

Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Human Settlements, 25 October 2023.

The Portfolio Committee on Human Settlements (the Committee), having considered and assessed the performance of the Department of Human Settlements (the Department) and its Entities for the 2022/23 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 11, 13 and 18 October 2023, 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 are 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 address 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 several priorities in relation to human settlements 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 to oversee compliance with regulatory legislative frameworks related to human settlements.

In brief, the Committee:

- Considers legislation referred to it.
- Conducts oversight of any organs of state and constitutional institutions falling within its portfolio.
- Considers international agreements.
- Considers budget of Department and Entities falling within its portfolio.

1.2 MANDATE OF THE DEPARTMENT

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.

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 OBJECTIVES OF THE DEPARTMENT

In line with aims of the National Development Plan (NDP), the objectives of the Department are to achieve visible results from effectively coordinated spatial planning systems by 2030 and this would be 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, youth and persons living disabilities 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 Committee compiled the 2022/23 BRRR using the following documents:

- The NDP: Vision for 2030.
- Medium Term Strategic Framework.
- 2022/23 State of the Nation Address (SONA).
- 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. NDP 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.
- Promoting the participation of Women, Youth and Persons with Disabilities in human settlements development programmes.
- Scaling up delivery on the informal Settlements Upgrading Programme.

4. THE 2019-24 MEDIUM TERM STRATEGIC FRAMEWORK (MTSF)

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 2019-24 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. To strengthen the livelihood prospects of households and overcome spatial apartheid patterns. To advance this vision, the MTSF 2019-24 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 2019-24 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 2022/23: ANALYSIS OF KEY PRIORITIES PERTAINING TO THE DEPARTMENT

During the 2023 SONA address, the President referenced human settlements sector in three aspects, namely:

- Infrastructure projects: In January 2023, projects worth R232 billion were under construction and projects worth nearly R4 billion were completed. Completed projects included new human settlements in Gauteng.
- Title deeds: During 2023, steps would be taken to unlock massive value for poor households by expediting the provision of title deeds for subsidized houses. This would include processing the current backlog of title deeds, of over 1 million houses, with an estimated value of 242 billion in assets.
- State-owned land for human settlements: The Department of Public Works and Infrastructure had finalized the transfer of 14 000 hectares of state land for housing.

6. DEPARTMENT AND ENTITIES PERFORMANCE AND NON- PERFORMANCE

The Department reported on several achievements in its provision of sustainable and integrated human settlements. This includes the following:

- Supported provinces to implement housing programmes.
- Responded to housing emergencies.
- Provided support to provinces to finalise a majority of the PHC.
- Analysed investments made in key programmatic interventions.
- Monitored projects and the MTSF sector standardised indicators.
- Engaged stakeholders.

The Department increased the rezoning of land within the PDAs, land, and buildings acquired near the PDAs. This land acquired from the Department of Public Works and Infrastructure, and buildings from the South African Broadcasting Corporation building located in Sea Point, Cape Town, and two ESKOM buildings which are in Braamfontein, Johannesburg and Kimberly respectively. The acquisition of these buildings was part of the efforts to regenerate inner cities, while ensuring access to adequate housing.

The Department launched the First Home Finance (FHF) programme as a revamped version of the erstwhile FLISP, a move that would see more people gain easy access to help finance their first homes. The programme was designed to support first-time home buyers earning between R3 501 and R22 000 a month. A total of 5 811 households received financial assistance towards purchasing their very first homes. With respect to the Social Housing Programme (SHP), a new Consolidated Capital Grant (CCG) quantum of R328 687 both institutional and subsidy and Restructuring Capital Grant was implemented. The income band for SHP beneficiaries was also increased from R15 000 to R22 000. A total of 3 182 social housing units were delivered in PDAs, cumulatively accounting for 10 819 units over the MTSF-period.

