs of the vulnerable citizens not being met

DHS is a key enabler of service delivery through:

- **Housing Register** for beneficiaries who need houses
- **Allocation of houses**
- **Maintenance and utilisation of the register**
- **Monitoring the allocation of houses**

Observations

➤ Housing register

- ❑ The mandate of the department is to provide houses to vulnerable citizens.
- ❑ Housing register was developed but not fully utilised as intended.
- ❑ Those in need of houses, register their names in the housing register.

➤ Allocation of houses

- ❑ **94%** of application presented in the **Housing Subsidy System (HSS)** were not found in the **National Housing Needs Register (NHNR)** system.
- ❑ Out of 29 113 HSS approved applications with subsidy, only **1 723 records (6%) matched NHNR**.

➤ Utilisation of the register

- ❑ DHS developed **policy and practice note (PN) to enforce** utilisation NHNR.
- ❑ Policy Prescripts for the allocation of Housing opportunities created through the National Housing Programmes dated 12 October 2017 and Practice Note 1 of 2017 are **still in draft format** and the documents are developed to guide the implementation of the NHNR in provinces.

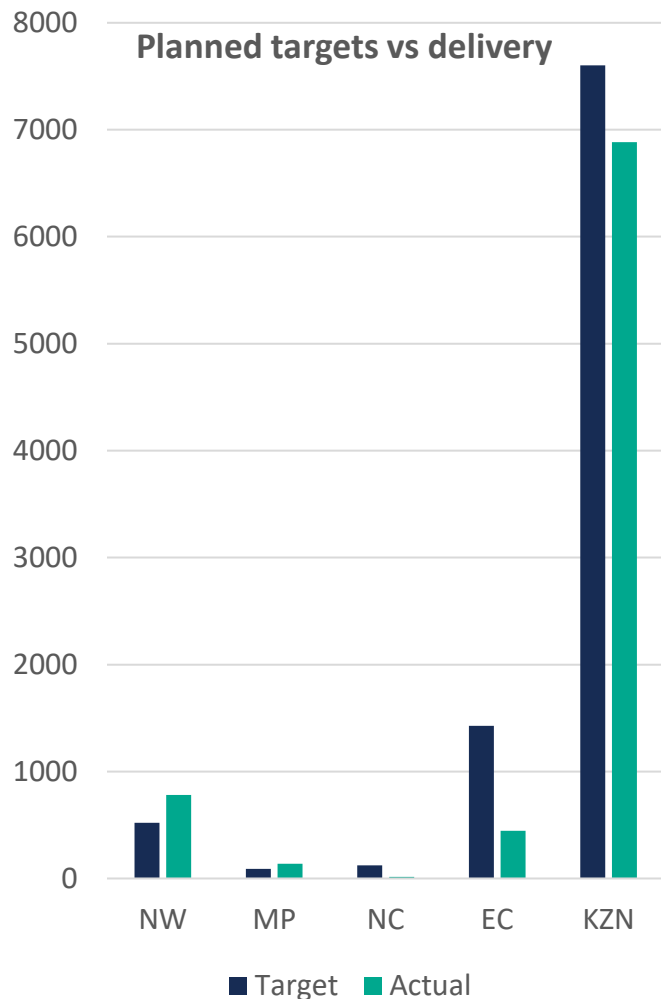
➤ Monitoring

- ❑ **Non- approval of NHNR policy and practice note** for both documents to be enforced through
- ❑ Lack of monitoring by the national department to encourage compliance
- ❑ **Lack of monitoring** to ensure guidelines shared with the provinces are adhered to.



Problem statement

Failure to eradicate mud houses negatively affect the lived experiences of citizens



Five provinces have mud houses eradication target.

Despite the set targets – the process of identifying the mud houses is an ongoing process.

Challenges identified

- The concept of the eradication of mud houses was introduced late in the year and some of the provincial business plans had already been amended and approved.
- Due to late introduction, municipalities are still in the process of identifying citizens living in mud houses.
- Some of the citizens did not register their names in the Housing Need Register.

22-23: Culture shift in-action

- **Collaboration with the AGSA** to elevate gender-responsive auditing through our methodology.
- Continuous engagements with the DG to influence the department by providing valuable insights that will **shift the current culture** by collaborating with other public sector key role players.
- Effective APP pro-active reviews targeted on quality of indicators.



