



human settlements

Department of Human Settlements
FREE STATE PROVINCE

**DEPARTMENT OF HUMAN
SETTLEMENTS
PROVINCE OF FREE STATE
VOTE NO. 13
ANNUAL REPORT
2022/2023 FINANCIAL YEAR**

PR 192/2023

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PART A

GENERAL INFORMATION



1. DEPARTMENT GENERAL INFORMATION

PHYSICAL ADDRESS: 7th Floor, OR Tambo
Cnr Markgraaf & St Andrews Streets
Bloemfontein

POSTAL ADDRESS: Private Bag X247
Bloemfontein
9300

TELEPHONE NUMBER/S: 051-403 3833

FAX NUMBER:

EMAIL ADDRESS: hodhs@fshs.gov.za

WEBSITE ADDRESS: <https://intranet.hs.fshs.gov.za>

2. LIST OF ABBREVIATIONS/ACRONYMS

AC	Audit Committee
AGSA	Auditor General South Africa
AO	Accounting Officer
CAE	Chief Audit Executive
CFO	Chief Financial Officer
CRU	Community Residential Unit
FLISP	Finance Linked Individual Subsidy Programme
HDA	Housing Development Agency
HOD	Head of Department
HSDG	Human Settlements Development Grant
IAA	Internal Audit Activity
KCM	Key Control Matrix
MEC	Member of Executive Council
MTEF	Medium Term Expenditure Framework
PRECCA	Prevention and Combating of Corrupt Activities Act

FOREWORD BY THE MEC

Our Constitution provides that everyone shall have the right of access to adequate housing. Since the dawn of Democracy, our Government has been making every effort to ensure that everyone has houses, security and comfort; this is with particular focus on the previously disadvantaged, and still remain disadvantaged majority in our country and Province, the Free State.

Whilst we have been delivering on the housing need for our nation, the demand for housing has been fast growing.



MEC: COGTA&HS MK MAKUME

Our Province's commitment to provision of adequate housing has experienced both subjective and objective challenges. Subjective challenges include weaknesses of housing project implementation and objective challenges include dwindling fiscal resources amongst others.

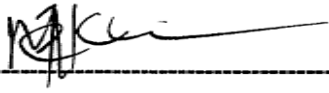
The report of the Auditor General South Africa (hereinafter referred to as AGSA) for the financial year under review lifts observations that are both constructive and disapproval with respect to our performance as a department.

These observations are a serious indictment to the role Department with respect to delivery of services to our people and therefore constitute the basis upon which we evaluate ourselves and map out a turn-around strategy.

Despite the challenges faced by the department, in our Budget injunctions, we made commitments to; eradicate mud houses in our Province, building houses for the elderly, child headed families and people living with disabilities, completing some of the incomplete projects we have in the province and distributing title deeds.

I wish to convey my gratitude to Premier Mxolisi Dukwana, my predecessor, who has laid a solid foundation in turning things around in the department. Special gratitude to the men and women in the department who wake up every day to come service our people.

We remain indebted to staff members who stretch themselves beyond the call of duty in restoring the dignity of our people through provision of housing and land tenure.



MR MK MAKUME

MEC OF DEPARTMENT OF COGTA AND HUMAN SETTLEMENTS

DATE: 05 October 2023

REPORT OF THE ACCOUNTING OFFICER

Overview of the results

A focus has been on developing a cohesive and integrated human settlement in the Free State, through: Sound administration, functional settlements, provision of affordable housing, increased access to basic services and acceleration of land tenure rights

The department had 25 planned targets of which 08(32%) was fully achieved whereas 17(68%) not achieved, amongst these planned outputs are 152 approvals on the FLISP (Finance Linked Individual Subsidy Programme).

A total of 1114 current and backlog (pre 1994 – 68, Post 1994 – 105 & Post 2014 – 941) title deeds were registered, 2701 serviced sites delivered, 322 serviced sites and households delivered, 212 work opportunities created, 24% of Women and 22% youth contractors allocated projects from the Human Settlements Development grant and 152 housing units has been completed.

The Department received Conditional Grants and Earmarked Funds to run the priorities for the 2022/23 financial year. The appropriated amount for conditional grants was R933 452 000 of which R287 692 000 was spent during the end of the financial year and there was an underspending of R645 760 000.

The total Earmarked Funds to the amount of R611 000 was allocated and R578 000 thereof was spent which is an under spending of R33 000 in line to the performance.

Challenges

- Qualified opinion expressed by the auditor General into different issues that needs attention
- Slow service delivery which prompted unspent money to be surrendered
- Delay in housing delivery due contracts termination of poor performing contractors
- Delay in finalisation of procurement process impacted on the appointment of service providers.

Overview of the financial results of the department:

- Departmental receipts

Departmental receipts	2022/2023			2021/2022		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Tax Receipts						
Casino taxes						
Horse racing taxes						
Liquor licences						
Motor vehicle licences						
Sale of goods and services other than capital assets	194	156	38	320	333	(12)
Transfers received						
Fines, penalties and forfeits						
Interest, dividends and rent on land	11	2	9	10	2	7
Sale of capital assets	36	-	36	33	2	31
Financial transactions in assets and liabilities	491	703	(212)	193	163	30
Total	732	861	(129)	556	500	56

- Sales of Goods and Service, The Department collected a total of R156 000 00 as at the end of 31 March 2023. The main revenue generating item from this objective is - Commission Insurance and garnishee
- Sales of capital assets, there was no revenue collected from this objective during the financial year as the item Sales: Computer Hard & Systems Desktop did not collect anything.
- Interest dividends and rent on land, The Department collected a total amount of R 2 000 00 for the objective. This collected was due to the item Interest on overdue accounts. Interest received on debts by a private sector entity either outside or within the boundaries of South Africa.
- Financial Transaction in Assets and Liabilities, The Department collected a total of R 703 000 00 on this objective this is due to the item Previous Years Expenditure which are recoveries made on prior year expenditure.
- Total revenue collected for the year ended 31 March 2023 amounted to R 861 000 00 which exceeds our annual target of R 732 000 00.

Programme Expenditure

Programme Name	2022/2023			2021/2022		
	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	153 120	146 905	6 215	141 084	140 104	980
Housing Needs, Research and Planning	23 135	19 299	3 836	19 145	19 105	40
Housing Development	1 023 620	376 147	647 473	1 117 210	1 079 470	37 740
Housing Asset Management, Property Management	1 401	1 340	61	1 471	1 295	176
Total	1 199 276	543 691	657 585	1 278 910	1 239 974	38 936

The department has a total allocated budget of R 1 199 276 000 of which R 933 452 000 is allocated to Conditional Grant and R 265 824 000 towards Equitable Share.

The department expended 96 percent of its Equitable Share allocation which amounts to R255 999 million and 31 percent of its Conditional Grant allocation which amounts to R 287 692 000 Overall, the department expended 45 percent of its allocation of R 1 199 276 000 which amounts to R 543 699 000

Virements /Roll overs

- The total virement of R10 236 from all programmes was approved to decrease Compensation of Employees and increase goods and services in Programme 1 in order to defray excess expenditure on departmental contractual obligations.
- A virement amount of R6 250 000 was approved between Programme 2 and 3 to defray over expenditure in Programme 1.
- The department received an approval for roll-over of R26 639 000 from the conditional grant allocation for the payment of outstanding invoices from 2021/22 financial year.

Unauthorised Expenditure

The amount of R5 107 000 reported as unauthorised expenditure emanates from 2019/20 financial year. However, there is no reported unauthorised expenditure for 2021/2022 and current financial year of 2022/2023. This is as a result of enhanced internal controls by the department to detect and prevent unauthorised expenditure.

Fruitless and wasteful expenditure

The department is working on strengthening controls to ensure compliance with supply chain management processes in order to prevent and detect occurrence of fruitless and wasteful expenditure.

Irregular Expenditure

The department is working on strengthening controls to ensure compliance with supply chain management processes in order to prevent and detect occurrence of irregular expenditure.

Strategic focus over the short to medium term period

Public Private Partnerships

The Department did not enter into any Public Private Partnerships during the financial year.

Supply chain management

- The Department did not conclude on any unsolicited bid proposals for the year under review.
- SCM processes and systems are in place to prevent irregular expenditure.
- Shortage of staff still remains a key challenge as this in particular adversely impacts on the SCM section in particular the Bid Administration Office which is mainly responsible for tenders.

Gifts and Donations received in kind from non -related parties

Nelson Mandela Day Celebrations R100 000.00

Exemptions and deviations received from the National Treasury

None

Events after the reporting date

No events after the reporting date



Ms M. Masimene
Accounting Officer
Department of Human Settlements
Date: 28 SEPTEMBER 2023

1. 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 F) 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 2023

Yours faithfully



Ms M. Masimene
Accounting Officer
Department of Human Settlements
Date: 28 SEPTEMBER 2023

4. STRATEGIC OVERVIEW

4.1 Vision

Integrated and sustainable human settlements

4.2 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

4.3 Values

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

5. 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 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 2020/21 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 Act, 2000 (Act 63 of 2000)	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 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	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

Limited Act, 2002 (Act 26 of 2002)	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

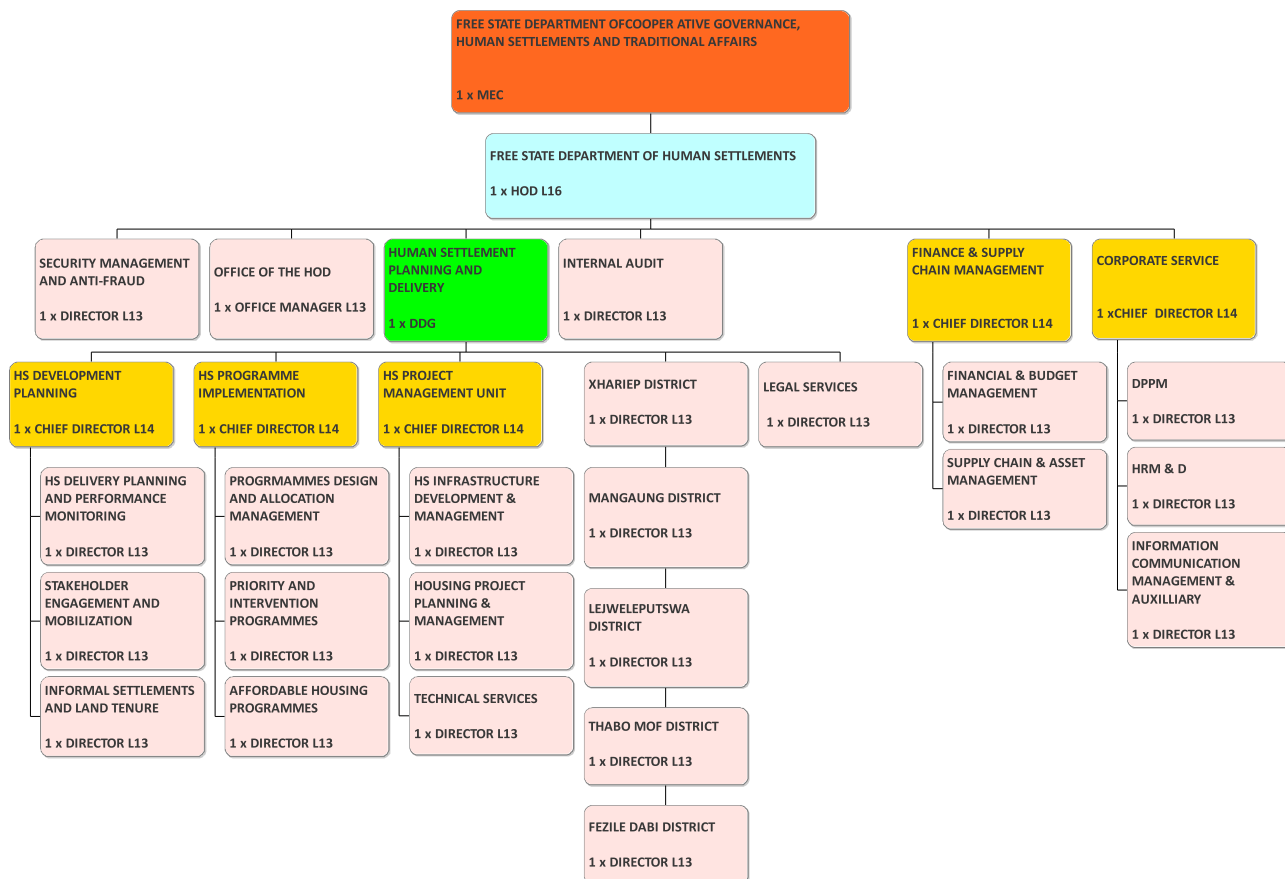
(a) President's Coordinating Council

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.

6. ORGANISATIONAL STRUCTURE



7. ENTITIES REPORTING TO THE MINISTER/MEC

The table below indicates the entities that report to the Minister/MEC.

Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
Housing Development Agency (HDA)	Identify, acquire, hold, develop and release state, privately and communal owned land for residential and community development, enhance the capacity of organs of state, including skills transfer to enable them to meet the demand for housing delivery, undertake project management services as may be necessary, assist organs of state with the upgrading of informal settlements, assist organs of state in respect of emergency housing solutions.	Whereas the Department provides overhead and operational costs, the HDA also charges fees for development services rendered to public sector clients on a cost recovery basis.	Service Delivery Agency



PART B

PERFORMANCE INFORMATION



1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA performs certain audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance information against predetermined objectives is included in the report to management, with material findings being reported in the Audit Report under the section report on the audit of the annual performance report in the auditor's report.

Refer to the Report of the Auditor-General, published as Part F: Financial Information

2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.1 Service Delivery Environment

The department had 25 planned targets of which 8 were fully achieved and 17 not fully achieved

The following were **fully** achieved in the 2022/23 financial year:

Output Indicator	Planned Annual Target 2022/23	Actual Achievement 2022/23 (pre-audited)
Number of Internal audits conducted and completed	22	25
Number of integrated implementation programmes for priority development areas completed per year	2	4
Number of human settlements policies approved in line with national policy guidelines	1	1
Number of research projects approved with content relating to development of sustainable human settlements within the MTEF period	1	1
Number of households that received subsidies through (FLISP	80	135
Number of Municipalities supported for accreditation	5	5
Number of consumer education sessions conducted	8	10
Percentage of levies paid in respect of 5 properties belonging to the Department	100%	100%

The department did not perform well on the below listed indicator targets. A common reason for non-achievement was due to late procurement processes after some contracts were terminated and others not renewed.

The following were **not fully** achieved in the 2022/23 financial year:

Output Indicator	Planned Annual Target 2022/23	Actual Achievement 2022/23 (pre-audited)
100% of valid invoices paid within 30 days by March 2022	100%	99.5%
Number of SMS members who register and complete the risk management e-learning course	25	0
Percentage of Investment of the total Human Settlements allocation in PDAs	32%	13%
Number of research papers completed with content relating to development of sustainable with the MTEF period	1	0
Number of erven planned and surveyed	6030	3138 (this includes parks, residential and streets)
Number of projects and houses enrolled with NHBRC	5000	2510
Number of informal settlements upgraded to phase 3 of the Upgrading of Informal Settlements Programme (UISP).	13	4
Number of Breaking New Ground (BNG) houses delivered	2156	152
Number of serviced sites delivered	6530	2701
Number of serviced sites and households delivered	3178	322
Number of work opportunities created	1000	212
Percentage of women, youth and persons with a disability contractor who are allocated projects from the Human Settlements Development grant	Women=30% Youth=10% Disability=7	Women=24% Youth=22% Disability=0%
Number of Community Residential Units delivered	35	0
Number of pre-1994 title deeds registered	800	68
Number of post-1994 title deeds registered	2775	105
Number of Post- 2014 title deeds registered	1618	941
Number of New title deeds registered	250	0

Filling of critical posts

The Department experienced resignations and some employees have been put on suspension, that created a huge gap as some units were de-capacitated.

Remedial

Approve the structure and advertise critical funded posts, intervention sought to address vacancies in the Supply Chain Management and other affected units.

Project related challenges

- The Department consists mainly of capital infrastructure and housing construction projects with the majority of the Human Settlements Development Grant being spent on infrastructure. During the 2022/23 financial year the following challenges were experienced:
 - Limited technical capacities from the municipalities to approve designs
 - Bulk infrastructure from the municipalities were not fully addressed
 - Non participation on projects monitoring from municipalities
 - Poor performing contractors
 - Some contractors struggled to cope with work load due to price material escalation
 - Increased number of illegal informal settlements

Remedial

- More emphasis and priority will be on the creation of sites and land release, this may reduce the mushrooming of informal settlements
- Improve systems of contractor management by appointing capable contractors
- Profile all cases of legacy incomplete projects and prioritise it in our Business and project plans.

Housing units

- The Department has not fully achieved this target as most contracts were terminated and there was a delay in appointing new contractors to deliver the remaining targets for 2022/23 financial year.
- **Remedial**
- Procurement process is underway, evaluation of the tenders has started and contractors will be appointed for the 2023/24 financial year

Title deeds

Several challenges were experienced by conveyancers

- The floating of Township
- Township registers were opened but proclamation did not follow. The Department will continuously engage with the conveyancers and Department of COGTA to address this matter.
- The estates were not reported and or finalized. This factor hampered the finalization of transfers. Disputes amongst family members are being addressed on a continuous basis.

Remedial

- In order to address the matter of floating Title Deeds, the Department will communicate with conveyancers to submit the Original Title Deeds to the Department whom in turn will lodge it

under the Department account at the Deeds Office.

- Beneficiaries are encouraged to report deceased estates

Community Residential Units

There was a zero performance in completing the current Community Residential Units due to Contracts being terminated.

Remedial

A backlog on completing outstanding work will be cleared in the 2023/24 financial year

NHBRC

The planned projects for the financial year could not start because of the delays in procurement

Remedial

Procurement process is underway, evaluation of the tenders has started and contractors will be appointed for the 2023/24 financial year

2.2 Service Delivery Improvement Plan

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

Main services and standards

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

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
Acceleration of land tenure rights.	Qualifying housing beneficiaries.	40% success rate in terms of achieving the set target.	80% success rate in achieving the set target.	1114 (0,20%) was achieved out of the planned target of 5443 in terms of registration of title deed.

Service delivery information tool

Current/actual complaints mechanisms	Desired complaints mechanisms	Actual achievements
Telephone contact	A structured complaints management system	Complaints are received and addressed accordingly by the department.
Electronically via departmental website	Access to departmental website by all beneficiaries.	The website is accessed although not by all our beneficiaries.
Walk-ins	Signage and name plates/ tags for easy access to relevant services by members of the community.	Signage is available although the department is sharing buildings with other different departments. All offices have name plates but not all officials have name tags.
Presidential hotline and toll free numbers.	Referrals received from the Presidential hotline and toll free numbers located in the Premier's office.	Referral are received from the Premier's office on a regular basis.
Media	Regular media briefings and interviews by the MEC.	The department make use of the media to receive complaints/compliments.

Complaints mechanism

Current/actual complaints mechanisms	Desired complaints mechanisms	Actual achievements
Telephone contact	A structured complaints management system	Complaints are received and addressed accordingly by the department.
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Presidential hotline and toll free numbers.	Referrals received from the Presidential hotline and toll free numbers located in the Premier's office.	Referral are received from the Premier's office on a regular basis.
Media	Regular media briefings and interviews by the MEC.	The department make use of the media to receive complaints/compliments.

2.3 Organisational environment

The department did not experience strikes under review.

The Accounting Officer was appointed on the 1st of September 2022, the CFO was placed under precautionary suspension and currently an acting CFO has been contracted. There was no strike by significant portions of departmental officials. The Supply Chain Management has been affected due to precautionary suspensions and restructuring efforts.

No significant system failures have been reported.

There has been 66% of progress on cases of corruption handled by, Investigators of Human Settlements, Premiers Office, Hotline cases and the office of the Public Protector. An External Anti- Fraud Awareness Sessions were held in Botshabelo, Wepener, and Thaba Nchu.

Percentage of cases finalized by departments through investigations are as follows: Cases by Public protector, Office of the Premier and Lesedi FM were 100% and 80% of normal cases for the Department were completed.

Senior Management Disclosures has been completed, all Level 9-10 disclosed the interests and 6 of 26 Senior Management Staff disclosures were subjected to lifestyle audits and has been referred to Special Investigation Unit. Human Resource Management personnel were subjected to do life style audit and the results are still outstanding.