A total of 3 871 serviced sites were delivered during 2022/23, contributing to the 173 392 overall for the MTEF period – against a target of 300 000 for the MTEF period. A total of 3 445 blocked and incomplete projects were also identified in collaboration with the provinces. As a result, 103 projects were resuscitated and placed back in the business plans of the relevant provinces during the 2022/23 reporting cycle. The balance of these projects was earmarked for unblocking in the 2023/24 and 2024/25 financial years. However, in instances where unblocking would not be workable, the predetermined beneficiaries would be allocated to new and current projects.

Efforts were made to issue title deeds to beneficiaries to ensure security of tenure. However, the performance of this programme was notably less than projected. The Department had planned to deliver 397 562 title deeds, but only 25 235 was achieved. The challenges impacted on the Department's performance included the following:

- Outstanding township establishment plans.
- Family disputes amongst qualifying beneficiary estates.
- Provinces planning more than they can deliver.
- Inadequate budgeting by Provinces.
- Deceased estates.

7. THE DEPARTMENT'S ALLOCATIONS - MTEF ALLOCATIONS

7.2 Expenditure of the Department

While expenditure remained high, the performance achievement rate had not recovered to its per-Covid-19 period when the Department managed to meet 83% of its targets. Expenditure remained in the upper 90%. The Department met 27 out of 39 targets for 2022/23, resulting in a 58% performance achievement rate. The Department's performance was to a significant extent influenced by compliance and response times from provinces. Performance target achievement rate was not aligned with the expenditure rates recorded over the past five years. By the end of the 2022/23 financial year, the Department had spent R32.9 billion out of the final appropriation of R33.5 billion (or 98,1%). The Department therefore underspent by R 608 million.

7.3 Quarterly Performance per Programme

7.3.1 Programme 1 (Administration)

This programme received an appropriation of R562,6 million, of which it spent 85,8% (compared to 84,07 % in 2021/22). It therefore underspent by approximately R79 million (18,9%).

7.3.2 Programme 2 (Integrated Human Settlements Planning and Development)

This programme received an appropriation of R21.97 billion, of which it spent 99.7% by the end of the 2022/23 financial year. Actual expenditure was therefore R57.2 million less than projected (0.3%). Underspending 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 R9.3 billion (compared to R8.4 billion in 2021/22), of which it spent R8.9 billion (or 95.3%). This programme therefore underspent by R430 million. 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 R947.6 million for the 2022/23 financial year (compared to R 936, 7 million in 2021/22), of which it spent R906,8 million (95.7%). The programme therefore underspent by R40.6 million (or 4.3%) in 2022/23, 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 R594,8 million in 2022/23, of which it spent R581,9 million (97.8 %). This programme underspent by R13 million (or 2.2%) primarily due to underspending on Compensation of Employees, Goods and Services, and Expenditure for capital assets. Out of the 4 targets, only 1 target was achieved, resulting in a 25% achievement rate.

7.4 Audit Outcomes

For 2022/23 the Department received an unqualified audit with findings on performance information. However, the financial statements were clean and findings on performance information was adjusted accordingly. The AGSA found no significant deficiencies in internal controls. However, there were instances of non-compliance with the Public Finance Management Act (No. 1 of 1999 (PFMA)). The Department did not have sufficient monitoring controls to ensure proper implementation of the overall process of planning and reporting. This is due to the reported underlying data primarily used to determine the amounts on the annual performance report that was not reviewed appropriately to ensure that the correct amounts had been used in the report. The AGSA also noticed the instances of non-compliance with the PFMA and Treasury regulations, as referred to in the above text box.

7.5 Departments' achievement

The Department achieved the following:

- The Department engaged Provinces and Entities to influence integrated sector planning, budgeting, implementation, and reporting. Investments made in key programmatic interventions were analysed.
- Responded to housing emergencies; fast-tracking of repairs through a voucher system, allowing provinces and metros to utilize available funds from HSDG and ISUP to intervene in dealing with the damages; national Emergency Housing Response Fund.
- Provided support to finalise most PDAs implementation plans.
- In February 2023, the Department launched the FHF programme as a revamped version of the erstwhile FLISP – total of 5 811 households received financial assistance 8 262 of targeted 9 769 uninhabitable mud houses were eradicated in rural Provinces of Limpopo, Northwest, and the Free State.
- Developed a National Unblocking Programme - diagnostic evaluation of all blocked projects (3 445 projects identified) 925 of 1 873 targeted units delivered in 2022/23.

