

Eastern Cape Department of Human Settlements

## **Expenditure Tracking Report**

2013/14

**Yeukai Mukorombindo Chiweshe**

**November 2014**

Public Service Accountability Monitor

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### **Findings And Recommendations**

**Finding:** The Annual Report reveals the Department's expenditure for the 2013/14 year is R2.82 billion out of a total adjusted budget of R2.83 billion. The Department incurred under expenditure of R2 million or just under 1% for the 2013/14 financial year.

**Recommendation:** The Department has improved on its previous under expenditure of R291 million in 2012/13 despite considerable problems in the service delivery environment. Improved expenditure can be attributed to adequate oversight from leadership to ensure contract performance and on time payments to creditors.

**Finding:** Over the last two financial years, the Department has successfully addressed its high vacancy rate. Since 2012/13, the vacancy rate dropped from 58% down to 26%. For the 2013/14 financial year, the Department has dropped the vacancy rate even further to 6% by managing to fill 508 posts out of 540 posts. However the available

human resources are still insufficient to meet workload demand and the Department is struggling to maintain the much needed highly skilled and technical positions in supply chain and project management.

**Recommendation:** The Department has managed to find a solution to the human resource challenges posed largely by an insufficient equitable share allocation by using the Conditional Grant Operational Capital Budget to recruit much needed capacity in planning and implementation of projects on performance based contracts. However, this is not sustainable. The Department needs to introduce a long term solution to hiring and retaining qualified and skilled staff.

**Finding:** For the fourth consecutive financial year, the Department failed to meet its housing targets, completing only 62% of all 2013/14 housing units planned with the remainder in various stages of completion. Furthermore, only 68% of planned sites were serviced in the 2013/14 financial year. However, the Department exceeded its title deed target by 5%.

**Recommendation:** The Annual Report highlights project delays due to poor performing contractors, implementation challenges on rural projects as a result of poor terrain and material supply as well as poor pre planning, integration and monitoring of projects. A boost in project management capacity, and improved inter –sectoral and integrated planning can go a long way in attaining better results.

**Finding:** The Department incurred irregular expenditure of R12.5 million in the 2013/14 financial year down from R211 million in the previous financial year and R184.8 million in 2011/12. Fruitless and wasteful expenditure however increased to R461 000 this financial year from R61 000 in 2012/13 and R33 000 in 2011/12 financial year. For the second consecutive year, there was no unauthorized expenditure. According to the Auditor General, irregular expenditure was as a result of non-adherence to procurement regulations and fruitless and wasteful expenditure was incurred as a result of traffic fines and penalties incurred for commitments not honored by departmental officials.

**Recommendation:** According to the accounting officer (AO) effective steps were not taken to prevent irregular as well fruitless expenditure. The AO is also obliged by the PFMA to take all the necessary steps to prevent irregular and fruitless expenditure as well as take disciplinary measures against officials who are not complying with all legal and regulatory provisions outlined in the PFMA. Department leadership and oversight needs to be strengthened to ensure that irregular expenditure and wasteful expenditure does not keep increasing or re-occurring as the Department is already battling resource shortages and must make effective use of available resources.

**Finding:** The Auditor General (AG) awarded the Department an unqualified audit opinion for the second consecutive time. The AG expressed an unqualified on the basis that the Department's financial statements were free from material misstatements and were presented fairly in all material respects. The AG however drew attention to the following matters: contravention of Treasury Regulations and PFMA relating to supply chain management practices, poor reporting on performance objectives as a result of inadequate monitoring of quarterly financial and performance reports, internal controls failed to regularly monitor compliance with legislation and internal controls failed to responded to risks identified which resulted in risks not mitigated and material misstatements in quarterly and annual performance reports. The Audit committee was also found to have fallen short of its duty of identifying recurring internal control deficiencies during its audit process.

**Recommendation:** The Department's managed to attain an unqualified audit opinion as a result of compliance with all relevant legislation regarding presentation of financial statements as well considerable improvement in effectively implementing its internal controls. However poor reporting and non-compliance with applicable legislation regarding procurement processes have remained long-standing problems in the Department. Senior management, the Audit Committee and the Legislature need to exercise oversight in this regard and ensure that improvements are realised in these areas by ensuring that corrective action is taken where deficiencies are identified and where officials are not complying.