WC - The Transhex housing project



Figure 1 & 2 : Cracks on honeycombing underneath the staircase



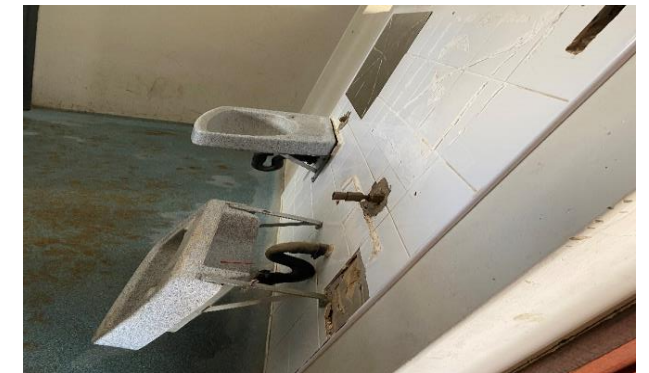
EC - Mbizana Ebenezer Project

Figure 3: Water penetration on internal walls



EC - Eyabantu SSS

Figure 4: new ablutions were vandalised as there is no security/guard





Temporary Residential Units (TRUs)



Impact:

- Slow rate of response for the disaster relief initiative.
- Possible financial implication of anomalies identified on the validated list of beneficiaries.

Cause:

- Lack of resources in the disaster management unit
- Delay in assessing and validating replaced households as beneficiaries for TRUs
- Delay in submission of application forms to the national department due to gathering of information to accompany the applications.
- Delay in approving the application forms due to documents that were not submitted with the application forms.
- Unavailability of suitable land for erection of TRUs

Actions/Recommendations:

Enhance capacity of the national department's ability to assess the damage caused by disasters.

Provincial Emergency Housing Grant
Approved allocation for 2022-23 = R795 764 000

BUDGET	PROVINCE	SPENDING
R326m	KZN	R 318m (31 March 2023)
R84m	EC	R 67m (31 March 2023)

What we found

KZN

- Total of **1 766 (98%) TRUs were erected out of 1 810 TRUs** at a cost of R123 million.
- **44 TRUs not erected.**
- **R219 million budgeted** for Temporary Emergency Accommodation (TEAs), spending R195.2 million (89%).
- **R23,8 million (11%) has not been spent** and rollover has been requested to be used for the refurbishment and operational costs of Montclair Lodge that was acquired for the TEAs that is owned and operated by the department.
- TRU project has been **temporarily suspended** as a disaster relief response.

EC

- Total of **1 008 (82%) TRUs were completed** out of 1 225, spending R67 million.
- **217 TRUs not erected.**



Problem statement

Land valuations manipulated to inflate land prices / Suitability of land held for future development may be compromised by illegal land occupation. Ultimately provision of sustainable Human Settlements are negatively impacted

HDA is a key enabler of service delivery through:

- Identifying, acquiring, servicing and releasing the land
- Project management services on behalf of provinces and metros

Observations

➤ Identifying and acquiring land

- ❑ HDA achieved **60% of land acquisition** and rezoning targets with **expenditure rate of 88%** for the 2022/23.
- ❑ Emerging risk of **illegal vacant land occupation** by construction mafias mainly in Gauteng province.
- ❑ Conducted site visits – instances of illegal occupation was identified. HDA does not have adequate controls in place to address illegal occupation of vacant land.
- ❑ Conducted procedures on land valuations to detect any inflated valuations for land acquisition and site visits, no instances of overvaluation noted. Processes are in place to ensure **land acquisition prices are market related**.
- ❑ Improvement in controls to **prevent fiscal dumping** by provinces.
 - ❑ HDA blocked uncommitted grant transfers from KZN at end of 2022/23.
- ❑ The entity must implement measures to mitigate the risk in relation to land owned, as well as land held on behalf of provinces.

➤ Project management services

- ❑ No contracts awarded to **PEPs, suppliers blacklisted** by NT or those with blocked projects.

➤ Governance

- ❑ Key management stability - **CEO & CFO appointed on 1 June & on 1 July 2022, respectively**.
- ❑ This contributed to the **improvement in current year's audit outcomes** as well as **detection of IE in current year**. Resulting in **consequence management. No pushbacks encountered**.