8. HUMAN SETTLEMENTS ENTITIES

8.1 National Home Builders Registration Council (NHBR)

During the year under review, the NHBR's performance was based on three programmes, namely, Administration, Regulation, and Consumer Protection. The NHBR achieved 89% of the targets under Administration, 86% under Regulation, and 100% under Consumer Protection. The overall performance for 2022/23 showed that 89% of the set targets were achieved, which was slightly below the performance achieved in the 2021/22 financial year.

The NHBR maintained its unqualified opinion on the financial statements over the past three years. An improvement was noted in the number of material misstatements identified and corrected during the audit process. The opinion on the annual performance report programme 2 also improved to unqualified in the current year. Although some improvement was noted in

material non-compliance findings, the continued material non-compliance findings on consequence management hinders the obtainment of an overall improved audit outcome. The NHBRC achieved the following:

- Housing Consumer Protection Bill presented to the Committee, the National Assembly (NA) and is currently being processed by the National Council of Provinces (NCOP).
- Initiated the implementation of e-services platform for homebuilders and housing consumers to make NHBRC service accessible through web-based solutions and applications.
- Woman Empowerment Programme launched in Partnership with GIBS as part of the social transformation strategy of the NHBRC (Graduation in December 2022).
- Introduced training initiatives for the designated groups and building inspectors as part of capacity creation in the Sector and our Social Transformation Strategy.
- 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.
- Improving the audit outcome of the organisation.
- Contributing to Innovative Building Technologies (IBT) research work.

8.2 National Housing Finance Corporation (NHFC)

In the year under review, the NHFC approved R989 million and disbursed R749 million for affordable housing finance in South Africa. The entity received an unqualified opinion with a finding on compliance with applicable legislation, non-compliance on expenditure management. Decrease in the number of material findings, indicated improvements in the control environment. The NHFC achieved the following:

- Disbursements to designated groups including women and youth-owned entities more than doubled from R124 million in 2021/22 to R274 million in this financial year.
- FHF or FLISP: applications approved increased by 46% from 2 935 to 4 283 and the total value increased from R166 million to R286 million.
- Number of FHF subsidies disbursed increased from 3 268 to 4 107 with values increasing from R173 million to R221 million.
- Enterprise development through procurement spend increased to R140.3 million for work packages for SMME which included 123 black-owned SMMEs, 42 women-owned contractors, 15 youth-owned contractors benefited.
- The NHFC had appointed the first female Chief Executive Officer (CEO) in its history of 27 years, Ms Azola Mayekiso.
- Re-branded FLISP to FHF which resulted in significance in clarity, accessibility and the concept of a "home" carries strong emotional resonance.
- FHF portal - digitised the application process.
- Implementation of information and cyber security measures including privacy of personal information to heighten security posture (management of information assets) – to align to organisation's strategy and global trends.
- Closed the financial year with R2 billion committed to clients.
- Leadership development - 25 candidates in the succession pool and mentorship programme.
- Graduate, Learnership and Chartered Accountants (TOPP) intake – youth training and professional development.

8.3 Social Housing Regulatory Authority (SHRA)

The SHRA ended the 2022/23 financial year with net assets to the value of R895.2 million – which is on par with the previous financial year. Its balance sheet is thus positive. The entity's operating expenses of R923.3 million exceeded its income of R914 million, resulting in an operating deficit of R8.9 million. However, when adding R68.2 million income derived from interest, it resulted in R53.9 million surplus for the year. For this financial year 2022/23, the SHRA received an unqualified audit opinion. However, the AGSA drew attention to the following matters:

- The AGSA identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 4: Project Development and Funding. The management did not correct the misstatements, and the AGSA reported on the material findings.
- The financial statements and annual performance report submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA.
- Material misstatements of liabilities, revenue, expenditure, and disclosure items identified by the auditors in the submitted financial statement were corrected subsequently, resulting in the financial statements receiving an unqualified audit opinion.

