



human settlements

Department of Human Settlements
FREE STATE PROVINCE

DEPARTMENT OF HUMAN SETTLEMENTS

PROVINCE OF FREE STATE

VOTE NO. 13

ANNUAL REPORT

2021/2022 FINANCIAL YEAR

PR256/2022

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PART A: GENERAL INFORMATION

1. DEPARTMENT GENERAL INFORMATION

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2. LIST OF ABBREVIATIONS/ACRONYMS

AC	Audit Committee
AGSA	Auditor General of South Africa
AO	Accounting Officer
CAE	Chief Accounting Executive
CFO	Chief Financial Officer
CRU	Community Residential Unit
FLISP	Finance Linked Subsidy Programme
HDA	Housing Development Agency
HOD	Head of Department
HSDG	Human Settlements Development Grant
IAA	Internal Auditing Association
KCM	Key Control Matrix
MEC	Member of Executive Council
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
OSD	Occupation Specific Dispensation
PFMA	Public Finance Management Act, Act 1 of 1999
PROPAC	Provincial Public Account Committee
TR	Treasury Regulations
SCM	Supply Chain Management
SDIP	Service Delivery Improvement Plan

3. FOREWORD BY THE MEC

The report of the Auditor General (hereinafter referred to as AG) on pages 100-115 lifts observations that are both constructive and pejorative with respect to our performance as a department. Although harsh in material respects, these observations constitute the basis upon which we assess ourselves and fashion out a way-forward.

Key amongst these observations are the following points:

- i. Human settlements in the Free State, as a result of many years of poor decision-making, remains one of the most struggling departments in the country in terms of achievements of targets.
- ii. Unsatisfactory sufficient appropriate audit evidence to substantiate our performance, an epiphenomenon that exhibits weak record keeping which could be both an honest omission and deliberate.
- iii. Non-existent consequence management which facilitates conditions for officials to act dishonestly and with impunity. Absolute lack of sufficient evidence to demonstrate that disciplinary action is undertaken against officials who incur unauthorized and irregular expenditure.

Yet despite these challenges, we still managed to build decent houses for our communities with a sharp focus on the elderly, people living with disabilities and child-headed families. We accelerated housing delivery in order to meet the fast increasing housing demand within our province.

Some of the prominent achievements include building bigger and better housing for military veterans who fought for the freedoms we enjoy today.

We are establishing a special team to consider and implement all AGs recommendations covering the steps to recover the money, prevent further losses and harm, and effect consequences for transgressions. We have also taken steps to investigate all incomplete projects and prioritize their completion. All standing mega projects for which there are delays will be subjected to forensic investigations and all other necessary legal processes.

These steps are not an end in themselves but rather the start of a process by which we correct our blunders. We fully acknowledge that more still needs to be done to improve our performance and deliver quality service to communities. We shall work harder to secure title deeds for our people, fast-track township establishments to curb overcrowding and illegal

land grabs, accelerate rapid land release programme especially for green villages and work collaboratively to build smart cities.

We are hopeful that we shall register significant strides in mobilizing all energies towards rebuilding and improving our overall performance as the department. At the core of our vision is a commitment to establish human settlements that truly lends dignity to community life and sustains livelihoods.

We shall work together with the AG in implementing all recommendations and ensuring that we improve our internal controls. A qualified audit report is not what any department, worth its salt, should be happy about.

In closing, we extend our heartfelt gratitude to ordinary men and women in the department who wake up every day to deliver quality services to our people. We remain indebted to staff members who stretch themselves beyond the call of duty in ensuring Free State communities live in neighborhoods that guarantee them dignity.

I Thank You!

A handwritten signature in black ink, appearing to be 'Mxolisi Dukwana', written over a horizontal line.

Mxolisi Dukwana

MEC of the Department of Human Settlements

Date: 04/10/2022

4. REPORT OF THE ACCOUNTING OFFICER

OVERVIEW

The department is committed in implementing the National Development Plan (NDP), Medium Term Strategic Framework (MTSF), Sector Plans (SP) as well as our 5-year Strategic Plan directives. There were several challenges that were observed and mitigation plans were put in place in order to redirect the performance to an optimal level. In terms of administration and good governance, the department has been making inroads to comply with the PFMA and other legislative mandates and policies. As per the 2021 financial and non-financial audit outcomes.



HOD: M MASITHA

The department recommit itself to address all root causes and further ensure to uphold its mandate, i.e to provide the main services, that includes *inter alia*, Sound administration, functional settlements that are spatially, socially and economically integrated, Provision of affordable housing, Increased access to basic services and acceleration of land tenure rights.

Overview of the financial results of the department:

Departmental receipts

Departmental receipts	2021/22			2020/21		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Sale of goods and services other than capital assets	320	333	(13)	160	142	19
Sale of capital assets	33	2	31	40	0	39
Financial Transactions in Assets and Liabilities	193	163	30	53 491	52 747	744
Interest, dividends and rent on land	10	2	8	9	5	4
Total	556	500	56	53 700	52 894	806

The department is not a revenue generating division, nevertheless it has generated revenue during the two comparative financial years as stated above from the following items:

- Sales of Goods and Services other than capital assets, where revenue was generated from administering of services on behalf of other entities and sales of tender documents,
- Interest, dividends and rent on land, where revenue was generated from interest charged on staff debt,
- Financial transactions in assets and Liabilities, where revenue was generated from recoveries from staff debt,
- Sales of capital assets where revenue was generated from sales of capital assets,

During the 2020/21 financial year the department collected actual revenue amounting to R52 894 thousands whereas estimated revenue amounted to R53 700 thousands thus providing an under-collected revenue of R806 thousands.

The reasons for under collection of revenue was mainly due to:

- On item, Sales of Goods and Services other than capital assets, an over collection of revenue amounting to R13 thousands was a result of low sales of tender documents.
- Item, Interest, dividends and rent on land, under-collection of revenue amounting to R8 thousands was due to movement on staff debt collection.
- Item, Sales of capital assets, the department disposed capital assets during the financial year of which revenue amounting to R2 thousand was received, this is R39 thousand lesser than what was anticipated.
- Financial transactions in assets and Liabilities, under-collection of R30 thousands due to less recoveries from staff debt than anticipated.

During the 2021/22 financial year the department estimated to collect revenue amounting to R556, however, actual revenue collected amounted to R500 thousands resulting in under-collected revenue of R56 thousands.

The reasons for under-collection of revenue was mainly due to:

- On item, Sales of Goods and Services other than capital assets, an over-collection of revenue amounting to R13 thousand was a result of low sales of tender documents.
- Item, Interest, dividends and rent on land, under-collection of revenue amounting to R8 thousand was due to movement on staff debt collection.
- Item, Sales of capital assets, the department disposed capital assets during the financial year of which revenue amounting to R2 thousand was received, this is R31 thousand lesser than what was anticipated.
- Financial transactions in assets and Liabilities, under-collection of R30 thousand due to less recoveries from staff debt than anticipated.

All the Department's revenue collected was deposited into the Provincial Revenue Fund as per Public Financial Management Act prescript.

Programme Expenditure

Programme Name	2021/22			2020/21		
	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1	141 084	140 104	980	130 317	127 629	2 688
Programme 2	19 145	19 105	40	18 655	18 309	346
Programme 3	1 117 210	1 079 470	37 740	865 345	836 438	28 907
Programme 4	1 471	1 295	176	1 403	1 386	17
Total	1 278 910	1 239 974	38 936	1 015 720	983 762	31 958

- **Programme 1: Administration** – Expended 99.3 percent of its total allocated budget. Expenditure on the programme was mainly on cost driver items such as External Audit Cost, Consultants and Operating Leases.
- **Programme 2: Housing Needs, Research and Planning** – Expended 99.8 percent of its allocated budget. Expenditure on the programme was mainly on cost driver item Training and Development.
- **Programme 3: Housing Development** – Expended 96.6 percent of its total allocated budget. The expenditure on the programme was mainly on cost driver item such as Transfer Payments.
- **Programme 4: Housing Asset Management** – Expended 88.0 percent of its total allocated budget. The expenditure on the programme was mainly on Cost of Employees.

Roll-Over Requested:

The Department received an allocation of R808,290 billion on Human Settlement Development Grant (HSDG) and Provincial Emergency Grant amounting to R10,375million for the Financial Year ended 31 March 2022 of which R781,650billion was utilized on HSDG, the R26,640million of the HSDG and R10,375million of the PEHG was unspent as at 31 March 2022.

Reasons for not unspent balances on HSDG:

- The department received interim payment certificates and invoices for work done post the last scheduled disbursement run of 2022 Financial Year which led to unspent funds in HSDG. All invoices relating to HSDG accruals and payables for 2021/22 Financial Year amounted to R26,808million.

Reasons for not unspent balances on PEHG:

- There was a request from Maluti a Phofung with regards to emergency housing fund to provide temporary shelter for the households affected by the disaster. On behalf of the Municipality, Free State department requested National Department of human settlement for emergency housing fund.
- Approval for assistance was received from National department on 27th October 2021, and amount of R6,251million was transferred to the Province on the 12th November 2021. It should further be noted that the R10,375million was appropriated in March 2022 during the tabling of

the second adjustment budget, this did not provide the department enough time to spend the funds transferred.

- The department had to verify the houses that were destroyed by rain, because there was no substantial evidence of the houses destroyed provided by the Municipality.
- An audit was conducted by the department on the 45 households affected.

Unauthorised Expenditure:

- The department incurred unauthorised expenditure amounting to R 5,107 million on compensation of employees due as a results of an unfunded mandate.

Irregular Expenditure:

- The department incurred irregular expenditure amounting to R 5,151 605 billion due to non-compliance with supply chain management requirements.

Fruitless and Wasteful Expenditure:

- The department incurred fruitless and wasteful expenditure amounting to R109,669 million resulting from over-payments to service providers in the previous financial years and interest due on overdue accounts.

Investigations on unauthorized, Irregular and fruitless expenditure will be performed and appropriate steps will be taken to avoid re-occurrence.

Public Private Partnerships

- The department did not have any transactions involving Public Private Partnerships.

Discontinued activities/activities to be discontinued

- The department did not have any discontinued activities and there are no activities perceived to be discontinued

New or proposed key activities

- The Department did not conclude unsolicited bid proposals.
- SCM processes are in place to prevent irregular expenditure.
- Shortage of staff remains a bigger challenge, which have not yet been addressed.

Events after the reporting date

- No events after reporting date where identified



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MS M MASITHA

ACCOUNTING OFFICER: FS HUMAN SETTLEMENTS

DATE: 04/10/2022

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

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

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

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

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

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

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

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

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

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the department for the financial year ended 31 March 2022.

Yours faithfully



.....

MS M MASITHA

ACCOUNTING OFFICER: FS HUMAN SETTLEMENTS

DATE: 04/10/2022

6. STRATEGIC OVERVIEW

6.1 Vision

Integrated and sustainable human settlements

6.2 Mission

The Department of Human Settlements will develop cohesive and integrated human settlements in the Free State, through:

- Sound administration and engagement of all spheres of government and social partners
- Functional settlements that are spatially, socially and economically integrated
- Provision of affordable housing
- Increased access to basic services
- Acceleration of land tenure rights

6.3 Values

- Professionalism, Integrity and Leadership
- Value for money and accountability
- Partnership
- Compassion and empathy
- Restoration of dignity and resilience
- Environmental friendly

7. LEGISLATIVE AND OTHER MANDATES

1. Constitutional Mandate	The Department derives its mandate from section 26(1) of the Constitution of the Republic of South Africa, Act 108, 1996
2. Legislative Mandates	
Public Finance Management Amended Act, 1999 (Act 29 of 1999)	Establishes the duties and responsibilities of government officials in charge of finances. The Act aims to secure transparency, accountability and sound financial management in government and public institutions
Public Service Act, 1994 (Act 103 of 1994)	To provide for the organisation and administration of the public service of the Republic, the regulation of the conditions of employment, terms of office, discipline, retirement and discharge of members of the public service, and matters connected therewith.
Skills Development Act, 1998 (Act 97 of 1998)	To provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African work force; to integrate those strategies within the National Qualifications Framework contemplated in the South African Qualifications Authority Act, 1995; to provide for learnership which lead to recognised occupational qualifications; to provide for the 'financing of skills development by means of a levy-grant scheme and a National Skills Fund; to provide for and regulate employment services; and to provide for matters connected therewith.
Labour Relations Act, 1995 (Act 66 of 1995)	The purpose of the labour relations act is not only to protect everyone in the workplace but to also promote economic development, fair labour practices, peace, democracy and social development
Division of Revenue Bill (Act still to be promulgated)	To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2019/20 financial year; to provide for reporting requirements for allocations pursuant to such divisions; to provide for the withholding and the delaying of payments; to provide for liability for cost incurred in litigation in violation of the principles of co-operative governance and intergovernmental relations; and to provide for matters connected therewith

Public Service Laws Amendment Act, 1997 (Act 47 of 1997 and 86 of 1998)	to repeal or to amend other laws relating to the public service so as to remove obsolete provisions or to effect certain consequential amendments arising from the readjustment of the functions of the said Commission; and to provide for incidental matters.
Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)	To regulate procurement of goods and services for the Department in compliance with section 217 of the Constitution by ensuring that all procurement processes are fair, transparent, equitable, competitive and cost effective.
Conversion of Certain Rights into Leaseholds or Ownership Act, 1988 (Act 81 of 1988)	This Act provides for the conversion of certain rights of occupation issued to a holder of a site situated in a township whether such township has been formalized or not- established under the now revoked Black Communities Act 4 of 1984, into leasehold or ownership. The Act therefore makes provision for the determination of affected sites or persons; an inquiry into affected sites; grievance (appeal) procedures; and the issuing of leaseholds or transfer of ownership.
Black Communities Development Act, 1994 (Act 4 of 1984)	The Act was repealed save for Chapter 6 and the Regulations thereto. As will appear from the above paragraph, this Act is the principal Act 81 of 1988 and makes provision for the designation of certain areas as development areas and makes provision for township establishment
Upgrading of Land Tenure Rights Act, 1991 (Act 112 of 1991)	This Act makes provision for the upgrading of informal rights, viz., and the deeds of grant, leaseholds and quitrent title permission to occupy
Interim Protection of Informal Land Rights Act, 1996 (Act 31 of 1996)	This Act recognizes certain informal rights to land. One of the functions of the section is to resettle people who are unlawfully occupying land. In the process, it is incumbent on the section to ensure that the informal rights to land are recognized in the process of such resettlement.
The Housing Act, 1997 (Act 107 of 1997)	Through this legislation, existing and future, and the Housing Code, the Department of Housing is carrying out its legislative imperative as set out in the Housing Act, 1997. Section 2 of the Housing Act, 1997 (Act No. 107 of 1997) compels all three spheres of government to give priority to the needs of the poor in respect of housing development (section 2(1)(a)). In addition all 3 spheres of government must ensure that housing development provides as wide a choice of housing and tenure options as is reasonably possible:
Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, 1998 (Act 19 of 1998)	The Prevention of Illegal Eviction from and Unlawful Occupation of Land Act was promulgated in 1998. The Act repeals the Prevention of Illegal Squatting Act No. 52 of 1951 and makes provision for a fair and equitable process to be followed when evicting people who have unlawfully invaded land, from their homes. The Act also makes it an offence to evict legally without due process of law.
The Housing Consumers Protection Measures Act, 1998 (Act 95 of 1998)	The Act provides for the establishment of a statutory regulating body for homebuilders. The National Home Builders Registration Council will register every builder and regulate the home building industry by formulating and enforcing a code of conduct. The implementation of the Act is monitored continuously.
The Rental Housing Act, 1999 (Act 50 of 1999)	This Act repeals the Rent Control Act of 1976 and defines Government's responsibility for rental housing property. It creates mechanisms to promote the provision of rental housing and the proper functioning of the rental housing market. To facilitate sound relations between tenants and landlords, it lays down general requirements for leases and principles for conflict resolution in the rental-housing sector. It also makes provision for the establishment of Rental Housing Tribunals and defines the functions, powers and duties of such Tribunals. Provincial housing departments are establishing Rental Housing Tribunals
Home Loan and Mortgage Disclosure	The Act provides for the establishment of the Office of Disclosure and the monitoring of financial institutions serving the housing credit needs of communities. It requires financial institutions to

Act, 2000 (Act 63 of 2000)	disclose information and identities discriminatory lending patterns. The act will come into operation during 2003.
Subdivision of Agricultural Land Act, 1970 (Act 70 of 1970)	This Act is used for Town Planning advice to the Department of Land Affairs on the subdivision of agricultural land.
The Townships Ordinance No. 9 of 1969	This Ordinance is used for the establishment of towns, subdivision and consolidation, amendment of the general plan and the amendment of town-planning schemes. The townships board is also instituted in terms of this ordinance
Disestablishment of South African Trust Limited Act, 2002 (Act 26 of 2002)	The winding down of the South African Housing Trust and the transfer of functions relating to financial obligations were completed during the end of 2002 and the beginning of 2003 in terms of Act 2002: Disestablishment of SA trust Limited Act, 2002.
Public Audit Act, 2004 (Act 25 of 2004)	Regulates the audit of Government Departments and State Owned Enterprises
Social Housing Act, 2008 (Act 16 of 2008)	Regulates the Social Housing Market
Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013)	This Act provides a framework for the monitoring, coordination and review of the spatial planning and land use management system. It also provides for the establishment, functions and operation of Municipal Planning Tribunals.
Housing Development Agency Act, 2008 (Act 23 of 2008)	The Act establishes the Housing Development Agency; provides for its functions and powers; and provides for matters connected therewith. The objects of the Housing Development Agency are to: - Identify, acquire, hold, develop and release state, communal and privately owned land for residential and community purposes and for the creation of sustainable human settlements - Project manage housing development services for the purposes of the creation of sustainable human settlements - Ensure and monitor that there is centrally coordinated planning and budgeting of all infrastructure required for housing development, and - Monitor the provision of all infrastructures required for housing development. Implications The Free State Department of Human Settlements has concluded a Development Agreement with the HDA, and any future agreements should be aligned to the objects of the Agency.
National Environmental Management Act, 1998 (Act 107 of 1998)	The National Environmental Management Act (Act No. 107 of 1998) (NEMA) provides for co-operative environmental governance by establishing principles for decision-making on matters affecting the environment, institutions that will promote cooperative governance and procedures for co-ordinating environmental functions exercised by organs of state; for certain aspects of the administration and enforcement of other environmental management laws; and for matters connected therewith. Implications All housing developments require an environmental authorization before the development or any construction activities may precede, which may include an environmental impact assessment process.

3. Policy Mandates	
National Development Plan	Chapter nine of the NDP (Transforming Human Settlements) addresses the various housing/settlement issues South Africa is currently facing. In terms of transforming human settlements, the NDP states the following objectives: • Strong and efficient spatial planning system, well integrated across the spheres of government. • Upgrade all informal settlements on suitable, well-located land by 2030. • More people living closer to their places of work. • Better quality public transport. • More jobs in or close to dense, urban townships.
National Spatial Development Perspective	The National Spatial Development Perspective (NSDP) became national policy in 2002 and was revised 2006. The key objectives of the NSDP are to: • Provide a framework for discussing the space economy taking deprivation, resources, infrastructure and potential economic activity into account; • Establish a common reference point for national, provincial and local government to analyse and debate the development potential of different places in the country; • Identify key areas of tension and/or priority in achieving positive spatial outcomes with government infrastructure investment and development spending; and • Provide national government's strategic response to the above for a given timeframe.
The Housing Code, 2009	Government has introduced a variety of programmes which provide the poor households access to adequate housing in terms of the Housing Act, 1997 (Act No 107 of 1997). The policy principles set out in the White Paper on Housing aim to provide poor households with houses as well as basic services such as potable water and sanitation on an equitable basis. The National Housing Code; 2000 was substantially revised and consequently the new National Housing Code, 2009 was introduced. The 2009 Code is aimed at simplifying the implementation of housing projects by being less prescriptive while providing clear guidelines. The National Housing Code, 2009 further sets the underlying policy principles, guidelines, norms and standards that apply to Government's various housing assistance programmes introduced since 1994 and subsequently updated.
Comprehensive Plan for Sustainable Human Settlements (BNG)	The Comprehensive Plan also focuses on Informal Settlement Upgrading to meet the Millennium Goals of the United Nations to improve the lives of slum dwellers.
Free State Growth and Development Strategy	Driver 9: Facilitate sustainable human settlements of the FSGDS states that the status of human settlements is mostly extremely low densities, low levels of efficiency and long distances between places of employment and places of work. In order to improve economic efficiency, the FSGDS proposes that efficient resource use should be prioritised.
Provincial Spatial Development Framework	The Free State Provincial Spatial Development Framework (PSDF) is a provincial spatial and strategic planning policy that responds to and complies with the relevant legislation and policy. SPLUMA provides for all spheres of government to compile and publish a spatial development framework. The NDP encourages all spheres of government to prepare SDFs that promote a developmental state in accordance with the principles of global sustainability.

Other

Human Settlements Strategy for the Free State Province

The purpose of the Free State Human Settlements Strategy is to guide a longer term spatial and investments perspective that will inform the programming of human settlements projects in the Province.

Intergovernmental structures

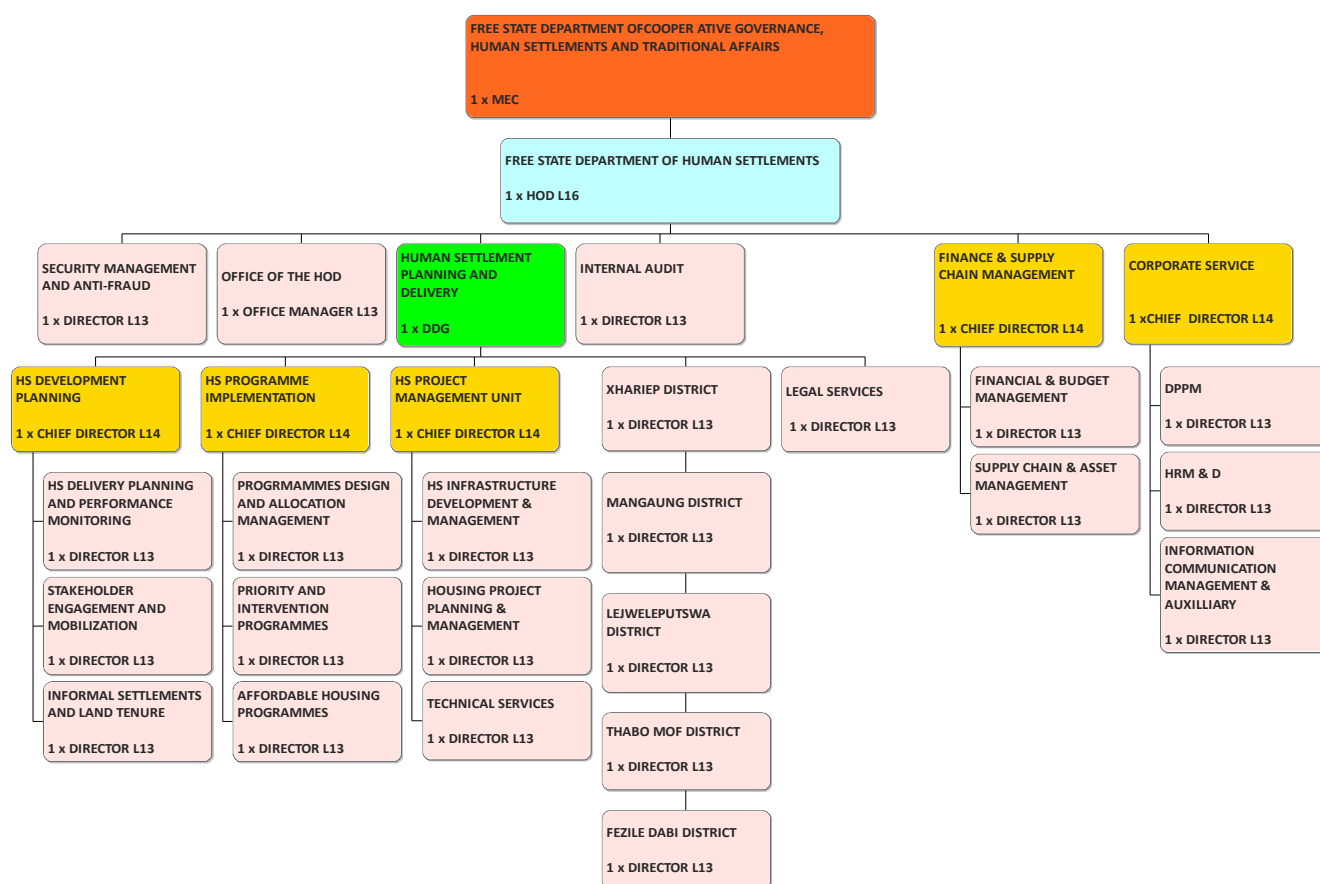
(a) President's Coordinating Council

The Forum provides for the engagement at National level of relevant stakeholders to ensure that the national government objectives are realised.

(b) Premier's Coordinating Forum

The Forum provides for the engagement at Provincial level of relevant stakeholders to ensure that the provincial government objectives are realised.

8. ORGANISATIONAL STRUCTURE



9. ENTITIES REPORTING TO THE MEC

Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
Free State Housing Fund	Established in terms of the National Housing Act of 1999	19 Million was budgeted for 2021	Provision of low cost housing in the Free State

PART B: PERFORMANCE INFORMATION

1. AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

(refer to page 120 paragraph 23)

2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.1 Service Delivery Environment

2.1.1 Services delivered directly to the public.

The Department committed to a number of priorities as per our Annual Performance Plan. Amongst these were informal settlements upgrading and land acquisition, provision of housing units through various programmes, title deeds distribution and security of tenure as part of the Departments role to the country's goal for land ownership. The focus on service delivery for the Department of Human Settlements means an act of improving the lives of Free State citizens.

The following outputs were achieved in the 2021/22 financial year:

Output Indicator	Planned annual Target	Actual achievement
Number of hectares of well-located land acquired or released for human settlements development	51ha	883,031ha
Number of hectares of well-located land acquired or released for human settlements development outside the PHSHDAs	1760,2141ha	2291.66ha
Number of township registers opened	4	5
Number projects and houses enrolled with NHBRC	5000	5914
Number of housing units delivered through Finance Linked Individual Subsidy Programme (FLISP)	60	278
Number of Municipalities supported post-accreditation (Mangaung)	1	1
Number of municipalities supported toward pre –accreditation	4	4
Number of municipalities supported on the implementation of Informal Settlements Upgrading Programme	19	19
Number of sites connected to basic services as part of the Informal Settlements Upgrading of Informal Settlements Programme (UISP)	2641	3367
Number of people in the targeted market exposed to education programmes on owning and renting a home	7000	8910
Number of Community Residential Units (CRU) delivered	59	516

In the current financial year, the Department managed to secure a total of 3174.691ha of land that will be released for human settlements development. This means that the Department has land in its possession that will make it easier for human settlements development in coming years. The over-achievement related to the acquisition of land is due to the fact that the process for acquiring land is a lengthy process and can easily span between financial years. The processes to purchase a big chunk of the land reported was started in the previous financial years and was only concluded in the 2021/22 financial year. This is why there is was a significant over achievement in the 2021/22 financial year.

There were a lot of objections and issues at the municipalities that prevented the Department from successfully opening the township registers in the previous financial years. These objections were resolved in the current

financial year and resulted in township registers being successfully opened in Nala and Metsimaholo local municipality.

With regards to the number of projects and houses registered with NHBRC, the registration of the Refengkgotso units was planned for the 2022/2023 financial year but the contractor was fast and had to be enrolled before the financial year started resulting in the over achievement of registrations with NHBRC in the current financial year. There has also been a significant incline in the housing market in the free State, particularly in Bloemfontein which led to more applicants meeting the criteria of the FLISP subsidy. Contractors have also started to recover from the challenges that were caused by the impact of the COVID 19 pandemic which has resulted in the over achievements for CRUs and sites connected to basic services as part of the Informal Settlements Upgrading Programme. The Department participated in an Integrated Outreach programme facilitated by the Department of the Premier hence an overachievement related to consumer education.

The following outputs were not **fully** achieved in the 2021/22 financial year:

Output Indicator	Planned annual Target	Actual achievement
Number of erven planned and surveyed	6030	5589
Number of Informal Settlements supported for upgrade in a phased approach to Phase 3	43	11
Number of new IRDP housing units completed in the province	2118	857
Number of new sites connected to basic water and sanitation services as part of the Integrated Residential Development Programme (IRDP)	6341	5576
Number. of post-1994 title deeds registered (Act 107 of 1997- current	2126	510
Percentage of women, youth and persons with a disability contractors who are allocated projects from the Human Settlements Development grant	W=30% Y=10% D=7%	W=22% Y=18% D=0%
Number of work opportunities created	1000	583
Number of pre-1994 title deeds registered (Act 81 of 1988)	800	0
Number of post-1994 title deeds registered (Act 107 of 1997 backlog)	2734	743

Analysis of the Challenges that led to under-achievements in the 2021/22 financial year and the remedial actions to resolve these challenges:

a) Erven planned and surveyed

Cause: There is an underachievement on the target because there were delays in obtaining the Municipal Planning Tribunals' records of decisions (ROD) which meant the plans could not be submitted to surveyor general for final approvals.

Remedial action: The Department has undertaken several interactions with municipalities and the Municipal Planning Tribunal in a bid to resolve the backlog so the Department can submit the plans to the surveyor general for final approvals.

b) Informal Settlements supported for upgrade in a phased approach to Phase 3

Cause: For this indicator to be achieved, the informal settlements have to move from phase 1 and phase 2 before they can get to phase 3 which is when the informal settlement is considered upgraded. Phase 1 and Phase 2 covers the planning work and construction of internal reticulation. Although there were delays in the planned projects that led to only phase 1 and 2 of the work getting done, it should be noted that work was done on the projects just not enough for the projects to be classified as phase 3 and upgraded.

Remedial action: All delays related to the projects in this indicator have been addressed therefore the projects will most likely be reported in the 2022/23 financial year when they are classified as phase 3 and upgraded. Going forward, the department will only plan for phase 3 outputs based on how far projects are with phase 1 and phase 2 work at the end of one financial year and the beginning of another.

c) IRDP housing units completed in the province

Cause: 42% of the annual target was linked to the new 8 housing project. the reason for underachievement was due to delays in procurement, NHRBC enrolments, administration issues including beneficiary list form beneficiary management unit.

Remedial action: The issues that caused the delays have been mitigated and Contractors are busy with foundation and wall plates and completion is expected in the 2022 financial year.

d) New sites connected to basic water and sanitation services as part of the Integrated Residential Development Programme (IRDP)

Cause: Under achievement of 855 has been recorded due to procurement delays.

Remedial action: All the procurement related to these projects has been finalised in the 4th quarter of the 2021/22 financial year and Progress will be recorded in the 2022 financial year.

e) Title Deeds (pre 1994, post 1994 and post 2014)

Cause: The floating of township amongst conveyancers caused delays for other conveyancers. This is a continuous process in the conveyancing practice. Townships registers were opened but proclamation did not follow. The Department continuously engage with the conveyancers and COGTA to address this matter. Estates not reported and finalized is also a huge problem in the title deed environment. This is also a factor that hampered the finalization of transfers.