Left: Houses in Seshego Limpopo



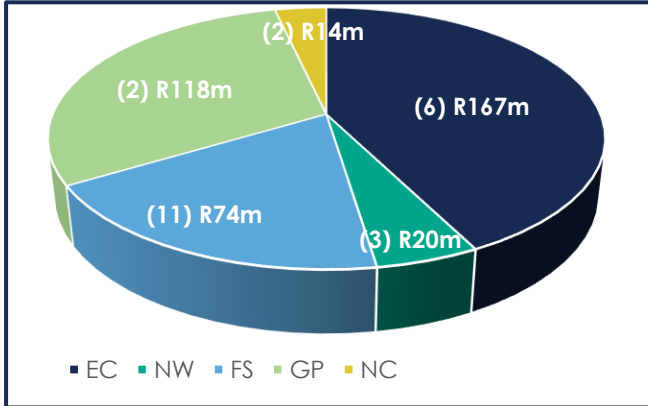
Right: Serviced site in Zandspruit, Honeydew, Gauteng



Material irregularities (sector)



MATERIAL IRREGULARITIES



MI DESCRIPTION

- Payment made to an incorrect beneficiary causing a FL of R2 million (GP).
- F.W.E incurred on a Red Ants contract due to late payments causing a FL of R116 million (GP)
- Overpayment for PMU services were not received and overpayment due to non compliant contract extension causing a FL of R13 million (NW)
- Value of work less than the amount paid causing a FL of R7 million (NW)
- Extension of time claims relating to Covid-19 and overpayment on projects causing a FL of R74 million (FS)
- Payment for goods not delivered and on Lerato Park CRUs for substandard work causing a FL of R2.8 and R11.6 million (NC)
- Payment made for agency fees without value and for services not received for TRUs and award to supplier not scoring highest causing FL of R167m [EC]



ACTIONS TAKEN BY AUDITEES

R23m

Prevented financial loss from taking place

15

Responsible officials identified and **disciplinary process** completed or in process

03

Investigations instituted

02

Stopped supplier contracts where money is being lost

07

Internal controls and processes improved to prevent recurrence

Observations from MI process

- One covid related MI has been referred to the DPCI for further investigation (FS).
- One MI related to Red Ants contract is currently undergoing forensic investigation though the office of the premier GP.
- One MI is at NPA awaiting court date for asset forfeiture (GP).
- MIs resolved - 4 for EC and 1 for GP. Consequence management processes were undertaken, 15 officials in EC and 4 in GP and 2 contracts stopped.
- Financial loss recovery still under determination for Mis still at remedial action (7 MIs – 5 FS and 2 GP).
- Two in EC MIs where AO disagree, are under consultation.
- Appropriate action underway by AO underway in 4 MIs (FS).
- Consultations and determinations underway on 11 MIs [FS(6), NW(3) and NC (2).

Recommendations for portfolio committee

- The PC should ensure that the AOs are held accountable for both their actions taken to address MIs and the timeliness of their efforts in resolving these matters.



Root cause and recommendations (sector Related)

Key root causes	<ul style="list-style-type: none">• Inadequate coordination by the departments with other government institutions such as municipalities and implementing agents.
Key recommendations	<ul style="list-style-type: none">• AO of the NDoHS should establish comprehensive intergovernmental relations procedures to equip department officials with the understanding and protocols needed to facilitate seamless coordination with the human settlements sector across all government spheres.



Overall message

1

Overall, four years into the current administration, the human settlements sector has shown stagnant movement in overall audit outcomes, and there is still room for improvement in achieving key performance targets, consequence management and coordination.

2

There is a significant delay in service delivery as citizens are waiting a long time before they get houses. The prolonged delays in completion of the projects within the agreed timelines has an impact on the ability of the provincial departments to effectively deliver on the objectives including the provisioning of bulk services, serviced stands and construction of top structures. This will also affect the department negatively from the financial standpoint due the Contract Price Adjustment (CPA) that will kick in because of increase in prices of material and transportation thereof. For instance, in Eastern Cape, there are 35 384 households waiting for houses which might take plus/minus 28 years to complete those houses.

3

There are still projects that are incomplete due to insufficient and inadequate project management skills within implementing entities as well as disciplinary measures not taken in the form of penalty charges against contractors for failure to perform their contractual obligations within the agreed timeframe detailed in the contract. This, in turn, creates doubt on the ability of the human settlements sector to fulfil its mandate of providing qualifying citizens with housing.

4

Targets relating to eradication of mud houses, prioritised development areas and breaking new ground are still constantly not met, resulting in a backlog of the supply of low-cost houses. The FLISP programme is still not been effectively implemented, leaving those people who are often referred to as the 'missing middle' stranded.



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