

REPORT OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS IN RELATION TO THE 4th QUARTERLY REPORT OF THE DEPARTMENT OF HUMAN SETTLEMENTS – MEETING HELD ON 12 JUNE 2018

1. INTRODUCTION

Rule 218 of the Rules and Orders of the Mpumalanga Provincial Legislature, requires that the Member of the Executive Council (MEC) responsible for a provincial department must table the quarterly reports of the department to the Speaker, within 30 calendar days after the end of a quarter and that the Speaker must thereafter refer the report (s) to the relevant committee for consideration and report back to the Legislature.

The Committee considered the 4th quarterly report of the Department of Human Settlements (the Department) for the 2017/18 financial year, reporting period January - March 2018. Interaction with the department was aimed at assessing the Department's performance for the quarter.

2. METHOD OF WORK

The Speaker received and referred the 4th Quarterly Report, for 2017/18 financial year, tabled by the MEC responsible the Department of Human Settlements to the Portfolio Committee on Human Settlements; Co-operative Governance and Traditional Affairs (the Committee) for consideration and report back to the House. On 30 May 2018, the Social Cluster Committees held its closed meeting whereby the committee support staff briefed the committee on the tracking of house resolutions and the 4th quarterly analysis report based on the department's Budget Vote and approved Annual Performance Plan (APP). After the briefing, questions were sent to the department for written responses.

The Committee met on 12 June 2018 where they engaged and interacted with the department on the content of their 4th Quarterly Report in seeking clarities and other related information to confirm the actual progress in achieving planned targets. Flowing from the robust engagement with the department, the committee requested the department to provide additional written information that was required for the committee to conclude its report.

The invitation was extended to the MEC for Human Settlements, the Head of Department (HOD) and his senior management team, the Provincial Treasury, the Office of the Auditor-General, South African Local Government Association (SALGA) and House of Traditional Leaders (HTL), Public Service Commission (PSC) to the meeting. Subsequently, the Committee considered and adopted its report on 01 August 2018.

3. GENERAL OBSERVATIONS BY THE COMMITTEE ON 4TH QUARTERLY REPORT

- ❖ The 4th quarterly report of the Department is aligned with its 2017/2018 Annual Performance Plan.
- ❖ The Department had planned to achieve 40 targets but managed to achieve 23 targets which are 58% as at 31 March 2018.
- ❖ The Department utilized 100% of the budget for the quarter.
- ❖ Programme 2 overspent on its budget for the year by 8% which is immaterial and Programme 1 underspent on its budget by 3%.

- ❖ Generally, the Department is still not achieving some of its targets as it was reported in the 1st, 2nd, 3rd and 4th quarter.
- ❖ The Department has not developed a mechanism of identifying youth contractors and those for people living with disabilities.
- ❖ There is illegal occupation of houses in Mjejane which is within Nkomazi Local Municipality.
- ❖ The Department has not submitted proof from Treasury of the amount that was rolled over.

4. ANALYSIS ON THE BUDGET EXPENDITURE

The Committee noted that the Department had spent **R 1 839 961 000** as at 31 March 2018 is at 100% against the allocated an adjusted total budget of **R1 839 988 000** for the 2017/18 financial year.

Summary of the 4th quarter performance of the Department

Programme	Planned targets	Actual Output	Non achieved targets	% of Budget used
1. Administration	15	12	3	80%
2. Housing needs, research and planning	5	4	1	80%
3. Housing development	20	7	12	35%
4. Housing asset management	-	-	-	-
Total	40	23	16	58%

Programme Performance

The Committee noted that the Department had total planned targets of 40 and managed to achieve only 23 or 58%.

Overspending on Payment for Programme 2

The Committee wanted to know what influenced the overspending on Payment for Programme 2 by 8%. In its response the Department reported that the overspending is attributed to the placement of Engineers and Town Planners in programme 2.

The Department also reported that the programme overspent its budget on compensation of employees due to high cost of OSD posts. The programme deals with quality assurance on all grant funded projects which required extensive travelling; to projects hence overspending on travelling and subsistence. The Department further reported that during the financial year, the department paid out leave gratuity to two officials who left the department from this programme. The Department wrote-off a debt of an ex-employee from this programme. All these expenditures were covered by the 3% underspending of Programme 1 budget.

The Committee wanted to know why is the department's financial reporting not consistent. The Department reported that the **R1, 839,961,000.00** is the actual expenditure for 2017/18 financial year against a budget of **R1, 839,988,000.00** showing an underspending of **R27, 000.00**. The Committee also wanted to know why the variance of R27 000.00 was not reported under the economic classification. In its response the Department reported that the fourth quarter report was submitted prior to approval of virements and the shifting of funds. The amount of **R27, 000.00** relates to underspending on the water provision budget lumped in programme 3 under Transfers and Subsidies. The amount reflects on both the total for programmes and total for economic classification on the department's summary of expenditure.