Remedial action: In order to address the matter of floating title deeds the Department will communicate to conveyancers to submit the original title deeds to the Department whom in turn will lodge it under the Department account at the deeds office. The Department liaised with Land Use Management in COGTA to assist with the proclamation of the areas in Kopanong Local municipality.

f) Women, youth and persons with a disability contractor who are allocated projects from the Human Settlements Development grant

Cause: The Department has an open tender policy where people with disability are encouraged to participate in project tendering. In the 2021/22 financial year no applications were received in this regard. The contractors were also not submitting supporting document to update the system on the ownership status of their companies which would enable the Department to update the women, youth and persons with disability achievement.

Remedial action: The department will set up a Woman, Youth and people living with disability database which would enable the Department the opportunity to ensure that these groups get access to any procurement adverts especially those related to the HSDG. It should be noted that in order to comply with fair procurement practices, the Department cannot award a tender based on gender, age or disability. This means that the contractors covered in this indicator still have to meet all the set procurement criteria as per the advertised tender.

2.2 Service Delivery Improvement Plan

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

Main services and standards

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
Issuing of Tittle Deeds to qualifying beneficiaries	All qualifying beneficiaries	2126 Tittle Deeds were targeted towards registration and ultimately issuing to qualifying beneficiaries	Improvement is required hence the SDIP as a strategy towards improvement	510

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

Current/actual arrangements	Desired arrangements	Actual achievements
Consultation is done through National and Provincial Steering Committee Meetings and meetings with	Consultation is done through National and Provincial Steering Committee Meetings and meetings with conveyances	National, Provincial Steering Committee Meetings were held together with meetings with conveyances
Information displayed at Municipal Notice Board for access to services	Information displayed at Municipal Notice boards for access to services	Information is displayed at Municipal Notice Board for access to services.

Service delivery information tool

Current/actual information tools	Desired information tools	Actual achievements
Telephonic and per facsimile as available per telephone directory	Acceleration of know your service rights campaign through visits to taxi ranks and public places	Switchboard receives calls from Monday to Friday 07:30 -16:00
Info desk at ground floor of OR Tambo Building 7th Floor	Deployment of information officer at entrance of buildings housing Human Settlements	Two frontline officials are permanently positioned at the information desk Monday to Friday 07:30 to 16:00
Correspondence to physical and postal address	Extension to district offices	OR Tambo Building, Cnr Markgraaff & St Andrew Street P.O Box 211 Bloemfontein, 9300
Internet as per Web Site	Radio slots in the community radio station	www.fspg.gov.za www.gitoc.fs.gov.za

Complaints mechanism

Current/actual complaints mechanism	Desired complaints mechanism	Actual achievements
Complaints, compliments	Suggestion and complain boxes	Complaints, compliments and/or
Telephonic, facsimile as per telephonic directory	Local newspaper	Provincial directory of government services is updated annually by the office of the Premier and contains contacts, offices of all directorates of different departments including Human Settlements directorates
Provincial Toll-free number and Presidential hotline	Appointed of frontline officers dealing with complaints in district officers	Toll-free line: 0800 600 224 and 17737
Walk inns complaints	HSS Truck	Walk inns complaints are handled by help desk frontline staff positioned at OR Tambo Building, 7 th Floor
Complaints, compliments or suggestion boxes	Ward committee members responsible for housing assists	None displayed since provincial human settlements department is sharing the building (OR Tambo) with 3 other departments. The departmental complaints and compliment policy is at a draft stage

2.3 Organisational Environment

- The department did not experience strikes under the period under review, however delays in service delivery was as a result of lockdown restrictions.
- The Accounting Officer was placed in precautionary suspension; the acting Accounting Officer was appointed. The CFO was also place on precautionary suspension for an insignificant period and has since returned to work around October 2021 to date.
- The Department uses a Housing Subsidy System (HSS) and other National controlled systems. To date no system failure has been reported to have hampered service delivery in the Departments of Human Settlements
- Cases of the alleged fraud and maladministration are investigated as they are reported, there were 2 cases of key officials still under investigation. In the case of the Accounting Officer, the matter is being handled by the office of the Premier.

2.4 Key policy developments and legislative changes

None

3. ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

NDP Five Year Implementation Plan Priority				PRIORITY 5: SPATIAL INTEGRATION, HUMAN SETTLEMENT AND LOCAL GOVERNMENT	
Outcome	Outcome Indicator	Baseline	Our Five year target starting from 01 April 2020	Audited Progress made in terms of indicators 2021/2022	Impact
Adequate housing and improved quality living environments	% increase of the households provided with housing opportunities	(sites connected)	Sites - 42955	5576 new sites 3367 household connection	Improved quality living environments. Restored dignity and hygiene
		14998 (Household connections)	Household - 71269		Improved quality living environments. Restored dignity and hygiene
		20514 housing units completed	Units completion - 18191 –	857=IRDP 516=CRU 278=FLISP	Communities without and those who afford low in terms of salaries are afforded opportunities and access housing opportunities
			Title deeds - 18142	510=Current 743=Backlog 0= Act 81	Beneficiary afforded an opportunity to their land tenure rights
Integrated Human Settlements sector plan	% increase in the planned human settlements projects aligned to the IDP's	100% of tabled/adopted IDPs with Human Settlements Chapter	100% of tabled/adopted IDPs with Human Settlements Chapter	Integrated plans in the sector development plans	Integrated plans
Compliance with the critical provisions of the PFMA/Financial Regulations	% increase of compliance with the provisions of the PFMA	50% increase of compliance with the provisions of the PFMA	100% increase of compliance with the provisions of the PFMA	99.2% of valid invoices were paid within 30 days	More invoices has been paid within 30 days, this is however an under performance as 100% determined by Treasury Regulation was not fully met.
			Tabled plans	Approved Annual Performance Plans	Departmental planning in line with budget processes.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

4.1 Programme 1: Administration

Programme 1: Administration

This programme aims to provide overall management in the Department in accordance with all applicable Acts and policies

Administration:	The purpose of the sub-programme is to provide the administrative support services.
Corporate Services	The purpose of this programme is to provide corporate and administration support that is non-core function for the Department

Institutional Outcomes: Compliance with critical provision of the PFMA & Treasury Regulations

Programme / Sub-programme: Administration								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
Compliance with critical provision of the PFMA and Treasury Regulations	Annual Financial Statements	Number of annual financial statements produced by March 2022	1	1	1	1	-	-
	Paid invoices	100% of valid invoices paid within 30 days by March 2022	95%	96%	100%	99.2%	-	-
	Annual Performance Plans	Number of Annual Performance Plans produced by March 2022	1	1	1	1	-	-
	Annual Report	Number of annual Report produced by March 2022	1	1	1	1	-	-

4.2 Programme 2: Housing Research and Planning

The purpose of this programme is to facilitate and undertake housing delivery planning

Sub-programmes:

Administration:	The purpose of the sub-programme is to provide the administrative support services.
Policy	The purpose of this sub-programme is to review, amend or develop human settlements policies or legislation
Planning	The purpose of the sub-programme is to oversee integrated human settlements planning services
Research	The purpose of this sub-programme is to conduct researches on matters relating to sustainable human settlements

Institutional outcomes: Integrated Human Settlements Sector Plans

Programme / Sub-programme: Housing Needs, Research and Planning								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
Policy								
Integrated Human Settlements sector plan	Approved Human settlements policy	Number of human settlements policies approved in line with national policy guidelines by March 2022	1	1	1	1	-	-
Planning								
Integrated Human Settlements sector plan	Multiyear Housing Development Plan	Number of developed or reviewed Multiyear Housing Development Plan by March 2022	1	1	1	1	-	-
	Priority Human Settlements and Housing Development Areas	Number of area-based priority human settlements development plans in line with other sector plans developed	4	1	1	0	The Department developed the Development Plans for the following declared PSHDA: Matjhabeng, Metsimaholo, Maluti-a-Phofung and Dihlabeng. Only the one for	The Department resolved to amend the Technical Indicator Description to ensure that the process is within its control and does not depend on

Programme / Sub-programme: Housing Needs, Research and Planning								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
		by March 2022					Matjhabeng was finally approved by its council while the others were finalized and sent to these Municipalities for their further adoption and approval in line with our Technical Indicator Description. These approvals were unfortunately not received by the end of the financial year. The delays were mainly as a result of delays in holding Council meetings following the recent Municipal elections	Council approval. The amendment of the TID will ensure that the plans to be developed in the 2022/23 financial year is within the control of the Department. In order to finalize and approved these, letters have been written to these Municipalities to request them to prioritize the approval of the Development Plans
	Approved Human Settlements Development Plan	Number of Approved Human Settlements Plans (HSDG and UISPG funded) by March 2022	New Performance Indicator	1	1	1	Although the plan we approved Provincially by the MEC and Provincial Treasury on the 8 th and 9 th February 2022, only the ISUPG Business Plan was recommended for approval even though the official approval had not been received yet. With regards to HSDG, The Minister of Human Settlements felt that it did not address her priorities and as such	NDHS to updated the BP template To ensure that Ministerial priorities are clearly addressed in the plan. Final HSDG BP to be resubmitted on the 25 th April 2022. following another round of assessment on these plans, the 28 th April 2022

Programme / Sub-programme: Housing Needs, Research and Planning								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
							did not approve it pending its revision. The Minister of Human Settlements also wrote to her counterpart, Minister of Finance informing him of non-approval of the provincial Business plans for 2022/23 Financial Year and implications on delayed transfer of first tranches.	
	Project Readiness Matrix	Number of Approved Human Settlements Project Readiness Matrix developed by March 2022	0	0	1	1	This form part of the business plan	
Research								
Integrated Human Settlements sector plan	Research projects	Number of research projects approved with content relating to development of sustainable human settlements within the MTEF period by March 2022	1	1	1	1	-	-
	Research papers completed	Number of research papers completed with content relating to development of sustainable	0	0	1	0	Although the research project had been approved, the Department could not proceed with the research due to the	In the 2022/23 Financial year, the Department has allocated sufficient budget to conduct the

Programme / Sub-programme: Housing Needs, Research and Planning								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
		e with the MTEF period by March 2022					quotations that were received exceeding the available budget that was set aside for this project.	research approved. For long term mitigation, there is provision for the positions of Researchers in the reviewing of the organizational structure to address internal human resource capacity to avoid the dependency on external service providers or institutions.

4.3 Programme 3: Housing Development

The purpose of this programme is to regulate rentals and provide for the effective and efficient management of housing assets as well as upgrading of Land Tenure and to facilitate access to adequate housing opportunities. Information must be provided in accordance with the Annual Performance Plan

List the sub-programmes

Administration:	The purpose of the sub-programme is to provide the administrative support services
Financial Interventions:	The purpose is to provide immediate access to housing opportunities creating an enabling environment and providing implementation support.
Incremental Interventions:	The purpose is to facilitate access to housing opportunities through a phased process
Social and Rental Interventions:	The purpose is to facilitate access to rental housing opportunities, supporting urban restructuring and integration.
Title deeds restoring grant	The purpose is to facilitate access to rental housing opportunities, supporting urban restructuring and integration.

Institutional outcomes: Inclusive housing opportunities realized

Programme / Sub-programme:								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
Financial Intervention								
Inclusive housing opportunities realized	Suitable land acquired for human settlements development	Number of hectares of well-located land acquired or released for human settlements development by March 2022 <i>See notes:</i> <i>Indicator erroneously captured in final APP. The correct wording of the indicator is as captured in the TID</i>	21.ha	22.,2698ha	51ha	1961,573ha	The process of land acquisition is depended on valuation of land procured, negotiating and concluding the sale agreement with the seller. The Department managed to fast-track the conclusion of this process and made savings on amounts budgeted for as resolved to bring forward other land parcels on the land pipeline	-
Inclusive housing opportunities realized	Suitable land acquired for human settlements development	Number of hectares of well-located land acquired or released for human settlements development	New Performance Indicator	New Performance Indicator	1760.2141 ha	1213,1227 ha	The process of land acquisition is depended on valuation of land procured, negotiating and concluding the	-

		outside the PSHDAs by March 2022					sale agreement with the seller. The Department managed to fast-track the conclusion of this process and made savings on amounts budgeted for as resolved to bring forward other land parcels on the land pipeline	
Erven planned and surveyed	Erven planned and surveyed	Number of erven planned and surveyed by March 202	2134	1240	6030	4925	There is a delays in the approval of the EIA processes as well as receiving inputs from various stakeholder and as a result it impacts on the finalization of the township application by MPTs.	Erven planning is a process that is undertaken over multi years as various processes have to unfold before the final realization of the scope of work. There are at times challenges experienced during the process which are beyond the control of the Department and as a result the process would overflow into the coming year. In mitigating, The Department continues to intervene and put pressure upon the sector departments to prioritize finalization and provision of their inputs
	Township registers opened	Number. of township registers opened by March 2022 (Kopanong, Letsemeng, Metsimaholo, Maluti a Phofung and Matjhabeng Municipalities)	4	0	4	5	More township registers were opened than anticipated. Those included the following: (1) Metsimaholo (Sasolburg Properties) Ext 74 (2) Metsimaholo (Sasolburg Properties) Ext 77 (3) Metsimaholo (Sasolburg	-

							Properties) Ext 78 (4) Metsimaholo (Sasolburg Properties) Ext 79 Nala (5) (Matlharantleng) Ext 14	
	Projects and houses enrolled with NHBRC	Number projects and houses enrolled with NHBRC March 2022	6277	6328	5000	5914	More projects and houses were enrolled than anticipated. Refengkgotso units were planned for the 2022/2023 financial year but the contractor was fast and had to be enrolled before the financial year started.	
	FLISP subsidies allocated to the beneficiaries	Number of housing units delivered through Finance Linked Individual Subsidy Programme (FLISP) by March 2022	291	150	60	278	More applicants met approval criteria than anticipated	-
	Municipalities supported post accreditation	Number of Municipalities supported post accreditation (Mangaung) by March 2022	1	1	1	1	-	-
	Municipalities supported toward pre – accreditation	Number of municipalities supported toward pre – accreditation by March 2022	5	5	4	4	-	-
	Informal Settlements Upgrading Programme to Phase 3	Number of municipalities supported on the implementation of Informal Settlements Upgrading Programme by March 2022	14	14	19	19	-	-
	Informal Settlements Upgrading	Number of Informal Settlements	New Performance Indicator	35	43	11	Although only 11 informal settlements	TID has been amended in the 2022/23 Annual

	Programme to Phase 3	supported for upgrade in a phased approach to Phase 3 formalized by March 2022					had been recorded as achieved in line with the Technical Indicator Description, there is planning work and construction of internal reticulation that took place in all 43 settlements. Serviced sites have been achieved in most of these but these without the completion of the entire scope and Engineer's completion certificate these cannot be regarded as having been upgraded to phase 3	Performance Plan in line with the NDHS customized key indicator which only focuses on the completed project scope of internal reticulation supported by a practical completion certificate and/or municipal engineering completion certificate
Incremental Intervention								
Inclusive housing opportunity realized		Number of new IRDP housing units completed in the province by	1653	1157	2118	857	Deviation were caused by the following challenges: Community Business Forums disruptions, causing uncertain and abrupt stoppages on projects; Funding challenges - Challenges with funding for two roomed and dilapidated old houses. The Earmark Fund to service the demolition and provision of alternative accommodation, were stopped in 2020/2021; Historical incomplete	Remedial action includes: Following through on the District Development Model, where the Department will plan projects with stakeholders and relevant sectors Departments, with the purpose to create One Plan per district; Place more emphasis and priority on the creation of sites and land release; Improve systems of contractor management to eliminate negative risks; Profile all cases of legacy incomplete

							houses or Blocked projects – The incomplete housing units across the Free State which were left since 2010, or prior, are still in the process of being validated, and assessing the deteriorating milestone progress on sites; Lack of sufficient serviced sites across certain Municipalities; Contractors cash flow capabilities; Excessive material cost escalation since Covid-19, Long lag periods with material delivery to construction sites, in addition, suppliers ran out of stock on steel and cement products; Late appointment of housing contractors in 2021; Delayed with construction commencement due to administrative compliances taking time, i.e. submission of foundation designs, enrolment with the NHBRC, obtaining the full approved beneficiary list, contractor	projects and prioritise it in the Business and project plans; Focus on decentralization of responsibilities of all housing programmes.
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							start up financing issues.	
	Serviced sites delivered through a range of programmes in the housing code	Number of new sites connected to basic water and sanitation services as part of the Integrated Residential Development Programme (IRDP) by March 2022	1724	231	6431	5576	Non achievement as a result of variations in scope that needed to be done in order to complete the planned scopes as longer variation processes had to be undertaken but however the Department is at 87% of the annual target. Variations of scope to deal with high water table (water flooding excavations) resulting from continuous rainy weather. This situation was beyond the control of the Department. Under achievement of 855 has been recorded for Paul Roux, Bakenpark water and sewer projects which only commenced during the 4th quarter. .	Much more focus on the monitoring recovery programs and extend contracts for delays where necessary
	Serviced sites delivered through a range of programmes in the housing code	Number of sites connected to basic services as part of the Informal Settlements Upgrading of Informal Settlements Programme (UISP) by March 2022	4647	3877	2461	3367	This is a multi-year projects which has more processes in place to be followed. This result in achievements overlapping to the coming years. That is why there is an overachievement in this financial.	
	Post-1994 title deeds registered (Act	Number. of post-1994 title deeds registered (Act 107 of	335	1219	2126	510	The floating of township conveyancers. This is a continuous	In order to address the matter of floating title deeds the Department will

	107 of 1997-current)	1997- current by March 2022					process in the conveyancing practice but the Department Address the matter on such a basis when it occurs. During March 2022 the Department succeeded to lodged 1 town title deeds at the Deeds Office. Townships registers were opened but proclamation did not follow. The Department continuously engage with the conveyancers and COGTA to address this matter. Estates not reported and finalized. This is also a factor that hampered the finalization of transfers. Disputes amongst family members is being addressed on a continuous basis.	communicate to conveyancers to submit the original title deeds to the Department who in turn will lodge it under the Department account at the deeds office. The Department liaised with Land Use Management in COGTA to assist with the proclamation of the areas Kopanong Local Municipality (Itumelengx1) The Department will communicate to conveyancers in order to determine a fee (to be included in the Service Level Agreement) for reporting and finalizing estates. This will contribute to the finalization of estates. This is still pending finalization. The Department will also intensify the consumer education programme around the importance of wills and reporting of deceased estates.
	Household s provided with consumer education	Number of people in the targeted market exposed to education programmes on owning and renting a home by March 2022	8380	7739	7000	8910	The Department in partnership with Municipalities and other sector departments were able to expose more beneficiaries to Consumer Education programmes than anticipated.	-
	Women, youth and persons with disability contractor s benefited in Human	Percentage of women, youth and persons with a disability contractors who are	W=31.38% Y=24.09% D=7%	W=30% Y=10% D=0%	W=23% Y=21% D=0%	W=22% Y=18% D=0%	The Department has an open tender policy where people with disability are	Woman, Youth and people living with disability database will be developed in

	Settlement s grant	allocated projects from the Human Settlements Development grant by March 202					encouraged to participate in project tendering. In 2021 financial year no application was received in this regard 40% total achievement	order to address this shortcoming
	Work opportunity as created through human settlements programmes	Number of work opportunities created by March 2022	508	607	1000	583	The contractors were not submitting supporting documents to update the system	Making sure that when claims are submitted to the district office, all the labour supporting documentation are attached
Social and Rental Intervention								
Inclusive housing opportunity realized	Community residential units (CRU) approve and upgraded	Number of Community Residential Units (CRU) delivered by March 2022	611	584	59	516	This is a multi-year projects which has more processes in place to be followed. This result in achievements overlapping to the coming years. That is why there is an overachievement in this financial	-
Title deeds restoration								
Inclusive housing opportunity realized Eradicate	Eradicate pre - 2014 backlog	Number of pre-1994 title deeds registered (Act 81 of 1988 by March 2022	302	51	800	0	Challenges are estates not reported to the office of the master and disputes among beneficiaries	The department intend in running a parallel process in that conveyancers will also be tasked to register Pre 94 housing stock
	Title deeds registered for new (post-2014) development per year	Number of post-1994 title deeds registered (Act 107 of 1997 backlog) by March 2022	4711	1684	2734	743	Several challenges were experienced by conveyancers: The floating of township amongst conveyancers caused delays for other conveyancers. This is a continuous process in the conveyancing practice but the	In order to address the matter of floating title deeds the Department will communicate to conveyancers to submit the original title deeds to the Department whom in turn will lodge it under the Department account at the deeds office. Explanatory note: Floating title deeds means that the original town title

							Department Address the matter when it occurs. During March 2022 the Department succeeded to lodged 1 town title deeds at the Deeds Office. Townships registers were opened but proclamation did not follow. The Department continuously engage with the conveyancers and COGTA to address this matter. Estates not reported and finalized. This is also a factor that hampered the finalization of transfers.	(called a mother title) is not lodged under a TR number (Deeds Office reference number) but are in possession of another conveyancer. The conveyancer who wants to lodge deeds of transfers needs to lodge the original town title with the deeds of transfer or ensure that the town title is lodged under a TR number. The Department liaised with Land Use Management in COGTA to assist with the proclamation of the areas in Kopanong Local municipality
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4.4 Programme 4: Housing Asset Management

4.5 Programme 4: The purpose of this programme is for the effective management of housing asset.

List the sub-programmes

Administration:	The purpose of the sub-programme is to provide the administrative support services
Sale and transfer of housing properties	To provide for the sale and transfer of rental stock
Devolution of Housing Properties	To facilitate the devolution of housing assets
Housing Properties Management and Maintenance.	To provide for the effective management of housing properties that belong to the Department

Institutional outcomes: Adequate housing and improved quality living environments

Programme / Sub-programme:								
Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
Financial Intervention								

Adequate housing and improved quality living environments	Housing assets maintained	Percentage of levies paid in respect of 5 properties belonging to the Department by March 2022	New Performance indicator	New Performance indicator	100%	100%	-	-
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Table 2.4.4.1: (Department did not re-table an Annual Performance Plan in the financial year under review)

Table 2.4.4.2: (Department did not re-table the Annual Performance Plan in the financial year under review)

Linking performance with budgets

Administration	2021/22			2020/21		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Services	141 084	140 104	980	130 317	127 629	2 688
Total	141 084	140 104	980	130 317	127 629	2 688

Programme 1: Administration

To provide leadership and support to the department in accordance with all applicable acts and policies. To provide administrative support to the department on a continuous basis. The programme consists of the following sub-programme:

Corporate Services: Provides leadership and support to the department in accordance with all applicable acts and policies. It provides corporate support that is non-core for the department.

Strategic Goal:

Creation of a Department geared towards service excellence.

Strategic Objectives:

Improved **administrative** support geared towards excellent service delivery.

To provide administrative support to the department on a continuous basis.

Housing Needs, Policy and Research	2021/22			2020/21		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	2 287	2 158	129	2 155	2 004	151
Policy	2 755	2 544	211	3 127	2 985	142
Planning	13 065	11 997	1 068	11 743	10 971	772
Research	1 038	2 406	(1 368)	1 630	2 439	(719)
Total	19 145	19 105	40	18 655	18 399	346

Programme 2: Housing Needs, Research & Planning

The aim of the programme is to facilitate and undertake housing delivery planning. The programme consists of the following sub-programmes:

Administration: To provide administrative services.

Policy: To participate in programmes in order to review, amend and develop human settlements policies and legislations.

Planning: To develop provincial multi-year housing delivery plans and project pipelines in cooperation with municipalities.

Research: To conduct research on sustainable human settlements.

Strategic Goal:

Improved housing delivery planning

Strategic Objectives:

Contributing to the enhancement of the policy environment with regard to Human Settlements.

Housing Development	2021/22			2020/21		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	83 246	82 876	370	93 140	93 278	(138)
Financial Interventions	132 605	128 987	3 618	269 031	268 749	282
Incremental Interventions	816 285	782 534	33 751	380 875	376 313	4 562
Social and Rental Interventions	85 074	85 073	1	111 175	92 120	19 055
Rural Interventions	-	-	-	-	-	-
Provincial Specific Programme	-	-	-	-	-	-
Title Deeds Restoration	-	-	-	11 124	5 978	5 146
Total	1 117 210	1 079 470	37 740	865 345	836 438	28 907

Programme 3: Housing Development

The aim is to provide housing opportunities, including access to basic services to beneficiaries in accordance with the Housing Code.

Administration: the purpose of the sub-programme is to provide the administrative support funded from the equitable share.

Financial Interventions: It provides for financial support to procure services relating to housing delivery. The programme include, among others, Finance Linked Individual Subsidies, Individual Housing Subsidies,

Procurement of Land for housing development, the operational costs for Accredited Municipalities, National Home Builders Registration Council (NHBRC) for enrolment fees and Operational Capital Budget.

Incremental Interventions: The purpose is to facilitate access to housing opportunities through a phased process. These consist of Integrated Residential Development programme (IRDP), Emergencies Housing Assistant and Enhanced People Housing Process.

Social and Rental Housing: It provides for the Community Residential Unit (CRU) programme which aims to create a sustainable, affordable and secure rental housing opportunities for households.

Rural Intervention: Its programmes facilitating access to housing opportunities in rural areas.

Title Deeds Restoration Grant: the purpose of the grant is to provide funding for the eradication of the pre-2014 title deeds registration backlog.

Expanded Public Works Programme (EPWP) Integrated Grant

Strategic Goal:

Management of Housing Interventions.

Strategic Objectives:

- Increased housing opportunities on well-located land.

	2021/22			2020/21		
Housing Asset Management	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	1 471	1 295	176	1 403	1 386	17
Total	1 471	1 295	176	1 403	1 386	17

Programme 4: Housing Asset Management and Property Management

The aim of the programme is to provide strategic, effective management, devolution and transfer of housing assets.

Administration: The programme provides administrative support funded from equitable share.

Sale and transfer of housing properties: The purpose of the sub-programme is to facilitate sale, transfer and ownership of properties.

Devolution of housing properties: the sub-programme is to fulfil the provision of the Housing Act, which include the transfer of the vacant land to the municipalities for the purpose of human settlements developments.

Housing properties maintenance: the sub-programme is to provide for the maintenance and management of housing properties.

Strategic Goal:

Management of housing assets and the Extended Enhanced Discount Benefit Scheme (EEDBS).

Strategic Objectives: Reduction of a backlog of 56 housing asset/properties through transferring them to the municipalities. Management and maintenance of housing assets.

Performance in relation to Standardised Outputs and Output Indicators for Sectors with Concurrent Functions

	Output	Indicators	Comments
PROVINCE	Housing needs, research and planning	Number of pieces of provincial Human Settlements legislation passed (must be in line with national legislation)	Reported under institutional programme performance information
		Number of policies and implementation guidelines approved (must be in line with national policies and guidelines)	Reported under institutional programme performance information
		Part D of the Annual Performance Plan populated according to the prescribed format of National Treasury indicating planned targets and budget allocations over a five-year period	Reported under institutional programme performance information
		Number of approved Human Settlements projects contained in the IDP Chapter based on the objectives of Outcome 8 and representing National and Provincial priorities	Reported under institutional programme performance information
		Number of municipalities that the provincial human settlements department is providing with technical support (including transfer of skills) to enable the municipality to produce development plans for human settlements projects	Reported under institutional programme performance information
		Number of project proposals for research studies approved	Reported under institutional programme performance information
		Number of reports developed in terms of approved research studies and approved for publication	Reported under institutional programme performance information
	Housing development (conditional grant)	3.1 Number of Integrated implementation plans for priority development areas completed per year	Reported under institutional programme performance information
		3.2 % of acquired land during 2014-2019 rezoned	Reported under institutional programme performance information
		3.3 Number of serviced sites delivered through a range of programmes in the housing code	Reported under institutional programme performance information
		3.4 Number of title deeds registered to eradicate pre 2014 backlog per year	Reported under institutional programme performance information

	Output	Indicators	Comments
		3.5 Number of title deeds registered for new (post 2014) developments per year	Reported under institutional programme performance information (Reported as current)
		3.6 Number of Informal Settlements Upgraded to Phase 3	Reported under institutional programme performance information
		3.7 Number of houses (units) delivered through subsidy programme	Did not include in the APP, FLISP has been included below
		3.8 Number of Social houses / rental units delivered	Phased out- programme is now implemented and reported on by SHRA
		3.9 Number of Community residential units delivered	Reported under institutional programme performance information
		3.10 Number of households earning between R3501 – R22000 per annum provided with subsidies through Finance Linked Individual Subsidy Programme (FLISP)	Reported under institutional programme performance information
	Housing asset Management and property	Number of rental units sold to beneficiaries	Not included in the APP
		Number of rental units transferred	Not included in the APP
		Number of rental units devolved to municipalities in terms of section 15 of the Housing Act, 1997	Not included in the APP
		Number of debtors reduced per financial year (refer to sale debtors, loan debtors and terminated rental debtors)	Not included in the APP (Only indicator relating to payment of invoices within 30 days is included in the APP)

Reporting on the Institutional Response to the COVID-19 Pandemic

Budget Programme	Intervention	Geographic location (Province/ District/ Local municipality) (Where Possible)	No. of beneficiaries (Where Possible)	Disaggregation of Beneficiaries (Where Possible)	Total budget allocation per intervention (R'000)	Budget spent per intervention	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate outcomes
Wellness management	Provisioning of immune	Internal programme	100 employees	75 females and 25 males	R35.000	R350.00 per employee			((% percent cure from COVID 19

	booster to employee tested positive								
External COVID 19 support to informal settlements	Distribution of soaps and hand sanitiser s	All districts informal settlements	20.000	Each informal settler got 2 soaps and one bottle of 1 litre of hand sanitiser	unknown	Treasury and sponsorship of hand sanitiser s		General prevention of COVID 19 in informal settlements and avoidance of super spreading	Assist in the prevention and avoidance of super spreader of COVID 19 in the informal settlements
Wellness Management	Procurement of 350ml bottles Masks Clothes Face shields	450 bottles 900 cloth masks 40 face shields	R2 000 Treasury bought for the department	420 employees managed to get 1 refillable bottle and two face masks. Employees with direct contacts with communities got one face shield	Treasury and petty cash of R2 000 to buy bottles was used	Internal departmental budget through treasury was used.			The social distancing and prevention of COVID 19 in the department was achieved and avoidance of fatality was reduced to only one employee passing on due to COVID 19

5. TRANSFER PAYMENTS

5.1. Transfer payments to public entities

Name of Public Entity	Key Outputs of the public entity	Amount transferred to the public entity	Amount spent by the public entity	Achievements of the public entity
-	-	-	-	-

Please note that in terms of the Economic Reporting Format (ERF), the Department does Transfer payments to Household, not Transfer payments to public entities. Therefore, the part below is not applicable to the Department.

5.2. Transfer payments to all organisations other than public entities

The table below reflects the transfer payments made for the period 1 April 2021 to 31 March 2022

Name of transferee	Type of organisation	Purpose for which the funds were used	Did the dept. comply with s 38 (1) (j) of the PFMA	Amount transferred (R'000)	Amount spent by the entity	Reasons for the funds unspent by the entity
0	0	0	0	0	0	0

The table below reflects the transfer payments which were budgeted for in the period 1 April 2021 to 31 March 2022, but no transfer payments were made.