SHRA achieved the following:

- The portfolio of units under regulation rose from 32 046 units, managed by 25 institutions in 2018, to 44 114 units managed by 39 institutions. This was a 38% increase in the portfolio, and a 56% increase in the number of delivery agents with stock under management.
- Of the 39 delivery agents with stock under management, 26 were accredited institutions accounting for 60% or 26 633 units. This included 4 Municipal Owned Entities (MOE) accounting for 27% or 11 782 units, followed by 9 Other Delivery Agents (ODA) with 13% or 5 699 units.
- There was improvement on tenanting completed units in the past three years from 52% in 2020/21 to 82% of annual units being tenanted in relation to completions.
- A total of 3 182 social housing units were completed against the target of 3 000 - units, while 2 595 units were tenanted against a target of 3 529, with a shortfall of 934 units.
- The SHRA was tasked with the delivery of 18 000 social housing units for both the national MTSF 2019–24 period and Strategic Planning period from 2020–25.
- A total of 7 990 jobs were created through the implementation of social housing projects.

The entity experienced the following challenges:

- The achievement rate for performance targets was 58%, compared to 61% in 2021/22, and 71% in 2020/21.
- Vacancies increased from 8% in 2021/22 to approximately 11% in 2022/23.
- Accreditation of new projects from institutions that are 'majority-owned' by women, youth, or persons living with disabilities, reached 25%, falling short of the set target of 40%.
- Rental boycotts were identified as a primary threat to the ongoing sustainability of the sector, while a draft strategy had been formulated during the financial year.
- Criminals and gangs, commonly referred to as 'construction mafias', illegally occupy and take control of construction sites nationwide, extorting money from developers. This had negatively impacted some human settlements projects and the economy. Their interference resulted in some projects being halted, negative community dynamics, the need for extra security measures, and an increased financial burden.

8.4 Housing Development Agency (HDA)

The HDA reported 74% of performance against predetermined targets; 1433 housing units constructed; 993.0012 hectares acquired; 40 development plans for PDAs completed; 4757 serviced sites; and 1731 title deeds issued. During the period under review the HDA developed an organizational governance and performance recovery plan which resulted in an unqualified audit opinion with findings and a seventy-four percent (rounded-off) achievement of its targets. This marked a significant improvement from the previous financial years where the audit opinions were qualified for three consecutive financial years, and the annual performance of targets achieved was 29%.

In the year under review out of the 23 indicators in the Annual Performance Plan (APP), 17 were achieved and six were not achieved. The Board focused on the strategic direction and oversight on ensuring the strategic and annual performance plan targets and outcome were achieved or

improved upon. All required Board Committees were established and functional; this includes an Audit and Risk, Social and Ethics, Human Resources and Remuneration, and Land, Programmes and Property Development. Dr Tshilidzi Ratshitanga served from the 26th of November 2021 to the 8th of March 2023 as Board Chair, whilst for the period of the 9th of March 2023 to the 6th of June 2023, Mr. Manqoba Soni acted as Board Chair. Thereafter Hosi P.C. Ngove was appointed as Board Chair on the 7th of June 2023.

8.5 Property Practitioners Regulatory Authority (PPRA)

In an endeavour to discharge its mandate, the PPRA organised itself into the following five programmes:

- Programme 1: Finance and Administration.
- Programme 2: Licensing and Enforcement.
- Programme 3: Inspection and enforcement.
- Programme 4: Research, Professionalism, and Training.
- Programme 5: Transformation.

During the period under review, the PPRA had set itself twenty-four annual performance targets, it achieved eight. This translated into a success rate of 33.3%. The outcome for PPRA remained 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 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 (Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operation Officer (COO), Chief Revenue Officer (CRO)), this had a direct impact on the audit outcomes of annual financial statements and audit of predetermined objectives. PPRA achieved the following:

- The Property Sector Research Centre was established, in partnership with the National Research Foundation (NRF), to fulfil the research agenda, as set out in section 22 (4) of the Act.
- The new organisational structure was finalised, in concurrence with the Minister of Human Settlements during November 2022.
- The recruitment process for C-Suite and critical management positions was concluded. Other critical positions were earmarked to be filled in the 2023/24 financial year.