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	Progress to date Including unaudited 2022	Impact
Adequate housing and improved quality living environments	% increase of the households provided with housing opportunities	(sites connected)	Sites - 42955	8508 =new sites	Improved quality living environments. Restored dignity and hygiene
		14998 (Household connections)	Household - 71269	7566=household connection	Improved quality living environments. Restored dignity and hygiene
		20514 housing units completed	Units completion - 18191 –	BNG- 2167 CRU- 1100 FLISP- 563 Total- 3830	Communities without and those who afford low cost housing in terms of salaries are afforded opportunities and access housing opportunities
			Title deeds - 18142	(Current and backlog) – Total -5959	Beneficiaries 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	100% of tabled/adopted IDPs with Human Settlements Chapter -Multi-year housing Development Plan -HS Master	Integrated plans

				Spatial Plan - Integrated Implementation 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	99.5% of valid invoices were paid within 30 days	More invoices have 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 and Annual Report	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 2020/2021	**Actual Achievement 2021/2022	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
	Paid invoices	100% of valid invoices paid within 30 days by March 2022	96%	99.2%	100%	99.5%	0,5%	Some payments were referred back to the contractor due to incorrect banking details. others due to insufficient budget allocation in the current financial year
	Skills improvement	Number of SMS members who register and complete the risk management e-learning course	N/A	N/A	25	0	-25	Non functionality of the e-learning system affected Senior managers to complete risk management course. This has been a national problem. Senior managers were only registered but could not conclude the course.
	Internal Audited performance	Number of Internal audits conducted and completed	N/A	N/A	22	25	3	There has been AD-HoC assignments which were not planned for during the year which came as a result of management requests

4.2 Programme 2 Housing, Needs, 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: Policy								
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	**Actual Achievement 2021/2022	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
Planning								
	Approved Human Settlements Policy	Number of human settlements policies approved in line with national policy guidelines	1	2	1	1	-	-
	Integrated implementation Programme s for priority development area	Number of integrated implementation programme s for priority development areas completed per year	N/A	N/A	2	4	2	The service provider completed the work quicker than anticipated.
	Investment of the total Human Settlements in PDAs	Percentage of Investment of the total Human Settlements allocation in PDAs	N/A	N/A	32%	13%	-19%	The Department had a challenge of completion of procurement processes for some of the projects in the identified PDAs
Research								
Integrate	Research	Number of	1	1	1	1	-	-

d Human Settlements sector plan	project approved	research projects approved with content relating to development of sustainable human settlements within the MTEF period						
	Research papers completed	Number of research papers completed with content relating to development of sustainable with the MTEF period	1	0	1	0	-1	The professional fees and expenses relating to the Research project are provided for through the Goods and Services budget which has been under severe constraints. To circumvent for this, the Department implemented immediate suspension of identified non-core items as well as cost containment measures

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

Programme / Sub-programme:								
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
Financial Intervention								
Adequate housing and improved quality living environments	Erven planned and surveyed	Number of erven planned and surveyed	992	4925	6030	3138 (this includes parks, residential and streets)	-2892	The appointed service provider for project that was intended to be completed has unfortunately filed for voluntary liquidation. As a result the project is currently on hold pending the legal opinion sort with the State Attorneys on appropriate steps to be undertaken
	Projects and houses enrolled with NHBRC	Number of projects and houses enrolled with NHBRC	6328	5914	5000	2510	-2490	The planned projects for the financial year could not start because of the delays in procurement
	FLISP subsidies allocated to the beneficiaries	Number of households that received subsidies through (FLISP)	150	278	80	135	55	The Department operates in an open market therefore clients are assisted as and when they come hence the deviation
Adequate housing and improved quality living environments	Municipalities supported post accreditation	Number of Municipalities supported for accreditation	5	4	5	5	-	-
	Informal Settlements Upgrading Programme to Phase 3	Number of informal settlements upgraded to phase 3 of the Upgrading of Informal Settlements Programme (UISP).	35	11	13	4	-9	There were contractual challenges experienced with the running projects which let to delays in performance as most of these projects were put on hold until the challenges were resolved. Solutions were reached with PMU and contractors went back on site
Adequate housing and		Number of Breaking New	1157	857	2156	152	-2004	The planned projects for the financial year could not start

improved quality living environments		Ground (BNG) houses delivered						because of the delays in procurement and projects with contracts that have lapsed and were not extended.
	Serviced sites	Number of serviced sites delivered	231	5576	6530	2701	-3829	The planned projects for the financial year could not start because of the delays in procurement
		Number of serviced sites and households delivered	3877	3367	3178	322	-2856	The planned projects for the financial year could not start because of the delays in procurement
	Consumer education sessions conducted	*Number of consumer education sessions conducted	-	-	8 NPI	10	2	2 more municipalities were reached out to. In addition to the 10 Municipalities we participated in an outreach programme in Nketoana Local municipality
	Women, youth and persons with disability contractors benefited in Human Settlements projects	Percentage of women, youth and persons with a disability contractor who are allocated projects from the Human Settlements Development grant	Women 23% Youth 21%	Women=22% Youth=18% Disability=0%	Women=30% Youth=10% Disability=7%	Women=24% Youth=22% Disability=0%	Women= -6% Youth=12% Disability=-7%	Limited Availability of Qualified Contractors: Despite our proactive efforts to attract a diverse pool of contractors, we encountered challenges in identifying and engaging qualified women, youth, and persons with disabilities contractors. The limited number of contractors within these groups who met the necessary technical requirements and had relevant experience posed a significant barrier to achieving the set targets
	Work opportunities created through human settlements programmes	Number of work opportunities created	607	583	1000	212	-788	The delays in procurement

		Number of Community Residential Units delivered	584	516	35	0	-35	The planned projects for the financial year could not start because of the delays in procurement
	Eradicate pre-1994 backlog	Number of pre-1994 title deeds registered	51	0	800	68	-732	Deceased estates not reported to the Master of the High court office or the cases that are reported and not finalized. -Family disputes amongst the family members are delaying the registration of title deeds.
	Eradicate post-1994 backlog	Number of post-1994 title deeds registered	1684	510	2775	105	-2670	Erroneous allocation of sites by municipalities to beneficiaries. The floating of township title deed amongst conveyancers is continuing to cause delay in the registration of title deeds. -Township registers not opened. -Estates not reported and finalized. -No conveyancers appointed
	Eradicate post-2014 backlog	Number of Post-2014 title deeds registered	1219	743	1618	941	-677	Erroneous allocation of sites by municipalities to beneficiaries. The floating of township title deed amongst conveyancers is continuing to cause delay in the registration of title deeds. -Township registers not opened. -Estates not reported and finalized. -No conveyancers appointed
	*New Title deeds registered	*Number of New title deeds registered	-	-	250 NPI	0	-250	Erroneous allocation of sites by municipalities to beneficiaries. The floating of township title deed amongst conveyancers is continuing to cause delay in the registration of title deeds. -Township registers not opened. -Estates not reported and finalized. -No conveyancers appointed

*NPI (New performance indicator) Consumer education sessions conducted.

*NPI (New performance indicator) Number of New title deeds registered

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 2022/2023	**Actual Achievement 2022/2023 (pre-audited)	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	New Performance indicator	New Performance indicator	100%	100%	-	-

Table 2.4.4.1: The department did not re-table the Annual Performance Plans

Table 2.4.4.2: The department did not re-table the Annual Performance Plans

Linking performance with budgets

A detailed performance as on Institutional Programme Performance Information above.

Purpose of programmes

Programme 1: 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

Programme 2: The aim of the programme is to facilitate and undertake housing delivery planning. The programme consists of the following sub-programmes

Programme 3: The aim is to provide housing opportunities, including access to basic services to beneficiaries in accordance with the Housing Code

Programme 4: The aim of the programme is to provide strategic, effective management, devolution and transfer of housing assets.

Sub-programme expenditure

Sub- Programme Name	2022/2023			2021/2022		
	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	148 552	146 905	1 647	141 084	140 104	980
Administration (HNRP)	2 232	2 110	122	3 205	2 158	1 047
Policy (HNRP)	3 139	2 643	496	2 755	2 544	211
Planning (HNRP)	14 188	12 031	2 157	12 147	11 997	150
Research (HNRP)	3 717	2 515	1 202	1 038	2 406	(1 368)
Administration (HDIPT)	91 859	87 877	3 982	83 246	82 876	370
Financial Interventions	69 517	51 184	18 333	132 129	128 987	3 142
Incremental Interventions	846 445	219 437	627 008	795 150	782 534	12 616
Social and Rental Interventions	18 101	17 649	452	101 539	85 073	16 466
Title Deeds Restoration	-	-	-	5 146	-	5 146
Administration (HAM)	1 526	1 340	171	1 471	1 295	176
Total	1 199 276	543 511	655 570	1 278 910	1 239 974	38 936

Strategy to overcome areas of under performance

Departmental strategies to address under performance.

- Timeous appointment of contractors
- Consequence management by the Accounting Officer on targets that are not performing.
- Constant monitoring on performance of projects on site.

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

	Output	Indicators	Comments
	Housing needs, research and planning	Number of integrated implementation programme for priority development areas completed.	Reported under institutional programme performance information
		Percentage of investment for the total human settlements allocation in PDA	Reported under institutional programme performance information
FREE STATE PROVINCE	Housing Development	Number of Breaking New Ground (BNG) houses delivered	Reported under institutional programme performance information
		Number of serviced sites delivered	Reported under institutional programme performance information
		Number of Pre-1994 title deeds registered	Reported under institutional programme performance information
		Number of Post- 1994 title deeds registered	Reported under institutional programme performance information
		Number of Post- 2014 title deeds registered	Reported under

			institutional programme performance information
		Number of New title deeds registered	Reported under institutional programme performance information
		Number of Informal Settlements Upgraded to Phase 3	Reported under institutional programme performance information
		Number of Community residential units (CRU) delivered	Reported under institutional programme performance information
		Number of households that received subsidies through (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

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
HDA				

NB: Payments are made to the Public Entities such as HDA, however are not classified under economic classification. "Transfer Payments to Public Entities". This is in line the sector specific guide provided by the National Treasury. In line with the sector specific guide payments to other organs of state are classified under economic classification "Household".

Note that this item was not utilized on BAS and neither is in the Financial Statement under the item "Transfer Payments to Public Entities".

5.2. Transfer payments to all organisations other than public entities

N/A

The table below reflects the transfer payments which were budgeted for in the period 1 April 2022 to 31 March 2023, 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
N/A				

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 Grants and Earmarked Funds	2022/2023			2021/2022		
	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
Human Settlements Development Grant	739 680	244 902	494 779	808 290	781 650	26 640
Informal Settlements Upgrading Partnership Grant	191 563	40 581	150 982	208 001	207 695	306
Expanded Public Works Programme	2 209	2 209	-	2 152	2 102	50
Title Deeds Restoration Grant	-	-	-	5 146	5 146	-
Provincial Emergency Housing Grant	-	-	-	10 375	-	10 375
Total Conditional Grant:	933 452	287 692	645 761	1 033 964	996 593	37 371
Demolition and Construction of 2 roomed houses	611	578	33	-	-	-
Total Earmarked Funds	611	578	33	-	-	-
Total	934 063	288 270	645 794	1 033 964	996 593	37 371

Conditional Grant 1: Human Settlements Development 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 progressive realisation of access to adequate housing through the creation of sustainable and integrated human settlements.

Expected outputs of the grant	6 130 Sites 2 351 Units 1 630 Current Title Deeds
Actual outputs achieved	2 190 Sites 311 Units 839 Current Title Deeds
Amount per amended DORA	R739 680 000
Amount transferred (R'000)	R739 680 000
Reasons if amount as per DORA not transferred	N/A
Amount spent by the department/ municipality (R'000)	R244 901 615
Reasons for the funds unspent by the entity	The underspending on the Human Settlements Development Grant was as a result of the delay in the procurement processes and the appointment of service providers not being finalised so that work could commence on site. It should also be noted that some contractor's contracts were also terminated and no replacement
Monitoring mechanism by the transferring department	The Department submits monthly and quarterly reports to the Provincial Treasury and the National Department of Human Settlements during the financial year to track performance. An end of the year evaluation report is submitted to monitor performance.

Conditional Grant 2: Informal Settlements Upgrading Partnership Grant: Provinces

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	Sites
Actual outputs achieved	153 Sites
Amount per amended DORA	R 191 563 000
Amount transferred (R'000)	R 191 563 000
Reasons if amount as per DORA not transferred	N/A

Amount spent by the department/ municipality (R'000)	R 40 581 376
Reasons for the funds unspent by the entity	The underspending on the Informal Settlements Upgrading Partnership Grant was as a result of delays in the appointment of service providers. The bids were at evaluation stage and Bid committees are to expedite the appointment of the service providers.
Monitoring mechanism by the transferring department	The Department submits monthly and quarterly reports to the Provincial Treasury and the National Department of Human Settlements during the financial year to track performance.

6.2 Conditional grants and earmarked funds received

The table/s below details the conditional grants and ear marked funds received during for the period 1 April 2022 to 31 March 2023

Conditional Grant 3: Expanded Public Works Programme

Department who transferred the grant	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	Work creation efforts
Actual outputs achieved	212
Amount per amended DORA	R 2 209 000
Amount received (R'000)	R 2 209 000
Reasons if amount as per DORA was not received	N/A

Amount spent by the department (R'000)	R 2 208 697
Reasons for the funds unspent by the entity	N/A
Reasons for deviations on performance	N/A
Measures taken to improve performance	N/A
Monitoring mechanism by the receiving department	The Department submits monthly and quarterly reports to the Provincial Treasury.

Earmarked Funds 1: Demolition and Construction of Two Roomed Houses

Department who transferred the grant	Free State Department of Human Settlements
Purpose of the Earmarked Fund	Rectification of two roomed houses built pre-1994
Expected outputs of the Earmarked Fund	Rectification of dilapidated old structures
Actual outputs achieved	5
Amount per amended Allocation	R 611 000
Amount received (R'000)	R 611 000
Reasons if amount as per Allocation was not received	N/A
Amount spent by the department (R'000)	R 578 089
Reasons for the funds unspent by the entity	The underspending was as a result of delays in the appointment of service providers. The bids were at evaluation stage and Bid committees are to expedite the appointment of the service providers.
Monitoring mechanism by the receiving department	The Department submits monthly and quarterly reports to the Provincial Treasury.

7. DONOR FUNDS

7.1. Donor Funds Received

None

Donor Fund

Name of donor	None
Full amount of the funding	None
Period of the commitment	None
Purpose of the funding	None
Expected outputs	None
Actual outputs achieved	None
Amount received (R'000)	None
Amount spent by the department (R'000)	None
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	2022/2023			2021/2022		
	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	-	-	-	-	-	-
Existing infrastructure assets	-	-	-	-	-	-
- Upgrades and additions	-	-	-	-	-	-
- Rehabilitation, renovations and refurbishments	-	-	-	-	-	-
- Maintenance and repairs	-	-	-	-	-	-
Infrastructure transfer	-	-	-	-	-	-
- Current	48,752	44,119	4,633	111,542	100,818	10,724
- Capital	854,735	243,681	611,054	922,422	888,380	34,042
Total	934,063	288,270	645,793	1,033,694	989,198	37,370



PART C

GOVERNANCE



1. INTRODUCTION

2. RISK MANAGEMENT

The Department of Human Settlements has established a risk management committee for the current year which consists of senior managers and an Independent Chairperson and its terms of reference are outlined in the risk management committee charter. 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 has a fraud prevention strategy which outlines the departmental approach in prevention, detection, investigation and resolution of fraud or corruption cases. The plan is an annual plan which tackles fraud and corruption based on the above approach. The plan addresses internal and external approach in dealing with reported cases of fraud or corruption. The plan includes using ethics management where HS designated employees disclose their interests, life style review and audit. The entire HS management is currently being subjected to an investigation by the SIU. The department has investigated 15 cases of corruption and not less than 8 cases has been handed over to the SAPS for further investigations and prosecution, 3 cases from Public Protector Offices were handled and 6 disputes involving RDP were handled and resolved. The department further carried out an anti-corruption activity in Hillside Mangaung where 632 houses were checked out and resulting from the operation, 23 houses were further investigated for fraud or corruption which is still to be tested internally and by SAPS where evidence points to blatant corruption. The department is involved in supplying information and assistance to the SAPS on cases involving departmental officials.

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.

The department has a whistle blowing mechanism and the department presented anti-corruption presentations in Denneysville, Sasolburg Metsimaholo and Zastron as part of consumer education. A presentation on PRECCA was presented to the SMS meeting and the life style audit parameters and process was also presented to the HS SMS meeting. The department further handed out pamphlets on where corruption can be reported to various stakeholders in Refengkgotso, Sasolburg and Zastron. The designed pamphlet clearly stipulate that the whistle blower can report fraud or corruption to the anti-corruption hotline, the HoD, CFO, Dir SMAC and the nearest police station if so desired. The numbers to these stakeholders are included in the pamphlet. After the case has been reported, the case is logged into a case management system, the case is then investigated and after recommendations are drafted for the HS Legal and HoD approval. Then, recommendations are implemented.

The cases were reported to the SAPS which opened various inquests, internally disciplinary process has been instituted by various managers following the report from Security Management and Anti- Corruption through the HS labour relations depending on the severity of the case. The reports were then sent to HS Labour Relations and individual managers who must apply consequence management on their subjects. Other cases were reported directly to SAPS for further investigations and prosecutions. Reported cases can be resolved after a long time which is a frustrating point for investigators and whistle blowers alike.

4. MINIMISING CONFLICT OF INTEREST

The Department has an existing Ethics Committee which deliberates on the possible conflict of interests and the affected officials are requested to supply the committee with a written explanation regarding the conflict of interest. The explanation is tabled to the Committee and the report is generated to the HOD who must then forward the report to the MEC and the Public Service Commission who then makes a ruling regarding the submitted report and recommendations. The information supplied by the official is also tested by SMAC via a process to determine the authenticity of the information and a note is made for further investigations. The information supplied is also shared with the AG, Internal Audit, External Audit and the Provincial Treasury during Audits.

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 Head of Department **M Masimene** by virtue of her 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

- The Department has just appointed the Employee health and Wellness Committee and Occupational Health and Wellness Representatives who are going to undergo training as First Aider and furthermore on the Occupational Health and Safety mandates as per Terms of References on Health issues proposed.
- The department has challenges of office space and issues of overcrowding in some floors need urgent attention. Water and attendance to the male toilets in Lejweleputswa district offices needs urgent attention to avoid our offices being closed by the department of Labour. Furthermore, in Thabo Mofutsanyana, water and electricity is the Major challenge that need to be address since lack of water may result into health hazards.
- A lack of training on the Occupational Health and Safety Representatives as First Aiders may create a serious challenge since the Department of Labour may close the offices due to lack of training that is mandatory. complying.
- The situational analysis report drafted by the Employee health and Wellness and the Government Employee Medical Systems (GEMS) reflected that the department has many cases related to diabetes, hypertension and mental health that needs urgent intervention including awareness programmes that have been arranged.
- The number of cases of employees who are infected by HIV and AIDS and are on medication have risen to 44 (33 Women and 11 Men). A detailed intervention report has been developed by the sub-directorate to ensure that all the findings from GEMS report are attended to internally.
- The limited budget of R190.000 allocated to the sub-directorate for the entire year may be the challenge

7. PORTFOLIO COMMITTEES

Portfolio committee	Annual Performance Report 2022/23	Site visit	1 st quarterly reports	2 nd Quarterly reports	Annual reports 2021/2022	3 rd Quarterly reports	4 th Quarterly reports
Public Works, Infrastructure, Roads, Transport, and Human Settlements	31 st May 2022 through hybrid platform at Mantsopa Local Municipal Chamber in Ladybrand	No sites visit conducted by portfolio committee and the Department	01 September 2022 the Committee decided not to consider (adopt) the report of the Department of Human Settlement and that it will be done in the next quarter.	02 December 2022	2 nd December 2022 considered Annual non – financial Reports for the 2021/22 financial year	15 th June 2023	15 th June 2023 The Committee noted the report by the Department and their non-performance .

- Matters raised by the Portfolio Committee and how has the department addressed these matters

DEPARTMENT OF HUMAN SETTLEMENTS

Matter raised	How has the department addressed these matters
The Committee raised a serious concern with the issue of under achievement on planned targets. The Department must come up with the action plan to ensure that all planned targets are achieved.	Underachievement was caused by the non-appointment of service providers
The Committee was concerned with a huge backlog regarding the registration of title deeds which often result in family disputes. The Department must develop a clear action plan to improve on the issuing of title deeds.	The Department intend to do the following remedial actions in order to address challenges: - Continuous engagements with municipalities on both site duplication and decision making irrespective of change of leadership in municipalities - National department asked to intervene in Master's office issues and follow up
The Committee was concerned that the Department received qualified report with the regression in audit outcomes. The Department must come up with an action plan to improve on their performance.	The regression was a result of two qualification paragraphs: - Provision where the department recorded retentions with incorrect amounts and the retention amounts in the provision register that differed from the signed contracts. - Payables not recognised, sufficient and appropriate evidence could not be submitted for the restatement of the corresponding figures to payables not recognised. - Currently the department has since worked on the qualification paragraphs and developed an audit action plans of which 30% of the work still needs to be finalised before the financial year end.
The Committee was concerned with the alleged concerns by communities with regards to the disputes and favouritism on issuing of sites and low-costing housing. The Department must come up with an action plan to address this matter.	Report can be accessed from Security Management Unit of the Department.
The Committee was concerned that the Department paid the suppliers upfront even though services have not been finally rendered . The Department must submit a detailed report which should include the names of contractors and the amounts that were paid to them and reasons for upfront payments	No advance payments made since 2021 to date, this is as per response of the AO to the Legislature
The Committee was concerned that the Department does not have monitoring and evaluation unit or that the unit is dysfunctional . The Department must come up with an action plan to ensure that the unit is established and functional	This function is performed in PMU (Project Management Unit) This is where project managers monitor and report on the performance of projects to ensure compliance with standards and quality of the projects. Any irregularity or non/poor performance of the project get reported to the HOD for further action hence at times non performing contracts gets terminated or cancelled. Currently the Department has a number of qualified Project Managers and housing technician at head and district offices who execute this responsibility
The Committee is concerned that the Department does not empower and encourage women and people with disabilities to get involved and participate in the economic development as at the time of the meeting there was nothing to show in this regard.	The preferential procurement policy will be implemented in the 3 rd quarter, the designated groups will be appointed then
That the Department didn't have Bid Committee members but have recently transferred four employees and they have received the necessary training.	The Department as appointed members of the Bid committee

8. PROPAC RESOLUTIONS

The following outstanding resolutions from previous financial years are were to be attended

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 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	Management strengthened internal controls to ensure repeat qualification paragraphs are prevented and ensured compliance with compliance with laws and regulations as per 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.	To be determined
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' - Mangaung Bomme Building Construction : R230' - Matjhabeng Municipality : R34' - Moqhaka Municipality : R26'	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.	To be determined
15/2018	Tittle 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 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	To be determined

Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
			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.	To be determined
20/2018	Supply chain management	Concern over the disregard for compliance with supply chain management regulations as this results in negative audit outcomes. 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	To be determined

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
Qualification	2021/22	The qualification paragraph related to the Provisions. The Department has since reconstructed the provisions register and aligned it with the Human Settlements System (HSS) so as to ensure that the Provisions, Payables and Contingent Liabilities reported are correct and accurate.