Name of transferee	Purpose for which the funds were to be used	Amount budgeted for (R'000)	Amount transferred (R'000)	Reasons why funds were not transferred
0	0	0	0	0

6. CONDITIONAL GRANTS

6.1. Conditional grants and earmarked funds paid

The table below detail/s the conditional grants and earmarked funds paid by the department.

Conditional Grant 1:

Department/ Municipality to whom the grant has been transferred	Free State Department of Human Settlements
Purpose of the grant	To provide funding for the progressive realisation of access to adequate housing through the creation of sustainable and integrated human settlements.
Expected outputs of the grant	Serviced sites: 6 431
Actual outputs achieved	Housing units: 5576
Amount per amended DORA	R 808,290
Amount transferred (R'000)	R 786,254
Reasons if amount as per DORA not transferred	N/A
Amount spent by the department/ municipality (R'000)	R 781,650
Reasons for the funds unspent by the entity	The Department received interim payment certificates and invoices for work done post the scheduled disbursement run of 2021/22 financial year which led to unspent funds in HSDG. All invoices relating to HSDG accruals and payables for the 2021/22 financial year amounted to R26,808 million.
Monitoring mechanism by the transferring department	Monthly Reports

Conditional Grant 2:

Department/ Municipality to whom the grant has been transferred	Free State Department of Human Settlements
Purpose of the grant	To provide funding to facilitate a programmatic and inclusive approach to upgrading informal settlements
Expected outputs of the grant	Serviced sites: 2 416
Actual outputs achieved	Serviced sites: 3367
Amount per amended DORA	R 228,001
Amount transferred (R'000)	R 208,001
Reasons if amount as per DORA not transferred	National Department of Human Settlements in Collaboration with National Treasury stopped an amount of R20 million from Informal Settlements Upgrading Partnership in compliance with section 18 of DORA 2021, the funds were re-allocated to Northern Cape in terms of Section 19 of DORA 2021.

Amount spent by the department/ municipality (R'000)	R 207,695
Reasons for the funds unspent by the entity	
Monitoring mechanism by the transferring department	Monthly Reporting

6.2. Conditional grants and earmarked funds received

Conditional Grant 3: Expanded Public Works Programme

Department/ Municipality to whom the grant has been transferred	Free State Department of Human Settlements
Purpose of the grant	To incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme (EPWP) guidelines: • road maintenance and the maintenance of buildings • low traffic volume roads and rural roads • other economic and social infrastructure • tourism and cultural industries • sustainable land based livelihoods and waste management.
Expected outputs of the grant	1000
Actual outputs achieved	583
Amount per amended DORA	R 2,152
Amount transferred (R'000)	R 2,152
Reasons if amount as per DORA not transferred	Not applicable
Amount spent by the department/ municipality (R'000)	R 2,102
Reasons for the funds unspent by the entity	A payment of R50 thousands was made at end of the Financial Year, however, the Suppliers bank account was closed thus returned to the departments PMG account on 1 April 2022.
Monitoring mechanism by the transferring department	Monthly reporting

Conditional Grant 4: Title Deeds Restoration Grant

Department/ Municipality to whom the grant has been transferred	Free State Department of Human Settlements
Purpose of the grant	To provide funding for the eradication of pre-2014 title deeds registration backlog
Expected outputs of the grant	2734
Actual outputs achieved	743
Amount per amended DORA	R 5,146
Amount transferred (R'000)	R 5,146

Reasons if amount as per DORA not transferred	Not Applicable
Amount spent by the department/ municipality (R'000)	R 5,146
Reasons for the funds unspent by the entity	Not Applicable
Monitoring mechanism by the transferring department	Monthly Reporting

Conditional Grant 5: Provincial Emergency Housing Grant

Department/ Municipality to whom the grant has been transferred	Free State Department of Human Settlements
Purpose of the grant	To provide funding to provinces for provision of temporary shelter assistance to households affected by disaster or a housing emergency To provide funding to provinces to repair the damage to housing for low-income households following disaster or housing emergency if the costs of repair are less than the cost of relocation and provision of temporary shelter
Expected outputs of the grant	
Actual outputs achieved	
Amount per amended DORA	R 10,375
Amount transferred (R'000)	R 6,251
Reasons if amount as per DORA not transferred	Amount of R4 124 million was not transferred by Provincial Treasury since it was not received from the National Department of Human Settlements.
Amount spent by the department/ municipality (R'000)	R 0
Reasons for the funds unspent by the entity	There was a request from Maluti-A-Phofung with regards to Emergency Housing fund to provide temporary shelter for the households affected by the disaster. The Municipality submitted an application for Emergency funding which was subsequently approved by National Department of Human Settlements. However, there were considerations made for National Department of Human Settlements to transfer the approved funds to the Free State Provincial Department of Human Settlements.
Monitoring mechanism by the transferring department	Monthly reporting

7. DONOR FUNDS

7.1. Donor Funds Received

The Department did not receive any donor assistance both cash and in-kind contributions.

Donor Fund: None

Name of donor	None
Full amount of the funding	R0
Period of the commitment	None
Purpose of the funding	None
Expected outputs	None

Actual outputs achieved	None
Amount received (R'000)	R0
Amount spent by the department (R'000)	R0
Reasons for the funds unspent	None
Monitoring mechanism by the donor	None

8. CAPITAL INVESTMENT

8.1. Capital investment, maintenance and asset management plan

Infrastructure projects	2021/2022			2020/2021		
	Final Appropriation R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Final Appropriation R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
New and replacement assets	0	0	0	0	0	0
Existing infrastructure assets	0	0	0	0	0	0
- Upgrades and additions	0	0	0	0	0	0
- Rehabilitation, renovations and refurbishments	0	0	0	0	0	0
- Maintenance and repairs	0	0	0	0	0	0
Infrastructure transfer	0	0	0	0	0	0
- Current	111,542	108,214	3,328	50,277	45,075	5,202
- Capital	922,422	888,380	34,042	721, 928	698,085	23,843
Total	1033,964	996,594	37,370	772,205	743,160	29,045

PART C: GOVERNANCE

1. INTRODUCTION

Commitment by the department to maintain the highest standards of governance is fundamental to the management of public finances and resources. Users want assurance that the department has good governance structures in place to effectively, efficiently and economically utilize the state resources, which is funded by the tax payer.

2. RISK MANAGEMENT

In terms of the Public Sector Risk Framework the Department should have an established risk management committee which consist of majority of senior managers and an Independent Chairperson, who is the person not employed within the public sector. The Department is in process of appointment of an Independent Chairperson whose contract has come to an end.

The roles and responsibilities of the risk management committee is to evaluate the effectiveness of mitigation strategies to address the material risks of the Department and also to report to the Head of Department of any changes in the risk profile.

The risk management committee together with the audit committee advises management on the mitigation strategies of risks and monitoring on the effectiveness of controls.

The department conducts a risk assessment annually to identify new and emerging risks. The outcome of the risk assessment is the departmental risk register which is presented to senior managers and the audit committee. The monitoring of risk mitigation strategies is presented to both the risk committee and the audit committee quarterly.

3. FRAUD AND CORRUPTION

- The department's fraud prevention plan and the progress made in implementing the fraud prevention plan
- The department has an approved Fraud Prevention Policy, Strategy and Implementation Plan. 8 cases were referred to South African Police Services and 16 cases referred to SMAC by Premier's office for the financial year under review. SMAC investigation unit completed 18 cases and 7 of those cases were fraud cases and of those cases 2 officials are under investigation by SAPS
- Mechanisms in place to report fraud and corruption and how these operate.eg: Whistle blowing - The need for officials to make confidential disclosure about suspect fraud and corruption.
- Department has an approved Whistle Blowing Policy, Strategy and Implementation Plan.
- According to departmental Whistle Blowing the employees can report Fraud and Corruption at the Presidential Anti-Corruption Hotline,
- They can also report Fraud and Corruption at the Premier's Department, Human Settlements departmental HOD's office, Security Management and Anti-Corruption Office and at the nearest Police Station should they so desire.
- According to departmental Whistle Blowing the employees can report Fraud and Corruption at the Provincial Presidential Anti-Corruption Hotline
- They can also report Fraud and Corruption at the Premier's Department, Human Settlements departmental HOD's office, Security Management and Anti-Corruption Office and at the nearest Police Station.
- Cases are being investigated and after further investigation referred to relevant agencies
- for further investigations or in some instances recommendations are implemented within the Dept and in other cases contractors are taken to task to complete assigned work. The PMU and legal Service assist the Dept. in recovering undue payments.

4. MINIMISING CONFLICT OF INTEREST

- The processes implemented to minimise conflict of interest. Discuss the process followed where conflict of interest has been identified.
- Department have an approved Ethics Policy, Strategy and Implementation Plan.
- Department have established Ethics Committee which held two meetings annually.
- 100% of SMS Members disclosed their Financial interest before the deadline and submissions are being verified by Ethics Officer.
- 92% of Human Settlements Deputy Directors Level 12 and OSD on level 12 have disclose their financial interests in this category and thus complied with the financial disclosure framework. One employee did not disclose his financial interests.
- 100 % of Human Settlements Deputy Directors and OSD on level 11 disclosed their financial interests within stipulated time.
- 100 % of Human Settlements SCM and Finance unit employees disclosed their financial interests within stipulated time except one official due to Covid-19.
- The e-Disclosure System is now open for Registration of employees from level 09 and level 10.

5. CODE OF CONDUCT

In order to give practical effect to the relevant constitutional provisions relating to the public service, all employees are expected to comply with the Code of Conduct provided for in Chapter two (2) of the Public Service Regulations.

The Code act as a guideline to employees as to what is expected of them from an ethical point of view, both in their individual conduct and in their relationship with others. Compliance with the Code can be expected to enhance professionalism and help to ensure confidence in the public service.

The need exists to provide direction to employees with regard to their relationship with the legislature, political and executive office-bearers, other employees and the public and to indicate the spirit in which employees should perform their duties, what should be done to avoid conflicts of interests and what is expected of them in terms of their personal conduct in public and private life.

Although the Code of Conduct was drafted to be as comprehensive as possible, it is not an exhaustive set of rules regulating standards of conduct in the Department. However, our Acting Head of Department **Adv. TP Tsuaeli**, by virtue of his responsibility in terms of section 7(3)(b) of the Public Service Act is responsible for efficiently managing administration and the maintenance of discipline, meaning that the HOD ensure that the conduct of all employees conform to the basic values and principles governing public administration and the norms and standards prescribed by the Act.

The HOD also has a duty to ensure that all employees are acquainted with these measures, and that they accept and abide by them. In order to achieve this, our Human Resources Management and Development Directorate was task through the APP of the Department to arrange Information or Training Sessions where the Code of Conduct is unpacked or presented to officials. Hard copies of code of conduct is also distributed amongst colleagues as and when a need arise.

The primary purpose of the Code is a positive one, viz. to promote exemplary conduct. Notwithstanding this, an employee shall be guilty of misconduct, and may be dealt with in accordance with the relevant collective agreement if she or he contravenes any provision of the Code of Conduct or fails to comply with any provision thereof.

It is further with mentioning that all performance plans of both SMS members and other employees are standardized in terms of PMDS which further seeks to promote and give meaning to the code of conduct.

6. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Provide a brief description and nature of Health Safety and Environmental issues and the effect it has on the department.

- Office space and maintenance
- The OHS committee still needs to undergo OHS training

7. PORTFOLIO COMMITTEES

Portfolio committee	Annual Performance Report	Site visit	1 st quarterly reports	2 nd Quarterly reports	Annual reports	3 rd Quarterly reports	4 th Quarterly reports
Public Works, Infrastructure, Roads, Transport, and Human Settlements	Considered on the 27 th May 2021		31 August 2021	9 December 2021	23 November 2021	1 March 2022	Considered on the 12 th May 2022
	Report considered on the 24 th June 2021		Report considered on the 9 th December 2021		Report considered on the 9 th December 2021	Report considered on the 4 th May 2022	
	Report tabled on the 25 th June 2021		Report tabled on the 14 th December 2021		Report tabled on the 14 th December 2021	Report tabled on the 10 th May 2022	

Portfolio committee Observations

After the deliberations, the Portfolio Committee made the following observations and / or findings: -

Observation	Action
Committee is concerned about the performance of the Department regarding issuing of the title deeds, and it has been going on for too long. The Department should develop strategies to resolve all conflicts on this matter.	The office of the MEC is duly involved in the process of issuing title deeds to communities and the Deputy Minister of Human Settlements made several visits to the Free State in this regard.
The Committee is concerned that the performance of conveyancers appointed by the Department, and this is delaying progress. The Department should ensure that it appoints those that are able to perform accordingly	The department is closely monitoring progress of conveyancers through the "KHAYA APP" of antengo 6. Non-performers will receive <i>mora debitoris</i> letter putting them on terms.

Observation	Action
The Department should come up with a strategy to address all the challenges that they are faced with.	All responses are detailed in the performance information as remedial action.
The Department could not achieve on number of erven planned and surveyed due to the delay in obtaining environmental authorization by Department of Economic, Small Business Development, Tourism and Environmental Affairs.	DESTEa is experiencing capacity issues. A plan was made to have a programme between HS and DESTEa officials to visit projects together for assessment as one of the issues was non-availability of transport for officials in DESTEa. The unit also established a working relationship with colleagues in DESTEa through regular interaction to follow up on the applications and responding to issues that need attention timeously as and when DESTEa pick them up from the applications.
The Department should ensure that reports submitted to monitoring and evaluation unit in the Office of the Premier and to the committee are similar.	The Department is ensuring that quarterly reports submitted to Legislature are aligned with that of the Office of the Premier.
The Committee is concerned that the conveyors appointed by the Department to establish, open the township registers are delaying. The Department should submit a plan to ensure improvement of performance and achievement of the target thereof.	The Department costed all the money due to the surveyors that ought to have been paid by the liquidated service provider and submitted a proposal to pay these monies to the land surveyors so that conveyancers can proceed with opening of township registers.

8. SCOPA RESOLUTIONS

Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
1/2017	Information Technology Controls	The Accounting Officer should prioritize the findings and ensure that an action plan is developed and implemented to address the findings below: That: ▪ Business Continuity Planning (BCP) program, - Disaster Recovery Plan (DRP), ▪ Contingency plans, Implementation should be monitored on a monthly basis.	An action plan was developed and put in place to address the finding, ▪ Draft Business Continuity Planning (BCP) program, - Disaster Recovery Plan (DRP) was finalized and approved' ▪ Implementation of Contingency plans was monitored on a monthly basis.	Yes

15/2017	Financial Health /Going concern	The Portfolio Committee was concerned about the significant amount of accruals and payables that were not disclosed as at 31 March 2017. This together with the voted funds to be surrendered indicates that a material uncertainty exists that may cast significant doubt on the department's ability to meet its financial obligations as they fall due and achieve service delivery as outlined in the annual performance plan.	The Accounting Officer implemented controls and remedial actions to manage operations within the Department's appropriation and ensured decline in accruals and payables by ensuring timely payment of Services Providers.	Yes
15/2017	Performance Information	The Portfolio Committee was concerned about the credibility of the Annual Performance Report for the past three years with regards to performance indicators for Programme 2 – Housing needs, research and planning not being clearly defined and source information for the achievement of planned indicators for Programme 3 – Housing development not clearly defined and strategic objectives not being reported for various performance indicators. The Portfolio Committee resolved that the Accounting Officer should ensure: ▪ Adequate reviews of performance reports against relevant supporting documentations; and ▪ The validity, accuracy and completeness of supporting documentations for reported performance.	Management ensured that: ▪ Review meetings are arranged with different programme managers before the submission of the quarterly reports. ▪ The supporting documents are checked before submission of the quarterly report.	Yes
15/2017	Repeat findings in audit reports	The Portfolio Committee noted that according to the Auditor-General sufficient reviews are not performed to ensure that repeated findings are addressed during the year. The Portfolio Committee resolved that the Accounting Officer should ensure that:	Management implemented adequate controls to ensure that: ▪ All invoices received after year-end are verified to confirm whether services the services were rendered before year-end.	Yes
		▪ All invoices received after year-end are verified to confirm whether services were rendered before year-end,	▪ All instances of non-compliance relating to irregular expenditure are continuously updated in the irregular	

		▪ All instances of non-compliance relating to irregular expenditure are continuously updated in the irregular expenditure register, ▪ Proper record keeping are implemented to support all transfer payments made.	expenditure register and ▪ Proper record keeping is implemented to support all transfer payments made.	
15/2017	Quality of Annual Financial Statements	The Portfolio Committee was concerned about the number of misstatements identified during the audit process on secondary notes resulting in corrections to the financial statements of the department. The Portfolio Committee resolved that the Accounting Officer should: ▪ Investigate the cause of the misstatements of Accruals and Payables not recognized, Irregular Expenditure and Transfer Payments. ▪ Implement measures to ensure that the financial statements are correct and free of material misstatements before submission thereof to the Provincial Treasury and AGSA. ▪ Capacitate officials responsible for maintaining of financial records (register) used for secondary notes to ensure reliable and complete reporting.	Management implemented controls to ensure that: ▪ All causes of the misstatements of Accruals and Payables not recognized, Irregular Expenditure and Transfer Payments are investigated, ▪ Implemented measures to ensure that the financial statements are correct and free of material misstatements before submission to the Provincial Treasury and AGSA and ▪ That officials responsible for maintaining of financial records (register) used for secondary notes to ensure reliable and complete reporting are trained.	Yes
15/2017	First level assurance providers	The Portfolio Committee raised a concern regarding the level of assurance provided by senior management, Accounting Officer and as the first level of assurance providers. The Portfolio Committee was concerned about the following: Senior Management not implementing adequate controls to prevent and or	Management implemented adequate controls to:	Yes

		mitigate the risk of material misstatements during financial and performance reporting and non-compliance with laws and regulations. The Accounting Officer not providing adequate oversight over the implementation of internal controls to ensure accurate and complete financial and performance reporting. The Portfolio Committee resolved that: ▪ Senior Management should implement adequate controls to prevent material misstatement during financial and performance reporting and non-compliance with laws and regulations, ▪ Accounting Officer should provide oversight over the implementation of internal controls to ensure accurate and complete financial and performance reporting	▪ To prevent material misstatement during financial and performance reporting and non-compliance with laws and regulations, ▪ That, oversight over the implementation of internal controls is provided to ensure accurate and complete financial and performance reporting,	
15/2017	Repeat findings in audit reports	The Portfolio Committee noted that according to the Auditor-General sufficient reviews are not performed to ensure that repeated findings are addressed during the year. The Portfolio Committee resolved that the Accounting Officer should ensure that: ▪ Retention register is maintained and is complete and accurate.	Management enhanced controls on maintenance of retention register to ensure that it is updated and complete.	Yes
15/2018	Audit Outcomes	The Portfolio Committee expressed their concern over the department's repeated qualified audit opinion. The Portfolio Committee resolved that the Accounting Officer should: ▪ Institute disciplinary action against officials who provide incorrect/incomplete information for inclusion in the AFS.	Management implemented adequate controls over the review of information for the inclusion of Annual Financial Statements	Yes
15/2018	Misuse of GG vehicles	The Portfolio Committee was concerned about five (5) cases that have been reported by the PSC regarding the	▪ Management implemented steps to prevent misuse of state vehicles; and	Yes

		abuse/misuse of government vehicles by the department's officials and the fact that the related cases are actually identified by the Public Service Commission and not by the department itself. The Portfolio Committee resolved that the Accounting Officer should: ▪ Implement steps to prevent misuse of state vehicles; and ▪ Take disciplinary actions against officials that misuse GG vehicles.	▪ Ensured that measures are taken to institute disciplinary actions against officials that misuse GG vehicles.	
15/2018	Declaration of interest	The Portfolio Committee was concerned that the department had the lowest compliance rate of all provincial departments in respect of disclosure of financial interest by SMS members and officials within SCM Unit. The Portfolio Committee resolved that the Accounting Officer should: ▪ Indicate whether all SMS members and SCM officials have done the financial disclosures for 2018/19; and ▪ Indicate disciplinary steps taken for non-compliance.	▪ Management ensured that all SMS members and SCM officials complete financial disclosures from 2018/19 Financial Year.	Yes
15/2018	Quality of Houses	The Portfolio Committee raised a concern about the quality of work performed by contractors on houses built for beneficiaries. The Portfolio Committee resolved that the Accounting Officer should: ▪ Indicate steps that have been taken against contractors for poor performance, and whether monies have been recovered where value for money was not received.	Steps were taken against contractors for poor performance and recoveries of monies where value for money was not received;	Yes
15/2018	Audit Outcomes	The Portfolio Committee expressed their concern over the department's repeated qualified audit opinion. The Committee resolved that Accounting Officer should:	Management ensured that:	Yes

		- Implement control measures to prevent misstatements in the AFS - Capacitating of Finance officials.	- Controls are implement control measures to prevent misstatements in the AFS - Finance Officials are capacitated	
15/2018	Misuse of GG vehicles	The Portfolio Committee was concerned about five (5) cases that have been reported by the PSC regarding the abuse/misuse of government vehicles by the department's officials and the fact that the related cases are actually identified by the Public Service Commission and not by the department itself. The Portfolio Committee resolved that the Accounting Officer should: Take disciplinary actions against officials that misuse GG vehicles.	Management ensured that disciplinary actions against officials that misuse GG vehicles was taken.	Yes
15/2018	Quality of Houses	The Portfolio Committee raised a concern about the quality of work performed by contractors on houses built for beneficiaries. The Portfolio Committee resolved that the Accounting Officer should: - Implement measures and controls to monitor the quality of workmanship by contractors and - Improve controls over the project management unit to ensure that all the registers (accruals, payables and provisions) that are maintained by the unit are accurate and complete.	Management implement measures and controls to: - Monitor the quality of workmanship by contractors and - Improved controls in Project Management Unit to ensure that all the registers (accruals, payables and provisions) that are maintained by the unit are accurate and complete.	Yes

The following outstanding resolutions from previous financial years were not yet resolved as at end of 2021/22 Financial Year:

Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
15/2017	Non Compliance	The Portfolio Committee raised a concern pertaining to the regression by the department on compliance with laws and regulations as per Provincial Treasury Key Control Matrix Report and the fact that no action has been taken against	Management strengthened internal controls to ensure repeat qualification paragraphs are prevented and ensured compliance with compliance with laws and regulations as per	No

Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
		the responsible officials by the department. The Portfolio Committee resolved that the Accounting Officer should: ▪ Implement internal control measures to improve compliance with laws and regulations; and ▪ Implement consequence management for poor performance/non – performance.	Provincial Treasury Key Control Matrix Report ▪ With regards to The department utilizes PSCBC Resolution 1 of 2003 for disciplinary code and procedures within the public service and chapter 7, however Provincial Treasury still requires Management to develop SOP's to address consequence management issues.	
15/2017	Interdepartmental debt	The Portfolio Committee was concerned about the unconfirmed/outstanding departmental claims against the following municipalities as per the 2016/17 Published Annual report: • Mangaung Furnservices : R265'000 • Mangaung Bomme Building Construction : R230'000 • Matjhabeng Municipality : R34'000 • Mophaka Municipality : R26'000	▪ Confirmation letters to the Municipalities were issued by the Department as a control measure to recover the amounts due to the Department. Confirmations not yet received from Municipalities, the Department will to consider write off of debt as the debt has already prescribed.	No
15/2018	Title Deeds	The Portfolio Committee was concerned about the backlog cases relating to the registration of title deeds and duplication of site numbers by municipalities. The Portfolio Committee resolved that the Accounting Officer should: ▪ Address the pre 1994 backlog of registration of title deeds ▪ Provide a detailed report regarding actions taken to address issues of duplicate site numbers.	▪ The Department conducted the Consumer Education sessions at different Municipalities making the beneficiaries aware of the importance of title deeds. ▪ Provincial Treasury is taking note of progress of educational sessions held with regards to title deeds registrations, however, the department is still required to indicate progress made with the actual registration of title deeds (i.e. number of pre 1994 houses completed and number of title deeds registered as of to date). ▪ The department the Office of the MEC established a programme called Title Deeds Friday. The purpose of the programme is to hand over title deeds to beneficiaries of RDP	No

Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
			houses on Fridays. The programme also assist Local Municipalities to address and understand the importance of having a title deed and the challenges that we experience as the Department in the process of registering the title deeds at the Deeds Office, whereby in the deliberations with Councilors further discussions relating to problems with township establishment is addressed. Provincial Treasury has taken note of the department's initiative to resolve the matter however, monthly progress report is requested as the matter is long outstanding.	
15/2018	Quality of Houses	The Portfolio Committee raised a concern about the quality of work performed by contractors on houses built for beneficiaries. The Portfolio Committee resolved that the Accounting Officer should: Investigation of the Voggelfontein and Vrede Housing Projects	A quantity surveying professional services provider was appointed by the department to Investigate and audit value for money on the Vrede project and the report has since been completed and handed over to the department. The Department is in the process of implementing recovery measures from the service providers involved. The Voggelfontein project was vandalised as a result of a slow beneficiary occupation of the housing units but the municipality has since come aboard to assist with the expediting of the process. Duplicate payments have been fully recovered from the Voggelfontein project.	No
20/2018	Supply chain management	The Portfolio Committee was concerned over the disregard for compliance with supply chain management regulations as this results in negative audit outcomes. The Portfolio Committee therefore resolves Accounting Officers/Authorities: Should ensure that their SCM units are fully capacitated.	Human Resources Management advertised SCM posts and Management is in the process of filling vacant posts	No

9. PRIOR MODIFICATIONS TO AUDIT REPORTS

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing / resolving the matter
Unqualified	2020/21	-

10. INTERNAL CONTROL UNIT

The department's Internal Control unit performed the following functions during the year under review:

Loss Control, Irregular and Fruitless and Wasteful Expenditure

- Prepared the appointment letters for Loss Control and Irregular Expenditure Committees,
- Established, maintain and updated Loss Control, Irregular and Fruitless and Wasteful Expenditure registers,
- Verified all payments received before final authorisation for compliance, validity, completeness, accuracy, etc. Also number of cases of irregular expenditure were identified and included in the Loss control, irregular, fruitless and wasteful expenditure registers,
- Ensured the implementation of the Committee's recommendations regarding the finalization of each case of loss control, irregular, fruitless and wasteful expenditure

KCM and PROPAC Reporting

The compiled and submitted monthly and quarterly reports on KCM and PROPAC Resolutions by ensuring that monthly and quarterly KCM reports are submitted on or before the due date to Provincial Treasury as per the requirements.

Audit Action Plan

Co-ordinated audit action plan and consolidated all inputs with relevant directorate for progress on auditor's recommendation,

Ensured that the audit action plan is submitted to the Provincial Treasury on or before due date as required.

30 Day Report

Ensured monthly compilation and submission of the 30 days' payment of supplier's report to Provincial Treasury on or before the due date.

Document Control

- Established and maintained an electronic payment register,
- Ensured scanning of payment vouchers after every run day,
- Ensured safe-keeping of the payment vouchers/ supporting documents received,
- Assisted/provided internal and external parties (e.g. Directorates, Provincial Treasury, internal and External Auditors) with supporting documents required for audit or investigation purposes.

11. INTERNAL AUDIT AND AUDIT COMMITTEES

- *Item 11 is reflected in the below report*

12. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended **31 March 2022**.

Report of the Audit Committee

1. Legislative requirements

The Audit Committee herewith presents its report for the financial year ended 31 March 2022, as required by treasury regulation 3.1.13 read with section 77 of the Public Finance Management Act, 1999 (Act No. 1 of 1999, as amended by Act No. 29 of 1999).

2. Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and should meet at least four (4) times per annum as per its approved Audit Committee Charter, with a provision of two (2) special meetings where necessary.

The new Audit Committee was therefore appointed by the Accounting Officer in consultation with Member of Executive Council, for a period of three years, with effect from 01 January 2022 ending in December 2024.

The table below indicates attendance of new Audit Committee members for the financial year 2021/2022.

Name	Capacity	Normal Meeting: 28 March 2022
Ms P Mzizi	Chairperson	*
Ms D Semppe	Member	*
Mr MAE Amod	Member	*
Mr FE Buys	Member	*
Mr EA Phalanndwa	Member	*
Mr SP Simelane	Member	*

-Legend: * - Attended the meeting

- Apology tendered

There was an Audit Committee that was appointed by the Accounting Officer in consultation with Member of Executive Council: Public Works, Infrastructure and Human Settlements, for a period of three years, with effect from 01 May 2018 ending in 2021 which was subsequently extended till 31 July 2021.

The table below indicates attendance of the previous Audit Committee members for the financial year 2021/2022.

Name	Capacity	Normal Meeting 28 May 2021	Normal Meeting 19 August 2021
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Mr M Selaledi	Chairperson	*	*
Ms D Semppe	Member	*	*
Ms P Mzizi	Member	*	#
Ms A Ncingwana	Member	Resigned in December 2020	
Adv J Lubbe	Member	Resigned in June 2020	

-Legend: * - *Attended the meeting*

- *Apology tendered*

3. Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1) (a) (ii) of the Public Finance Management Act, 1999 and Treasury Regulation 3.1.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged its responsibilities as contained therein.

4. The effectiveness of internal control

In line with the Public Finance Management Act, 1999, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The accounting officer retains responsibility for implementing such recommendations as per Treasury Regulation 3.1.12.

During the year under review, several instances of non-compliance were reported by the IAA that resulted in a breakdown in the functioning of systems of internal controls, governance, and risk management process. The systems of internal controls were not entirely effective for the year under review, as compliance with prescribed policies and procedures were lacking in certain instances.

A matter of concern for the Audit Committee that has been raised with the department continuously is that the department is currently not implementing all internal and external audit action plans agreed upon. Based on our interaction with the department we conclude that the action plan management system has not been implemented adequately and effectively to address internal and external audit findings and the Audit Committee and Internal Audit have recommended specific improvements in this regard.

The Audit Committee further expressed a concern regarding lack of and/or poor implementation of consequence management which has been evidenced in the lack of investigations related to Irregular, Fruitless and Wasteful expenditure.

5. The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

The Audit Committee noted all In-Year Management monitoring and quarterly reports submitted in terms of the PFMA and the Division of Revenue Act to Provincial Treasury, in line with paragraph 3.1.11 of the Treasury Regulations.

6. Predetermined Objectives

The Audit Committee noted with concern that out of 33 targets planned for the year under review, only 20 targets which is sixty percent (60%) were achieved and 13 targets which is forty percent (40%) were not achieved. The Audit Committee further noted with concern the reported achievements of the targets in Programme 3 which could not be supported by accurate and complete audit evidence as per the report of the Auditor General South Africa.

The Audit Committee recommended to management to develop realistic and achievable targets and monitor on regular basis the performance against these targets. The Audit Committee further recommended to management to maintain accurate and reliable system of records which will form the basis of an effective audit trail.

7. Review and Evaluation of Annual Financial Statements

The Audit Committee has reviewed and discussed the unaudited as well as audited annual financial statements to be included in the annual report with the Accounting Officer's Report. The quality of these annual financial statements will be further improved by the compilation of the interim financial statements that comply with the financial reporting framework of Modified Cash Standard (MCS) and management implementing the review notes from the reviews of internal audit and Provincial Treasury.

8. Internal Audit Activity

The accounting officer is obliged, in terms of the Public Finance Management Act, 1999, to ensure that the department has a system of internal audit under the control and direction of the Audit Committee. The Audit Committee is satisfied that the internal audit function has properly discharged its functions and responsibilities during the year under review.