Summary of the fourth quarter performance

Programme	Main appropriation 2017/18 R' 000	Actual Expenditure on 31 March 2018 R' 000	% Spent as at the end of quarter
1. Administration	146 280	141 428	97%
2. Housing Needs, Research and Planning	41 680	45 064	108%
3, Housing Development	1 652 028	1 653 469	100%
4. Housing Asset Management	-	-	0%
Total	1 839 988	1 839 961	100%

Economic Classification

Economic classification	Adjusted budget 2017/18 R' 000	Amount spent as at 31 March 2018 R' 000	% of budget spent
Compensation of employees	191 589	191 649	100%
Goods and services	54 727	54 457	99%
Total transfers and subsidies(HSDG and other)	1 590 573	1 590 659	100%
Payment for capital assets	3 098	3 145	102%
Payment for financial assets	-	47	0%
Total	1 839 961	1 839 957	100%

5. BROAD OVERVIEW BY THE MEC

The MEC, Ms N Mahlangu, appreciated the opportunity to appear before the Committee to report on 4th quarterly performance report of the department. The MEC thanked the Portfolio Committee for the positive support provided to the department when doing its Oversight. The MEC also reported that the department is aware of the mandate to provide adequate houses which are decent and suitable in the equitable manner. The MEC also indicated that she is taking full responsibility of the targets that were not achieved and indicated that the department will ensure that the targets are met.

The MEC further reported that the illegal occupation of houses in a place called Mjejane, which is within Nkomazi Local Municipality; is mostly as a result of political interference. She also indicated that it has been brought to her attention that some of the SAPS members are illegally occupying most of the RDP houses. The MEC further indicated that the questions which are posed by the Portfolio Committee Members also assist the department in the enhancement of the quality work of the department. The MEC then requested the HOD, Mr K Masange to provide a detailed presentation on the performance of the department during the 4th quarter of 2017/18 financial year.

6. PRESENTATION BY THE HEAD OF THE DEPARTMENT AND INTERACTION ON THE MAIN PROGRAMMES

The HOD briefed the Committee on the 4th Departmental Quarterly Performance report for 2017/18 financial year. The Committee welcomed the presentation and thereafter deliberated programme per programme.

6.1. PROGRAMME 1 – ADMINISTRATION

The purpose of the programme is to provide strategic administrative and management support to the department in terms of Political and Administrative guidance, financial management, security management, legal services, human resource management, transversal services, planning and programme management, communication and IT, stakeholder management and employee health and wellness.

The Committee noted that department planned to achieve 15 targets and achieved 12 targets which translate to 80% at the end of the fourth quarter. The Committee noted that the department planned to direct at least 10%, 1% and 30% of the budget towards youth empowerment, persons with disabilities and women contractors respectively however the department managed 28% for the youth, 2% for the persons with disabilities and 69% for women contractors which is more than what the department had planned to achieve.

The Committee wanted to know the reasons for the deviations with regards to this target. In its response the Department reported that the deviation was due to appointed service providers from the Database for Contractors. The majority of the successful companies listed on the database were owned by women and youth. As a result, these historically disadvantaged groups benefited from the appointments made for the construction of RDP houses as well as social and economic facilities. The target set were the minimum percentages to help develop historically disadvantaged groups and the Department achieved more than the minimum.

Employee Health and Wellness Programme

The Committee noted that the department had planned to approve in the 3rd quarter the integrated Employee Health and Wellness Programme Report and the department reports that they achieved only a final draft. The Committee requested the department to provide an explanation why it failed to achieve the approved 3rd quarter 2017/18 integrated Employee Health and Wellness Programmes report. In its response the Department reported that the actual achievement for Programme Performance Indicator (PPI 6) is an Approved 3rd quarter 2017-18 Integrated Employee Health and Wellness Programmes report. The Department further reported that the achievement that is reported is an erroneously duplicated achievement for PPI 4.

The Committee also noted that the department underspent on Programme 1 by 6 %. In the Economic Classification the department underspent on Goods and Services by 18%, and also underspent on Total Transfer and subsidies by 25% which they are both material. The Committee enquired on how the department underspends on Goods and Services and Total transfer and subsidies. The department reported that the underspending on programme 1 on Goods and Services came as a result of strict adherence to cost curtailment measures in order to yield savings. The savings were used to defray over expenditure in other programmes and other economic classifications.