10. INTERNAL CONTROL UNIT

- Consolidated monthly and quarterly KCM report for Provincial Treasury and ensured that all supporting documents are available and filled accordingly
- Consolidated all inputs on Audit Remedial Action Plan and audit findings
- Maintained registers of Irregular and Fruitless & Wasteful expenditure
- Participated and provided inputs on Audit Steering Committee meetings
- Facilitated audit, handled audit related queries and confirmed adequacy of management responses
- Testing of payment vouchers for compliance
- Safekeeping of financial records
- Conducted investigations on theft and losses

11. INTERNAL AUDIT AND AUDIT COMMITTEES AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

1. Legislative requirements

The Audit Committee herewith presents its report for the financial year ended 31 March 2023, 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 New Audit Committee was 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 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 table below indicates attendance of members for the financial year **2022/2023**.

Name	Capacity	12 April 2022	09 May 2022	30 May 2022	30 June 2022
Ms P Mzizi	Chairperson	*	*	#	*
Ms D Semppe	Member	#	*	*	*
Mr M A E Amod	Member	*	*	*	*
Mr F E Buys	Member	#	#	#	#
Mr E A Phalandwa	Member	*	*	*	*
Mr S P Simelane	Member	*	*	*	*

Name	Capacity	28 July 2022	01 December 2022	23 March 2023 (Special Meeting)	30 March 2023
Ms P Mzizi	Chairperson	*	#	*	#
Ms D Semppe	Member	*	*	*	*
Mr M A E Amod	Member	*	*	*	*
Mr F E Buys	Member	*	#	*	*
Mr E A Phalandwa	Member	*	*	*	*
Mr SP Simelane	Member	*	*	*	*

Legend: * - Attended the meeting
- Apology tendered

3. Audit Committee Responsibility

The Audit Committee reports that it has complied with its roles and responsibilities arising from Section 38(1) (a) of the Public Finance Management Act and Treasury Regulation 3.1.1

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 the responsibility for implementing such recommendations as per Treasury Regulations 3.1.12.

During the year under review, several instances of non-compliance were reported by the Internal Audit Activity (AA) 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 Department continuously is that the Department is currently not implementing all internal and external Audit Action Plans as 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 Activity 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 presentation of certain reports to the Audit Committee meetings as well as 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 twenty-five (25) targets planned for the year under review, only nine (8) targets were achieved. In terms of the percentages, only thirty two percent (32%) of the planned targets were achieved and sixty-eight percent (68%) of the targets were not achieved. This underperformance has been evidenced in the underspending on the Human Settlements Development Grand (HSDG) as well as the Informal Settlements Upgrading Partnership (ISUPG).

The Audit Committee further noted with concern the reported achievements of the targets in Programme two (2) and three (3) which could not be supported by accurate and complete audit evidence as per the report of the Auditor-General South Africa. Further, the shortcoming has been reported in the Internal Audit Activity's quarterly reviews reports on non-financial performance information.

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 record keeping which will form the basis of an effective audit trail.

The Audit Committee further expressed a concern regarding lack of and/or poor implementation of consequence management in particular where planned targets have not been achieved and there is lack/poor justification and/or reasons provided for lack/poor achievements.

7. Review and Evaluation of Interim Financial Statements

The Audit Committee has reviewed and discussed the unaudited 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 twenty-two (22) planned audits approved for the year, two audits were deferred which then resulted in twenty (20) of the audits executed and finalized. The Audit Committee noted that there were five (5) unplanned audits which came as a result of management requests. These audits were performed as ad-hoc assignments, finalized and reports issued.

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

This has resulted in areas that have been noted as high risk areas per the risk registers of the department and prior year Internal audit and External audit reports not receiving any attention, thereby negatively affecting the effectiveness of mitigation measures in those areas. It is the Audit Committee's view that this inhibits efforts to improve the department's audit outcome and the control environment in general.

Based on our interaction with the Department during the Audit Committee meetings we conclude that the tone is not set from the top and the Audit Committee recommends to management that this matter should be addressed as a priority.

The Audit Committee is also pleased that Auditor-General South Africa has solicited a direct assistance on and have used some of the work performed by the Internal Audit Activity in assessing the risks exposure and expressing an audit opinion thereby alleviating duplication of efforts.

Notwithstanding the above-mentioned, the Audit Committee is concerned with non-compliance with audit findings raised by Auditor General South Africa particularly regarding the External Quality Assurance Reviews on the Internal Audit Activity as well as lack of convening of meeting between the Executing Authority and the Audit Committee. The Audit Committee recommends to management that these non-compliance matters must be urgently addressed in the 2023/2024 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 on 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 noted with concern that the Risk Management Committee could not convene regularly as per their schedule as a result of the vacant position of the Chairperson of the Risk Management Committee. The Audit Committee recommends to management that this non-compliance matters must be urgently addressed in the 2023/2024 financial year.

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 once more received an unqualified audit opinion with more qualification paragraphs as compared to the audit outcome in the previous financial year. We have reviewed the Department's implementation plan for the audit issues raised in the previous year and based on the interaction with the Department, Internal Audit Reports and Auditor-General South Africa's audit report, all matters have not been adequately addressed, hence the audit outcome.

To effectively address and prevent repeat audit outcomes this must be a high priority for the Department in 2023/24 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 South Africa on the Annual Financial Statements of the Department and that of 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 South Africa.

11. General

The Audit Committee strongly recommends that the Department must ensure adequate and effective implementation and frequent monitoring of the Audit Action Plan for both Internal and external Audits to obtain improved audit outcomes.



Ms. P Mzizi – CA(SA)
Chairperson of the Audit Committee

Date: 17 August 2023

12. 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 <i>(include a discussion on your response and indicate what measures have been taken to comply)</i>
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	The new Preferential Procurement Regulations-2022 were promulgated on 16 January 2023. As at year-end, the Department was still busy with the development of a Preferential Procurement Policy which takes into account the B-BBEE Certificate Levels.
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 Human Resource Management and Development Directorate of Human Settlements are made up of the following components: Personnel Provisioning and Utilization, Human Resource Planning, Employee Health and Wellness, Labour Relation and Human Resource Development. The components dealing with Employee Performance management and organisational Design form part of the Departmental Planning and Performance Management Directorate.

2. OVERVIEW OF HUMAN RESOURCES

The status of Human Resources in the department.

There has been a delay in advertising and filling vacant funded posts. The department has a total of 484 posts on the approved staff establishment of which a total of 375 posts have been fully filled, 81% of SMS posts has been filled and that will be from level 13 to 16. Some staff left the department with the following reasons: Death (2), Resignation (7), Expiry of contract (1), Retirement (3).

3. HUMAN RESOURCES OVERSIGHT STATISTICS

3.1 Personnel related expenditure

Table 3.1.1 Personnel expenditure by programme for the period 1 April 2022 - 31 March 2023

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	146 897	102 942	0	0	70.1	533
HOUSING ASSETS MANG,PROP MNG	1 355	1 335	0	0	98.5	668
HOUSING DEVELOPMENT	376 147	80 539	0	0	21.4	428
HOUSING NEEDS,RESEARCH&PLAN	19 300	17 406	0	0	90.2	725
Total	543 699	202 222	0	0	37.2	497

Table 3.1.2 Personnel costs by salary band for the period 1 April 2022 - 31 March 2023

Salary band	Personnel expenditure (R'000)	% of total personnel cost	No. of employees	Average personnel cost per employee (R'000)
02 Skilled (Levels 3-5)	30 884	14.9	118	261 729
03 Highly skilled production (Levels 6-8)	61 286	29.6	138	444 101
04 Highly skilled supervision (Levels 9-12)	72 980	35.3	97	752 371
05 Senior management (Levels >= 13)	29 494	14.3	22	1 340 636
11 Contract (Levels 3-5)	376	0.2	2	188 000
12 Contract (Levels 6-8)	2 307	1.1	6	384 500
13 Contract (Levels 9-12)	3 512	1.7	7	501 714
14 Contract (Levels >= 13)	2 901	1.4	4	725 250
19 Periodical Remuneration	1 569	0.8	13	120 692
Total	205 309	99.3	407	504 442

Table 3.1.3 Salaries, Overtime, Home Owner's Allowance and Medical Aid by programme for the period 1 April 2022 - 31 March 2023

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	87 535	82.3	559	0.50	2 798	87 535	82.30	559
HOUSING ASSETS MANG.PROP MNG	1 157	86.6	0	0.00	19	1 157	86.60	0
HOUSING DEVELOPMENT	67 072	80.5	31	0.00	2 195	67 072	80.50	31
HOUSING NEEDS.RESEARCH &PLAN	13 294	84.3	17	0.10	264	13 294	84.30	17
Total	169 058	81.7	607	0.30	5 276	169 058	81.70	607

Table 3.1.4 Salaries, Overtime, Home Owners Allowance and Medical Aid by salary band for the period 1 April 2022 - 31 March 2023

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
02 Skilled (Levels 3-5)	22 912	74.1	84	0.3	1 682	5.0	3 422	11.1
03 Highly skilled production (Levels 6-8)	48 255	78.4	300	0.5	2 319	3.8	4 364	7.1
04 Highly skilled supervision (Levels 9-12)	62 567	84.9	207	0.3	1 097	1.5	1 938	2.6
05 Senior management (Levels >= 13)	26 683	89.2	0	0	178	0.6	93	0.3
11 Contract (Levels 3-5)	367	97.6	9	2.4	0	0	0	0
12 Contract (Levels 6-8)	2 270	98.4	0	0	0	0	0	0
13 Contract (Levels 9-12)	3 354	95.4	8	0.2	0	0	0	0
14 Contract (Levels >= 13)	2 649	90	0	0	0	0	0	0
19 Periodical Remuneration	0	0.	0	0	0	0	0	0
Total	169 057	81.7	608	0.3	5 276	2.6	9 817	4.7

3.2 Employment and vacancies

Table 3.2.1 Employment and vacancies by programme as on 31 March 2023

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
ADMINISTRATION, Permanent	250	189	24.4	0
HOUSING ASSETS MANG PROP MNG, Permanent	1	0	100	0
HOUSING ASSETS MANG.PROP MNG, Permanent	2	2	0	0
HOUSING DEVELOPMENT, Permanent	222	181	18.5	3
HOUSING NEEDS.RESEARCH&PLAN, Permanent	28	22	21.4	0
Total	503	394	21.7	3

Table 3.2.2 Employment and vacancies by salary band as on 31 March 2023

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)	150	118	21.3	0
Highly skilled production (6-8)	182	138	24.2	0
Highly skilled supervision (9-12)	124	97	21.8	0
Senior management (13-16)	28	22	21.4	0
Total	484	375	88.7	0

Table 3.2.3 Employment and vacancies by critical occupations as on 31 March 2023

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
ADMINISTRATIVE RELATED, Permanent	92	74	19.6	1
BUS AND HEAVY VEHICLE DRIVERS, Permanent	3	2	33.3	0
ENGINEERS AND RELATED PROFESSIONALS, Permanent	18	14	22.2	0
FINANCIAL AND RELATED PROFESSIONALS, Permanent	7	5	28.6	0
FINANCIAL CLERKS AND CREDIT CONTROLLERS, Permanent	22	20	9.1	0
GENERAL LEGAL ADMINISTRATION & REL. PROFESSIONALS, Permanent	3	2	33.3	0
HUMAN RESOURCES & ORGANISAT DEVELOPM & RELATE PROF, Permanent		1	0	0
HUMAN RESOURCES CLERKS, Permanent	3	2	33.3	0
HUMAN RESOURCES RELATED, Permanent	1	1	0	0
IDENTIFICATION EXPERTS, Permanent	1	1	0	0
INFORMATION TECHNOLOGY RELATED, Permanent	4	4	0	0
LEGAL RELATED, Permanent	1	0	100	0
LIBRARY MAIL AND RELATED CLERKS, Permanent	6	6	0	0
LIGHT VEHICLE DRIVERS, Permanent	5	5	0	0
LOGISTICAL SUPPORT PERSONNEL, Permanent	4	3	25	0
MATERIAL-RECORDING AND TRANSPORT CLERKS, Permanent	2	2	0	0
MESSENGERS PORTERS AND DELIVERERS, Permanent	1	1	0	0
OTHER ADMINISTRAT & RELATED CLERKS AND ORGANISERS, Permanent	120	84	30	2
OTHER ADMINISTRATIVE POLICY AND RELATED OFFICERS,	96	73	24	0

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Permanent				
OTHER INFORMATION TECHNOLOGY PERSONNEL., Permanent	3	3	0	0
OTHER OCCUPATIONS, Permanent	1	1	0	0
SECRETARIES & OTHER KEYBOARD OPERATING CLERKS, Permanent	18	17	5.6	0
SECURITY GUARDS, Permanent	70	57	18.6	0
SECURITY OFFICERS, Permanent	2	1	50	0
SENIOR MANAGERS, Permanent	19	15	21.1	0
Total	502	394	21.5	3

3.3 Filling of SMS Posts

Table 3.3.1 SMS post information as on 31 March 2023

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 16	1	1	100%	0	0
Salary Level 15	1	1	100%	0	0
Salary Level 14	5	5	100%	0	0
Salary Level 13	23	17	73%	6	27%
Total	31	25	81%	6	19%

Table 3.3.2 SMS post information as on 30 September 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 16	1	1	100%	0	0
Salary Level 15	1	1	100%	0	0
Salary Level 14	5	5	100%	0	0
Salary Level 13	23	17	73%	6	26%
Total	31	25	84%	6	19%

Table 3.3.3 Advertising and filling of SMS posts for the period 1 April 2022 - 31 March 2023

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	1	1	0
Salary Level 16	1	1	0
Salary Level 15	0	0	0
Salary Level 14	0	0	0
Salary Level 13	2	0	1
Total	4	2	1

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 2022 to 31 March 2023

Reasons for vacancies not advertised within six months
There was constant changes in political and administrative heads of the department and this affected some processes including advertising and filling of posts during 2022/23 performance year,

Reasons for vacancies not filled within six months
There was constant changes in political and administrative heads of the department and this affected some processes including advertising and filling of posts during 2022/23 performance year,

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 2022 - 31 March 2023

Reasons for vacancies not advertised within six months
No action was taken as non-compliance was as the result of actions beyond the departmental control.

Reasons for vacancies not filled within six months
There was constant changes in political and administrative heads of the department and this affected some processes including advertising and filling of posts during 2022/23 performance year,

3.4 Job Evaluation

Table 3.4.1 Job Evaluation by Salary band for the period 1 April 2022 - 31 March 2023

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)							
Skilled (Levels 3-5)	150	0		-	-	-	-
Highly skilled production (Levels 6-8)	182	0		-	-	-	-
Highly skilled supervision (Levels 9-12)	124	0		-	-	-	-
Senior Management Service Band A	22	1	0.22	-	-	-	-
Senior Management Service Band B	5	0		-	-	-	-
Senior Management Service Band C	1	0		-	-	-	-
Senior Management Service Band D	1	0		-	-	-	-
Total	485	1		-	-	-	-

The following table provides a summary of the number of employees whose positions were upgraded due to their post being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

Table 3.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2022 - 31 March 2023

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

Employees with a disability	-
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The following table summarises the number of cases where remuneration bands exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

Table 3.4.3 Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2022 - 31 March 2023

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 2022 - 31 March 2023

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

Employees with a disability	-	-	-	-	-
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3.5 Employment Changes

Table 3.5.1 Annual turnover rates by salary band for the period 1 April 2022 and 31 March 2023

Salary band	Number of employees at beginning of period-1 April 2022	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 (Levels3-5)	122	4	3	2.5
Highly skilled production (Levels 6-8)	138	5	5	3.6
Highly skilled supervision (Levels 9-12)	101	0	3	3
Senior Management Service Bands A	17	0	1	5.9
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
Other Permanent	1	0	0	0
Contract (Levels 3-5) Permanent	1	2	1	100
Contract (Levels 6-8) Permanent	6	0	0	0
Contract (Levels 9-12) Permanent	5	2	0	0
Contract Band A Permanent	1	1	0	0
Contract Band B Permanent	0	1	0	0
17 Contract Band D Permanent	0	1	0	0

Salary band	Number of employees at beginning of period-1 April 2022	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Total	399	16	13	3.3

Table 3.5.2 Annual turnover rates by critical occupation for the period 1 April 2022 - 31 March 2023

Critical occupation	Number of employees at beginning of period-April 2022	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
ADMINISTRATIVE RELATED Permanent	71	3	1	1.4
BUS AND HEAVY VEHICLE DRIVERS Permanent	2	0	0	0
ENGINEERING SCIENCES RELATED Permanent	1	0	0	100
ENGINEERS AND RELATED PROFESSIONALS Permanent	14	0	0	0
FINANCIAL AND RELATED PROFESSIONALS Permanent	16	0	0	16.7
FINANCIAL CLERKS AND CREDIT CONTROLLERS Permanent	19	2	1	5.3
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	2	0	0	0
HUMAN RESOURCES RELATED Permanent	1	0	0	0
IDENTIFICATION EXPERTS Permanent	1	0	0	0
INFORMATION TECHNOLOGY RELATED Permanent	4	0	0	0
LEGAL RELATED Permanent	1	0	0	100
LIBRARY MAIL AND RELATED CLERKS Permanent	6	0	0	0
LIGHT VEHICLE DRIVERS Permanent	6	0	0	16.7
LOGISTICAL SUPPORT PERSONNEL Permanent	3	0	0	0

Critical occupation	Number of employees at beginning of period-April 2022	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
MATERIAL-RECORDING AND TRANSPORT CLERKS Permanent	2	0	0	0
MESSENGERS PORTERS AND DELIVERERS Permanent	0	1	0	0
OTHER ADMINISTRAT & RELATED CLERKS AND ORGANISERS Permanent	86	4	4	4.7
OTHER ADMINISTRATIVE POLICY AND RELATED OFFICERS Permanent	75	0	1	1.3
OTHER INFORMATION TECHNOLOGY PERSONNEL. Permanent	3	0	0	0
OTHER OCCUPATIONS Permanent	1	0	0	0
SECRETARIES & OTHER KEYBOARD OPERATING CLERKS Permanent	16	4	0	0
Security Guards Permanent	61	0	2	3.3
Security Officers Permanent	1	0	0	0
Senior Manager Permanent	14	2	0	0
TOTAL	399	16	9	3.3

The table below identifies the major reasons why staff left the department.

Table 3.5.3 Reasons why staff left the department for the period 1 April 2022 - 31 March 2023

Termination Type	Number	% of Total Resignations
Death	2	15.4
Resignation	7	53.8
Expiry of contract	1	7.7
Dismissal – operational changes		
Dismissal – misconduct		
Dismissal – inefficiency		
Discharged due to ill-health		
Retirement	3	23.1
Transfer to other Public Service Departments		
Other		

Total	13	100
Total number of employees who left as a % of total employment	13	

Table 3.5.4 Promotions by critical occupation for the period 1 April 2022 - 31 March 2023

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	71	1	1.4	37	52.1
BUS AND HEAVY VEHICLE DRIVERS	2	0	0	0	100
ENGINEERING SCIENCES RELATED	1	0	0	0	0
ENGINEERS AND RELATED PROFESSIONALS	14	0	0	0	0
FINANCIAL AND RELATED PROFESSIONALS	6	0	0	4	66.7
FINANCIAL CLERKS AND CREDIT CONTROLLERS	19	0	0	15	78.9
GENERAL LEGAL ADMINISTRATION & REL. PROFESSIONALS	2	0	0	2	100
HUMAN RESOURCES & ORGANISAT DEVELOPM & RELATE PROF	1	0	0	0	0
HUMAN RESOURCES CLERKS	2	0	0	2	100
HUMAN RESOURCES RELATED	1	0	0	1	100
IDENTIFICATION EXPERTS	1	0	0	0	0
INFORMATION TECHNOLOGY RELATED	4	0	0	4	100
LEGAL RELATED	1	0	0	0	0

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
0	6	0	0	6	100
LIGHT VEHICLE DRIVERS	6	0	0	4	66.7
LOGISTICAL SUPPORT PERSONNEL	3	0	0	3	100
MATERIAL- RECORDING AND TRANSPORT CLERKS	2	0	0	2	100
OTHER ADMINISTRAT & RELATED CLERKS AND ORGANISERS	86	1	1.2	55	64
OTHER ADMINISTRATIVE POLICY AND RELATED OFFICERS	75	3	4	52	69.3
OTHER INFORMATION TECHNOLOGY PERSONNEL.	3	0	0	0	0
OTHER OCCUPATIONS	1	0	0	1	100
SECRETARIES & OTHER KEYBOARD OPERATING CLERKS	16	0	0	11	68.8
SECURITY GUARDS	61	0	0	0	0
SECURITY OFFICERS	1	0	0	1	100
SENIOR MANAGERS	14	0	0.	0	0
TOTAL	399	5	1.3	200	53.4

Table 3.5.5 Promotions by salary band for the period 1 April 2022 - 31 March 2023

Salary Band	Employees 1 April 2022	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 (Levels 3-5)	122	0	0	51	41.8
Highly skilled production (Levels 6-8)	138	4	2.9	90	65.2
Highly skilled supervision (Levels 9-12)	101	1	1	67	66.3
Senior Management (Level 13-16)	24	0	0	0	0
Other, Permanent	1	0	0	0	0
Contract (Levels 3-5), Permanent	1	0	0	0	0
Contract (Levels 6-8), Permanent	6	0	0	4	66.7
Contract (Levels 9-12), Permanent	5	0	0	1	20
Contract (Levels >= 13), Permanent	1	0	0	0	0
Total	399	5	1.3	213	53.4

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 2023

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
SENIOR OFFICIALS AND MANAGERS	8	0	0.	0	6	1	0	0	15
PROFESSIONALS	13	0	0	0	14	2	0	1	30
TECHNICIANS AND ASSOCIATE PROFESSIONALS	63	0	0	4	76	2	0	5	150
CLERKS	45	0	0	0	80	2	0	5	132
SERVICE SHOP AND MARKET SALES WORKERS	28	0	0	0	30	0	0	0	58
PLANT AND MACHINE OPERATORS AND ASSEMBLERS	7	0	0	0	0	0	0	0	7
LABOURERS AND RELATED WORKERS	2	0	0	0	0	0	0	0	2
TOTAL	166	0	0	4	206	7	0	11	394
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 2023

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management, Permanent	1	0	0	0	0	0	0	0	1
Senior Management, Permanent	13	0	0	0	6	2	0	0	21
Professionally qualified and experienced specialists and mid-management, Permanent	39	0	0	4	51	2	0	1	97
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	42	0	0	0	85	1	0	10	138
Semi-skilled and discretionary decision making, Permanent	59	0	0	0	58	1	0	0	118
Contract (Top Management), Permanent	0	0	0	0	1	0	0	0	1
Contract (Senior Management), Permanent	2	0	0	0	1	0	0	0	3
Contract (Professionally Qualified), Permanent	3	0	0	0	3	1	0	0	7
Contract (Skilled Technical), Permanent	6	0	0	0	0	0	0	0	6
Contract (Semi-Skilled), Permanent	1	0	0	0	1	0	0	0	2
Total	166	0	0	4	206	7	0	11	394

Table 3.6.3 Recruitment for the period 1 April 2022 to 31 March 2023

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	3	0	0	0	2	0	0	0	5
05 Semi-skilled and discretionary decision making, Permanent	2	0	0	0	2	0	0	0	4
08 Contract (Top Management), Permanent	0	0	0	0	0	0	0	0	0
09 Contract (Senior Management), Permanent	2	0	0	0	0	0	0	0	2
10 Contract (Professionally qualified), Permanent	0	0	0	0	2	0	0	0	2
12 Contract (Semi-skilled), Permanent	1	0	0	0	1	0	0	0	2
TOTAL	8	0	0	0	7	0	0	0	15

Table 3.6.4 Promotions for the period 1 April 2022 to 31 March 2023

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
04 Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	28	0	0	3	35	1	0	1	68
05 Semi-skilled and discretionary decision making, Permanent	25	0	0	0	63	0	0	6	94
08 Contract (Top Management), Permanent	27	0	0	0	23	1	0	0	51
09 Contract (Senior Management), Permanent	1	0	0	0	0	0	0	0	1

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
10 Contract (Professionally qualified), Permanent	4	0	0	0	0	0	0	0	4
12 Contract (Semi-skilled), Permanent	85	0	0	3	121	2	0	7	218
Total	170	0	0	6	242	4	1	14	437

Table 3.6.5 Terminations for the period 1 April 2022 - 31 March 2023

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
04 Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	0	0	0	0	1	0	0	0	1
05 Semi-skilled and discretionary decision making, Permanent	1	0	0	1	1	0	0	0	3
08 Contract (Top Management), Permanent	1	0	0	0	3	0	0	1	5
09 Contract (Senior Management), Permanent	3	0	0	0	0	0	0	0	3
10 Contract (Professionally qualified), Permanent	0	0	0	0	1	0	0	0	1
12 Contract (Semi-skilled), Permanent	5	0	0	1	6	0	0	1	13
Total	10	0	0	2	13	0	0	2	26

Table 3.6.6 Disciplinary action for the period 1 April 2022 to 31 March 2023

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Financial misconduct in terms of section 84 of the PFMA in regard to the Free State Asbestos Project	2	0	0	0	1	0	0	0	3
Alleged abuse and unauthorised use of state property/impoundment of vehicle	1	0	0	0	0	0	0	0	1
Alleged failure to observe project management milestones	2	0	0	0	0	0	0	0	2
Alleged leaking of private documents to unrelated parties, and alleged disruptive conduct and or insolence conduct	2	0	0	0	0	0	0	0	2
Allegations on irregular appointment of service provider, alleged violation of the PFMA and Treasury Regulations	2	0	0	0	1	0	0	0	3
Alleged negligence/dishonesty	0	0	0	0	3	0	0	0	3
Alleged contravention of par. 12.1 of chapter 6 of the SMS handbook, 2003/ RWOPS without approval	0	0	0	0	1	0	0	0	1
Abscondment and desertion (absenteeism)	2	0	0	0	0	0	0	0	2

Table 3.6.7 Skills development for the period 1 April 2022 - 31 March 2023

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	1	0	0	0	1	0	0	0	2
Professionals	14	2	0	1	35	1	0	1	54
Technicians and associate professionals	19	1	0	0	58	1	0	2	81
Clerks	15	0	0	0	32	0	0	0	47
Service and sales workers	5	0	0	0	9	0	0	0	14
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	6	0	0	0	0	0	0	0	6
Elementary occupations	0	0	0	0	0	0	0	0	0
Total	60	3	0	1	135	2	0	3	204
Employees with disabilities	1	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 2023

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	-	-	-	-
Salary Level 16	1	1	1	100%
Salary Level 15	1	1	1	100%
Salary Level 14	6	6	3	50%
Salary Level 13	17	16	12	75%
Total	25	24	17	71%

Table 3.7.2 Reasons for not having concluded Performance agreements for all SMS members as on 31 March 2023

Reasons
Most of the SMS members who did not submit their performance agreements are still on suspension.
The other two officials are yet to submit their agreements because they hired on contract basis.

Table 3.7.3 Disciplinary steps taken against SMS members for not having concluded Performance agreements as on 31 March 2023

Reasons
None so far.

3.8 Performance Rewards

Table 3.8.1 Performance Rewards by race, gender and disability for the period 1 April 2022 - 31 March 2023

Race and Gender	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee
African	0	0	0	0	0
Male	0	0	0	0	0
Female	0	0	0	0	0
Asian	0	0	0	0	0
Male	0	0	0	0	0
Female	0	0	0	0	0
Coloured	0	0	0	0	0
Male	0	0	0	0	0
Female	0	2	0	0	0
White	0	0	0	0	0
Male	0	0	0	0	0
Female	0	0	0	0	0
Total		0	0	0	0

Table 3.8.2 Performance Rewards by salary band for personnel below Senior Management Service for the period 1 April 2022 - 31 March 2023

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)	0	0	0	0	0	0
Skilled (level 3-5)	0	125	0	0	0	0
Highly skilled production (level 6-8)	0	135	0	0	0	0
Highly skilled supervision (level 9-12)	0	100	0	0	0	0
Total	0	360	0	0	0	0

Table 3.8.3 Performance Rewards by critical occupation for the period 1 April 2022 - 31 March 2023

Critical occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
FINANCIAL CLERKS AND CREDIT CONTROLLERS	0	19	15	43,89	14 631
OTHER ADMINISTRAT & RELATED CLERKS AND ORGANISERS	0	86	3	44,32	14 772
OTHER OCCUPATIONS	0	1	100	9,50	9 497
ADMINISTRATIVE RELATED	0	71	18,3	535,73	41 210
HUMAN RESOURCES RELATED	0	1	100	14.29	14 290
OTHER ADMINISTRATIVE POLICY AND RELATED OFFICERS	0	72	9.7	158.68	22 669
BUS AND HEAVY VEHICLE DRIVERS	0	2	100	18.17	9 085
SENIOR MANAGERS	0	1	28.6	266.74	66 686
ENGINEERS AND RELATED PROFESSIONALS	0	9.	7.1	47.69	47 685
LIGHT VEHICLE DRIVERS	0	6	16.7	7.83	7 826.00
INFORMATION TECHNOLOGY RELATED	0	4	25	19.4	19 398.00
Total	0	272	9.6	1 166.24	30 937.00

Table 3.8.4 Performance related rewards (cash bonus), by salary band for Senior Management Service for the period 1 April 2022 - 31 March 2023

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	24	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	24	0	0	0	0

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 2022 - 31 March 2023

Salary band	01 April 2022		31 March 2023		Change	
	Number	% of total	Number	% of total	Number	% Change
Lower skilled	0	0	0	0	0	0
Highly skilled production (Lev. 6-8)	0	0	0	0	0	0
Highly skilled supervision (Lev. 9-12)	0	0	0	0	0	0
Contract (level 9-12)	0	0	0	0	0	0
Contract (level 13-16)	0	0	0	0	0	0
Total	0	0	0	0	0	0

Table 3.9.2 Foreign workers by major occupation for the period 1 April 2022 - 31 March 2023

Major occupation	01 April 20YY		31 March 2023		Change	
	Number	% of total	Number	% of total	Number	% Change
0	0	0	0	0	0	0

3.10 Leave utilisation

Table 3.10.1 Sick leave for the period 1 January 2022 - 31 December 2023

Salary band	Total days	% Days with Medical certification	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Lower Skills (Level 1-2)						
Skilled (levels 3-5)	687	86.20	1	25.00	218	218
Highly skilled production (levels 6-8)	1096	82.80	117	40.80	9	1696
Highly skilled supervision (levels 9 -12)	591	85.80	73	25.40	8	1517
Top and Senior management (levels 13-16)	7	100	1	25.00	6	12
Total	2381	354.80	192	115.40	241	3443

The date set in this table is as per the format of the report.

Table 3.10.2 Disability leave (temporary and permanent) for the period 1 January 2022 - 31 December 2022

Salary band	Total days	% Days with Medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)						
Skilled (Levels 3-5)	218	100	1	25	218	218
Highly skilled production (Levels 6-8)	10	100	2	50	5	14
Highly skilled supervision (Levels 9-12)						
Senior management (Levels 13-16)						
Total	228	200	3	75	223	232

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 2022 - 31 December 2022

Salary band	Total days taken	Number of Employees using annual leave	Average per employee
Lower skilled (Levels 1-2)			
Skilled Levels (3-5)	2216	109	20
Highly skilled production (Levels 6-8)	3590	143	25
Highly skilled supervision (Levels 9-12)	2679	99	27
Senior management (Levels 13-16)	490	22	22
Total	8975	373	94

Table 3.10.4 Capped leave for the period 1 January 2022 - 31 December 2022

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)				
Skilled Levels 3-5)	0	0	0	38
Highly skilled production (Levels 6-8)	0	0	0	18
Highly skilled supervision (Levels 9-12)	0	0	0	24
Senior management (Levels 13-16)	0	0	0	17
Total	0	0	0	97

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

Table 3.10.5 Leave payouts for the period 1 April 2022 - 31 March 2023

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave payout for 2022 due to non-utilisation of leave for the previous cycle	282	9	31333
Capped leave payouts on termination of service for 2022/23	80	2	40000
Current leave payouts on termination of service for 2022/23	139	4	34750
Total	501	15	106083

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
Employee who are dealing with capturing of applications	Internal Awareness are rendered during Wellness Days and employee development programmes
Young people of the department.	Awareness during inductions and on one to one sessions rendered.

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. Anthony Reachable: Director: HRM&D: 062 080 3045
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		3X Employees (Ms Sinesipo JoJo EAP Officer, Gift Silingile, Deputy Director Employee Health and Wellness and Ms Dineo Leqheku) with a budget of R190.000 There are also 12 Employee Health and Wellness Committee that assist in implementation of the programme
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		Implementation of the four pillars of Employee Health and Wellness that included HIV and Aids, STI and TB management, Wellness Management, Health Productivity Management and Safety, Health, Environment, Risk and Quality policies
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		Employee Health and Wellness Committee and Occupational Health and Safety Representatives (These employee comes from all departmental Chief Directorates)

Question	Yes	No	Details, if yes
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		HIV and Aids, STI and TB management, Wellness Management, Health Productivity Management and Safety, Health, Environment, Risk and Quality policies
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 departmental HIV and AIDS, STI and TB management policy is clear on the protection of employees and their status.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	X		Pre-Test and Post test counselling are encouraged with partnership with Mangaung Metro's Aids Training Information and Counselling Centre (ATTIC) to assist in testing and counselling needy employees
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		Internal Awareness Programme related to National Health Calendar Programme like TB Day, Cancer Awareness and Diabetes. The departmental Wellness days that will be held every quarter will help in screening of health related matters and different topics on health and financial wellness will be discussed with the invitation of various stakeholders. Monthly Risk management of environment, identification of office hazards and occupational health is undertaken

3.12 Labour Relations

Table 3.12.1 Collective agreements for the period 1 April 2022 - 31 March 2023

Subject matter	Date
PSCBC- Adoption of the declaration on the public services co-ordinating bargaining council summit on collective bargaining held on the 28 – 31 March 2022 at Emperors palace conference centre Gauteng. (Resolution 1 of 2022).	22 June 2022
GPSSBC- Amendment of resolution 2 of 2009 clause 8 – Payment of pay progression (Resolution 1 of 2022).	11 November 2022

Notes

Total number of Collective agreements	2
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The following table summarises 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 2022 - 31 March 2023

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	2	28,57%
Verbal warning	0	0%
Written warning	2	28,57%
Final written warning	0	0%
Suspended without pay	0	0%
Fine	0	0%
Demotion	0	0%
Dismissal	3	42,85%
Not guilty	0	0%
Case withdrawn	0	0%
Total	7	100%

Notes

Total number of Disciplinary hearings finalised	1
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Table 3.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2022 - 31 March 2023

Type of misconduct	Number	% of total
Financial misconduct in terms of section 84 of the PFMA	3	33,33%
Alleged abuse and unauthorised use of state property/impoundment of vehicle	1	11,11%
Alleged failure to observe project management milestones	1	11,11%
Alleged leaking of private documents to unrelated parties and Alleged disruptive conduct and or insolence	1	11,11%
Allegations on irregular appointment of service provider, alleged violation of the PFMA and Treasury Regulations	3	33,33%
Total	9	100%

Table 3.12.4 Grievances logged for the period 1 April 2022 - 31 March 2023

Grievances	Number	% of Total
Number of grievances resolved	5	31,2 %
Number of grievances not resolved	11	68,7 %
Total number of grievances lodged	16	100%

Table 3.12.5 Disputes logged with Councils for the period 1 April 2022 - 31 March 2023

Disputes	Number	% of Total
Number of disputes upheld	6	100%
Number of disputes dismissed	0	0%
Total number of disputes lodged	6	100%

Table 3.12.6 Strike actions for the period 1 April 2022 - 31 March 2023

Total number of persons working days lost	1
Total costs working days lost	R423.2
Amount recovered as a result of no work no pay (R'000)	0.00

Table 3.12.7 Precautionary suspensions for the period 1 April 2022 - 31 March 2023

Number of people suspended	9
Number of people who's suspension exceeded 30 days	9
Average number of days suspended	231.5 Days
Cost of suspension(R'000)	R6 558,294.00

3.13 Skills development

Table 3.13.1 Training needs identified for the period 1 April 2022 - 31 March 2023

Occupational category	Gender	Number of employees as at 1 April 2022	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	7	0	1	0	1
	Male	8	0	0	0	0
Professionals	Female	19	0	9	8	17
	Male	14	0	6	2	8
Technicians and associate professionals	Female	80	1	16	3	20
	Male	67	1	3	1	5
Clerks	Female	90	0	6	0	6
	Male	43	0	1	0	1
Service and sales workers	Female	31	0	3	0	3
	Male	31	0	2	0	2
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	8	0	1	0	1
Elementary occupations	Female	0	0	0	0	0
	Male	0	0	0	0	0
Sub Total	Female	226	1	35	11	47
	Male	171	1	13	3	17
Total		397	2	48	14	64

Table 3.13.2 Training provided for the period 1 April 2022 - 31 March 2023

Occupational category	Gender	Number of employees as at 1 April 2022	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	7	0	0	1	1
	Male	8	0	0	1	1
Professionals	Female	19	0	26	5	31
	Male	14	0	11	2	13
Technicians and associate professionals	Female	80	1	52	0	53
	Male	67	1	15	0	16
Clerks	Female	90	0	30	0	30
	Male	43	0	11	0	11
Service and sales workers	Female	31	0	9	0	9
	Male	31	0	5	0	5
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	8	0	6	0	6
Elementary occupations	Female	0	0	0	0	0
	Male	0	0	0	0	0
Sub Total	Female	226	1	117	6	124
	Male	171	1	48	3	52
Total		397	2	165	9	176

3.14 Injury on duty

Table 3.14.1 Injury on duty for the period 1 April 2022 - 31 March 2023

Nature of injury on duty	Number	% of total
Required basic medical attention only	2	2
Temporary Total Disablement	0	0
Permanent Disablement0	0	0
Fatal	0	0
Total	2	0.4%

3.15 Utilisation of Consultants

Table 3.15.1 Report on consultant appointments using appropriated funds for the period 1 April 2022 - 31 March 2023

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 (Project not confirmed According to AGSA)		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
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

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
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 ENGINNERS/LOHAN CIVILS		5, 200, 882.50
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN MMAMAHABANE	PROPER CONSULTING ENGINNERS/LOHAN CIVILS		3, 283, 634.06
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN THABONG EXT 27 PHOKENG	PROPER CONSULTING ENGINNERS/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 ENGINNERS (PTY) LTD		1, 425, 058.47
DESIGN AND SUPERVISION OF WATER AND SEWER NETWORKS IN RATANANG	FRESH HARVEST CONSULTING ENGINNERS (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
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	APHANE CONSULTING		11, 530, 222.37

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
WATER AND SEWER			

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 2022 - 31 March 2023

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
	24% Women 22% Youth		

Table 3.15.3 Report on consultant appointments using Donor funds for the period 1 April 2021 - 31 March 2023

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 2022 and 31 March 2023

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

3.16 Severance Packages

Table 3.16.1 Granting of employee initiated severance packages for the period 1 April 2022 -- 31 March 2023

Salary band	Number of applications received	Number of applications referred to the MPSA	Number of applications supported by MPSA	Number of packages approved by department
Lower skilled (Levels 1-2)	0	0	0	0
Skilled Levels 3-5)	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0
Highly skilled supervision(Levels 9-12)	0	0	0	0
Senior management (Levels 13-16)	0	0	0	0
Total	0	0	0	0



PART E

PFMA COMPLIANCE REPORT



1. IRREGULAR, FRUITLESS AND WASTEFUL, UNAUTHORISED EXPENDITURE AND MATERIAL LOSSES

1.1. Irregular expenditure

a) Reconciliation of irregular expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	5 151 605	4 624 689
Add: Irregular expenditure confirmed	231 319	526 916
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	5 382 925	5 151 605

NONE

Reconciling notes

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure that was under assessment in 2021/22	-	-
Irregular expenditure that relates to 2021/22 and identified in 2022/23	-	-
Irregular expenditure for the current year	231 319	526 916
Total	231 319	526 916

b) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description ¹	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure under assessment	97 337	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	231 319	526 916
Total ²	328 656	526 916

NONE

¹ Group similar items

² Total unconfirmed irregular expenditure (assessment), losses (determination), and criminal conduct (investigation)

c) Details of current and previous year irregular expenditure condoned

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure condoned	-	-
Total	-	-

NONE

d) Details of current and previous year irregular expenditure removed - (not condoned)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	-	-
Total	-	-

NONE

e) Details of current and previous year irregular expenditure recovered

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure recovered	-	-
Total	-	-

NONE

f) Details of current and previous year irregular expenditure written off (irrecoverable)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure written off	-	-
Total	-	-

NONE

Additional disclosure relating to Inter-Institutional Arrangements

- g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)**

Description	
Amount refers to Hillsideview mixed housing development as a result of housing development project between the department	
and Mangaung Municipality. (This amount relates to 2021/22 financial year)	
Total	8 147

NONE

h) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

Description	2022/2023	2021/2022
	R'000	R'000
Total	-	-

NONE

i) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken
NONE

NONE

1.2. Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	109 669	60 689
Add: Fruitless and wasteful expenditure confirmed	3 628	48 980

Less: Fruitless and wasteful expenditure written off	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	113 297	109 669

NONE

Reconciling notes

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2021/22	20	20
Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23		-
Fruitless and wasteful expenditure for the current year	3 628	48 980
Total	3 648	49 000

b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description ³	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure under assessment	20	20
Fruitless and wasteful expenditure under determination		-
Fruitless and wasteful expenditure under investigation	3 628	48 980
Total⁴	3 648	49 000

NONE

c) Details of current and previous year fruitless and wasteful expenditure recovered

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure recovered	-	-
Total	-	-

Include discussion here where deemed relevant.

d) Details of current and previous year fruitless and wasteful expenditure not recovered and written off

³ Group similar items

⁴ Total unconfirmed fruitless and wasteful expenditure (assessment), losses (determination), and criminal conduct (investigation)

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure written off	-	-
Total	-	-

NONE

e) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken
None
Total

NONE

1.3. Unauthorised expenditure

a) Reconciliation of unauthorised expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	5 107	5 107
Add: unauthorised expenditure confirmed	-	-
Less: unauthorised expenditure approved with funding	-	-
Less: unauthorised expenditure approved without funding	-	-
Less: unauthorised expenditure recoverable	-	-
Less: unauthorised not recovered and written off ⁵	-	-
Closing balance	5 107	5 107

NONE

Reconciling notes

Description	2022/2023	2021/2022
	R'000	R'000
Unauthorised expenditure that was under assessment in 2021/22	-	-
Unauthorised expenditure that relates to 2021/22 and identified in 2022/23	-	-

⁵ This amount may only be written off against available savings

Unauthorised expenditure for the current year	-	-
Total	-	-

b) Details of current and previous year unauthorised expenditure (under assessment, determination, and investigation)

Description ⁶	2022/2023	2021/2022
	R'000	R'000
Unauthorised expenditure under assessment	-	-
Unauthorised expenditure under determination	-	-
Unauthorised expenditure under investigation	5 107	5 107
Total⁷	5 107	5 107

1.4 Additional disclosure relating to material losses in terms of PFMA Section 40 (3) (B) (I) and (III))

a) Details of current and previous year material losses through criminal conduct.

Material losses through criminal conduct	2022/2023	2021/2022
	R'000	R'000
Theft	-	-
Other material losses	-	-
Less: Recovered	-	-
Less: Not Recovered and written off	-	-
Total		

None

b) Details of other material losses

Nature of other material losses	2022/2023	2021/2022
	R'000	R'000
(Group major categories, but list material items)	-	-
	-	-
	-	-
Total	-	-

NONE

⁶ Group similar items

⁷ Total unconfirmed unauthorised expenditure (assessment), losses (determination), and criminal conduct (investigation)

c) Other material losses recovered

Nature of losses	2022/2023	2021/2022
	R'000	R'000
(Group major categories, but list material items)	-	-
	-	-
	-	-
	-	-
Total	-	-

None

d) Other material losses written off

Nature of losses	2022/2023	2021/2022
	R'000	R'000
(Group major categories, but list material items)	-	-
	-	-
	-	-
Total	-	-

None

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	1782	313 969
Invoices paid within 30 days or agreed period	1748	301 202
Invoices paid after 30 days or agreed period	34	12 767
Invoices older than 30 days or agreed period (unpaid and without dispute)	91	2 576
Invoices older than 30 days or agreed period (unpaid and in dispute)		

The main reasons for non-payment of invoices was due to projects that were not budgeted for in the current financial year's business plan, incorrect banking details and unverified CSD's banking verification status.

3. SUPPLY CHAIN MANAGEMENT

3.1. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
None				
Total				

3.2. Contract variations and expansions

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
N/A						
Total						



PART F



FINANCIAL INFORMATION

Report of the auditor-general to 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 122 to 185, which comprise the appropriation statement, statement of financial position as at 31 March 2023, 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 of 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 2023, and its financial performance and cash flows for the year then 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 5 of 2022 (Dora).

Basis for qualified opinion

Provisions

3. I was unable to obtain sufficient appropriate audit evidence for the provision on retention retained as inadequate supporting evidence was provided to support the retention amount disclosed and recorded in the provisions register. I was also unable to confirm the restatements of the corresponding figures for provision for retention retained. As described in note 29 to the financial statements, the restatements were made to rectify a prior year's misstatement; however, the restatement was not substantiated by supporting audit evidence. I was unable to confirm the provision on retention retained by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to provisions stated at an amount of R121 365 000 (2022: R52 762 000) in note 25 of the financial statements.
4. In addition, the department did not account for the provision on retention retained in accordance with MCS Chapter 14, *Provisions and Contingents* as differences were identified between the amounts recorded in the retention register and the auditor's recalculations. Consequently, this resulted in an understatement of the provision on retention retained of R13 245 709 (2022: R28 954 675) in note 25 to the financial statements.

Payables not recognised

5. I was unable to obtain sufficient appropriate audit evidence for the payables not recognised as inadequate supporting evidence was provided to support the payable amount disclosed and recorded in the payables not recognised register. I was also unable to confirm the restatements of the corresponding figures for payables not recognised. As described in note 29 to the financial statements, the restatements were made to rectify a prior year's misstatement; however, the restatement was not substantiated by supporting audit evidence. 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 R47 893 000 (2022: R40 707 000) in note 18.2 of the financial statements

6. The department did not account for payables not recognised in accordance with MCS Chapter 9, *General departmental assets and liabilities* as differences were identified between the amounts recorded in the payables not recognised register and the auditor's recalculations. Consequently, this resulted in an overstatement of payables not recognised by R58 499 282.

Accrued departmental revenue

7. The department did not account for the impairment of accrued departmental revenue in accordance with MCS Chapter 9, *General departmental assets and liabilities* as the department did not perform an impairment assessment on all accrued departmental revenue. Consequently, I was unable to determine the full extent of the misstatement to the impairment of accrued departmental revenue stated at R208 399 000 in note 21.2 to the financial statements as it was impracticable to do so.

Context for opinion

8. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
9. 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.
10. 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

11. I draw attention to the matters below. My opinion is not modified in respect of this matter.
12. As disclosed in note 30 to the financial statements, the department had significant payables not recognised of R47 893 000 and contingent liabilities of R89 997 000 as at 31 March 2023. As stated in note 30, these events or conditions, along with other matters set forth in note 30, 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

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

Contingent liabilities

14. With reference to note 17.1 to the financial statements, the department is the defendant in various legal claims against the department. The department is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result was made in the financial statements.

Irregular expenditure

15. As disclosed in note 22 to the financial statements, the department incurred irregular expenditure of R231 319 000 (2022: 525 669 000) due to non-compliance with supply chain management (SCM) requirements. In addition, the full extent of irregular expenditure is still in the process of being determined.

Restatement of corresponding figures

16. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of errors in the financial statements of the department at, and for the year ended, 31 March 2023.

Material underspending of the budget

17. As disclosed in the appropriation statement, the department materially underspent their budget by R647 473 000 on Programme 3: Housing development.

Other matters

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

Unaudited supplementary schedules

19. The supplementary information set out on pages xx to xx 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 on them.

Unaudited irregular expenditure and fruitless and wasteful expenditure

20. On 23 December 2022, the National Treasury issued Instruction Note 4 of 2022-23, which came into effect on 3 January 2023, in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA. The instruction note deals with the PFMA compliance and reporting framework and addresses, amongst others, the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Irregular expenditure and fruitless and wasteful expenditure incurred in prior financial years and not yet addressed no longer need to be disclosed in the disclosure notes to the annual financial statements. Only the current year and prior year figures are disclosed in note 22 to the financial statements of the department. Movements in respect of irregular expenditure and fruitless and wasteful expenditure also no longer need to be disclosed in the notes to the annual financial statements. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) is now included as part of the other information in the annual report of the department. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting officer for the financial statements

21. 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.

22. 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.

Responsibilities of the auditor-general for the audit of the financial statements

23. 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.
24. 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

25. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
26. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measure the department's performance on its primary mandated functions and that are of significant national, community or public interest.

Programmes	Page numbers	Purpose
Housing needs, research and planning	31	To facilitate and undertake housing delivery and planning
Housing Development	33	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

27. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users of the report on the department's planning and delivery of its mandate and objectives.

28. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the Department's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and consistently applied, and that we can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance, as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what were committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

29. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

30. I did not identify any material findings on the reported performance information of housing needs, research and planning.

31. The material findings on the performance information of the following selected programme are as follows:

Housing Development

Number of pre-1994 title deeds registered

32. The indicator was included in the approved annual performance plan, however, it was not clearly defined during the planning processes. Consequently, the information might be less useful for measuring performance.

Number of post-1994 title deeds registered

33. The indicator was included in the approved annual performance plan, it was not clearly defined during the planning processes. An achievement of 105 was reported against a target of 2 775. However, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the information might be less useful for measuring performance, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Various indicators

34. The indicator listed below were included in the approved annual performance plan, however it was not clearly defined during the planning processes. Based on audit evidence, the actual achievements for 2 indicators did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially more or less. Consequently, the information might be more or less useful for measuring performance, the over- and underachievement's on the targets were more or less than reported and the achievements against the targets were higher or lower than reported.

Indicators	Targets	Reported achievements
Number of post-2014 title deeds registered	1 618	941
Number of new title deeds registered	250	0

Various indicators

35. I could not determine if the reported achievements listed below were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicators	Targets	Reported achievements
Percentage of women, youth and persons with disability contractors who are allocated projects from the Human Settlements development grant	Women (30%) Youth (10%) Persons with disabilities (7%)	Women (24%) Youth (22%) Persons with disabilities (0%)
Number of serviced sites delivered	6 530	2 701

Various indicators

36. Based on audit evidence, the actual achievements for the indicators listed below did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially more. Consequently, the targets were not achieved, the over and underachievement of the targets were more or less than reported and the achievements against the target were higher or lower than reported.

Indicators	Targets	Reported achievements
Number of serviced sites and households delivered	3 178	322
Number of work opportunities created	1 000	212

Other matters

37. I draw attention to the matters below.

1. Achievement of planned targets

38. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement. This information should be considered in the context of the material findings on the reported performance information.

39. The department plays a key role in delivering services to South Africans. The annual performance report includes the following service delivery achievements against planned targets:

Key service delivery indicators not achieved	Planned targets	Reported achievements
Housing Development <i>Targets achieved: 18,75%</i> <i>Budget spent: 36,7%</i>		
Number of erven planned and surveyed	6 300	3 138
Number of projects and houses enrolled with NHBRC	5 000	2 510
Number of informal settlements upgraded to phase 3 of the upgrading of informal settlements programme (UISP)	13	4
Number of breaking new ground (BNG) houses delivered	2 156	152
Number of serviced sites delivered	6 530	2 701
Number of serviced sites and households delivered	3 178	322
Percentage of women, youth and persons with a disability contractor who are allocated projects from	Women = 30% Youth = 10% Disability= 7%	Women =24% Youth = 22% Disability = 0%

the Human Settlements development grant		
Number of work opportunities created	1 000	212
Number of pre-1994 title deeds registered	800	68
Number of post-1994 title deeds registered	2 775	105
Number of post-2014 title deeds registered	1 618	941
Number of new title deeds registered	250	0
Number of community residential units (CRU) delivered	35	0

Material misstatements

40. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of housing needs, research and planning and housing development. Management did not correct all the misstatements and I reported material findings in this regard.

Report on compliance with legislation

41. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on 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.

42. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

43. Through an established AGSA process, 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 readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

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

Annual financial statements

45. 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. 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.

Expenditure management

- 46. Payments were not made within 30 days or an agreed period after receipt of an invoice, as required by treasury regulation 8.2.3.
- 47. Effective and appropriate steps were not taken to prevent irregular expenditure 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 SCM requirements.
- 48. Effective steps were not taken to prevent fruitless and wasteful expenditure, 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 fruitless and wasteful expenditure was caused by invalid extension of time claims.

Transfer of funds

- 49. 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.

Strategic planning

- 50. Specific information systems were not implemented to enable the monitoring of progress made towards achieving targets, core objectives and service delivery as required by public service regulation 25(1)(e)(i) and (iii).

Consequence management

- 51. 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.
- 52. 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

Other information in the annual report

- 53. The accounting officer is responsible for the other information included in the annual report. The other information referred to 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 on in this auditor's report.
- 54. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

55. My responsibility is to read this other information and, in doing so, consider whether it 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.
56. The other information I obtained prior to the date of this auditor's report is the disclosures included in the annual report for unauthorised, irregular, fruitless and wasteful expenditure, and the other information outstanding in the annual report is expected to be made available to us after 31 July 2023.
57. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
58. When I do receive and read the annual report of outstanding 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 reissue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

59. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
60. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
61. 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.
62. The processes followed by management in preparing the annual financial statements were inadequate, resulting in material adjustments being made to the annual financial statements.
63. Management did not have adequate controls in place to prevent, review and monitor instances of non-compliance with applicable legislation.
64. The financial statements contained numerous misstatements that require corrections. This was mainly due to staff not fully understanding the requirements of the financial reporting framework.
65. Management did not implement an adequate record-keeping system that ensures that complete, relevant, and accurate information to support financial reporting is accessible and available on time. As a result, information was not retrieved and submitted on time upon request.

Material irregularities

66. 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 irregularities identified during the audit

67. The material irregularities identified are as follows:

Completion of community residential units for dark and silver city top site: Payment for covid-19 standing time and delays due to strikes not in terms of the contract

68. A R75,4 million contract for the construction of community residential units was awarded to a contractor on 11 July 2019. Subsequent to the implementation of the covid-19 lockdown restrictions/regulations, the contractor submitted a claim of R7 304 849,44 dated 3 July 2020 for standing time as a result of these restrictions/regulations. The contractor also submitted a claim of R2 024 051,75 dated 14 June 2021 for standing time as a result of strikes. An official of the department certified these claims for payment, 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 R8 598 409,21 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.

69. The accounting officer was notified of this material irregularity on 27 July 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded that the department concluded the claims to be sustainable in terms of the contract and therefore payable to the contractor. The accounting officer has subsequently not taken the appropriate actions to address the material irregularity.

70. I notified the accounting officer on 1 August 2023 of the following recommendations, which should be implemented by 1 March 2024, with a progress report within three (3) months:

- Appropriate action should be taken to investigate the non-compliance with section 45(b) of the PFMA in order to determine the circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions
- Effective and appropriate disciplinary steps should be initiated, without undue delay, against all officials that the investigation found to be responsible, as required by section 38(1)(h) of the PFMA
- All persons, including juristic persons, liable for the losses should be identified and appropriate action should commence to recover the financial loss suffered. The recovery process should not be unduly delayed

- 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 (SAPS), as required by Treasury regulation 12.5.1

71. I am also in the process of determining additional actions available to be taken by the AGSA based on the accounting officer's response.

Completion of community residential units for dark and silver city bottom site: Payment for covid-19 standing time and delays due to strikes not in terms of the contract

72. A R78,8 million contract for the construction of community residential units was awarded to a contractor on 10 May 2018. Subsequent to the implementation of the covid-19 lockdown restrictions/regulations, the contractor submitted a claim of R7 200 591,70 dated 3 July 2020 for standing time as a result of these restrictions/regulations. The contractor also submitted a claim of R4 197 787,50 dated 14 June 2021 for standing time as a result of strikes. An official of the department certified these claims for payment, 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 R9 497 422,99 was subsequently paid to the contractor, resulting in a material financial loss for the department.

73. The accounting officer was notified of this material irregularity on 8 September 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer referred the matter to the Office of the State Attorney for a legal opinion. The accounting officer has subsequently not taken the appropriate actions to address the material irregularity.

74. I notified the accounting officer on 1 August 2023 of the following recommendations, which should be implemented by 1 March 2024, with a progress report within three (3) months:

- Appropriate action should be taken to investigate the non-compliance with section 45(b) of the PFMA in order to determine the circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions
- Effective and appropriate disciplinary steps should be initiated, without undue delay, against all officials that the investigation found to be responsible, as required by section 38(1)(h) of the PFMA
- All persons, including juristic persons, liable for the losses should be identified and appropriate action should commence to recover the financial loss suffered. The recovery process should not be unduly delayed
- 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 (SAPS), as required by Treasury regulation 12.5.1

75. I am also in the process of determining additional actions available to be taken by the AGSA based on the accounting officer's response.

Development of community residential units Block G Thabong: Payment for delays due to strikes not in terms of the contract

76. 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). The contractor submitted a claim of R16 063 775 dated 14 June 2021 for standing time as a result of delays experienced due to strikes. An official of the department certified this claim for payment 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 R16 063 775 million was subsequently paid to the contractor, resulting in a material financial loss for the department.

77. The accounting officer was notified of this material irregularity on 8 September 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer referred the matter to the Office of the State Attorney for a legal opinion. The accounting officer has subsequently not taken the appropriate actions to address the material irregularity.

78. I notified the accounting officer on 1 August 2023 of the following recommendations, which should be implemented by 1 March 2024, with a progress report within three (3) months:

- Appropriate action should be taken to investigate the non-compliance with section 45(b) of the PFMA in order to determine the circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions
- Effective and appropriate disciplinary steps should be initiated, without undue delay, against all officials that the investigation found to be responsible, as required by section 38(1)(h) of the PFMA
- All persons, including juristic persons, liable for the losses should be identified and appropriate action should commence to recover the financial loss suffered. The recovery process should not be unduly delayed
- 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 SAPS, as required by Treasury regulation 12.5.1

2. I am also in the process of determining additional actions available to be taken by the AGSA based on the accounting officer's response.

Status of previously reported material irregularities

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

79. 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 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.

80. The accounting officer was notified of this material irregularity on 15 October 2021. 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.
81. I referred the material irregularity to the Directorate of Priority Crime Investigation (DPCI) in August 2022 for investigation as provided for in section 5(1A) of the PAA.

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

82. 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.
83. 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.
84. 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 material irregularity, 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
85. 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
86. The accounting officer addressed the shortcomings in the investigation and conducted a compliance investigation into the matter to identify any responsible official(s) for consequence management. The investigation found that the official in the project management unit overseeing the project deliverables was actively involved in the project and implemented various measures to address the persistent breach of the contract and non-performance by the contractor within his area of control.
87. The recovery of the overpayment was handed over the Office of the State Attorney to initiate a recovery process against the contractor and the progress with recovery will be monitored further as part of my normal audit.
88. The actions taken by the accounting officer to implement the remedial action are deemed appropriate and have addressed the material irregularity (MI) and therefore the material irregularity has been resolved.

Overpayments on housing project F10110004 Kroonstad 350

89. 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.
90. 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 SAPS, 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.

91. 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

92. 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

93. The accounting officer completed the investigation into the non-compliance and referred the outcome to the labour relations unit for further investigation and to determine if disciplinary action should be initiated against any responsible officials. It was found that the responsible officials have left the employ of the department.

94. The accounting officer has referred the investigation outcome to the accounting officer where one of these implicated officials are employed to take the investigation outcome further against this official and also reported the matter to the DPCI for further investigation.

95. The recovery of the financial loss through the Office of the State Attorney has progressed to the issuing of summons against the contractor and the progress with the recovery will be monitored further as part of my normal audit.
96. The actions taken by the accounting officer to implement the remedial action are deemed appropriate and have addressed the material irregularity and therefore the material irregularity has been resolved.

Other reports

97. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. 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.
98. The department has a pending court case relating to advance payments made to suppliers of building materials 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 part four of the state capture report.
99. The DPCI was investigating allegations of fraud and corruption relating to the construction of the reconstruction and development programme (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.
100. The DPCI is 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 part four of the state capture report.

Auditor - General

Bloemfontein

8 August 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. The annexure includes the following:
 - the auditor-general's responsibility for the audit
 - the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

2. 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 selected requirements in key legislation.

Financial statements

3. 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 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
 - conclude on the appropriateness of the 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 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

4. 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
5. 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

Compliance with legislation – selected legislative requirements

3. The selected legislative requirements are as follows:

Legislations	Sections or regulations
Public Finance Management Act 1 of 1999	Sections 1; 38(1)(a)(iv); 38(1)(b); 38(1)(c); 38(1)(c)(ii); 38(1)(d) Sections 38(1)(h)(iii); 39(1)(a); 39(2)(a); 40(1)(a); 40(1)(b) Sections 40(1)(c)(i); 43(4); 44; 44(1) & (2); 45(b); 50(3); 50(3)(a)
Treasury Regulations	Regulations 4.1.1; 4.1.3; 5.1.1; 5.2.1; 5.2.3(a); 5.2.3(d); 5.3.1 Regulations 6.3.1(a); 6.3.1(b); 6.3.1(c); 6.3.1(d); 6.4.1(b) Regulations 8.1.1; 8.2.1; 8.2.2; 8.2.3; 8.4.1; 9.1.1; 9.1.4 Regulations 10.1.1(a); 10.1.2; 12.5.1; 15.10.1.2(c) Regulations 16A 6.1; 16A 6.2(a), (b) & (e); 16A 6.3(a) Regulations 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e) Regulations 16A 6.4; 16A 6.5; 16A 6.6; 16A 7.1 Regulations 16A 7.3; 16A 7.6; 16A 7.7; 16A 8.2(1) & (2) Regulations 16A 8.3; 16A 8.3(d); 16A 8.4; 16A 9; 16A 9.1 Regulations 16A 9.1(b)(ii); 16A 9.1(c); 16A 9.1(d); 16A 9.1(e) Regulations 16A 9.2; 16A 9.2(a)(ii) & (iii); 16A 9.1(f) Regulations 17.1.1; 18.2; 19.8.4
Division of Revenue Act 5 of 2022	Sections 11(6)(a); 12(5); 16(1); 16(3); 16(3)(a)(i); 16(3)(a)(ii)(bb)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Public Service Regulations	Regulations 18; 18(1); 18(2); 25(1)(e)(i); 25(1)(e)(iii)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17; 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations of 2017	Regulations 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.5; 6.6; 7.1 Regulations 7.2; 7.3; 7.5; 7.6; 8.2; 8.5; 9.1; 9.2; 12.1; 12.2
Preferential Procurement Regulations of 2022	Regulations 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
State Information Technology Agency Act 88 of 1998	Section 7(3)
National Treasury Instruction Note 1 of 2015-16	Paragraphs 3.1; 4.1; 4.2
National Treasury Instruction Note 4 of 2015-16	Paragraph 3.4
National Treasury Instruction Note 1 of 2021-22	Paragraph 4.1
Second amendment to National Treasury Instruction Note 5 of 2020-21	Paragraphs 4.8; 4.9; 5.1; 5.3
Erratum to National Treasury Instruction Note 5 of 2020-21	Paragraphs 1; 2
National Treasury PFMA SCM Instruction 2 of 2021-22	Paragraphs 3.2.1; 3.2.4(a); 3.3.1
National Treasury PFMA SCM Instruction 3 of 2021-22	Paragraphs 4.3; 4.4; 4.4(a); 4.4(c) & (d)
National Treasury PFMA SCM Instruction 11 of 2020-21	Paragraphs 3.1; 3.4(b); 3.9
National Treasury Practice Note 7 of 2009-10	Paragraph 4.1.2

1. ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS FOR THE FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS

For the year ended
31 March 2023

Date authorised for issue: 15 August 2023

Authorized by:



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

**APPROPRIATION STATEMENT
for the year ended 31 March 2023**

Appropriation per programme									
	2022/23							2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as % of final budget	Final Budget	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Programmes									
1. ADMINISTRATION	148 552	-	4 568	153 120	146 905	6 215	95.9%	141 084	140 104
2. HOUSING NEEDS, RESEARCH AND PLANNING	23 276	-	(2 141)	21 135	19 299	1 836	91.3%	19 145	19 105
3. HOUSING DEVELOPMENT	1 025 922	-	(2 302)	1 023 620	376 147	647 473	36.7%	1 117 210	1 079 470
4. HOUSING ASSETS MANAGEMENT PROPERTY MANAGEMENT	1 526	-	(125)	1 401	1 340	61	95.6%	1 471	1 295
Subtotal	1 199 276	-	-	1 199 276	543 691	655 585	45.3%	1 278 910	1 239 974

	2022/23				2021/22	
	Final Budget	Actual Expenditure			Final Budget	Actual Expenditure
	R'000	R'000			R'000	R'000
Reconciliation with statement of financial performance						
Actual amounts per statement of financial performance (total revenue)	1 199 276				1 278 910	
Actual amounts per statement of financial performance (total expenditure)		543 691				1 239 974

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

**APPROPRIATION STATEMENT
for the year ended 31 March 2023**

Appropriation per economic classification									
2022/23								2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as % of final budget	Final Budget	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	316 767	(60 519)	-	256 248	251 713	4 535	98.2%	248 493	247 128
Compensation of employees	204 426	(28)	-	204 398	202 222	2 176	98.9%	200 471	199 891
Goods and services	112 341	(60 504)	-	51 837	49 479	2 358	95.5%	48 022	47 203
Interest and rent on land	-	13	-	13	12	1	92.3%	-	34
Transfers and subsidies	879 666	54 708	-	934 374	288 521	645 853	30.9%	1 026 450	989 677
Households	879 666	54 708	-	934 374	288 521	645 853	30.9%	1 026 450	989 677
Payments for capital assets	2 843	5 811	-	8 654	3 457	5 197	39.9%	3 967	3 120
Machinery and equipment	2 843	1 111	-	3 954	3 457	497	87.4%	3 967	3 120
Software and other Intangible assets	-	4 700	-	4 700	-	4 700	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	49
Total	1 199 276	-	-	1 199 276	543 691	655 585	45.3%	1 278 910	1 239 974

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

**APPROPRIATION STATEMENT
for the year ended 31 March 2023**

PROGRAMME 1: ADMINISTRATION									
	2022/23							2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as % of final budget	Final Budget	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
1. CORPORATE SERVICES	148 552	-	4 568	153 120	146 905	6 215	95.9%	141 084	140 104
Total for sub programme	148 552	-	4 568	153 120	146 905	6 215	95.9%	141 084	140 104
Economic classification									
Current payments	146 679	(5 900)	4 568	145 347	144 000	1 347	99.1%	139 553	137 912
Compensation of employees	102 115	-	-	102 115	102 943	(828)	100.8%	105 268	102 369
Goods and services	44 564	(5 913)	4 568	43 219	41 045	2 174	95.0%	34 285	35 509
Interest and rent on land	-	13	-	13	12	1	92.3%	-	34
Transfers and subsidies	212	89	-	301	278	23	92.4%	-	249
Households	212	89	-	301	278	23	92.4%	-	249
Payments for capital assets	1 661	5 811	-	7 472	2 627	4 845	35.2%	1 531	1 894
Machinery and equipment	1 661	1 111	-	2 772	2 627	145	94.8%	1 531	1 894
Software and other intangible assets		4 700	-	4 700	-	4 700	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	49
Total	148 552	-	4 568	153 120	146 905	6 215	95.9%	141 084	140 104

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

**APPROPRIATION STATEMENT
for the year ended 31 March 2023**

Programme 2: HOUSING NEEDS, RESEARCH AND PLANNING

2022/23								2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as % of final Budget	Final Budget	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
1. ADMINISTRATION	2 232	237	(98)	2 371	2 110	261	89.0%	2 287	2 158
2. POLICY	3 139	1	(145)	2 995	2 643	352	88.2%	2 755	2 544
3. PLANNING	14 188	(237)	(1 242)	12 709	12 031	678	94.7%	13 065	11 997
4. RESEARCH	3 717	(1)	(656)	3 060	2 515	545	82.2%	1 038	2 406
Total for sub programmes	23 276	(2 141)	(2 141)	21 135	19 299	1 836	91.3%	19 145	19 105
Economic classification									
Current payments	22 794	(14)	(2 141)	20 639	19 075	1 564	92.4%	17 661	18 073
Compensation of employees	18 948	-	-	18 948	17 405	1 543	91.9%	15 822	17 286
Goods and services	3 846	(14)	(2 141)	1 691	1 670	21	98.8%	1 839	787
Transfers and subsidies	14	14	-	28	28	-	100.0%	-	32
Households	14	14	-	28	28	-	100.0%	-	32
Payments for capital assets	468	-	-	468	196	272	41.9%	1 484	1 000
Machinery and equipment	468	-	-	468	196	272	41.9%	1 484	1 000
Total	23 276	-	(2 141)	21 135	19 299	1 836	91.3%	19 145	19 105

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

**APPROPRIATION STATEMENT
for the year ended 31 March 2023**

Programme 3: HOUSING DEVELOPMENT									
	2022/23							2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as % of final budget	Final Budget	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
1. ADMINISTRATION	91 859	-	(2 302)	89 557	87 877	1 680	98.1%	83 246	82 876
2. FINANCIAL INTERVENTIONS	69 517	98 192	-	167 709	51 184	116 525	30.5%	132 605	128 987
3. INCREMENTAL INTERVENTIONS	846 445	(98 208)	-	748 237	219 437	528 800	29.3%	816 285	782 534
4. SOCIAL AND RENTAL INTERVENTIONS	18 101	16	-	18 117	17 649	468	97.4%	85 074	85 073
Total for sub programmes	1 025 922	-	(2 302)	1 023 620	376 147	647 473	36.7%	1 117 210	1 079 470
Economic classification									
Current payments	145 768	(54 605)	(2 302)	88 861	87 298	1 563	98.2%	89 808	89 848
Compensation of employees	81 982	(28)	-	81 954	80 539	1 415	98.3%	78 163	78 944
Goods and services	63 786	(54 577)	(2 302)	6 907	6 759	148	97.9%	11 645	10 904
Transfers and subsidies	879 440	54 605	-	934 045	288 215	645 830	30.9%	1 026 450	989 396
Households	879 440	54 605	-	934 045	288 215	645 830	30.9%	1 026 450	989 396
Payments for capital assets	714	-	-	714	634	80	88.8%	952	226
Machinery and equipment	714	-	-	714	634	80	88.8%	952	226
Total	1 025 922	-	(2 302)	1 023 620	376 147	647 473	36.7%	1 117 210	1 079 470

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

**APPROPRIATION STATEMENT
for the year ended 31 March 2023**

Programme 4: HOUSING ASSETS MANAGEMENT AND PROPERTY MANAGEMENT									
2022/23								2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as % of final Budget	Final Budget	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
1. ADMINISTRATION	1 526	-	(125)	1 401	1 340	61	95.6%	1 471	1 295
Total for sub programme	1 526	-	(125)	1 401	1 340	61	95.6%	1 471	1 295
Economic classification									
Current payments	1 526	-	(125)	1 401	1 340	61	95.6%	1 471	1 295
Compensation of employees	1 381	-	-	1 381	1 335	46	96.7%	1 218	1 292
Goods and services	145	-	(125)	20	5	15	25.0%	253	3
Total	1 526	-	(125)	1 401	1 340	61	95.6%	1 471	1 295

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

**NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2023**

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 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 to Payments for financial assets to the Annual Financial Statements.

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

4.1 Per programme

	Final Budget	Actual Expenditure	Variance	Variance as a % of Final Budget
Programme	R'000	R'000	R'000	%
Administration	153 120	146 905	6 215	4%
Variance is mainly due to the saving on payments for Capital Assets which was earmarked for the payment of the new Microsoft Enterprise License Agreement. The process could not be concluded in time hence a request for roll overs was made since the commitment is already in place.				
Housing Needs, Research & Planning	21 135	19 299	1 836	9%
The variance is mainly due to the saving on Compensation of Employees.				
Housing Development	1 023 620	376 147	647 473	63%
The main reason for the big variance is due to the under spending on the Human Settlements Development Grant and Informal Settlements Upgrade Partnership Grant.				
Housing Assets Management and Property Management	1 401	1 340	61	4%
The variance is due to the underspending on Compensation of Employees as well as on Goods & Services.				

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

**NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2023**

4.2 Per economic classification

	Final Budget	Actual Expenditure	Variance	Variance as a % of Final Budget
Economic classification	R'000	R'000	R'000	%
Current payments				
Compensation of employees	204 398	202 222	2 176	1%
Goods and services	51 837	49 479	2 358	5%
Interest and rent on land	13	12	1	100%
Transfers and subsidies				
Households	934 374	288 521	645 853	69%
Payments for capital assets				
Machinery and equipment	8 654	3 457	5 197	60%
Total	1 199 276	543 691	655 585	55%

Under expenditure is due to the underspending of the Conditional Grants.

4.3 Per conditional grant

	Final Budget	Actual Expenditure	Variance	Variance as a percentage of Final Budget
Conditional grant	R'000	R'000	R'000	%
Human Settlements Development Grant (HSDG)	739 680	244 902	494 778	67%
Informal Settlements Upgrading Partnership Grant (ISUP)	191 563	40 581	150 982	79%
Expanded Public Works Programme (EPWP)	2 209	2 209	-	0%
	933 452	287 692	645 760	69%

Under expenditure is due to the underspending of the Conditional Grants.

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

**STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2023**

		2022/23	2021/22
	Note	R'000	R'000
REVENUE			
Annual appropriation	1	1 199 276	1 278 910
TOTAL REVENUE		1 199 276	1 278 910
EXPENDITURE			
Current expenditure		251 713	247 128
Compensation of employees	3	202 222	199 891
Goods and services	4	49 479	47 203
Interest and rent on land	5	12	34
Transfers and subsidies		288 521	989 677
Transfers and subsidies	7	288 521	989 677
Expenditure for capital assets		3 457	3 120
Tangible assets	8	3 457	3 120
Payments for financial assets	6	-	49
TOTAL EXPENDITURE		543 691	1 239 974
SURPLUS FOR THE YEAR		655 585	38 936
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds		655 585	38 936
Annual appropriation		9 825	1 565
Conditional grants		645 760	37 371
SURPLUS FOR THE YEAR		655 585	38 936

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE**

**STATEMENT OF FINANCIAL POSITION
as at 31 March 2023**

		2022/23	2021/22
	Note	R'000	R'000
ASSETS			
Current assets		654 284	34 023
Cash and cash equivalents	9	646 858	26 624
Receivables	11	7 426	7 399
Non-current assets		149	149
Receivables	11	149	149
TOTAL ASSETS		654 433	34 172
LIABILITIES			
Current liabilities		656 692	36 435
Voted funds to be surrendered to the Revenue Fund	12	655 585	34 812
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	13	13	15
Payables	14	1 094	1 608
TOTAL LIABILITIES		656 692	36 435
NET ASSETS		(2 259)	(2 263)
		2022/23	2021/22
		R'000	R'000
Represented by:			
Recoverable revenue		2 848	2 844
Unauthorised expenditure		(5 107)	(5 107)
TOTAL		(2 259)	(2 263)

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

**STATEMENT OF CHANGES IN NET ASSETS
as at 31 March 2023**

		2022/23	2021/22
	<i>Note</i>	R'000	R'000
Recoverable revenue			
Opening balance		2 844	2 816
Transfers:		4	28
Irrecoverable amounts written off	6.1	-	(23)
Debts recovered (included in departmental revenue)		(106)	(112)
Debts raised		110	163
Closing balance		2 848	2 844
Unauthorised expenditure			
Opening balance		(5 107)	(5 107)
Closing Balance		(5 107)	(5 107)
TOTAL		(2 259)	(2 263)

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

**CASHFLOW STATEMENT
for the year ended 31 March 2023**

	Note	2022/23 R'000	2021/22 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		1 200 137	1 275 284
Annual appropriation funds received	1.1	1 199 276	1 274 786
Departmental revenue received	2	859	496
Interest received	2.2	2	2
Net (increase)/decrease in net working capital		(541)	144
Surrendered to Revenue Fund		(35 675)	(32 503)
Current payments		(251 701)	(247 094)
Interest paid	5	(12)	(34)
Payments for financial assets		-	(49)
Transfers and subsidies paid		(288 521)	(989 677)
Net cash flow available from operating activities	15	623 687	6 071
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	8	(3 457)	(3 120)
Proceeds from sale of capital assets	2.3	-	2
(Increase)/decrease in non-current receivables	11	-	(149)
Net cash flow available from investing activities		(3 457)	(3 267)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in net assets		4	28
Net cash flows from financing activities		4	28
Net increase/(decrease) in cash and cash equivalents		620 234	2 832
Cash and cash equivalents at beginning of period		26 624	23 792
Cash and cash equivalents at end of period	16	646 858	26 624

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

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.

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

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.

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.

Appropriated funds are measured at the amounts receivable.

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.

Departmental revenue is measured at the cash amount received.

In-kind donations received are recorded in the notes to the financial statements on the date of receipt and are measured at fair value.

Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.

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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.

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. The expense is classified as a capital expense if the total consideration paid is more than the capitalisation threshold.

Donations made in kind are recorded in the notes to the financial statements on the date of transfer and are measured at cost or fair value.

8.3 Accruals and payables not recognised

Accruals and payables not recognised are recorded in the notes to the financial statements at cost or fair value at the reporting date.

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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.

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. Prepayments and advances

Prepayments and advances are recognised in the statement of financial position when the department receives or disburses the cash.

Prepayments and advances are initially and subsequently measured at cost.

11. 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 debt write-off policy.

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12. Financial assets

12.1 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.

12.2 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.

13. Payables

Payables recognised in the statement of financial position are recognised at cost.

14. Capital assets

14.1 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.

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.

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14.2 Intangible capital 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.

15. Provisions and contingents

15.1 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.

15.2 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.

15.3 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.

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15.4 Capital commitments

Capital commitments are recorded at cost in the notes to the financial statements.

16. Unauthorised expenditure

Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.

Unauthorised expenditure is recognised in the statement of changes in net assets until such time as the expenditure is either:

- approved by Parliament or the Provincial Legislature with funding and the related funds are received; or
- approved by Parliament or 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 recorded in the notes to the financial statements comprise of

- unauthorised expenditure that was under assessment in the previous financial year;
- unauthorised expenditure relating to previous financial year and identified in the current year; and
- Unauthorised incurred in the current year.

17. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure receivables are recognised in the statement of financial position when recoverable. The receivable is measured at the amount that is expected to be recovered and is de-recognised when settled or subsequently written-off as irrecoverable.

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when and at amounts confirmed, and comprises of:

- fruitless and wasteful expenditure that was under assessment in the previous financial year;
- fruitless and wasteful expenditure relating to previous financial year and identified in the current year; and
- fruitless and wasteful expenditure incurred in the current year.

18. Irregular expenditure

Losses emanating from irregular expenditure are recognised as a receivable in the statement of financial position when recoverable. The receivable is measured at the amount that is expected to be recovered and is de-recognised when settled or subsequently written-off as irrecoverable.

Irregular expenditure is recorded in the notes to the financial statements when and at amounts confirmed and comprises of:

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- irregular expenditure that was under assessment in the previous financial year;
- irregular expenditure relating to previous financial year and identified in the current year; and
- irregular expenditure incurred in the current year.

19. 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.

20. 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.

21. 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:

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

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.

22. Departures from the MCS requirements

Management has concluded that the financial statements is presented fairly and that the Department's primary and secondary information are correct therefore the Department complied with the MCS Standards.

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23. 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.

24. 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 full compensation of key management personnel is recorded in the notes to the financial statements.

25. Inventories (*Effective from date determined by the Accountant-General*)

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 where 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.

26. Employee benefits

The value of each major class of employee benefit obligation (accruals, payables not recognised and provisions) is recorded in the Employee benefits note.

Accruals and payables not recognised for employee benefits are measured at cost or fair value at the reporting date.

The provision for employee benefits is measured as the best estimate of the funds required to settle the present obligation at the reporting date.

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PART B: EXPLANATORY NOTES

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:

	2022/23			2021/22		
	Final Budget	Actual Funds Received	Funds not requested /not received	Final Budget	Appropria- -tion Received	Funds not requested /not received
Programmes	R'000	R'000	R'000	R'000	R'000	R'000
Administration	153 120	153 120	-	141 084	141 084	-
Housing Needs, Research and Planning	21 135	21 135	-	19 145	19 145	-
Housing Development	1 023 620	1 023 620	-	1 117 210	1 113 086	4 124
Housing Assets Management	1 401	1 401	-	1 471	1 471	-
Property Management						
Total	1 199 276	1 199 276	-	1 278 910	1 274 786	4 124

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 thus the Appropriation vs Cash must balance as at 31 March.

1.2. Conditional grants

		2022/23	2021/22
	Note	R'000	R'000
Total grants received	31	933 452	1 029 840
Human Settlements Development Grant (HSDG)		R 739 680	
Informal Settlements Upgrading Partnership Grant (ISUP)		R 191 563	
Expanded Public Works Programme (EPWP)		R 2 209	

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2. Departmental revenue

	<i>Note</i>	2022/23 R'000	2021/22 R'000
Sales of goods and services other than capital assets	2.1	156	333
Interest, dividends and rent on land	2.2	2	2
Sales of capital assets	2.3	-	2
Transactions in financial assets and liabilities	2.4	703	163
Total revenue collected		861	500
Less: Own revenue included in appropriation	13	861	500
Total		-	-

2.1. Sales of goods and services other than capital assets

	<i>Note</i>	2022/23 R'000	2021/22 R'000
Sales of goods and services produced by the department		156	333
Other sales		156	333
Total	2	156	333

The amount of R156' for the sale of Goods and Services is made up for the administration of Garnishee orders and Policy deductions.

2.2. Interest, dividends and rent on land

	<i>Note</i>	2022/23 R'000	2021/22 R'000
Interest		2	2
Total	2	2	2

The amount of R2' relates to interest charges on staff debt.

2.3. Sales of capital assets

	<i>Note</i>	2022/23 R'000	2021/22 R'000
Tangible capital assets		-	2
Machinery and equipment		-	2
Total	2	-	2

The amount of R2' relates to the sale of Capital Assets with a disposal process that was completed in December 2021.

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2.4. Transactions in financial assets and liabilities

		2022/23	2021/22
	Note	R'000	R'000
Receivables		106	135
Other receipts including Recoverable Revenue		597	28
Total	2	703	163

The amount of R106' relates to the recovery of staff debt while the amount of R597' relates to the recovery of expenditure incurred in previous financial years.

3. Compensation of employees

3.1. Analysis of balance

	2022/23	2021/22
	R'000	R'000
Basic salary	137 416	135 689
Performance award	-	1 175
Service based	149	157
Compensative/circumstantial	2 298	1 352
Other non-pensionable allowances	34 946	35 133
Total	174 809	173 506

3.2. Social contributions

	2022/23	2021/22
	R'000	R'000
Employer contributions		
Pension	17 484	17 271
Medical	9 884	9 070
Bargaining council	45	44
Total	27 413	26 385
Total compensation of employees	202 222	199 891
 Average number of employees	 410	 404

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4. Goods and services

		2022/23	2021/22
	Note	R'000	R'000
Administrative fees		380	203
Advertising		30	288
Minor assets	4.1	142	114
Bursaries (employees)		768	743
Catering		388	177
Communication		409	401
Computer services	4.2	7 600	6 024
Consultants: Business and advisory services		3 409	5 741
Legal services		3 481	2 336
Contractors		2 027	164
Agency and support / outsourced services		4 066	7 434
Entertainment		3	3
Audit cost - external	4.3	11 260	10 252
Fleet services		2 609	2 025
Consumables	4.4	764	1 362
Operating leases		3 424	3 860
Property payments	4.5	613	657
Travel and subsistence	4.6	4 804	3 442
Venues and facilities		231	74
Training and development		1 540	602
Other operating expenditure	4.8	1 531	1 301
Total		49 479	47 203

An amount of R320' on Communications, related to the 2021/2022 financial year, was restated to expenditure for Capital Assets (Finance Leases) since the subscription fees for cell phones and data devices were incorrectly paid under the Item: Com Airtime & Data.

4.1. Minor assets

		2022/23	2021/22
	Note	R'000	R'000
Tangible capital assets		142	114
Machinery and equipment		142	114
Total	4	142	114

The amount of R142' for Machinery & Equipment relates to the purchase of assets less than R5 000 for Domestic Equipment, Kitchen Appliances and Office Furniture as per cash additions to the Asset Register as at 31 March 2023.

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4.2. Computer services

	<i>Note</i>	2022/23 R'000	2021/22 R'000
SITA computer services		3 802	2 533
External computer service providers		3 798	3 491
Total	4	7 600	6 024

The amount of R3 802' for SITA computer Services relates to the payment of SITA for the provision of network and e-mail services to the Department while the amount of R3 798' relates to the payment of the annual Licence agreement with Microsoft of which the 2022/2023 financial year was the last year of the current 3-year Enterprise License agreement. The Department has to enter into a new 3-year license agreement with Microsoft for the 2023/2024 to the 2025/2026 financial year.

4.3. Audit cost - external

	<i>Note</i>	2022/23 R'000	2021/22 R'000
Regularity audits		11 260	10 252
Total	4	11 260	10 252

Regularity Audit Fees incurred relates to the AGSA for auditing the Department's records for the financial year.

4.4. Consumables

	<i>Note</i>	2022/23 R'000	2021/22 R'000
<i>Consumable supplies</i>		258	234
Uniform and clothing		93	30
Household supplies		97	121
Building material and supplies		9	14
IT consumables		41	44
Other consumables		18	25
Stationery, printing and office supplies		506	1 128
Total	4	764	1 362

There was a decrease in the purchasing of Consumables mainly due to budget constraints and the fact that there was a moratorium placed on the purchase of certain non-core items from September 2022 to March 2023 which included amongst other things groceries for official use.

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4.5. Property payments

	<i>Note</i>	2022/23 R'000	2021/22 R'000
Municipal Services		-	287
Other		613	370
Total	4	613	657

Other Property Payments to the value of R613' relates to Deed Registrations and Deed searches.

4.6. Travel and subsistence

	<i>Note</i>	2022/23 R'000	2021/22 R'000
Local		4 804	3 442
Total	4	4 804	3 442

4.7. Other operating expenditure

	<i>Note</i>	2022/23 R'000	2021/22 R'000
Professional bodies, membership and subscription fees		2	4
Resettlement costs		144	65
Other		1 385	1 232
Total	4	1 531	1 301

Other Operating expenditure to the amount of R1 385' relates to the payment for Publications in the Government Gazette as well as for Storage Space.

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

Name of Commission / Committee of Inquiry	<i>Note</i>	2022/23 R'000	2021/22 R'000
Audit Committee		374	80
Housing Tribunal Committee		1 201	373
Total	4	1 575	453

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5. Interest and rent on land

	2022/23 R'000	2021/22 R'000
Interest paid	12	34
Total	12	34

Interest payments relates to late payment of AGSA Invoices as well as for Invoices that relates to levy payments for the properties of the Department in the Housing Fund.

6. Payments for financial assets

	2022/23 R'000	2021/22 R'000
Debts written off	-	49
Total	-	49

6.1. Debts written off

Nature of debts written off	2022/23 R'000	2021/22 R'000
Communication Debt Written Off	-	3
Losses Written Off	-	20
Total	-	23
Staff Debt Written Off	-	26
Total	-	26
Total debt written off	-	49

7. Transfers and subsidies

	2022/23 R'000	2021/22 R'000
Households	288 521	989 677
Total	288 521	989 677

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7.1. Donations made in kind (not included in the main note)

		2022/23	2021/22
	Note	R'000	R'000
<i>List in-kind donations made</i>			
Nelson Mandela Day Celebrations		100	-
Total	Annex 1B	100	-

8. Expenditure for capital assets

		2022/23	2021/22
	Note	R'000	R'000
Tangible capital assets		3 457	3 120
Machinery and equipment		3 457	3 120
Total	26	3 457	3 120

The amount of R 3 457' for Machinery & Equipment relates to the purchase of assets above R5 000 for Domestic Equipment, Office Furniture, Office Equipment and Computer Equipment (Laptops) as per additions to the Asset Register as at 31 March 2023. The amount is also inclusive of Finance Lease payments on Labour saving devices as well as for subscription fees on all mobile and data devices.

An amount of R320', related to the 2021/2022 financial year, was added to expenditure for Capital Assets (Machinery and Equipment) since the subscription fees for cell phones and data devices were incorrectly paid under Communication in Goods & Services.

8.1. Analysis of funds utilised to acquire capital assets - Current year

	2022/23		
	Voted funds	Aid assistance	Total
Name of entity	R'000	R'000	R'000
Tangible capital assets	3 457	-	3 457
Machinery and equipment	3 457	-	3 457
Total	3 457	-	3 457

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8.2. Analysis of funds utilised to acquire capital assets - Prior year

	2021/22		
	Voted funds	Aid assistance	Total
Name of entity	R'000	R'000	R'000
Tangible capital assets	3 120	-	3 120
Machinery and Equipment	3 120	-	3 120
Total	3 120	-	3 120

An amount of R320', related to the 2021/2022 financial year, was added to expenditure for Capital Assets (Machinery and Equipment) since the subscription fees for cell phones and data devices were incorrectly paid under Communication in Goods & Services.

8.3. Finance lease expenditure included in Expenditure for capital assets

	2022/23 R'000	2021/22 R'000
Tangible capital assets		
Machinery and equipment	1 909	2 644
Total	1 909	2 644

This expenditure relates to the leases on Labour Saving devices as well as for all mobile devices inclusive of data routers.

9. Cash and cash equivalents

	2022/23 R'000	2021/22 R'000
Consolidated Paymaster General Account	646 828	26 544
Disbursements	-	50
Cash on hand	30	30
Total	646 858	26 624

The amount of R30' for Cash on Hands relates to the Petty Cash. 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.

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10. Prepayments and Advances

10.1. Advances paid (Expensed)

2022/23

	Amount as at 1 April 2022	Less: Received in the current year	Add / Less: Other	Add Current year Advances	Amount as a 31 March 2023
	R'000	R'000	R'000	R'000	R'000
Public Entities	213 167	-	(75 737)	33 702	171 132
Total	213 167	-	(75 737)	33 702	171 132

The amount disclose above refers to the monies currently with the Housing Development Agency (HDA). Monies are being transferred to the HDA in terms of certain Implementation protocols for various matters such the purchasing of land on behalf of the Department of Human Settlements. The HDA is listed in the Public Finance Management Act (PFMA) as an entity to the Department of Human Settlements.

The amount of R33 702' for Current Year Advances is made up as follows:

- Transfer from the Department of Human Settlements R23 750'
- Interest Earned on positive Bank Balance R 8 858'
- Rentals R 578'
- Land Refunds R 516'

2021/22

	Amount as at 1 April 2021	Less: Received in the current year	Add / Less: Other	Add Current year Advances	Amount as at 31 March 2022
	R'000	R'000	R'000	R'000	R'000
Public Entities	234 787	-	(165 137)	143 517	213 167
Total	234 787	-	(165 137)	143 517	213 167

The amount of R143 517' for Current Year Advances is made up as follows:

- Transfers from the Department of Human Settlements R135 898'
- Interest Earned on positive bank Balance R 6 871'
- Rentals R 748'

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11. Receivables

	Note	2022/23			2021/22		
		Current	Non-current	Total	Current	Non-current	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Claims recoverable	11.1	555	-	555	555	-	555
Staff debt	11.2	362	149	511	335	149	484
Other receivables	11.3	6 509	-	6 509	6 509	-	6 509
Total		7 426	149	7 575	7 399	149	7 548

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.

11.1. Claims recoverable

	Note	2022/23 R'000	2021/22 R'000
Local Governments		555	555
Total	11	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 amounts are still due as of 31 March 2023.

11.2. Staff debt

	Note	2022/23 R'000	2021/22 R'000
Salary Overpayments (Employees)		14	10
Salary Overpayments (Ex-employees)		111	87
Communications Debt (Employees))		156	162
Loss Control (Employees)		23	23
Loss Control (Ex-employees)		15	15
Breach of Contract (Employees)		142	141
Breach of Contract (Ex-employees)		50	46
Total	11	511	484

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11.3. Other receivables

		2022/23	2021/22
	<i>Note</i>	R'000	R'000
Supplier Debt		6 509	6 509
Total	11	6 509	6 509

11.4. Impairment of receivables

		2022/23	2021/22
		R'000	R'000
Estimate of impairment of receivables		7 393	7 389
Total		7 393	7 389

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

Debt R6 838'

Claims R 555'

12. Voted funds to be surrendered to the Revenue Fund

		2022/23	2021/22
	<i>Note</i>	R'000	R'000
Opening balance		34 812	31 958
As restated		34 812	31 958
Transferred from statement of financial performance (as restated)		655 585	38 936
Voted funds not requested/not received	1.1	-	(4 124)
Paid during the year		(34 812)	(31 958)
Closing balance	12	655 585	34 812

The closing balance relates to the unspent funds of the total Appropriation of the Department for the respective financial years.

12.1 Reconciliation on unspent conditional grants

		2022/23	2021/22
	<i>Note</i>	R'000	R'000
Total conditional grants received	1.2	933 452	1 033 964
Total conditional grants spent	31	(287 692)	(996 593)
Unspent conditional grants to be surrendered		645 760	37 371
Less: Paid to the Provincial Revenue Fund by Provincial department		-	(26 639)
Approved for rollover		-	(26 639)
Due by the Provincial Revenue Fund		645 760	10 732

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

	2022/23 R'000	2021/22 R'000
Opening balance	15	60
As restated	15	60
Own revenue included in appropriation	861	500
Paid during the year	(863)	(545)
Closing balance	13	15

The closing balance of R13' is Revenue Accrual and will be paid in April 2023 to the Provincial Revenue Fund.

14. Payables - current

	2022/23 R'000	2021/22 R'000
Other payables	1 094	1 608
Total	1 094	1 608

Note

14.1

14.1. Other payables

Description	2022/23 R'000	2021/22 R'000
Trading Account Asset and Liabilities – Housing Fund	1 094	1 608
Total	1 094	1 608

Note

14

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

	2022/23 R'000	2021/22 R'000
Net surplus/(deficit) as per Statement of Financial Performance	655 585	38 936
Add back non-cash/cash movements not deemed operating activities	(31 898)	(32 865)
(Increase)/decrease in receivables	(27)	144
(Increase)/decrease in payables – current	(514)	-
Proceeds from sale of capital assets	-	(2)
Expenditure on capital assets	3 457	3 120
Surrenders to RDP Fund/Donors	(35 675)	(32 503)
Voted funds not requested/not received	-	(4 124)
Own revenue included in appropriation	861	500
Net cash flow generating	623 687	6 071

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

	2022/23 R'000	2021/22 R'000
Consolidated Paymaster General account	646 828	26 544
Disbursements	-	50
Cash on hand	30	30
Total	646 858	26 624

17. Contingent liabilities and contingent assets

17.1. Contingent liabilities

Liable to	<i>Note</i>	2022/23 R'000	2021/22 R'000
Claims against the Department	Annex 2	89 997	66 901
Intergovernmental payables	Annex 4	716	-
Total		90 713	66 901

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

Nature of contingent asset	2022/23 R'000	2021/22 R'000
Trading Account Asset and Liability – Housing Fund	21 275	20 166
Blackhead Consulting T/A Diamond Hill	230 000	230 000
Rich Soil Resources	34 160	-
Total	285 435	250 166

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.

Monies to the amount of R34 160' that was paid to Rich Soil Resources Pty Ltd was added since it resulted in material and financial losses for the Department.

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18. Accruals and payables not recognised

18.1. Accruals

	2022/23			2021/22
	30 Days	30+ Days	Total	Total
	R'000	R'000	R'000	R'000
Listed by economic classification				
Goods and services	4 022	167	4 189	4 246
Transfers and subsidies	-	-	-	24 236
Total	4 022	167	4 189	28 482

Accruals relates to claims on Goods & Services delivered but not yet invoiced as at 31 March 2023.

	2022/23	2021/22
Listed by programme level	R'000	R'000
Administration	4 175	3 966
Housing Needs, Research and Planning	4	31
Housing Development	10	24 485
Total	4 189	28 482

18.2. Payables not recognised

	2022/23			2021/22
	30 Days	30+ Days	Total	Total
	R'000	R'000	R'000	R'000
Listed by economic classification				
Goods and services	15 232	8	15 240	4 626
Transfers and subsidies	2 533	30 120	32 653	36 081
Total	17 765	30 128	47 893	40 707

	2022/23	2021/22
Listed by programme level	R'000	R'000
Administration	15 197	4 576
Housing Needs, Research and Planning	-	1
Housing Development	32 696	36 130
Total	47 893	40 707

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		2022/23	2021/22
<i>Included in the above totals are the following:</i>	<i>Note</i>	R'000	R'000
Confirmed balances with other departments		188	1 065
Confirmed balances with other government entities		528	534
Total	<i>Annex 4</i>	716	1 599

The confirmed balance of R188' relates to 4 Inter Departmental claims from the Department of the Premier, Social Development and Cooperative Governance & Traditional Affairs. The amount of R528' refers to the Fleet Management account for the month of March 2023.

19. Employee benefits

	2022/23	2021/22
	R'000	R'000
Leave entitlement	10 585	13 094
Service bonus	5 271	5 175
Capped leave	1 549	1 567
Other	-	127
Total	17 405	19 963

At this stage the department is not able to reliably measure the long term portion of the long services awards.

20. Lease commitments

20.1. Operating leases

	2022/23				
	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	2 047	2 047
Later than 1 year and not later than 5 years	-	-	-	3 029	3 029
Total lease commitments	-	-	-	5 076	5 076

	2021/22				
	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	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

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Operating leases to the amount of R2 047 consists of a Service Level Agreement with Fleet Management for the provisioning of vehicles on a continuous basis for a period not later than 1 year. The amount of R3 029' relates to the Service Level Agreement with Fleet Management for the provisioning of vehicles for a period later than 1 year but not later than 5 years. The department has 48 vehicles with Fleet Management as at 31 March 2023.

20.2. Finance leases

2022/23					
	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	1 433	1 433
Later than 1 year and not later than 5 years	-	-	-	704	704
Total lease commitments	-	-	-	2 137	2 137

2021/22					
	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	795	795
Total lease commitments	-	-	-	795	795

The department had 22 photocopier machines of which all 22 already expired. Currently the Department is only paying for the copying cost. The contract was extended for another 12 months with zero (0) percent rental charges as per the original signed contract in 2019, only usage charges (copy cost) will be billed for.

The department has 235 active Voice and Data contracts with Vodacom. The department entered into the RT15 Contract from National Treasury as from 1 April 2022.

21. Accrued departmental revenue

	2022/23 R'000	2021/22 R'000
Transfers received	799 937	798 898
Total	799 937	798 898

The amount of R799 937' consist of the following:

- R761 992' for Material Advance Payments;
- R 37 945' (R36 906' prior year) unspent funds Free State Development Corporation (FDC);

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21.1. Analysis of accrued departmental revenue

	2022/23	2021/22
	R'000	R'000
Opening balance	798 898	867 813
Add: Amounts recorded	1 039	-
Other (Material Suppliers not pursued)	-	(68 915)
Closing balance	799 937	798 898

On the balance owed by the Free State Development Corporation (FDC) an additional amount of R1 039' was recorded based on a signed debt acknowledgement by FDC and the subsequent summonses for recovery.

Material Advances was reduced with an amount of R68 915' due to new information that was provided by the Department's Attorneys that indicates that no Instruction was received to recover monies from the following Suppliers:

• Clotan Steel PTY (LTD)	R 1 105'
• Trioflex Trading	R 78'
• ENM Trading CC	R10 090'
• Sunfox 137 CC	R46 704'
• Potoana Trading 505 CC	R 9 317'
• Motheo Readymix Concrete	R 1 026'
• Builders Hyper	R 362'
• RSC Bloemfontein	R 233'

21.2. Impairment of accrued departmental revenue

	2022/23	2021/22
	R'000	R'000
Estimate of impairment of accrued departmental revenue	208 399	200 696
Total	208 399	200 696

The amount of R208 399 million (2022/2023) relates to the following Companies that has been deregistered/Liquidated which makes the recovering of these monies not likely:

• Robs Bricks PTY (LTD)	R 7 000'
• Pearl Construction PTY (LTD)	R73 957'
• Builders Market Welkom	R18 486'
• IHC Investments Holding Company	R88 174'
• Loketseng Construction CC	R13 079'
• Mminathoko Trading 117 CC	R 7 703' (Not part of 2021/2022 financial year)

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22. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

	2022/23	2021/22
	R'000	R'000
Irregular expenditure - current year	231 319	525 669
Fruitless and wasteful expenditure - current year	3 628	39 724
Total	234 947	565 393

Information on any criminal or disciplinary steps taken as a result of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure is included in the annual report under the PFMA Compliance Report.

The amounts disclosed above is only for the current financial year.

The Department incurred Irregular Expenditure of R231 319' (2022: R525 669'), due to non-compliance with Supply Chain Management (SCM) requirements. In addition, the full extent of Irregular Expenditure is still in the process of being determined.

23. Related party transactions

	2022/23	2021/22
	R'000	R'000
Loans to/from related parties		
Interest bearing loans to/(from)	(1 094)	(1 608)
Total	(1 094)	(1 608)
	2022/23	2021/22
	R'000	R'000
Other		
Housing Fund	21 275	20 166
Total	21 275	20 166

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 the bank balance that 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 Department of Human Settlements is sharing a MEC with the Department of Cooperative Governance & Traditional Affairs (COGTA) since 14 February 2022 when the portfolio for Human Settlements was moved from the Department of Public Works & Infrastructure back to COGTA. Transactions between the Departments occurs within a normal relationship on terms and conditions no more or less favourable than those applicable to other Departments.

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The Department also shared the Chief Financial Officer for the Department of Cooperative Governance and Traditional Affairs (COGTA) from 29 August 2022 till 12 February 2023 after which a newly appointed Chief Director within the Department of Human Settlements was appointed as Acting Chief Financial Officer.

24. Key management personnel

	2022/23 R'000	2021/22 R'000
Level 16	1 329	2 385
Level 15	1 748	1 701
Level 14	9 463	8 539
Family members of key management personnel	-	300
Total	12 540	12 925

The Department of Human Settlements is sharing MEC with the Department of Cooperative Governance & Traditional Affairs as from 14 February 2022. Transactions between the Departments occurs within a normal relationship on terms and conditions no more or less favourable than those applicable to other Departments. The MEC as well as his Office Personnel are not on the establishment of the Department of Human Settlements thus no financial disclosure is made in this regard.

The Department did not have an Accounting Officer for the first 5 months of the financial year and the Acting Accounting Officer is already a level 14 thus his remuneration is already included in the above. No Acting allowances or 10% non-pensionable allowances were paid to the Acting Accounting Officer. The Department also shared the Chief Financial Officer for the Department of Cooperative Governance (COGTA) and Traditional Affairs from 29 August 2022 till 12 February 2023 after which a newly appointed Chief Director within the Department of Human Settlements was appointed as Acting Chief Financial Officer. No acting allowances was paid to the CFO of COGTA since the post isn't vacant therefore no financial disclosure was made in this regard.

25. Provisions

	2022/23 R'000	2021/22 R'000
Provision on retention retained	121 365	52 762
Total	121 365	52 762

25.1. Reconciliation of movement in provisions - Current year 2022/2023

	Retention Fees R'000	Total Retention Fees R'000
Opening balance	52 762	52 762
Increase in provisions	68 603	68 603
Closing balance	121 365	121 365

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Reconciliation of movement in provisions - Prior year 2021/2022

	Retention Fees	Total Retention Fees
	R'000	R'000
Opening balance	52 762	52 762
Closing balance	52 762	52 762

In terms of the MCS requirements the Department had to disclose the Provision for Retention Fees although the expected timing of any resulting outflows of economic benefits or service potential from these disclosure is uncertain. The Department applied the following key assumptions in determining these Retention Fees:

Retention Liability Calculation (Parameters):

- All Breaking New Grounds (BNG) projects as from 01 September 2010 to 31 March 2019 with a retention clause were used to determine retention provisions,
- All Breaking New Grounds (BNG) projects as from 01 September 2010 to 31 March 2019 without a contract to confirm the retention clause were used to determine contingent liability retentions,
- Retention provisions were estimated at 10% and 5% of payment milestones,
- The new contracts entered into from 2019/20 - 2021/22 no longer includes retention clause, i.e. the department no longer retains from the payment milestones,
- Retention was withheld on old contracts entered into and payments made prior to 2019/20 financial year.

The following payments were excluded from retention provisions calculation

- 2019/20 to 2022/23 contracts will not have a retention clause,
- No retention was withheld on retainable payment milestones in 2021/22/23,
- Infrastructure payments as retentions is only retained on the certificate and not on the claim payment. Therefore, infrastructure projects will not attract retention provisions,
- Payments made to Government Entities i.e. Free State Development Corporation, Free State Social Housing Company (SHRA), Free State Department of Agriculture, Housing Development Agency, Municipalities, etc.
- P4 - Transfer of Ownership,
- P1 - Engineering Designs,
- P2 - Township Layout Plan,
- P3 - Installation of Services,
- Community Residential Units (CRUs)
- Material Supplies
- Minor works (eg. Temporary shelters)

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26. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2023

	2022/23				
	Opening balance	Value adjustments	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	14 729	-	1 575	(97)	16 207
Computer equipment	7 713	-	409	(97)	8 025
Furniture and office equipment	6 727	-	1 096	-	7 823
Other machinery and equipment	289	-	70	-	359
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	14 729	-	1 575	(97)	16 207

Inclusive in the additions on Furniture and Office Equipment to the amount of R1 096' is an amount of R27' for non-cash additions of major assets that was transferred to the Department of Human Settlements from Provincial Treasury.

Approval for the write off of Major Assets on Computer Equipment to the value of R97', was approved by the Accounting Officer.

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 that are under investigation:		
Machinery and equipment	21	327
Total	21	327

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 at 31 March 2023.

1 Major Asset on Computer Equipment to the value of R31'was approved for write off by the Accounting Officer.

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

	2021/22				
	Opening balance	Prior period error	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	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.

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 Human Settlements to Cooperative Governance & Traditional Affairs and to the Department of the Premier. An amount of R81' was disposed of. 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.

26.2. Minor assets

MOVEMENT IN MINOR CAPITAL ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2023

	2022/23					
	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	56	-	4 354	-	4 410
Additions	-	-	-	266	-	266
Total Minor assets	-	56	-	4 620	-	4 676

Inclusive in the additions on Minor Assets to the amount of R266' is an amount of R124' for non-cash additions that was transferred to the Department of Human Settlements from Provincial Treasury.

Specialised	Intangible	Heritage	Machinery	Biological	Total
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	military assets	assets	assets	and equipment	assets	
	R'000	R'000	R'000	R'000	R'000	R'000
Number of R1 minor assets	-	-	-	64	-	64
Number of minor assets at cost	-	20	-	2 662	-	2 682
Total number of minor assets	-	20	-	2 726	-	2 746

Minor capital assets under investigation

	Number	Value R'000
Included in the above total of the minor capital assets per the asset register that are under investigation:		
Machinery and equipment	13	23
	13	23

Included in the asset register are 13 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 at 31 March 2023.

The Asset Management Unit was able to locate a Minor Asset (Camera) to the value of R4' thus it has been removed from the Minor Assets under investigation.

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

2021/22

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

Specialised	Intangible	Heritage	Machinery	Biological	Total
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	military assets	assets	assets	and equipment	assets	
	R'000	R'000	R'000	R'000	R'000	R'000
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

26.3. Movable tangible capital assets written off

MOVABLE CAPITAL ASSETS WRITTEN OFF FOR THE YEAR ENDED 31 MARCH 2023

2022/23

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biologi cal assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Assets written off	-	-	-	97	-	97
Total movable assets written off	-	-	-	97	-	97

Approval was granted by the Accounting Officer for the write off of four (4) Major Assets on Computer Equipment to the total value of R97'.

27. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2023

2022/23

	Opening balance	Additions	Disposals	Closing balance
	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

27.1. MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2022

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	2021/22				
	Opening balance	Prior period error	Additions	Disposals	Closing balance
	R'000	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

28. Principal-agent arrangements

28.1. Department acting as the principal

	2022/23 R'000	2021/22 R'000
Housing Development Agency (HDA)	171 132	213 167
Total	171 132	213 167

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 the Free State.

The HDA has unspent funds amounting to R213 167 million for the 2021/22 and R171 132 for the 2022/23 financial year.

Of the total amount transferred by the Department to the HDA an amount of R14 721 million (2021/2022) and R16 572 million (2022/2023) was spent on Management Fees.

As at 31 March 2023 there was no indication of terminating the principal agent arrangement.