The Audit Committee noted that out of the 24 planned audits approved for the year, 7 audits were deferred which then resulted in seventy-one percent (65%) of the audits executed and finalized. The Audit Committee noted this underperformance came because of the pandemic, Covid-19 restrictions, and health protocols which affected mostly the audits planned for the fourth quarter of the financial year ending 31 March 2022.

The Audit Committee was concerned with the delays in the provision of required information and the non-availability of key personnel during the audits which was duly escalated during the financial year.

9. Risk Management

There is a Risk Management Committee that meets on a regular basis and periodically advises the Accounting Officer.

The Audit Committee is concerned with the capacity of the risk management function which will impact service delivery negatively if the situation is not addressed. Based on the quarterly audit committee reviews, the departmental risk and fraud management system requires improvement.

The Audit Committee also notes that the deficiencies in the risk management system mentioned above impact on the implementation of the risk-based audit IAA coverage plan.

The Audit Committee requested management to develop mechanism to address these challenges and ensure that the risk management function is effective. Notwithstanding the above-mentioned, the Audit Committee is pleased with the progress made by the Risk Management function.

10. Auditor-General South Africa

The Audit Committee is concerned that the department has regressed from an unqualified to a qualified audit opinion. We have reviewed the department's implementation plan for audit issues raised in the previous year and based on the interaction with the department, internal audit reports and the Auditor-General South Africa's audit report, all matters have not been adequately addressed. To effectively address and prevent repeat audit outcomes this must be a high priority for the department in the 2022/23 financial year.

The Audit Committee is not aware of any unresolved issues with respect to the current audit.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements of the department and the housing fund and is of the opinion that the Audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General.

11. General

The Audit Committee strongly recommends that the Department must ensure adequate and effective implementation and frequent monitoring of the audit action plans for both internal and external audits to obtain improved audit outcomes.



Ms. P Mzizi CA(SA)

Chairperson of the Audit Committee

Date: 26 August 2022

13. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	Not applicable
Developing and implementing a preferential procurement policy?	No	Currently National Treasury is busy working on this matter
Determining qualification criteria for the sale of state-owned enterprises?	No	Not applicable
Developing criteria for entering into partnerships with the private sector?	No	Not applicable
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	Not applicable

PART D: HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

The Department contributes to Priority 1, *a capable, ethical and developmental state*. The following has been monitored: Implementation of the Provincial Anti-Corruption (NACS) Strategy, Assessing departments and entities in terms of compliance with Risk Management Legislation and Fraud Risk Assessments, Ensuing re state capacity on Disaster Management is enhanced to plan for and manage future pandemics, Programme to institutionalise professional code of ethics in public administration, internal and external information disseminated in different platforms and Align the Department's Strategic Plan and Annual Performance Plan with WYPD priorities

2. OVERVIEW OF HUMAN RESOURCES

The status of human resources in the department.

An organisational structure of the Department has been submitted to the MEC for recommendation but is still awaiting approval. On the submitted organisational structure, 494 posts have been approved of which 425 posts have been filled. The vacancy rate is 19.6 and 3 employees are additional to the staff establishment.

The Workforce Plan has been drafted in line with the departmental Strategic Plan and Workforce Planning priorities and strategies have been identified to ensure that the Department will meet its strategic mandate with its people who deliver service with excellence. Bursaries are awarded for the skilling and re-skilling of all employees. The department also strives in balancing service delivery goals, the filling of critical posts and workforce empowerment, and career management.

Employee wellness reports are prepared by the employee wellness unit. These reports include reports about the preparation of employees during the ongoing COVID-19 struggles. An ongoing support is being facilitated for employees who are closely affected by the pandemic. The Department also focuses on HIV/ AIDS, Health and Productivity, Wellness Management and Safety Health Environment Risk and Quality (SHERQ)

3. HUMAN RESOURCES OVERSIGHT STATISTICS

3.1 Personnel related expenditure

The following tables summarises the final audited personnel related expenditure by programme and by salary bands. In particular, it provides an indication of the following:

Table 3.1.1 Personnel expenditure by programme for the period 1 April 2021 and 31 March 2022

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services expenditure (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
Administration	140 10	102 369	0	0	73.1	530
Housing Asse Man, Prop Magn	1297	1292	0	0	99.6	646
Housing Development	1079 47	78 944	0	0	7.3	422
Housing Needs, Research & Planning	19 106	17 287	0	0	90.5	665
Total	1239 973	199 892	0	0	16.1	490

Table 3.1.2 Personnel costs by salary band for the period 1 April 2021 and 31 March 2022

Salary band	Personnel expenditure (R'000)	% of total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Lower skilled (Levels 1-2)	0.	0	0	0
Skilled (level 3-5)	29 892	14.7	125	239 136
Highly skilled production (levels 6-8)	a 58 293	28.8	135	431 800
Highly skilled supervision (levels 9-12)	72 443	35.7	100	724 430
Senior and Top management (levels 13-16)	33 586	16.6	24	1 399 417
Contract (Levels 3-5)	122	0.1	1	122 000
Contract (Levels 6-8)	2 561	1.3	6	426 833
Contract (Levels 9-12)	3 169	1.6	5	633 800.
Contract (Levels >= 13)	1 094	0.5	1.	1 094 000
Periodical Remuneration	442	0.2	11	40 182
Total	201 601	99.5	408	494 120

Table 3.1.3 Salaries, Overtime, Home Owners Allowance and Medical Aid by programme for the period 1 April 2021 and 31 March 2022

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Administration	87 980	83.4	1.	0	2 762	2.6	4 566	4.3
Housing Assets Management, Programme Management	1 120	86.8	0	0	18	1.4	36	2.8
Housing Development	66 286	82.4	0	0	2 007	2.5	3 956	4.9
Housing Needs, Research & Planning	13 232	85.6	0	0	252	1.6	461	3
Total	168 618	83.2	1	0	5 040	2.5	9 020	4.5

Table 3.1.4 Salaries, Overtime, Home Owners Allowance and Medical Aid by salary band for the period 1 April 2021 and 31 March 2022

Salary band	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Skilled (level 1-2)	0	0	0	0	0	0	0	0.
Skilled (level 3-5)	22 470	75.1	0	0	1 60	5.4	3 014	10.1
Highly skilled production (levels 6-8)	46 18	79.1	1		2 230	3.	4 031	6.9
Highly skilled supervision (levels 9-12)	62 920	86.2	0	0	1 016	1.4	1 873	2.6
Senior management (level 13-16)	30 345	89.4	0	0	187	0.6	103	0.3
Contract (Levels 3-5)	121	99.2	0	0	0	0	0.	0

Salary band	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Contract (Levels 6-8)	2 525	98.6	0	0	0	0	0	0
Contract (Levels 9-12)	3 055	96.4		0	0	0	0	0
Contract (Levels >= 13)	996	89.5	0	0	0	0	0	0
Total	168 618	83.2	1	0	5 040	2.5	9 020	4.5

3.2 Employment and Vacancies

This information is presented in terms of three key variables:

Table 3.2.1 Employment and vacancies by programme as on 31 March 2021

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Administration	245	192	21.6	0
Housing Assets Management, Programme Management	3	0	100	0
Housing Development	219	179	18.3	3
Housing Needs, Research & Planning	27	24	11.1	0
TOTAL	494	397	19.6	3

Table 3.2.2 Employment and vacancies by salary band as on 31 March 2022

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Lower skilled (1-2)	0	0	0	0
Skilled (3-5)	154	125	18.8	0
Highly skilled production (6-8)	176	135	23.3	0
Highly skilled supervision (9-12)	123	100	18.7	0
Senior management (13-16)	28	24	14.3	0
Contract (levels 3-5)	1	1	0	0
Contract (levels 6-8)	6	6	0	2

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Contract (levels 9-12)	5	5	0	1
Contract (levels 13>=)	1	1	0	1
Total	494	397	19.6	3

Table 3.2.3 Employment and vacancies by critical occupations as on 31 March 2022

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
ADMINISTRATIVE RELATED, Permanent	89	71	20,2	1
BUS AND HEAVY VEHICLE DRIVERS, Permanent	2	2	0	0
ENGINEERING SCIENCES RELATED, Permanent	1	1	0	0
ENGINEERS AND RELATED PROFESSIONALS, Permanent	17	14	17,6	0
FINANCIAL AND RELATED PROFESSIONALS, Permanent	6	6	0	0
FINANCIAL CLERKS AND CREDIT CONTROLLERS, Permanent	20	19	5	0
GENERAL LEGAL ADMINISTRATION & REL. PROFESSIONALS, Permanent	4	2	50	0
HUMAN RESOURCES & ORGANISAT DEVELOPM & RELATE PROF, Permanent	1	1	0	0
HUMAN RESOURCES CLERKS, Permanent	4	4	0	0
HUMAN RESOURCES RELATED, Permanent	1	1	0	0
IDENTIFICATION EXPERTS, Permanent	1	1	0	0
INFORMATION TECHNOLOGY RELATED, Permanent	4	4	0	0

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
LEGAL RELATED, Permanent	1	1	0	0
LIBRARY MAIL AND RELATED CLERKS, Permanent	6	6	0	0
LIGHT VEHICLE DRIVERS, Permanent	6	6	0	0
LOGISTICAL SUPPORT PERSONNEL, Permanent	5,00	4,00	20,00	0,00
MATERIAL-RECORDING AND TRANSPORT CLERKS, Permanent	2	2	0	0
MESSENGERS PORTERS AND DELIVERERS, Permanent	1	0	100	0
OTHER ADMINISTRAT & RELATED CLERKS AND ORGANISERS, Permanent	119	86	27,7	2
OTHER ADMINISTRATIVE POLICY AND RELATED OFFICERS, Permanent	87	72	17,2	0
OTHER INFORMATION TECHNOLOGY PERSONNEL., Permanent	3	3	0	0
OTHER OCCUPATIONS, Permanent	1	1	0	0
SECRETARIES & OTHER KEYBOARD OPERATING CLERKS, Permanent	18	14	22,2	0
SECURITY GUARDS, Permanent	77	61	20,8	0
SECURITY OFFICERS, Permanent	2	1	50	0
SENIOR MANAGERS, Permanent	16	14	12,5	0
TOTAL	494	397	19,6	3

3.3 Filling of SMS Posts

Table 3.3.1 SMS post information as on 31 March 2022

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department	1	1	100	0	0
Salary Level 15	1	1	100	0	0
Salary Level 14	5	5	100	0	0
Salary Level 13	22	18	82	4	18
Total	29	25	86	4	14

Table 3.3.2 SMS post information as on 30 September 2021

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department	1	1	1	0	0
Salary Level 15	1	1	100	0	0
Salary Level 14	5	5	100	0	0
Salary Level 13	2	18	82	4	18
Total	29	25	86	4	18

Table 3.3.3 Advertising and filling of SMS posts for the period 1 April 2021 and 31 March 2022

SMS Level	Advertising	Filling of Posts	
	Number of vacancies per level advertised in 6 months of becoming vacant	Number of vacancies per level filled in 6 months of becoming vacant	Number of vacancies per level not filled in 6 months but filled in 12 months
Director-General/ Head of Department	0	0	0
Salary Level 15	0	0	0
Salary Level 14	0	0	0
Salary Level 13	3	0	0
Total	3	0	0

Table 3.3.4 Reasons for not having complied with the filling of funded vacant SMS - Advertised within 6 months and filled within 12 months after becoming vacant for the period 1 April 2021 and 31 March 2022

Reason for vacancies not advertised within six months
N/A- No post was vacant for more than 6 months without it being advertised. The last advert was advertised in September 2021. The Department is still busy with the shortlisting and filling of the posts advertised in September 2021.
Reasons for vacancies not filled within twelve months
N/A- No post was vacant for more than 6 months without it being advertised. The last advert was advertised in September 2021. The Department is still busy with the shortlisting and filling of the posts advertised in September 2021.

Table 3.3.5 Disciplinary steps taken for not complying with the prescribed timeframes for filling SMS posts within 12 months for the period 1 April 2021 and 31 March 2022

Reasons for vacancies not advertised within six month
N/A- No post was vacant for more than 6 months without it being advertised. The last advert was advertised in September 2021. The Department is still busy with the shortlisting and filling of the posts advertised in September 2021.

Reasons for vacancies not filled within six months
N/A- No post was vacant for more than 6 months without it being advertised. The last advert was advertised in September 2021. The Department is still busy with the shortlisting and filling of the posts advertised in September 2021.

3.4 Job Evaluation

Table 3.4.1 Job Evaluation by Salary band for the period 1 April 2021 and 31 March 2022

Salary band	Number of posts on approved establishment	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower Skilled (Levels 1-2)	0	0	0	0	0	0	0
Skilled (Levels 3-5)	154	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	176	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	123	0	0	0	0	0	0
Senior Management Service Band A	21	1	4,76	1	4,76	0	0
Senior Management Service Band B	5	0	0	0	0	0	0
Senior Management Service Band C	1	0	0	0	0	0	0
Senior Management Service Band D	1	1	100	1	100	0	0
11 Contract (Levels 3-5)	1	0	0	0	0	0	0
12 Contract (Levels 6-8)	6	0	0	0	0	0	0
13 Contract (Levels 9-12)	5	0	0	0	0	0	0
14 Contract Band A	1	0	0	0	0	0	0
TOTAL	494	2	0,4	2	0,4	0	0

Table 3.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2021 and 31 March 2022

Gender	African	Asian	Coloured	White	Total
Female	-	-	-	-	-
Male	-	-	-	-	-
Total	-	-	-	-	-

Employees with a disability	0
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Table 3.4.3 Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2021 and 31 March 2022

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

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

Table 3.4.4 Profile of employees who have salary levels higher than those determined by job evaluation for the period 1 April 2021 and 31 March 2022

Gender	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	0	0	0	0	0

Employees with a disability	0	0	0	0	0
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Total number of Employees whose F grades determine by job evaluation	None
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3.5 Employment Changes

Table 3.5.1 Annual turnover rates by salary band for the period 1 April 2021 and 31 March 2022

Salary band	Number of employees at beginning of period-1 April 2021	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels 3-5)	123	66	4	3.3
Highly skilled production (Levels 6-8)	140	2	7	5

Highly skilled supervision (Levels 9-12)	101	1	3	3
Senior Management Service Bands A	20	0	3	15
Senior Management Service Bands B	5	0	0	0
Senior Management Service Bands C	1	0	0	0
Senior Management Service Bands D	1	0	0	0
Contracts	13		1	14.3
Total	404	70	18	4.5

Table 3.5.2 Annual turnover rates by critical occupation for the period 1 April 2021 and 31 March 2022

Critical occupation	Number of employees at beginning of period-April 2021	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
ADMINISTRATIVE RELATED Permanent	74	0	5	6.8
BUS AND HEAVY VEHICLE DRIVERS Permanent	2	0	0	0
ENGINEERING SCIENCES RELATED Permanent	1	0	0	0
ENGINEERS AND RELATED PROFESSIONALS Permanent	15	0	1	6.7
FINANCIAL AND RELATED PROFESSIONALS Permanent	6	0	0	0
FINANCIAL CLERKS AND CREDIT CONTROLLERS Permanent	18	1	0	0
GENERAL LEGAL ADMINISTRATION & REL. PROFESSIONALS Permanent	2	0	0	0
HUMAN RESOURCES & ORGANISAT DEVELOPM & RELATE PROF Permanent	1	0	0	0
HUMAN RESOURCES CLERKS Permanent	4	0	0	0
HUMAN RESOURCES RELATED Permanent	1	0	0	0
INFORMATION TECHNOLOGY RELATED Permanent	4	0	0	0
LEGAL RELATED Permanent	1	0	0	0
LIBRARY MAIL AND RELATED CLERKS Permanent	8	0	1	12.5
LIGHT VEHICLE DRIVERS Permanent	6	0	0	0
LOGISTICAL SUPPORT PERSONNEL Permanent	4	0	0	0
MATERIAL-RECORDING AND TRANSPORT CLERKS Permanent	2	0	0	0

OTHER ADMINISTRAT & RELATED CLERKS AND ORGANISERS Permanent	88	3	8	9.1
OTHER ADMINISTRATIVE POLICY AND RELATED OFFICERS Permanent	74	3	1	1.4
OTHER INFORMATION TECHNOLOGY PERSONNEL. Permanent	3	0	0	0
OTHER OCCUPATIONS Permanent	1	0	0	0
SECRETARIES & OTHER KEYBOARD OPERATING CLERKS Permanent	15	0	0	0
SECURITY GUARDS Permanent	58	63	2	3.4
SECURITY OFFICERS Permanent	1	0	0	0
SENIOR MANAGERS Permanent	14		0	0
YOUTH WORKERS Permanent	1	0	0	0
TOTAL	404	70	18	4.5

Table 3.5.3 Reasons why staff left the department for the period 1 April 2021 and 31 March 2022

Termination Type	Number	% of Total Resignations
Death	4	22.2
Resignation	9	50
Expiry of contract	0	0
Dismissal – operational changes	0	0
Dismissal – misconduct	1	5.6
Dismissal – inefficiency	0	0
Discharged due to ill-health	1	5.6
Retirement	3	16.7
Transfer to other Public Service Departments	0	0
Other	0	0
Total	18.	100
Total number of employees who left as a % of total employment	4.5	

Table 3.5.4 Promotions by critical occupation for the period 1 April 2021 and 31 March 2022

Occupation	Employees 1 April 2022	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
ADMINISTRATIVE RELATED	74	0	0	71	95.9
BUS AND HEAVY VEHICLE DRIVERS	2	0	0	2	100

Occupation	Employees 1 April 2022	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
ENGINEERING SCIENCES RELATED	1	0	0	1	100
ENGINEERS AND RELATED PROFESSIONALS	15	0	0	15	100
FINANCIAL AND RELATED PROFESSIONALS	6	0.	0	7	116.7
FINANCIAL CLERKS AND CREDIT CONTROLLERS	18	0	0	19	105.6
GENERAL LEGAL ADMINISTRATION & REL. PROFESSIONALS	2	0	0	2	100
HUMAN RESOURCES & ORGANISAT DEVELOPM & RELATE PROF	1	0	0	1	100.
HUMAN RESOURCES CLERKS	4	0	0	4	100.
HUMAN RESOURCES RELATED	1	0	0	1	100.
IDENTIFICATION EXPERTS	0	0	0.	1	0.
INFORMATION TECHNOLOGY RELATED	4	0	0	4	100
LEGAL RELATED	1	0	0	1.	100
LIBRARY MAIL AND RELATED CLERKS	8	0	0	7	87.5
LIGHT VEHICLE DRIVERS	6	0	0	6	100
LOGISTICAL SUPPORT PERSONNEL	4	0	0	4	100

Table 3.5.5 Promotions by salary band for the period 1 April 2021 and 31 March 2022

Salary Band	Employees 1 April 2021	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progression as a % of employees by salary bands
Lower skilled (Levels 1-2)	-	--		-	-
Skilled (Levels3-5)	123	0	0	123	100
Highly skilled production (Levels 6-8)	140	4	2.9	139	99.3
Highly skilled supervision (Levels 9-12)	101	2	2	101	100

Senior Management (Level 13-16)	27.	0	0	24	88.9
11 Contract (Levels 3-5), Permanent	0	0	0	1	0
12 Contract (Levels 6-8), Permanent	7	0	0	7	100
13 Contract (Levels 9-12), Permanent	5	0	0	5	100
14 Contract (Levels >= 13), Permanent	1	0			100
TOTAL	404	6	1.5	401	99.3

3.6 Employment Equity

Table 3.6.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2022

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	8.	0.	0.	0.	5.	1.	0.	0.	14.
Professionals	14	0	0	0	16	2	0	1	33
Technicians and associate professionals	63	0	0	4	72	2	0	6	147
Clerks	41	0	0	1	83	2	0	5	132
Service and sales workers	31	0	0	0	31	0	0	0	62
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	8	0	0	0	0	0	0	0	0
Labourers and related workers	1	0	0	0	0	0	0	0	1
Elementary occupations	0	0	0	0	0	0	0	0	0
Total	166	0	0	5	207	7	0	12	397
Employees with disabilities	1	0	0	0	0	0	0	1	2

Table 3.6.2 Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2022

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	2	0	0	0	0	0	0	0	2
Senior Management	13	0	0	0	7	2	0	0	22
Professionally qualified and experienced specialists and mid-management	40	0	0	5	52	2	0	1	100

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	40	0	0	0	83	1	0	11	135
Semi-skilled and discretionary decision making	62	0	0	0	62	1	0	0	125
Contract (Senior Management), Permanent	0	0	0	0	1	0	0	0	1
Contract (Professionally Qualified), Permanent	3	0	0	0	1	1	0	0	5
Contract (Skilled Technical), Permanent	6	0	0	0	0	0	0	0	7
Contract (Semi-Skilled), Permanent	0	0	0	0	1	0	0	0	1
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	166.00	0	0	5	207	7	0	12	397

Table 3.6.3 Recruitment for the period 1 April 2021 and 31 March 2022

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	1	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors,	0	0	0	0	2	0	0	0	2

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
foreman and superintendents									
Semi-skilled and discretionary decision making	32	0	0	0	34	0	0	0	66
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Contract (Semi-skills), Permanent	0	0	0	0	1	0	0	0	1
Total	32	0	0	0	38	0	0	0	70
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 3.6.4 Promotions for the period 1 April 2021 and 31 March 2022

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	2	0	0	0	0	0	0	0	2.
Senior Management	13	0	0	0	7	2	0	0	22
Professionally qualified and experienced specialists and mid-management	42	0	0	5	53	2	0	1	103
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	42	0	0	0	88	1	0	12	143
Semi-skilled and discretionary decision making	62.	0	0	0	60	1	0	0.	123
Contract (Senior Management), permanent	0	0	0	0	1.	0.	0.	0	1
Contract (Professionally qualified), Permanent	3	0	0	0	1	1	0	0	5
Contract (Skilled technical), Permanent	6	0	0	0	1	0	0	0	7
Contract (Semi-skilled), Permanent	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	7
Unskilled and defined decision making	0.	0.	0.	0.	0	0	0	0.	0
Total	170.	0.	0.	5.	212.	7.	0.	13.	407
Employees with disabilities	1	0.	0.	0.	0.	0.	0	1	2.

Table 3.6.5 Terminations for the period 1 April 2021 and 31 March 2022

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management	1	0	0	0	2	0	0	0	3
Professionally qualified and experienced specialists and mid-management	2	0	0	0	1	0	0	0	3
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	1	0	0	1	3	0	0	2	7
Semi-skilled and discretionary decision making	3.	0.	0	0	1	0	0.	0	4
Contract (Skilled technical), Permanent	0.	0	0	0	1	0	0	0	1
Unskilled and defined decision making	0.	0	0	0	0.	0	0	0	0
Total	7	0	0	1	8.	0	0	2	18
Employees with Disabilities	0	0	0	0	0	0	0	0	0

Table 3.6.6 Disciplinary action for the period 1 April 2021 to 31 March 2022

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
1 months suspension without pay and FWW	1	0	0	0	0	0	0	0	1
Acquitted	0	0	0	0	2	0	0	0	2
Dismissal	1	0	0	0	0	0	0	0	1

NB: Report is only on cases finalised.

Table 3.6.7 Skills development for the period 1 April 2021 to 31 March 2022

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	21	0	0	0	14	0	0	0	35
Professionals	9	0	0	0	12	3	0	0	24
Technicians and associate professionals	5	0	0	0	8	0	0	0	13
Clerks	9	0	0	0	5	0	0	0	14
Service and sales workers	0	0	0	0	0	0	0	0	0

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	0	0	0	0	0	0	0
Total	44	0	0	0	39	3	0	0	86
Employees with disabilities	0	0	0	0	0	0	0	0	0

3.7 Signing of Performance Agreements by SMS Members

Table 3.7.1 Signing of Performance Agreements by SMS members as on 31 May 2022

SMS Level	Total number of funded SMS posts	Total number of SMS members	Total number of signed performance agreements	Signed performance agreements as % of total number of SMS members
Director-General/ Head of Department	1	1	0	0
Salary Level 16	1	1	0	0
Salary Level 15	1	1	0	0
Salary Level 14	5	5	5	100%
Salary Level 13	18	18	16	89%
Total	25	25	21	84%

Table 3.7.2 Reasons for not having concluded Performance agreements for all SMS members as on 31 March 2022

Reasons
Some posts are vacant
One SMS (L13 resigned) and 1 SMS level 13 was on co-mobility due to age and ill health
HOD is was on suspension

Table 3.7.3 Disciplinary steps taken against SMS members for not having concluded Performance agreements as on 31 March 2022

Reasons
No disciplinary action taken as the officials (SMS) are now out of service. The issue with level 15 is being handled by top structure (MEC and HOD).

3.8 Performance Rewards

Table 3.8.1 Performance Rewards by race, gender and disability for the period 1 April 2021 and 31 March 2022

Race and Gender	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee
African					
Male	19	165	11,50%	487,71	25669
Female	17	207	8,21%	607	35735
Asian	-	-	-	-	-
Male	-	-	-	-	-
Female	-	-	-	-	-
Coloured					
Male	0	-	-	-	-
Female	1	7	14,30%	62,27	62275
White					
Male	0	5	0	-	-
Female	1	11	9,10%	18,11	18111
Total	38	397	9.60	1175,59	30937

Table 3.8.2 Performance Rewards by salary band for personnel below Senior Management Service for the period 1 April 2021 and 31 March 2022

Salary band	Beneficiary Profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	
Lower Skilled (Levels 1-2)	-	-	-	-	-	-
Skilled (level 3-5)	6	125	4,8%	54,07	9011	0,18%
Highly skilled production (level 6-8)	9	135	6,7%	137,91	15324	0,24%
Highly skilled supervision (level 9-12)	18	100	18%	663,21	36845	0,92%
Total	33	360	8,9	855,19	25915	0,53%

Table 3.8.3 Performance Rewards by critical occupation for the period 1 April 2021 and 31 March 2022

	Beneficiary Profile	Cost
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Critical occupation	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
FINANCIAL CLERKS AND CREDIT CONTROLLERS	3	19	15	43,89	14 631
OTHER ADMINISTRAT & RELATED CLERKS AND ORGANISERS	3	86	3	44,32	14 772
OTHER OCCUPATIONS	1	1	100	9,50	9 497
ADMINISTRATIVE RELATED	13	71	18,3	535,73	41 210
HUMAN RESOURCES RELATED	1	1	100	14,29	14 290
OTHER ADMINISTRATIVE POLICY AND RELATED OFFICERS	7	72	9.7	158.68	22 669
BUS AND HEAVY VEHICLE DRIVERS	2	2	100	18.17	9 085
SENIOR MANAGERS	4	1	28.6	266.74	66 686
ENGINEERS AND RELATED PROFESSIONALS	1	14	7.1	47.69	47 685
LIGHT VEHICLE DRIVERS		6	16.7	7.83	7 826.00
INFORMATION TECHNOLOGY RELATED	1	4.00	25	19.4	19 398.00
Total	36	397	9.6	1 175.59	30 937.00

Table 3.8.4 Performance related rewards (cash bonus), by salary band for Senior Management Service for period 1 April 2021 and 31 March 2022

Salary band	Beneficiary Profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	
Band A	0	0	0	0	0	0
Band B	0	0	0	0	0	0
Band C	0	0	0	0	0	0
Band D	0	0	0	0	0	0
Total	0	0	0	0	0	0

Notes: The current cycle for 2021/22 is still yet to be moderated, and the final outcome will be implemented during the course of the 2022 financial year

3.9 Foreign Workers

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

Table 3.9.1 Foreign workers by salary band for the period 1 April 2021 and 31 March 2022

Salary band	01 April 2021		31 March 2022		Change	
	Number	% of total	Number	% of total	Number	% Change
Lower skilled	0	0	0	0	0	0
Highly skilled production (Lev. 6-8)	2	66.7	2	0	0	0
Highly skilled supervision (Lev. 9-12)	0	0	0	0	0	0
Senior Management (level 13-16)	1	33.0	1	25	0	0
Other	0	0	1	25	1	100
Total	3	100	4	100	1	100

Table 3.9.2 Foreign workers by major occupation for the period 1 April 2021 and 31 March 2022

Major occupation	01 April 2021		31 March 2022		Change	
	Number	% of total	Number	% of total	Number	% Change
Administrative office workers	2	66.7	2.	50.	0	0
Other occupations	0	0	1	25	1	100
Professionals and managers	1	33.3	1	25	0	0
TOTAL	3	100	4	100	1	100

3.10 leave utilisation

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave and disability leave. In both cases, the estimated cost of the leave is also provided.

Table 3.10.1 Sick leave for the period 1 January 2021 to 31 December 2021

Salary band	Total days	% Days with Medical certification	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Contract (Levels 13-16)	5	100	1	0.6	5	20
Highly skilled production (Levels 6-8)	369	83.5	59	37.3	6	542
Highly skilled supervision (Levels 9-12)	200	80.5	41	25.9	5	534
Senior management (Levels 13-16)	52	100	7	4.4	7	254

Skilled (Levels 3-5)	299	86.3	50	31.6	6	268
TOTAL	925	84.8	158	100	6	1 618

Table 3.10.2 Disability leave (temporary and permanent) for the period 1 January 2021 to 31 December 2021

Salary band	Total days	% Days with Medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	94	100	5	55,6	19	89
Highly skilled production (Levels 6-8)	26,	100	2	22,2	13	41
Highly skilled supervision (Levels 9-12)	9	100	2	22,2	5	22
Senior management (Levels 13-16)	0	0	0	0	0	0
Total	129	300	9	100	37	152

The table below summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

Table 3.10.3 Annual Leave for the period 1 January 2021 to 31 December 2021

Salary band	Total days taken	Number of Employees using annual leave	Average per employee
Contract (Levels 13-16)	15	1	15
Contract (Levels 3-5)	3	1	3
Contract (Levels 6-8)	8	2	4
Contract (Levels 9-12)	42	2	21
Highly skilled production (Levels 6-8)	2 810	126	22
Highly skilled supervision (Levels 9-12)	2 074	87	24
Senior management (Levels 13-16)	606	21.	29
Skilled (Levels 3-5)	1 314	91	14
TOTAL	6 872	331	21

Table 3.10.4 Capped leave for the period 1 January 2021 to 31 December 2021

Salary band	Total days of capped leave taken	Number of Employees using capped leave	Average number of days taken per employee	Average capped leave per employee as on 31 March 2022
Lower skilled (Levels 1-2)	0	0	0	0
Skilled Levels 3-5)	0	0	0	38
Highly skilled production (Levels 6-8)	2	2	1	19
Highly skilled supervision(Levels 9-12)	0	0	0	23
Senior management (Levels 13-16)	0	0	0	17
Total	2	2	1	97

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

Table 3.10.5 Leave pay-outs for the period 1 April 2021 and 31 March 2022

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave payout for 2021/22 due to non-utilisation of leave for the previous cycle	36	1	36 000
Capped leave payouts on termination of service for 2021/22	88	1	88 000
Current leave payout on termination of service for 2021/22	79	3	26 333
Total	203	5	150333

3.11 HIV/AIDS & Health Promotion Programmes

Table 3.11.1 Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
None the department mandate is different from exposure to HIV unless safe sex is not practices while on side visits	Individual awareness on safe sex and condom use include one partner relationship is encouraged

Table 3.11.2 Details of Health Promotion and HIV/AIDS Programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	x		Mr A Recheable. Director: HRM&D and Acting Chief Director: Corporate Services
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	x		Employee Health and Wellness Unit. 2 employees with R300,000
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	x		Annual Health and Wellness calendar months awareness on TB,HIV ,Hypertension ,Diabetes etc days are celebrated via global email.
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	x		<u>EAP COMMITTEE</u> G.M. Silingile Sinesipo Jojo Seobi Makhongoana Tshediso Khalienyane Faith Mokoena Paul Mokoena Sabata Lebone Nkosana Qaba Rebecca Malakoane Seipati Mothibi <u>OHS COMMITTEE</u> G.M. Silingile Sinesipo Jojo Seobi Makhongoana Mami Kock Paul Mokoena Thabiso Hlabahlaba Tshediso Khalienyane Rebecca Malakoane Lerato Mofokeng Faith Mokoena Seipati Mothibi Nkosana Qaba <u>Mojaki Hoeane</u> Lucas Malejoane Machele Lipheko Mpho Qubu Lehlohonolo Matsa Sfiso Somdyala Pulane Mokhachane Solomon Seoke
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV	x		The four policy pillars of the employee health and wellness were reviewed and approved by the Acting HOD. the policies are given an expression on the

status? If so, list the employment policies/practices so reviewed.			non-discriminatory factors related to employees on their HIV status. The department has never experienced any form of discrimination on employees living HIV with status.
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.		x	The department had to change the mandate due to the National Disaster Management Act of 2002 and attend to COVID 19 and its protocols internally and this made the HIV programme to take the second considerations.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.			The department had to change the mandate due to the National Disaster Management Act of 2002 and attend to COVID 19 and its protocols internally and this made the HIV programme to take the second considerations. The individuals are doing this hence the GEMS annual report express itself on the employees under medical assistance
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.		x	The policies reviewed and the internal programme of awareness. The applications of the four pillars of Health and Wellness, monitoring tool and integrated Wellness report including the four Action plans approved.