During the period under review, the PPRA encountered the following key challenges:

- The SAP system encountered continuous downtime. This negatively impacted on the delivery service from the PPRA, resulting in a backlog in the processing of applications.
- Delays in configuring the information and communication technology (ICT) system to register and issue FFCs to all new categories of Property Practitioners.
- Legislative requirement of orders being issued after 60 days caused delays in orders being signed and submitted for enforcement.
- The Entity further relayed on consultants to clear receivable issues without balancing that the information is correct.

8.6 Community Schemes Ombud Services (CSOS)

In 2022/23, the CSOS listed a total of 28 performance targets, of which it achieved 20. This resulted in an achievement rate of 71.4%. This reflected a decrease of 11%, compared to the previous financial year, wherein the Entity had achieved 82%. Human resource (HR) planning remained at the core of ensuring that the Entity has the necessary capacity to deliver on its mandate and outcomes, as and when required. The organisational redesign project, which commenced in the 2021/22 financial year had not come into fruition. As a result, the vacancy rate increased by 11.4%, from 36% in the prior year to 47.4%. The CSOS had a voluntary turnover rate of 21.96%, which was a slightly higher compared to the optimal functional voluntary employee turnover rate for organisations in South Africa, that was calculated to be between 14% and 19%.

However, the high turnover percent was a result of having more internship programmes and temporary employees, whose contracts expired during the year under review. The CSOS recorded a significant increase in its revenue collection. This increase was due to a surge in the community scheme registration and charging of interest. Consequently, schemes were required to submit levy schedules, proof of payments, and outreach interventions with top paying managing agents. The CSOS implemented a billing of schemes in 2021/22, which led to an increase in correspondence from schemes requiring reconciliation and updating of their CSOS financial records. Revenue generated from levies amounted to R333,6 million in 2022/23, which was higher than its set target of R262.3 million. The Entity achieved the CSOS following:

- The percentage of disputes adjudicated 90 days increased by 68.57%. This includes 208 adjudications finalised outside the 90 days period.
- A 41% increase in number of training sessions conducted.
- A 27% increase in levies billed.
- A 31% in schemes registered.
- A 30% increase in scheme governance documentation quality assured.
- 100% (3/3) of community schemes requests for Executing Managing agents awarded to previously disadvantaged individuals.

The Entity experienced the following challenges:

- While the CSOS ended the 2022/23 financial year with net assets to the value of R271.1 million, it was 21.5% lower than the previous year. Net assets totalled R345.6 million in 2021/22. Lower net assets were due to an increase in the entity's liabilities, which grew from R138.6 million previously, to R213.2 million by the end of 2022/23.
- The rise in liabilities was attributed to more than a third increase (34.1%) in 'allocated levies' collected by the entity. This refers to levies paid into the entity's bank account – without adequate references which would allow the entity to identify which community scheme made the deposit. The value of unallocated levies rose from R115 million in 2021/22, to R154.2 million. While the entity reports its intention to trace deposits and reduce the unallocated levies into the future, this process requires close monitoring by Parliament.
- While revenue increased with more than a quarter (28.7%) from the previous year, the entity's expenditure more than doubled (113.8%) than what it was in 2021/22. Expenditure rose to R346 million, from R161,9 million previously. The sharp increase in the entity's expenditure, resulted in a significant smaller operating surplus than what it was in 2021/22. The operating surplus in 2022/23 was R30.8 million, compared to R131 million in 2021/22.
- Higher expenditure is due mainly to debt impairment to the value of R120 million, and a 33.6% increase in employee-related expenses from R99.3 million previously to R132.6 million. Impairment refers to a permanent reduction in the value of an organisation's assets. In 2022/23, the entity evaluated its debtors for recoverability based on their aging, which resulted in impairment losses. It should be noted that there was no impairment recorded for the previous financial year since there was no impairment loss provision. For 2021/22, entity's impairment assessment was done as of 31st of March 2022, and at the time there were no indications for impairment as per the impairment policy.

