

DEPARTMENT OF HUMAN SETTLEMENTS
PROVINCE OF FREE STATE
VOTE NO. 13
ANNUAL REPORT
2024/2025 FINANCIAL YEAR



PR 343/2025

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Annual Report 2024/2025



human settlements

Department of Human Settlements
FREE STATE PROVINCE

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PART A: GENERAL INFORMATION

DEPARTMENT GENERAL INFORMATION

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LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
AC	Audit Committee
AO	Accounting Officer
BAS	Basic Accounting System
BBBEE	Broad Based Black Economic Empowerment
BNG	Breaking New Grounds
CIDB	Construction Industry Development Board
CFO	Chief Financial Officer
COGTA	Corporative Governance and Traditional Affairs
DPSA	Department of Public Service and Administration
FLISP	Financial Link Individual Subsidy Programme
FSHS	Free State Human Settlements
HDA	Housing Development Agency
HSDG	Human Settlements Development Grant
IAF	Internal Audit Function
IPW	Instruction to Perform Works
ISUPG	Informal Settlements Upgrading Partnership Grant
IT	Information Technologies
MEC	Member of Executive Council
HOD	Head of Department
PSCBC	Public Service Co-Ordinating Bargaining Council
PFMA	Public Finance Management Act, Act 1 of 1999
PPPFA	Preferential Procurement Policy Framework Act
TR	Treasury Regulations
MTEF	Medium Term Expenditure Framework
NHBRC	National Home Builders Registration Council

FOREWORD BY THE MEC

The Department of Human Settlements strived to perform in relation to financial year under review in terms of policy directive, Medium Term Strategic Framework (MTSF) for the period 2019/2024.

Despite challenges experienced during the period under review, there were achievements realized in the performance of some of the sector indicators which were standardized and those which were set by the province to complement and enhance integrated human settlements delivery in the province.

The MTSF period ended during March 2024 financial year. August 2024 marked the beginning of the 7th Administration. The new Administration envisaged a vision of A Nation That Works For All. This is the vision that underpins the Medium-Term Development Plan (MTDP).



MEC: TEBOHO ZACHARIA MOKOENA

The goal of departmental planning was to align MTDP with other policy strategies such as the National Development Plan (NDP) and the Free State Growth and Development Strategy

During the period under review, the following performance achievements were realized:

- Six (6) municipalities were supported for accreditation during the year under review. Five hundred and seventy-three
- (573) housing units were delivered.
- A total of five thousand two hundred and seventy-four (5274) serviced sites were delivered in Maokeng (Kroonstad) extension 10&13 and Sasolburg as part of informal settlements upgrading.
- Two thousand nine hundred and fifty-eight (2958) serviced sites were delivered at the existing households.
- Forty-seven 47 consumer education sessions were conducted for human settlements beneficiaries.
- Six hundred and sixty-four (664) erven were planned and surveyed.

During the period of 2024/25 financial year, there were some alleged irregularities that were picked up during the implementation of FLISP, and as a result, an investigation was undertaken by the relevant Authorities. These irregularities negatively affected the performance of the programme.

In order to improve service delivery to the people of the Free State Province, the Department has enhanced its strategies for performance in 2025/26 financial year as follows:

- Enhance working partnership with municipalities in addressing human settlements challenges, like the approval of building plans, signing of deeds of sales, issues affecting beneficiaries on title deeds and the housing units, as well as participation in Intergovernmental structure such as MECLOGA.

- Appointment of competent contractors and service providers in compliance with the relevant prescripts. Currently the Department is in the process of updating the database of contractors and service providers.
- The Department has embarked on implementing Innovative Building Technology (IBT) as part of National Programme to enhance delivery of housing units.
- There is also a focus on eradicating mud houses in some parts of the province including Thabo Mofutsanyana District and in Thaba Nchu rural areas.
- There is also a plan in place to eradicate and replace asbestos roofing across the province as well as the eradication of two-roomed houses.
- The Department is also part of the Provincial team that is addressing the challenge of Allanridge emergency housing. There is a plan in place by the Department to ensure that the affected families receive the necessary intervention temporarily until permanent settlement is achieved.

The three Government Apex priorities of Driving inclusive growth and job creation, Reducing poverty and tackling the high cost of living and Building a capable, ethical and developmental state are all consistent with the Department's mandate.

The Department is in the process of reviewing the organizational structure to ensure that the mandate and vision of the Department is realized. There is also a process to be undertaken for staff skills audit and development. The purpose of this audit is to ensure that there is correct placement in positions according to the relevant skills and expertise. The Department conducted Senior Management Service (SMS) lifestyle audits through Special Investigation Unit (SIU) and will continue to ensure integrity management for good governance.

I appreciate the efforts made by the Head of the Department, Senior Managers, officials and relevant stakeholders involved in ensuring that the mandate of the Department is achieved.

I therefore present the 2024/25 Annual Report for tabling before the Free State Legislature.



TEBOHO ZACHARIA MOKOENA

MEC: FREE STATE HUMAN SETTLEMENTS

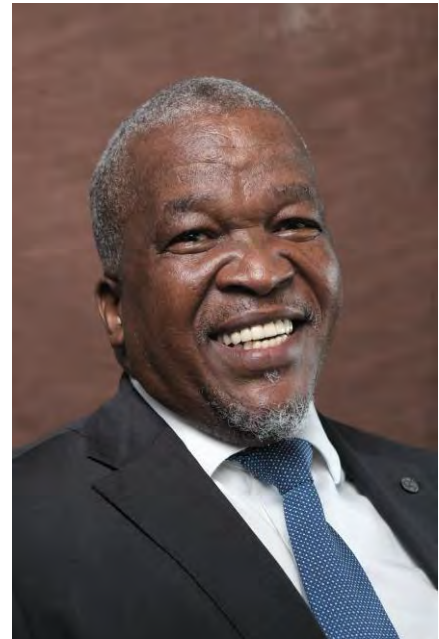
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REPORT OF THE ACCOUNTING OFFICER

The primary goal of the Department is to promote integrated and sustainable human settlements for the improved quality of lives for the citizens in the Province. The achievement of this objective can be realized through the effective, efficient, responsible, committed and accountable performance of the following Departmental programmes:

- Administration
- Housing Needs, Research and Planning
- Housing Development, and
- Housing Asset Management

During the performance year 2024/25, the department has implemented both human settlements standardized and non-standardized performance indicators for ensuring effective and efficient service delivery.



**Head of Department:
ADV.TJ PHAHLO**

The performance of these indicators was funded through the Equitable Share, Human Settlements Development Grant (HSDG) and Informal Settlements Upgrading Program Grant (ISUPG).

The Department has taken note of the performance achievements and the challenges experienced which impacted on the performance. The Department has therefore developed the strategies to address those challenges regarding the financial and non-financial performance to ensure the improvement of the performance and effective and efficient service delivery.

The 2024/25 financial audit reflected some material findings in expenditure management, which resulted from non-compliance with procurement processes and inadequate internal controls. Management will focus on strengthening internal controls, quality assurance in financial and non-financial performance implementation, monitoring and reporting processes to reduce audit material non-compliances and findings and to ensure accountability. The Audit action plan will be developed, implemented, monitored and reported accordingly to ensure the improvement of audit outcome.

Overview of the financial results of the department:
Departmental receipts

Departmental receipts	2024/2025			2023/2024		
	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	230	179	51	201	170	31
Transfers received	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	-	-	-
Interest, dividends and rent on land	10	9	1	10	139	(129)
Sale of capital assets	37	72	(35)	37	4	33
Financial transactions in assets and liabilities	330	449	(119)	303	327	(24)
Total	607	709	(102)	551	640	(89)

- Sales of Goods and Service, The Department collected a total of R 179 000 as at the end of 31 March 2025. This collection was from item Commission Insurance and Garnishee.
- Interest Dividends and Rent on Land, The Department collected a total amount of R 9 000 for the financial year. This collection was from item: Interest received on debts.
- Sales of Capital Assets, revenue collected for the financial year amounts to R 72 000. This collection relates to the selling of capital assets due to an Asset Disposal Process as well as the selling of cellular handsets when the contracts on the RT 15 contract were upgraded during the 2024/2025 financial year.
- Financial Transaction in Assets and Liabilities, The Department collected a total of R 449 000 for the financial year. Revenue collected was from the recovery of staff debt and recovery of expenditure incurred in previous financial years.
- Total revenue collected for the year ended 31 March 2025 amounted to R 709 000 which exceeds the annual target of R607 000.

Programme Expenditure

Programme Name	2024/2025			2023/2024		
	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
1. Administration	148 838	147 576	1 262	152 770	150 566	2 204
2. Housing needs, Research AND Planning	19 849	18 336	1 513	20 598	18 399	2 199
3. Housing Development	1 089 101	1 086 365	2 736	959 115	937 842	21 273
4. Housing Assets Management and Property Management	1 925	1 488	437	2 255	1 392	863
TOTAL	1 259 713	1 253 765	5 948	1 134 738	1 108 199	26 539

The department has a total allocated budget of R1 259 713 billion of which R1 005 148 billion is allocated to Conditional Grants and R 254 565 million towards Equitable Share. The Department has spent 98 percent of its Adjusted Equitable Share which amounts to R 248 776 million and 99.9 percent on Conditional Grants which amounts to R1 004 991 billion. Overall, the department expended 99.5 percent of its allocation of R1 259 713 billion.

Virements/roll overs

- A roll-over amount of R7 602 million for Human Settlements Development Grant, R4 500 million for Informal Settlements Upgrading Partnership Grant and R1 376 million was approved from 2023/24 financial year to 2024/25.
- A Virement of R 2 565 million was requested to increase Programme 1: Administration and decrease Programme 2: Housing Needs, Policy, Planning and Research. This virement was a movement between Goods and Service economic items which funds were being moved from one main division to another.
- A Virement of R 8 000 million was requested to increase Programme 1 contractual obligations items in goods and services, and decrease Programme 1, 2, 3 and 4 compensation of employees. This virement was a movement between economic classifications which funds were being moved from one main division to another.
- Post adjusted virement amounted to R 1 000 million and this was a movement between main divisions where Programme 1: Administration increased goods and services by R 1 000 million and funds were reprioritized from Programme 2: Housing Needs, Policy, Planning.

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 the current financial year of 2024/2025. This is because 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 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 to prevent and detect occurrence of irregular expenditure.

Strategic focus over the short to medium term period

- Provide strategic direction for the Department
- Strengthen the District Development Model by providing basic services and coordinating integrated service delivery.
- Implement sector policies and all other policies driving the operation of the Department
- Ensure the citizens receive planned basic services.
- Ensure that supply chain management policies and procedures are followed and managed equitably.
- Ensure that there is an improvement in audit outcomes
- Ensure budget allocation aligned with expected outcomes.

Public Private Partnerships

- None

Discontinued key activities / activities to be discontinued

- None

Supply chain management

The Department have the following controls in place to prevent irregular expenditure:

- Supply Chain Management Policy for Infrastructure procurement that is in line with Section 217 of the Constitution, PFMA, PPPFA and its associated Regulations, Treasury regulations, CIDB prescripts, and other related prescripts.
- Supply Chain Management Policy for Goods and Services procurement that is in line with Section 217 of the Constitution, PFMA, PPPFA and its associated Regulations, Treasury regulations and other related prescripts.
- These policies further provide for the regulation of Conflict of Interest, Compliance with Ethical Standards and Confidentiality of Information.

The following bid committees have been established and are operational:

- Bid Specification Committee.
- Bid Evaluation Committee; and
- Bid Adjudication Committee.

The members of these committees were appointed in writing by the Accounting Officer and have clear Terms of Reference and set approval delegations, where applicable.

- A Procurement Checklist
- A Payment Checklist; and
- An Order Checklist.

Challenges experienced in SCM and how they were resolved

A request has been made to prioritize the filling of essential vacancies in Supply Chain Management.

Gifts and Donations received in kind from non-related parties

None

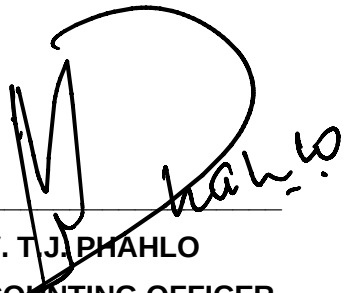
Exemptions and deviations received from the National Treasury- None

Events after the reporting date – None

Others - None

I therefore would like to acknowledge and express gratitude for the commitment and participation of departmental staff and relevant stakeholders in ensuring that Department execute its mandate despite the challenges experienced. Emphasis will be made from 2025/26 performance year hence forth to ensure that there is improvement in the performance as well as accountability by the Department. This will be done through the development and implementation of control systems in financial, human resources, procurement, performance management and in the implementation of line function programmes. These will include amongst others capacity building of officials through skills development, skills audit, review of the organisational structure and implementation of consequence management on issues of noncompliance as and when necessary. The department will not be weary in its efforts in building the solid, principled and ethical leadership.

On this basis, I hereby submit the 2024/25 Annual Report to the Executing Authority of the Department of Human Settlements for consideration and approval.



ADV. T.J. PHAHLO

ACCOUNTING OFFICER

DEPARTMENT OF HUMAN SETTLEMENTS

DATE: 27/08/2025

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.

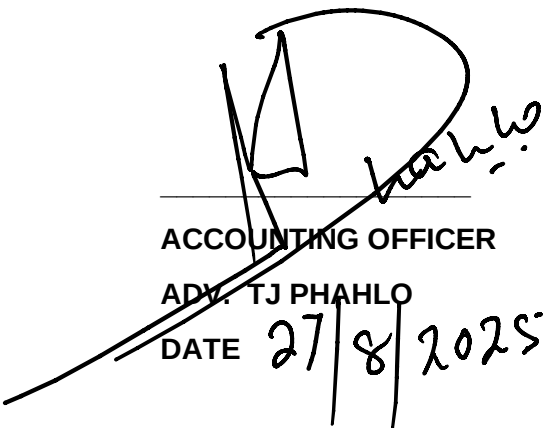
The Annual Financial Statements (Part F) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by the National Treasury.

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 2025.



ACCOUNTING OFFICER

ADV. TJ PHAHLO

DATE 27/8/2025

1. STRATEGIC OVERVIEW

1.1 Vision

Integrated and sustainable human settlements

1.2 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

1.3 Values

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

2. LEGISLATIVE AND OTHER MANDATES

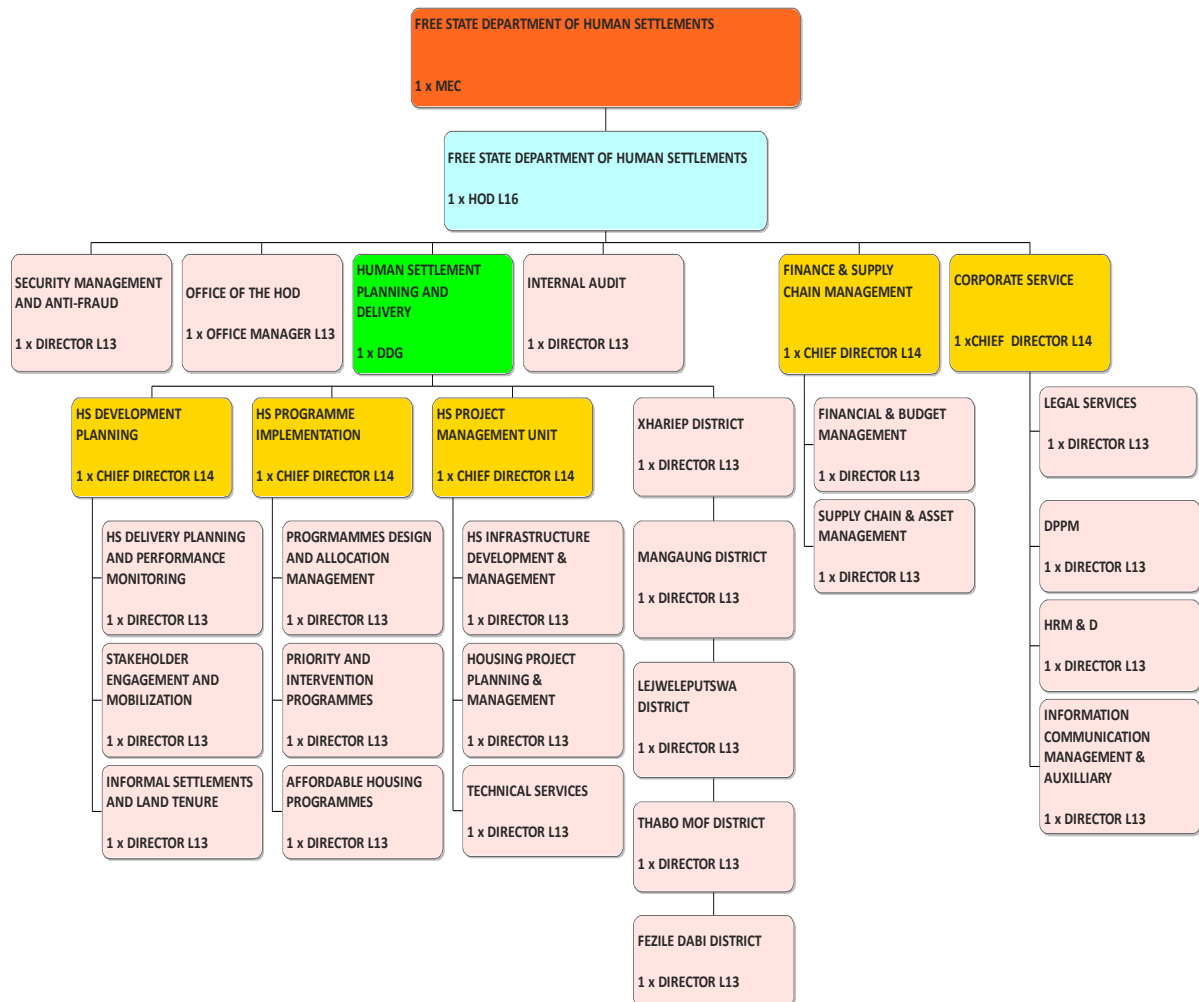
Constitutional Mandate	The Department derives its mandate from section 26(1) of the Constitution of the Republic of South Africa, Act 108, 1996
Legislative Mandates	
Public Finance Management Amended Act, 1999 (Act 29 of 1999)	Establishes the duties and responsibilities of government officials in charge of finances. The Act aims to secure transparency, accountability and sound financial management in government and public institutions
Public Service Act, 1994 (Act 103 of 1994)	To provide for the organisation and administration of the public service of the Republic, the regulation of the conditions of employment, terms of office, discipline, retirement and discharge of members of the public service, and matters connected therewith.
Skills Development Act, 1998 (Act 97 of 1998)	To provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African work force; to integrate those strategies within the National Qualifications Framework contemplated in the South African Qualifications Authority Act, 1995; to provide for Learnership which lead to recognised occupational qualifications; to provide for the 'financing of skills development by means of a levy-grant scheme and a National Skills Fund; to provide for and regulate employment services; and to provide for matters connected therewith.
Labour Relations Act, 1995 (Act 66 of 1995)	The purpose of the labour relations act is not only to protect everyone in the workplace but to also promote economic development, fair labour practices, peace, democracy and social development
Division of Revenue Act (Act 5 of 2024)	To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2023/24 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 amend the Public Service Act, 1994, so as to further define, to substitute or to delete certain expressions; to further regulate the application of the said Act; to provide for the readjustment of the functions of the Public Service Commission and the circumscription of the functions of the Minister for the Public Service and Administration and an executing authority; to make other provision in connection with the management, administration and functions of the South African Management and Development Institute and the administration of the Training Fund; to make further provision in connection with the implementation or limitation of actions affecting the public service or its members; to enable the said Minister to have access to certain documents and information; to make further provision in connection with the power of the President to amend Schedules 1 and 2 to the said Act; to make other provision in connection with the inclusion of posts in, or the exclusion of posts from, the A or B division; to make further provision in connection with appointments, promotions and transfers; to make further provision in connection with the discharge of officers; to further regulate inefficiency and misconduct; to further regulate the receipt of unauthorized remuneration; to make other provision in connection with the reduction of salaries of officers; to make further provision in connection with grievances of officers and employees; to empower the said Minister to make regulations; and to empower the said Minister to assign certain functions to officers or employees of his or her department; and 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 the 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, (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 provisions 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 the 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 sub-division of agricultural land.
The Townships Ordinance No. 9 of 1969	This Ordinance is used for the establishment of towns, subdivision and consolidation, amendment of the general plan and the amendment of town-planning schemes. The townships board is also instituted in terms of this ordinance

Disestablishment of South African Trust Limited Act, 2002 (Act 26 of 2002)	The winding down of the South African Housing Trust and the transfer of functions relating to financial obligations were completed during the end of 2002 and the beginning of 2003 in terms of Act 2002: Disestablishment of SA trust Limited Act, 2002.
Public Audit Act, 2004 (Act 25 of 2004)	Regulates the audit of Government Departments and State-Owned Enterprises
Social Housing Act, 2008 (Act 16 of 2008)	Regulations of 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 operations 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 coordinating environmental functions exercised by the 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.
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 in 2006. The key objectives of the NSDP are to: - Provide a framework for discussing space economy taking deprivation, re- sources, infrastructure and potential economic activity into account. - Establish a common reference point for national, provincial and local government to analyses 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.
National Spatial Development Framework (NSDF)	The National Spatial Development Framework (NSDF) is a strategic long-term spatial plan towards 2050. The NSDF is legally mandated by the Spatial Planning and Land Use Management Act, 2013 (SPLUMA), and has to be aligned with the 2030-National Development Plan (NDP).
The Housing Code, 2009	The government has introduced a variety of programmes which provide the poor house- holds 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, guide- lines, norms and standards that apply to Government's various housing assistance pro grammes 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 prioritized
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.

3. ORGANISATIONAL STRUCTURE



4. ENTITIES REPORTING TO THE MEC

None

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

Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
None	None	None	None

PART B: PERFORMANCE INFORMATION

1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

Refer to page 113 of the Report of the Auditor-General, published as Part E: Financial Information.

2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.1 Service Delivery Environment

Services at the districts

The districts ensure that service delivery occurs and are closer to the people. The Director in each district reports to the Head Office on various programmes.

The 2024–2025 Annual Plan included the District Development Plans. The districts served are Xhariep, Mangaung, Lejweleputswa, Thabo Mofutsanyane, and Fezile Dabi.

Human Resource Management

The Human Resource Management unit is made up of Labour Relations, Human Resource Development, Employee Health and Wellness, Human Resource Planning, Personnel Provisioning and Utilization. The Management of Employee Performance and Organizational Design are under the Departmental Planning and Performance Management Directorate.

There has been a delay in advertising and filling vacant funded posts due to cost-containment measures that were put in place across government departments. The department has a total of 501 posts on the approved staff establishment, of which a total of 388 posts have been fully filled, and 75% of SMS posts have been filled, and that will be from level 13 to 16.

Employment Equity Plan

All identified positions are to comply with the guidelines when the department completes and implements the Equity Plan. The Department of Labour receives the data collected on a quarterly basis, however the Departmental Employment Equity strategy is still in a draft form. The personnel data is recorded as it happens, this also includes recruitment, resignations, deaths and movements within and outside the department.

Women, Youth and Persons with Disabilities:

Women

In terms of the workforce composition across lower levels, women are in majority. The SMS women representation is at 35% which is below the National standard of 50% equity targets

Level	Gender				
	Total	Females		Males	
		No:	%	No:	%
SMS	22	8	36%	14	63%
MMS	38	17	44%	21	55%
ASD	48	32	66%	16	33%
3 - 8	238	144	60%	94	39%
Workforce	346	201	58%	145	42%

According to the above reported data, women make up the majority of the workforce. Women are underrepresented at the SMS level compared to lower levels, which is not surprising given that they are more prevalent at lower levels than at senior management. In terms of equity targets, this runs counter to the 50% participation of women at the SMS level.

Persons with Disability:

Only 2 of the 349 departmental officials (0.6%) have disabilities, far below the 7% target set in the White Paper on the Rights of Persons with Disabilities (WPRPD). There is currently no representation of persons with disabilities at either Middle Management Services (MMS) or SMS levels.

Youth

Youth make up 14% of the workforce, significantly below the national policy target of 30%. There is no youth representation at the SMS level, highlighting a gap in leadership pipeline development for younger employees.

CHALLENGES ENCOUNTERED BY THE DEPARTMENT WHEN PROVIDING RELEVANT SERVICES AND THE CORRECTIVE STEPS TAKEN IN DEALING WITH SUCH CHALLENGES

Addressing Housing Backlog:

- The Department must prioritize the availability of affordable housing via Breaking New Ground and Upgrading Informal Settlements.
- Utilize innovative, alternative methods to accelerate the delivery process.
- Highlight land value capture, sustainable urban development, social inclusivity, eco-friendly construction methods, and climate adaptability.