3.12 Labour Relations

Table 3.12.1 Collective agreements for the period 1 April 2021 and 31 March 2022

Subject matter	Date
Sea-going allowance agreement for the employees employed by the department of Forestry, Fisheries and the Environment. GPSSBC Resolution 2 of 2021	2 June 2021
Improvement of conditions of service: Compensation for official duties performed during meal intervals. GPSSBC Resolution 1 of 2021	2 June 2021
Agreement on the payment of salary adjustment in the public service for the financial year 2021/2022- PSCBC Resolution 1 of 2021	26 July 2021

Total number of Collective agreements	3
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The outcome of disciplinary hearings conducted within the department for the year under review.

Table 3.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2021 and 31 March 2022

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	0	0
Final written warning	1	20
Suspended without pay	1	20
Fine	0	0

Demotion	0	0
Dismissal	1	20
Not guilty	2	40
Case withdrawn	0	0
Total	5	100%

Total number of Disciplinary hearings finalised	05
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Table 3.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2021 and 31 March 2022

Type of misconduct	Number	% of total
Alleged dishonesty	2	50
Alleged abuse and unauthorised use of state vehicle	1	25
Alleged failure to observe project management milestones controls	1	25
Total	4	100%

Table 3.12.4 Grievances logged for the period 1 April 2021 and 31 March 2022

Grievances	Number	% of Total
Number of grievances resolved	2	22,22
Number of grievances not resolved	7	77,77
Total number of grievances lodged	9	100%

Table 3.12.5 Disputes logged with Councils for the period 1 April 2021 and 31 March 2022

Disputes	Number	% of Total
Number of disputes upheld	2	66,66
Number of disputes dismissed	1	33,33
Total number of disputes lodged	3	100%

Table 3.12.6 Strike actions for the period 1 April 2021 and 31 March 2022

Total number of persons working days lost	0
Total costs working days lost	0
Amount recovered as a result of no work no pay (R'000)	0

Table 3.12.7 Precautionary suspensions for the period 1 April 2021 and 31 March 2022

Number of people suspended	5
Number of people who's suspension exceeded 30 days	5
Average number of days suspended	402
Cost of suspension(R'000)	R7 260 363,2

3.13 Skills development

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

Table 3.13.1 Training needs identified for the period 1 April 2021 and 31 March 2022

Occupational category	Gender	Number of employees as at 1 April 2021	Training needs identified at start of the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	12	0	12	0	12
	Male	16	0	16	0	16
Professionals	Female	56	0	36	9	45
	Male	50	0	15	6	21
Technicians and associate professionals	Female	99	0	47	34	81
	Male	48	0	18	3	21
Clerks	Female	64	0	30	15	45
	Male	65	0	16	8	24
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0
	Male	0	0	0	0	0
Sub Total	Female	231	0	125	58	183
	Male	179	0	65	17	82
Total		410	0	162	75	265

Table 3.13.2 Training provided for the period 1 April 2021 and 31 March 2022

Occupational category	Gender	Number of employees as at 1 April 2021	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	12	0	14	2	16
	Male	16	0	21	3	24
Professionals	Female	56	0	15	5	20
	Male	50	0	9	7	16
Technicians and associate professionals	Female	99	0	8	15	23
	Male	48	0	5	3	8
Clerks	Female	64	0	5	1	6
	Male	65	0	9	7	16
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0
	Male	0	0	0	0	0
Sub Total	Female	231	0	42	23	65
	Male	179	0	44	20	57
Total		410	0	86	43	129

3.13 Injury on duty

Table 3.14.1 Injury on duty for the period 1 April 2021 and 31 March 2022

Nature of injury on duty	Number	% of total
Required basic medical attention only	0	0
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
Total	0	0

3.15 Utilisation of Consultants

Table 3.15.1 Report on consultant appointments using appropriated funds for the period 1 April 2021 and 31 March 2022

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS BOTHARINIA 9 PHASE2	S BALAKISTEN CONSULTING	Appointed for the period of three years, until the completion of the project	3, 153, 300.00
Request for proposal for the Appointment of Multi-Disciplinary Professional Consultants to assist with the establishment and management of restructuring zones for a period of three (3) years.	MIB INFRASTRUCTURE AND DEVELOPMENT		7,831,878.90
Request for proposal for the Appointment of Multi-Disciplinary Professional Consultants to assist with the establishment and management of restructuring zones for a period of three (3) years.	KMSD ENGINEERING CONSULTANTS		3,519,575.00
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN KOFFIEFONTEIN FOR 1250	PHETHOGO CONSULTING		3, 412, 496.35
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN REDDERSBURG 500	PHETHOGO CONSULTING		1,364, 998.54
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN SMITHFIELD FOR 488	PHETHOGO CONSULTING		1, 332, 238.57
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN SASOLBURG MOOIDRAAI, RAYMOND MOHLABA -3075.	KAZIA ENGINEERING		5, 435, 779.25
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN THEMBALIHLE EXT 4	KAZIA ENGINEERING		12, 396, 513.35
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN KUTLWANONG K10	BIGEN WBHO HOUSING PTY LTD		18, 120, 565.74
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN THABONG EXT 6,7,8,9,10 &11 DICHOCOLATENG	BIGEN WBHO HOUSING PTY LTD		4, 157, 390.79
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS THABONG EXT 18 HANI PARK	BIGEN WBHO HOUSING PTY LTD		19, 164, 598.37

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
Appointment of a service provider to support the Housing Subsidy System for a period of three (3) years.	ARENGO6 PTY LTD		6,219,699.07
SUPERVISION OF TURNKEY INTRGRATED GREENFIELDS HUMAN SETTLEMENTS DEVELOPMENT IN KHUTSONG/ CALEB MOTSHABI – CONSTRUCTION OF INTERNAL WATER AND SEWER INFRASTRUCTURE	A4 ADVISORY & CONSULTING		19,601, 174.04
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS PHIRITONA EXT 10	605 CONSULTING SOLUTIONS PTY LTD		4, 923, 065.75
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN TUMAHOLE EXT 7	605 CONSULTING SOLUTIONS PTY LTD		3, 448, 851.98
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN THABONG BRONVILLE T15 HOMESTEAD	PROPER CONSULTING ENGINEERS/LOHAN CIVILS		5, 200, 882.50
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN MMAMAHABANE	PROPER CONSULTING ENGINEERS/LOHAN CIVILS		3, 283, 634.06
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN THABONG EXT 27 PHOKENG	PROPER CONSULTING ENGINEERS/LOHAN CIVILS		3, 782, 279.09
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN EDENVILLE	ETSHO ENGINEERING		2, 922, 099.68
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS in KWAKWATSI	ETSHO ENGINEERING		8, 653, 043.44
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN EZENZELENI	ETSHO ENGINEERING		4, 560, 591.60
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN RELEBOHILE	FRESH HARVEST CONSULTING ENGINEERS (PTY) LTD		1, 425, 058.47
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN RATANANG	FRESH HARVEST CONSULTING ENGINEERS (PTY) LTD		1, 490, 578.40
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN PAUL ROUX	SELATILE MOLOI CONSULTING ENGINEERS		5, 175, 867.36

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN VENTERSBURG 100 MIXED DEVELOPMENT	SELATILE MOLOI CONSULTING ENGINEERS		265, 988.10
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN THABONG FREEDOM SQUARE	SELATILE MOLOI CONSULTING ENGINEERS		2, 613, 946.51
BETHLEHEM BAKENPARK EXT 6 & 7 WATER AND SEWER	APHANE CONSULTING		11, 530, 222.37

Total number of projects	Total individual consultants	Total duration Work days	Total contract value in Rand
26	14	Appointed for the period of three years, until the completion of the project	164,986,317.30

Table 3.15.2 Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2019 and 31 March 2020

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
	22% Women 18% Youth		

Table 3.15.3 Report on consultant appointments using Donor funds for the period 1 April 2019 and 31 March 2020

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

Table 3.15.4 Analysis of consultant appointments using Donor funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2019 and 31 March 2020

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

PART E: FINANCIAL INFORMATION

1. REPORT OF THE AUDITOR GENERAL

This is the auditor's report as issued by AGSA.

Report of the auditor-general to the Free State Provincial Legislature on vote no. 13: Department of Human Settlements

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Department of Human Settlements set out on pages 100 to 172, which comprise the appropriation statement, statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Department of Human Settlements as at 31 March 2022, and its financial performance and cash flows for the year ended in accordance with the Modified Cash Standard (MCS) prescribed by the National Treasury and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Division of Revenue Act 9 of 2021 (Dora).

Basis for qualified opinion

Provisions

3. The department did not record provisions, in accordance with MCS chapter 14, *Provisions and Contingents*. This was due to the department recording the retentions at the incorrect amounts and the department recorded retention amounts in the provisions register that differed from the signed contracts. I was unable to determine the full extent of the understatement of provisions stated at R73 223 000 in note 26 to the financial statements as it was impractical to do so.
4. In addition, I was unable to obtain sufficient appropriate audit evidence for provisions due to the status of the records. This was due to the provisions register being submitted with incomplete information. Furthermore, I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figures to provisions. As described in note 30 to the financial statements, the restatement was made to rectify a previous year's misstatement, however, the restatement could not be substantiated by adequate supporting evidence. I was unable to confirm the provisions by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to provisions stated at R73 223 000 (2021: R72 854 000) in note 26 to the financial statements.

Payables not recognised

5. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figures to payables not recognised. As described in note 30 to the financial statements, the restatement was made to rectify a previous year's misstatement. However, the restatement could not be substantiated by adequate supporting documentation and also resulted in a material misstatement to the current year's payables not recognised balances. I was unable to confirm the payables not recognised by alternative means. Consequently,

I was unable to determine whether any adjustments were necessary to payables not recognised stated at R66 237 000 (2021: R82 150 000) in note 18.2 to the financial statements.

Context for the opinion

6. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
7. I am independent of the Department in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.
10. As disclosed in note 31 to the financial statements, the Department disclosed significant outstanding accruals of R28 463 000 and payables not recognised of R66 237 000. These events or conditions, along with other matters as set forth in note 31, indicate that a material uncertainty exists that may cast significant doubt on the Department's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

12. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the department at, and for the year ended 31 March 2022.

Claims against the department

13. With reference to note 17 to the financial statements, the department is a defendant in various claims. The department is opposing these claims. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Underspending of the budget

14. As disclosed in the appropriation statement, the department materially underspent their budget by R37 740 000 on Programme 3: Housing Development.

Fruitless and wasteful expenditure

15. As disclosed in note 23 to the financial statements, the Department incurred Fruitless and wasteful expenditure of R48 980 000, mainly due to standing time extension of projects.

Irregular expenditure

16. As disclosed in note 22 to the financial statements, the department incurred irregular expenditure of R526 916 000 (2021: R536 374 000), due to non-compliance with supply chain management (SCM) requirements.

Other matter

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

Unaudited supplementary schedules

18. The supplementary information set out on pages 8 to 11 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

19. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the MCS and the requirements of the PFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
20. In preparing the financial statements, the accounting officer is responsible for assessing the department's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the department or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

21. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
22. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

23. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
24. My procedures address the usefulness and reliability of the reported performance information, which must be based on the department's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the department enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

25. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the department's annual performance report for the year ended 31 March 2022:

Programmes	Pages in the annual performance report
Programme 2 – housing needs, research and planning	27 – 30
Programme 3 – housing development	31 –38

26. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
27. The material findings on the usefulness and reliability of the performance information of the selected programmes are as follows:

Programme 2 – housing needs, research and planning

Number of human settlements policies approved in line with national policy guidelines by March 2022

28. The achievement of 1 was reported against target 1 in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 0.

Number of approved Human Settlements plans HSDG and UISPG funded by March 2022

29. The achievement of 1 was reported against target 1 in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 0.

Programme 3 – housing development

Number of work opportunities created by March 2022

30. The reason provided for the variance between the planned target of 1 000 and the reported achievement of 583, did not agree with the supporting evidence provided. Based on the supporting evidence provided, the reason for the variance was management did not implement adequate controls to monitor that the contractors on construction projects recruit/hire the required number of people on the Expanded Public Works programme and not contractors were not submitting supporting documents to update the system as reported in the annual performance report.

Percentage of women, youth and persons with disability contractors who are allocated projects from the Human Settlements Development grant by March 2022

31. The following reported targets did not agree with the planned targets as per the approved annual performance plan:

Indicator description	Planned targets per the annual performance plan	Targets per the annual performance report
Percentage of women, youth and persons with a disability contractors who are allocated projects from the human settlements development grant by March 2022	Women 30%	W = 23%
	Youth 10%	Y = 21%
	Disability 7%	D = 0%

Number of hectares of well-located land acquired or released for human settlements development outside the PHSDAs by March 2022

32. The achievement of 1213.1227ha was reported against target 1760.21ha in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 1968.1676ha.

Various indicators

33. The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided materially differed from the reported achievement, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to these reported achievements.

Indicator descriptions	Reported achievements
Number of work opportunities created by March 2022	583
Number of erven planned and surveyed by March 2022	4 925
Number of new sites connected to basic water and sanitation services as part of the Integrated Residential Development Programme by March 2022	5 567
Number of informal settlements supported for upgrade in a phased approach to Phase 3 formalized by March 2022	11

34. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of indicators listed below. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below:

Indicator descriptions	Planned targets	Reported achievements
Number of municipalities supported toward pre-accreditation by March 2022	4	4

Indicator descriptions	Planned targets	Reported achievements
Number of houses and sites connected to basic services as part of the Informal Settlements Upgrading Programme by March 2022	2 641	3 367
Percentage of women, youth and persons with a disability contractor who are allocated projects from the Human Settlements Development grant by March 2022	W=30% Y=10% D=7%	W=22% Y=18% D=0%
Number of Community Residential Units (CRU) delivered by March 2022	59	516

Other matter

35. I draw attention to the matter below.

Achievement of planned targets

36. Refer to the annual performance report on pages 26 to 39 for information on the achievement of planned targets for the year and management's explanations provided for the under and over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 28 to 34 of this report.

Report on the audit of compliance with legislation

Introduction and scope

37. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the department's compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the department's compliance with legislation.
38. I performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA audit methodology. This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
39. I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the department, clear to allow consistent measurement and evaluation, while also sufficiently detailed and adequately available to report in an understandable manner. The selection is done through an established AGSA process. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	(Definition of irregular) ;Sections 38(1)(a)(iv); 38(1)(b); 38(1)(c)(i)-(ii); Sections 38(1)(d); 38(1)(h)(iii); 39(1)(a); 39(2)(a); Sections 40(1)(a) and (b); 40(1)(c)(i); Sections 43(4); 44; 45(b); 51(1)(a)(iv); 57(b)
Treasury regulations	TR 4.1.1; 4.1.3; 5.1.1; 5.2.1; 5.2.3(a); 5.2.3(d);

Legislation	Sections or regulations
	TR 5.3.1; 6.3.1(a) - (d); 6.4.1(b); 7.2.1; TR 8.1.1; 8.2.1; 8.2.2; 8.2.3; 8.4.1; 9.1.1; 9.1.4; TR 10.1.1(a); 10.1.2; 11.4.1; 11.4.2; 11.5.1; TR 12.5.1; 15.10.1.2(c); TR 16A3.2 (fairness); 16A3.2(a); 16A6.1; TR 16A6.2(a) and (b); 16A6.3(a) - (c); 16A6.3(e); TR 16A6.4; 16A6.5; 16A6.6; 16A7.1; 16A.7.3; TR 16A7.6; 16A.7.7; 16A8.3; 16A8.4; TR 16A9.1(b)(ii); TR 16A9.1(d); 16A9.1(e); 16A9.1(f); 16A9.2(a)(ii); TR 17.1.1; 18.2; 19.6.1;19.8.4
Annual Division of Revenue Act (DoRA)	Sections 11(6)(a); 12(5) Sections 16(1)/16(3) / 16(3)(a)(i) / 16(3)(a)(ii)(bb)
Construction Industry Development Board Act 38 of 2000 (CIDB)	Section 18(1)
CIDB regulations	Regulations 17; 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	PPPFA definition of acceptable tender; Sections 1(i); 2.1(a),(b) and (f)
Preferential Procurement regulations (PPR), 2011	Regulations 4.1; 4.3; 5.5; 6.1; 6.5; 7.1; Regulations 9.1; 9.5; 11.2; 11.5
Preferential Procurement regulations (PPR), 2017	Regulations 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; Regulations 6.1; 6.2; 6.3; 6.5; 6.6; 6.8; Regulations 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Regulations 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)
Public Service regulations (PSR), 2016	Regulations 18(1); 18(2); 25(1)(e)(i) and (iii)
State Information Technology Agency Act 88 of 1998 (SITA)	Section 7(3)
NT SCM Instruction Note 05 of 2009/10	Par 3.3
NT SCM Instruction Note 04 of 2015/16	Par 3.4
NT SCM Instruction Note 03 of 2016/17	Par 8.1; 8.2; 8.3; 8.5
NT SCM Instruction Note 4A of 2016/17	Par 6
NT SCM Instruction Note 07 of 2017/18	Par 4.3
NT SCM Instruction note 03 of 2019/20 [Annexure A - FIPDM]	Par 5.5.1(vi); 5.5.1(x)
NT SCM Instruction Note 08 of 2019/20	Par 3.1.1; 3.6; 3.7.2; 3.7.6(i) - (iii)
NT SCM Instruction Note 03 of 2020/21	Par 3.6; 3.7; 5.1(i); 6.1; 6.3
NT SCM Instruction Note 05 of 2020/21	Par 3.2; 3.7; 4.3; 4.6; 4.8; 4.9; 5.3

Legislation	Sections or regulations
Erratum NT SCM Instruction Note 05 of 2020/21	Par 1; 2
Second Amendment to NT SCM Instruction Note 05 of 2020/21	Par 1
NT Instruction Note 11 of 2020/21	Par 3.1; 3.4(b); 3.9
NT SCM Instruction Note 02 of 2021/22	Par 3.2.1; 3.2.4(a); 3.3.1; 4.1
SCM Practice Note 8 of 2007/08	Par 3.3.1; 3.3.3; 3.4.1; 3.5
SCM Practice Note 7 of 2009/10	Par 4.1.2
SCM Practice Note 5 of 2009/10	Par 3.3

40. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

41. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1)(a) and (b) of the PFMA.
42. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Asset management

43. The department did not determine if any state institution involved in education and/or training required computer equipment before disposal of such equipment, as required by treasury regulation 16A.7.7.

Consequence management

44. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred unauthorised expenditure as required by section 38(1)(h)(iii) of the PFMA. This was because investigations into unauthorised expenditure were not performed.
45. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 38(1)(h)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.
46. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 38(1)(h)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Expenditure management

47. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R526 916 000, as disclosed in note 22 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the irregular expenditure was caused by non-compliance to supply chain management prescripts.

48. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R48 980 000, as disclosed in note 23 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the fruitless and wasteful expenditure was caused by the payment to extension of time claims relating to COVID-19 and extension of time claim with cost emanating from delay in payment of COVID-19 UIF relief fund to contractor's labourers on various projects.
49. Effective internal controls were not in place for approval and processing of payments, as required by treasury regulation 8.1.1.
50. Resources of the department were not utilised economically, as required by section 38(1)(b) of the PFMA.

Transfer of funds

51. I was unable to obtain sufficient appropriate audit evidence that appropriate measures were maintained to ensure that transfers and subsidies to entities were applied for their intended purposes, as required by treasury regulation 8.4.1.

Procurement and contract management

52. Some of the tenders which failed to achieve the minimum qualifying score for functionality criteria were not disqualified as unacceptable in accordance with 2017 Preferential Regulation (PPR) 5(6). A similar non-compliance was also reported in the prior year.
53. Tender requirements for some of the contracts above R30 million did not include a condition for mandatory subcontracting to advance designated groups, as required by the 2017 PPR 9(1). This non-compliance was identified in the procurement processes for the following projects: HS-B03/2021/2022 The appointment of a contractor for the construction of bulk water pipelines, internal reticulation and 3ml concrete reservoir; bulk sewer pipelines, internal reticulation and pump stations; roads and storm water at extensions 6 and 7 in Bakenpark, Dihlabeng local municipality, HS-B08/2021/2022 Construction of infrastructure: water and sewer for Fating tse ntsho extension Paul Roux, 743 residential sites and HS-B14/2020/2021 Appointment of a contractor for the construction of 350 low cost houses in Frankfort
54. I was unable to obtain sufficient appropriate audit evidence that IT related goods and services, classified as mandatory, were procured through the State Information Technology Agency (SITA) as required by treasury regulation 16A6.3(e) and section 7(3) of the SITA Act.
55. I was unable to obtain sufficient appropriate audit evidence that all extensions or modifications to contracts were approved by a properly delegated official as required by section 44 of the PFMA and treasury regulations 8.2.1 and 8.2.2. A similar limitation was also reported in the prior year.
56. I was unable to obtain sufficient appropriate audit evidence that persons in service of other state institutions who had a private or business interest in contracts awarded by the Department did not participate in the process relating to that contract, as required by treasury regulation 16A8.4.

Other information

57. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial

statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

58. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
59. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
60. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

61. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
62. Management did not adequately exercise oversight responsibility over the implementation of the action plan to address material weaknesses identified in the prior year on financial and performance reporting and compliance with applicable legislation as well as related internal controls resulting in findings being reported in the current year.
63. Management did not establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
64. The processes followed by management in preparing the annual financial statements were inadequate, resulting in material adjustments being made to the annual financial statements.
65. Management did not have adequate controls in place to prevent, review and monitor instances of non-compliance with applicable legislation.
66. The audit committee did not promote accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation.
67. Management did not implement adequate controls to ensure that officials are held responsible and the proper consequence management process are implemented.

Material irregularities

68. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

Material irregularity identified during the audit

69. The material irregularity identified is as follows:

Development of community residential units block G Thabong: Payment for Covid-19 standing time not in terms of the contract

70. A R324 million contract for the construction of community residential units was awarded to a contractor on 2 May 2018. The project was funded by the human settlements development grant (HSDG). Subsequent to the implementation of the Covid-19 lockdown restrictions/regulations, the contractor submitted a claim of R4 000 000 on 24 July 2020 for standing time as a result of these restrictions/regulations. An official of the department certified this claim for payment on 6 August 2020, even though the department had no contractual commitment to pay for the standing time. The official consequently did not ensure the economic use of the financial resources of the department, as required by section 45(b) of the PFMA. An amount of R4 million was subsequently paid to the contractor, resulting in a material financial loss for the department and the non-compliance is likely to result in further material financial losses for the department if further payments are not prevented.
71. The accounting officer was notified of this material irregularity on 15 October 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded by disagreeing that there was non-compliance with legislation in approving the claim for standing time due to Covid-19 lockdown restrictions.
72. I am in the process of referring the material irregularity to a public body for investigation as provided for in section 5(1A) of the PAA.

Material irregularity in progress

73. I identified another material irregularity during the audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due. This material irregularity will be included in the next year's auditor's report.

Status of previously reported material irregularities

Development of community residential units, block G -Thabong extension 3, Welkom - Overpayment

74. A R324 million contract for the construction of community residential units was awarded to a new contractor on 2 May 2018 to complete work not completed by the previous contractor whose contract was terminated due to consistent breach of contract. The project was funded by the HSDG. The consulting engineers appointed on the project confirmed the value of completed work at termination date (24 March 2017) to be R12 838 303. From 2014-15 to 2016-17 the department paid R33 019 655, resulting in an overpayment of R20 181 352 to the previous contractor, in contravention of treasury regulation 8.1.1. The overpayment was likely to result in a material financial loss of R20 181 352, if not recovered.

75. The Accounting Officer was notified of the material irregularity on 12 July 2019. The Accounting Officer has not taken the appropriate actions committed to in his written submission in response to the notification. I recommended that the Accounting Officer should take the following actions to address the material irregularity by 28 July 2021:
- Appropriate action should be taken to recover the financial loss suffered by the department from the supplier and, alternatively, the insurance company where the contract was insured, that are liable.
 - Appropriate action should be taken to investigate the non-compliance in order to determine if any official should be held responsible
 - Effective and appropriate disciplinary steps should commence against any official the investigation found to be responsible, as required by section 38(1)(h) of the PFMA.
76. The Accounting Officer has not adequately implemented the above recommendations. I notified the accounting officer on 27 October 2021 of the following remedial actions to address the MI, which should have been implemented by 28 February 2022:
- Effective and appropriate steps must be taken to ensure that the timely recover of the financial loss is undertaken
 - Appropriate action must be taken to investigate the non-compliance in order to determine if any official/s should be held responsible
 - Effective and appropriate disciplinary steps must commence against any official/s that the investigation finds to be responsible, as required by section 38(1)(h) of the PFMA
77. The Accounting Officer failed to adequately implement or make satisfactory progress with the implementation of the remedial action. I notified the executive authority to intervene by ensuring that the Accounting Officer adequately implements or make satisfactory progress with the implementation of the remedial action by 20 September 2022 through:
- Addressing the shortcomings in the investigation
 - Commencing with the disciplinary actions against responsible official(s) without undue delay.

Overpayments on housing project F10110004 Kroonstad 350

78. Payments were made during 2018-19 for duplicate claims submitted by the supplier as effective internal controls were not in place for the approval and processing of payments, as required by treasury regulation 8.1.1. The overpayment was likely to result in a material financial loss of R6 634 593, if not recovered. The overpayment formed part of the amount disclosed as fruitless and wasteful expenditure in note 24.3 to the financial statements for 2018-19. The project was funded by the HSDG.
79. The Accounting Officer was notified of the material irregularity on 12 July 2019. The Accounting Officer instituted a recovery process from the supplier through the state attorney on 8 August 2019. I recommended that the Accounting Officer should take the following actions to address the material irregularity by 28 July 2021:

- Appropriate action should be taken to investigate the non-compliance, if an investigation has not already commenced within the department, in order to determine if any official should be held liable for the losses suffered by the department.
- If it appears that the department suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service, as required by treasury regulation 12.5.1.
- Effective and appropriate disciplinary steps should be taken against any official that the investigation found to be responsible, as required by section 38(1)(h) of the PFMA.

80. The Accounting Officer has not adequately implemented the above recommendations. I notified the Accounting Officer on 28 October 2021 of the following remedial actions to address the MI, which should have been implemented by 28 February 2022:

- Appropriate action must be taken to investigate the non-compliance in order to determine if any official/s should be held liable for the losses suffered by the department.
- If it is determined that the department suffered the financial loss through criminal acts or possible criminal acts or omission, this must be reported to the SAPS, as required by treasury regulation 12.5.1.
- Effective and appropriate disciplinary steps must commence against any official/s that the investigation found to be responsible, as required by section 38(1)(h) of the PFMA.
- Effective and appropriate steps must be taken to monitor the recovery process of the financial loss through the Office of the State Attorney

81. The Accounting Officer failed to adequately implement or make satisfactory progress with the implementation of the remedial action. I notified the executive authority to intervene by ensuring the Accounting Officer adequately implements or make satisfactory progress with the implementation of the remedial action by 20 September 2022 through:

- Finalising the investigation into the non-compliance
- Commencing with the disciplinary actions against responsible official(s) without undue delay
- Providing evidence on the progress with the recovery of the financial loss through the Office of the State Attorney

Overpayments on housing project F09080072/1 Ventersburg 200

82. Payment for retention was made during 2018-19 in excess of the retention amount withheld by the department as effective internal controls were not in place for the approval and processing of payments, as required by treasury regulation 8.1.1. The overpayment was likely to result in a material financial loss of R507 693, if not recovered. The project was funded by the HSDG.

83. The Accounting Officer was notified of the material irregularity on 26 July 2019. The accounting officer instituted a recovery process from the supplier through the Office of the State Attorney on 14 August 2019. I recommended that the Accounting Officer should take the following actions to address the material irregularity by 23 August 2021:

- Appropriate action should be taken to investigate the non-compliance, if an investigation has not already commenced within the department, in order to determine if any official should be held liable for the losses suffered by the department.
 - If it appears that the department suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service, as required by treasury regulation 12.5.1.
 - Effective and appropriate disciplinary steps should be taken against any official that the investigation found to be responsible, as required by section 38(1)(h) of the PFMA.
84. The following action has been taken to resolve the material irregularity: The Accounting Officer investigated the non-compliance and as part of this investigation the retention register was reconciled to the project expenditure in order to quantify the loss. Through the reconciliation performed, it was confirmed, with supporting evidence, that there was no overpayment.
85. Therefore, the material irregularity has been resolved.

Overpayments on housing project F09080077/1 Bloemfontein 393

86. Payment for retention was made during 2018-19 in excess of the retention amount withheld by the department as effective internal controls were not in place for the approval and processing of payments, as required by treasury regulation 8.1.1. The overpayment was likely to result in a material financial loss of R1 398 159, if not recovered. The project was funded by the HSDG.
87. The accounting officer was notified of the material irregularity on 26 July 2019. The accounting officer instituted a recovery process from the supplier through the State Attorney on 14 August 2019. I recommended that the Accounting Officer should take the following actions to address the material irregularity by 28 July 2021:
- Appropriate action should be taken to investigate the non-compliance, if an investigation has not already commenced within the department, in order to determine if any official should be held liable for the losses suffered by the department.
 - If it appears that the department suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service, as required by treasury regulation 12.5.1.
 - Effective and appropriate disciplinary steps should be taken against any official that the investigation found to be responsible, as required by section 38(1)(h) of the PFMA.
88. The following action has been taken to resolve the material irregularity: The accounting officer investigated the non-compliance and as part of this investigation the retention register was reconciled to the project expenditure in order to quantify the loss. Through the reconciliation performed, it was confirmed, with supporting evidence, that there was no overpayment.
89. Therefore, the material irregularity has been resolved.