9. REFLECTION BY THE AGSA

The Committee was briefed in a virtual meeting by the AGSA on the audit opinion. The AGSA indicated that overall, the portfolio achieved an average of 58% of its targets. 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 the Department, etc. Audit action plans were in place at the Department and Entities, however there were repeat audit findings in the portfolio. NHBRC, CSOS and HDA reported significant achievements of their targets. This raised concerns on whether the entities in the portfolio are fulfilling their different mandates. The Department evaluates quarterly performance reports of the Entities, provides recommendation, and action plans. However, there was no evidence that the monitoring process had led to improvements in performance.

9.3. Recommendations to the Committee

The AGSA provided the following recommendations which were adopted by the Committee:

- Closely monitor and regularly follow on progress on audit action plans at the Department and Entities. Ensure the improvement of business plans and close misalignment gap between MTSF and available funds.
- Monitor the key vacancies at the Department and Entities to ensure stability of leadership. The Department should ascertain that three Deputy Director Generals (DDG) positions which were at Cabinet (at the time of this report) and then filling other vacancies.
- Follow up with Department and Entities that incurred irregular and wasteful expenditure to ensure there is consequence management.
- Ensure the setting up a dedicated team to deal with disasters and disaster funds should be centralised at national level.
- Ensure that the Department engages with the National Treasury to review grant conditions and finding the balance between performance and compliance with Division of Revenue Act (DORA).
- Ensure that the Department engages Entities to obtain feedback, commitments from the entities, and to ensure accountability.

10. REFLECTION BY THE DPME

The Committee was briefed in a virtual meeting by the DPME on its analysis of the quarterly performance reports of the Department. The presentation was noted.

11. OBSERVATIONS AND RECOMMENDATIONS

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

1. **Observation:** Noted the achievement of the unqualified audit outcomes by the Department and Entities, filling in of key positions, the appointment of Boards Members of all entities, the appointment of a woman CEO by NHFC, improved collaboration with provinces, and leadership improvements in the sector.
Recommendation: Ensure that the Department and Entities improve from unqualified to clean audits in the future. Ensure transformation objectives of the country by accelerating the appointment of women, youth and persons living with disabilities to strategic positions in the sector.
2. **Observation:** Noted the implementation of lifestyle audits by NHBRC on inspectors. This was because inspectors were alleged to be receiving bribes to approve poorly constructed houses. Furthermore, these houses were often not completed on time.
Recommendation: Fast-track the implementation of the lifestyle audits initiative to root-out corruption and bribery. Thereafter, ensure consequence management for those involved in corruption and bribery. Provide the Committee with timeframes on the completion of the lifestyle audit. Lifestyle audits can be replicated to other Entities who have got similar mandates as NHBRC. Ensure that housing projects are completed on time by adhering to the Project Readiness Matrix. The NHBRC should develop a comprehensive and integrated plan to prevent the approving of poor workmanship.
3. **Observation:** That some of the key vacancies were filled in the Department, HDA, NHFC and SHRA, however there were still key vacancies that still need to be filled at the Department, CSOS, NHBRC, and PPRA to ensure stability of leadership.
Recommendation: Fast-track the filling of key positions with competent individuals at the Department, CSOS, NHBRC, and PPRA to ensure stability of leadership in the sector.
4. **Observation:** Noted that the initiative to develop the rental boycott strategy within SHRA.
Recommendation: Fast-track the development of the rental boycott strategy. Present this strategy to the Committee by second quarter 2023/24 financial year.
5. **Observation:** That there was underperformance in the delivery of BNG housing units, PDAs programme, and informal settlements upgrading programme, and title deeds.
Recommendation: Conduct an analysis of where performance problems are and address them accordingly. There must be consequence management against those who do not perform their contractual duties.