## **Introduction**

The South African Constitution commits government departments to the progressive realisation of socio-economic rights, including the right to education, healthcare, housing and social welfare, within available resources. The PSAM defines social accountability as the obligation by public officials and private service providers to justify their performance in progressively addressing the above rights via the provision of effective public services.<sup>1</sup> In order to effectively realise these rights through the delivery of public services, state departments and private service providers responsible for the management of public resources must implement effective accountability and service delivery processes. These include: planning and resource allocation processes; expenditure management processes; performance monitoring processes; integrity management processes; and, oversight processes. Together these processes combine to form a *social accountability system*, which acts as the central pillar of a responsive democratic state. The effectiveness of these processes can be established by monitoring their information outputs. To evaluate the social accountability system, the PSAM has developed a set of evidence-based tools for monitoring the information produced annually by each process.

This Report focuses on the implementation of an effective expenditure management process by the government department under review. It provides an account of what funds were available and whether they were spent during the financial year under review.

The Eastern Cape Department of Human Settlement's is responsible for facilitating and coordinating the provision of quality, integrated and sustainable human settlements

The Department operates through four main programmes:

- Programme 1, Administration, provides essential services relating to finance and supply chain management, strategic management, monitoring and evaluation, communication and information services
- Programme 2, Housing Planning and Research, is responsible for a number of important activities, namely facilitating the development of housing policy and legislation, coordinating housing planning, undertaking research which will inform planning.

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<sup>1</sup> *Constitution of the Republic of South Africa*, Act 108 of 1996, Chapter 2, Sections 26, 27 and 29.

- Programme 3, Housing Development, seeks to respond to the housing question in the Province by planning and administering provision of housing subsidies as well as facilitating, coordinating and managing social housing.
- Programme 4, Housing Assets Management, manages rental and social housing stock, maintains housing assets and an asset register, and assists in the acquisition of land for housing development

### **Broad overview of Expenditure**

**Table 1: ECDoHS 2013/14 expenditure per economic classification <sup>2</sup>**

<b>Line item</b>	<b>Final Appropriation R'000</b>	<b>Actual Expenditure R'000</b>	<b>Variance: (over)/ under expenditure R'000</b>	<b>% of (over)/under expenditure R'000</b>
<b>Current payments</b>				
Compensation of Employees	224,723	224,495	228	0.10
Goods and Services	70,502	69,641	861	1.20
Interest and rent on land	416	416	0	0
<b>Transfers and subsidies</b>				
Households	2,524,287	2,524,287	0	0
<b>Payments for capital assets</b>				
Machinery and equipment	8,415	7,417	998	11.9
Payments for financial assets	2	2	0	0
<b>Total</b>	<b>2,828,345</b>	<b>2,826,258</b>	<b>2,088</b>	<b>0.07</b>

As Table 1 illustrates, for the first time since 2009, the Department spent close to 100% of its R2.82 billion budget which is a significant improvement compared to the large under expenditures in the last three financial years.

<sup>2</sup> Eastern Cape Department of Human Settlements Annual Report 2012/13,p.177

**Table 2: ECDoHS Expenditure over the last four financial years<sup>3</sup>**

Financial Year	Total Budget R'000	Expenditure R'000	Variance: under expenditure R'000	%of under expenditure
2009/10	1,531 715	1,530,764	951	0.06
2010/11	1,865,939	1,725,515	140,424	7.50
2011/12	2,615,470	2,143,154	472,316	18.00
2012/13	2,570,744	2,279,062	291,682	11.34
Total	8,583,868	7,678,495	905,373	10.54

Table 2 above shows that for the last four financial years the Department has on average under spent its budget by 10.54% which translates to an annual average of R 905 million. Over the years the Department has attributed its under expenditure to accruals/commitments and rollovers which could not be processed before the financial year end.<sup>4</sup> As a result of the Department's failure to adequately review its commitments it was difficult to accurately ascertain expenditure for the financial year.