Overpayments on housing project F10080047/1 Odendaalsrus 300

90. Payment for retention was made during 2018-19 in excess of the retention amount withheld by the department as effective internal controls were not in place for the approval and processing of payments, as required by treasury regulation 8.1.1. The overpayment was likely to result in a material financial loss of R717 117, if not recovered. The project was funded by the HSDG.
91. The accounting officer was notified of the material irregularity on 26 July 2019. The Accounting Officer instituted a recovery process from the supplier through the State Attorney on 14 August 2019. I recommended that the Accounting Officer should take the following actions to address the material irregularity by 28 July 2021:
- Appropriate action should be taken to investigate the non-compliance, if an investigation has not already commenced within the department, in order to determine if any official should be held liable for the losses suffered by the department.
 - If it appears that the department suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service, as required by treasury regulation 12.5.1.
 - Effective and appropriate disciplinary steps should be taken against any official that the investigation found to be responsible, as required by section 38(1)(h) of the PFMA.
92. The following action has been taken to resolve the material irregularity: The Accounting Officer investigated the non-compliance and as part of this investigation the retention register was reconciled to the project expenditure in order to quantify the loss. Through the reconciliation performed, it was confirmed, with supporting evidence, that there was no overpayment.
93. Therefore, the material irregularity has been resolved.

Other reports

94. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the department's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
95. The department has a pending court case relating to advance payments made to suppliers of building material during the 2010-11 financial year. The investigation by the Special Investigating Unit commenced in June 2012 and was still ongoing at the date of this auditor's report. In addition, this matter also formed part of the judicial commission of inquiry into state capture report, part 4.
96. The Directorate for Priority Crime Investigation (Hawks) was investigating allegations of fraud and corruption relating to the construction of RDP houses in Bethlehem, Extension 5, Vogelfontein during the period 2013-14 to 2018-19. The investigation was still in progress at the date of this auditor's report.
97. The Hawks are investigating allegations relating to maladministration in the department's awarding of a contract for the eradication of asbestos during the period 2014-15 to 2016-17. The investigation

was still in progress at the date of this auditor's report. In addition, this matter also formed part of the judicial commission of inquiry into state capture report, part 4.

Auditor-General

Bloemfontein

31 July 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

- 1) As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the department’s compliance with respect to the selected subject matters.

Financial statements

- 2) In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department’s internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - Conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Department of Human Settlements to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a department to cease operating as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

- 3) I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- 4) I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

ANNUAL FINANCIAL STATEMENTS

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13**

**APPROPRIATION STATEMENT
for the year ended 31 March 2022**

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**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13**

**APPROPRIATION STATEMENT
for the year ended 31 March 2022**

Appropriation per programme									
	2021/22							2020/21	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
Voted Funds and Direct Charges Programme	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. ADMINISTRATION	141 084	-	-	141 084	140 104	980	99.3%	130 317	127 629
2. HOUSING NEEDS, RESEARCH AND PLANNING	19 145	-	-	19 145	19 105	40	99.8%	18 655	18 309
3. HOUSING DEVELOPMENT	1 117 210	-	-	1 117 210	1 079 470	37 740	96.6%	865 345	836 438
4. HOUSING ASSETS MANAGEMENT PROPERTY MANAGEMENT	1 471	-	-	1 471	1 295	176	88.0%	1 403	1 386
Total	1 278 910	-	-	1 278 910	1 239 974	38 936	97.0%	1 015 720	983 762

	2021/22		2020/21	
Reconciliation with statement of financial performance	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure
ADD				
Departmental receipts	-	-	21 511	-
Actual amounts per statement of financial performance (total revenue)	1 278 910	-	1 037 231	-
Actual amounts per statement of financial performance (total expenditure)		1 239 974		983 762

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13

APPROPRIATION STATEMENT
for the year ended 31 March 2022

Appropriation per economic classification									
2021/22								2020/21	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	268 411	(19 918)	-	248 493	247 448	1 045	99.6 %	252 615	249 407
Compensation of employees	200 471		-	200 471	199 891	580	99.7 %	193 434	193 010
Goods and services	67 940	(19 918)	-	48 022	47 523	499	99.0 %	58 915	56 149
Interest and rent on land	-	-	-	-	34	(34)	-	266	248
Transfers and subsidies	1 007 050	19 400	-	1 026 450	989 677	36 773	96.4 %	758 195	729 569
Households	1 007 050	19 400	-	1 026 450	989 677	36 773	96.4 %	758 195	729 569
Payments for capital assets	3 449	518	-	3 967	2 800	1 167	70.6 %	4 910	4 454
Machinery and equipment	3 449	518	-	3 967	2 800	1 167	70.6 %	4 118	4 454
Intangible assets	-	-	-	-	-	-	-	792	-
Payments for financial assets	-	-	-	-	49	(49)	-	-	332
Total	1 278 910	-	-	1 278 910	1 239 974	38 936	97.0 %	1 015 720	983 762

***FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13***

***APPROPRIATION STATEMENT
for the year ended 31 March 2022***

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13

APPROPRIATION STATEMENT
for the year ended 31 March 2022

Programme 1: ADMINISTRATION									
2021/22								2020/21	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
1. CORPORATE SERVICES	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	139 608	(55)	-	139 553	138 232	1 321	99.1%	126 681	123 622
Compensation of employees	105 268	-	-	105 268	102 369	2 899	97.2%	99 525	97 398
Goods and services	34 340	(55)	-	34 285	35 829	(1 544)	104.5%	27 150	26 222
Interest and rent on land	-	-	-	-	34	(34)	-	6	2
Transfers and subsidies	-	-	-	-	249	(249)	-	213	120
Households	-	-	-	-	249	(249)	-	213	120
Payments for capital assets	1 476	55	-	1 531	1 574	(43)	102.8%	3 423	3 555
Machinery and equipment	1 476	55	-	1 531	1 574	(43)	102.8%	2 631	3 555
Intangible assets	-	-	-	-	-	-	-	792	-
Payments for financial assets	-	-	-	-	49	(49)	-	-	(332)
Total	141 084	-	-	141 084	140 104	980	99.3%	130 317	127 629

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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APPROPRIATION STATEMENT
for the year ended 31 March 2022

Programme 2: HOUSING NEEDS, RESEARCH AND PLANNING									
	2021/22							2020/21	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
1. ADMINISTRATION	3 205	(918)	-	2 287	2 158	129	94.4%	2 155	2 004
2. POLICY	2 755	-	-	2 755	2 544	211	92.3%	3 127	2 985
3. PLANNING	12 147	918	-	13 065	11 997	1 068	91.8%	11 743	10 971
4. RESEARCH	1 038	-	-	1 038	2 406	(1 368)	231.8%	1 630	2 349
Total for sub programmes	19 145	-	-	19 145	19 105	40	99.8%	18 655	18 309
Economic classification									
Current payments	18 124	(463)	-	17 661	18 073	(412)	102.3%	17 755	17 683
Compensation of employees	15 822	-	-	15 822	17 286	(1 464)	109.3%	16 355	16 965
Goods and services	2 302	(463)	-	1 839	787	1 052	42.8%	1 400	718
Transfers and Subsidies		-	-	-	32	(32)	-	-	-
Payments for capital assets	1 021	463	-	1 484	1 000	484	67.4%	900	626
Machinery and equipment	1 021	463	-	1 484	1 000	484	67.4%	900	626
Total	19 145	-	-	19 145	19 105	40	99.8%	18 655	18 309

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13

APPROPRIATION STATEMENT
for the year ended 31 March 2022

Programme 3: HOUSING DEVELOPMENT									
	2021/22							2020/21	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
1. ADMINISTRATION	83 246	-	-	83 246	82 876	370	99.6%	93 140	93 278
2. FINANCIAL INTERVENTIONS	132 129	476	-	132 605	128 987	3 618	97.3%	269 031	268 749
3. INCREMENTAL INTERVENTIONS	795 150	21 135	-	816 285	782 534	33 751	95.9%	380 875	376 313
4. SOCIAL AND RENTAL INTERVENTIONS	101 539	(16 465)	-	85 074	85 073	1	100.0%	111 175	92 120
5. TITLE DEEDS RESTORATION GRANT	5 146	(5 146)	-	-	-	-	100.0%	11 124	5 978
Total for sub programmes	1 117 210	-	-	1 117 210	1 079 470	37 740	96.6%	865 345	836 438
Economic classification									
Current payments	109 208	(19 400)	-	89 808	89 848	(40)	100.0%	106 776	106 716
Compensation of employees	78 163	-	-	78 163	78 944	(781)	101.0%	76 390	77 410
Goods and services	31 045	(19 400)	-	11 645	10 904	741	93.6%	30 126	29 060
Interest and rent on land								260	246
Transfers and subsidies	1 007 050	19 400	-	1 026 450	989 396	37 054	96.4%	757 982	729 449
Households	1 007 050	19 400	-	1 026 450	989 396	37 054	96.4%	757 982	729 449
Payments for capital assets	952	-	-	952	226	726	23.7%	587	273
Machinery and equipment	952	-	-	952	226	726	23.7%	587	273
Total	1 117 210	-	-	1 117 210	1 079 470	37 740	96.6%	865 345	836 438

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13**

**APPROPRIATION STATEMENT
for the year ended 31 March 2022**

Programme 4: HOUSING ASSETS MANAGEMENT AND PROPERTY MANAGEMENT									
2021/22								2020/21	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
1. ADMINISTRATION	1 471	-	-	1 471	1 295	176	88.0%	1 403	1 386
Total for sub programmes	1 471	-	-	1 471	1 295	176	88.0%	1 403	1 386
Economic classification									
Current payments	1 471	-	-	1 471	1 295	176	88.0%	1 403	1 386
Compensation of employees	1 218	-	-	1 218	1 292	(74)	106.1%	1 164	1 237
Goods and services	253	-	-	253	3	250	1.2%	239	149
Total	1 471	-	-	1 471	1 295	176	88.0%	1 403	1 386

NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2022

1. Detail of transfers and subsidies as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in the note on Transfers and subsidies, disclosure notes and Annexure 1 (A-H) to the Annual Financial Statements.

2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

3. Detail on payments for financial assets

Detail of these transactions per programme can be viewed in the note on Payments for financial assets to the Annual Financial Statements.

4. Explanations of material variances from Amounts Voted (after Virement):

4.1 Per programme	Final Appropriation	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
Administration	141 084	140 104	980	1%

The programme is almost within the expected expenditure of 100%.

Housing Needs, Research and Planning	19 145	19 105	40	-
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The programme is almost within the expected expenditure of 100%.

Housing Development	1 117 210	1 079 470	37 740	3%
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The programme is not within the expected expenditure of 100% at the end of the Financial Year. This is mainly due to the underspending on the Human Settlements Development Grant (HSDG) as well as the Provincial Emergency Housing Grant (PEHG).

Housing Asset Management and Property Management	1 471	1 295	176	12%
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The programme is not within the expected expenditure of 100% at the end of the Financial Year, this is mainly due to the slow expenditure on Goods and Services such as the purchase of assets less R5 000 and Travel and Subsistence claims.

NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2022

4.2 Per economic classification	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
Current payments				
Compensation of employees	200 471	199 891	580	-
Goods and services	48 022	47 523	499	1%
Interest and rent on land	-	34	(34)	-
Transfers and subsidies				
Households	1 026 450	989 677	36 773	4%
Payments for capital assets				
Machinery and equipment	3 967	2 800	1 167	29%
Payments for financial assets	-	49	(49)	-

Variance is mainly due to the under expenditure on the Human Settlements Development Grant (HSDG) as well as the Provincial Emergency Housing Grant (PEHG).

4.3 Per conditional grant	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
Human Settlements Development Grant (HSDG)	808 290	781 650	26 640	3%
Informal Settlements Upgrade Programme (ISUP)	208 001	207 695	306	-
Expanded Public Works Programme (EPWP)	2 152	2 102	50	2%
Provincial Emergency Housing Grant (PEHG)	10 375	-	10 375	100%
Title Deed Restoration Grant (TDRG)	5 146	5 146	-	-

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13**

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2022

	Note	2021/22 R'000	2020/21 R'000
REVENUE			
Annual appropriation	1	1 278 910	1 015 720
Departmental revenue	2	-	21 511
TOTAL REVENUE		1 278 910	1 037 231
EXPENDITURE			
Current expenditure			
Compensation of employees	3	199 891	193 010
Goods and services	4	47 523	56 149
Interest and rent on land	5	34	248
Total current expenditure		247 448	249 407
Transfers and subsidies			
Transfers and subsidies	7	989 677	729 569
Total transfers and subsidies		989 677	729 569
Expenditure for capital assets			
Tangible assets	8	2 800	4 454
Total expenditure for capital assets		2 800	4 454
Payments for financial assets	6	49	332
TOTAL EXPENDITURE		1 239 974	983 762
SURPLUS/(DEFICIT) FOR THE YEAR		38 936	53 469
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds		38 936	31 958
Annual appropriation		1 565	2 930
Conditional grants		37 371	29 028
Departmental revenue and NRF Receipts	13	-	21 511
SURPLUS/(DEFICIT) FOR THE YEAR		38 936	53 469

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**STATEMENT OF FINANCIAL POSITION
as at 31 March 2022**

	Note	2021/22 R'000	2020/21 R'000
ASSETS			
Current assets		39 130	36 442
Unauthorised expenditure	9	5 107	5 107
Cash and cash equivalents	10	26 624	23 792
Receivables	11	7 399	7 543
Non-current assets		149	-
Receivables	11	149	-
TOTAL ASSETS		39 279	36 442
LIABILITIES			
Current liabilities		36 435	33 626
Voted funds to be surrendered to the Revenue Fund	12	34 812	31 958
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	13	15	60
Payables	14	1 608	1 608
TOTAL LIABILITIES		36 435	33 626
NET ASSETS		2 844	2 816
		2021/22 R'000	2020/21 R'000
Represented by:			
Recoverable revenue		2 844	2 816
TOTAL		2 844	2 816

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2022**

	<i>Note</i>	2021/22 R'000	2020/21 R'000
Recoverable revenue			
Opening balance		2 816	2 806
Transfers:		28	10
Irrecoverable amounts written off	6.1	(23)	(58)
Debts recovered (included in Departmental receipts)		(112)	(10)
Debts raised		163	78
Closing balance		<u>2 844</u>	<u>2 816</u>
TOTAL		<u>2 844</u>	<u>2 816</u>

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CASH FLOW STATEMENT
for the year ended 31 March 2022

	Note	2021/22 R'000	2020/21 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		1 275 284	1 068 664
Annual appropriated funds received	1.1	1 274 786	1 015 720
Departmental revenue received	2	496	52 939
Interest received	2.2	2	5
Net (increase)/decrease in working capital		144	242
Surrendered to Revenue Fund		(32 503)	(113 429)
Current payments		(247 414)	(249 159)
Interest paid	5	(34)	(248)
Payments for financial assets	6	(49)	(332)
Transfers and subsidies paid		(989 677)	(729 569)
Net cash flow available from operating activities	15	5 751	(23 831)
CASH FLOWS FROM INVESTING ACTIVITIES			
Distribution/dividend received			
Payments for capital assets	8	(2 800)	(4 454)
Proceeds from sale of capital assets	2. 3	2	-
(Increase)/decrease in non-current receivables	11	(149)	10
Net cash flows from investing activities		(2 947)	(4 444)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in net assets		28	10
Net cash flows from financing activities		28	10
Net increase/(decrease) in cash and cash equivalents		2 832	(28 265)
Cash and cash equivalents at beginning of period		23 792	52 057
Cash and cash equivalents at end of period	16	26 624	23 792

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

PART A: ACCOUNTING POLICIES

Summary of significant accounting policies

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. Management has concluded that the financial statements present fairly the Department's primary and secondary information.

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

Where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.

1.	Basis of preparation The financial statements have been prepared in accordance with the Modified Cash Standard.
2.	Going concern The financial statements have been prepared on a going concern basis.
3.	Presentation currency Amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the Department.
4.	Rounding Unless otherwise stated financial figures have been rounded to the nearest one thousand Rand (R'000).
5.	Foreign currency translation Cash flows arising from foreign currency transactions are translated into South African Rands using the spot exchange rates prevailing at the date of payment / receipt.
6.	Comparative information
6.1	Prior period comparative information Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

6.2	Current year comparison with budget A comparison between the approved, final budget and actual amounts for each programme and economic classification is included in the appropriation statement.
7.	Revenue
7.1	Appropriated funds Appropriated funds comprise of Departmental allocations as well as direct charges against the revenue fund (i.e., statutory appropriation). Appropriated funds are recognised in the statement of financial performance on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the statement of financial performance on the date the adjustments become effective. The net amount of any appropriated funds due to / from the relevant revenue fund at the reporting date is recognised as a payable / receivable in the statement of financial position.
7.2	Departmental revenue Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise. Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.
7.3	Accrued Departmental revenue Accruals in respect of Departmental revenue (excluding tax revenue) are recorded in the notes to the financial statements when: - it is probable that the economic benefits or service potential associated with the transaction will flow to the Department; and - the amount of revenue can be measured reliably. The accrued revenue is measured at the fair value of the consideration receivable. Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents. Write-offs are made according to the Department's debt write-off policy.
8.	Expenditure
8.1	Compensation of employees
8.1.1	Salaries and wages Salaries and wages are recognised in the statement of financial performance on the date of payment.

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

8.1.2	Social contributions Social contributions made by the Department in respect of current employees are recognised in the statement of financial performance on the date of payment. Social contributions made by the Department in respect of ex-employees are classified as transfers to households in the statement of financial performance on the date of payment.
8.2	Other expenditure Other expenditure (such as goods and services, transfers and subsidies and payments for capital assets) is recognised in the statement of financial performance on the date of payment. Transfers & Subsidies related to Conditional Grant expenditure must in terms of the Sector Specific Guide on Human Settlements dated 2012, classified as a capital <i>transfer to households</i>. The transaction is classified according to the ultimate use and not the immediate use of the funds.
8.3	Accruals and payables not recognised Accruals and payables not recognised are recorded in the notes to the financial statements at cost at the reporting date.
8.4	Leases
8.4.1	Operating leases Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment. Operating lease payments received are recognised as Departmental revenue. The operating lease commitments are recorded in the notes to the financial statements.
8.4.2	Finance leases Finance lease payments made during the reporting period are recognised as capital expenditure in the statement of financial performance on the date of payment. Finance lease payments received are recognised as Departmental revenue. The finance lease commitments are recorded in the notes to the financial statements and are not apportioned between the capital and interest portions. Finance lease assets acquired at the end of the lease term are recorded and measured at the lower of: • cost, being the fair value of the asset; or • the sum of the minimum lease payments made, including any payments made to acquire ownership at the end of the lease term, excluding interest.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

9.	Cash and cash equivalents Cash and cash equivalents are stated at cost in the statement of financial position. Bank overdrafts are shown separately on the face of the statement of financial position as a current liability. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.
10.	Receivables Receivables are recognised in the statement of financial position at cost plus accrued interest, where interest is charged, less amounts already settled or written-off. Write-offs are made according to the Department's write-off policy.
11.	Financial assets
11.1	Financial assets (not covered elsewhere) A financial asset is recognised initially at its cost-plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. At the reporting date, a Department shall measure its financial assets at cost, less amounts already settled or written-off, except for recognised loans and receivables, which are measured at cost plus accrued interest, where interest is charged, less amounts already settled or written-off.
11.2	Impairment of financial assets Where there is an indication of impairment of a financial asset, an estimation of the reduction in the recorded carrying value, to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset, is recorded in the notes to the financial statements.
12.	Payables Payables recognised in the statement of financial position are recognised at cost.
13.	Capital Assets
13.1	Movable capital assets Movable capital assets are initially recorded in the notes to the financial statements at cost. Movable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition. Where the cost of movable capital assets cannot be determined reliably, the movable capital assets are measured at fair value and where fair value cannot be determined; the movable assets are measured at R1.

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

	All assets acquired prior to 1 April 2005 (or a later date as approved by the OAG) may be recorded at R1. Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment. Subsequent expenditure that is of a capital nature forms part of the cost of the existing asset when ready for use.
13.2	Intangible assets Intangible assets are initially recorded in the notes to the financial statements at cost. Intangible assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition. Internally generated intangible assets are recorded in the notes to the financial statements when the Department commences the development phase of the project. Where the cost of intangible assets cannot be determined reliably, the intangible capital assets are measured at fair value and where fair value cannot be determined; the intangible assets are measured at R1. All assets acquired prior to 1 April 2005 (or a later date as approved by the OAG) may be recorded at R1. Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment. Subsequent expenditure of a capital nature forms part of the cost of the existing asset when ready for use.
14.	Provisions and Contingents
14.1	Provisions Provisions are recorded in the notes to the financial statements when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the obligation can be made. The provision is measured as the best estimate of the funds required to settle the present obligation at the reporting date.
14.2	Contingent liabilities Contingent liabilities are recorded in the notes to the financial statements when there is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Department or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

14.3	Contingent assets Contingent assets are recorded in the notes to the financial statements when a possible asset arises from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Department.
14.4	Capital commitments Capital commitments are recorded at cost in the notes to the financial statements.
15.	Unauthorised expenditure Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either: • approved by the Provincial Legislature with funding and the related funds are received; or • approved by the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or • transferred to receivables for recovery. Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.
16.	Fruitless and wasteful expenditure Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred. Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables or written off. Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.
17.	Irregular expenditure Irregular expenditure is recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefor are provided in the note. Irregular expenditure is reduced from the note when it is either condoned by the relevant authority, transferred to receivables for recovery, not condoned and removed or written-off. Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

18.	Changes in accounting estimates and errors Changes in accounting estimates are applied prospectively in accordance with MCS requirements. Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.				
19.	Events after the reporting date Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the financial statements.				
20.	Principal-Agent arrangements The Department is party to a principal-agent arrangement with the Housing Development Agency who is listed in the PFMA as an Entity to the Department of Human Settlements for the following: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; width: 50%;">Agent</th><th style="text-align: center; width: 50%;">Responsibility</th></tr> </thead> <tbody> <tr> <td style="text-align: center; vertical-align: top;">Housing Development Agency (HDA)</td><td style="text-align: left; vertical-align: top;">HDA was appointed for the implementation of approved Catalytic Projects, Informal Settlements upgrading programmes, Accreditation support and Land Acquisition in the Free State.</td></tr> </tbody> </table> In terms of the arrangement the Department is the principal and is responsible for the significant Terms and Conditions of the transactions and the Department is also exposed to the variability of the outcome of the transaction. All related revenues, expenditures, assets and liabilities have been recognised or recorded in terms of the relevant policies listed herein. Additional disclosures have been provided in the notes to the financial statements where appropriate.	Agent	Responsibility	Housing Development Agency (HDA)	HDA was appointed for the implementation of approved Catalytic Projects, Informal Settlements upgrading programmes, Accreditation support and Land Acquisition in the Free State.
Agent	Responsibility				
Housing Development Agency (HDA)	HDA was appointed for the implementation of approved Catalytic Projects, Informal Settlements upgrading programmes, Accreditation support and Land Acquisition in the Free State.				
21.	Departures from the MCS requirements Management has concluded that the financial statements is present fairly and that the Department's primary and secondary information are correct therefore the Department complied with the MCS Standards.				
22.	Recoverable revenue Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.				

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022

23.	Related party transactions Related party transactions within the MEC's portfolio are recorded in the notes to the financial statements when the transaction is not at arm's length. The number of individuals and the full compensation of key management personnel is recorded in the notes to the financial statements.
24.	Inventories <i>(Effective from date determined in a Treasury Instruction)</i> At the date of acquisition, inventories are recognised at cost in the statement of financial performance. Where inventories are acquired as part of a non-exchange transaction, the inventories are measured at fair value as at the date of acquisition. Inventories are subsequently measured at the lower of cost and net realisable value or were intended for distribution (or consumed in the production of goods for distribution) at no or a nominal charge, the lower of cost and current replacement value. The cost of inventories is assigned by using the weighted average cost basis.
25.	Employee benefits The value of each major class of employee benefit obligation (accruals, payables not recognised and provisions) is disclosed in the Employee benefits note.

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

1. Annual Appropriation

1.1 Annual Appropriation

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

	Final Appropriation	2021/22 Actual Funds Received	Funds not requested /not received	Final Appropriation	2020/21 Appropriation received	Funds not requested /not received
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	141 084	141 084	-	130 317	130 317	-
Housing Needs, Research and Planning	19 145	19 145	-	18 655	18 655	-
Housing Development	1 117 210	1 113 086	4 124	865 345	865 345	-
Housing Assets Management Property Management	1 471	1 471	-	1 403	1 403	-
Total	1 278 910	1 274 786	4 124	1 015 720	1 015 720	-

Funds are allocated by Provincial Treasury in terms of the monthly cash flow projections therefore, the Department does not receive the full allocation at once in the Departmental PMG account. At the end of each financial year Provincial Treasury transfers all outstanding funds into the Departments PMG account. However, for the 2021/2022 financial year an amount of R4.124 million was not transferred since it was not received from the National Department of Human Settlements. The amount relates to the Provincial Emergency Housing Grant.

1.2 Conditional grants

	Note	2021/22 R'000	2020/21 R'000
Total grants received	32	1 029 840	763 105
Provincial grants included in Total Grants received		1 029 840	763 105

It must be noted that an amount of R4.124 million that relates to the Provincial Emergency Housing Grant was not transferred since it was not received from the National Department of Human Settlements.

2. Departmental revenue

	Note	2021/22 R'000	2020/21 R'000
Sales of goods and services other than capital assets	2.1	333	142
Interest, dividends and rent on land	2.2	2	5
Sales of capital assets	2.3	2	-
Transactions in financial assets and liabilities	2.4	163	52 797
Total revenue collected		500	52 944
Less: Own revenue included in appropriation	14	500	31 433
Departmental revenue collected		-	21 511

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

2.1 Sales of goods and services other than capital assets

	Note 2	2021/22 R'000	2020/21 R'000
Sales of goods and services produced by the dept		333	142
Other sales		333	142
Total		333	142

The amount of R333' for the sale of Goods and Services was made up by the selling of Tender Documents, Assets less than five thousand rand and for the administration of Garnishee orders and policy deductions.

2.2 Interest, dividends and rent on land

	Note 2	2021/22 R'000	2020/21 R'000
Interest		2	5
Total		2	5

An amount of R2' earned for interest relates to bursary staff debts that are interest bearing.

2.3 Sale of capital assets

	Note 2	2021/22 R'000	2020/21 R'000
Tangible assets		2	-
Machinery and equipment	27	2	-
Total		2	-

2.4 Transactions in financial assets and liabilities

	Note 2	2021/22 R'000	2020/21 R'000
Receivables		135	122
Other Receipts including Recoverable Revenue		28	52 675
Total		163	52 797

The amount of R163' relates to the recovery of debt.

2.5 Donations received in-kind (not included in the main note)

	2021/22 R'000	2020/21 R'000
<i>List in-kind donations received</i>		
Bar soap (Dettol, Protex, Lifebuoy or similar)	-	150
Mask - (Surgical) (50 per box)	-	37
Hand sanitisers 1L	-	2 143
Mask 3 ply	-	69
Hand sanitisers (500ml pump spout)	-	9
Hand sanitisers (5L)	-	10
Visor/ face shield	-	27
Cloth Masks	-	20
Digital Thermometer	-	20
	-	2 485

The above relates to Protective Personnel Equipment (PPE) received by the Department in kind as part of the Covid-19 pandemic rescue from Provincial Treasury in 2020/21 financial year. No donations were received during the current financial year of 2021/2022.

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

3. Compensation of employees

3.1 Salaries and Wages

	2021/22 R'000	2020/21 R'000
Basic salary	135 689	136 032
Performance award	1 175	1 318
Service Based	157	117
Compensative/circumstantial	1 352	1 697
Other non-pensionable allowances	35 133	28 830
Total	173 506	167 994

3.2 Social contributions

	2021/22 R'000	2020/21 R'000
Employer contributions		
Pension	17 271	16 843
Medical	9 070	8 137
Bargaining council	44	36
Total	26 385	25 016
Total compensation of employees	199 891	193 010
Average number of employees	404	420

4. Goods and services

	Note	2021/22 R'000	2020/21 R'000
Administrative fees		203	91
Advertising		288	-
Minor assets	4.1	114	93
Bursaries (employees)		743	407
Catering		177	135
Communication		721	837
Computer services	4.2	6 024	2 966
Consultants: Business and advisory services		5 741	24 083
Legal services		2 336	2 560
Contractors		164	125
Agency and support / outsourced services		7 434	5 175
Entertainment		3	2
Audit cost – external	4.3	10 252	8 654
Fleet services		2 025	1 774
Consumables	4.4	1 362	493
Operating leases		3 860	4 058
Property payments	4.5	657	76
Travel and subsistence	4.6	3 442	3 004
Venues and facilities		74	-
Training and development		602	354
Other operating expenditure	4.7	1 301	1 262
Total		47 523	56 149

4.1 Minor assets

Note	2021/22 R'000	2020/21 R'000
4		

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	Tangible assets			
	Machinery and equipment		114	93
	Total		114	93
4.2	Computer services			
		<i>Note</i>	2021/22	2020/21
		<i>4</i>	R'000	R'000
	SITA computer services		2 533	2 966
	External computer service providers		3 491	-
	Total		6 024	2 966
The amount of R2 533' for SITA Computer Services relates to the payment of SITA for the provision of Network and e-mail services to the Department. The amount of R3 491' for External Computer Service Providers relates to the payment of Microsoft for the renewal of licences in terms of the Enterprise Licence agreement the Department is having with Microsoft.				
4.3	Audit cost – External			
		<i>Note</i>	2021/22	2020/21
		<i>4</i>	R'000	R'000
	Regularity audit		10 252	8 654
	Total		10 252	8 654
4.4	Consumables			
		<i>Note</i>	2021/22	2020/21
		<i>4</i>	R'000	R'000
	Consumable supplies		234	137
	Uniforms and clothing		30	-
	Household supplies		121	96
	Building material and supplies		14	14
	IT consumables		44	7
	Other consumables		25	20
	Stationery, printing and office supplies		1 128	356
	Total		1 362	493
4.5	Property payments			
		<i>Note</i>	2021/22	2020/21
		<i>4</i>	R'000	R'000
	Municipal services		287	38
	Other		370	38
	Total		657	76
4.6	Travel and subsistence			
		<i>Note</i>	2021/22	2020/21
		<i>4</i>	R'000	R'000
	Local		3 442	2 888
	Foreign		-	116
	Total		3 442	3 004
4.7	Other operating expenditure			
		<i>Note</i>	2021/22	2020/21
		<i>4</i>	R'000	R'000

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Professional bodies, membership and subscription fees	4	26
Resettlement costs	65	284
Other	1 232	952
Total	1 301	1 262

The amount of R1.232 million for Other Operating Expenditure relates to payments for storage space, publication services for example the publication of tenders in the Tender Bulletin, Recruitment adverts, Township establishment etc.