6. **Observation:** That construction mafias continued to be a challenge that undermines the democratic gains of the post-apartheid government and infringe on the citizen rights.
Recommendation: Adopt proper procedures to deal with construction mafias. Closely work with communities and the Law Enforcement Authorities to identify and harshly punish those who are involved in the practice. The Law Enforcement Authorities should establish an anti-construction mafia unit to solely deal with construction mafias.
7. **Observation:** That provinces were often accused of poor planning and submitting projects that were not ready for implementation to the Department.
Recommendation: Use the Project Readiness Matrix to ensure that projects submitted are ready for implementation. Ensure that provinces submit project lists on time to ensure prompt implementation.
8. **Observation:** That there was a lack of implementation of actions plans or turn around strategies by the Department and entities to address repeated findings by the AGSA. Often actions plans do not deal with root causes of irregular expenditure.
Recommendation: Ensure that these turn around plans are implemented on time. Update the Committee on a quarterly basis on progress made in this regard.
9. **Observation:** Note that the Departments and National Treasury, through Operation Vulindlela, were in the process of developing a strategy to unblock the title deeds programme.
Recommendation: Fast-track the development of the strategy to unblock the title deeds programme. Ensure that the Steering Committee on Title Deeds presents this strategy to the Committee by the second quarter of the 2023/24 financial year.
10. **Observation:** That municipal capacity to implement and manage housing development was a challenge.
Recommendation: Closely work with municipalities and the HDA to ensure that accredited municipalities are provided with necessary capacity to implement and manage housing development.
11. **Observation:** That the management of the beneficiary list was still a persisting problem. This was compounded by the Housing Subsidy System (HSS) that was not aligned to the Housing Needs Register (HNR). This resulted in interference.
Recommendation: Fast-track the digitalisation of the beneficiary list and alignment of the HNR with HSS system. Present progress on the digitisation to the Committee in six months after the adoption of this report. This presentation should also provide the timeframe.
12. **Observation:** That there was no correlation between budget spent and MTSF targets achieved.
Recommendation: Ensure that budget spent, and targets achieved are aligned. Conduct frequent monitoring of plans to ensure consistent alignment with the MTSF and NDP.
13. **Observation:** That there were no retention strategies in the sector, which often results in the loss of institutional memory.
Recommendation: Ensure the implementation retention strategies to protect institutional memory.
14. **Observation:** That there was an issue of decaying towns which was often accompanied by building hijacking.
Recommendation: Ensure that NHFC and SHRA assess abandoned buildings to provide more rental and bonded houses. Thereafter, there is need for frequent audits of these buildings.
15. **Observation:** Noted the digitisation of the NHFC systems to professionalise their products or services.
Recommendation: Share with other Entities this approach to assist them professionalise their products or services where possible. Furthermore, the Department and Entities should move towards digital where possible.
16. **Observation:** Noted housing insurance provided by the NHBRC. However, the Committee was concerned about the lack of consumer education in that regard.
Recommendation: Ensure periodic public or consumer education on NHBRC insurance. A quarterly report should be provided to the Committee on progress made. Furthermore, the Entity should improve its visibility, particularly in rural areas.
17. **Observation:** Noted efforts by Entities to deal with transformation by empowering women contractors.
Recommendation: This transformation drive should also reach youth and persons living with disabilities. The Department should work National Youth Development

Agency (NYDA), other youth formation, and persons living with disabilities formations. A quantitative report should be provided on quarterly bases on progress made.

18. **Observation:** Appreciated the invitation to the CSOS Indaba because it was informative. However, the Committee was concerned about the substandard communication strategy of the Entity. This was because the Entity was often accused of not communicating on time. This was compounded by problems encountered in the CSOS Connect System.

Recommendation: Ensure that CSOS improve their communication strategy and visibility in communities. That CSOS improves the CSOS Connect System.

19. **Observation:** Noted the qualified opinion by the AGSA on PPRA.

Recommendation: Ensure that the PPRA develop action plan that address root cause of the finding. The plan should be presented to Committee by the second quarter of 2023/24 financial year.

20. **Observation:** That the issue of poorly performing contractors, affecting the performance of the Department, was coming up frequently.

Recommendation: MINMAC should look at how best to blacklist contractors who are poorly performing or abandoning projects. Report to the Committee on the strategy in six months after the adoption of this report.

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.