In 2012/13, the Department committed to improve in year monitoring and reporting of Departmental commitments through developing clear accounting processes and procedures for the handling of commitments<sup>5</sup> as well as reconciling approved projects/commitments with the Housing subsidy system (HSS) on a quarterly basis.<sup>6</sup> For the 2013/14 financial year, the Auditor General Report did not emphasise the issue of the Department's failure to accurately disclose its commitments. The Department must be commended for successfully addressing the issue of accurately disclosing commitments and should sustain the progress achieved.

The 2012/13 under – expenditure was not a result of 'understated' commitments but was largely as a result of R284 million of the Integrated Housing and Human Settlement Grant (IHHSDG) being withheld by National Treasury.<sup>7</sup> For the 2013/14 financial year no funds were withheld. The Department received all the conditional grant funds allocated and subsequently spent 99.97% of its R2.56 billion condition grant budget.

<sup>3</sup> Eastern Cape Department of Human Settlements, Annual Report 2009/10;2011/12/2012/13

<sup>4</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11, p.14; 2011/12, p.30

<sup>5</sup> Ibid, p.158

<sup>6</sup> Ibid

<sup>7</sup> Ibid, p.101 and 203; Eastern Cape Department of Human Settlements, Annual Report 2012/13,p.203

In order to see where the budget needs to be spent more efficiently, effectively or even appropriately, the IHSDG budget and performance will be considered in greater detail below.

**Table 3: Conditional grants and earmarked funds received 2013/14<sup>8</sup>**

Conditional Grant Allocation 2013/14	Division of Revenue Act/Provincial Grants Allocation R'000		Amount Received by Department R'000	Amount Spent by Department R'000
	Act/Provincial Grants Allocation R'000	Amount Received by Department R'000		
IHSDG	2,429,631	2,429,631	2,429,631	2,429,631
Housing Disaster Relief	94,172	94,172	94,172	94,172
Expanded Public Works Programme	3,000	3,000	3,000	2,128
<b>Total</b>	<b>2,526,803</b>	<b>2,526,803</b>	<b>2,526,803</b>	<b>2,525,931</b>

A review of the Department's Division of Revenue (DoRA) allocated funds for the IHSDG and Housing Disaster Relief conditional grants show that the ECDoHS received the entire R2.56 billion allocated by the National Treasury and spent 99.97% of the 2013/14 grant.<sup>9</sup> This is an under expenditure of R872 000 for the IHSDG. In the last two financial years, the IHSDG recorded an under expenditure of R284 million or 11%<sup>10</sup> and R472 million or 20% respectively.<sup>11</sup> This was as a result of delayed or blocked projects,<sup>12</sup> accruals and rollovers of expenses which could not be processed.<sup>13</sup> Although the 2013/14 conditional grant expenditure has improved drastically, the same cannot be said for conditional grant performance against service delivery targets.

The Annual Report unfortunately reflects poor performance on the Department's ability to meet conditional grant targets.

<sup>8</sup> Eastern Cape Department of Human Settlements, Annual Report 2013/14, p.210

<sup>9</sup> Ibid

<sup>10</sup> Eastern Cape Department of Human Settlements, Annual Report 2012/13, p.203

<sup>11</sup> Eastern Cape Department of Human Settlements, Annual Report 2011/12, p.152

<sup>12</sup> Eastern Cape Department of Human Settlements, Annual Report 2012/13, p.101; "Province fails to spend nearly R 1billion" Daily Dispatch article by M. Zuzile published 7 November 2013

<sup>13</sup> Eastern Cape Department of Human Settlements, Annual Report 2011/12, p.30

**Table 4: 2013/14 Planned Outputs vs Actual outputs achieved<sup>14</sup>**

<b>Planned outputs</b>	<b>Actual outputs achieved</b>	<b>% of outputs achieved</b>
20 412 housing units delivered	12 642 housing units complete and 8 312 uncomplete units	62%
17 265 sites serviced	11 720 sites serviced	66%
22 013 informal settlements serviced	11 336 informal settlements serviced	51%
500 Finance linked subsidies approved	262 Finance linked subsidies approved	52%
272 ha of land acquired	192 ha of land acquired	70%
1 412 social housing units completed	78 social units delivered	5%
100 CRU units completed	0 Units	0%
600 title deeds issued	10 949 title deeds	118%