Spending per economic classification

Economic classification	Adjusted budget R' 000	Amount spent R' 000	% of budget spent
Compensation of employees	22 803	21 181	93%
Goods and services	11 490	9 769	85%
Total transfers and subsidies	12	-65	541%
Payment for capital assets	-	-1 082	-
Payment for financial assets	-	-	-
Total	43 332	32 097	93%

6.2. PROGRAMME 2: HOUSING NEEDS, RESEARCH AND PLANNING

The purpose of the programme is to facilitate and undertake housing delivery planning through engineering services; quality control and inspections; project information management; research, project planning implementation and monitoring.

Housing Subsidy Systems (HSS)

The Committee also noted that the programme planned to achieve five (5) targets at the end of fourth quarter and achieved four (4) targets; however one target was over achieved whereby the department approved more beneficiaries for Housing Subsidy Systems (HSS) by 2485. The Committee noted the department had planned to approve 600 beneficiaries on the HSS noting that in the 3rd quarter the same target was overachieved; however the Committee wanted to know what are the implications of achieving more beneficiaries. The Department reported that for proper management of projects, beneficiaries shall be approved prior to the implementation of projects. The beneficiaries approved in the third quarter were for the projects to be implemented using the additional R100 million received in the second budget adjustment. The beneficiaries approved in the fourth quarter were for projects to be implemented in the 2018/19 financial year.

The Committee also wanted to know if the Department will manage to deliver on the low cost housing to the approved beneficiaries as approved on the HSS. In its response the Department reported that the beneficiaries were approved against projects listed in the approved business plans. There is available budget for the projects which the Department has targeted to implement both in the revised 2017/18 business plan (for the additional R100 million) and 2018/19 business plan.

Spending Per Economic Classification

Economic classification	Adjusted budget R' 000	Amount spent R' 000	% of budget spent
Compensation of employees	8 992	9416	105%
Goods and services	943	1159	123%
Total transfers and subsidies	-	28	0%
Payment for capital assets	-	2	0%
Total	9 935	10 605	107%

The Committee noted that the economic classification on Programme two (2) overspent by 7% for the quarter on Goods and Services and Total transfers and Subsidies it overspent by 23% on the budget allocation of the fourth quarter. The Committee wanted to know what influenced the overspending on programme 2. In its response the department provided the same explanation as reported on Programme 1 with regard to Engineers and town planners being placed in Programme 2. The Committee wanted to know the reasons for the Department to overspent on Goods and Services by 23%. In its response the Department reported that the programme deals with quality assurance on all grant funded projects which required extensive travelling to projects hence overspending on travelling and subsistence. The Department also received an additional funding during budget adjustment for implementation of water provision projects without additional funding for operational budget. The entire overspending on goods and services relates to costs of traveling and subsistence by engineers and town planners.

The Committee further wanted to know why there was no budget allocation on Transfers and Subsidies and Payment of Capital Assets; whereas the Department reported the expenditure of R28 000 and R2000 respectively. The department reported that transfers and subsidies of **R28, 000.00** was a payout of leave gratuity to an ex-employee who left Department during the financial year. The Department further reported that the departure of the employee; was not anticipated therefore not budgeted; however the payment for financial assets was a debt of an ex-employee written off during the year against the savings realized in programme 1.

6.3. PROGRAMME 3: HOUSING DEVELOPMENT

The programme's purpose is to provide individual subsidies and housing opportunities to beneficiaries in accordance with the housing policy. The programme has twenty (20) planned targets which were supposed to be achieved at the end of the fourth quarter and only seven (07) targets were fully achieved which translates to 35% performance.

Housing Units

The Committee noted that this programme planned to deliver 72 housing units through disaster relief however none of the units were delivered due to some houses which needed to be constructed. The Committee wanted to know how many houses had to be constructed from scratch due to the extent of damages. In its response the Department reported that fifty two (52) housing units had to be started from scratch due to their unsound structural integrity and the extent of the damages that were encountered. The Committee also wanted to know how much is the budget that was allocated to the delivery of housing units through disaster relief. The Department in its response indicated that the department budgeted **R29, 467,000.00** for the disaster relief housing project.

The budget was estimated at a cost of constructing an RDP housing unit; however, in some instances only roofs and windows were repaired; the budget of **R8, 606,826.70** was utilized on the various milestones of the project. The remainder of **R20, 860,173.30** was reprioritized to the Peoples Housing Process (PHP) housing programme.