Title Deeds challenges

- The Housing Subsidy System and the Deeds Office are not linked, this led to inefficiencies and errors
- The public being not aware of the process of the title deeds registration
- Non-payment of deeds accounts affects data verification and delays the lodging of title deeds registration because the deeds web is the main source for title deeds procedures and verification.
- Beneficiaries' failure to notify the Master of the High Court of deceased estates causes disagreements and delays the execution of title documents.
- The three conveyers hired by the Department to register title deeds were unable to achieve service delivery expectations.

Beneficiary Management challenges

- The department tends to build the houses without approved beneficiary lists
- Beneficiaries are approved with claims paid against on old projects,
- Sites and bulk payments are not linked to beneficiaries,
- Beneficiaries migrate from the project linked subsidy program to individual subsidies.
- There is a lack of coordination between the head office and the district offices on processes, which causes delays in delivery service.

Project Management challenges

- Contractors signing IPW (Instruction to perform work) with no service level agreements
- Delays in submitting the necessary paperwork, such as house plans, authorized designs, or projects that aren't registered because they haven't been submitted
- Lack of technical skills and as a result the department has outsourced the functions to the consultants
- There is no schedule to monitor milestones of projects on site, the department is reliant on what contractors' reports
- Strengthen the lines of communication between the districts and the head office

FLISP (Finance Linked Individual Subsidy Programme)

- Most of the applications were held by the Hawks, therefore approvals were not completed.
- The majority of beneficiaries find it difficult to have their own sites

The Department came with the following turn-around strategy as a means of mitigation above challenges

- Partnerships with municipalities are highly encouraged, as the business plan must fulfill the requirements of the public.
- The completion of NHNR (National Housing Needs Register) to confirm the provincial housing backlog.
- Provincial Human Settlements and affected and or relevant municipalities to jointly commence with planning and development on the assembled, and the strategically well-located land.
- Technical officials must be involved in the physical verification of PRM (Project Readiness Management) and quality assurance of the business plan before it is submitted to the National Human Settlements.
- Working with other sector departments and municipalities to optimise FSHS (Free State Human Settlements) performance
- Monitoring the implementation of HSDG and ISUPG against the business plan and ensure that only projects approved on the business plan are implemented
- Conduct an audit of all HSDG and ISUPG funds transferred to the third parties for the past years
- Addressing beneficiary management issues
- Planning to be informed by the demand on the housing NHNR where there are approved beneficiaries
- Development, implementation and monitoring of Contract management strategy
- The department must have central point for all the contracts entered
- Development, implementation and monitoring of the Human resource strategy
- Review of the Organisational structure to be finalised to ensure that the needs of the Department are met.
- Conduct a skills audit to ensure proper staff placement and prioritization in the Project Management Unit.

2.2 Service Delivery Improvement Plan

The department has completed a Service Delivery Improvement Plan and submitted it to DPSA for assessment. Feedback is being awaited from DPSA regarding the submitted SDIP. The tables below highlight the service delivery plan and the achievements to date.

Main services and standards

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
Registration of Tittle Deeds to qualifying beneficiaries	Qualifying citizens	Not applicable	-	SDIP was submitted for assessment to DPSA, but feedback was not received. The SDIP was therefore not approved and implemented.

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

Current/actual arrangements	Desired arrangements	Actual achievements
Consultation	Imbizo's needs to be developed wherein citizens are consulted about the level and quality of services they receive.	Consumer Education sessions were held and a total of 47 target was reached.
Service Standards:	Developing communication and appropriate monitoring of compliance tools.	Service Delivery Charter with standards were developed and displayed at various service points.
Access:	Promote easy access to our offices by all citizens through ensuring that there is adequate signage, name plates and name tags for all officials.	Our offices are accessible to all community members including people living with disabilities.
Courtesy:		All service beneficiaries are treated and assisted with respect and dignity.
Information:	Sufficient budget be allocated to promote the services the department provides.	Information was shared through Consumer Education sessions, use of media including social media, display of departmental information on the departmental website and display of the Service Delivery Charter at Service Points.
Redress:	Correction of errors made by the Department in service delivery	The outreach Programmes are held by the Executing Authority in consultation with municipalities to explain the corrective measures to the communities on errors committed regarding service delivery.

Service delivery information tool

Current/actual information tools	Desired information tools	Actual achievements
Service Delivery Charter.	The information contained in the Service Delivery Charter be optimally utilised to benefit members of the community. Our Department's Service Delivery Charter with Standards be placed at all strategic areas and service delivery points of other departments for information to reach citizens as widely as possible.	Service Delivery Charter with standards developed and posted at service delivery points.
Departmental Website and	Marketing and increased access to departmental website and Presidential	Presidential Hotline and Departmental Website are utilised to register

Presidential Hotline.	hotline.	complaints/compliments and to share information about the services rendered by our department respectively.
Media	Regular or structured program on media briefings/interviews to share information and receive complaints/compliments on services provided by the department.	Radio slots and Media briefings are held by managers and the MEC on different radio stations.
Promotional Materials.	The use of different local/indigenous languages in all promotional materials of the department like pamphlets, banners and posters.	There are banners that are always utilise in meetings and engagements with citizens.
Social media	Regular advertisement of departmental services and projects on social media.	Social media is utilised to educate and inform citizens about the services provide on a regular basis.
Exhibitions	Exhibitions at all provincial and departmental activities of other departments as well where possible.	Department put exhibitions at provincial and departmental activities.
Departmental Website and Presidential Hotline.	Marketing and increased access to departmental website and Presidential hotline.	Complaints/Compliments relating to human settlements, registered at the Presidential Hotline located in the Premiers office are referred to the department for attention. Relevant documents with information beneficial to citizens are posted on the departmental website.
Media	Regular or structured program on media briefings/interviews to share information and receive complaints/compliments on services the department provide.	The media is utilised on an ongoing basis to communicate any relevant or important information to citizens regarding the work of the department, e.g. Radio/TV slots and Media briefings.

Complaints mechanism

Current/actual complaints mechanism	Desired complaints mechanism	Actual achievements
Telephone contact	A structured complaints and compliments management system needs to be developed for the department.	Complaints are received and referred to relevant units to address as and when registered.
Provincial Mobile Services Integrated Programme	All provincial government departments perform community outreach programmes where community members can access government services	The department can have several programmes having exhibition stalls, where information about the department is being availed. The Department is also utilising mobile service to address community concerns regarding human settlements.
Electronically via	Promote access to departmental	The website is accessible to

departmental website	website by citizens.	stakeholders and citizens although not by all of them due lack of adequate resources. sin
Walk ins	Signage and name plates/ tags for all officials for easy access to relevant services by members of the community. Customer Care/Complaints office be made available to serve as a starting point for all walk-ins' complaints and compliments.	Signage is available although the department is sharing buildings with other different departments. An estimate of 90% of offices have name plates but not all officials wear or have name tags.
MEC's outreach programme in Koppies and Frankfort	Members of the Public are afforded an opportunity to engage with the leadership on matters related to the department. These issues include and are not limited to title deeds, housing needs etc.	The complaints when elevated at the level of the leadership get to receive quick responses and can unblock some of the bottlenecks that are there.

2.3 Organisational environment

The existing organizational structure, which was last approved in 2013, is being reviewed by the Department. The Department began assessing the process in 2021, but it was impacted and delayed because of the ongoing changes in the Department's administrative and political leadership. With the Department's leadership stable for the 2025–2026 fiscal year, the Department plans to complete the review process to make sure it is in line with its mandate.

During 2024/25, the Department embarked on filling the critical SMS positions which included amongst others: Chief Director: Corporate Services, Director: Contract and Legal Services and others in Project and Construction management. The objective was not fulfilled because of the Directive from DPSA on Circular 49 which hampered the process because of the long compliant processes that were to be followed before positions can be filled.

During 2025/26, the Directive has been lifted, and the Department has started advertising the critical positions which will be filled to ensure that there is improvement in the performance and service delivery.

The Directive was repealed in 2025/2026, and the Department has begun advertising vacant positions for critical posts that will be filled to ensure that there is improvement in performance and service delivery initiatives.

The Department uses a Housing Subsidy System (HSS) and other national controlled systems. To date no system failure has been reported to have hampered service delivery in the Departments of Human Settlements.

The Accounting Officer of the Department of Human Settlements was appointed in November 2024.

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2.4 Key policy developments and legislative changes

None

3. ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

During 2024/25 performance year, the Department performed according to the following:

During the 2024/25 performance year, the Department performed as described below. Reasons for under or over achievement for the specified targets are mentioned. The Department developed measures and strategies to ensure that the challenges experienced are addressed and for the enhancement and improvement of the performance of 2025/26.

The following paragraphs focus on the Department's overall performance, its impact, and efforts to improve performance.

Within 30 days, 96% of eligible invoices were paid. Human Settlements Development Conditional Grants were halted and reallocated, preventing the entire targeted production. Some debts were unable to be paid due to a reduction in the Human Settlement Development Grant.

The Department will ensure that the unpaid invoices form part of payables not recognized and will be honoured with the allocation of 2025/26 financial year

12 audits were conducted and completed. The intended output was not achieved because some audits are ad hoc, and others run in concurrent with year-end conclusions.

The IAF (Internal Audit Function) will ensure that planned audits are completed on time within the specified quarter and that no audits overlap to the next quarter.

Human settlements policies were not finalised, MEC was consulted over the draft policy, and it was determined that there were still important issues that needed to be fixed before they could be approved. Various municipalities and stakeholders were consulted, among other things.

20422 projects and houses were enrolled with NHBRC. This overachievement came as the results of the contracting of service providers on a multi-year period where projects have been running across financial years. The enrolment had to be done before projects could start hence the overachievement. These enrolments include the following:

Units at Dark & Silver City, Vredefort, BNG (Breaking New Ground) housing projects and individual housing subsidies units in Winburg, Rouxville, Harrismith, Kroonstad Zastron, Kestell, Brandfort, Sasolburg, Memel as well as serviced sites projects in Henneman.

11 beneficiaries received subsidies through (FLISP). This underachievement came as the results of most application forms that could not be processed because they were taken by the hawks for investigation. Also, the Department was unable to pay the law firms because Standard bank responded late for confirmation of the banking details. The beneficiaries who were approved are in Lejweleputswa and Mangaung.

The Department is engaging with the hawks to return all the applications that can be processed for payment. The Department will also finalise the applications having shortfalls on the following:

- Where the bank could not grant the applicant/s 100% bond/home loan and the submissions of the approved application/s to the law firms for registrations and finalizations

6 municipalities were supported for accreditation.

573 Breaking New Ground (BNG) houses were delivered. The target could not be met because majority of the contractors which were appointed from the Data base were appointed late in the third quarter and were still finalizing the administrative compliances before they could start on site.

The Department will ensure that progress is made as soon as the appointed contractors start functioning.

5274 of serviced sites were delivered in Maokeng (Kroonstad) extension 10&13 and Sasolburg.

2958 serviced sites and households were delivered in Majwemasweu (Brandfort), Manyatseng (Ladybrand), Rolelathunya (Rouxville) and Matlakeng (Zastron). The overachievement on serviced sites is as the result of

the contracting of service providers on a multi-year arrangement where projects have been running across financial years with no disruptions.

47 consumer education sessions were conducted for human settlements beneficiaries. This overachievement in the outputs is because the reporting was made based on the number of municipalities instead of sessions held.

487 work opportunities were created. This non-achievement of the target is because of the delay in the appointment of contractors which resulted in labour being appointed late in the financial year.

Department has started collecting documents (information of labourers) from the new contractors that have started on site. The Department of Public Works also has allocated an Intern to the Department who will collate and capture the information of the labourers on the performed work. This will assist in getting, reporting and improving information reporting.

In terms of units that are still under the Department's control, 100% of the levies were paid to Mangaung Metropolitan and the Body Corporate. Although the National Department of Human Settlements decided that all of the Department of Human Settlements' properties should either be sold to eligible beneficiaries or devolved to municipalities, the Department still maintains these units. To guarantee compliance with the national directive, the Department will transfer about 56 of these properties to municipalities by the end of the financial year 2025–2026.

664 erven were planned and surveyed for the 2024–2025 fiscal year, out of the 5339 targets. The Department was unable to move forward with the next milestone, which is surveying, pegging, and submission to the SG for approval, because this milestone is reliant on the municipalities' approval. This is because the applications that were submitted as early as July to September 2024 had not been approved by the municipalities by the end of March 2024. The achieved erven are the following: 664 (Ipopeng 78, Lephoi 192, Clocolan 394). The Department will communicate to municipalities through MECLOGA to prioritise the applications on projects implemented by the department.

Welkom, Sasolburg, Bethlehem, Thaba Nchu, Mangaung, and Kroonstad are among the Priority Development regions, which received 56.38% of the expenditure. This overachievement resulted from these areas' infrastructure initiatives performing exceptionally well.

63 pre-1994 title deeds were registered in Mangaung (Bloemfontein) Hlohlolwane (Clocolan) Thabong (Welkom), Meqheleng (Ficksburg), Botshabelo sections M and E and Meloding (Virginia). The underachievement came as the result of difficulty in accessing information of beneficiaries/ rightful owners of the property at the municipalities.

The Department has ensured that Land tenure officials form part of the informal settlement's forum so that issues of title deeds receive the necessary attention.

For Post 2014, no achievement was realized. This non-achievement of the set target was as the result of the non-performance by the appointed service providers and two contracts of them were terminated. To improve the performance, the Department has embarked on the process of expanding the database of the service providers.

The registration of new title deeds showed no accomplishments. This is because there haven't been any title deeds registered. Due to issues with approved tariffs, the two designated conveyancers did not complete any of the assigned work to which they were assigned. The municipalities took a very long time to sign the documents that the third conveyancer presented. In addition, many beneficiaries who do not appear to have title documents on HSS already have them registered, making the data in HSS implausible.

To address this, the conveyancer's database will be expanded to include local businesses that will not incur trip expenses. It was the duty of land tenure officers to follow up on documents that were sent to the municipalities for signatures. Data cleaning on HSS has already begun, with Land Tenure officials updating data on HSS using information from Deed information.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

4.1 Programme 1: Administration

Information is provided in accordance with the 2024/25 Annual Performance Plan

Purpose: This programme aims to provide overall management in the Department in accordance with all applicable Acts and policies	
Administration:	To provide leadership and support to the department in accordance with all applicable acts and policies.
Corporate services	Provides leadership and support to the department in accordance with all applicable acts and policies. It provides corporate support that is non-core for the department.

This programme provides administrative support service to corporate services, line function as well as district services.

Institutional outcomes: compliance with critical provision of legislations of the Department

4.2 Programme: 2 Housing Needs, Research and Planning

Purpose: To facilities and undertake housing delivery and planning. This programme consists of sub-programmes, namely, administration, policy, planning and research.	
Policy:	The purpose of this sub-programme is to provide a regulatory framework for housing delivery, develop policy guidelines, proclamation of Acts and Amendments
Planning:	To develop provincial Multi-Year Housing Development Plans, properly plan provincial multi-year strategic housing plans
Research:	The purpose of this sub-programme is to conduct research on demand for housing.

This programme facilitates planning, research and adopts and develops policies on human settlements

Institutional outcomes: integrated human settlements sector plans and policies

4.3 Programme: 3 Housing Development

Purpose: To provide individual subsidies and housing opportunities, including access to basic services, to beneficiaries in accordance with the housing code. This programme comprises 5 sub-programmes, namely	
Administration:	To provide administrative support funded from equitable share
Financial Interventions:	To facilitate immediate access to housing goods and services, creating enabling environments and providing implementation support
Incremental Interventions:	To facilitate access to housing opportunities through a phased process
Social and Rental Interventions:	To facilitate access to rental housing opportunities, supporting urban restructuring and integration

These indicators aims to:

- Provide individual subsidies and housing opportunities to beneficiaries in accordance with the housing policy
- Facilitates access to housing opportunities through a levelled process
- Facilitates immediate access to Housing Goods and Services creating enabling environments and providing implementation support

Institutional outcomes: integrated human settlements sector plans

4.4 Programme: 4 Housing Asset Management

Purpose: This programme is for effective management and maintenance of housing assets:	
Administration:	The purpose of the sub-programme is to provide the administrativesupport services
Housing Properties Management and maintenance:	To provide for the maintenance and management of housing properties
Devolution of housing properties:	To provide for the devolution of housing properties to local government
Sale and transfer of housing properties:	To provide for the sale and transfer of housing properties to the rightful beneficiaries

- Provides for the effective management of housing

Institutional outcomes: Adequate housing and improved quality of life

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Table 2.4.4.1:

NB: Reasons for revisions to the Outputs / Output indicators / Annual Targets are not applicable for the year under review, a far right column has been taken out

Outcome	Output	Output Indicator	Audited Actual Performance 2022/2023	Audited Actual Performance 2023/2024	Planned Annual Target 2024/2025	*Actual Achievement 2024/2025 until date of re-tabling Audited	Deviation from planned target to Actual Achievement 2024/2025	Reasons for deviations
Administration								
Compliance with critical provision of the PFMA, Treasury Regulations and Risk Management	Paid invoices	Percentage of valid invoices paid within 30 days	99.5%	92%	100%	96%	-4%	Due to the stopping and reallocation of Human Settlements Development Conditional Grants, 8 invoices could not be paid based on the reduction implemented on Human Settlements Development Grant. Remedial action: The unpaid invoices forms part of payables not recognized and will be honoured with the allocation of 2025/26 financial year.
	Internal audited outputs	Number of Internal Audit audits conducted	25	22	21	12	-9	Some audit are ad hoc and others runs in

		and completed						concurrent with year-end conclusions. Remedial action: The IAF (Internal Audit Function) will ensure that planned audits are completed on time within the specified quarter and that no audits overlap to the next quarter.
Housing Needs, Research & Planning								
Integrated Human Sector Plan	Approved Human Settlement Policies	Number of human settlements policies approved in line with national policies	1	0	1	0	1	The drafted policy was discussed with MEC and it was found to still be having significant gaps that needed to be addressed prior to approval. These included but not limited to consultation with various municipalities and stakeholders. Remedial action: To address the gaps as identified, which is consultation and development of implement

								ation plan
Integrated Human Sector Plan	Integrated implementation programmes for priority development areas	Number of integrated implementation programmes for priority development areas completed per year	4	0	1	0	1	The development plans for the PDA's have been completed and submitted for ratification and approval to identified Municipalities. To date, only Matjhabeng and Moqhaka have approved the development Plans through their council resolutions. For Mangaung, Dihlabeng, Maluti-a-Phofung and Metsimaholo, these plans have not yet been approved. Remedial action: The Department is participating in MECLOG A through the HOD and these issues will be elevated at that level.
	Investment of the total Human Settlements in PDAs	Percentage of Investment of the total Human Settlement allocation in PDAs	13%	37%	40%	56,38%	16,38%	The high percentage of investment against the target is attributed to the

								excellent performance of infrastructure projects in these areas.
Integrated Human Settlements sector plan	Research projects approved	Number of research projects approved with content relating to development of sustainable human settlements within the MTEF period	1	0	1	0	-1	Funding that was budgeted for the Research Project was re prioritized to defray excess Expenditure in Programme 1: Administration thus leaving the Directorate. The amount of R45 000 left which could not cover the costs of any sensible and credible research Project. With this budget constraint, it was consequently both virtually and practically impossible for any research paper to be completed in the light of the above stated dynamics and realities Remedial action: The Department will ensure that this KPI is adequately

								budgeted in the new financial year to ensure that planned research endeavors are not compromised and can be undertaken as planned.
	Research papers completed	Number of research papers completed with content relating to development of sustainable human settlements within the MTEF period	0	1	1	0	-1	Funding that was budgeted for the Research Project was re prioritized to defray excess Expenditure in Programme 1: Administration thus leaving the Directorate. The amount of R45 000 left which could not cover the costs of any sensible and credible research Project. With this budget constraint, it was consequently both virtually and practically impossible for any research paper to be completed in the light of the above stated dynamics and realities. Remedial action:

								The Department will ensure that this KPI is adequately budgeted in the new financial year to ensure that planned research endeavors are not compromised and can be undertaken as planned.
Housing Development								
Adequate housing and improved quality living environments	Erven planned and surveyed	Number of erven planned and surveyed	3138	2157	5339	664	-4675	The applications submitted as early as July to September 2024 had not gone past approval by the municipalities by end of March 2024, therefore we could not proceed with the next milestone which is surveying, pegging and submission to the SG for approval as this milestone is dependent on the Municipalities' approval. The achieved erven are the following: 664 (Ipopeng)

								78, Lephoi 192, Clocolan 394 The remedial action: The Department will communicate to municipalities through MECLOG A to prioritise the applications on projects implemented by the department
Adequate housing and improved quality living environments	Projects and houses enrolled with NHBRC	Number of projects and houses enrolled with NHBRC	2510	1020	4000	20422	16422	This overachievement to the intended output came as the results of the contracting of service providers on a multi-year arrangement where projects have been running across financial years. The enrolment had to be done before projects could start hence the overachievement.
Adequate housing and improved quality living environments	Households that receive subsidies through FLISP	Number of households that received subsidies through (FLISP)	135	131	200	11	-189	Most application forms are still with the hawkers, The Department is unable to pay, Standard bank responded

								very late for bank confirmation and no law firm has been paid Remedial action: The Department is engaging with the banks to give a list of all applications that can be processed for payment. The Department will finalise the applications having shortfall on the following: Where the bank could not grant the applicant/s 100% bond/home loan, and the application/s end up with law firms. FSP (Finance Linked Individual Subsidy Programme) is now called FHF (First Home Finance)
Adequate housing and improved quality living environments	Municipalities supported for accreditation	Number of municipalities supported for accreditation (NOTE: Previously we had Pre & Post indicators)	5	6	6	6	0	Accreditation business plan concluded for Maluti - a Phofung Dihlabeng and Metsimaholo Local municipality

								ies. The Human Settlements Sector plan in the Mangaung Metro 60% concluded and Moqhaka Local Municipality supported training on NHNR (National Housing Needs Register).
Adequate housing and improved quality living environments	Informal Settlements upgraded to phase 3	Number of informal settlements upgraded to phase 3 of the Upgrading of Informal Settlements Programme (UISP)	4	2	9	0	-9	Only two settlements have been completed with practical completion certificate issued. Planned projects could not be completed as they were put on hold due to contractual challenges.
Adequate housing and improved quality living	Breaking New Ground (BNG) houses Serviced sites	*Number of Breaking New Ground (BNG) houses Delivered	152	50	2049	573	-1476	The target could not be met because majority of the contractors which were appointed from the Data base were appointed late in the third quarter and were still finalizing the administrative compliances before they can start on

								site.
		*Number of serviced sites Delivered	2701	682	1755	5274	3532	The overachievement follows the contracting of service providers on a multi-year arrangement where projects have been running across financial years with no disruptions
		*Number serviced sites and house-holds delivered	322	433	1900	2958	934	The overachievement follows the contracting of service providers on a multi-year arrangement where projects have been running through financial years with no disruptions
	Consumer education sessions conducted	Number of consumer education workshops conducted	8	10	12	47	35	The reporting was made based on the number of municipalities instead of sessions held.
(Measurement of indicator changed as on 2022 going forward)	Women & youth Suppliers that benefited in line with specific goals of preferential procurement.	40% set aside for companies owned by designated groups in line with specific goals for preferential procurement.	Women (24%) Youth (22%) Disability (0%)	Women (20%) Youth (33%) Disability (0%)	40%	41%	1%	The SCM policy has been reviewed to focus and give effect to procurement of goods and services to designated groups 20% has been spend on

								Woman and 21% has been spend on Youth.
	Work opportunities created through human settlements programmes	Number of work opportunities created	212	104	500	487	13	The delay in appointment of contractors has resulted in labour being appointed late in the financial year Remedial action: Department is busy with collecting documents from the new contractors that have recently started on site.
Adequate housing and improved quality living	Eradicate post 1994 backlog	*Number of post-1994 title deeds registered	105	0	1589	0	-1589	Non-performance of appointed conveyancers resulting in termination of the two conveyancers. Remedial action: The process to expand the database is underway.
	Eradicate post 2014 backlog	*Number of Post-2014 title deeds registered	941	421	824	0	-824	Non-performance of appointed conveyancers resulting in termination of the two

								conveyancers Remedial action: The process to expand the data base is underway.
	New Title deeds registered	*Number of New title deeds registered	0	0	530	0	-530	This is because no progress has been recorded. The two appointed conveyancers had challenges with approved tariffs and did not do any of the allocated work as a result they did not do any work on work allocated to them. The third conveyancer submitted documents to be signed by the municipalities, which took forever to be signed. Data in HSS is also not credible, most of the beneficiaries who appear not having title deeds on HSS have their title deeds registered already. The remedial action: is for the expansion of the

								conveyancer's database to accommodate local companies that will not have travelling costs. Land tenure officers were tasked with the responsibility of following up on documents submitted to the municipalities for signatures. Land Tenure officials have already started with data cleaning on HSS, wherein they are updating information on HSS with information obtained from Deed information
Adequate housing and improved quality living environments	Community residential units (CRU) delivered	Number of Community Residential Units (CRU) delivered	0	0	270	0	-270	There was a delay because of electrification and water reticulation for both Dark and Silver City and G Hostels despite the structure/buildings for the said units being completed. Remedial

								action: Centlec and Eskom have both been engaged and approval for the electrical reticulation on both sites has been granted. The contractors are in the process of procurement and installation of the electrical reticulation after which the units will be reported. The progressive occupation in the units will start as soon as electrification is completed.
Housing Asset Management								
Adequate housing and improved quality living	Eradicate pre-1994 backlog	Number of pre-1994 title deeds registered	68	26	4923	63	-4860	Difficulty in accessing information at the municipalities. Remedial action: Land tenure officials to be part of the informal settlement's forum so that issues of title deeds are advanced.
Adequate housing and improved	Levies and Maintenance fees paid in respect	Percentage of levies and maintenance	100%	100%	100%	100%	100%	None

quality living environments	of properties belonging to the Department	ce fees paid in respect of properties belonging to the Department						
	Sale and transfer of housing properties	Number of properties for sale and transfer of ownership	N/A	N/A	56	0	-56	The process of verifying rightful occupancy is not completed . Remedial action: Extension has been requested from NDHS to devolve these properties to the municipalities and transfer them to qualifying beneficiaries for ownership). The process/implementation plan has been amended to end 31 January 2026. Meaning, the process will be carried over to the new financial year (2025/26).