Grant performance has been on the decline for the second consecutive financial year. The Department's strategic goal is to deliver 123 000 housing units between 2010/11 and 2014/15.<sup>15</sup> However, the Head of Department reports that between 2009/10 and 2013/14, the Department has delivered 68 290 units.<sup>16</sup> The Department provides the following reasons for under achievement of targets:<sup>17</sup>

- Poor performance by contractors
- Inadequate funding for bulk infrastructure in secondary towns
- Difficult rural terrain
- Poor pre and integrated planning processes resulting in blocked projects
- Lack of project level/ contractor monitoring capacity and punitive measures
- Slow accreditation of Social Housing Institutions
- Delays in procurement processes

In order to improve grant activity performance, the Department needs to pay attention to the above mentioned problematic areas. Unless these challenges are addressed, particularly in the area of pre-planning and integrated planning, the Department will

<sup>14</sup> Eastern Cape Department of Human Settlements, Annual Report 2013/14, p.102

<sup>15</sup> Eastern Cape Department of Human Settlements Annual Report 2013/14, p.33

<sup>16</sup> Ibid, p.12

<sup>17</sup> Eastern Cape Department of Human Settlements Annual Report 2013/14, p.102

continue to under-perform. In addition to addressing the various service delivery challenges, there will be a need for additional housing funds. In the 2011/12 financial year, the ECDoHS adopted *Project K* for the construction of 12 000 units at a total cost of 1.2 billion<sup>18</sup> resulting in the appointment of 12 established contractors in 2011/12. However according to the 2013/14 Annual Report, *Project K* was only implemented in 2013/14 and no explanation is provided for the delay.<sup>19</sup>

The IHSDG is projected to decline from R2.5 billion in 2013/14 to R1.92 billion in 2015/16.<sup>20</sup> In order to accelerate delivery, the Department needs to introduce alternative and more cost effective housing options in order to meet demand provincially and nationally. The Department needs to change its current housing model of individual houses made out bricks and mortar to more sustainable, environmentally friendly and cost effective alternative housing typologies and building materials. One such alternative is increasing the provision of affordable rental accommodation for low or poor income households who are unable to finance individual home ownership. The Community Residential Unit (CRU) Programme is a social housing product for very low income households or destitute individuals earning between R800 - R 3500 and below.<sup>21</sup> CRU aims to provide secure tenure, stable conditions and good quality rental accommodation to the lowest income sector. Social rental housing units targets have been low and since the introduction of CRU in 2010/11, the ECDoHS is yet to produce a single unit due to delays in procurement, funding and rezoning approval.<sup>22</sup> Additional impediments to rental housing delivery includes the lack of bulk infrastructure and the lack of approved rezoning areas in secondary towns.<sup>23</sup> Any public rental stock in the province will have to be coupled with ECDoHS assisting local municipality with improving the state of bulk infrastructure and rezoning applications. The ECDoHS should also focus on developing public hostels and dilapidated state buildings to accelerate the roll out of public rental stock.

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<sup>18</sup> Eastern Cape Department of Human Settlements 2012/13 Annual Report, p.148

<sup>19</sup> Ibid,p.34

<sup>20</sup> Eastern Cape Overview and Estimates of Provincial Expenditure 2014/15, p.543

<sup>21</sup> Community Residential Units Part 3 Vol 6 of the National Housing Code (2009)

<sup>22</sup> Eastern Cape Department of Human Settlements 2013/14, p.90

<sup>23</sup> Ibid, p.28 & p.90

Analysis of Irregular, Unauthorized as well as Fruitless and Wasteful Expenditure

Accounting officers are required by legislation to take effective steps to prevent irregular, unauthorised as well as fruitless and wasteful expenditure.<sup>24</sup> Table 5 below shows a steady in irregular and fruitless expenditure over the last 5 years.