4.8 Remuneration of members of a commission or committee (Included in Consultants: Business and advisory services)

		<i>Note</i> 5	2021/22 R'000	2020/21 R'000
Name of Commission / Committee	No. of members			
Audit Committee	3		80	167
Housing Tribunal Committee	5		373	1 143
Total			453	1 310

5. Interest and rent on land

	2021/22 R'000	2020/21 R'000
Interest paid	34	248
Total	34	248

6. Payments for financial assets

	<i>Note</i>	2021/22 R'000	2020/21 R'000
Debts written off	6.1	49	332
Total		49	332

6.1 Debts written off

	<i>Note</i> 6	2021/22 R'000	2020/21 R'000
Nature of debts written off			
<i>Recoverable revenue written off</i>			
Supplier Debt Written Off		-	49
Bursary Debt Written Off		-	9
Communication Debt Written Off		3	-
Losses Written Off		20	-
Total		23	58
<i>Other debt written Off</i>			
Staff Debt Written Off		26	33
Supplier Debt written Off		-	241
Total		26	274
Total debt written off		49	332

7. Transfers and subsidies

2021/22 2020/21

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		R'000	R'000
Households	Note Annexure 1A	989 677	729 569
Total		989 677	729 569

8. Expenditure for capital assets

	Note	2021/22 R'000	2020/21 R'000
Tangible assets		2 800	4 454
Machinery and equipment	27	2 800	4 454
Total		2 800	4 454

8.1 Analysis of funds utilised to acquire capital assets – 2021/22

	Voted funds R'000	Total R'000
Tangible assets	2 800	2 800
Machinery and equipment	2 800	2 800
Total	2 800	2 800

8.2 Analysis of funds utilised to acquire capital assets – 2020/21

	Voted funds R'000	Total R'000
Tangible assets	4 454	4 454
Machinery and equipment	4 454	4 454
Total	4 454	4 454

8.3 Finance lease expenditure included in Expenditure for capital assets

	2021/22 R'000	2020/21 R'000
Tangible assets		
Machinery and equipment	2 324	2 947
Total	2 324	2 947

9. Unauthorised expenditure

9.1 Reconciliation of unauthorised expenditure

	2021/22 R'000	2020/21 R'000
Opening balance	5 107	5 107
As restated	5 107	5 107
Closing balance	5 107	5 107
Analysis of closing balance		
Unauthorised expenditure awaiting authorisation	5 107	5 107
Total	5 107	5 107

9.2 Analysis of unauthorised expenditure awaiting authorisation per economic classification

2021/22	2020/21
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	R'000	R'000
Current	5 107	5 107
Total	5 107	5 107

9.3 Analysis of unauthorised expenditure awaiting authorisation per type

	2021/22 R'000	2020/21 R'000
Unauthorised expenditure relating to overspending of the vote or a main division within a vote	5 107	5 107
Total	5 107	5 107

10. Cash and cash equivalents

	2021/22 R'000	2020/21 R'000
Consolidated Paymaster General Account	26 544	23 762
Disbursements	50	-
Cash on hand	30	30
Total	26 624	23 792

There are no significant cash and cash equivalent balances held by the Department that are not available for use.

There are no undrawn borrowing facilities available for future operating activities or to settle capital commitments.

11. Receivables

		Current	2021/22 Non-current	Total		Current	2020/21 Non-current	Total
		R'000	R'000	R'000		R'000	R'000	R'000
	<i>Note</i>	0	0	0		0	0	0
Claims recoverable	11.1	555	-	555		555	-	555
Staff debt	11.2	335	149	484		479	-	479
Other receivables	11.3	6 509	-	6 509		6 509	-	6 509
Total		7 399	149	7 548		7 543	-	7 543

The amount of R149' for non-current receivables for Staff debt relates to the repayment for breach of contract whereby the Department had an agreement with the effected officials to pay off the debt in monthly instalments.

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11.1 Claims recoverable

	Note 11	2021/22 R'000	2020/21 R'000
Local governments		555	555
Total		555	555

Claims recoverable from Local Governments amounting to R555' relates to overdue amounts by Municipalities of which and amount of R496' is owed by Mangaung Metro, R34' by Matjhabeng Local Municipality and R25' is owed by Moqhaka Local Municipality. The amount is still due as of 31 March 2022.

11.2 Staff debt

	Note 11	2021/22 R'000	2020/21 R'000
Salary Overpayments (Employees)		10	10
Salary Overpayments (Ex-employees)		87	75
Communication Debt (Employees)		162	202
Loss Control (Employees)		23	43
Loss Control (Ex-employees)		15	15
Breach of Contract (Employees)		141	90
Breach of Contract (Ex-employees)		46	44
Total		484	479

11.3 Other receivables

	Note 11	2021/22 R'000	2020/21 R'000
Supplier Debt		6 509	6 509
Total		6 509	5 509

11.4 Impairment of receivables

	2021/22 R'000	2020/21 R'000
Estimate of impairment of receivables	7 390	7 364
Total	7 390	7 364

Impairment of receivables are all Receivables (Debt and Inter Departmental Claims) older than 3 years as follows.

Debt R6 835' , Claims R 554

12.Voted funds to be surrendered to the Revenue Fund

	2021/22 R'000	2020/21 R'000
Opening balance	31 958	60 533
Prior period error	-	-
As restated	31 958	60 533
Transfer from statement of financial performance (as restated)	38 936	31 958
Voted funds not requested/not received	(4 124)	-
Paid during the year	(31 958)	(60 533)
Closing balance	34 812	31 958

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13. Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund

	2021/22 R'000	2020/21 R'000
Opening balance	60	12
Prior period error	-	-
As restated	60	12
Transfer from Statement of Financial Performance (as restated)	-	21 511
Own revenue included in appropriation	500	31 433
Paid during the year	(545)	(52 896)
Closing balance	15	60

14. Payables – current

	Note	2021/22 R'000	2020/21 R'000
Other payables	14.1	1 608	1 608
Total		1 608	1 608

14.1 Other payables

	Note	2021/22 R'000	2020/21 R'000
Trading Account Asset and Liabilities – Housing Fund	14	1 608	1 608
Total		1 608	1 608

Other payables relate to the Housing Fund (Trading Entity) balances owed by the Department to the Entity which is payable upon the Entity winding up.

15. Net cash flow available from operating activities

	2021/22 R'000	2020/21 R'000
Net surplus/(deficit) as per Statement of Financial Performance	38 936	53 469
Add back non-cash/cash movements not deemed operating activities	(33 185)	(77 300)
(Increase)/decrease in receivables	144	242
Proceeds from sale of capital assets	(2)	-
Expenditure on capital assets	2 800	4 454
Surrenders to Revenue Fund	(32 503)	(113 429)
Voted funds not requested/not received	(4 124)	-
Own revenue included in appropriation	500	31 433
Net cash flow generated by operating activities	5 751	(23 831)

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16.Reconciliation of cash and cash equivalents for cash flow purposes

	2021/22 R'000	2020/21 R'000
Consolidated Paymaster General account	26 544	23 762
Disbursements	50	-
Cash on hand	30	30
Total	26 624	23 792

17.Contingent liabilities and contingent assets

17.1 Contingent liabilities

	Note	2021/22 R'000	2020/21 R'000
Liabe to Nature			
Claims against the Department	Annex 2	62 728	64 856
Total		62 728	64 856

Contingent liabilities relate to claims instituted against the Department. The amount and timing of potential payments in relation to these claims are contingent upon the Court's ruling for each of the cases. Therefore, the possibility of payment will only be certain upon the completion of the Court Cases.

17.2 Contingent assets

	2021/22 R'000	2020/21 R'000
Nature of contingent asset		
Trading Account Asset and Liability – Housing Fund	20 166	19 505
Total	20 166	19 505

The Housing Fund falls under the administration of the Department of Human Settlements and shares the same Accounting Officer. Once the fund ceases to operate, there is a possibility that the bank balance will be surrendered to the Department.

18. Accruals and payables not recognised

18.1 Accruals

			2021/22 R'000	2020/21 R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	3 718	509	4 227	3 406
Transfers and subsidies	24 236	-	24 236	6 348
Total	27 954	509	28 463	9 754
Listed by programme level				
Administration			3 965	3 309
Housing Needs, Research and Planning			30	19
Housing Development			24 468	6 426
Total			28 463	9 754

Accruals relates to claims on Transfers and Subsidies for work that was performed, as well as Goods & Services delivered but not yet invoiced as at 31 March 2022.

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18.2 Payables not recognised

			2021/22 R'000	2020/21 R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	1 052	3 569	4 621	4 258
Transfers and subsidies	3 866	57 749	61 615	77 777
Capital assets	-	-	-	115
Total	4 918	61 318	66 237	82 150
			2021/22 R'000	2020/21 R'000
Listed by programme level				
Administration			4 571	4 362
Housing Needs, Research and Planning			1	4
Housing Development			61 665	77 784
Total			66 237	82 150
		<i>Note</i>	2021/22 R'000	2020/21 R'000
Included in the above totals are the following:				
Confirmed balances with other Departments		<i>Annex 4</i>	1 065	54
Confirmed balances with other government entities		<i>Annex 4</i>	534	528
Total			1 599	582

The confirmed balance of R1 065' relates to 9 Inter Departmental claims from the Department of the Premier, Public Works and Infrastructure and the Department of Justice and Constitutional Development. The amount of R534' refers to the Fleet Management account for the month of March 2022.

19. Employee benefits

	2021/22 R'000	2020/21 R'000
Leave entitlement	13 094	14 975
Service bonus	5 175	5 244
Performance awards	-	960
Capped leave	1 567	1 726
Other	127	185
Total	19 963	23 090

At this stage, the Department is not able to reliably measure the long-term portion of the long service awards. According to DPSA Circular No 1 of 2019 the percentage for the payment of Performance Awards for the 2021/2022 financial year is zero, therefore no projected figure for Performance Awards was disclosed.

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20. Lease commitments

20.1 Operating leases

	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
2021/22	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	1 209	1 209
Later than 1 year and not later than 5 years	-	-	-	659	659
Total lease commitments	-	-	-	1 868	1 868

	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
2020/21	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	1 540	1 540
Later than 1 year and not later than 5 years	-	-	-	463	463
Total lease commitments	-	-	-	2 003	2 003

Operating Leases consists of a Service Level Agreement with Fleet Management for the provision of 44 vehicles on a continuous basis.

20.2 Finance leases

	Specialise d military equipment	Land	Buildings and other fixed structure s	Machiner y and equipmen t	Total
2021/22	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	795	795
Later than 1 year and not later than 5 years	-	-	-	-	-
Total lease commitments	-	-	-	795	795

	Specialise d military equipment	Land	Buildings and other fixed structure s	Machiner y and equipmen t	Total
2020/21	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	2 340	2 340
Later than 1 year and not later than 5 years	-	-	-	841	841

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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Total lease commitments	-	-	-	3 181	3 181
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The Department has a total of 146 voice and data lines from Vodacom over a fixed term period of 24 months of which non has expired yet. The Department has 22 new photocopier contracts since the old contract with Alenti came to an end in June 2019. The calculations were based on the contract that was signed with the Service Provider through a transversal contract concluded by Provincial Treasury.

21. Accrued Departmental revenue

	<i>Note</i>	2021/22 R'000	2020/21 R'000
Transfers received	21.1	867 813	867 813
Total		867 813	867 813

The amount of R867 813' consist of an amount of R830 907' for Material Advance Payments and an amount of R36 906' for unspent funds by the Free State Development Corporation.

21.1 Analysis of accrued Departmental revenue

	<i>Note</i>	2021/22 R'000	2020/21 R'000
Opening balance	21	867 813	866 199
Add: amounts recorded		-	1 614
Closing balance		867 813	867 813

21.2 Impairment of accrued Departmental revenue

	2021/22 R'000	2020/21 R'000
Estimate of impairment of Accrued Departmental Revenue	88 174	88 174
Total	88 174	88 174

An amount of R88 174 million relates to IHC Building Supplies which are in the liquidation process.

22. Irregular expenditure

22.1 Reconciliation of irregular expenditure

	2021/22 R'000	2020/21 R'000
Opening balance	4 624 689	4 088 315
Prior period error	-	-
As restated	4 624 689	4 088 315
Add: Irregular expenditure – relating to prior year	1 247	81 449
Add: Irregular expenditure – relating to current year	525 669	454 925
Closing balance	5 151 605	4 624 689
Analysis of closing balance		
Current year	525 669	454 925
Prior years	4 625 936	4 169 764
Total	5 151 605	4 624 689

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22.2 Details of current and prior year irregular expenditure – added current year (under determination and investigation)

Incident	Disciplinary steps taken/criminal proceedings	2021/22 R'000
Conditional Grant Non-compliance to SCM processes	The Department is still investigating the cases.	523 062
Human Resources Non-compliance with HRM processes	The Department is still investigating the cases.	1 173
Supply Chain Management Non-compliance with SCM processes	The Department is still investigating the cases.	2 681
Total		526 916

22.4 Details of the non-compliance where an institution is involved in an inter-institutional arrangement

Incident	2021/22 R'000
Amount refers to Hillside View Mixed Housing Development as a result of Housing Development project between the Department and the Mangaung Metro Municipality (Kantha Developers).	8 147
Total	8 147

23. Fruitless and wasteful expenditure

23.1 Reconciliation of fruitless and wasteful expenditure

	2021/22 R'000	2020/21 R'000
Opening balance	60 689	54 869
As restated	60 689	54 869
Fruitless and wasteful expenditure – relating to prior year	9 256	3 883
Fruitless and wasteful expenditure – relating to current year	39 724	1 983
Less: Amounts written off	-	-1
Closing balance	109 669	60 689

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23.2 Details of current and prior year fruitless and wasteful expenditure – added current year (under determination and investigation)

Incident	Disciplinary steps taken/criminal proceedings	2021/22 R'000
Interest paid overdue accounts	The Department is still investigating the cases.	34
Possible overpayments	The Department is still investigating the cases.	9 256
Claims for houses not built	The Department is still investigating the cases.	120
COVID-19 extension of time claims	None, losses identified during the 2021/22 Audit Cycle	39 570
Total		48 80

23.3 Details of fruitless and wasteful expenditures under assessment (not included in the main note)

Incident	2021/22 R'000
Possible Retentions Overpayments	20
Total	20

**24. Related party transactions
Revenue received**

	2021/22 R'000	2020/21 R'000
Loans to /from related parties		
Interest bearing loans to/(from)	(1 608)	(1 608)
Total	(1 608)	(1 608)

	Note	2021/22 R'000	2020/21 R'000
Other			
List other contingent liabilities between department and related party			
Housing Fund		20 166	19 505
Total		20 166	19 505

The Housing Fund falls under the administration of the Department of Human Settlements and shares the same Accounting Officer. Once the Fund ceases to operate, there is a possibility that the bank balance will be surrendered to the Department. The amount disclosed represents possible amount payable to the Department and amount payable by the Department to the Fund upon the winding up of the Fund. In addition, the value of services provided to the Housing Fund by the Department of Human Settlements includes the usage of the BAS system as well as the use of services of the employees of the Department to administer the Fund. The value of these services cannot be reliably estimated. The Department of Human Settlements shared a MEC with the Department of Public Works and Infrastructure till February 2022 when the portfolio for Human Settlements was moved to the MEC for

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Cooperative Governance and Traditional Affairs. Transactions between the Departments occurs within a normal relationship on terms and conditions no more or less favourable than those applicable to other Departments.

25. Key management personnel

	No. of Individu als	2021/22 R'000	2020/21 R'000
Level 16	1	2 385	2 452
Level 15	1	1 701	1 639
Level 14	7	8 539	5 863
Family members of key management personnel	1	300	371
Total		12 925	10 325

Key Management Personnel are those members having the authority and responsibility for planning, directing and controlling the activities of the Department. The Department is of the opinion that all officials from level 14 to level 16 as well as acting officials in these positions have this authority. Disclosed in key management personnel is the remuneration of one official who is related to a key management official on level 14.

Also included in the calculations are 1 Level 13 who was acting on a Level 14 post without remuneration since the post is not vacant from 9 April 2021 till 12 October 2021 and another official who is still acting in a funded Level 14 position.

The Department is also sharing a Member of the Executive Council with the Department of Cooperative Governance and Traditional Affairs (COGTA). The remuneration of this member is being paid by COGTA but it still needs to be mentioned.

26. Provisions

	2021/22 R'000	2020/21 R'000
Provision on retention retained	73 223	72 854
Total	73 223	72 854

26.1 Reconciliation of movement in provisions – 2021/22

	Retention Fees R'000	Total Retention Fees R'000
Opening balance	72 855	72 855
Increase in provision	4 676	4 676
Settlement of provision	(4 308)	(4 308)
Closing balance	73 223	73 223

Reconciliation of movement in provisions – 2020/21

Retention Fees	Total Retention Fees
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	R'000	R'000
Opening balance	68 841	68 841
Increase in provision	6 179	6 179
Settlement of provision	(2 166)	(2 166)
Closing balance	72 854	72 854

- Retentions provision was estimated at 5% of payment milestone.
- All contracts as from 01 October 2010 to 31 March 2019 with a retention clause were used to determine retention provisions.
- The new contracts entered into from 2019/20 - 2021/22 no longer includes retention clause.
- The Department no longer retains 5% from the payment milestones.
- Retention is withheld on old contracts entered into and payments made prior to 2019/20 financial year.

The following payments were excluded from retention calculation:

- 2019/20 to 2020/21 Contracts will not have a retention clause
- No retention is withheld on retainable payment milestones from 2019/20 financial year.
- Infrastructure payments and Town Planning
- Payments made to Government Entities i.e. Free State Development Corporation, Free State Social Housing Company, Free State Department of Agriculture, Housing Development Agency,
- Retention Payment;
- Compensation of Employees;
- Community Residential Units;
- Social Housing;
- Title Deeds;
- Individual Subsidies;
- Hlano Individual Subsidies;
- Finance Linked Individual Subsidy Programme (FLISP);
- Consultants; and
- Material Suppliers

27. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2022

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing Balance R'000
MACHINERY AND EQUIPMENT	14 423	-	835	529	14 729
Computer equipment	7 551	-	360	198	7 713
Furniture and office equipment	6 545	-	475	294	6 727
Other machinery and equipment	327	-	-	38	289
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	14 423	-	835	529	14 729

On Computer Equipment an amount of R93' was added as additions from COGTA.

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On Furniture and Office Equipment an amount of R266' was added as additions received from COGTA as well as Provincial Treasury.

On Furniture and Office Equipment an amount of R213' was indicated as a disposal since it was transferred from HS to COGTA and to the Department of the Premier. An amount of R81' was disposed off. On Computer Equipment an amount R198' was indicated as disposals.

In the opening balance Asset Register for 31 March 2022 there was Assets to the value of R115' that does not belong there since it forms part of the additions. The Assets were received before year end but was only paid in the 2021/2022 financial year.

Movable Tangible Capital Assets under investigation

	Number	Value R'000
Included in the above total of the movable tangible capital assets per the asset register are assets that are under investigation:		
Machinery and equipment	21	342

The 21 major assets disclosed as assets under investigation were referred to Security and Anti-Corruption unit for further investigation; the cases were not yet concluded as of 31 March 2022.

27.1 Movement for 2020/21

**MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED
31 MARCH 2021**

	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	12 916	(115)	1 622	-	14 423
Computer equipment	6 105	-	1 446	-	7 551
Furniture and office equipment	6 490	(115)	170	-	6 545
Other machinery and equipment	321	-	6	-	327
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	12 916	(115)	1 622	-	14 423

27.1.1 Prior period error

	Note	2020/21 R'000
Nature of prior period error		
Relating to 2019/20 [affecting the opening balance]		(115)
Major Assets Furniture & Office Equipment		(115)
Total prior period errors		(115)

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

Minor assets

**MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT
31 MARCH 2022**

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Opening balance	-	56	-	3 996	-	4 052
Additions	-	-	-	587	-	587
Disposals	-	-	-	229	-	229
TOTAL MINOR ASSETS	-	56	-	4 354	-	4 410

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	-	-	-	64	-	64
Number of minor assets at cost	-	20	-	2 502	-	2 522
TOTAL NUMBER OF MINOR ASSETS	-	20	-	2 566	-	2 586

Minor Capital Assets under investigation

	Number	Value R'000
Included in the above total of the minor capital assets per the asset register are assets that are under investigation:		

Machinery and equipment	14	27
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Included in the Asset Register are 14 minor assets which are under investigation and have been referred to Security and Anti-Corruption and Security Management for further investigation, the cases were not yet concluded as of 31 March 2022.

Included in the Minor assets above are an amount of R474' for additions that were transferred from COGTA and Provincial Treasury to HS and R26' assets that were transferred from HS to COGTA and the Department of the Premier. Minor assets to the value of R203' were disposed of through normal departmental disposal processes.

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VOTE 13**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

Of the total number of 328 of Minor Assets that were transferred from COGTA and the Department of Treasury to HS, 8 Assets were valued a R1 and 320 Assets were at cost while 2 Assets with the value of R1' was transferred from HS to COGTA.

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2021

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Opening balance	-	56	-	3 903	-	3 959
Additions	-	-	-	93	-	93
TOTAL MINOR ASSETS	-	56	-	3 996	-	4 052

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	-	-	-	86	-	86
Number of minor assets at cost	-	20	-	2 275	-	2 295
TOTAL NUMBER OF MINOR ASSETS	-	20	-	2 361	-	2 381

28. Intangible Capital Assets

	Opening balance R'000	Additions R'000	Disposals R'000	Closing Balance R'000
SOFTWARE	4 689	-	-	4 689
PATENTS, LICENCES, COPYRIGHT, BRAND NAMES, TRADEMARKS	120	-	-	120
TOTAL INTANGIBLE CAPITAL ASSETS	4 809	-	-	4 809

Movement for 2020/21

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2021

	Opening balance	Prior perio	Additions	Disposal s	Closing Balance
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**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

	R'000	d error R'000	R'000	R'000	R'000
SOFTWARE	4 689	-	-	-	4 689
PATENTS, LICENCES, COPYRIGHT, BRAND NAMES, TRADEMARKS	120	-	-	-	120
TOTAL INTANGIBLE CAPITAL ASSETS	4 809	-	-	-	4 809

29. Principal-agent arrangements
Department acting as the principal

	2021/22 R'000	2020/21 R'000
Housing Development Agency (HDA)	213 167	234 787
Total	213 167	234 787

The Housing Development Agency (HDA) was appointed by the Department for the implementation of approved Catalytic projects, Informal Settlements upgrading programmes, Accreditation support and Land Acquisition in Free State.

The HDA had unspent funds amounting to R213 167 million (2021/22) and R234 787 million (2020/21).

Of the total amount transferred by the Department to HDA, an amount of R12 481 million (2020/21) and R14 721 million (2021/22) was spent on Management Fees.

As at 31 March 2022 there was no indication of terminating the principal-arrangement.

30. Prior period errors
Correction of prior period errors

	Note	Amount bef error correction 2020/21 R'000	Prior period error 2020/21 R'000	Restated Amount 2020/21 R'000
Assets:				
Note 17.1: Increase in Contingent Liabilities	17.1	61 948	2 908	64 856
Note 29.1: Increase in the closing balance of HDA	29	155 340	79 447	234 787
Net effect		217 288	82 355	299 643

Contingent Liabilities were restated due to the fact that 2 cases to the value of R2 908' were reported only in the 2021/2022 financial year, however due to the fact that stamps of the Court on the summonses is before the end of March 2021, the amounts were adjusted retrospectively.

The note on Principal Agents was restated due to the fact that there was a Land Purchase transaction to the amount of R79 447 million that was concluded on in March 2021 but only transacted in the 2021/2022 financial year.

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

	<i>Note</i>	Amount bef error correction 2020/21 R'000	Prior period error 2020/21 R'000	Restated Amount t 2020/21 R'000
Liabilities:				
Note 18.1: Decrease in Accruals	18.1	10 078	(324)	9 754
Note 18.2: Increase in Payables	18.2	59 739	22 411	82 150
Note 26: Increase in Provisions	26	23 956	48 898	72 854
Net effect		93 773	70 985	164 758

Increase in payables is as a result of a recalculation of retention provisions and payables that was performed to address 2020/2021 misstatements identified by AGSA. Identified retention provisions and payables were adjusted retrospectively.

Accruals were also restated due to a claim from a supplier that was paid in the prior year.

31. Going Concern

Management has done an assessment of the Department's ability to continue as a going concern. In doing so, the short- and medium-term economic environment was taken into consideration. The cumulative financial implication of, Note 27.1 (Accruals) R28 463 million, Note 27.2 (Payables not recognised) R66 237 million, Note 11 (Unauthorised expenditure – overspending of the budget) R5 107 million, which will become a charge against the vote during the 2022/23 financial year should it not be approved with funding by the Legislature.

In addition to the above the Department also has pending legal proceedings amounting to R62 728 million, which the Department will struggle to settle should the claims be successful and given its financial position. The above indicated that there is a material uncertainty and, therefore, the Department may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Department does not have inventory except for housing units built with the purpose of transfers to beneficiaries at no cost. The Department does not consider the houses as assets as they are built for purposes of transfer to beneficiaries. The remaining houses not yet transferred are disclosed as Inventory as required by MCS standards as an annexure to the Annual Financial Statements (AFS), thus inventory does not form part of AFS primary disclosure note.

Additional Note on existence of COVID-19.

Management has considered existence of COVID-19 however, does not expect it to have a significant impact on the Department. Management has determined that there is no material uncertainty that casts doubt on the Department's ability to continue as going concern. With all the above taken into consideration, the Department's Annual Financial Statements have been presented on a going concern basis.

32. STATEMENT OF CONDITIONAL GRANTS RECEIVED

NAME OF GRANT	GRANT ALLOCATION					SPENT				2020/21	
	Division of Revenue Act/ Provincial Grants	Roll Overs	DORA adjustments	Other Adjustments	Total Available	Amount received by department	Amount spent by department	Under / (Overspending)	% of available funds spent by department	Division of Revenue Act	Amount spent by Department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Human Settlements Development Grant (HSDG)	786 254	22 036	-	-	808 290	808 290	781 650	26 640	97%	749 981	726 099
Expanded Public Works Programme (EPWP)	2 152	-	-	-	2 152	2 152	2 102	50	98%	2 000	2 000
Informal Settlements Upgrade Programme (ISUP)	228 001	-	(20 000)	-	208 001	208 001	207 695	306	100%	-	-
Provincial Emergency Housing Grant (PEHG)	10 375	-	-	-	10 375	6 251	-	10 375	0%	-	-
Title Deed Restoration Grant (TDRG)	-	5 146	-	-	5 146	5 146	5 146	-	100%	11 124	5 978
TOTAL	1 026 782	27 182	(20 000)	-	1 033 964	1 029 840	996 593	37 371		763 105	734 077

An amount of R4.124 million relating to the Provincial Emergency Housing Grant was not transferred since it was not received from the National Department of Human Settlements.

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

33. COVID 19 Response Expenditure

	<i>Note</i> <i>Annexure</i> 7	2021/22 R'000	2020/21 R'000
Goods and Services		13	43
Transfers and Subsidies		-	12 611
Total		13	12 654

The amount of 'R13 for Goods and Services was spent on Departmental Personal Protective Equipment (PPE) such as Masks, sanitizers and vitamin supplements for officials who were infected with COVID 19.

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

**ANNEXURE 1A
STATEMENT OF TRANSFERS TO HOUSEHOLDS**

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2020/21
	Adjusted Appropriation Act	Roll Overs	Adjust -ments	Total Available	Actual Transfer	% of Available funds Transferred	Final Appropriation
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
H/H Empl S/Ben Leave Gratuity	232	-	-	232	477	206%	604
H/H Donations and Gift (Cash)	-	-	-	-	2	-	-
H/H Claims Against State (Cash)	-	-	-	-	-	-	405
Individual Support (Housing)	112 823	-	13 782	126 605	123 261	97%	265 396
Institutional Support (Housing)	101 539	-	(16 465)	85 074	85 073	100%	111 175
Peoples Housing Process (Housing)	30 403	-	(18 131)	12 272	12 116	99%	11 594
Project Linked Support (Housing)	538 514	-	39 337	577 851	559 212	97%	195 858
Upgrading Informal Settlements	208 001	-	4 198	212 199	207 695	98%	173 091
Emergency Housing Assistance	15 538	-	(3 321)	12 217	1 841	15%	72
TOTAL	1 007 050	-	19 400	1 026 450	989 677	96%	758 195

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

ANNEXURE 1B

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2021/22	2020/21
		R'000	R'000
Received in kind			
Provincial Treasury	Bar soap (Dettol, Protex, Lifebuoy or similar)	-	150
	Mask - (Surgical) (50 per box)	-	37
	Hand sanitisers 1L	-	2 143
	Mask 3 ply	-	69
	Hand sanitisers (500ml pump spout) Hand sanitisers (5L)	-	9
	Hand sanitisers (5L)	-	10
	Visor/ face shield	-	27
	Cloth Masks	-	20
	Digital Thermometer	-	20
TOTAL		-	2 485

The above relates to Protective Personnel Equipment (PPE) received by the Department in kind as part of the Covid-19 pandemic response from Provincial Treasury in 2020/2021 financial year. No donations were received during the current financial year of 2021/2022.

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

**ANNEXURE 1C
STATEMENT OF ACTUAL MONTHLY EXPENDITURE PER GRANT**

	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sept 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Total
Grant Type	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Human Settlements Development Grant (HSDG)	34	27 980	49 865	105 466	47 943	104 262	56 085	33 964	29 310	19 797	38 433	268 511	781 650
Expanded Public Works Programme (EPWP)	-	-	-	100	250	150	-	-	38	-	-	1 564	2 102
Informal Settlements Upgrade Programme (ISUP)	-	6 947	6 589	5 495	4 030	8 472	2 629	9 089	71 558	8 039	5 806	79 041	207 695
Title Deed Restoration Grant (TDRG)	-	-	-	-	-	-	-	-	-	-	-	5 146	5 146
TOTAL	34	34 927	56 454	111 061	52 223	112 884	58 714	43 053	100 906	27 836	44 239	354 262	996 593

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

**ANNEXURE 2
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2022**

	Opening Balance 1 April 2021	Liabilities incurred during the year	Liabilities paid/cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2022
Nature of Liability	R'000	R'000	R'000	R'000	R'000
Claims against the Department					
BLACKHEAD CONSULTING	25 000	-	-	-	25 000
Investigation into allegation of maladministration regarding the awarding of the tender for eradication of asbestos roofs in the Free State.					
INZUZO TRADING 509 CC/DEPT HS	32 743	-	-	-	32 743
An application wherein the applicant is requesting the court to order the Department to pay for losses in income due to termination of construction contracts as at 31 March 2016.					
CEM BRICK MANUFACTURERS CC/HOD HS and ZIMVO TRADING	1 756	-	(1 756)	-	-
The plaintiff is suing the Department and the Contractor jointly and severally the one to pay the other to be absolved. The claim is based on a material cession agreement that was entered into between the Contractor and the Plaintiff. The Plaintiff is alleging that the Department failed to pay the cession agreement in full.					
VISIBLE SPEED T/A APOLO CONSTRUCTION and MEC COGTA/HS	2 399	-	-	-	2 399
Breach of contract by the defendant, by not allowing the Plaintiff to complete the projects they were appointed for 106 units in Hennenman and 100 units in Ventersburg.					

ANNEXURE 2

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2022

	Opening Balance 1 April 2021	Liabilities incurred during the year	Liabilities paid/cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2022
Nature of Liability	R'000	R'000	R'000	R'000	R'000
EMENDO INC/MEC HUMAN SETTLEMENTS	1 182	-	-	-	1 182
The Plaintiff instituted legal action against the Department for payment of R1 182 277.11 for professional services rendered by the plaintiff in Vogelfontein (Baken Park Ext 5-7).					
LEKTRATEK WATER TECHNOLOGY	1 726	-	(1 726)	-	-
The Department entered into an agreement with Sedtrade for the construction of internal sewer network and pump-station in Monyakeng. Sedtrade subsequently subcontracted the Plaintiff to install mechanical and electrical equipment. A cession agreement was entered into between Sedtrade and the Plaintiff and the Department. The Plaintiff is suing the Department for an unpaid invoice submitted for work allegedly done in terms of the agreements referred to above.					
ALETTA LOUISE LOTTER	50	-	(50)	-	-
The plaintiff and the 2 nd Defendant were involved in a motor collision in October 2017. The 2 nd defendant is a Cuban official whose contract was terminated in January 2016. Plaintiff alleges that the 2 nd defendant was acting in her employment capacity when the accident occurred. The Department is defending the proceedings as the 2 nd defendant is not an employee of the Department as her contract was terminated nor was, she authorized to drive the government vehicle.					

ANNEXURE 2

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2022

	Opening Balance 1 April 2021	Liabilities incurred during the year	Liabilities paid/cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2022
Nature of Liability	R'000	R'000	R'000	R'000	R'000
WOLSTRAAT PROPERTIES	-	1 404	-	-	1 404
During or about 2006 and 2007 the Plaintiff purchased numerous residential properties situated in Meloding, Thabong and Kutlwanong in the Free State Province which previously belonged to an entity which conducted mining activities and which were repossessed by a commercial bank. The said properties were occupied by workers who had previously worked for the mine in question. The Department failed to pay the purchase price of the properties to the Plaintiff.					
TOTAL	64 856	1 404	(3 532)		62 728

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

**ANNEXURE 3
CLAIMS RECOVERABLE**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year end 2021/22 *	
							Receipt date up to six (6) working days after year end	Amount
	31/03/2022 R'000	31/03/2021 R'000	31/03/2022 R'000	31/03/2021 R'000	31/03/2022 R'000	31/03/2021 R'000		R'000
Other Government Entities								
Mangaung Furn Serv	-	-	265	265	265	265	-	-
Mangaung Bomme Construction	-	-	230	230	230	230	-	-
Matjhabeng Municipality	-	-	34	34	34	34	-	-
Moqhaka Municipality	-	-	26	26	26	26	-	-
TOTAL	-	-	555	555	555	555	-	-

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

**ANNEXURE 4
INTER-GOVERNMENT PAYABLES**

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL		Cash in transit at year end 2021/22 *	
							Payment date up to six (6) working days before year end	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021		Amount
	R'000	R'000	R'000	R'000	R'000	R'000		R'000
DEPARTMENTS								
Current								
Department of the Premier	247	54	-	-	247	54	-	-
Department of Justice	809	-	-	706	809	706	-	-
Department of Public Works and Infrastructure	9	-	-	-	9	-	-	-
Subtotal	1 065	54	-	706	1 065	760	-	-
OTHER GOVERNMENT ENTITY								
Current								
Fleet Management	534	528	-	-	534	528	-	-
Subtotal	534	528	-	-	534	528	-	-
TOTAL INTERGOVERNMENT PAYABLES	1 599	582	-	706	1 599	1 288	-	-

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

**ANNEXURE 5
INVENTORIES**

Inventories for the year ended 31 March 2022

Opening balance
Add/(Less): Additions/Purchases – Cash
(Less): Issues
Closing balance

Housing Units	TOTAL
R'000	R'000
617 667	617 667
82 034	82 034
(209 612)	(209 612)
490 089	490 089

Inventory relates to housing units built and completed by the Department for issue to approved beneficiaries. At the end of the financial year, there were 2 221 housing units to the value of R 699 million completed. The number of housing units issued out was 1 705. At the end of the financial year, the Department had 516 housing units completed but not yet issued to the value of R490 million.

Inventories for the year ended 31 March 2021

Opening Balance
Add: Additions/Purchases – Cash
(Less): Issues
Closing balance

Housing Units	TOTAL
R'000	R'000
525 548	525 548
179 666	179 666
(87 547)	(87 547)
617 667	617 667

Inventory relates to housing units built and completed by the Department for issue to approved beneficiaries. At the end of the financial year, there were 1 674 housing units to the value of R 618 million completed but not yet issued to beneficiaries.

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2022**

ANNEXURE 6

DEPARTMENT OF HUMAN SETTLEMENTS HOUSING RELATED EXPENDITURE CLASSIFICATION

	2021/22	2020/21
	R'000	R'000
Transfers and subsidies		
Households (HH)	989 677	729 570
TOTAL	989 677	729 570

ANNEXURE 7
COVID 19 RESPONSE EXPENDITURE
Per quarter and in total

Expenditure per economic classification	2021/22					2020/21
	Q1	Q2	Q3	Q4	Total	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Goods and services						43
Consumable Supplies	3	5	5	-	13	43
Transfers and subsidies						12 611
H/H Other Transfers (cash)	-	-	-	-	-	12 611
TOTAL COVID 19 RESPONSE EXPENDITURE	3	5	5	-	13	12 654

Report of the auditor-general to the Free State Provincial Legislature on the Free State Housing Fund

Report on the audit of the financial statements

Opinion

- 1) I have audited the financial statements of the Free State Housing Fund set out on pages 197 to 203, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
- 2) In my opinion, the financial statements present fairly, in all material respects, the financial position of the Free State Housing Fund as at 31 March 2022 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Public Finance Management Act No 1 of 1999 (PFMA).

Basis for the opinion

- 3) I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
- 4) I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code), as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- 5) I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty related to going concern

- 6) I draw attention to the matter below. My opinion is not modified in respect of this matter.
- 7) As disclosed in note 12 to the financial statements, management indicated that they intend to close the public entity during the next financial year. These events or conditions, along with other matters set forth in note 12, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern.

Emphasis of matter

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

Related parties

- 9) As disclosed in note 8 to the financial statements, the public entity's management decisions are controlled by the Free State Department of Human Settlements.

Responsibilities of the accounting officer responsible for the financial statements

- 10) The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 11) In preparing the financial statements, the accounting officer is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the dormant entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

- 12) My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- 13) A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Performance information reporting

- 14) As the public entity was dormant for the year under review, no work was performed on the audit of performance information.

Audit of compliance with legislation

- 15) As the public entity was dormant for the year under review, no work was performed on the audit of compliance with legislation.

Other information

- 16) The public entity's accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.
- 17) My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
- 18) In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 19) I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I concluded that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the

other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

20) I considered internal control relevant to my audit of the financial statements; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor-General

31 July 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure: Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements.

Financial statements

- 21) In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Free State Housing Fund to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

- 22) I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- 23) I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

FREE STATE HOUSING FUND
ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

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FREE STATE HOUSING FUND

ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

GENERAL INFORMATION

Acting Accounting Officer:	Advocate T. Tsuaeli
Registered office:	OR Tambo House Cnr St Andrews and Markgraaf Street Bloemfontein 9301
Business address:	OR Tambo House Cnr St Andrews and Markgraaf Street Bloemfontein 9301
Postal address:	Private Bag 247 Bloemfontein 9300
Domicile and legal form:	The Fund is domiciled in Bloemfontein within the Free State Province, South Africa. The Fund is an entity falling under the administration of the Free State Department of Human Settlements.
Jurisdiction:	The Fund falls within the jurisdiction of the Republic of South Africa.
Banker:	Standard Bank of South Africa
Auditor:	Auditor-General
Nature of business:	The provision of low cost housing in the Free State in terms of the National Housing Act of 1999.
Level of assurance:	These draft annual financial statements have been prepared in accordance with Generally Recognised Accounting Practices in order to provide users thereof with relevant and accurate economic information regarding the Fund for the period ended 31 March 2022.
Preparer:	The Annual Financial Statements were compiled by the Department of Human Settlements.
Supervised by:	The Annual Financial Statements are under the direction and supervision of Advocate T. Tsuaeli, the Acting Head of the Department of Human Settlements.

FREE STATE HOUSING FUND

REPORT OF THE ACCOUNTING OFFICER FOR THE PERIOD ENDED 31 MARCH 2022

The Accounting Officer submits his report for the period ended 31 March 2022:

1. Review of activities

Main business and operations

The Fund is established for the provision of low cost housing in the Free State in terms of the National Housing Act of 1999.

The operating results and state of affairs of the Fund are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

2. Basis of preparation

It is the intention of the Accounting officer to close the Fund and therefore the Fund is no longer a going concern as management intends to liquidate the Fund or to cease operations. GRAP 1 – Presentation of Financial Statements requires that the financial statements should not be prepared on a going concern basis if management intends to liquidate the Fund or to cease trading. In view of this the carrying value of the assets, which were determined in accordance with the going concern basis, have been reviewed for possible impairment and changes which have occurred since the year end and consideration has been given as to whether any additional provisions are necessary as a result of the decision to cease operations.

3. Events after the reporting period

The Accounting Officer is not aware of any matters or circumstances arising since the end of the financial year.

4. Auditor

The Auditor-General South Africa will audit the Fund as prescribed.

5. Compilation of annual financial statements

The compiler was responsible for the preparation of the Annual Financial Statements. Management is responsible for these Annual Financial Statements.

FREE STATE HOUSING FUND

REPORT OF THE ACCOUNTING OFFICER FOR THE PERIOD ENDED 31 MARCH 2022

The state of the Fund's affairs, its performance and cash flow for the year under review is properly disclosed in the enclosed financial statements. The Financial Statements state the affairs, performance, and cash flow for the individual fund.

FREE STATE HOUSING FUND

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL STATEMENT FOR THE PERIOD ENDED 31 MARCH 2022

The Accounting Officer of the Fund is required in terms of the Public Finance Management Act No, 1 of 1999 (PFMA) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognised Accounting Practices. The external auditors are engaged to express an independent opinion on the annual financial statements.

The Annual Financial Statements are prepared in accordance with Generally Recognised Accounting Practices and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Fund and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, standards for internal control have been set aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the fund and all employees are required to maintain the highest ethical standards in ensuring the fund's operations are conducted in a manner that in all reasonable circumstances is above reproach. While operating risk cannot be fully eliminated, the fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the fund's annual financial statements.

FREE STATE HOUSING FUND

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022

	<u>Notes</u>	<u>2021/22</u> <u>R'000</u>	<u>2020/21</u> <u>R'000</u>
ASSETS			
Current assets			
Trade and other receivables from exchange transactions	2	65	54
Trade and other receivables from non-exchange transactions	3	1 608	1 608
Cash and cash equivalents	1	20 166	19 505
Inventory	4	414	414
TOTAL ASSETS		<u>22 254</u>	<u>21 581</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated surplus	11	22 222	21 549
Current liabilities			
Trade and other payables	10	32	32
TOTAL EQUITY AND LIABILITIES		<u>22 254</u>	<u>21 581</u>

FREE STATE HOUSING FUND
STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 MARCH 2022

	<u>Notes</u>	<u>2021/22</u> <u>R'000</u>	<u>2020/21</u> <u>R'000</u>
REVENUE FROM EXCHANGE TRANSACTIONS :			
Interest earned	9	673	660
TOTAL REVENUE		673	660
SURPLUS / (DEFICIT) FOR THE PERIOD		673	660

FREE STATE HOUSING FUND
STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31 MARCH 2022

	<u>Note</u>	<u>Accumulated Surplus Total R'000</u>
BALANCE AT 31 MARCH 2019		19 776
Surplus / (Deficit) for the period		1 145
BALANCE FOR THE YEAR ENDED 31 MARCH 2020		20 921
Correction prior period error	11	(32)
Surplus / (Deficit) for the period		660
RESTATED BALANCE FOR THE YEAR ENDED 31 MARCH 2021		21 549
Surplus / (Deficit) for the period		673
BALANCE FOR THE YEAR ENDED 31 MARCH 2022		22 222

FREE STATE HOUSING FUND
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	<u>Note</u>	<u>2021/22</u> <u>R'000</u>	<u>2020/21</u> <u>R'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest Income		662	696
Net cash flow from operating activities	6	<u>662</u>	<u>696</u>
Net increase /(decrease) in cash and cash equivalents		662	696
Cash and cash equivalents at beginning of the year		<u>19 505</u>	<u>18 809</u>
Cash and cash equivalents at end of the year	1	<u>20 167</u>	<u>19 505</u>

FREE STATE HOUSING FUND
ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The principal accounting policies, applied in the preparation of these Annual Financial Statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year Annual Financial Statements, unless specified otherwise.

1.1 BASIS OF PREPARATION

These Annual Financial Statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), as issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act No 1 of 1999).

The Annual Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

1.2 PRESENTATION CURRENCY

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the Fund, and amounts have been rounded to the nearest thousand Rand.

1.3 COMPARATIVE INFORMATION

Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

FREE STATE HOUSING FUND
ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.4 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued, but are not effective for the 2021/22 financial year:

GRAP 25 - Employee Benefits

The standard was issued on 1 April 2021 but not yet effective. The entity shall apply this Standard for when accounting for all employee benefits, except share based payment transactions and to the initial recognition and initial measurement of assets and liabilities acquired in a transfer of functions between entities under common control, a transfer of functions between entities not under common control or a merger.

GRAP 104 – Financial Instruments

The standard was issued on 1 April 2019 but not yet effective. The entity shall apply this Standard for recognizing, measuring, presenting and disclosing financial asset or financial liability in its Statement of Financial Position when, and only when, the Fund becomes a party to the contractual provisions of the instrument. This Standard supersedes the previous Standard of GRAP on Financial Instruments issued in October 2009.

1.5 SIGNIFICANT JUDGMENTS AND ESTIMATES

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has not been required in the current year to make judgements that may have a significant effect on the amounts recognised in the financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the Fund's accounting policies the following estimates, were made:

FREE STATE HOUSING FUND
ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

Provision for bad debts

The measurement of receivables is derived after consideration of the provision for bad debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance, the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

An allowance for this was created on the following basis:

Amount of debt outstanding for 120 days or more as a percentage of the total debt outstanding	Recommended allowance
80-100%	100%
60-80%	80%
40-60%	60%
20-40%	40%
0-20%	20%

The basis used has not changed from the prior year, and reflects the most accurate provision calculation.

Effective interest rate

The Fund uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The Fund used the following in arriving at the effective interest rate used:

No	Consideration	Inputs related to the consideration
1	Market related rate used as starting point	National Treasury guidelines

1.6 FINANCIAL INSTRUMENTS

Initial Recognition

The Fund recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Fund becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the Fund classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

Initial Measurement

When a financial instrument is recognised, the Fund measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- (a) Financial instruments at fair value;
- (b) Financial instruments at amortised cost; or
- (c) Financial instruments at cost.

The Fund assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Concessionary loans

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, the Fund measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

De-recognition

A financial asset is derecognised at trade date, when:

- a) The cash flows from the asset expire, are settled or waived;
- b) Significant risks and rewards are transferred to another party; or
- c) Despite having retained significant risks and rewards, the Fund has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Offsetting

The Fund does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Impairments

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The Fund assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at amortised cost:

The Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

For financial assets held at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

Policies relating to specific financial instruments

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

In the current year, and consistent with the prior year, the method of determination of fair value has been determined by actual outstanding debt.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

1.7 INVENTORY

Recognition

Inventory is recognised as an asset when it is controlled by the entity, as a result of a past event, from which it is probable that future economic benefits or service potential associated with the item will flow to the entity; and the cost (or fair value) of the inventory can be measured reliably. An entity should recognise inventory when control of the inventory is transferred to the entity.

Measurement

Inventories are initially recognised at cost which includes all costs of purchases, cost of conversion and any other costs incurred to bringing the inventories to its present location and condition. Where inventories are acquired at no cost or for nominal consideration, it should be recognised at fair value at the date of acquisition.

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

Subsequent Measurement

Inventory is measured at the lower of carrying amount and current replacement cost as stated in paragraph 18 of GRAP 12 at the consumption in the production process of inventory to be distributed at a nominal charge

1.8 REVENUE RECOGNITION

Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrues to the Fund directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

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

Revenue arising out of situations where the Fund acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Fund as compensation for executing the agreed services.

Specific exchange-revenue sources

Rental income arising from Non-Current Assets held for sale is recognised as it legally accrues in terms of the original contract until the date of disposal of the particular property.

Interest on loans is recognised at fair value on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Interest received on the bank account represents an amount that is due to the Provincial Department of Human Settlements on winding-up of the Fund and as such is credited directly to this liability included in Trade Payables.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Fund.

Expenditure from Exchange Transactions

The accounting policy for expenditure arising from exchange transactions is similar to the policy for exchange revenue.

Revenue from Non-Exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions.

Revenue from non-exchange transaction arises when the Fund either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Expenditure relating to Non-Exchange Transactions

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

1.9 SURPLUS OR DEFICIT

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

1.10 EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Fund will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Fund will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.11 RELATED PARTIES

The Fund has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

Where transactions occurred between the Fund and any one or more related parties, and those transactions were not within:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Fund to have adopted if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by the reporting Fund's legal mandate; further details about those transactions are disclosed in the notes to the financial statements.

1.12 CONTINGENT LIABILITIES

The Fund has a contingent liability to the department of Human Settlement. A contingent liability is:

- A possible obligation, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event(s) not wholly within the control of the entity; or
- A present obligation that is not recognised because, the outflow of economic benefits or service potential is not probable; or
- A real present obligation, that may not be recognised, either because the "when" (timing) or because the how much (measurement) is not known.

1.13 CONSIDERATION OF CONSOLIDATION

The Department of Human Settlements has the ultimate control over the Housing Fund. According to IAS 27 consolidated annual financial statements should be prepared for the Department and Housing Fund, but consolidation is not required due to the fact that the Housing Fund is presented on the GRAP basis of accounting whilst the Department is presented on the modified cash basis of accounting, therefore no consolidated financial statements have to be prepared.

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

	<u>2021/22</u> <u>R'000</u>	<u>2020/21</u> <u>R'000</u>
1. CASH AND CASH EQUIVALENTS		
Cash and Bank	20 166	19 505
Total Cash and Cash Equivalents	<u>20 166</u>	<u>19 505</u>

Cash at Standard Bank earned 3.3% interest per annum

2. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Rental debtors at gross value	1 548	1 548
Provision for bad debts for rental debtors	(1 548)	(1 548)
Rental debtors at fair value	-	-
Loans to individuals at gross value	34	34
Provision for bad debts for loans to individuals at fair value	(34)	(34)
Properties sold at gross value	30	30
Provision for bad debts for properties sold	(30)	(30)
Finance income receivable – Standard Bank	65	54
Total Trade and Other Receivables from Exchange Transactions	<u>65</u>	<u>54</u>

Rental receivable longer than 120 days have been recommended for write off.

Trade and other receivables past due but not impaired:

Debtor classification	Neither past due nor impaired	30-60 days	61-90 days	91-120 days	>120 days	Total
Rental debtors	-	-	-	-	-	-
Individual loan debtors	-	-	-	-	-	-
Properties sold debtors	-	-	-	-	-	-
Totals	-	-	-	-	-	-

Trade and other receivables impaired 31 March 2021

Debtor classification	1-3 months	>3 months
Rental debtors	-	1 548
Individual loan debtors	-	34
Properties sold debtors	-	30
Total	-	1 612

Trade and other receivables impaired 31 March 2022

Debtor classification	1-3 months	>3 months
Rental debtors	-	1 548
Individual loan debtors	-	34
Properties sold debtors	-	30
Total	-	1 612

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

<u>Summary of Debtors by Customer Classification</u>	<u>Consumers</u> <u>R '000</u>	<u>Industrial/Commercial</u> <u>R '000</u>
As at 31 March 2022		65
Current (0 – 30 days)	-	65
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
121 - 365 Days	-	-
+ 365 Days	1 612	-
Sub-total	1 612	-
Less: Provision for doubtful debts	(1 612)	-
Total debtors by customer classification	-	65
As at 31 March 2021		
Current (0 – 30 days)	-	54
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
121 - 365 Days	-	-
+ 365 Days	1 612	-
Sub-total	1 612	54
Less: Provision for doubtful debts	(1 612)	-
Total debtors by customer classification	-	54

Reconciliation of the doubtful debt provision

	2021/22 R'000	2020/21 R'000
Balance at beginning of the year	1 612	1 612
Contributions to provision	-	-
Balance at end of year	1 612	1 612

3. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2021/22 R'000	2020/21 R'000
Provincial Government	1 608	1 608
Total Trade and Other Receivables from Non-Exchange Transactions	1 608	1 608

1 627
15

Relates to the balance owed by the Department to Housing Fund.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

4. INVENTORY

	Note	<u>2021/22</u> <u>R'000</u>	<u>2020/21</u> <u>R'000</u>
Opening balance		414	414
Total inventory		414	414

Inventory consists of land and residential houses. The Fund had ownership of 56 housing units as at end of 2021/22 Financial Year. All the housing units are occupied by tenants who were required to reimburse the Fund for the usage thereof. It is, however, the intention of the Housing Fund to dispose of the remaining units to the occupants. Whilst this has not occurred up to the period ended 31 March 2022, the circumstances which dictated this were outside of Management's control and it remains the intention of Management to dispose of the remaining units to the occupants within the next 12 months. Therefore, the remaining units have been disclosed as "inventory".

5. CONTINGENT LIABILITY

The Fund falls under the administration of the Department of Human Settlements and shares the same Accounting Officer. Once the fund ceases to operate, there is a possibility that the bank balances amounting R20 166' as earned during the 2021/22 Financial Year will be surrendered to the Department. Prior year bank balance amounted to R19, 505'. Significant uncertainties exist with the Fund as the Fund will be discontinued once the Housing Act, 1997 (No. 107 of 1997), is repealed. Specific timelines have however not been set in this regard.

6. RECONCILIATION OF NET PROFIT TO CASH GENERATED FROM OPERATIONS	<u>2021/22</u> <u>R'000</u>	<u>2020/21</u> <u>R'000</u>
Surplus/ (deficit)	673	660
Adjustments for:		
Interest	(662)	(696)
Provision for bad debts movement	-	-
Operating profit before working capital changes	12	(36)
Changes in working capital		
Trade and other receivables from exchange transactions	(12)	36
Other receivables from non-exchange transactions	-	-
Trade and other payables from exchange transactions	-	-
Other working capital movements	662	696
CASH GENERATED FROM OPERATIONS	662	696

FREE STATE HOUSING FUND
NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

7. FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of all of the Fund's financial instruments that are carried in the financial statements at other than fair values:

	<u>Note</u>	<u>Carrying amount</u>		<u>Fair Value</u>	
		<u>2021/22</u>	<u>Restated</u> <u>2020/21</u>	<u>2020/21</u>	<u>Restated</u> <u>2020/21</u>
		<u>R'000</u>	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>
Financial Assets					
Trade Receivables	2	65	54	54	54
Cash and cash equivalents	1	20 166	19 505	19 505	19 505
Total Financial Assets		20 231	19 559	19 559	19 559

The financial assets by category:

The accounting policies for financial instruments have been applied to the line items below:

2022	Financial assets at fair value	Financial assets and liabilities at amortised cost	Total
	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>
Trade receivables	-	65	65
Cash and cash equivalents	20 166	-	20 166
	20 166	65	20 231
2021	Financial assets at fair value	Financial assets and liabilities at amortised cost	Total
	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>
Trade receivables	-	54	54
Cash and cash equivalents	19 505	-	19 505
	19 505	54	19 559

Risk Management

7.1 Maximum credit risk exposure

The credit risk of trade receivables is not manageable due to the fact that houses are being allocated to low-income tenants in terms of Government policy to promote social housing. In the light of the above significant provision for bad debts has been raised against trade receivables to achieve a recoverable carrying amount.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Fund only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade and other receivables are presented in the financial statements at amortised cost.

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

7.1.1 Collateral held and other credit enhancements

The credit risk exposure, as posed by the financial assets detailed above, is mitigated by collateral held in the form of the housing units owned by the Free State Housing Fund in relation to these instruments. Such units remain the property of the Fund until such time as debts are settled and ownership is officially transferred. The amounts disclosed in the table below relates to value of housing units owned by the Free State Housing Fund.

	<u>2021/22</u> <u>R'000</u>	<u>2020/21</u> <u>R'000</u>
Other	<u>414</u>	<u>414</u>

7.1.2 Concentration of credit risk

The concentration of credit risk is mainly within the trade and other receivables, relating to debtors at year end, rather than in the cash and cash equivalents of the Fund.

7.2 Liquidity risk

The Fund's risk to liquidity is a result of the funds available to cover future commitments. The Fund manages liquidity risk through an ongoing review of future commitments and credit facilities. The fund did not have any financial liabilities at year end.

7.2.1 Concentration of liquidity risk

The concentration of liquidity risk is mainly within the trade and other payables. The Fund did not have any financial liabilities at year end.

7.2.2 Collateral held and other credit enhancements

The Fund holds no collateral and / or credit enhancements that aid in the mitigation of the liquidity risk it is exposed to.

7.3 Interest rate risk

As the Fund has significant interest-bearing assets, the Fund's income and operating cash flows are not substantially independent of changes in market interest rates. At year end, financial instruments exposed to interest rate risk were as follows:

- Cash and cash equivalents

7.3.1 Concentration of interest rate risk

The concentration of interest rate risk is mainly within the cash and cash equivalents, as this is where the Fund is most exposed to changes in the interest rate.

7.3.2 Interest rate risk sensitivity analysis

The susceptibility of the Fund's financial performance to changes in interest rates can be illustrated as follows:

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

2022	2022 impact	2021 impact
Interest income		
Interest rate increase of 100 basis points	0.25	-
Interest rate decrease 100 basis points		(0.31)

The following methods and assumptions were applied in the determination of the interest rate sensitivity analysis:

The main assumption utilised was that the interest rate would not change by more than a percent either way, due to stability in overall rates in the country in the preceding financial year.

The method applied to determine the interest rate sensitivity analysis has the following limitations that may result in the information not being fully representative of the actual future results:

Market rate volatility may impact the interest rates more than expected.

No changes were made to the methods and assumptions applied, in the prior year, to the determination of the sensitivity analysis.

7.3.3 Collateral held and other credit enhancements

The Fund holds collateral in the form of housing units which may be disposed of in order to mitigate the interest rate risk it is exposed to. No credit enhancements are held which mitigate such risk.

7.4 Financial assets pledged as security

No financial assets have been pledged as security for liabilities in the current or prior year.

7.5 Defaults and breaches

No defaults or breaches occurred in the current or prior year.

7.6 Credit quality of financial assets carried at amortised cost/fair value

7.6.1 Method of determining credit quality of other current financial assets:

The credit quality of trade and other receivables from exchange transactions are determined and monitored with reference to historical payment trends. Accordingly, the credit quality of the customers included in the balance of trade and other receivables from exchange transactions is determined internally through application of the Fund's own credit policy. Based on the evaluation of the historical payment trends, customers included in the balance are categorised into groups as per note 2 of the financial statements.

7.6.1.1 Impairment disclosures for other current financial assets carried at amortised cost / fair value

Reconciliation between gross and net balances	Gross Balances	Provision for Doubtful Debts	Net Balance
	R'000	R'000	R'000
Rental debtors	1 548	(1 548)	-
Individual loan debtors	34	(34)	-
Property debtors	30	(30)	-
Total	1 612	(1 612)	-

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2022

8. RELATED PARTIES

The only related party of the Fund is the Free State Department of Human Settlements, since the Fund falls under the administration of the Department, and since the Fund shares the same Accounting Officer. The following represents the total closing balance of amounts due by / (to) the Department. These amounts are not guaranteed. Once the Fund ceases to operate, the bank balance will be surrendered to the Department to cover the payable amount. All related party transactions are at arm's length.

	<u>Note</u>	<u>2021/22</u> <u>R'000</u>	<u>2020/21</u> <u>R'000</u>
Contingent Liability		20 166	19 505
Trade and other Receivable from non-exchange transactions		(1 608)	(1 608)
Total		<u>18 558</u>	<u>17 897</u>

In addition, the value of services provided to the Housing Fund by the Department of Human Settlements includes the usage of the BAS system as well as the use of services of the employees of the Department to administer the Fund. The value of these services cannot be reliably estimated.

9. REVENUE

	<u>2021/22</u> <u>R'000</u>	<u>2020/21</u> <u>R'000</u>
From exchange transaction:		
Other Income	-	-
Finance Income-Bank	673	660
Total	<u>673</u>	<u>660</u>

10. TRADE AND OTHER PAYABLES

	<u>2021/22</u> <u>R'000</u>	<u>2020/21</u> <u>R'000</u>
Other Creditors	32	32
Total	<u>32</u>	<u>32</u>
Relates to debtors with credit balances		

11. PRIOR PERIOD ERROR

The Fund identified the following errors affecting 2020/21 closing balances of the Financial Statement

11.1 Effect on Statement of Financial Position

Error were identified from:

- Debtors with credit balances not recognised in 2020/21 Financial Year. The net effect of prior period errors on the Statement of Financial Position is as follows:

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	<u>Amount before</u> <u>Correction of</u> <u>error</u> <u>R'000</u>	<u>Prior Period</u> <u>error</u> <u>R'000</u>	<u>Restated</u> <u>Amount</u> <u>R'000</u>
Trade and other receivables from exchange Transactions	1 719	(53)	1 666
Provisions	(1 665)	53	(1 612)
Trade payables	-	(32)	(32)
Net effect on Statement of Financial Position	55	(32)	23

11.2 Effect on Statement of Changes in Net Assets

The net effect of the errors identified in note 11.1 on the Statement of Changes in Net Assets is as follows:

	<u>Amount before</u> <u>Correction of</u> <u>error</u> <u>R'000</u>	<u>2020/21</u> <u>Prior Period</u> <u>error</u> <u>R'000</u>	<u>Restated</u> <u>Amount</u> <u>R'000</u>
Accumulated Surplus	21 581	(32)	21 549
Net effect on Statement of Changes in Net Assets	21 581	(32)	21 549

12. GOING CONCERN

Management has done an assessment of the Housing Funds ability to continue as a going concern. Generally, Recognised Accounting Practice (GRAP) 1 on Presentation of Financial Statements requires that the Financial Statements should not be prepared on a going concern basis if Management intends to liquidate the Fund or to cease trading. The Management of the department has measures in place to ensure cessation of the operations of the Fund hence the 2021/22 Financial Statements have been prepared on a basis other than the going concern.

The following methods of disposal of inventory needs to be taken to wind up the Fund:

- The 53 Houses (Inventory) currently within the Housing Fund to the value of R414'will be transferred to the Mangaung Metropolitan Municipality at the lower of carrying amount and current replacement cost as stated in paragraph 18 of GRAP 12. This process is currently underway to the MEC for Cooperative Governance Traditional Affairs & Human Settlements for approval.
- The positive Bank Balance of the Housing Fund to the amount of R20 166 275.83, as at 31 March 2022, will be transferred to the Department's Paymaster General Account once the Fund ceased to operate. This bank balance will be surrendered to the Provincial Revenue Fund which will increase revenue collection for the Province.
- The department will engage in a database clean-up process with National department of Human Settlements.