Table 2.4.4.2:

*To be used for a report against the originally tabled Annual Performance Plan (In the instance where a department **did not re-table** the Annual Performance Plan in the financial year under review) OR Report against the re-tabled Annual Performance Plan*

Programme / Sub-programme:								
Outcome	Output	Output Indicator	Audited Actual Performance 2022/2023	Audited Actual Performance 2023/2024	Planned Annual Target 2024/2025	**Actual Achievement 2024/2025	Deviation from planned target to Actual Achievement 2024/2025	Reasons for deviations
There was not re-tableing in 2024/25								

Sub-programme expenditure

Sub-Programme Name	2024/2025			2023/2024		
	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	148 838	147 576	1 262	152 770	150 566	2 204
Administration (HNRP)	3 097	2 525	572	2 727	2 160	567
Policy (HNRP)	3 033	2 880	153	3 046	2 672	374
Planning (HNRP)	10 575	10 198	377	11 798	10 970	828
Research (HNRP)	3 144	2 734	410	3 027	2 597	430
Administration (HDIPT)	83 953	81 374	2 579	84 628	82 580	2 048
Financial Interventions	14 284	14 280	4	87 953	77 164	10 788
Incremental Interventions	810,282	810,129	153	760 800	752 630	8 170
Social and Rental Interventions	180,582	180,581	1	25 551	25 467	84
Rural Interventions	-	-	-	183	-	183
Administration (HAM)	1 925	1 488	437	2 255	1 392	863
Total	1 259 713	1 253 765	5 948	1 134 738	1 108 199	26 539

Strategy to overcome areas of over or under performance

- Address backlog and work closely with Municipalities
- To meet target according to the Business Plan and the Annual Performance Plans
- To pay valid within 30 days
- To address Supply Chain Management processes

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

Sector Outputs and Standardized Indicators

PROGRAMME 2: HOUSING NEEDS, RESEARCH AND PLANNING

Programme 2	Housing Needs, Research and Planning	Annual Target	Audited outputs for 2024/2025 financial year	Comments
Programme objective	To facilitate and undertake housing delivery planning.			
Sub-Programme 2.3.	Planning			
Outputs	standardized Indicators			
Integrated Implementation Programmes for priority development areas	Number of integrated implementation programmes for priority development areas completed per year	1	0	Detailed reasons are on Part B of this report
Investment of the total Human Settlements in PDAs	Percentage of investment of the total Human Settlements allocation in PDAs	40%	56,38%	Detailed reasons are on Part B of this report
Acquired land during 2014-2019 falling within the PDAs rezoned	Percentage of land acquired during 2014-2019 within the PDA's rezoned			Exempted

PROGRAMME 3: HOUSING DEVELOPMENT

Programme 3	Housing Development	Annual Target	Audited outputs for 2024/2025 financial year	Comments
Programme objective	To provide individual subsidies and housing opportunities to beneficiaries in accordance with the housing policy			
Sub-Programme 3.2.	Financial Interventions			
Sub-Programme objective	Facilitating immediate access to Housing Goods and Services, creating enabling environments and providing implementation support			
Outputs	Standardised Indicators			
Households that received subsidies through FLISP	Number of households that received subsidies through FLISP(Finance Linked Individual Subsidy Programme)	200	11	Detailed reasons are on Part B of this report
Sub-Programme 3.3.	Incremental Interventions			
Sub-Programme objective	Facilitating access to housing opportunities through a leveled process			
Breaking New Ground (BNG) houses	Number of Breaking New Ground (BNG) houses delivered	2049	573	Detailed reasons are on Part B of this report
Serviced Sites	Number of serviced sites delivered	1755	5274	
Informal Settlements upgraded to phase 3 of the UISP	Number of informal settlements upgraded to phase 3 of the Upgrading of Informal Settlements Programme (UISP)	9	0	Detailed reasons are on Part B of this report
Sub-Programme 3.4.	Social and Rental Intervention			
Sub-Programme	Facilitating access to Rental			

Programme 3	Housing Development	Annual Target	Audited outputs for 2024/2025 financial year	Comments
objective	Housing opportunities, supporting Urban Restructuring and Integration			
Rental social housing units	Number of rental social housing units delivered			Exempted
Community Residential Units	Number of Community Residential Units (CRU) delivered	270	0	Detailed reasons are on Part B of this report

PROGRAMME 4: HOUSING ASSET MANAGEMENT

Programme 4	Housing Asset Management	Annual Target	Audited outputs for 2024/2025 financial year	Comments
Programme objective	To provide for the effective management of housing			
Sub-Programme 4.2.	Sale and transfer of Housing Properties			
Sub-Programme objective	To provide for the Sale and transfer of Rental Stock			
Outputs	Standardised Indicators			
Title deeds registered pre 1994	Number of Pre-1994 title deeds registered	4923	63	Detailed reasons are on Part B of this report
Title deeds registered post 1994	Number of Post- 1994 title deeds registered	1589	0	Detailed reasons are on Part B of this report
Title deeds registered post 2014	Number of Post- 2014 title deeds registered	824	0	Detailed reasons are on Part B of this report
New title deeds registered	Number of New title deeds registered	530	0	Detailed reasons are on Part B of this report

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
Housing Development Agency (HAD)	To assist Mangaung Metropolitan Municipality to implement the Vista Park 3 project with the construction of Military Veteran units. This is in line with the implementation protocol agreed, by the Department of Human Settlements, the Housing Development Agency together with Mangaung	R5 900	R0	30 units for Military Veterans were constructed

	Metro Municipality (MMM).			
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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 with the sector specific guide provided by National Treasury. The payments to other organs of state are classified under economic classification "Households".

Note that this item was not utilised on BAS and neither in the Financial Statements under "Transfers to Public Entities".

5.2. Transfer payments to all organisations other than public entities

The table below reflects the transfer payments made for the period 1 April 2024 to 31 March 2025

Name of transferee	Type of organisation	Purpose for which the funds were used	Did the dept. comply with s 38 (1) (j) of the PFMA	Amount transferred (R'000)	Amount spent by the entity	Reasons for the funds unspent by the entity
<i>Not Applicable</i>						

The table below reflects the transfer payments which were budgeted for in the period 1 April 2024 to 31 March 2025 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
<i>Not Applicable</i>				

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	2024/2025			2023/2024		
	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	758 032	757 980	52	635 945	621 387	14 558
Informal Settlements Upgrading Partnership Grant	245 061	244 956	105	223 704	219 Grants 184	4 520

Expanded Public Works Programme	2 055	2 055	-	2 338	2 338	-
Total Conditional Grant:	1 005 148	1 004 991	157	861 987	842 909	19 078
Demolition and Construction of 2 roomed houses	-	-	-	12 500	12 353	147
Total Earmarked Funds	-	-	-	12 500	12 353	147
Total	1 005 148	1 004 991	157	874 487	855 262	19 225

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	2 849 (including FLISP)
Actual outputs achieved	584
Amount per amended DORA	R758 032
Amount transferred (R'000)	R758 032
Reasons if amount as per DORA not transferred	N/A
Amount spent by the department/ municipality (R'000)	R757 980
Reasons for the funds unspent by the entity	N/A
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

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	1755 serviced sites 1900 Households serviced sites 16 Social Facilitation 10 Pre-feasibility studies 5 Records of Decision 7 Transport Impact Assessments 5 Geotechnical Reports 19 Township Layout 17 General Plans 16 Township Registers
Actual outputs achieved	5274 serviced sites 2958 Households serviced sites 16 Social Facilitation 10 Pre-feasibility studies 4 Records of Decision 5 Transport Impact Assessments 5 Geotechnical Reports 10 Township Layout 2 General Plans 1 Township Registers
Amount per amended DORA	R245 061
Amount transferred (R'000)	R245 061
Reasons if amount as per DORA not transferred	N/A
Amount spent by the department/ municipality (R'000)	R244 956
Reasons for the funds unspent by the entity	N/A
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 2024 to 31 March 2025.

Conditional Grant: 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
Expected outputs of the grant	500
Actual outputs achieved	487
Amount per amended DORA	-
Amount received (R'000)	R2 055
Reasons if amount as per DORA was not received	-
Amount spent by the department (R'000)	R2 055
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.

7. DONOR FUNDS

None

7.1. Donor Funds Received

Donor Fund :

Name of donor	Not applicable
Full amount of the funding	-
Period of the commitment	-

Purpose of the funding	-
Expected outputs	-
Actual outputs achieved	-
Amount received (R'000)	-
Amount spent by the department (R'000)	-
Reasons for the funds unspent	-
Monitoring mechanism by the donor	

8. CAPITAL INVESTMENT

8.1. Capital investment, maintenance and asset management plan

Infrastructure projects	2024/2025			2023/2024		
	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	16 627	4 907	11 720	60 752	40 160	20 592
- Capital	978 982	990 546	(11 563)	824 526	814 203	10 323
- Non-Infrastructure	9 539	9 538	-	11 709	899	10 810
Total	1 015 148	1 004 991	157	896 987	855 262	41 725

PART C: GOVERNANCE

INTRODUCTION

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

1. RISK MANAGEMENT

As stated in the Public Sector Risk Management Framework the Risk Management Committee is appointed by the Accounting Officer to assist him in discharging the responsibilities of risk management. The membership of the appointed risk management committee comprises both internal and external members. With the balanced composition of the risk management committee, the committee can function independently and objectively. For the current financial year the Accounting Officer has appointed the risk management committee whose responsibilities and the terms of reference of the risk management committee are clearly defined in the risk management committee charter. In discharging its risk management governance, the risk management committee is responsible for review and recommend for the approval by the Accounting Officer of the risk management documents (risk management policy, risk management strategy, risk management, risk management implementation plan and the Department's risk appetite).

The Department has initiated a risk management identification process in order to understand what is at risk and to generate a comprehensive inventory of risks (risk register) based on the threats and event that might prevent and delay the achievement of the Department objectives. The risks monitoring updates and mitigation plans are reported to the risk management committee and the audit committee which advises the department on and independently monitors the effectiveness of the system of risk management.

2. FRAUD AND CORRUPTION

The Plan is meant to encourage a culture within the department where all employees and other stake holders continuously behave ethically in their dealings with or on behalf of the Department, improving the application of systems, policies, procedures and regulations, changing aspects of the Department that facilitate fraud and corruption and allow it to go unnoticed unreported, and encouraging all employees and other stakeholders to strive toward the prevention and detection of fraud impacting , or having the potential to impact on the Department.

- The volume of reports has increased as it shows that the plan is encouraging people to report.
- There is successful case where employees were investigated, went through disciplinary processes and found guilty.
- Department is engaging with Information Technology to advertise fraud awareness on their platforms as well as communications.
- The first entry is to report to the immediate Supervisor or Senior Manager or Head of Component. The Head of Component should then refer the complaint to the Office of the Head of Department, who in turn will instruct the Security Committee, to process the complaint.
- If an Official or member of the public, wishes to report any matter of concern, but prefers not to follow the route of the Head of the Component for obvious reasons, that person can write a letter to the Head of Department, Private Bag 247, Bloemfontein, 9300 for attention of the Security Committee. The letter should preferably be signed. The name and address are needed for feedback purposes.

- As an alternative the complainant can phone his/her concern to the Chief Director, Corporate Services. The Chief Director will then take the information given to the chairperson of the Security Committee for further attention. He/she will then take the responsibility to give feedback to the complainant if required.
- If an official does not wish to follow that route for i.e. fear of rank of the Chief Director, he/she can refer the concern to the Chairperson of the Security Committee or the Head HRM or the LRO (Labour Relations Officer), who will take the matter further. At all times the identity of the complainant must be respected and protected if so required.
- If an Official wishes to report any matter that impacts on the member of Executive Council, responsible for FSHS (Free State Human Settlements) or Head of the Department in person, the complainant must be made to the Office of the Premier, Free State Province, or to the National Anti-Corruption Hotline.
- Incidents of fraud and corruption may be reported by any of the following means:
 - Toll Free Hotline (National Anti-Corruption Hotline)
 - Personal visits (Walk-Ins)
 - Complaint Letters
 - Email (Still to be Developed)
- A reported complaint must be registered in a Registration book, Complaint Form and allocated a Case number. Once the matter is registered a Main File thereof must be opened on the system (Computer) and on the filing cabinet according to a department. Compilation of the system description/process flow for discussion and approval by the client/auditee
- A printout of the complaint from the system must also be filed on the Main file. All correspondence pertaining to the reported case must be filed within that file. The Main File is sent to the Project /Case Manager for allocation before the end of a working day. Perform walkthrough test based on the documents received.
- The file will be allocated to an investigator, and the case will be investigated following the investigation process and a report will be drafted and submitted.
- Disciplinary steps will then be taken, the outcome or sanction of the hearing should be communicated to the Directorate in writing, and it should also be filed in the Main File.
- Where the outcome of the hearing or sanction is that the officer alleged should pay back the money such recovery should be included in the Main file. Money will be recovered
- When an official has been found guilty on a hearing the sanction thereof must be entered in the database. Also, business that is found to be involved in corrupt practices must be listed within the database.

3. MINIMISING CONFLICT OF INTEREST

We encourage Officials to report potential conflicts of interest as soon as they are identified by making awarenesses and we document conflicts to ensure accountability and transparency. The Department is currently engaged in the Following:

- The process of adopting Ethics Committee Guide that is submitted for approval
- The Department is engaged in the annual review process of the Ethics Committee
- The annual review process of the Fraud Prevention Policy, Financial Disclosure Policy, the adoption of the DPSA Lifestyle Audits, Financial Disclosure Strategy, implementation Plan and the Lifestyle Review Standard Operating Procedure.
- Is currently working on developing an Ethics Policy, Ethics Framework: adoption Policy, Ethics Strategy, Ethics implications Plan and gift register policy.

- Already have a gift Register in place where we manage the giving and receiving of gifts, to identify potential conflict of interest and mitigating risk associated with gifts.
- For the Department to Identify the Conflict of Interest there must be clear policies outlining what constitutes a conflict of interest and the processes that should be followed to disclosed.
- The Individual involved should be encouraged to report or disclose the conflict of interest as soon as it is identified.
- The conflict of interest should be documented to ensure accountability and transparency. Referring the documented conflict of interested to the Committee to review the disclosed conflict. While the committee is reviewing it should assess the potential impact of the conflict of interest to advice accordingly.

The Committee will recommend, the recommendation will lead to the preferred resolution and a final report recording the conflict, assessment the management plan and the outcome

4. CODE OF CONDUCT

The primary purpose of the code of conduct is a positive viz. to promote exemplary conduct. Notwithstanding this, an employee shall be guilty of misconduct in terms of section 20(t) of the Public Service Act, 1994 and may be dealt with in accordance with the relevant sections of the Act if he or she contravenes any provision of the Code of Conduct or fails to comply with any provision thereof. The code of Conduct for Public service is applicable to all employees of the department.

The Department is not fully adhering to the Public Service Code of Conduct because a lot of our employees are not adhering to the code even though the Department is trying hard to be professional and ethical.

Breaching the code of Conduct will lead to the following Consequences:

- Loss of Trust between employees and employer and Public.
- The Departments reputation might be damaged
- Legal consequences are also possible
- Disciplinary action might be taken against the affected official.

The Process followed for breach of code of conduct:

- The suspected breach should be reported to the Accounting Officer/ ethics Committee
- The accounting officer will request a preliminary investigation to determine the severity of the breach.
- After the preliminary investigation the report will give direction as to what resources are needed for the formal investigation.
- The breach will be fully investigated and a after completion of the investigation a report with the recommendation will be submitted to the accounting officer.
- If the investigation confirms a breach of the code of conduct disciplinary action may be taken. The sanction would depend on the merit of the breach
- Possible disciplinary actions might be, verbal warning, written warning, suspension, or even dismissal depending on the severity of the case.

5. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

6. PORTFOLIO COMMITTEES

Date of sittings

15 October 2024-Considerations of First Quarter Reports for 2024/25 financial year and Annual Performance Plans for 2024/25 financial year

20 November 2024-Considerations of Second Quarterly Reports for 2024/25 financial year

18 February 2025-Considerations of Third Quarterly Reports for 2024/25 financial year

03 June 2025-Considerations of Fourth Quarterly Reports for 2024/25 financial year

30 October 2024-Considerations of Annual Reports for 2023/24 financial

7. PROPAC RESOLUTIONS

Resolution No.	Subject	Details	Response by the department	Resolved (Yes/No)
06 December 2024	Public Accounts and Finance	Adjustment Appropriation Bill [B4-2024]	a) Non spending of Conditional Grants. b) Lack of consequence management c) Compensation of employee's budget and organogram	Yes
06 December 2024	Public Accounts and Finance	First quarterly expenditure report for provincial departments and entities for 2024/25 financial year	No observations but the committee noted the presentation by the department.	Yes
04 April 2024	Public Accounts and Finance	Appropriation Bill [B3-2025]	Committee recommends the House to approve the budget as contained in the Appropriation Bill [B3-2025]	Yes
04 April 2024	Public Accounts and Finance	Audited financial statements of provincial departments and entities for the year ended 31 March 2024	Department must ensure that the Block G Hostel PROJECT IN Thabong is completed and occupied as matter of extreme urgency.	Yes
4.2.1	Payments of service providers with 30 days	Not all payments paid within 30 days	The Department should pay service providers within 30 days of the prescribed period in terms with section 38 (1) of PFMA	Yes
4.2.2	Human Settlements policies	Targets not achieved	The Department should come up with a plan to ensure that their targets are achieved	Yes
4.2.3	Erven Planed and surveyed	Targets not achieved	The Department should come up with a plan to ensure that their targets are achieved The	Yes

			Department should come up with a plan to ensure that their targets are achieved	
4.2.4	FLISP	Targets not achieved	The Department should come up with a plan to ensure that their targets are achieved The Department should come up with a plan to ensure that their targets are achieved	Yes
4.2.5	Informal settlements upgrading	Targets not achieved	The Department should come up with a contingency plan to ensure that their targets are achieved The Department should come up with a plan to ensure that their targets are achieved	Yes

8. 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
Qualified	2023	In the 2024 and 2025 audit cycle the Department received an unqualified audit opinion and that was mainly due to the enhancement of internal control procedures as well as the scrutinization of the process of disclosing Provisions related to Retention Fees in the Statements.

9. INTERNAL CONTROL UNIT

At the conclusion of the 2024–2025 financial year, the internal control unit documented the following Outputs:

- Consolidated monthly and quarterly Key Control Matrix (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
- Safekeeping of financial records
- Conducted investigations on theft and losses
- Verified payments for compliance before final authorization

10. AUDIT COMMITTEE REPORT AND AUDIT COMMITTEE REPORT

The Audit Committee herewith presents its report for the financial year ended 31 March 2025, as required by section 77 of the Public Finance Management Act, 1999 (Act No. 1 of 1999, as amended by Act No. 29 of 1999) read with Treasury Regulation 3.1.13.

Part 1: Audit Committee Reflections for the year 2024/25

The Audit Committee confirms that it has fulfilled its responsibilities in accordance with Section 38(1)(a)(ii) of the Public Finance Management Act and Treasury Regulations 3.1.8 to 3.1.13. The Committee has conducted its affairs and discharged its duties in line with an approved charter, which is reviewed annually to ensure continued relevance, compliance with laws and regulations as well as alignment to best practices. In executing its mandate, the Audit Committee has internalised and applied the principles of the Global Internal Audit Standards™.

Due to the timing of appointment of new members, the Audit Committee provided oversight for only part of the year under review. Notwithstanding, the Audit Committee operated independently and without any hindrance or limitations throughout the reporting period ending 31 December 2024.

Following the end of terms for the majority of the members of the Committee, a new Audit Committee was reconstituted in May 2025 and attended to its statutory duties in relation to the annual financial statements for the year under review, combined assurance arrangements and external audit considerations that are connected thereto.

Part 2: Audit Committee Composition and Attendance

The Audit Committee consists of 5 members. The Committee is properly constituted, with a balanced representation of independent members with a diverse and appropriate mix of qualifications, skills, and experience. The Committee convened five times during the year with three being ordinary meetings and the remainder special meetings. For more information, please refer to the below table in the annual report where more detail is included.

The Table below provides an analysis of the Committee membership and meeting attendance related to 2024/25 financial year:

		Meetings Attended				
Name	Capacity	18 April 2024	27 May 2024	30 July	30 September 2024	03 December 2024
Ms. P Mzizi	Chairperson	*	#	*	*	*
Ms D Semppe	Member	*	*	*	*	*
Mr S Simelane	Member	*	*	*	*	*
Mr M Amod	Member	*	*	*	*	*
Mr A Phalanndwa	Member	*	*	*	*	*

As indicated above, the Committee's term ended on 31 December 2024.

Part 3: Audit Committee Focus Areas

The Effectiveness of Internal Control

The Audit Committee has reviewed the reports of management, Internal Auditors, Provincial Treasury for the first two quarters of the Financial Year, the audit report on the Annual Financial Statements and Management report of the Auditor-General of South Africa (AGSA).

In our review of the Internal Audit Function's reports, certain weaknesses relating to consistency in implementing and monitoring internal controls in the departmental operating activities were identified, and these were brought to the attention of management. The review of the AGSA's report indicates that there have been some challenges emerging from maintenance of the control environment, in particular, the noted incidents of non-compliance with laws and regulations (NOCLAR). The Audit Committee will monitor Management's action plan to remedy these control matters.

A matter of concern for the Audit Committee that has been raised with the Department continuously is that the Department is currently not implementing all internal and external Audit Action Plans 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. The Audit Committee with support and input from the Internal Audit Function have recommended specific improvements in this regard. A key observation and concern is that the root causes of the findings identified by the Auditor General have not been addressed resulting in repeat findings.

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, the absence of some of the senior managers in the Audit committee meetings as well as lack of investigations related to Irregular, Fruitless and Wasteful expenditure

The Audit Committee is concerned about weaknesses in the internal control environment and will actively oversee the implementation and enhancement of controls introduced by management. These controls will be evaluated and reported on by the Internal Audit Function and other Assurance Providers, who will provide their findings to the Audit Committee.

Risk Management

The Audit Committee oversees the risk management function, with the Risk Management Committee providing quarterly reports on the Department's risk management activities. The Department has a separate Risk Management Committee chaired by an external independent Chairperson. The Risk Management Committee (RMC) provides oversight on the development and implementation of the risk management policies, the risk assessment process, and the development of the strategic risk register. Management is ultimately responsible for maintaining an effective risk management process.

The Committee assessed the adequacy of the Department's risk management processes, which are guided by a risk management framework. 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 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.

Internal Audit Function

The Department had established an Internal Audit Function, which is an independent function from management, as required in terms of section 38(1)(a)(ii) of the PFMA. The Audit Committee is satisfied that the Internal Audit Function (IA) function adheres to the Global Internal Audit Standards and employs a risk-based approach. During the 2024/2025 financial year, the Internal Audit Function operated in terms of the approved Internal Audit Function Charter, developed a risk based Internal Audit Function Annual Coverage Plan, and reported to the Committee against the plan.

Internal Audit Function had reviewed the system of internal controls, performance information and risk management during the period under review, however the unit had only reported their first two quarter activities as the Committee's term subsequently ended. The Audit Committee is concerned with the capacity within the Internal Audit Function which impacts negatively on the execution of the approved Internal Audit Function Coverage Plan consequently unable to provide adequate value-added services and/or provide reasonable assurance on risk management, systems of internal control and governance processes. The Audit Committee therefore recommends to Management to urgently address these matters.

In-Year Management and Monthly/Quarterly Report

The Audit Committee was comfortable with the content and quality of the management and quarterly reports prepared and issued for the first two quarters.

Performance Management

As part of its responsibilities, the Audit Committee has undertaken a thorough review of performance management within the department.