**Table 5: ECDoS Unauthorised, Irregular and Fruitless expenditure 2009/10 – 2013/14** <sup>25</sup>

<b>Financial Year</b>	<b>Unauthorised Expenditure</b>	<b>Irregular Expenditure</b>	<b>Fruitless &amp; Wasteful Expenditure</b>
2009/10	59,796,000	967,000	159,000
2010/11		4,934,000	37,000
2011/12		7,292,000	46,000
2012/13	0	211,682,000	61,000
2013/14	0	12,500,000	461,000
<b>Total</b>	<b>59,796,000</b>	<b>237,375,000</b>	<b>764,000</b>

In 2012/13, the Department incurred irregular expenditure of R212 million due to non-adherence to DoRA, PFMA and other Treasury Regulations relating to procurement processes.<sup>26</sup> For the financial year under review, the Department incurred irregular expenditure of R12.5 million.<sup>27</sup> This is a decrease of 94% in irregular expenditure from the previous financial year.<sup>28</sup> Once again, irregular expenditure occurred as result of non compliance with procurement processes.<sup>29</sup> Fruitless and wasteful expenditure increased yet again from R60 000 in 2012/13<sup>30</sup> to R461 000 in 2013/14.<sup>31</sup> Fruitless expenditure is mostly due to the R360 000 interest paid on a court order resulting from a payment dispute in a housing project.<sup>32</sup> No further details are provided regarding this payment dispute but given the court order payment and the Auditor General classifying this payment as “fruitless and wasteful expenditure” this could have been avoided by the

<sup>24</sup> Section 38 (1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.

<sup>25</sup> Eastern Cape Department of Human Settlements Annual Report 2009/10, p.138; Eastern Cape Department of Human Settlements Annual Report 2011/12, p.148; Eastern Cape Department of Human Settlements Annual Report 2012/13, p.199; Eastern Cape Department of Human Settlements Annual Report 2013/14, p. 17& p.205

<sup>26</sup> Eastern Cape Department of Human Settlements, Annual Report 2012/13, p.162 & p.198

<sup>27</sup> Eastern Cape Department of Human Settlements, Annual Report 2013/14, p.204

<sup>28</sup> Ibid

<sup>29</sup> Ibid, p.169

<sup>30</sup> Ibid, p.198

<sup>31</sup> Ibid, p.205

<sup>32</sup> Ibid, p.17

Department. The remaining R80 000 is as result of penalties incurred for commitments not honored by departmental officials and accumulating interest on unpaid traffic fines.<sup>33</sup>

On the other hand, the ECDoHS had no unauthorised expenditure for the 2013/14 financial year. The Department must be commended for not incurring unauthorised expenditure in the last four financial years but must be criticized for failing to recover those funds from liable officials when unauthorized expenditure last occurred in 2009/10.

The AG report for the department shows that irregular expenditure is the result of non-compliance with supply chain management regulations.<sup>34</sup> The increase in fruitless and wasteful expenditure since 2009/10 is due to traffic fines, penalties and commitments incurred and not honored by departmental officials.<sup>35</sup> Continuous non-compliance with procurement processes has resulted in irregular expenditure to the amount of R 237 million in the last three years.<sup>36</sup> Furthermore departmental officials abusing official vehicles and not honoring commitments has resulted in fruitless and wasteful expenditure amounting to a total of R 760 000 over the last four financial years.<sup>37</sup> The extent of irregular and wasteful expenditure is indicative of an environment where non-compliance with supply chain management regulations and abuse of official vehicles is becoming the norm and not the exception. The Accounting Officer by law is expected to take reasonable step to prevent such expenditure from re-occurring.<sup>38</sup> Such action should include but should not be limited to effective monitoring and enforcement of applicable legislation and policies coupled with enforcement of consequences for those that deliberately or negligently flout applicable legislation.<sup>39</sup> Where officials are found to be abusing official vehicles and not honoring payment of traffic fines should face disciplinary action furthermore the Department is mandated to recover monies lost due to financial misconduct.<sup>40</sup>

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<sup>33</sup> Eastern Cape Department of Human Settlements Annual Report 2013/14, p. 17; p.204-205 &

<sup>34</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11, p.146 & p.154; Eastern Cape Department of Human Settlements Annual Report, 2012/13p. 192 & p.198; Eastern Cape Department of Human Settlements Annual Report 2013/14, p.204

<sup>35</sup> Eastern Cape Department of Human Settlements Annual Report 2009/10, p.138; Eastern Cape Department of Human Settlements Annual Report 2011/12, p.148; Eastern Cape Department of Human Settlements Annual Report 2012/13, p.199; Eastern Cape Department of Human Settlements Annual Report 2013/14,p. 17; 171 & p.204-5

<sup>36</sup> Ibid, Unfortunately both the 2012/13 and 2013/14 Annual Reports are not provided with any more information beyond that irregular expenditure of R211 million occurred in 2012/13 due to non compliance with procurement processes surrounding the transfer of payments to Social Housing Regulatory Authority. The matter is under investigation and awaiting condonation from National Treasury,

<sup>37</sup> Ibid

<sup>38</sup>Section 38 (1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.

<sup>39</sup> Ibid

<sup>40</sup> Section 38(c)(i) of the PFMA15 read in conjunction with Treasury Regulations, Part 5, paragraph 12.5.116, requires accounting officers to take effective steps to collect all monies owing to the department

The Department is currently investigating and awaiting condonation of the irregular as well as the fruitless and wasteful expenditure incurred in 2012/13 and 2011/12.<sup>41</sup> Those charged with governance and oversight should ensure accountability is speedily enforced and consequences are implemented particularly for investigations going back as far as 2011/12.

### Internal Controls

The Department's ability to curb incidents of financial misconduct is dependent on a sound system of internal control which enforces and monitors compliance with applicable legislation in financial, performance management, reporting and governance.<sup>42</sup> Both the Audit Committee and the Auditor General reviewed the effectiveness of the internal control systems within the Department. The Audit Committee is satisfied that the Department's internal control systems have functioned partially during the period under review.<sup>43</sup> The Committee highlighted concerns with inadequate monitoring and implementation of agreed actions by management in the areas of:<sup>44</sup>

- Commitments
- Quality of financial and Performance Reporting
- Irregular Expenditure
- Timely implementation of findings from assurance providers

The Auditor General considered the overall effectiveness of internal controls in relation to leadership, financial and performance management and governance.<sup>45</sup> During the audit process the AG once again identified recurring internal control deficiencies, concluding that the ECDoHS management, internal audit unit and audit committee discharged their duties in terms of their mandates but lacked effectiveness in the following regard:<sup>46</sup>

- Internal controls were not adequate to prevent irregular, fruitless and wasteful expenditure as well as ensure that all instances of non-compliance were identified and dealt with.
- Departmental leadership failed to ensure that recurring findings were appropriately addressed in the department's action plans

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<sup>41</sup> Eastern Cape Department of Human Settlements Annual Report 2013/14, p.169 & p.204; Eastern Cape Department of Human Settlements 2012/13, p.165

<sup>42</sup> Public Finance Management Act of 1999; Section 38 (1) and Treasury Regulations 3.1.

<sup>43</sup> Eastern Cape Department of Human Settlements 2013/14, p.125

<sup>44</sup> Ibid

<sup>45</sup> Eastern Cape Department of Human Settlements Annual Report 2013/14, p.169

<sup>46</sup> Ibid, p.164 & p.165

- Internal Controls did not adequately review financial statements as a result financial statements submitted for auditing were subject to amendments. The Department fortunately managed to amend the financial statements resulting in the financial statements receiving an unqualified audit opinion.

Those in leadership and oversight failed to hold management accountable for the implementation and monitoring of the department's risk assessment strategy. Given the limited funds currently at its disposal, the Department has a huge task and responsibility of tightening security measures and preventing further loss to the Department due to fraud and corruption. It is cause for concern when the Department's risk assessment strategy is "not completely effective"<sup>47</sup> as well as "not properly implemented and subsequently monitored." The Accounting Officer and the Internal Audit Unit should on a regular basis closely monitor those responsible for implementing the approved policies and plans. Moreover, the Accounting Officer and the Internal Audit Unit must ensure that these policies are effective in achieving outcomes and improved audit outcomes. Management was also not held accountable for not taking effective steps to prevent irregular as well as fruitless expenditure and for failing to prepare financial statements in accordance with prescribed financial reporting framework.<sup>48</sup>

The Department however must be commended for improving on accurate reporting and record keeping of actual achievements against planned objectives. The Auditor General did not raise any material misstatements on the usefulness and reliability of the reported performance information.<sup>49</sup> The Accounting Officer must continue to ensure that management is regularly and accurately completing financial and performance reports supported by reliable documentation.

The Accounting Officer and the Internal Audit Unit as well as the Audit Committee and the provincial human settlements portfolio committee are all encouraged to build a closer relationship with the AG office and ensure regular opportunities for the AG to brief the various parties on relevant aspects to address the internal control deficiencies identified during the audit process.

### Human Resource Management

An adequate and sufficient skilled human resource is a key driver of performance and audit outcomes. In the past, the Department has often cited a lack of capacity as one of the major contributors of poor performance.<sup>50</sup> The Department has been operating at a vacancy rate of 54% in the last three financial years. Human resource capacity has been

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<sup>47</sup> Eastern Cape Department of Human Settlements Annual Report 2013/14, p.171

<sup>48</sup> Eastern Cape Department of Human Settlements Annual Report 2013/14, p.170

<sup>49</sup> Ibid, p.169

<sup>50</sup> 2009 Housing Policy Speech delivered by MEC N. Mabandla on 18 June 2009; Eastern Cape Department of Housing, Annual Performance Plan 2008/09 to 2010/11, pp. 25, 42, 51 and 55.

a problem that has plagued the Department until the 2012/13 financial year when it managed to reduce its vacancy rate to 26%.<sup>51</sup> The Department has managed to bring the vacancy rate down even further in 2013/14 by making 65 additional appointments, bringing the total number of Departmental employees to 509 out of 580 established posts.<sup>52</sup> The ECDoHS strategy to recruit more staff against an insufficient Equitable Share budget has been the innovative use of the 5% Operational Capital Budget (OPSCAP) within the conditional grant employ capacity within critical areas in supply chain and financial management for improved planning and implementation of projects.<sup>53</sup> However the Accounting Officer notes that this strategy is “unsustainable in the long run”<sup>54</sup> and that very soon the Department will be in need of a long term solution. The challenge for the Department is maintaining its low turnover rate of technically skilled staff.<sup>55</sup>

It must also be noted, however, that although the number of staff has increased, “the available human resource still does not correspond with workload demand”<sup>56</sup> and staff increase has not necessarily resulted in improved and accelerated housing delivery. Improved performance will also depend on addressing other critical issues such as bulk infrastructure problems which can be addressed by introducing alternative building technologies. Other problematic areas include managing projects in difficult rural terrain and better integrated planning between ECDoHS and local municipalities as well as improved capacity for planning and monitoring of projects at the local level.

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<sup>51</sup> Ibid.

<sup>52</sup> Eastern Cape Department of Human Settlements Annual Report 2013/14, p.128

<sup>53</sup> Eastern Cape Department of Human Settlements Annual Report 2012/13, p.26

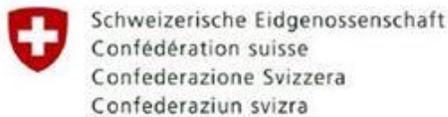
<sup>54</sup> Eastern Cape Department of Human Settlements Annual Report 2013/14, p.13

<sup>55</sup> Ibid, p.139

<sup>56</sup> Ibid, p.129

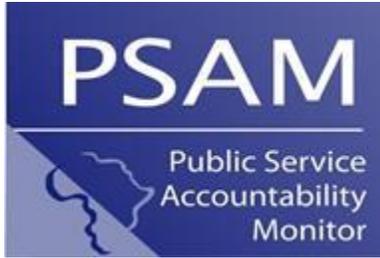
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