29. Prior period errors

29.1. Correction of prior period errors

	2021/22		
	Amount before error correction	Prior period error	Restated
	R'000	R'000	R'000
Expenditure			
Note 4: Goods & Services (Communications)	721	(320)	401
Net effect	721	(320)	401

An amount of R320' on Goods and Services was restated to expenditure for Capital Assets (Finance Leases) since the subscription fees for cell phones and data devices were incorrectly paid under the Item: Com Airtime & Data.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

The latter only to be used when actual prepaid airtime or data is being purchased for officials or if refunds have to be made in this regard.

		2021/22		
		Amount before error correction	Prior period error	Restated
		R'000	R'000	R'000
Assets				
Note 8:	Capital Assets (Finance Leases)	2 800	320	3 120
Note 21:	Accrued Departmental Revenue	867 813	(68 915)	798 898
Note 17.2:	Contingent Assets	20 166	230 000	250 166
Net effect		890 779	161 405	1 052 184

An amount of R320' on Goods and Services was restated to expenditure for Capital Assets (Finance Leases) since the subscription fees for cell phones and data devices were incorrectly paid under the Item: Com Airtime & Data.

Contingent Assets was increased due to an understatement of R230 000' relating to Blackhead Consulting for the Asbestos audit which is currently in Court.

Accrued Departmental Revenue was decreased due to an overstatement of R68 915' relating to Material Suppliers for who no Instruction was issued to recover the monies.

		2021/22		
		Amount before error correction	Prior period error	Restated
		R'000	R'000	R'000
Liabilities				
Note 18.2:	Payables	66 237	(25 530)	40 707
Note 25:	Provisions	73 223	(20 461)	52 762
Note 17.1:	Contingent Liabilities	62 728	4 173	66 901
Note 18.1:	Accruals	28 464	18	28 482
Net effect		230 652	(41 800)	188 852

Payables were restated due to an understatement of R420' on BAS Payables, an overstatement of R25 954' with regard to Retentions and an understatement with an amount of R5' with regard to LOGIS payables.

Provisions was restated due to negative amounts disclosed in the closing balance for 2021/2022 and the closing balance included Projects that do not attract Retention amongst other things.

Accruals was restated with an amount of R18' due to an understatement of S & T claims.

Contingent Liabilities was also restated for an ongoing Court Case of C-MAX Civils to the value of R4 173'.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2021/22
for the year ended 31 March 2023**

	Amount before error correction	Prior period error	Restated
	R'000	R'000	R'000
Other			
Note 10.1: Prepayment and Advances	-	213 167	213 167
Net effect	-	213 167	213 167

Advances Expensed was restated with an amount of R213 167' relates to the closing balance of the Housing Development Agency for the 2021/2022 financial year.

30. Going Concern

Management has assessed the Department's ability to continue as a going concern based on these annual financial statements. In doing so, the short- and medium-term economic environment was taken into consideration as well as the cumulative financial implication of, Note 18.1 (Accruals) R4 189 million and Note 18.2 (Payables not recognised) R47 893 million.

In addition to the above the Department also has pending legal proceedings amounting to R89 997 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.

In order to address this material uncertainty, the Department will rely on the budget allocation for the next financial year as well as further engagements with Provincial Treasury for additional funding. The biggest part of Payables is related to possible retention fees payable to Contractors which will form part of the Conditional Grant allocations received from National Human Settlements.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

31. Statement of Conditional Grants received

Name of grant	2022/23									2021/22	
	GRANT ALLOCATION					SPENT					
	Division of Revenue Act / Provincial grants	Roll overs	DORA Adjust-ments	Other Adjust-ments	Total Available	Amount received by depart-ment	Amount spent by depart-ment	Under- / (Overspe-nding)	% of available funds spent by depart-ment	Division of Revenue Act / Provinci-al grants	Amount spent by depart-ment
	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)	813 041	26 639	(100 000)	-	739 680	739 680	244 902	494 778	33%	808 290	781 650
Informal Settlements Upgrade Partnership Grant (ISUP)	241 563	-	(50 000)	-	191 563	191 563	40 581	150 982	21%	208 001	207 695
Expanded Public Works Programme (EPWP)	2 209	-	-	-	2 209	2 209	2 209	-	100%	2 152	2 102
Provincial Emergency Housing Grant (PEHG)	-	-	-	-	-	-	-	-	-	10 375	-
Title Deed Restoration Grant (TDRG)	-	-	-	-	-	-	-	-	-	5 146	5 146
TOTAL	1 056 813	26 639	(150 000)	-	933 452	933 452	287 692	645 760	-	1 033 964	996 593

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

32. Broad Based Black Economic Empowerment performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

33. COVID 19 Response expenditure

	<i>Note</i>	2022/23 R'000	2021/22 R'000
Goods and services		-	13
Total	<i>Annex 7</i>	-	13

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

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

	2022/23						2021/22	
	TRANSFER ALLOCATION				EXPENDITURE			
	Adjusted Budget	Roll overs	Adjustments	Total Available	Actual transfer	% of available funds transferred	Final Budget	Actual transfer
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Household								
Transfers								
H/H Empl S/Ben Leave Gratuity	559	-	208	767	619	81%	232	477
H/H Donations and Gifts (Cash)	100	-	-	100	100	100%	-	2
H/H S/Ben Injury on Duty	20	-	-	20	3	15%	-	-
Individual Support (Housing)	61 068	-	106 641	167 709	51 185	31%	126 605	123 261
Institutional Support (Housing)	38 407	-	(20 290)	18 117	17 649	97%	85 074	85 073
Peoples Housing Process (Housing)	-	-	-	-	-	-	12 272	12 116
Project Linked Support (Housing)	576 908	-	(21 010)	555 898	178 222	32%	577 851	559 212
Upgrading Informal Settlements	191 563	-	-	191 563	40 581	21%	212 199	207 695
Emergency Housing Assistance	11 041	-	(10 841)	200	163	82%	12 217	1 841
TOTAL	879 666	-	54 708	934 374	288 521	-	1 026 450	989 677

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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

ANNEXURE 1B

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE

Nature of gift, donation or sponsorship	2022/23	2021/22
	R'000	R'000
Made in kind		
Nelson Mandela Day Celebrations	100	-
TOTAL	100	-

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

ANNEXURE 1C

STATEMENT OF ACTUAL MONTHLY EXPENDITURE PER GRANT

Grant Type	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sept 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Total
	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)	-	34 922	10 145	28 014	20 518	13 906	16 334	53 318	20 989	2 939	7 747	36 070	244 902
Expanded Public Works Programme (EPWP)	-	-	-	-	222	307	-	665	-	207	266	542	2 209
Informal Settlements Upgrade Partnership Grant (ISUP)	-	4 297	9 850	5 963	3 449	78	4 399	1 659	5 760	-	4 473	653	40 581
TOTAL	-	39 219	19 995	33 977	24 189	14 291	20 733	55 642	26 749	3 146	12 486	37 265	287 692

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

**ANNEXURE 2
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2023**

Nature of liability	Opening balance 1 April 2022	Liabilities incurred during the year	Liabilities paid / cancelled / reduced during the year	Liabilities recoverable	Closing balance 31 March 2023
	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.					
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.					
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).					

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

**ANNEXURE 2
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2023**

Nature of liability	Opening balance 1 April 2022	Liabilities incurred during the year	Liabilities paid / cancelled / reduced during the year	Liabilities recoverable	Closing balance 31 March 2023
	R'000	R'000	R'000	R'000	R'000
WOLSTRAAT 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.	1 404	-	-	-	1 404
ETSHO CIVILS PTY LTD The Plaintiff is suing the Department for monies allegedly owed to them for services rendered. The Department is defending the matter.	-	18 823	-	-	18 823
CALLIS ATTORNEYS The Plaintiff is suing the Department for monies allegedly owed to them for services rendered. The Department is defending the matter since it was discovered that the work was already completed by another Conveyancer.	-	214	(214)	-	-
LOIS CONSTRUCTION It is for alleged breach of contract, in that the Service Provider was appointed by the department in 2019 to build 62 military veteran houses in Riebeeckstad, Rheederpark and Hospital view. After having built 20 houses in 2020, it was informed to halt building of the remaining 42 houses. It claimed R9 323 691, 31 as damages in its initial letter of demand dated 25/02/2022 but changed its claim to R5 455 144.79 in subsequent summons served on the department dated 21/10/2022.	-	5 455	-	-	5 455

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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

ANNEXURE 2

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2023

Nature of liability	Opening balance 1 April 2022	Liabilities incurred during the year	Liabilities paid / cancelled / reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing balance 31 March 2023
	R'000	R'000	R'000	R'000	R'000
C-MAX CIVILS	4 173	-	-	-	4 173
The department is sued for a breach of contract, it is cited as 2 nd defendant, Amadwala Construction Trading being 1 st defendant. It is alleged that the department neglected/ failed to pay monies owed to C Max totaling R4 173 006, in terms of the cession agreement entered into by all 3 parties in April 2019.					
TOTAL	66 901	24 492	1 396	-	89 997

A new case for E'tsho Civils as well as for Lois Construction has been registered.

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

ANNEXURE 3

CLAIMS RECOVERABLE

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash-in-transit at year end 2022/23	
	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	Receipt date up to six (6) working days after year end	Amount
	R'000	R'000	R'000	R'000	R'000	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	-	-

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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

ANNEXURE 4

INTERGOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash-in-transit at year end 2022/23	
	31/03/2023	31/03/2022	31/03/2023	31/03/2022	31/03/2023	31/03/2022	Payment date up to six (6) working days after year end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000		R'000
DEPARTMENTS								
Current								
Department of the Premier	176	247	-	-	176	247	-	-
Department of Justice	-	809	-	-	-	809	-	-
Department of Public Works & Infrastructure	-	9	-	-	-	9	-	-
Department of Social Development	2	-	-	-	2	-	-	-
Department of Cooperative Governance & Traditional Affairs	10	-	-	-	10	-	-	-
Subtotal	188	1 065	-	-	188	1 065	-	-
OTHER GOVERNMENT ENTITIES								
Current								
Fleet Management	528	534	-	-	528	534	-	-
Subtotal	528	534	-	-	528	534	-	-
TOTAL INTERGOVERNMENT PAYABLES	716	1 599	-	-	716	1 599	-	-

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

ANNEXURE 5

INVENTORIES

Inventories for the year ended 31 March 2023	Housing Units	Total
	R'000	R'000
Opening balance	490 089	490 089
Add: Additions/Purchases - Cash	15 710	15 710
(Less): Issues	(21 749)	(21 749)
Closing balance	484 050	484 050

Closing balance above include 516 housing units not yet completed as at 31 March 2022 to the value of R490 million and 151 housing units were completed during the 2022/23 Financial Year to the value of R15 710 million.

Inventories for the year ended 31 March 2022	Housing Units	Total
	R'000	R'000
Opening balance	617 667	617 667
Add: Additions/Purchases - Cash	82 034	82 034
(Less): Issues	(209 612)	(209 612)
Closing balance	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.

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023

ANNEXURE 6

DEPARTMENT OF HUMAN SETTLEMENTS HOUSING RELATED EXPENDITURE
CLASSIFICATION

		2022/23	2021/22
	Note	R'000	R'000
Inventories			
Housing Units		484 050	490 089
Subtotal		484 050	490 089
Transfers and subsidies			
Household (HH)		288 521	989 677
Subtotal		288 521	989 677
TOTAL		772 571	1 476 766

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**ANNEXURE TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2023**

**ANNEXURE 7
COVID 19 RESPONSE EXPENDITURE**

Per quarter and in total

Expenditure per economic classification	2022/23					2021/22
	Q1	Q2	Q3	Q4	Total	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Goods and services						
Consumable Supplies	-	-	-	-	-	13
TOTAL COVID 19 RESPONSE EXPENDITURE	-	-	-	-	-	13

There was no expenditure for Compensation of Employees that relates to the COVID 19 Pandemic.

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

Report on the audit of the separate financial statements

Opinion

1. I have audited the financial statements of the Free State Housing Fund set out on pages 191 to 230, which comprise the statement of financial position as at 31 March 2023, 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 2023, 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 1 of 1999 (PFMA)

Basis for 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 responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the 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 for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general 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.

Reporting on performance information

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

Report on compliance with legislation

15. As the public entity was dormant for the year under review, no work was performed to test compliance with key legislation.

Other information in the annual report

16. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements and the auditor's report.
17. My opinion on the financial statements does not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
18. 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 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

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.
21. I did not identify any significant deficiencies in internal control.

Auditor General
Bloemfentein

31 July 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report:

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

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
- conclude on the appropriateness of the 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 public entity 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

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.

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 2023

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FREE STATE HOUSING FUND
ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023

GENERAL INFORMATION

Accounting Officer:	M. Masimene
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 / Nedbank
Auditor:	Auditor-General of South Africa
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 2023.
Preparer:	The inancial Statements were compiled by the Department of Human Settlements.
Supervised by:	The Annual Financial Statements are compiled under the direction and supervision of M. Masimene, the Head of the Department of Human Settlements.

FREE STATE HOUSING FUND

REPORT OF THE ACCOUNTING OFFICER FOR THE PERIOD ENDED 31 MARCH 2023

The Accounting Officer submits her report for the period ended 31 March 2023:

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

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.

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.

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 of 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 2023

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 2023

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 she 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.

The Annual Financial Statements set out on pages 208 to 244, which have been prepared on the liquidation basis, were approved by the accounting officer on and were signed by:

FREE STATE HOUSING FUND
STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2023

	<u>Notes</u> <u>Excel</u> <u>AFS</u>	<u>2022/23</u> <u>R'000</u>	<u>2021/22</u> <u>R'000</u> <u>Restated</u>
ASSETS			
Current assets			
Trade and other receivables from exchange transactions	2	126	65
Other Receivables from Non-Exchange Transactions	3	1 093	1 156
Cash and Cash Equivalents	1	21 275	20 166
Inventories	7	414	414
TOTAL ASSETS		22 908	21 801
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated surplus (Excel AFS)	Financial Position	22 876	21 769
Current liabilities			
Trade and other Payables from Exchange Transactions	22	32	32
TOTAL EQUITY AND LIABILITIES		22 908	21 801

FREE STATE HOUSING FUND

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 MARCH 2023

	<u>Notes Excel AFS</u>	<u>2022/23 R'000</u>	<u>2021/22 R'000 Restated</u>
REVENUE FROM EXCHANGE TRANSACTIONS :			
Interest Earned - External Investments	48	1 170	673
TOTAL REVENUE		<u>1 170</u>	<u>673</u>
General Expenses (Other)	56	<u>(63)</u>	<u>(113)</u>
SURPLUS / (DEFICIT) FOR THE PERIOD		<u><u>1 107</u></u>	<u><u>560</u></u>

FREE STATE HOUSING FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31 MARCH 2023

	<u>Excel</u> <u>AFS</u>	<u>Accumulated</u> <u>Surplus</u> <u>Total</u> <u>R'000</u>
RESTATED BALANCE FOR THE YEAR ENDED 31 MARCH 2021		21 549
	Net Assets	
Surplus / (Deficit) for the period		560
Transfers to/from Accumulated Surplus		(340)
BALANCE FOR THE YEAR ENDED 31 MARCH 2022		21 769
	Net Assets	
Surplus / (Deficit) for the period		1 107
BALANCE FOR THE YEAR ENDED 31 MARCH 2023		22 876

FREE STATE HOUSING FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	<u>Note</u> <u>Excel</u> <u>AFS</u>	<u>2022/23</u> <u>R'000</u>	<u>2021/22</u> <u>R'000</u> <u>Restated</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest Income		1 109	661
Goods and Services		(63)	(113)
Cash flows from operating activities	63	<u>1 046</u>	<u>548</u>
Net increase /(decrease) in cash and cash equivalents		1 109	661
Cash and cash equivalents at beginning of the year		<u>20 166</u>	<u>19 505</u>
Cash and Cash Equivalents	1	<u>21 275</u>	<u>20 166</u>

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2023

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 according 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.

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.

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.

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.

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2023

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 2022/23 financial year:

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.

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2023

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

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

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2023

instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

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.

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ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2023

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 impairment 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 2023

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 2023

Subsequent Measurement

Inventory is measured at the lower of cost 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.

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2023

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.

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.

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.

Expenditure from Exchange Transactions

The accounting policy for expenditure arising from exchange transactions is similar to the policy for exchange revenue.

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.

General Expenses

The bank account of the Housing Fund is dormant, no transactions (payments) can be processed. The expenditure is paid by the Department of Human Settlements and then Journalised to the Housing Fund's records. This is done bi-annually to the Statements of the Housing Fund. The expenditure is for rates and taxes paid to the Municipalities and Corporates. The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2023

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.

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

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.

The Fund has a contingent liability to the department of Human Settlements.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2023

	<u>2022/23</u>	<u>2021/22</u>
	<u>R'000</u>	<u>R'000</u> <u>Restated</u>
1. CASH AND CASH EQUIVALENTS		
Cash and Bank	21 275	20 166
Total Cash and Cash Equivalents	21 275	20 166
Cash at Standard Bank/Nedbank earned 5.21% interest per annum		
2. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Rental debtors at gross value	A 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	B 34	34
Provision for bad debts for loans to individuals at fair value	(34)	(34)
Properties sold at gross value	C 30	30
Provision for bad debts for properties sold	(30)	(30)
Finance income receivable – Nedbank/Standard Bank	126	65
Total Trade and Other Receivables from Exchange Transactions	126	65

Rental receivable longer than 120 days have been provided 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 2023

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 2023

<u>Summary of Debtors by Customer Classification</u>	<u>Consumers</u>	<u>Industrial /Commercial</u>
	<u>R '000</u>	<u>R '000</u>
As at 31 March 2023		
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 2022		
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	65
Less: Provision for doubtful debts	(1 612)	-
Total debtors by customer classification	-	65

Reconciliation of the doubtful debt provision

	2022/23	2021/22
	R'000	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

	<u>2022/23</u>	<u>2021/22</u>
	<u>R'000</u>	<u>R'000</u>
Provincial Government	1 093	1 608
Total Trade and Other Receivables from Non-Exchange Transactions	1 093	1 608

Relates to the balance owed by the Department to Housing Fund.

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2023

4. INVENTORIES

	<u>2022/23</u>	<u>2021/22</u>
	<u>R'000</u>	<u>R'000</u>
Opening balance	414	414
Total inventory	414	414

Inventory consists residential houses. The Fund had ownership of 56 housing units (according Assets Register) as at end of 2022/23 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 2023, 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 R21,275m' as 31 March 2023 will be surrendered to the Department. Prior year bank balance amounted to R20,166m. 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	<u>2022/23</u>	<u>2021/22</u>
	<u>R'000</u>	<u>R'000</u>
TO CASH GENERATED FROM		<u>Restated</u>
OPERATIONS		
Surplus/ (deficit)	1 107	560
Adjustments for:		
Interest	(1 170)	(673)
Operating profit before working capital changes	(63)	(113)
Changes in working capital		
Trade and other receivables from exchange transactions	-	-
Other receivables from non-exchange transactions	-	-
Trade and other payables from exchange transactions	-	-
Other working capital movements	1 109	661
CASH GENERATED FROM OPERATIONS	1 109	661

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2023

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>2022/23</u>	<u>Restated</u>	<u>2021/22</u>	<u>Restated</u>
			<u>2021/22</u>		<u>2020/21</u>
		<u>R'000</u>	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>
<i>Financial Assets</i>					
Trade and other Receivable from Exchange Transactions	2	126	65	65	54
Cash and cash equivalents	1	21 275	20 166	20 166	19 505
Total Financial Assets		<u>21 401</u>	<u>20 231</u>	<u>20 231</u>	<u>19 559</u>

The financial assets by category:

The accounting policies for financial instruments have been applied to the line items below:

2023	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	-	126	126
Cash and cash equivalents	21 275	-	21 275
	21 275	126	21 401

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

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.

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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.

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>2022/23</u>	<u>2021/22</u>
	<u>R'000</u>	<u>R'000</u>
Inventories	414	414

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.

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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:

2023	2023 impact	2022 impact
Interest income		
Interest rate increase of 100 basis points	1.93	-
Interest rate decrease 100 basis points		(0.28)

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.

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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)	-

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>2022/23</u>	<u>2021/22</u>
	<u>R'000</u>	<u>R'000</u>
Contingent Liability	21 275	20 166
Trade and other Receivable from non-exchange transactions	(1 093)	(1 608)
Total	20 182	18 558

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>2022/23</u>	<u>2021/22</u>
	<u>R'000</u>	<u>R'000</u>
From exchange transaction:		
Other Income	-	-
Finance Income-Bank (Note 48 Excel AFS)	1 170	673
Total	1 170	673
10. GENERAL EXPENSES	<u>2022/23</u>	<u>2021/22</u>
	<u>R'000</u>	<u>R'000</u>
Other (Note 56 Excel AFS)	63	113
Total	63	113
11. TRADE AND OTHER PAYABLES	<u>2022/23</u>	<u>2021/22</u>
	<u>R'000</u>	<u>R'000</u>
Other Creditors	32	32
Total	32	32
Relates to debtors with credit balances		

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11. PRIOR PERIOD ERROR

The Fund identified the following errors affecting 2020/21 closing balances of the Financial Statements.

11.1 Effect on Statement of Financial Position

Error(s) were identified from:

General Expenses

- An amount of R113' was restated for the 2021/22 financial year due to general expenses that was processed against the Fund. Another amount of R340' which also relates to general expenditure for periods prior to the 2021/2022 financial year was disclosed as accumulative surplus in the Statement of Changes in Net Assets. The Department of Human Settlements are paying on a monthly basis for expenditure for things such as levies for the houses that are still within the Housing Fund due to the fact that the Funds bank account is dormant.

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 Correction of error</u>	<u>2021/22 Prior Period error</u>	<u>Restated Amount</u>
	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>
Accumulated Surplus	22 222	(453)	21 769
Net effect on Statement of Changes in Net Assets	22 222	(453)	21 769

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 2022/23 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 56 Houses (Inventory) currently within the Housing Fund to the value of R414' will be transferred to the Mangaung Metropolitan Municipality at the lower of cost 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 R21 275 120.42, as at 31 March 2023, 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 the assistance of the National Department of Human Settlements.