The Audit Committee's functions included:

- Evaluating compliance with statutory requirements and performance management best practices and standards.
- Assessing the alignment of the annual performance plan, budget, strategic plan, and performance agreements.
- Ensuring that performance indicators are relevant, measurable, and aligned with the services provided by the department.
- Reviewing instances of non-compliance with legislation.
- Monitoring adherence to in-year reporting requirements.
- Reviewing the quarterly performance reports submitted by the Internal Audit Function.
- Evaluating the department's performance management system and providing recommendations for its enhancement.

The Audit Committee is satisfied that the performance report has been prepared in accordance with the Public Finance Management Act (PFMA), Treasury Regulations, and other relevant regulatory requirements.

The Audit Committee notes that the following matters, which will require feedback from management

- Documentation evidencing achievement of key performance indicators or explanations of variance was not provided
- Documentation indicating that there were differences between the reported achievement and the actual performance
- Various misstatements identified which were corrected by management.

The Audit Committee will therefore place emphasis on the actual reporting and ensuring that there is appropriate evidence supporting the achievements or variances, which is then assured by the Internal Audit Function.

The Audit Committee further notes that a number of key performance indicators and targets were not achieved during the year under review. A further concern is that in most cases the allocated budget has been fully expended despite not meeting these targets.

Evaluation of Financial Statements

The Audit Committee has reviewed the annual financial statements. The focus was on the following:

- Significant financial reporting judgements and estimates contained in the annual financial statements;
- Clarity and completeness of disclosures and whether disclosures made have been set properly in context;
- Quality and acceptability of, and any changes in, accounting policies and practices;
- Compliance with accounting standards and legal requirements;
- Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted;
- Reasons for major year-on-year fluctuations;
- Calculation and levels of general and specific provisions;
- The basis for the going concern assumption, including any financial sustainability risks and issues;

The Audit Committee is satisfied that the Annual Financial Statements have been prepared in accordance with the Modified Cash Standards and the PFMA. The Audit Committee notes the issues raised by the AGSA particularly in the areas of expenditure management. The Audit Committee notes the matters emphasised by the AGSA with an ongoing focus on settling obligations as they fall due, ensuring that sufficient budget is allocated to cover costs and balancing this with striving to achieve the mandate of the Department.

The Audit Committee notes that there are unresolved matters from a disclosure perspective in terms of the PFMA related to Fruitless and Wasteful Expenditure and Irregular Expenditure which are being assessed between management and the AGSA. In view of the fact that these matters are significant and have a potential sector-wide transversal implications, they have to be resolved speedily.

Evaluation of the Finance Function

The Audit Committee acknowledges the negative impact that the current vacancy rate within the Chief Directorate: Finance and Supply Management poses to the performance of the Function. The Audit Committee notes a number of matters that are identified by the AGSA, including the material adjustments to the Annual Financial Statements which are indicative of the weaknesses within the department-wide control environment..

Combined Assurance

The Department is in the process of adopting the Combined Assurance Framework as detailed in the King IV report on Corporate Governance. Although the principles have been adopted informally, the Combined Assurance framework is required to be formalized. The Audit Committee will monitor its implementation as well as ensuring the

effectiveness of the Combined Assurance Framework in consultation with the Accounting Officer.

Auditor General's Report

The Audit Committee concurs with the opinion of the AGSA regarding the annual financial statements. The committee is satisfied with the conclusions drawn in the performance report and the conclusion regarding compliance with laws and regulations. The Audit Committee is of the view that the audited financial statements and annual performance report be accepted and read together with the report of the AGSA. The Audit Committee confirms that it has provided oversight over the audit process during the reporting and concluding stage of the audit.

The Audit Committee, with concern, further notes the Material Irregularities as identified and reported by the AGSA. The Audit Committee will engage with the Accounting Officer, management and the AGSA to assist the Accounting Officer to address the Material Irregularities and take the necessary corrective action.

The Housing Fund

The Audit Committee also has oversight on the Housing Fund for which annual financial statements have been prepared. The Audit Committee notes that management of the department has put measures in place to ensure cessation of the operations of the Fund hence the 2024/25 Financial Statements have been prepared on a basis other than the going concern.

The Audit Committee also notes and concurs with the opinion of the AGSA regarding the Financial Statements of the Housing Fund. The Audit Committee is of the view that the audited financial statements should be accepted and read together with the report of the AGSA.

CONCLUSION

As the newly appointed Audit Committee, we will endeavour to provide the guidance required, and with the cooperation by management, to enhance the internal controls and good governance practices throughout the Department.

The Committee thank the Honourable MEC, the HOD, our predecessors and management for the support and cooperation they provided to our work. Special appreciation also goes to the AGSA, Provincial Treasury and the Internal Audit Function team for their support and professionalism in the performance of their mandates.



Mr George Higgins

Acting Chairperson of the Audit
Committee Free State Department of
Human Settlements Date: 31 July 2025

11. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

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?	-	
Developing and implementing a preferential procurement policy?	-	
Determining qualification criteria for the sale of state-owned enterprises?	-	
Developing criteria for entering into partnerships with the private sector?	-	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	-	

PART D: HUMAN RESOURCE MANAGEMENT

INTRODUCTION

1. OVERVIEW OF HUMAN RESOURCES

2. HUMAN RESOURCES OVERSIGHT STATISTICS

2.1 Personnel related expenditure

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

- amount spent on personnel
- amount spent on salaries, overtime, homeowner's allowances and medical aid.

Table 3.1.1 Personnel expenditure by programme for the period 1 April 2024 and 31 March 2025

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	147 573	105 592	0	0	71.60%	617
Housing Needs, Policy, Planning and Research	1 489	1 476	0	0	99.10%	738
Housing Development	1 086 337	78 715	0	0	7.20%	477
Housing Asset Management	18 338	17 461	0	0	95.20%	794
Total	1 253 737	203 244	0	0	16.20%	565

Table 3.1.2 Personnel costs by salary band for the period 1 April 2024 and 31 March 2025

Salary band	Personnel expenditure (R'000)	% of total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Lower skilled (Levels 1-2)	-	-	-	-
Skilled (level 3-5)	34 282	16.7	93	308
Highly skilled production (levels 6-8)	63 780	31.	125	498
Highly skilled supervision (levels 9-12)	72 698	35.3	86	845
Senior and Top management (levels 13-16)	30 883	15	22	1 470
Total	201 643	100	326	567

Table 3.1.3 Salaries, Overtime, Homeowners Allowance and Medical Aid by programme for the period 1 April 2024 and 31 March 2025

Programme	Salaries		Overtime		Homeowners 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	88 637	81.6	1041	1.00	3 015	2.80	5552	510
Housing Assets Mang Prop management	1 274	171	0	0	21	3.1	44	6.3
Housing Development	63 207	78.9	30	0	2 671	3.3	5 583	7
Housing Needs, Research and Planning	13 236	170.1	0	0	269	3.5	516	7.4
Total	166 354.00	80.80	1 070.00	0.50	5 976.00	2.90	11 694.00	5.70

Table 3.1.4 Salaries, Overtime, Homeowners Allowance and Medical Aid by salary band for the period 1 April 2024 and 31 March 2025

Salary band	Salaries		Overtime		Homeowners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Skilled (level 1-2)	-	-	-	-	-	-	-	-
Skilled (level 3-5)	24 587	71.7	263	0.8	2 050	0.6	4 441	12.9
Highly skilled production (levels 6-8)	49 404	77.4	447	0.7	2 550	0.4	5 003	7.8
Highly skilled supervision (levels 9-12)	62 055	85.2	361	0.5	1 184	1.6	2 157	3.0
Senior management (level 13-16)	27 868	89.7	0	0.0	192	0.6	93	0.3
Total	163 914	56%	1 071	20%	5 976	32%	11 694	24%

2.2 Employment and Vacancies

Table 3.2.1 Employment and vacancies by programme as on 31 March 2025

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Administration	234.00	167.00	28.60	0
Housing Assets Mang Prop management	2.00	2.00	0.00	0
Housing Development	209.00	158.00	24.40	0
Housing Needs, Research and Planning	28.00	21.00	25.00	0
Total	473.00	348.00	26.40	0

Table 3.2.2 Employment and vacancies by salary band as on 31 March 2025

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)	-	-	-	-
Skilled (3-5)	146.00	111	24	0
Highly skilled production (6-8)	172.00	128	25.6	0
Highly skilled supervision (9-12)	125.00	86	31.2	0
Senior management (13-16)	28.00	21	25	0
Total	471	346	26.4	0

Table 3.2.3 Employment and vacancies by critical occupations as on 31 March 2025

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
ADMINISTRATION CLERKS, Permanent	2	2	0	0
ADMINISTRATIVE RELATED, Permanent	92	67	27.2	0
BUS AND HEAVY VEHICLE DRIVERS, Permanent	2	1	50	0
COMMUNICATION AND MARKETING MANAGER, Permanent	1	1	0	0
ENGINEERS AND RELATED PROFESSIONALS, Permanent	17	7	58.8	0
FINANCIAL AND RELATED PROFESSIONALS, Permanent	7	5	28.6	0
FINANCIAL CLERKS AND CREDIT CONTROLLERS, Permanent	16	13	18.8	0
GENERAL LEGAL ADMINISTRATION & REL. PROFESSIONALS, Permanent	3	1	66.7	0
HUMAN RESOURCES &	1	0	100	0

ORGANISAT DEVELOPM & RELATE PROF, Permanent				
HUMAN RESOURCES CLERKS, Permanent	5	3	40	0
INFORMATION TECHNOLOGY RELATED, Permanent	8	8	0	0
LEGAL RELATED, Permanent	1	0	100	0
LIGHT VEHICLE DRIVERS, Permanent	2	2	0	0
LOGISTICAL SUPPORT PERSONNEL, Permanent	1	1	0	0
MATERIAL-RECORDING AND TRANSPORT CLERKS, Permanent	1	1	0	0
MESSENGERS PORTERS AND DELIVERERS, Permanent	4	4	0	0
MIDDLE MANAGER: ADMINISTRATIVE RELATED, Permanent	2	2	0	0
OTHER ADMINISTRAT & RELATED CLERKS AND ORGANISERS, Permanent	114	78	31.6	0
OTHER ADMINISTRATIVE POLICY AND RELATED OFFICERS, Permanent	87	63	27.6	0
OTHER INFORMATION TECHNOLOGY PERSONNEL., Permanent	1	1	0	0
OTHER OCCUPATIONS, Permanent	1	1	0	0
SECRETARIES & OTHER KEYBOARD OPERATING CLERKS, Permanent	17	14	17.6	0
SECURITY GUARDS, Permanent	66	55	16.7	0
SECURITY OFFICERS, Permanent	3	2	33.3	0
SENIOR MANAGERS, Permanent	19	16	15.8	0
Total	473	348	26.4	0

2.3 Filling of SMS Posts

Table 3.3.1 SMS post information as on 31 March 2025

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					
Salary Level 16	1	1	100	0	0
Salary Level 15	1	1	100	0	0
Salary Level 14	5	4	80	1	20
Salary Level 13	22	16	70	6	30
Total	29	22	75	7	50

Table 3.3.2 SMS post information as on 30 September 2024

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	0	0	0	0	0
Salary Level 16	1	1	100	0	0
Salary Level 15	1	1	100	0	0
Salary Level 14	5	4	80	1	20
Salary Level 13	22	16	70	6	30
Total	29	22	75	7	50

Table 3.3.3 Advertising and filling of SMS posts for the period 1 April 2024 and 31 March 2025

SMS Level	Advertising	Filling of Posts	
	Number of vacancies per level advertised in 6 months of becoming vacant	Number of vacancies per level filled in 6 months of becoming vacant	Number of vacancies per level not filled in 6 months but filled in 12 months
Director-General/ Head of Department	0	0	0
Salary Level 16	0	0	0
Salary Level 15	0	0	0
Salary Level 14	0	0	0
Salary Level 13	0	0	0
Total	0	0	0

Table 3.3.4 Reasons for not having complied with the filling of funded vacant SMS - Advertised within 6 months and filled within 12 months after becoming vacant for the period 1 April 2024 and 31 March 2025

Reasons for vacancies not advertised within six months
The department was in a process of advertising the funded vacant SMS posts, however due to the Implementation of the circular 49 of the DPSA. The Department had to comply with circular by align the recruitment process with new Directives issued by the DPSA
Reasons for vacancies not filled within twelve months
The department was in a process of advertising the funded vacant SMS posts, however due to the Implementation of the circular 49 of the DPSA. The Department had to comply with circular by align the recruitment process with new Directives issued by the DPSA.
No disciplinary action was taken against officials as the process resulting from the implementation of DPSA Directive Circular 49 of 2024 was beyond the control of the Department.

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 2024 and 31 March 2025

Reasons for vacancies not advertised within six months
No disciplinary action was taken against officials as the process resulting from the implementation of DPSA Directive Circular 49 of 2024 was beyond the control of the Department
Reasons for vacancies not filled within six months
No disciplinary action was taken against officials as the process resulting from the implementation of DPSA Directive Circular 49 of 2024 was beyond the control of the Department.

2.4 Job Evaluation

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. The following table summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

Table 3.4.1 Job Evaluation by Salary band for the period 1 April 2024 and 31 March 2025

Salary band	Number of posts on approved establishment	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower Skilled (Levels 1-2)	0	0	0	0	0	0	0
Skilled (Levels 3-5)	146	146	100%	0	0	0	0
Highly skilled production (Levels 6-8)	172	164	90%	2	100%	0	0
Highly skilled supervision (Levels 9-12)	125	38	30%	0	0	0	0
Senior Management Service Band A	22	10	35%	0	0	0	0
Senior Management Service Band B	5	1	20%	0	0	0	0
Senior Management Service Band C	1	0	0	0	0	0	0
Senior Management Service Band D	1	1	100%	0	0	0	0
Total	473	364	375%	2	100%	0	0

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 2024 and 31 March 2025

Gender	African	Asian	Coloured	White	Total
Female	1	-	-	-	-
Male	-	-	-	-	-
Total	1	-	-	-	-

Employees with a disability	0
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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 2024 and 31 March 2025

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
Total number of employees whose salaries exceeded the level determined by job evaluation				
Percentage of total employed				0

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 2024 and 31 March 2025

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

Employees with a disability	0	0	0	0	0
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Total number of Employees whose salaries exceeded the grades determine by job evaluation	None
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2.5 Employment Changes

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the department. The following tables provide a summary of turnover rates by salary band and critical occupations (see definition in notes below).

Table 3.5.1 Annual turnover rates by salary band for the period 1 April 2024 and 31 March 2025

Salary band	Number of employees at beginning of period- 1 April 2024	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels 3-5)	116	0	1	0.87
Highly skilled production (Levels 6-8)	126	2	9	7.3
Highly skilled supervision (Levels 9-12)	89	2	5	5.7
Senior Management Service Bands A	0	0	0	0
Senior Management Service Bands B	0	0	0	0
Senior Management Service Bands C	0	0	0	0
Senior Management Service Bands D	0	0	0	0
Contracts	0	0	0	0
Total	331	4	15	4.6

Table 3.5.2 Annual turnover rates by critical occupation for the period 1 April 2024 and 31 March 2025

Critical occupation	Number of employees at beginning of period- April 2024	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
	0	0	0	0
	0	0	0	0
TOTAL	0	0	0	0

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 2024 and 31 March 2025

Termination Type	Number	% of Total Resignations
Death	2	0.6%
Resignation	6	1.8%
Expiry of contract	3	0.9%
Dismissal – operational changes	0	0
Dismissal – misconduct	1	0.3%
Dismissal – inefficiency	0	0
Discharged due to ill-health	0	0
Retirement	0	0
Transfer to other Public Service Departments	4	1.2%
Other	0	0
Total	16	4.8%
Total number of employees who left as a % of total employment	4.8%	

Table 3.5.4 Promotions by critical occupation for the period 1 April 2024 and 31 March 2025

Occupation	Employees 1 April 2024	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	0	0	0	0
	0	0	0	0	0
TOTAL	0	0	0	0	0

Table 3.5.5 Promotions by salary band for the period 1 April 2024 and 31 March 2025

Salary Band	Employees 1 April 2024	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)	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0
Highly skilled production (Levels 6-8)	0	1	0	0	1
Highly skilled supervision (Levels 9-12)	0	1	0	0	1
Senior Management (Level 13-16)	0	0	0	0	0
Total	0	2	0	0	2

2.6 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 2025

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	0	0	0	0	0	0	0		0
Professionals	0	0	0	0	0	0	0	0	0
Technicians and associate professionals	0	0	0	0	0	0	0	0	0
Clerks	1	0	0	0	0	0	0	1	2
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	0	0	0	0	0	0	0
Total		0	0		0	0	0	0	0
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 2025

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	2	0	0	0	0	0	0	0	2
Senior Management	12	0	0	7	0	1	0	0	20
Professionally qualified and experienced specialists and mid-management	33		4	48	0	0		1	86
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	38	0	0	75	0	2	0	10	125
Semi-skilled and discretionary decision making	56	0	0	56	0	1	0	0	113
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	141		4	186		4		11	346

Table 3.6.3 Recruitment for the period 1 April 2024 to 31 March 2025

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	1	0	0	0	0	0	0	0	0
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 3.6.4 Promotions for the period 1 April 2024 and 31 March 2025

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	1	1
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	0	0	0	1	0	0	0	1
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	1	0	0	1	2
<i>Employees with disabilities</i>	0	0	0	0	0	0	0	0	0

Table 3.6.5 Terminations for the period 1 April 2024 and 31 March 2025

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	1	0	0	0	1
Senior Management	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	3	0	0	0	1	0	0	0	4
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	3	0	0	0	4	0	0	0	7
Semi-skilled and discretionary	1	0	0	0	0	0	0	0	1

decision making									
Unskilled and defined decision making	7	0	0	0	6	0	0	0	13
Total	14	0	0	0	12	0	0	0	26
Employees with Disabilities	0	0	0	0	0	0	0	0	0

Table 3.6.6 Disciplinary action for the period 1 April 2024 to 31 March 2025

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Dismissal	1	0	0	0	0	0	0	0	1
Final written warning, 2 months suspension without pay	1	0	0	0	0	0	0	0	1

Table 3.6.7 Skills development for the period 1 April 2024 and 31 March 2025

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	0	0	0	0	0	0	0	0	0
Professionals	2	0	0	0	8	0	0	0	10
Technicians and associate professionals	10	0	0	0	13	0	0	0	23
Clerks	7	0	0	0	29	2	0	0	38
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	1	0	0	0	0	0	0	0	1
Elementary occupations	0	0	0	0	0	0	0	0	0
Total	20	0	0	0	50	2	0	0	72
Employees with disabilities	0	0	0	0	0	0	0	0	0

2.7 Signing of Performance Agreements by SMS Members

All members of the SMS must conclude and sign performance agreements within specific timeframes. Information regarding the signing of performance agreements by SMS members, the reasons for not complying within the prescribed timeframes and disciplinary steps taken is presented here.

Table 3.7.1 Signing of Performance Agreements by SMS members as on 31 May 2025

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	5	4	4	100%
Salary Level 13	20	15	15	100%
Total	27	21	20	

Table 3.7.2 Reasons for not having concluded Performance agreements for all SMS members as on 31 March 2025

Reasons
None

Table 3.7.3 Disciplinary steps taken against SMS members for not having concluded Performance agreements as on 31 March 2025

Reasons
None

2.8 Performance Rewards

Table 3.8.1 Performance Rewards by race, gender and disability for the period 1 April 2024 to 31 March 2025

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	213	0	0	0
Female	0	165	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	0	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	0

Table 3.8.2 Performance Rewards by salary band for personnel below Senior Management Service for the period 1 April 2024 to 31 March 2025

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	118	0	0	0	0
Skilled (level 3-5)	0	138	0	0	0	0
Highly skilled production (level 6-8)	0	97	0	0	0	0
Highly skilled supervision (level 9-12)	0	7	0	0	0	0
Total	0	368	0	0	0	0

Table 3.8.3 Performance Rewards by critical occupation for the period 1 April 2024 to 31 March 2025

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	20	0	0	0
HUMAN RESOURCES CLERKS	0	2	0	0	0
SECURITY OFFICERS	0	1	0	0	0
MESSENGERS PORTERS AND DELIVERERS	0	1	0	0	0
HUMAN RESOURCES & ORGANISAT DEVELOPM & RELATE PROF	0	1	0	0	0
LOGISTICAL SUPPORT PERSONNEL	0	3	0	0	0
OTHER ADMINISTRAT & RELATED CLERKS AND ORGANISERS	0	84	0	0	0
IDENTIFICATION EXPERTS	0	1	0	0	0
OTHER OCCUPATIONS	0	1	0	0	0
FINANCIAL AND RELATED PROFESSIONALS	0	5	0	0	0
ADMINISTRATIVE RELATED	0	74	0	0	0
SECRETARIES & OTHER KEYBOARD OPERATING CLERKS	0	17	0	0	0
LIBRARY MAIL AND RELATED CLERKS	0	6	0	0	0
HUMAN RESOURCES RELATED	0	1	0	0	0
GENERAL LEGAL ADMINISTRATION & REL. PROFESSIONALS	0	2	0	0	0
MATERIAL-RECORDING AND TRANSPORT CLERKS	0	2	0	0	0

OTHER ADMINISTRATIVE POLICY AND RELATED OFFICERS	0	73	0	0	0
BUS AND HEAVY VEHICLE DRIVERS	0		0	0	0
SENIOR MANAGERS	0	15	0	0	0
ENGINEERS AND RELATED PROFESSIONALS	0	14	0	0	0
OTHER INFORMATION TECHNOLOGY PERSONNEL.	0	3	0	0	0
LIGHT VEHICLE DRIVERS	0	5	0	0	0
SECURITY GUARDS	0	57	0	0	0
INFORMATION TECHNOLOGY RELATED	0	4	0	0	0
TOTAL	0	394	0	0	0

Table 3.8.4 Performance related rewards (cash bonus), by salary band for Senior Management Service for the period 1 April 2024 to 31 March 2025

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

2.9 Foreign Workers

Table 3.9.1 Foreign workers by salary band for the period 1 April 2024 and 31 March 2025

Salary band	01 April 2024		31 March 2025		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 2024 and 31 March 2025

Major occupation	01 April 2024		31 March 2025		Change	
	Number	% of total	Number	% of total	Number	% Change
0	0	0	0	0	0	0
0	0	0	0	0	0	0

2.10 Leave utilisation

Table 3.10.1 Sick leave for the period 1 April 2024 and 31 March 2025

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)	0	0	0	0	0	0
Skilled (levels 3-5)	809.00	87.90	77.00	29.60	11.00	823.00
Highly skilled production (levels 6-8)	767.00	78.70	97.00	37.30	8.00	1 372.00
Highly skilled supervision (levels 9 - 12)	538.00	84.00	72.00	27.70	7.00	1 562.00
Top and Senior management (levels 13-16)	92.00	91.30	13.00	5.00	7.00	491.00
Total	2206.00	341.90	259.00	99.60	33.00	4248.00

Table 3.10.2 Disability leave (temporary and permanent) for the period 1 April 2024 and 31 March 2025

Salary band	Total days	% Days with Medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0	0	0
Senior management (Levels 13-16)	0	0	0	0	0	0
Total	0	0	0	0	0	0

Table 3.10.3 Annual Leave for the period 1 April 2024 and 31 March 2025

Salary band	Total days taken	Number of Employees using annual leave	Average per employee
Lower skilled (Levels 1-2)	0	0	0
Skilled Levels 3-5)	2 351.00	109.00	22.00
Highly skilled production (Levels 6-8)	3 189.00	135.00	24.00
Highly skilled supervision (Levels 9-12)	2 272.00	89.00	26.00
Senior management (Levels 13-16)	438.00	20.00	22.00
Total	8250.00	353.00	94.00

Table 3.10.4 Capped leave for the period 1 April 2024 and 31 March 2025

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 2025
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

Table 3.10.5 Leave payouts for the period 1 April 2024 and 31 March 2025

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave payout for 2024/25 due to non-utilisation of leave for the previous cycle	998.00	12.00	83 167.00
Capped leave payouts on termination of service for 2024/25	79.00	2.00	39 500.00
Current leave payout on termination of service for 2024/25	41.00	3.00	13 667.00
Total	1118.00	17.00	136334.00

2.11 HIV/AIDS & Health Promotion Programmes

There is a serious problem of personnel overcrowding in the Head Office, while the offices in the District of Lejweleputswa have been closed by the Department of Labour due to non-compliance with the Occupational Health and Safety Act no 85 of 1993, specifically the worn-out building structure, which includes a lack of water and non-functioning ablution facilities. The department was also not in compliance with the Act by failing to appoint Occupational Health and Safety Representatives, including First Aiders, although this has been corrected. Water scarcity is a problem in Thabo Mofutsanyana District offices, and employees may not even have access to ablution facilities due to a lack of water near Qwa-Qwa.

The department need to resolve the Lejweleputswa District Offices matters since at present employees are at home and this has affected service deliveries in that area.

Table 3.11.1 Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
None	Awareness material

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

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	x		Mr. A Reachable, Director: HRM&D.
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		Mr. GM Silingile, Deputy Director: Employee Health and Wellness Ms. S. Jojo, EAP Officer
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key	x		Observation of World Health Organisation (WHO) Calendar of Health and

elements/services of this Programme.			Wellness day like Diabetes Day, Tobacco Day and Cancer Awareness Day that the department present through global email to employees information and awareness on these topics
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		Mr. Kgonnye Motitsoe Mr. Tebogo Mogotsi Mr. Martin Elias Ms. Mamoea Ngwenya Mr. Lebohang More Mr. Tshepang Badimo Ms. Kgotsfalo Mofokeng Ms. Pulane Mokhachane Ms. Machaka Fakude
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		This is done every three years since the approved policies run for those years.
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 status of all employees who are presently on ARV Programme is not revealed and no any form of discrimination is made or target towards them. The department has no tolerance towards any form of discrimination towards employee health related matters.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	x		The usage of the Employee health and Wellness Day do ensure that the department of health does render services for pre and post testing to employees. Furthermore, the employees have been referred to Aids Information and Counselling Centre under Mangaung Metropolitan for such services.
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.		x	This needs more assistance from our internal monitoring and evaluation unit since we cannot evaluate ourselves. More consideration will be done in this regard.

Labour Relations

Table 3.12.1 Collective agreements for the period 1 April 2024 and 31 March 2025

Subject matter	Date
Agreement on Matters referred to a further process for Research Investigation and Negotiations in the Financial Year 2025/2026 - (PSCBC Resolution 2 of 2025)	17 February 2025
Agreement on the payment of salary adjustments improvement of conditions of service in the public service (PSCBC Resolution 1 of 2025)	17 February 2025
Rules for the conduct of proceedings before the public service co-ordinating bargaining council (PSCBC Resolution 1 of 2024)	1 May 2024
Amendment to resolution 3 of 2017 - Negotiation protocol agreement: Wage negotiation process (PSCBC Resolution 2 of 2024)	30 May 2024
Agreement on the 2024 National macro-organisation of government (GPSSBC Resolution 5 of 2024)	5 December 2024
Agreement on the amendment of resolution 3 of 2017 - Dispute resolution rules (GPSSBC Resolution 4 of 2024)	9 September 2024
Appointment of full-time shop stewards and release of trade union office bearers (GPSSBC Resolution 3 of 2024)	28 June 2024
Improvement of conditions of service: Special leave GPSSBC Resolution 2 of 2024)	27 June 2024
Charter of the public service sectoral bargaining council (GPSSBC) collective bargaining (GPSSBC resolution 1 of 2024)	27 June 2024

Total number of Collective agreements	None
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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 2024 and 31 March 2025

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0%
Verbal warning	0	0 %
Written warning	0	0 %
Final written warning	1	33.33 %
Suspended without pay	1	33.33 %
Fine	0	0 %
Demotion	0	0 %
Dismissal	1	33.33 %
Not guilty	0	0 %
Case withdrawn	0	0 %
Total	3	100%

Total number of Disciplinary hearings finalised	None
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Table 3.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2024 and 31 March 2025

Type of misconduct	Number	% of total
Alleged failure to observe project management milestones	1	50 %
Alleged abuse and unauthorised use of state of property	1	50 %
Total	2	100 %

Table 3.12.4 Grievances logged for the period 1 April 2024 and 31 March 2025

Grievances	Number	% of Total
Number of grievances resolved	8	34,78 %
Number of grievances not resolved	15	65,21 %
Total number of grievances lodged	23	100 %

Table 3.12.5 Disputes logged with Councils for the period 1 April 2024 and 31 March 2025

Disputes	Number	% of Total
Number of disputes upheld	15	55,55 %
Number of disputes dismissed	0	0 %
Total number of disputes lodged	27	55,55 %

Table 3.12.6 Strike actions for the period 1 April 2024 and 31 March 2025

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

Table 3.12.7 Precautionary suspensions for the period 1 April 2024 and 31 March 2025

Number of people suspended	6
Number of people whose suspension exceeded 30 days	5
Average number of days suspended	49.750 %
Cost of suspension(R'000)	R7 027 016.26

2.12 Skills development

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

Table 3.13.1 Training needs identified for the period 1 April 2024 and 31 March 2025

Occupational category	Gender	Number of employees as at 1 April 2024	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	3	0	3
	Male	7	0	0	0	0

Professionals	Female	13	0	16	5	21
	Male	11	0	8	3	11
Technicians and associate professionals	Female	78	0	16	4	20
	Male	61	0	8	4	12
Clerks	Female	79	0	28	2	30
	Male	38	0	8	1	9
Service and sales workers	Female	30	0	0	0	0
	Male	28	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	7	0	2	2	4
Elementary occupations	Female	0	0	0	0	0
	Male	2	0	0	0	0
Sub Total	Female	207	0	63	11	74
	Male	154	0	26	10	36
Total		361	0	89	21	110

Table 3.13.2 Training provided for the period 1 April 2024 and 31 March 2025

Occupational category	Gender	Number of employees as at 1 April 2024	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	0	0
	Male	7	0	0	0	0
Professionals	Female	13	0	6	0	6
	Male	11	0	3	1	4
Technicians and associate professionals	Female	78	0	10	3	13
	Male	61	0	9	1	10
Clerks	Female	79	0	28	3	31
	Male	38	0	7	0	7
Service and sales workers	Female	30	0	0	0	0
	Male	28	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0

Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	7	0	1	0	1
Elementary occupations	Female	0	0	0	0	0
	Male	2	0	0	0	0
Sub Total	Female	207	0	44	6	50
	Male	154	0	20	2	22
Total		361	0	64	8	72

2.13 Injury on duty

The following tables provide basic information on injury on duty.

Table 3.14.1 Injury on duty for the period 1 April 2024 and 31 March 2025

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

2.14 Utilisation of Consultants

Table 3.15.1 Report on consultant appointments using appropriated funds for the period 1 April 2024 and 31 March 2025

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
Sasolburg Properties 4925 Water and Sewer -	1	365	R 53,301,263.53
Kroonstad 5300 Water & Sewer -	1	365	R 82,850,140.72
Moqhaka Brentpark 316 ext 12 W&s - Phase 1	1	365	R 2,506,498.54
Brandfort - Water and Sewer 1968 - Phase 1	1	365	R 54,859,736.05
Winburg - Baipeing Water and Sewer 596 - Phase 1	1	365	R 16,420,314.08
Ventersburg 112 Mixed	1	365	R 882,271.63

Development - Infrastructure			
Hostel Welkom Hostel G -	1	365	R 22,014,265.89
Matjhabeng 854 Water and Sewer Hennenman, Phomolong - Phase 1	1	365	R 9,584,879.59
OPSCAP 2017/18 - Project Management Unit	1	365	R 9,231,510.69
Bloemfontein - 360 Dark and Silver City Hostel CRU - Ruwacou & Sedtrade - Bottom site / Top site(LTE)	1	365	R 12,085,830.76
Maluti-a-phofung Kestell Tlholong W&S 1093 -	1	365	R 10,392,474.97
Maluti-a-phofung Silahlwe (intabazw) W&S 879 -	1	365	R 7,526,517.06
Ladybrand, Manyatseng, Marikana W&S 234 - Phase 1	1	365	R 5,506,906.82
Petrusburg Bolokanang Letsemeng Mun 1007 Water and Sewer -	1	365	R 2,069,434.85
Mohokare Baipehi (roleleathunya) W&S 876 - Phase 1	1	365	R 29,004,173.88
Zastron Ext 10 Water and Sewer 734 - Phase 1	1	365	R 19,828,746.01

Total number of projects	Total individual consultants	Total duration Work days	Total contract value in Rand
16	16	365	R 338 064 965.07

Table 3.15.2 Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2024 and 31 March 2025

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
Hostel Welkom Hostel G -	100%	100%	1
Bloemfontein - 360 Dark and Silver City Hostel CRU - Ruwacou & Sedtrade - Bottom site / Top site(LTE)	100%	100%	1

Table 3.15.3 Report on consultant appointments using Donor funds for the period 1 April 2024 and 31 March 2025

Project title	Total Number of consultants that worked on project	Duration (Work days)	Donor and contract value in Rand
Not applicable	Not applicable	Not applicable	Not applicable

Table 3.15.4 Analysis of consultant appointments using Donor funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2024 and 31 March 2025

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
Not applicable	Not applicable	Not applicable	Not applicable

2.15 Severance Packages

Table 3.16.1 Granting of employee-initiated severance packages for the 1 April 2024 and 31 March 2025

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	2024/2025	2023/2024
	R'000	R'000
Opening balance	5 578 971	5 384 715
▲ Add: Irregular expenditure confirmed	118 473	194 256
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	5 697 444	5 578 971

Irregular expenditure of R118 473 includes an amount of R6 103 from 2023/24 reported in the current financial year

Reconciling notes

Description	2024/2025	2023/2024
	R'000	R'000
Irregular expenditure that was under assessment in 2023/24	359 502	-
Irregular expenditure that relates to 2023/24 and identified in 2024/25	6 103	1 791
Irregular expenditure for the current year	112 370	194 256
Total	477 975	293 348

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

Description ¹	2024/2025	2023/2024
	R'000	R'000
Irregular expenditure under assessment	790 466	359 502
Irregular expenditure under determination	118 473	194 256
Irregular expenditure under investigation	5 578 971	5 384 715
Total 2	6 487 910	5 938 473

¹ Group similar items

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

An amount of R 359 502 that was under assessment in 2023/24 financial year has been decreased by R55 405 as the expenditure was already disclosed as irregular expenditure. The current Irregular expenditure under assessment of R790 466 emanates from the disagreement regarding the participation in a contract from another organ of state.

c) Details of current and previous year irregular expenditure condoned

Description	2024/2025	2023/2024
	R'000	R'000
Irregular expenditure condoned	-	-
Total	-	-

NONE

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

Description	2024/2025	2023/2024
	R'000	R'000
Irregular expenditure NOT condoned and removed	-	-
Total	-	-

None

e) Details of current and previous year irregular expenditure recovered

Description	2024/2025	2023/2024
	R'000	R'000
Irregular expenditure recovered	-	-
Total	-	-

None

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

Description	2024/2025	2023/2024
	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
Total

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	2024/2025	2023/2024
	R'000	R'000
None		
Total	-	-

None

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

Disciplinary steps taken
None

Include discussion here where deemed relevant.

1.2. Fruitless and wasteful expenditure

a) **Reconciliation of fruitless and wasteful expenditure**

Description	2024/2025	2023/2024
	R'000	R'000
Opening balance	113 315	113 297
Add: Fruitless and wasteful expenditure confirmed	312	18
Less: Fruitless and wasteful expenditure written off	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Closing balance	113 627	113 315

None

Reconciling notes

Description	2024/2025	2023/2024
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2023/24	-	20
Fruitless and wasteful expenditure that relates to 2023/24 and identified in 2024/25	-	-
Fruitless and wasteful expenditure for the current year	312	18
Total	312	38

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

Description ³	2024/2025	2023/2024
	R'000	R'000
Fruitless and wasteful expenditure under assessment	70 594	38 721
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	113 627	113 315
Total⁴	184 627	152 036

The amount of R70 594 is inclusive of R38 721 that was under assessment in 2023/24 for VAT paid to contractors and possible overpayments made to suppliers .

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

Description	2024/2025	2023/2024
	R'000	R'000
Fruitless and wasteful expenditure recovered	-	-
Total	-	-

None

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

Description	2024/2025	2023/2024
	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

³ Group similar items

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

1.3. Unauthorised expenditure

a) Reconciliation of unauthorised expenditure

Description	2024/2025	2023/2024
	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	2024/2025	2023/2024
	R'000	R'000
Unauthorised expenditure that was under assessment in 2023/24	-	-
Unauthorised expenditure that relates to 2023/24 and identified in 2024/25	-	-
Unauthorised expenditure for the current year	-	-
Total	-	-

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

Description ⁶	2024/2025	2023/2024
	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

None

⁵ This amount may only be written off against available savings

⁶ Group similar items

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

a) Details of other material losses

Nature of other material losses	2024/2025	2023/2024
	R'000	R'000
None		
Total		

None

b) Other material losses recovered

Nature of losses	2024/2025	2023/2024
	R'000	R'000
None		
Total		

None

c) Other material losses written off

Nature of losses	2024/2025	2023/2024
	R'000	R'000
None		
Total		

None

1.4. Additional disclosure relating to material losses in terms of PFMA Section 40(3)(b)(i) &(iii)⁸

d) Details of material losses through criminal conduct

Material losses through criminal conduct	2024/2025	2023/2024
	R'000	R'000
Theft		
Other material losses		
Less: Recoverable		
Less: Not recoverable and written off		
Total		

None

⁸ Information related to material losses must be disclosed in the annual financial statements.

e) Details of other material losses

Nature of other material losses	2024/2025	2023/2024
	R'000	R'000
None		
Total		

None

f) Other material losses recoverable

Nature of losses	2024/2025	2023/2024
	R'000	R'000
None		
Total		

Include discussion here where deemed relevant.

g) Other material losses not recoverable and written off

Nature of losses	2024/2025	2023/2024
	R'000	R'000
None		
Total		

Include discussion here where deemed relevant.

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	1 403	1 196 670
Invoices paid within 30 days or agreed period	1 340	1 044 994
Invoices paid after 30 days or agreed period	56	82 049
Invoices older than 30 days or agreed period (<i>unpaid and without dispute</i>)	7	69 627
Invoices older than 30 days or agreed period (<i>unpaid and in dispute</i>)	0	0

The main reason for non-payment of invoices was due to insufficient funds in the current financial year

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
None						
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

Opinion

1. I have audited the financial statements of the Department of Human Settlements set out on pages 135 to 198, which comprise the appropriation statement, statement of financial position as at 31 March 2025, 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 Department of Human Settlements as at 31 March 2024 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 24 of 2024 (Dora).

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 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2024 were restated as a result of an error in the financial statements of the department at, and for the year ended 31 March 2025.

Close calls relating to going concern

8. Note 31 in the financial statements deals with the possible effects of the future implications of continuing deterioration in operational results on the department's prospects, performance, and

cash flows. Management also described how they plan to deal with these events and circumstances.

Irregular expenditure

9. As disclosed in note 22 to the financial statements, irregular expenditure of R118 473 000 (2024: R194 256 000) was incurred, 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.

Material uncertainty relating to claims against the department

10. With reference to note 17 to the financial statements, the department is a defendant in various 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.

Impairment on accrued departmental revenue

11. As disclosed in note 21 to the financial statements, material losses of R81 160 000 were incurred as a result of a write-off of irrecoverable debts.

Other matter

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

Unaudited supplementary schedules

13. The supplementary information set out on pages - to - 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.

Responsibilities of the accounting officer for the financial statements

14. 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.
15. 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

16. 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.

17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 115, forms part of my auditor's report.

Report on the audit of the annual performance report

18. 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 the selected programmes presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
19. I selected the following programmes presented in the annual performance report for the year ended 31 March 2025 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.

Programme	Page numbers	Purpose
Housing needs, research and planning	34	To facilitate and undertake housing delivery planning
Housing development	38	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
Housing asset management	46	For effective management and maintenance of housing assets

20. 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 on the department's planning and delivery on its mandate and objectives.
21. 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
 - all the indicators relevant for measuring the department's performance against its primary mandated and prioritised functions and planned objectives are included
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I 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 those 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 and is comparable and understandable
 - there is adequate supporting evidence for the achievements reported [and for the reasons provided for any over- or underachievement of targets]
22. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
23. I did not identify any material findings on the reported performance information for housing needs, research and planning.
24. The material findings on the reported performance information for the selected programmes are as follows:

Housing Development

Number of Breaking New Grounds (BNG) houses delivered

25. An achievement of 573 was reported against a target of 2 049. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.
26. The reason reported for the underachievement was “the target could not be met because majority of the contractors which were appointed from the database were appointed late in the third quarter and were still finalising the administrative compliances before they can start on site.” However, adequate supporting evidence was not provided for auditing. Consequently, I could not confirm the reliability of the reported reasons.

Number of erven planned and surveyed

27. An achievement of 664 was reported against a target of 5 339. However, the audit evidence showed the actual achievement to be only 270. Consequently, the underachievement on the target was more than reported.

Various indicators

28. Under achievements and overachievements were reported against the related planned targets together with the reasons for this. However, adequate supporting evidence was not provided for auditing. Consequently, I could not confirm the reliability of the reported reasons.

Indicator	Target	Reported achievement	Reported reason
Number of projects and houses enrolled with NHBRC	4 000	20 422	The overachievement follows the contracting of service providers on a multi-year arrangement where projects have been running across financial years. The enrolment had to be done before projects could start hence the overachievement
Number of community residential units (CRU) delivered	270	0	There was a delay because of electrification and water reticulation for both Dark and Silver City and G Hostels despite the structure/buildings for the said units being completed

Various indicators

29. Based on the audit evidence, the actual achievement for two indicators did not agree to the achievements reported. Consequently, the targets were not achieved, the under achievements on the targets were more than reported and the achievements against the target were lower than reported.

Indicator	Target	Reported achievement	Reported reason
Number of serviced sites delivered	1 755	5 274	The overachievement follows the contracting of service providers on a multi-year arrangement, where projects have been running across financial years with no disruptions
Number of serviced sites and households delivered	1 900	2 958	The overachievement follows the contracting of service providers on a multi-year arrangement, where projects have been running across financial years with no disruptions

Missing indicator

30. The Department is responsible for the removal and replacement of asbestos roofing as part of its responsibility to provide adequate housing and improved quality living environment in terms of the Medium-Term Strategic Framework (MTSF). However, an indicator to measure performance on this objective was not included in the approved planning documents. The Accounting Officer stated that the indicator was omitted because the indicator is not a standardised sector indicator and is separately tracked by the department, however, these reasons were contrary to the requirements of the Revised Framework for Strategic and Annual Performance Plans. Consequently, the achievement of this objective was not planned or accounted for, which is likely to result in this objective not being delivered and undermines transparency and accountability for the delivery of the MTSF priorities.

Housing asset management

Number of pre-1994 title deeds registered

31. An achievement of 63 was reported against a target of 4 923. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Other matters

32. I draw attention to the matters below.

Achievement of planned targets

33. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements. This information should be considered in the context of the material findings on the reported performance information.
34. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 34 to 46.

Housing needs, research and planning

<i>Targets achieved: 20%</i> <i>Budget spent: 92.37%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of integrated implementation programmes for priority development areas completed	1	0

Housing development

<i>Targets achieved: 33.33%</i> <i>Budget spent: 99.75%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of erven planned and surveyed	5 339	664
Number of households that received subsidies through (FLISP)	200	13
Number of informal settlements upgraded to phase 3 of the Upgrading of Informal Settlements Programme (UISP)	9	0
Number of Breaking New Ground (BNG) houses delivered	2 049	573
Number of post-1994 title deeds registered	1 589	0
Number of post-2014 title deeds registered	824	0
Number of new title deeds registered	530	0

Housing asset management

<i>Targets achieved: 33.33%</i> <i>Budget spent: 77.23%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of community residential units (CRU) delivered	270	0
Number of pre-1994 title deeds registered	4 923	63

Material misstatements

35. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for housing development and housing asset management. Management did not correct some of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

36. 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.

37. 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.
38. 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.
39. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

40. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 40(1)(b) of the PFMA. Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified opinion.

Expenditure management

41. Payments were not made within 30 days or an agreed period after receipt of an invoice, as required by section 38(1)(f) of the PFMA and treasury regulation 8.2.3.
42. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The value, as disclosed in note 22 to the financial statements, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with SCM requirements.
43. 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 penalties due to late payments to suppliers.

Conditional grants

44. The performance of the programmes funded by the Informal Settlements Upgrading Partnership (ISUP) was not evaluated, as required by section 12(5) of the Dora.

Transfer of funds

45. 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.

Consequence management

46. 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.
47. 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.

Strategic planning and performance management

48. 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).

Asset management

49. Preventative mechanisms were not in place to eliminate loss of assets, as required by treasury regulation 10.1.1(a). The non-compliance resulted in a material irregularity as reported in the section on material irregularities.

Procurement and contract management

50. I was unable to obtain sufficient appropriate audit evidence that the preference point system was applied in all procurement of goods and services as required by section 2(a) of the Preferential Procurement Policy Framework Act 5 of 2000.
51. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with Construction Industry Development Board Regulations 17.

Other information in the annual report

52. The accounting officer is responsible for the other information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
53. My opinion on the financial statements and my reports on the audit of the annual performance report and 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.
54. 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.
55. The other information I obtained prior to the date of this auditor's report are disclosures included in the annual report for unauthorised, irregular, fruitless and wasteful expenditure and the other outstanding information is expected to be made available to us after 31 July 2025.

56. 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. I have nothing to report in this regard.
57. When I do receive and read the final annual report with all other 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 re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

58. 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.
59. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
60. Management did not exercise oversight responsibility regarding financial and performance reporting and internal controls, which resulted in material non-compliance for procurement and contract management, consequence management and expenditure.
61. Management did not review and monitor compliance with applicable laws and regulations.
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.

Material irregularities

63. 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 material irregularities as previously reported in the auditor's report.

Material irregularities identified during the audit

64. The material irregularities identified are as follows:

G-Hostel CRU project in Welkom and dark and silver city CRU project in Bloemfontein – preventative mechanisms not in place to eliminate theft, losses, wastage and misuse of facilities

65. The department undertook three projects for the construction of community residential units (CRU), two in Bloemfontein (*dark and silver city top site* and *dark and silver city bottom site*) and one in Thabong (*G-Hostel CRU*) during August 2014 at total combined budgeted cost of R478,2 million. After failing to bring the works to practical completion, the department terminated the contracts of the contractors in March 2017 and appointed a new contractor in May 2018 (*G-Hostel CRU* and *dark and silver city bottom site*) and in July 2019 (*dark and silver city top site*).

During October 2022, the department terminated the contracts for all three projects after the contractors failed to bring the projects to practical completion. A new contractor was appointed for all three projects in November 2023 and the total combined cost spent on the projects amount to R922 515 691 as at 31 March 2025.

66. During May 2023, the audit team conducted site visits on all three projects and noted that the construction works were not adequately safeguarded. A follow-up site visit conducted during May 2024 noted that some of the completed works was vandalised and some stolen due to adequate preventative mechanisms not being implemented to safeguard the construction works, as required by Treasury Regulation 10.1.1(a), which is likely to result in a financial loss for the department.
67. The accounting officer was notified of this material irregularity on 17 February 2025 and invited to make a written submission on the actions taken and that will be taken to address the matter. The following actions have been taken or is in progress to resolve the material irregularity:
- On 3 April 2025, the accounting officer instructed the Housing Development Agency (HDA) to conduct a comprehensive audit into the losses sustained due to vandalism and theft at the specified CRU projects.
 - In response, the HDA initiated its internal procurement procedures to appoint a suitably qualified and independent service provider to undertake the investigation.
 - During June 2025, the procurement process was finalised and a service provider appointed. The audit is planned to be finalised by 31 October 2025.
68. I will follow-up on the implementation of the planned actions and actions in progress during my next audit.

Material irregularities in progress

69. I identified other material irregularities during the audit and notified the accounting officer of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, the responses of the accounting officer were not yet due for some material irregularities, while I had not yet completed the process of evaluating the responses for the remainder. These material irregularities will be included in next year's auditor's report.

Status of previously reported material irregularities

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

70. 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.

71. The accounting officer was notified of this material irregularity on 27 July 2022. 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. I referred the material irregularity to the Directorate for Priority Crime Investigation (DPCI) on 30 October 2023 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by the DPCI on 14 November 2023 and the investigation is currently in progress.

72. I further notified the accounting officer on 1 August 2023 of the following recommendations, which had to 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.

73. The accounting officer submitted a written response with substantiating documentation on 2 April 2024 as well as a supplementary response on 1 May 2024. I duly considered the written representation and substantiating documentation and concluded that the above recommendations were not adequately implemented. I issued a directive to the accounting officer to determine the amount of the financial loss and recover such loss, or make progress with the recovery of the loss, from the responsible person(s) by 23 February 2025. In addition, I notified the accounting officer of the following remedial actions to address the material irregularity, which must be implemented by the same date, with progress reports every two (2) months:

- The non-compliance with section 45(b) of the PFMA must be investigated to determine the circumstances that led to the non-compliance for purpose of taking appropriate corrective action.

- Effective and appropriate disciplinary steps must 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 must be identified and appropriate action should commence to recover the financial loss suffered. The recovery process must not be unduly delayed.
 - If it appears that the department suffered financial loss through criminal acts or possible criminal actions or omissions, this must be reported to the SAPS, as required by treasury regulation 12.5.1.
74. The accounting officer did not submit the first progress report which was due on 23 September 2024 and only submitted a progress report on 8 November 2024. In the progress report, the accounting officer indicated that the department appointed a service provider on 30 October 2024 to conduct an investigation into the material irregularity, which is planned to be completed within two (2) months.
75. On 18 November 2024, the department informed the AGSA that a new accounting officer had been appointed and that the former accounting officer has been redeployed at another department. At the time of the accounting officer being redeployed, the directive and remedial action was not implemented as the former accounting officer challenged the validity of the material irregularity.
76. During a meeting held on 29 January 2025, the newly appointed accounting officer and management of the department indicated that they have since changed their view on challenging the validity of the material irregularity and reiterated the department's position to the effect that the department will now proceed to implement the directive and the remedial action. The accounting officer requested extension until 16 May 2025 for implementing the directive and remedial action, which was duly granted.
77. The accounting officer provided a written response and substantiating documentation on the implementation of the directive and remedial action on 20 May 2025 and 5 June 2025. I am in the process of assessing the accounting officer's response.
78. In addition, I notified the former accounting officer, who failed to implement the directive and remedial action on 20 June 2025 of my consideration to issue a certificate of debt and invited the former accounting officer to submit a written representation to me on the matter. The former accounting officer provided a written response on 15 July 2025, which I am in process of assessing.

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

79. 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.

80. 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. I referred the material irregularity to the DPCI on 30 October 2023 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by the DPCI on 14 November 2023 and the investigation is currently in progress.

81. I further notified the accounting officer on 1 August 2023 of the following recommendations, which had to 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.

82. The accounting officer submitted a written response with substantiating documentation on 2 April 2024 as well as a supplementary response on 1 May 2024. I duly considered the written representation and substantiating documentation and concluded that the above recommendations were not adequately implemented. I issued a directive to the accounting officer to determine the amount of the financial loss and recover such loss, or make progress with the recovery of the loss, from the responsible person(s) by 23 February 2025. In addition, I notified the accounting officer of the following remedial actions to address the material irregularity, which must be implemented by the same date, with progress reports every two (2) months:

- The non-compliance with section 45(b) of the PFMA must be investigated to determine the circumstances that led to the non-compliance for purpose of taking appropriate corrective action.

- Effective and appropriate disciplinary steps must 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 must be identified and appropriate action should commence to recover the financial loss suffered. The recovery process must not be unduly delayed.
- If it appears that the department suffered financial loss through criminal acts or possible criminal actions or omissions, this must be reported to the SAPS, as required by treasury regulation 12.5.1.

83. The accounting officer did not submit the first progress report which was due on 23 September 2024 and only submitted a progress report on 8 November 2024. In the progress report, the accounting officer indicated that the department appointed a service provider on 30 October 2024 to conduct an investigation into the material irregularity, which is planned to be completed within two (2) months.

84. On 18 November 2024, the department informed the AGSA that a new accounting officer had been appointed and that the former accounting officer has been redeployed at another department. At the time of the accounting officer being redeployed, the directive and remedial action was not implemented as the former accounting officer challenged the validity of the material irregularity.

85. During a meeting held on 29 January 2025, the newly appointed accounting officer and management of the department indicated that they have since changed their view on challenging the validity of the material irregularity and reiterated the department's position to the effect that the department will now proceed to implement the directive and the remedial action. The accounting officer requested extension until 16 May 2025 for implementing the directive and remedial action, which was duly granted.

86. The accounting officer provided a written response and substantiating documentation on the implementation of the directive and remedial action on 20 May 2025 and 5 June 2025. I am in the process of assessing the accounting officer's response.

87. In addition, I notified the former accounting officer, who failed to implement the directive and remedial action on 20 June 2025 of my consideration to issue a certificate of debt and invited the former accounting officer to submit a written representation to me on the matter. The former accounting officer provided a written response on 15 July 2025, which I am in process of assessing.

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

88. 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.

89. 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. I referred the material irregularity to the DPCI on 30 October 2023 for investigation as provided in section 5(1A) of the PAA. The referral was accepted by the DPCI on 14 November 2023 and the investigation is currently in progress.

90. I further notified the accounting officer on 1 August 2023 of the following recommendations, which had to 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.

91. The accounting officer submitted a written response with substantiating documentation on 2 April 2024 as well as a supplementary response on 1 May 2024. I duly considered the written representation and substantiating documentation and concluded that the above recommendations were not adequately implemented. I issued a directive to the accounting officer to determine the amount of the financial loss and recover such loss, or make progress with the recovery of the loss, from the responsible person(s) by 23 February 2025. In addition, I notified the accounting officer of the following remedial actions to address the material irregularity, which must be implemented by the same date, with progress reports every two (2) months:

- The non-compliance with section 45(b) of the PFMA must be investigated to determine the circumstances that led to the non-compliance for purpose of taking appropriate corrective action.

- Effective and appropriate disciplinary steps must 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 must be identified and appropriate action should commence to recover the financial loss suffered. The recovery process must not be unduly delayed.
 - If it appears that the department suffered financial loss through criminal acts or possible criminal actions or omissions, this must be reported to the SAPS, as required by treasury regulation 12.5.1.
92. The accounting officer did not submit the first progress report which was due on 23 September 2024 and only submitted a progress report on 8 November 2024. In the progress report, the accounting officer indicated that the department appointed a service provider on 30 October 2024 to conduct an investigation into the material irregularity, which is planned to be completed within two (2) months.
93. On 18 November 2024, the department informed the AGSA that a new accounting officer had been appointed and that the former accounting officer has been redeployed at another department. At the time of the accounting officer being redeployed, the directive and remedial action was not implemented as the former accounting officer challenged the validity of the material irregularity.
94. During a meeting held on 29 January 2025, the newly appointed accounting officer and management of the department indicated that they have since changed their view on challenging the validity of the material irregularity and reiterated the department's position to the effect that the department will now proceed to implement the directive and the remedial action. The accounting officer requested extension until 16 May 2025 for implementing the directive and remedial action, which was duly granted.
95. The accounting officer provided a written response and substantiating documentation on the implementation of the directive and remedial action on 20 May 2025 and 5 June 2025. I am in the process of assessing the accounting officer's response.
96. In addition, I notified the former accounting officer, who failed to implement the directive and remedial action on 20 June 2025 of my consideration to issue a certificate of debt and invited the former accounting officer to submit a written representation to me on the matter. The former accounting officer provided a written response on 15 July 2025, which I am in process of assessing.

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

97. 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.

98. 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 and failed to take appropriate actions to address the material irregularity.
99. I referred the material irregularity to the DPCI on 18 August 2022 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by the DPCI on 30 September 2022 and the investigation is currently in progress.

Other reports

100. 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.
101. 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. 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.
102. 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.

103. In April 2024, Gobodo Forensic and Investigative Accounting (Pty) Ltd (“GFIA”), was appointed by the Free State Department of Human Settlements (“FSHS”) to conduct an investigation into allegations of irregularities, maladministration, fraud and corruption into the management and administration of the Finance Linked Individual Subsidy Program (“FLISP”) as well as possible leaking and/or unauthorised sharing of information with external parties, most notably media houses. The investigation was concluded on 13 December 2024.

Auditor - General

Bloemfontein

01 August 2025



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 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

6. The selected legislative requirements are as follows:

Legislation	Section, regulation or paragraph
Public Finance Management Act 1 of 1999	Section 1; 38(1)(b); 38(1)(c)(i); 38(1)(c)(ii); 38(1)(d); 38(1)(f); 38(1)(h)(iii); 39(1)(a); 39(2)(a); 40(1)(a); 40(1)(b); 40(1)(c)(i); 43(1); 43(4); 44; 45(b)
Treasury Regulations of 2005	Regulation 4.1.1; 4.1.3; 5.1.1; 5.2.1; 5.2.3(a); 5.2.3(d); 5.3.1; 6.3.1(a); 6.3.1(b); 6.3.1(c); 6.3.1(d); 6.4.1(b); 7.2.1; 8.1.1; 8.2.1; 8.2.3; 8.4.1; 9.1.1; 9.1.4; 10.1.1(a); 10.1.2; 11.4.1; 11.4.2; 11.5.1; 12.5.1; 15.10.1.2(c); 16A3.2; 16A3.2(a); 16A6.1; 16A6.2(a); 16A6.2(b); 16A6.3(a); 16A6.3(b); 16A 6.3(e); 16A6.4; 16A6.5; 16A6.6; 16A7.1; 16A7.3; 16A7.6; 16A8.3; 16A8.4; 16A9.1(b)(ii); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A9.2; 16A9.2(a)(ii); 17.1.1; 18.2; 19.8.4
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations of 2004	Regulation 17; 25(7A)
Division of Revenue Act 24 of 2024	Section 11(6)(a); 12(5); 16(1); 16(3); 16(3)(a)(i); 16(3)(a)(ii)(bb)
Second Amendment National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury Instruction No. 1 of 2021/22	Paragraph 4.1
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4(a); 4.17; 7.2; 7.6
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
National Treasury Practice Note 5 of 2009/10	Paragraph 3.3
National Treasury Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulation of 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulation of 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.6; 6.8; 7.1; 7.2; 7.3; 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Public Service Regulations of 2016	Regulation 18(1); 18(2); 25(1)(e)(i); 25(1)(e)(iii)
State Information Technology Agency Act 88 of 1998	Section 7(3)



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

ANNUAL FINANCIAL STATEMENTS FOR THE FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS

**For the year ended
31 March 2025**

Date authorised for issue: _____

Authorised by: _____

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

**APPROPRIATION STATEMENT
for the year ended 31 March 2025**

Appropriation per programme									
2024/25								2023/24	
	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
Programme									
1. ADMINISTRATION	147 838	-	1 000	148 838	147 576	1 262	99.2%	152 770	150 566
2. HOUSING NEEDS, RESEARCH AND PLANNING	20 849	-	(1 000)	19 849	18 336	1 513	92.4%	20 598	18 399
3. HOUSING DEVELOPMENT	1 089 101	-	-	1 089 101	1 086 365	2 736	99.7%	959 115	937 842
4. HOUSING ASSETS MANAGEMENT AND PROPERTY MANAGEMENT	1 925	-	-	1 925	1 488	437	77.3%	2 255	1 392
TOTAL	1 259 713	-	-	1 259 713	1 253 765	5 948	99.5%	1 134 738	1 108 199

						2024/25		2023/24	
						Final Budget	Actual Expenditure	Final Budget	Actual Expenditure
						R'000	R'000	R'000	R'000
Reconciliation with statement of financial performance									
Add:									
Departmental receipts						-	-	-	-
NRF Receipts						-	-	-	-
Aid Assistance						-	-	-	-
Actual amounts per statement of financial performance (Total revenue)						1 259 713	-	1 134 738	-
Add:									
Aid Assistance						-	-	-	-
Prior Year unauthorised expenditure approved without funding						-	-	-	-
Actual amounts per statement of financial performance (Total expenditure)							1 253 765		1 108 199

Appropriation per economic classification

Annual Financial Statements for the Free State Department of Human Settlements - 2024/2025 Financial Year

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13

APPROPRIATION STATEMENT
for the year ended 31 March 2025

2024/25								2023/24	
	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	260 381	-	-	260 381	254 671	5 710	97.8%	258 517	251 489
Compensation of employees	207 041	-	-	207 041	203 272	3 769	98.2%	208 568	204 643
Goods and services	53 033	(6)	-	53 027	51 087	1 940	96.3%	49 947	46 844
Interest and rent on land	307	6	-	313	312	1	99.7%	2	2
Transfers and subsidies	996 194	-	-	996 194	996 033	161	100%	873 434	855 231
Households	996 194	-	-	996 194	996 033	161	100%	837 434	855 231
Payments for capital assets	3 138	-	-	3 138	3 061	77	97.5%	2 787	1 479
Machinery and equipment	3 138	-	-	3 138	3 061	77	97.5%	2 787	1 479
Total	1 259 713	-	-	1 259 713	1 253 765	5 948	99.5%	1 134 738	1 108 199

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
VOTE 13

APPROPRIATION STATEMENT
for the year ended 31 March 2025

PROGRAMME 1: ADMINISTRATION									
2024/25								2023/24	
	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. CORPRATE SERVICES	147 838	-	1 000	148 838	147 576	1 262	99.2%	152 770	150 566
Total for sub programme	147 838	-	1 000	148 838	147 576	1 262	99.2%	152 770	150 566
Economic classification									
Current payments	144 577	-	1 000	145 577	144 393	1 184	99.2%	150 080	148 640
Compensation of employees	106 029	-	-	106 029	105 593	436	99.6%	107 471	106 154
Goods and services	38 548	(6)	1 000	39 542	38 794	748	98.1%	42 607	42 484
Interest and rent on land		6	-	6	6		100%	2	2
Transfers and subsidies	283	-	-	283	281	2	99.3%	703	447
Households	283	-	-	283	281	2	99.3%	703	447
Payments for capital assets	2 978	-	-	2 978	2 902	76	97.4%	1 987	1 479
Machinery and equipment	2 978	-	-	2 978	2 902	76	97.4%	1 987	1 479
Total	147 838	-	1 000	148 838	147 576	1 262	99.2%	152 770	150 566

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

**APPROPRIATION STATEMENT
for the year ended 31 March 2025**

Programme 2: HOUSING NEEDS, RESEARCH AND PLANNING									
2024/25								2023/24	
	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	3 097	-	-	3 097	2 525	572	81.5%	2 727	2 160
2. POLICY	3 033	-	-	3 033	2 880	153	95.0%	3 046	2 672
3. PLANNING	10 575	-	-	10 575	10 197	378	96.4%	11 798	10 970
4. RESEARCH	4 144	-	(1 000)	3 144	2 734	410	87.0%	3 027	2 597
Total for sub programmes	20 849	-	(1 000)	19 849	18 336	1 513	92.4%	20 598	18 399
Economic classification									
Current payments	20 849	-	(1 000)	19 849	18 336	1 513	92.4%	20 505	18 384
Compensation of employees	18 058	-	-	18 058	17 461	597	96.7%	19 389	17 736
Goods and services	2 791	-	(1 000)	1 791	875	916	48.9%	1 116	648
Transfers and subsidies	-	-	-	-	-	-	-	16	15
Households	-	-	-	-	-	-	-	16	15
Payments for capital assets	-	-	-	-	-	-	-	77	-
Machinery and equipment	-	-	-	-	-	-	-	77	-
Total	20 849		(1 000)	19 849	18 336	1 513	92.4%	20 598	18 399

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

**APPROPRIATION STATEMENT
for the year ended 31 March 2025**

Programme 3: HOUSING DEVELOPMENT									
2024/25								2023/24	
	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	83 953	-	-	83 953	81 374	2 579	96.9%	84 628	82 580
2. FINANCIAL INTERVENTIONS	149 609	(135 325)	-	14 284	14 280	4	100%	87 953	77 165
3. INCREMENTAL INTERVENTIONS	696 769	113 513	-	810 282	810 130	152	100%	760 800	752 630
4. SOCIAL AND RENTAL INTERVENTIONS	149 310	31 272	-	180 582	180 581	1	100%	25 551	25 467
5. RURAL INTERVENTION	9 460	(9 460)	-	-	-	-	-	183	-
Total for sub programmes	1 089 101	-	-	1 089 101	1 086 365	2 736	99.7%	959 115	937 842
Economic classification									
Current payments	93 030	-	-	93 030	90 454	2 576	97.2%	85 677	83 073
Compensation of employees	81 116	-	-	81 116	78 742	2 374	97.1%	79 720	79 361
Goods and services	11 607	-	-	11 607	11 406	201	98.3%	5 957	3 712
Transfers and subsidies	995 911	-	-	995 911	995 752	159	100%	872 715	854 769
Households	995 911	-	-	995 911	995 752	159	100%	872 715	854 769
Payments for capital assets	160	-	-	160	159	1	99.4%	723	-
Machinery and equipment	160	-	-	160	159	1	99.4%	723	-
Total	1 089 101	-	-	1 089 101	1 086 365	2 736	99.7%	959 115	937 842

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

**APPROPRIATION STATEMENT
for the year ended 31 March 2025**

Programme 4: HOUSING ASSETS MANAGEMENT AND PROPERTY MANAGEMENT									
2024/25								2023/24	
	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	1 925	-	-	1 925	1 488	437	77.3%	2 255	1 392
Total for sub programmes	1 925	-	-	1 925	1 488	437	77.3%	2 255	1 392
Economic classification									
Current payments	1 925	-	-	1 925	1 488	437	77.3%	2 255	1 392
Compensation of employees	1 838	-	-	1 838	1 476	362	80.3%	1 988	1 392
Goods and services	87	-	-	87	12	75	13.8%	267	-
Total	1 925	-	-	1 925	1 488	437	77.3%	2 255	1 392

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2025**

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 1A-H of the Annual Financial Statements.

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

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

3. Detail on payments for financial assets

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

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

4.1 Per programme

Programme	Final Budget R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Budget %
Administration	148 838	147 576	1 262	1%
The Programme is within the norm of 25% expenditure per quarter due to the high expenditure on Goods & Services (Contractual Obligations).				
Housing Needs, Research & Planning	19 849	18 336	1 513	8%
The Programme is under the norm of 25% expenditure per quarter which is mainly due to the underspending on Goods & Services in this Programme.				
Housing Development	1 089 101	1 086 365	2 736	0%
The Programme is within the norm of 25% expenditure per quarter due to the 100% expenditure rate on Conditional Grants.				
Housing Asset Management, Property Management	1 925	1 488	437	23%
The Programme is within the norm of 25% expenditure which is mainly due to the underspending on Goods & Services. The main expenditure that goes through this Programme is for the Compensation of Employees.				

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2025**

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	207 041	203 272	3 769	2%
Goods and services	53 027	51 087	1 940	4%
Interest and rent on land	313	312	1	0%
Transfers and subsidies				
Households	996 194	996 033	161	0%
Payments for capital assets				
Machinery and equipment	3 138	3 061	77	2%

The overall expenditure of the Department is within the norm of 25 % expenditure per quarter. The underspending mainly relates to the underspending on Compensation of Employees due to the high vacancy rate in the Department.

4.3 Per conditional grant

	Final Budget	Actual Expenditure	Variance	Variance as a percentage of Final Budget
Conditional Grants	R'000	R'000	R'000	%
Human Settlements Development Grant (HSDG)	758 032	757 980	52	0%
Informal Settlements Upgrade Partnership Grant (ISUPG)	245 061	244 956	105	0%
Extended Public Works Programme (EPWP)	2 055	2 055	-	0%

The Conditional Grants does not reflect an under spending for the 2024/2025 financial year.

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**STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2025**

		2024/25	2023/24
	Note	R'000	R'000
REVENUE			
Annual appropriation	1	1 259 713	1 134 738
TOTAL REVENUE		1 259 713	1 134 738
EXPENDITURE			
Current expenditure			
Compensation of employees	3	203 272	204 643
Goods and services	4	51 087	46 844
Interest and rent on land	5	312	2
Total current expenditure		254 671	251 489
Transfers and subsidies			
Transfers and subsidies	6	996 033	855 231
Total transfers and subsidies		996 033	855 231
Expenditure for capital assets			
Tangible assets	7	3 061	1 479
Total expenditure for capital assets		3 061	1 479
TOTAL EXPENDITURE		1 253 765	1 108 199
SURPLUS/(DEFICIT) FOR THE YEAR		5 948	26 539

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2025**

Reconciliation of Net Surplus/(Deficit) for the year

Voted funds	5 948	26 539
Annual appropriation	5 791	7 461
Conditional grants	157	19 078
SURPLUS/(DEFICIT) FOR THE YEAR	5 948	26 539

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**STATEMENT OF FINANCIAL POSITION
as at 31 March 2025**

		2024/25	2023/24
	Note	R'000	R'000
ASSETS			
Current assets		7 578	25 197
Cash and cash equivalents	8	30	17 667
Receivables	10	7 548	7 530
Non-current assets		488	164
Receivables	10	488	164
TOTAL ASSETS		8 066	25 361
LIABILITIES			
Current liabilities		10 253	27 566
Voted funds to be surrendered to the Revenue Fund	11	5 948	26 539
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	12	46	25
Bank overdraft	13	3 433	-
Payables	14	826	1 002
TOTAL LIABILITIES		10 253	27 566
NET ASSETS		(2 187)	(2 205)
		2024/25	2023/24
		R'000	R'000
Represented by:			
Recoverable revenue		2 920	2 902
Unauthorised expenditure		(5 107)	(5 107)
TOTAL		(2 187)	(2 205)

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**STATEMENT OF CHANGES IN NET ASSETS
as at 31 March 2025**

	2024/25	2023/24
	R'000	R'000
Recoverable revenue		
Opening balance	2 902	2 848
Transfers:	18	54
Debts recovered (included in departmental revenue)	(78)	(47)
Debts raised	96	101
Closing balance	2 920	2 902
Unauthorised expenditure		
Opening balance	(5 107)	(5 107)
Closing Balance	(5 107)	(5 107)
TOTAL	(2 187)	(2 205)

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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CASH FLOW STATEMENT
for the year ended 31 March 2025

		2024/25	2023/24
	Note	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		1 260 350	1 135 374
Annual appropriation funds received	1.1	1 259 713	1 134 738
Departmental revenue received	2	628	497
Interest received	2.2	9	139
Net (increase)/decrease in net working capital		(518)	(211)
Surrendered to Revenue Fund		(27 227)	(656 213)
Current payments		(254 359)	(251 487)
Interest paid	5	(312)	(2)
Transfers and subsidies paid	6	(996 033)	(855 231)
Net cash flow available from operating activities	15	(18 099)	(627 770)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	7	(3 061)	(1 479)
Proceeds from sale of capital assets	2.3	72	4
Net cash flow available from investing activities		(2 989)	(1 475)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in net assets		18	54
Net cash flows from financing activities		18	54
Net increase/(decrease) in cash and cash equivalents		(21 070)	(629 191)
Cash and cash equivalents at beginning of period		17 667	646 858
Cash and cash equivalents at end of period	16	(3 403)	17 667

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025**

ACCOUNTING POLICIES

Summary of significant accounting policies

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

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

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

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025

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 amount's 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.
7.3	Accrued departmental revenue Accruals in respect of departmental revenue (excluding tax revenue) are recorded in the notes to the financial statements when: - it is probable that the economic benefits or service potential associated with the transaction will flow to the department; and - the amount of revenue can be measured reliably. The accrued revenue is measured at the fair value of the consideration receivable. Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents. Write-offs are made according to the department's debt write-off policy.
8	Expenditure
8.1	Compensation of employees
8.1.1	Salaries and wages Salaries and wages are recognised in the statement of financial performance on the date of payment.

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025

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.
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. At commencement of the finance lease term, finance lease assets acquired are recorded and measured at: the fair value of the leased asset; or if lower, the present value of the minimum lease payments. Finance lease assets acquired prior to 1 April 2024, are recorded and measured at the present value of the minimum lease payments.

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025

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. Prepayments and advances expensed before 1 April 2024 are recorded until the goods and services are received.
11	Receivables Loans and receivables are recognised in the statement of financial position at cost plus accrued interest, where interest is charged, less amounts already settled or written off. Write-offs are made according to the department's write-off policy.
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-offsets are received, or the funds are utilised in accordance with the contractual agreement.
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.

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025

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.
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 because 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.

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025

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.
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 the Provincial Legislature with funding and the related funds are received; or - approved by the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or - transferred to receivables for recovery. Unauthorised expenditure 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 expenditure 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: - 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.

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025

19	Changes in accounting policies, estimates and errors Changes in accounting policies are applied in accordance with MCS requirements. 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: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; width: 50%;">Agent</th><th style="text-align: center; width: 50%;">Responsibility</th></tr> </thead> <tbody> <tr> <td style="vertical-align: top;">The Housing Development Agency (HDA)</td><td style="vertical-align: top;">The HDA was appointed for the implementation of approved Catalytic Projects, Informal Settlements upgrading programmes, Accreditation support and Land Acquisition in the Free State.</td></tr> </tbody> </table> In terms of the arrangement the Department is the principal and is responsible for the significant Terms and Conditions of the transactions and the Department is also exposed to the variability of the outcome of the transaction. All related revenues, expenditures, assets and liabilities have been recognised or recorded in terms of the relevant policies listed herein. Additional disclosures have been provided in the notes to the financial statements where appropriate.	Agent	Responsibility	The Housing Development Agency (HDA)	The HDA was appointed for the implementation of approved Catalytic Projects, Informal Settlements upgrading programmes, Accreditation support and Land Acquisition in the Free State.
Agent	Responsibility				
The Housing Development Agency (HDA)	The HDA was appointed for the implementation of approved Catalytic Projects, Informal Settlements upgrading programmes, Accreditation support and Land Acquisition in the Free State.				
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.				
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.				

**FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025**

25	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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FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025

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:

	2024/25			2023/24		
	Final Budget	Actual Funds Received	Funds not requested / not received	Final Budget	Appropriation Received	Funds not requested / not received
Programmes	R'000	R'000	R'000	R'000	R'000	R'000
Administration	148 838	148 838	-	152 770	152 770	-
Housing Needs, Research and Planning	19 849	19 849	-	20 598	20 598	-
Housing Development	1 089 101	1 089 101	-	959 115	959 115	-
Housing Assets and Property Management	1 925	1 925	-	2 255	2 255	-
Total	1 259 713	1 259 713	-	1 134 738	1 134 738	-

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 but at the end of the financial year the whole appropriation for the financial year must be received in cash from Provincial Treasury.