The Committee also wanted to know if there was an amount rolled over to the 2018/19 financial year. The Department reported that it spent its entire budget for 2017/18 financial year. The remainder of **R20, 860,173.30** for the disaster relief budget was reprioritized to the Peoples Housing Process (PHP) housing programme in order to ensure that the money is not surrendered to treasury but used to provide housing opportunities using other instruments. The Department was further requested to submit proof from Treasury of the amount that was rolled over. In its response the Department reported that it spent all its budget of Human Settlements Development Grant for 2017/18 financial year. There were no roll-overs to 2018/19 financial year.

The Committee requested the Department to submit the list and area/region of the houses that were affected by disaster. In its response the Department reported that the areas that were affected by disaster within the Nkomazi Local Municipality are as follows: Steenbok, Naas, Mzinti, Skhwahlane, Masibekela, Kahhoyi, Block B, Block C, Madadeni, Buffespruit and Mangweni. The Department failed to achieve 367 number of new households with access to basic services out of 1 077 planned for the fourth quarter. The department highlighted that the project in Bushbuckridge Local Municipality was not implemented due to a land dispute with the local traditional authority and the project has been moved to be implemented under Thaba Chweu Local Municipality.

Access to basic services

The Committee requested the department to provide an explanation on the implications of changing the project of intended for Bushbuckridge Local Municipality which is now implemented in Thaba Chweu Local Municipality. In its response the Department reported that the implication is that development will delay in the area where the project was removed while development takes place in the areas where the projects were moved to. The Department has over-achieved in the creation of access to basic services. The annual target was overachieved by **177** sites from an annual target of **4 053** sites to an actual achievement of **4 230** sites.

The Committee further wanted to know if the 367 sites are not having access to basic services in Bushbuckridge Local Municipality or in Thaba Chweu Local Municipality. The Department in its response reported that the 367 sites are a combined achievement from all areas where the Department is installing basic municipal engineering services. The Department also reported that servicing of 200 sites were moved from Mkhuhlu (Bushbuckridge Local Municipality) to Sabie Ext 10 (Thaba Chweu Local Municipality).

Land Dispute in Bushbuckridge Local Municipality

The Committee wanted to know the progress of the land dispute in Bushbuckridge Local Municipality. In its response the Department reported that the dispute has been resolved through a memorandum of understanding entered into between the tradition authority and the municipality. The sites are bigger than allowable size, which can be serviced using subsidy quantum, servicing them, would mean that the department has deviated from the subsidy quantum norms and standards.

Job Opportunities

The Committee also noted that the department failed to create 4 483 jobs opportunities in the fourth quarter due to the contractor retaining the same number of jobs as per the previous quarters. The Committee wanted to know what the Department is doing to ensure that the contractors create job opportunities as it is a planned target for the department. In its response the department reported that it enforces sub-contracting to local businesses where the projects are implemented. The Department has also assigned officials in district offices to monitor the creation of job opportunities in all projects by ensuring that monthly progress report on jobs created per project are reported and the necessary POE is submitted . The Department implements a social enterprise model, which promotes the use of local material and local human resources.

Monitoring of 2018/19 targets

The Committee further wanted to know how the Department is planning to monitor the achievement of this target in the 2018/19 financial year. In its response the Department reported that it has assigned officials in district offices to monitor the creation of job opportunities in all projects by ensuring that monthly progress report on jobs created per project are reported and the necessary POE is submitted.

Bulk water and sanitation infrastructure projects

The Committee also noted that the department did not complete two (2) of the projects of the 18 bulk water and sanitation infrastructure projects due to that there were no adequate funds allocated for the fourth quarter. The Committee wanted to know why the Department failed to allocate funds for the project to be completed in the fourth quarter as it was planned.

In its response the Department reported that the budget for the water provision projects was received during the first budget adjustment. The **R82, 018, 000.00** was not adequate to complete all planned projects. The Department has received an allocation of **R165, 000,000.00** for 2018/19 financial year to complete running projects and commence new bulk infrastructure project. The Committee also wanted to know how much was remaining on the bulk water and sanitation infrastructure projects. In its response the department reported that Department used **R81, 991,000.00** of the received allocation of **R82, 018,000.00** registering an underspending by **R27, 000.00**.

Spending per economic classification

Economic classification	4 th Quarter Budget R' 000	4 th quarter Actual Expenditure R' 000	% of budget spent
Compensation of employees	13 812	13 568	98%
Goods and services	905	1 644	182%
Total transfers and subsidies(Grant)	354 889	459 529	129%
Total transfers and subsidies(Water)	-	-	-
Payment for capital assets	-	15	0%
Total	369 606	474 756	128%

The Committee noted that programme 3 overspent by 28%, however the Department managed to achieve 35% of their planned targets. The Committee also noted that the department overspent on Goods and Services in the fourth quarter by 82%. The Committee further noted that the Department overspent on Total Transfers and Subsidies by 29%. The Committee requested the Department to provide an explanation on the over expenditure incurred by the department on Programme 3 by 28% noting that 65% of their planned targets were not achieved in the fourth quarter.