1.2. Conditional grants

	Note	2024/25 R'000	2023/24 R'000
Total grants received	32	1 005 148	861 987
Human Settlements Development Grant (HSDG)	R 758 032'		
Informal Settlements Upgrading Partnership Grant (ISUPG)	R 245 061'		
Expanded Public Works Programme (EPWP)	R 2 055'		

2. Departmental revenue

	Note	2024/25 R'000	2023/24 R'000
Sales of goods and services other than capital assets	2.1	179	170
Interest, dividends and rent on land	2.2	9	139
Sales of capital assets	2.3	72	4
Transactions in financial assets and liabilities	2.4	449	327
Total revenue collected		709	640
Less: Own revenue included in appropriation	12	709	640
Total		-	-

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025

The Department collected an amount of R709' as Own Revenue as at 31 March 2025.

2.1. Sales of goods and services other than capital assets

	<i>Note</i>	2024/25 R'000	2023/24 R'000
Sales of goods and services produced by the department		179	170
Other sales		179	170
Total	2	179	170

Other Sales amounting to R179' includes revenue generated from the implementation of Policy deductions as well as for Garnishee orders.

2.2. Interest, dividends and rent on land

	<i>Note</i>	2024/25 R'000	2023/24 R'000
Interest		9	139
Total	2	9	139

The amount of R9' relates to interest charges received on staff debt.

2.3. Sales of capital assets

	<i>Note</i>	2024/25 R'000	2023/24 R'000
Tangible capital assets		72	4
Machinery and equipment		72	4
Total	2	72	4

The amount of R72' relates to the selling of capital assets due to an Asset Disposal Process as well as the selling of cellular handsets when the contracts on the RT 15 contract were upgraded during the 2024/2025 financial year.

2.4. Transactions in financial assets and liabilities

	<i>Note</i>	2024/25 R'000	2023/24 R'000
Receivables		78	59
Other receipts including Recoverable Revenue		371	268
Total	2	449	327

The amount of R78' relates to the recovery of staff debt while the amount of R371' relates to the recovery of expenditure incurred in previous financial years.

FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025

3. Compensation of employees

3.1. Analysis of balance

	2024/25	2023/24
	R'000	R'000
Basic salary	140 563	143 526
Performance award	-	100
Service based	1 238	98
Compensative/circumstantial	3 070	1 612
Other non-pensionable allowances	28 324	29 959
Total	173 195	175 295

3.2. Social contributions

	2024/25	2023/24
	R'000	R'000
Employer contributions		
Pension	18 254	18 396
Medical	11 779	10 907
Bargaining council	44	45
Total	30 077	29 348
Total compensation of employees	203 272	204 643
Average number of employees	359	392

4. Goods and services

		2024/25	2023/24
	Note	R'000	R'000
Administrative fees		128	189
Advertising		2 193	752
Minor assets	4.1	102	10
Bursaries (employees)		1 243	429
Catering		221	157
Communication		410	409
Computer services	4.2	4 426	13 782
Consultants: Business and advisory services		10 202	1 481
Legal services		8 193	5 550
Contractors		2 330	971
Agency and support / outsourced services		671	1 167
Audit cost – external	4.3	10 384	10 364
Fleet services		1 429	1 998

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Consumables	4.4	1 019	404
Operating leases		4 062	4 039
Property payments	4.5	529	334
Travel and subsistence	4.6	1 772	2 744
Venues and facilities		9	186
Training and development		242	812
Other operating expenditure	4.7	1 522	1 066
Total		51 087	46 844

4.1. Minor assets

	Note	2024/25 R'000	2023/24 R'000
Tangible capital assets		102	10
Machinery and equipment		102	10
Total	4	102	10

Minor Assets to the value of R102' has been purchased during the 2024/2025 financial year and consist mainly out of Office Equipment, Office Furniture and Kitchen Appliances amongst other minor assets.

4.2. Computer services

	Note	2024/25 R'000	2023/24 R'000
SITA computer services		4 426	4 056
External computer service providers		-	9 726
Total	4	4 426	13 782

The amount of R4 426' for SITA computer Services relates to the payment of SITA for the provision of network and e-mail services to the Department

4.3. Audit cost - external

	Note	2024/25 R'000	2023/24 R'000
Regularity audits		10 384	10 364
Total	4	10 384	10 364

Regularity Audit Fees relates to the payment of AGSA for auditing the Department's records.

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4.4. Consumables

	<i>Note</i>	2024/25 R'000	2023/24 R'000
Consumable supplies		480	174
Uniform and clothing		224	-
Household supplies		170	97
Building material and supplies		-	56
IT consumables		9	14
Other consumables		77	7
Stationery, printing and office supplies		539	230
Total	4	1 019	404

The amount of R224' for Uniform and Clothing relates to the purchase of uniforms for the security officials in the Department.

4.5. Property payments

	<i>Note</i>	2024/25 R'000	2023/24 R'000
Other		529	334
Total	4	529	334

Other property payments to the amount of R529' relates to Deed registrations and searches.

4.6. Travel and subsistence

	<i>Note</i>	2024/25 R'000	2023/24 R'000
Local		1 613	2 744
Foreign		159	-
Total	4	1 772	2 744

The Foreign expenditure relates to a delegation of officials who accompanied the MEC for Cooperative Governance, Traditional Affairs and Human Settlements to Cairo (Egypt) to participate in the 12th Session of the World Urban Forum during November 2024.

4.7. Other operating expenditure

	<i>Note</i>	2024/25 R'000	2023/24 R'000
Professional bodies, membership and subscription fees		33	39
Other		1 489	1 027
Total	4	1 522	1 066

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Other Operating expenditure to the amount of R1 489 relates to the payment for Publications in the Government Gazette, Tender Bulletins, Storage Space as well as Copier Cost.

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

	<i>Note</i>	2024/25	2023/24
Name of Commission / Committee of Inquiry		R'000	R'000
Audit Committee		218	303
Housing Tribunal Committee		720	1 168
Total	4	938	1 471

The Department is currently having 7 Housing Tribunal Members and 5 Audit Committee members (1 member resigned) who have been paid via PERSAL for the meetings/hearings that took place during the financial year.

5. Interest and rent on land

	2024/25	2023/24
	R'000	R'000
Interest paid	312	2
Total	312	2

Interest paid on overdue accounts relates to late payments to a Contractor and to interest charges on Municipal accounts regarding the Housing Fund.

6. Transfers and subsidies

		2024/25	2023/24
	<i>Note</i>	R'000	R'000
Households	<i>Annex 1A</i>	996 033	855 231
Total		996 033	855 231

6.1. Gifts, donations and sponsorships made in kind (not included in the main note)

		2024/25	2023/24
	<i>Note</i>	R'000	R'000
Donations	<i>Annex 1B</i>	-	90
Total		-	90

Donations in kind to the amount of R90' was made to two Primary Schools in the Metsimaholo District for the back-to-school programme during the 2023/2024 financial year.

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7. Expenditure for capital assets

	2024/25 R'000	2023/24 R'000
Tangible capital assets	3 061	1 479
Machinery and equipment	3 061	1 479
Total	3 061	1 479

Funds acquired for Capital Assets mainly relates to the purchase of Desktop Computers, Laptops, Office Furniture and Finance Leases.

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

	2024/25		
	Voted funds	Aid assistance	Total
Name of entity	R'000	R'000	R'000
Tangible capital assets	3 061	-	3 061
Machinery and equipment	3 061	-	3 061
Total	3 061	-	3 061

7.2. Analysis of funds utilised to acquire capital assets - Previous year

	2024/25		
	Voted funds	Aid assistance	Total
Name of entity	R'000	R'000	R'000
Tangible capital assets	1 479	-	1 479
Machinery and equipment	1 479	-	1 479
Total	1 479	-	1 479

7.3. Finance lease expenditure included in Expenditure for capital assets

	2024/25 R'000	2023/24 R'000
Tangible capital assets	2 061	1 443
Machinery and equipment	2 061	1 443
Total	2 061	1 443

The expenditure relates to the finance leases on all mobile devices as well as to Photo Copiers.

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8. Cash and cash equivalents

	2024/25 R'000	2023/24 R'000
Consolidated Paymaster General Account	-	17 637
Cash on hand	30	30
Total	30	17 667

The amount of R30' relates to the Departmental 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

9. Prepayments and advances

9.1. Advances paid (Expensed)

		Amount as at 1 April 2024 R'000	Less: Amounts expensed in current year R'000	Less: Other R'000	Amount as at 31 March 2025 R'000
	<i>Note</i>				
Public entities		153 937	(67 303)	1 972	88 606
Total	9	153 937	(67 303)	1 972	88 606

2023/24

		Amount as at 1 April 2023 R'000	Less: Amounts expensed in current year R'000	Add / Less: Other R'000	Add Current year advances R'000	Amount as at 31 March 2024 R'000
	<i>Note</i>					
Public entities		242 727	(156 167)	-	67 377	153 937
Total	9	242 727	(156 167)	-	67 377	153 937

10. Receivables

2024/25	2023/24
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		Current	Non-current	Total	Current	Non-current	Total
	Note	R'000	R'000	R'000	R'000	R'000	R'000
Claims recoverable	10.1	555	-	555	555	-	555
Staff debt	10.2	484	488	972	466	164	630
Other receivables	10.3	6 509	-	6 509	6 509	-	6 509
Total		7 548	488	8 036	7 530	164	7 694

10.1. Claims recoverable

	Note	2024/25 R'000	2023/24 R'000
Local governments		555	555
Total	10	555	555

Claims recoverable from Local Governments amounting to R555' relates to overdue amounts by Municipalities of which an amount of R496' is owed by Mangaung Metro, R34' by Matjhabeng Local Municipality and R25' is owed by Moqhaka Local Municipality.

10.2. Staff debt

	Note	2024/25 R'000	2023/24 R'000
Salary Overpayments (Employees)		2	29
Salary Overpayments (Ex-employees)		250	186
Communications Debt (Employees)		134	154
Loss Control (Employees)		25	26
Loss Control (Ex-employees)		15	17
Breach of Contract (Employees)		197	164
Breach of Contract (Ex-employees)		58	54
Excess amounts on Cell phone Handsets (Employees)		291	-
Total	10	972	630

10.3. Other receivables

	Note	2024/25 R'000	2023/24 R'000
Supplier Debt		6 509	6 509
Total	10	6 509	6 509

10.4. Impairment of receivables

2024/25 2023/24

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	R'000	R'000
Estimate of impairment of receivables	7 466	7 437
Total	7 466	7 437

The amount of R7 466' relates to all Debts as well as Claims Recoverable that are older than 3 years.

R6 911' Debt

R 555' Claims Recoverable

11. Voted funds to be surrendered to the Revenue Fund

	2024/25 R'000	2023/24 R'000
Opening balance	26 539	655 585
As restated	26 539	655 585
Transferred from statement of financial performance (as restated)	5 948	26 539
Paid during the year	(26 539)	(655 585)
Closing balance	5 948	26 539

11.1. Reconciliation on unspent conditional grants

	Note	2024/25 R'000	2023/24 R'000
Opening balance		19 078	-
Total conditional grants received	1.2	1 005 148	861 987
Total conditional grants spent		(1 004 991)	(842 909)
Unspent conditional grants to be surrendered		19 235	19 078
Less: Paid to the Provincial Revenue Fund by Provincial department		(19 078)	-
Approved for rollover		(12 102)	-
Not approved for rollover		(6 976)	-
Closing balance		157	19 078

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

2024/25 2023/24

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	R'000	R'000
Opening balance	25	13
As restated	25	13
Own revenue included in appropriation	709	640
Paid during the year	(688)	(628)
Closing balance	46	25

13. Bank overdraft

	2024/25 R'000	2023/24 R'000
Consolidated Paymaster General account	3 433	-
Total	3 433	-

14. Payables - current

	2024/25 R'000	2023/24 R'000
Clearing accounts	-	39
Other payables	826	963
Total	826	1 002

14.1. Clearing accounts

Description	2024/25 R'000	2023/24 R'000
Sal: Income Tax Account	-	39
Total	-	39

14.2. Other payables

Description	2024/25 R'000	2023/24 R'000
Trading Account Asset and Liabilities - Housing Fund	826	963
Total	826	963

Other payables relate to the Housing Fund (Trading Entity) balances owed by the department to the Entity which is payable upon the Entity ceases to operate.

15. Net cash flow available from operating activities

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	2024/25	2023/24
	R'000	R'000
Net surplus/(deficit) as per Statement of Financial Performance	5 948	26 539
Add back non-cash/cash movements not deemed operating activities	(24 047)	(654 309)
(Increase)/decrease in receivables	(342)	(119)
Increase/(decrease) in payables – current	(176)	(92)
Proceeds from sale of capital assets	(72)	(4)
Expenditure on capital assets	3 061	1 479
Surrenders to Revenue Fund	(27 227)	(656 213)
Own revenue included in appropriation	709	640
Net cash flow generated by operating activities	(18 099)	(627 770)

Non-current receivables, which were previously recognised under investing activities, which do not meet the definition of investing activities as they are not proceeds received in respect of capital assets or investments has been restated to Cash Flow from Operating Activities.

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

	2024/25	2023/24
	R'000	R'000
Consolidated Paymaster General account	(3 433)	17 637
Cash on hand	30	30
Total	(3 403)	17 667

17. Contingent liabilities and contingent assets

17.1. Contingent liabilities

			2024/25	2023/24
Liable to	Nature	Note	R'000	R'000
Claims against the department		<i>Annex 2</i>	634 425	625 333
Total			634 425	625 333

The details of each case are being discussed in the separate Annexure to the Annual Financial Statements.

17.2. Contingent assets

	2024/25	2023/24
Nature of contingent asset	R'000	R'000
Trading Account Asset and Liability – Housing Fund	24 843	22 996
Blackhead Consulting T/A Diamond Hill	230 000	230 000
Rich Soil Resources	34 160	34 160
Total	289 003	287 156

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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, at that specific point, will be surrendered to the Department where after it will be surrendered to the Provincial Revenue Fund (PRF).

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

Blackhead Consulting T/A Diamond Hill to the amount of R230 000' was added as a Contingent Asset due to the ongoing Court Case in this regard of which the outcome is still unclear

18. Accruals and payables not recognised

18.1. Accruals

	2024/25			2023/24
	30 Days	30+ Days	Total	Total
	R'000	R'000	R'000	R'000
Listed by economic classification				
Goods and services	1 924	-	1 924	610
Transfers and subsidies	10 076	67 521	77 597	62 217
Total	12 000	67 521	79 521	62 827

	2024/25	2023/24
	R'000	R'000
Listed by programme level		
Administration	1 921	610
Housing Needs, Research and Planning	2	-
Housing Development	77 598	62 217
Total	79 521	62 827

18.2. Payables not recognised

	2024/25			2023/24
	30 Days	30+ Days	Total	Total
	R'000	R'000	R'000	R'000
Listed by economic classification				
Goods and services	6 343	3 159	9 502	1 224
Transfers and subsidies	62 619	197 392	260 011	59 595
Total	68 962	200 551	269 513	60 819

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	2024/25	2023/24
Listed by programme level	R'000	R'000
Administration	9 453	1 216
Housing Development	260 060	59 603
Total	269 513	60 819

		2024/25	2023/24
Included in the above totals are the following:	<i>Note</i>	R'000	R'000
Confirmed balances with other departments	<i>Annex 4</i>	1 538	771
Confirmed balances with other government entities	<i>Annex 4</i>	492	466
Total		2 030	1 237

19. Employee benefits

	2024/25	2023/24
	R'000	R'000
Leave entitlement	10 651	9 372
Service bonus	5 628	5 381
Capped leave	1 410	1 481
Other	44	54
Total	17 733	16 288

20. Lease commitments

20.1. Operating leases

	2024/25			
	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment
	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	1 992
Later than 1 year and not later than 5 years	-	-	-	739
Total lease commitments	-	-	-	2 731

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2023/24					
	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	-	-	-	2 260	2 260
Later than 1 year and not later than 5 years	-	-	-	2 039	2 039
Total lease commitments	-	-	-	4 299	4 299

Operating leases to the amount of R1 992' 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 R739' 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 45 vehicles with Fleet Management as at 31 March 2025.

20.2. Finance leases

2024/25					
	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	-	-	-	1 744	1 744
Later than 1 year and not later than 5 years	-	-	-	718	718
Total lease commitments	-	-	-	2 462	2 462

	2023/24				
	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	-	-	-	704	704
Total lease commitments	-	-	-	704	704

The department has 29 photocopier machines which all will expire on 31 May 2025.

The department has 214 active Voice and Data Contracts with Vodacom. The department entered the RT15 Contract from National Treasury on mobile devices as from 1 April 2022 to 31 March 2026.

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21. Accrued departmental revenue

	2024/25	2023/24
	R'000	R'000
Transfers received	400 075	481 235
Total	400 075	481 235

The amount of R400 075' consist of the following:

*R362 130' for Material Advance Payments

*R 37 945' Unspent Funds by the Free State Development Corporation (FDC)

21.1. Analysis of accrued departmental revenue

	2024/25	2023/24
	R'000	R'000
Opening balance	481 235	482 461
Less Amounts written off/reversed as irrecoverable	(81 160)	(1 226)
Closing balance	400 075	481 235

The amount of R81 160' relates to the following Companies that has been Deregistered/Liquidated during the 2024/2025 financial year which makes the recovering of these monies no likely according to the legal opinion that was obtained.

- Mminathoko Trading 117 CC R 7 703'
- Scenic Route Trading R 4 464'
- TF Foundations/Symington de Kok R68 993'

22. Unauthorised, Irregular and Fruitless and wasteful expenditure

	2024/25	2023/24
	R'000	R'000
Irregular expenditure - current year	118 473	194 256
Fruitless and wasteful expenditure - current year	312	18
Total	118 785	194 274

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

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23. Related party transactions

	2024/25 R'000	2023/24 R'000
Loans to/from related parties		
Interest bearing loans to/(from)	(826)	(963)
Total	(826)	(963)
	2024/25 R'000	2023/24 R'000
Other		
Trading Account Assets & Liabilities – Housing Fund	24 843	22 996
Total	24 843	22 996

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

The amount disclosed represents possible amount payable to the department and amount payable by the department to the Fund upon the winding up of the Fund. In addition, the value of services provided to the Housing Fund by the Department of Human Settlements includes the usage of the BAS system as well as the use of services of the employees of the Department to administer the Fund.

The Chief Financial Officer also acted as CFO in the Department of Cooperative Governance and Traditional Affairs from 19 December 2024 without remuneration.

The Head of Department is also Acting Head of Department for Public Works & Infrastructure as from 5 March 2025 without remuneration.

The Department also has an Acting Chief Director Corporate Services that is seconded from the Department of Agriculture to the Department of Cooperative Governance & Traditional Affairs as from 20 November 2024 without remuneration.

24. Key management personnel

	2024/25 R'000	2023/24 R'000
Level 16	2 594	2 369
Level 15	2 039	1 722
Level 14	6 394	7 022
Total	11 027	11 113

The Department of Human Settlements is sharing the 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 with a normal relationship on terms and conditions no more or less favourable than those applicable to other Departments. All expenditure for Compensation of Employees as well as for Goods & Services are carried by COGTA since the MEC and all his supporting staff are on COGTA's establishment.

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25. Provisions

	2024/25 R'000	2023/24 R'000
Retention Fees	54 081	58 815
Total	54 081	58 815

25.1. Reconciliation of movement in provisions - Current year

	Retention Fees R'000	Total provisions R'000
Opening balance	58 815	58 815
Increase in provision	236	236
Change in provision due to change in estimation of inputs	(4 970)	(4 970)
Closing balance	54 081	54 081

Reconciliation of movement in provisions - Prior year

	Retention Fees R'000	Total provisions R'000
Opening balance	58 756	58 756
Increase in provision	59	59
Closing balance	58 815	58 815

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 this 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 onwards 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.
- Retention calculation was disclosed for Water and Sewer based on payment certificates.
- For payments made between 2010 and 2014 and no contracts were found, the assumption for the retention was calculated at 10%
- Contracts were used as the basis to determine the retention percentage where possible, in the absence of contracts the Cost to Complete (CoC) were utilised as a basis of determining the percentage. In instances where contracts and CoC were not found, the percentage was calculated based on the date of the payment either at 10% for pre-2014 and 5% from 2014 (calendar year).

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The following payments were excluded from retention provisions calculation.

- 2019/20 to 2023/24 contracts will not have a retention clause,
- No retention was withheld on retainable payment milestones in 2019 to date.
- Payments made to Government Entities i.e., Free State Development, Corporation, Development Bank of South Africa (DBSA), Free State Social Housing Company (SHRA), Free State Department of Agriculture, Housing Development Agency, Municipalities, etc.
- P4 - Transfer of Ownership (Title Deeds),
- P1 - Engineering Designs,
- P2 - Township Layout Plan,

26. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2025

	2024/25				
	Opening balance	Value adjustments	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	15 859	-	1 001	1 579	15 281
Computer equipment	7 893	-	646	1 332	7 207
Furniture and office equipment	7 649	-	355	229	7 775
Other machinery and equipment	317	-	-	18	299
FINANCE LEASE ASSETS	779	-	1 226	52	1 953
Finance lease assets	779	-	1 226	52	1 953
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	16 638	-	2 227	1 631	17 234

The amount of R779' relates to the value of Cellular phones and Photo copiers that influence the opening balance as at April 2024.

The amount of R1 226' relates to cellular phones (R1 047') as well as Photocopiers (R179') which were acquired during the 2024/2025 financial year.

The amount of R52' relates to the disposal of Cellular phones whereby old handsets were sold for an amount of R500 each.

	Number	Value
Movable Tangible Capital Assets under investigation		R'000
Included in the above total of the movable tangible capital assets per the asset register that are under investigation:		
Machinery and equipment	28	487
Total	28	487

The 28 major assets disclosed as assets under investigation were referred to the Loss Control Committee for possible recoveries or write-offs. The cases were not yet concluded as at 31 March 2025.

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26.1. MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2024

	2023/24				
	Opening balance	Prior period error	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	16 207	-	36	384	15 859
Computer equipment	8 025	-	36	168	7 893
Furniture and office equipment	7 823	-	-	174	7 649
Other machinery and equipment	359	-	-	42	317
FINANCE LEASE ASSETS	734	-	45	-	779
Finance lease assets	734	-	45	-	779
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	16 941	-	81	384	16 638

The amount of R734' relates to Cell phone handsets (R18') and Photocopiers (R716') that effects the Opening Balance on Finance Leases. The amount of R45' relates to addition on cell phone contracts during 2023/2024 Financial year.

26.2. Minor assets

MOVEMENT IN MINOR CAPITAL ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2025

	2024/25						
	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Finance lease assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	56	-	4 383	-	4	4 439
Additions	-	-	-	102	-	127	229
Disposals	-	-	-	109	-	-	109
Total Minor assets	-	56	-	4 376	-	131	4 536
	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Finance lease assets	Total
Number of R1 minor assets	-	-	-	48	-	-	48
Number of minor assets at cost	-	20	-	2 494	-	61	2 575
Total number of minor assets	-	20	-	2 542	-	61	2 623

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Minor 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	15	28

The 15 minor assets disclosed as assets under investigation were referred to the Loss Control Committee for possible recoveries or write-offs. The cases were not yet concluded as at 31 March 2025.

Minor assets to the value of R102' were acquired throughout the financial year in the form of amongst other things Office Equipment, Domestic Equipment etc.

An amount of R127' were added as additions with regard to cell phone handsets that were upgraded on the RT15 contract during the 2024/2025 financial year.

Minor Assets to the amount of R109' were disposed off through an Asset Disposal process during 2024/2025 financial year.

The amount of R4' relates to minor assets in the form of cell phone handsets that effects the opening balance.

MOVEMENT IN MINOR CAPITAL ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2024

	2023/24					
	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Finance lease assets
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	56	-	4 620	-	4
Additions	-	-	-	10	-	-
Disposals	-	-	-	247	-	-
Total Minor assets	-	56	-	4 383	-	4

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Finance lease assets	Total
Number of R1 minor assets	-	-	-	48	-	-	48
Number of minor assets at cost	-	20	-	2 445	-	-	2 465
Total number of minor assets	-	20	-	2 493	-	-	2 513

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27. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2025

2024/25				
	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 2024

			2023/24				
			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 ASSETS	INTANGIBLE	CAPITAL	4 809	-	-	-	4 809

28. Principal-agent arrangements

28.1. Department acting as the principal

	2024/25 R'000	2023/24 R'000
Housing Development Agency (HDA)	21 283	86 614
Total	21 283	86 614

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 R21 283' for the 2024/2025 financial year as at 31 March 2025 and there was no indication of terminating the Principal Agent Arrangement.

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29. Changes in accounting estimates and Changes in accounting policies

29.1. Changes in accounting policies

2023/24						
		Opening balance before the change (1 Apr 2023)	Adjustment of opening balance	Restated opening balance after the change (1 Apr 2023)	Adjust- ment for 2023/2 4	Restated closing balance (31 Mar 2024)
Nature of change in accounting policy	Note	R'000	R'000	R'000	R'000	R'000
Finance lease assets						
Movable Tangible Capital Assets	26	-	-	-	782	782

The amount of R782 is made up out of an amount of R18' that effects the opening balance as well as an amount of R46' as additions on cell phone handsets and photocopiers to the amount of (R718')

30. Prior period errors

30.1. Correction of prior period errors

				2023/24		
				Amount bef error correction	Prior period error	Restated
				R'000	R'000	R'000
	Note					
Assets:						
Note 23: Decrease in Receivables	23			(104)	(15)	(119)
Note 9: Increase in Pre-Payment & Advances	9.1			175 404	67 323	242 727
Net effect				175 300	67 308	242 608

Non-current receivables, which were previously recognised under investing activities, which do not meet the definition of investing activities as they are not proceeds received in respect of capital assets or investments has been restated to Cash Flow from Operating Activities.

Prepayments & Advances were restated due to an amount of R67 323' that were paid previously to Matjhabeng Municipality for Title Deed Restoration.

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		2024/25		
		Amount bef error correction	Prior period error	Restated
		R'000	R'000	R'000
Liabilities:				
Note 18.1 Increase in Accruals (Transfers & Subsidies)	18.1	49 372	12 845	62 217
Note 18.1 Increase in Accruals (Goods & Services)	18.1	557	53	610
Note 18.2 Decrease in Payables (Transfers & Subsidies)	18.2	59 741	(146)	59 595
Note 25 Decrease in Provisions	25	58 906	(91)	58 815
Note 17.1 Increase in Contingent Liabilities	17.1	599 308	26 025	625 333
Net effect		767 884	38 686	806 570

Accruals on Transfers & Subsidies as well as on Goods & Services have been restated due to support received post reporting date.

Payables on Transfers & Subsidies were restated due to support received post reporting date.

Provisions were decreased due to audit findings and re classifications of retention liabilities.

Contingent Liabilities were increased due to the amount for Lois Construction (R15') that was incorrect, the case between the Department and the Free State Development Corporation (R22 760') that was not previously disclosed and a restatement done on Etsho Civils (R3 250').

31. 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) R79 521 million and Note 18.2 (Payables) R269 513 million.

In addition to the above the Department also has pending legal proceedings amounting to R634 425 million, which the Department will struggle to settle should the claims be successful and given its financial position.

There are also unspent funds from the 2024/2025 financial year to the amount of R6 million that still needs to be surrendered to the Provincial Revenue Fund (PRF) using the cash of the 2025/2026 financial year. The Department also had a Bank overdraft of R3 433 million in the current year based on the unauthorised expenditure that occurred in 2021. 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 therefore the Department does not consider the houses as assets, 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 unpaid invoices at the end of the financial year to Contractors which will form part of the Conditional Grant allocations received from the National Department of Human Settlements during the 2025/2026 financial year. The latter also applies to Accruals where the biggest amount relates to retention fees payable to Contractors.

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32. Statement of conditional grants received

Name of grant	2024/25									2023/24	
	GRANT ALLOCATION					SPENT					
	Division of Revenue Act / Provincial grants	Roll overs	DORA Adjust-ments	Other Adjust-ments	Total Available	Amount received by department	Amount spent by department	Under- / (Oversp ending)	% of available funds spent by depart-ment	Division of Revenue Act / Provincial 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)	800 430	7 602	(50 000)	-	758 032	758 032	757 980	52	100%	635 945	621 387
Informal Settlements Upgrade Partnership Grant (ISUP)	190 561	4 500	50 000	-	245 061	245 061	244 956	105	100%	223 704	219 184
Expanded Public Works Programme (EPWP)	2 055	-	-	-	2 055	2 055	2 055	-	100%	2 338	2 338
TOTAL	993 046	12 102	-	-	1 005 148	1 005 148	1 004 991	157		861 987	842 909

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33. 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.

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ANNEXURE 1A

STATEMENT OF TRANSFERS TO HOUSEHOLDS

	2024/25						2023/24	
	TRANSFER ALLOCATION				EXPENDITURE			
	Adjusted Budget	Roll overs	Adjustment s	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	473	-	-	473	469	99.2%	1 445	778
H/H Donations and Gifts (Cash)	-	-	-	-	-	-	90	90
H/H S/Ben Injury on Duty	11	-	-	11	10	90.9%	13	-
H/H: Claims Against State (Cash)	101	-	-	101	101	100%	-	-
Individual Support (Housing)	4 076	-	-	4 076	4 073	99.9%	85 352	76 266
Institutional Support (Housing)	180 276	-	-	180 276	180 275	100%	25 551	25 467
Project Linked Support (Housing)	566 196	-	-	566 196	566 149	100%	537 023	533 446
Upgrading Informal Housing Assistance	245 061	-	-	245 061	244 956	100%	223 704	219 184
Emergency housing Assistance	-	-	-	-	-	-	73	-
Rural Support Informal Land	-	-	-	-	-	-	183	-
Total	996 194	-	-	996 194	996 033	-	873 434	855 231

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ANNEXURE 1B

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE

	2024/25	2023/24
Nature of gift, donation or sponsorship	R'000	R'000
Donations		
Donation of School shoes to 2 Primary Schools in the Metsimaholo District for the back-to-school project	-	90
TOTAL GIFTS, DONATIONS AND SPONSORSHIPS MADE IN KIND	-	90

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ANNEXURE 1C

STATEMENT OF ACTUAL MONTHLY EXPENDITURE PER GRANT

	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sept 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	Feb 2025	Mar 2025	Total
Grant Type	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Human Settlements Development Grant (HSDG)	-	56 598	33 210	109 431	83 561	88 091	74 095	114 289	34 064	8 559	48 610	107 472	757 980
Expanded Public Works Programme (EPWP)	-	-	-	435	-	-	-	-	1 000	-	-	620	2 055
Informal Settlements Upgrade Partnership Grant (ISUP)	-	8 638	1 256	1 500	35 669	35 922	44 178	33 813	4 456	14 607	-	64 917	244 956
TOTAL	-	65 236	34 466	111 366	119 230	124 013	118 273	148 102	39 520	23 166	48 610	173 009	1 004 991

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**ANNEXURE 2
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2025**

Nature of liability	Opening balance 1 April 2024 R'000	Liabilities incurred during the year R'000	Liabilities paid / cancelled / reduced during the year R'000	Liabilities recoverable (Provide details hereunder) R'000	Closing balance 31 March 2025 R'000
Claims against the department					
BLACKHEAD CONSULTANTS	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 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 & 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 Henneman and 100 units in Ventersburg					
WOLSTRAAT PROPERTIES	1 404	-	-	-	1 404
During or about 2006 and 2007 the Plaintiff purchased numerous residential properties situated in Meloding, Thabong and Kutlwanong in the Free State Province which previously belonged to an entity which conducted mining activities, and which were repossessed by a commercial bank. The said properties were occupied by workers who had previously worked for the mine in question. The department failed to pay the purchase price of the properties to the Plaintiff					

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ANNEXURE 2

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2025

	Opening balance 1 April 2024	Liabilities incurred during the year	Liabilities paid / cancelled / reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing balance 31 March 2025
Nature of liability	R'000	R'000	R'000	R'000	R'000
ETSHO CIVILS PTY LTD	28 657	-	-	-	28 657
The Plaintiff is suing the Department for monies allegedly owed to them for services rendered. The Department is defending the matter.					
LOIS CONSTRUCTION	5 470	-	-	-	5 470
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 Riebeckstad, Rheederpark and Hospitalview. 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.					
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 Civils totalling R4 173 006, in terms of the cession agreement entered by all 3 parties in April 2019.					
NYAPOTSE INCORATED	1 183	-	-	-	1 183
The Plaintiff was appointed to represent the department in disciplinary hearings. Hearings proceeded and invoices was paid except the last invoice that was submitted. The plaintiff agreement with the department was terminated thus they instituted legal proceedings against the Department. The department is defending the matter as the Plaintiff's appointment were not in line with the required SCM processes.					

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STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2025

	Opening balance 1 April 2024	Liabilities incurred during the year	Liabilities paid / cancelled / reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing balance 31 March 2025
Nature of liability	R'000	R'000	R'000	R'000	R'000
SXB CIVILS	9 451	-	-	-	9 451
The Applicant was appointed by the Department to Construct 200 housing units in Memel. The applicant proceeds with construction. The applicant incurred cost on standing time before the conditions was met thus instituted legal proceedings against the Department for losses suffered. The Department is defending the matter since the applicant acted negligently by incurring cost before the conditions was met.					
TAIOREX	169	-	169	-	-
The applicant entered into an agreement of sale with an approved beneficiary. The applicant transferred ownership to the beneficiary and submitted the necessary documentation to the department for payment. There was however a delay in the payment of the invoices thus the applicant instituted legal action against the department. The department is not defending the matter.					
MPAKATI	21 318	-	-	-	21 318
The plaintiff is suing the department for breach of contract due to the department unlawfully terminated the contract with the plaintiff and submitted the necessary documentation for eh department for payment. There was however a delay in the payment of the invoices. The department is defending the matter and consultation is in process between Counsel and the Office of the State Attorney. The department is open for mediation.					

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ANNEXURE 2

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2025

	Opening balance 1 April 2024	Liabilities incurred during the year	Liabilities paid / cancelled / reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing balance 31 March 2025
Nature of liability	R'000	R'000	R'000	R'000	R'000
HLANO FINANCIAL SERVICES	429 226	-	-	-	429 226
The applicant issued an application for the payment of monies allegedly owed for 2 602 individual subsidy applications allegedly approved by the department. The department is opposing the application and notice to oppose has been filed.					
TSHEPO MEDUPE	39 984	-	-	-	39 984
The Plaintiff act as liquidators of Uniq Holdings (PTY) LTD, a company in liquidation which had entered into an agreement with the department for the development of community residential units, Block G, Thabong Extension 3, Welkom. The Plaintiffs are suing the department for alleged unpaid invoices. The department is defending the matter. No invoices were received from the consultant confirming work done by the company.					
CALLIS ATTORNEYS	214	-	214	-	-
The department contracted the plaintiff in November 2018 to do replacement title deed for several beneficiaries whose title deeds appear to have been registered on the registry system but were never paid for nor submitted. The instructions were provided through a service provider Lyko Information Security who are contracted by the department to issue allocations to conveyancers. The plaintiff commenced the work and did the advertising as required. Upon submitting invoices, it was discovered that the work which was allocated had already been done and paid for by the department to another conveyancers thus the department is not able to process the plaintiffs' invoices as it would be irregular expenditure					

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STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2025**

Nature of liability	Opening balance 1 April 2024 R'000	Liabilities incurred during the year R'000	Liabilities paid / cancelled / reduced during the year R'000	Liabilities recoverable (Provide details hereunder) R'000	Closing balance 31 March 2025 R'000
METROFILE	-	236	236	-	-
The plaintiff brought legal proceedings against the department for amounts due to them for record keeping					
EMENDO INC	1 182	-	-	-	1 182
The plaintiff instituted legal action against the department for payment of professional fees rendered in Vogelfontein. The department is defending the action. Default judgement was granted, and the matter is at pleading stage.					
HILL MACHARDY & HERBST	-	74	74	-	-
The plaintiff enters into a service level agreement to register title deed in various towns. The service was done but the defendant fails to pay.					
G2G	-	2 056	-	-	2 056
Plaintiff issues summons against the Department for payment of monies allegedly owed in terms of payment certificate 38 issued and certified payable by the Departments engineers. The plaintiff is a cessionary in a tripartite cession agreement entered into between the Department, Amadwala Trading and the plaintiff.					
BIGEN WBHO HOUSING (PTY)LTD	-	7 419	-	-	7 419
The Plaintiff instituted legal action against the MEC of Human Settlements for payment of invoices claimed but not paid					

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**ANNEXURE 2
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2025**

	Opening balance 1 April 2024	Liabilities incurred during the year	Liabilities paid / cancelled / reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing balance 31 March 2025
Nature of liability	R'000	R'000	R'000	R'000	R'000
FREE STATE DEVELOPMENT CORPORATION (FDC)	22 760	-	-	-	22 760
The Free State Development Corporation entered into cession agreements whereby the Department was the Principal and the Cedents the Service Providers. FDC file for breach and indicate the Department still owes them the said funds to pay the Cedents.					
TOTAL	625 333	9 785	693	-	634 425

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**ANNEXURE 3
CLAIMS RECOVERABLE**

	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash-in-transit at year end 2024/25 *	
							Receipt date up to six (6) working days after year end	
	31/03/2025	31/03/2024	31/03/2025	31/03/2024	31/03/2025	31/03/2024		Amount
Government entity	R'000	R'000	R'000	R'000	R'000	R'000		R'000
Other Government Entities								
Mangaung Furnserv	-	-	265	265	265	265	-	-
Mangaung Bomme Building Construction	-	-	230	230	230	230	-	-
Matjhabeng Municipality	-	-	34	34	34	34	-	-
Moqhaka Municipality	-	-	26	26	26	26	-	-
Subtotal	-	-	555	555	555	555	-	-
TOTAL	-	-	555	555	555	555	-	-

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**ANNEXURE 4
INTERGOVERNMENT PAYABLES**

	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash-in-transit at year end 2024/25	
							Payment date up to six (6) working days after year end	
	31/03/2025	31/03/2024	31/03/2025	31/03/2024	31/03/2025	31/03/2024		Amount
Government entity	R'000	R'000	R'000	R'000	R'000	R'000		R'000
DEPARTMENTS								
Current								
Department of the Premier	60	117	-	-	60	117	-	-
Department of Justice	1 190	654	-	-	1 190	654	-	-
Department of Social Development	85	-	-	-	85	-	-	-
National Department of Human Settlements	203	-	-	-	203	-	-	-
Subtotal	1 538	771	-	-	1 538	771	-	-
Total Departments	1 538	771	-	-	1 538	771	-	-
OTHER GOVERNMENT ENTITIES								
Current								
Fleet management	492	466	-	-	492	466	-	-
Subtotal	492	466	-	-	492	466	-	-
Total Other Government Entities	492	466	-	-	492	466	-	-
TOTAL INTERGOVERNMENT PAYABLES	2 030	1 237	-	-	2 030	1 237	-	-

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**ANNEXURE 5
INVENTORIES**

	Housing Units	Total
Inventories for the year ended 31 March 2025	R'000	R'000
Opening balance	484 050	484 050
Closing balance	484 050	484 050

	Housing Units	Total
Inventories for the year ended 31 March 2024	R'000	R'000
Opening balance	484 050	484 050
Closing balance	484 050	484 050

ANNEXURE 6

DEPARTMENT OF HUMAN SETTLEMENTS HOUSING RELATED EXPENDITURE

CLASSIFICATION	2024/25 R'000	2023/24 R'000
Inventories		
Housing Units	484 050	484 050
Subtotal	484 050	484 050
Transfers and subsidies		
Household (HH)	996 033	855 231
Subtotal	996 033	855 231
TOTAL	1 480 083	1 339 281

ANNEXURE 7
ANALYSIS OF PREPAYMENTS AND ADVANCES (NOTES 9)

Name of Entity	Sector of the entity	Description of the item paid for	Classification category	Contract reference number	Total Contract Value	Balance outstanding as at 31 March 2024	Total amount prepaid /advanced in the current year	Less: goods, services or capital assets received in the current year	Add/Less: Other	Balance outstanding as at 31 March 2025
					R'000	R'000	R'000	R'000	R'000	R'000
Advances										
Housing Development Agency (HDA)	Housing Development	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.	Public entities	Implementation Protocol Plan	Values are determined by the HSDG allocation per Financial Year	86 614	-	(67 303)	1 972	21 283
Matjhabeng Municipality	Local Government	Title Deed Restoration	Other Institutions	Implementation Protocol	67 323	67 323	-	-	-	67 323
Total advances						153 937	-	(67 303)	1 972	88 606
TOTAL PREPAYMENTS AND ADVANCES						153 937	-	(67 303)	1 972	88 606

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Free State Housing Fund set out on pages 200 to 231, which comprise the statement of financial position as at 31 March 2025, the statement of financial performance, the 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 2025, and its financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting Practice.

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 public entity in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code), as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty related to going concern

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

7. As disclosed in note 12 to the financial statements, management indicated that they intend to close the public entity during the next financial year. These events or conditions, along with other matters set forth in note 12, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern

Emphasis of matter

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

Related Parties

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

Responsibilities of the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the standards of GRAP and 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. This description, which is located at page 115, forms part of my 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 ^{A L}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

Aditor General

Bloemfontein

30 July 2025



**DITOR - GENE
A USOUTH 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, ²⁰²structure, 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 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.

ANNEXURE G

External auditors sign off of Departmental Annual Financial Statements for consolidation

The Accounting Officer Free State Housing Fund PO Box 247
Bloemfontein 9300

31 July 2025

Dear Adv. T J Phahlo

As part of our audit of the annual financial statements, we have confirmed that the completed department 2024-25 AFS Template of Free State Housing fund as of 31 March 2025 agrees with the audited financial statements, for the purpose of your preparation of the Free State consolidated financial statements. This template comprises the following worksheets: Annual Financial Statements Notes on primary and secondary information, and Inter-Departmental payables and receivables recorded in Annexures 5, 8A and 8B. The procedures performed are required by ISA 600 and are only limited to the procedures below:

1. The audit of the annual financial statements of Free State Housing fund prepared in accordance with the basis of accounting included in note 207 to these financial statements, was completed on 30 July 2025.
2. The AFS Template was completed and prepared by management of the entity in accordance with National Treasury instructions.

Findings:

3. The AFS Template referred to above agrees with the audited annual financial statements of the department.
4. The Inter-Entity annexures for both current and prior period in the AFS Template is complete, and accurate for Provincial Treasury to use in the final consolidation processes.
5. This sign off is solely for your information and use in conjunction with the audit of the Free State Consolidated financial statements and should not be distributed to any other parties or used for any other purpose.

If you have any questions on the contents of the sign off please contact me.

31 July 2025



Sammy Motloun Bloemfontein

FREE STATE HOUSING FUND
ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2025

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FREE STATE HOUSING FUND

ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2025

GENERAL INFORMATION

Accounting Officer:	Adv. T.J. Phahlo
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:	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 2025.
Preparer:	The Annual Financial Statements were compiled by the Department of Human Settlements.
Supervised by:	The Annual Financial Statements are under the direction and supervision of Adv T.J. Phahlo, the Head of the Department of Human Settlements.

FREE STATE HOUSING FUND

REPORT OF THE ACCOUNTING OFFICER FOR THE PERIOD ENDED 31 MARCH 2025

The Accounting Officer submits his report for the period ended 31 March 2025:

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.

Adv. T.J. Phahlo
Human Settlements: Head of Department

FREE STATE HOUSING FUND

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL STATEMENT FOR THE PERIOD ENDED 31 MARCH 2025

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

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

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

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

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

The Annual Financial Statements set out on pages 7 to 27, which have been prepared on the liquidation basis, were approved by the accounting officer on and were signed by:

Adv. T.J. Phahlo
Head of the Department

FREE STATE HOUSING FUND**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2025**

	Notes	2024/25 R'000	2023/24 R'000
ASSETS			
Current assets			
Trade and other receivables from exchange transactions	2	152	155
Other Receivables from Non-Exchange Transactions	3	826	963
Cash and Cash Equivalents	1	24 843	22 996
Inventories	4	414	414
TOTAL ASSETS		26 235	24 528
EQUITY AND LIABILITIES			
Accumulated surplus		26 203	24 496
Current liabilities			
Trade and other Payables from Exchange Transactions	11	32	32
TOTAL EQUITY AND LIABILITIES		26 235	24 528

FREE STATE HOUSING FUND**STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED
31 MARCH 2025**

	Notes	2024/25 R'000	2023/24 R'000
REVENUE FROM EXCHANGE TRANSACTIONS:			
Interest Earned - External Investments	9	1 844	1 751
TOTAL REVENUE		1 844	1 751
General Expenses (Other)	10	(137)	(131)
SURPLUS / (DEFICIT) FOR THE PERIOD		1 707	1 620

FREE STATE HOUSING FUND

**STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED
31 MARCH 2025**

	Accumulated Surplus Total R'000
Net Assets	
BALANCE FOR THE YEAR ENDED 31 MARCH 2024	24 496
Total Surplus (Deficit) for the Period Net of Tax:	1 707
BALANCE FOR THE YEAR ENDED 31 MARCH 2025	26 203

FREE STATE HOUSING FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2024/25 R'000	2023/24 R'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest Income	6	1 847	1 721
Goods and Services	6	(137)	(131)
Cash flows from operating activities		1 710	1 590
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of borrowings	6	137	131
Net increase /(decrease) in cash and cash equivalents		1 847	1 721
Cash and cash equivalents at beginning of the year	1	22 996	21 275
Cash and Cash Equivalents	1	24 843	22 996

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2025

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 2025

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 2024/25 financial year thus it does not apply to the financial statements that were prepared:

GRAP 104 – Financial Instruments

The revised standard becomes effective on 1 April 2025. The impact of the new standard is yet to be assessed; however, it is unlikely to affect the financial statements, as the financial instrument disclosed pertains solely to the bank balance and accrued interest of the Housing Fund. The amount is determined by the bank, and therefore, management does not perform any estimations. The entity shall apply this Standard for the recognition, measurement, presentation, and disclosure of a 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.

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 2025

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 2025

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.

FREE STATE HOUSING FUND

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2025

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 2025

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 2025

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 2025

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 2025

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.

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2025

	2024/25 R'000	2023/24 R'000
1. CASH AND CASH EQUIVALENTS		
Cash and Bank	24 843	22 996
Total Cash and Cash Equivalents	24 843	22 996
Cash at Nedbank earned 7.48% 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	152	155
Total Trade and Other Receivables from Exchange Transactions	152	155

Rental receivable longer than 120 days has 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 2025

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 2024

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 2025
Summary of Debtors by Customer Classification

Consumers
R '000

Industrial /Commercial
R '000

As at 31 March 2025

Current (0 – 30 days)	-	152
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 **-** **152**

As at 31 March 2024

Current (0 – 30 days)	-	155
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 **-** **155**

Reconciliation of the doubtful debt provision

2024/25
R'000

2023/24
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

2024/25
R'000

2023/24
R'000

Provincial Government	826	963
Total Trade and Other Receivables from Non-Exchange Transactions	826	963

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

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2025

4. INVENTORIES

	2024/25	2023/24
	R'000	R'000
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 2024/25 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 2025, 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 R24 843m' as 31 March 2025 will be surrendered to the Department. Prior year bank balance amounted to R22 996m. Significant uncertainties exist with the Fund as the Fund will be discontinued once the Housing Act, 1997 (No. 107 of 1997), is repealed. Specific timelines have however not been set in this regard.

6. RECONCILIATION OF NET PROFIT TO CASH GENERATED FROM OPERATIONS	2024/25	2023/24
	R'000	R'000
Goods and Services	(137)	(131)
Adjustments for:		
Interest, Dividends and Rent on land	1 847	1 721
Net Cash flow from Operating activities	1 710	1 590
Cash flows from financing activities		
Repayment of borrowing	137	131-
Other receivables from non-exchange transactions	-	-
Trade and other payables from exchange transactions	-	-
Other working capital movements	-	-
Net increase/(decrease) in cash and cash equivalents	1 847	1 721

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2025

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:

	Notes	Carrying amount 2024/25 R'000	2023/24 R'000
Financial Assets			
Trade and other Receivable from Exchange Transactions	2	152	155
Cash and cash equivalents	1	24 843	22 996
Total Financial Assets		24 995	23 151

The financial assets by category:

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

2025	Financial assets at fair value R'000	Financial assets and liabilities at amortised cost R'000	Total R'000
Trade receivables	-	152	152
Cash and cash equivalents	24 843	-	24 843
	22 843	152	24 995
2024	Financial assets at fair value R'000	Financial assets and liabilities at amortised cost R'000	Total R'000
Trade receivables	-	155	155
Cash and cash equivalents	22 996	-	22 996
	22 996	155	23 151

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.

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2025

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.

	2024/25 R'000	2023/24 R'000
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.

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2025

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:

2025	2025 impact	2024 impact
Interest income		
Interest rate increase of 100 basis points	0.00	0.00
Interest rate decrease 100 basis points		

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.

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2025

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.

	2024/25 R'000	2023/24 R'000
Contingent Liability	24 843	22 996
Trade and other Receivable from non-exchange transactions	(826)	(963)
Total	24 017	22 033

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	2024/25 R'000	2023/24 R'000
From exchange transaction:		
Other Income	-	-
Finance Income-Bank	1 844	1 751
Total	1 844	1 751

10. GENERAL EXPENSES	2024/25 R'000	2023/24 R'000
Other	137	131
Total	137	131

11. TRADE AND OTHER PAYABLES	2024/25 R'000	2023/24 R'000
Other Creditors	32	32
Total	32	32

Relates to debtors with credit balances

FREE STATE HOUSING FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2025

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 2024/25 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 R24 843 025,73 as at 31 March 2025, 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.