In its response the department reported that the Department over-achieved on most of its targets for quarter 3. The expenditure relates to targets over-achieved in quarter 3 and the underachieved targets in quarter 4. Due to payments of milestones, even underachieved targets will incur expenditure. Therefore, expenditure is incurred on both achieved and non-achieved targets.

The Committee wanted to know why the department overspends on Total Transfer and Subsidies by 20% whilst some other projects were not completed due to non-availability of funds. In its response the Department reported that the Department received an additional **R100 million** in the 4th quarter and was used in the fourth quarter; however half of the budget received for water provision was spend during the fourth quarter due to reprioritization of the budget to accelerate service delivery, some projects were left dry while other projects received financial boost.

The Committee also requested the Department to provide an explanation where was the budget on transfer and subsidies actually spent on. The Department reported that the Budget was spent on projects delivered under PHP (470 housing units), Informal Settlements upgrade (891 housing units), IRDP phase 2 (top structures) (579 housing units), IRDP phase 1: Planning and Services (367 serviced sites), Social Economic Facilities (2 community halls and 2 child care centers) and one piece of land.

The Department was requested to indicate whether it has incurred any unauthorized and irregular expenditure, if yes, how much was it. In its response the Department reported that the Department continues to disclose irregular expenditure for the projects appointed from the department's database for construction of RDP houses. The Department has reported an irregular expenditure of **R974 million** and properly disclosed in the Annual Financial Statements.

The Committee wanted to know if the irregular or unauthorized expenditure reported to treasury was as per the Treasury regulations. In its response' the department indicated that the irregular expenditure of **R974 million** was reported to the Provincial Treasury as per the dictates of PFMA and Treasury Regulations. The irregular expenditure was investigated and finalized by an independent service provider. The Department is currently engaged in a process of requesting condonement of the irregular expenditure.

6.4. PROGRAMME 4: HOUSING ASSET MANAGEMENT

The programme exists in order to provide for the effective management of housing. The programme does not have planned targets and indicator for the first and second quarter due to the department not owning any housing assets that have to be managed, however the Department did not indicate the budget planned for Programme four (4) and the expenditure thereto.

7. Findings

After considering the 4th Quarterly Report, the Committee made the following findings:

- a) The Department had total planned targets of 40 and achieved only 23 or 58%.
- b) The Department has critical positions that have not yet been filled.
- c) The Department had planned to approve 600 beneficiaries on the Housing Subsidy System (HSS); however the Department approved 2485 beneficiaries which is an overachievement for this quarter.
- d) The Department failed to achieve 367 number of new households with access to basic services out of 1 077 planned for the fourth quarter
- e) The Department reported an irregular expenditure of **R974 million** which was investigated and finalized by an independent service provider.

8. Recommendations

After the findings, the Committee recommends that:

- (a) The Executive Authority should take action against the Accounting Officer for failure to ensure that the planned targets are achieved as planned. A progress report to be submitted by 31 August 2018.
- (b) The Department must finalise the filling of critical vacant positions once approval is granted by the Executive Council. A progress report to be submitted by 31 August 2018 and thereafter on a quarterly basis.
- (c) The Department must ensure that the planned target for the beneficiaries on the Housing Subsidy System (HSS) are achieved as planned. A progress report to be submitted by 31 August 2018 and thereafter on a quarterly basis.
- (d) The Department must develop an effective system to process the new households with access to basic service delivery. A progress report to be submitted by 31 August 2018 and thereafter on a quarterly basis.
- (e) The Department must provide a detailed report on the outcome/condonement of the irregular expenditure of **R974 million**. A progress report to be submitted by 31 August 2018 and thereafter on a quarterly basis.

A progress report should be submitted to the Legislature on or before 31 August 2018.

9. CONCLUSION

The Chairperson wishes to express her gratitude to the MEC, Ms N Mahlangu, the HOD, Mr. K Masange, the senior officials of the Department of Human Settlements for cooperating with the committee throughout the engagement on ensuring that there is improvement on service delivery. The Chairperson further wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations of the 4th quarterly report of the Department of Human Settlements and also thank the Legislature staff for the support they provided to the Committee.

Lastly, the Chairperson requests the august House to adopt the report with its recommendations.


HON. P-NGOBENI

01/08/2018
DATE

**CHAIRPERSON: PORTFOLIO COMMITTEE ON
HUMAN SETTLEMENTS, CO-OPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS**