



Monitoring Brief  
Performance Monitoring Programme

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## Eastern Cape Department of Housing, Local Government and Traditional Affairs - Monitoring Brief for 2001/02 – 2002/03

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### Summary

This report provides a review of the performance of the Eastern Cape Department of Housing and Local Government through a comparative analysis of budget allocations and expenditure, as well as achievements and problems, for the 2001/02 and 2002/03 financial years.

The key findings of the report are as follows:

- *In the last four financial years, the Department has consistently failed to spend its budget effectively. Between the 2001/02 and 2002/03 financial years, the Department failed to spend R903 million, or 38 percent of its available budget.*
- *The Department has consistently underspent its housing budget. During the 2001/02 and 2002/03 financial years, the Department failed to spend R789.169 million, or 47.6 percent of its available R1.656 billion housing budget.*
- *There is inadequate planning in the Department.*
- *The quality of reporting in the Department is poor.*

- *The Department has consistently failed to address serious financial management issues raised by oversight bodies.*



## Table of Contents

<b>1. Introduction</b> .....	page 3
<b>2. Budget and Expenditure</b> .....	page 4
2.1. Budget and Expenditure in 2001/202.....	page 4
2.2. Budget and Expenditure in 2002/03.....	page 6
2.3. Pre-audited Year End Results 2003/04 .....	page 7
2.4 Expenditure on Conditional Grants.....	page 7
<b>3. Oversight</b> .....	page 8
3.1. Auditor-General .....	page 8
3.2. Audit Committee.....	page 12
3.3. Standing Committee.....	page 12
3.4 Standing Committee on Public Accounts.....	page 13
<b>4. Recommendations</b> .....	page 14

## 1. Introduction

The Eastern Cape Department of Housing, Local Government and Traditional Affairs is responsible for facilitating and promoting the establishment, development and maintenance of sustainable local authorities and traditional institutions and for the delivery of housing through effective community participation and coordinated planning and capacity building.<sup>1</sup>

The Department operates through four major Programmes:

### Programme 1 (Administration)

- Responsible for the effective management and administration of the Department, as well the provision of administrative support to the executing authority.

### Programme 2 (Housing)

- Responsible for all administration relating to housing matters, sound land administration, the development of housing policies and the facilitation of housing infrastructure development within municipalities.

### Programme 3 (Local Government)

- Responsible for promoting developmental local government and the stabilization of local municipalities.

### Programme 4 (Corporate Services and Traditional Affairs)

- Responsible for giving administrative support to delivery programmes and promoting efficiency and effectiveness.<sup>2</sup>

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<sup>1</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 7. In addition, Programme 4 is responsible for cultivating sound and harmonious relations between the government and traditional institutions.

<sup>2</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, pp. 11-18.

## 2. Budget and expenditure

**Table 1. Budget allocations and expenditure 2000/01 – 2003/04<sup>3</sup>**

Financial Year	Total Budget (R' 000)	Actual Expenditure (R' 000)	Variance: (over) / under expenditure (R' 000)	% Expenditure
2000/01	756 086	764 489	(8 403)	(1.1%)
2001/02	1 132 731	606 385	526 346	46.4%
2002/03	1 221 072	844 601	376 471	30.8%
2003/04	1 440 545	1 244 271(Est)	196 274 (est.)	13.6%
<b>Total</b>	<b>4 550 434</b>	<b>3 459 746</b>	<b>1 090 688</b>	<b>23.9%</b>

*Amounts in Millions = R'000*

The Department's spending record is poor. Between the 2000 and 2004 financial years, the Department had a total budget of R4.5 billion, of which it spent only R3.4 billion.<sup>4</sup> This means that it underspent its budget by over R1 billion, or 23.9 percent.

### 2.1 Budget and expenditure - 2001/02 financial-year

**Table 2. Expenditure per programme**

Programme	Budget R'000	Act. Expenditure R'000	Variance Under (over) expenditure R'000	Percentage of (over)/under expenditure
1. Executive	24 246	14 869	9 377	38.6%
2. Housing	765 685	329 634	436 051	56.9%

<sup>3</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Reports, 2000/01, p. 76, 2001/02, p. 91, 2002/03, p. 17, National Treasury Fourth Quarterly Expenditure and Revenue Report for the 2003/04 financial year (no page numbers).

<sup>4</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2001/02, p. 104.

3. Local Government	294 032	219 373	74 659	25.3%
4. Corporate Services & Traditional Affairs	43 048	42 509	539	1.2%
<b>Total</b>	<b>1 127 011</b>	<b>606 385</b>	<b>520 626</b>	<b>46.1%</b>

*Amounts in Millions = R'000*

In the 2001/02 financial-year, the Department was allocated a total budget of R1.1 billion, an increase of R371 million from the previous year's budget.<sup>5</sup> During the year under review, the Department spent R606.3 million, which means that it underspent by R520 million, or 46.1 percent.<sup>6</sup> According to the Department, all four of its programmes underspent, with Programme 2, Housing, accounting for 86 percent of total underspending.

Programmes 1, 2 and 3 all reported that the majority of their underspending was due to the Department's failure to fill vacant posts. They argued that personnel costs and associated administrative costs were reduced as posts were not taken up.

In addition, Programme 1 stated that 'savings' in Stores occurred due to an over-estimation of requirements, while a 'saving' in Transfers occurred because a poverty alleviation transfer was understated by R1 million.<sup>7</sup> Programme 2 stated that 'savings' in Equipment occurred due to the Programme's failure to purchase computer supplies. Significant underspending in Professional and Special Services and Transfers was said to have taken place due to 'slow progress in transferring serviced sites' and 'delays in the approval and implementation of projects.' No reasons were given for the underspending that occurred in Programme 2 in relation to its Stores budget.<sup>8</sup>

Programme 3 stated that underspending in Personnel, Administration, Stores and Equipment was entirely due to the Department's failure to fill vacant posts. However, it failed to account for significant underspending in Professional and Special Services and significant overspending in Transfers.<sup>9</sup> Programme 4 overspent its personnel due to the PERSAL system not being updated properly. Underspending in the programme was also blamed on the failure to purchase vehicles and delays in relocating staff from the regions to the head office.<sup>10</sup>

In evaluating its overall spending record, the Department's Management report was refreshingly frank when it noted that it was 'not a record to be proud of.'<sup>11</sup> The Management Report highlighted three key reasons for its underspending:

- The existence of 'bottlenecks' at municipal level which slowed down the housing process.

<sup>5</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2001/02, pp. 75 & 85

<sup>6</sup> Ibid.

<sup>7</sup> Ibid, p. 105

<sup>8</sup> Ibid, p. 106

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2001/02, p. 75

- The fact that the Department suffered from a 'serious shortage' of critical managerial skills.
- The fact that there are inflexible financial management systems in place within the Department which 'hamper the implementation of projects'.<sup>12</sup>

The Management Report noted that strategies had been put in place to address these problems. It claimed that it was planning to work in closer cooperation with municipalities, and was developing a skills development plan to target key staff shortage areas.<sup>13</sup>

It should be noted that the Department's contention that its programmes underspent largely due to staff shortages cannot actually be confirmed from the Department's annual report for 2001/02. This is because the statistics produced by the Department relating to personnel are not reported correctly because they do not display each programme's establishment figure. This has the effect of making it impossible to verify the Department's staff shortage figures.<sup>14</sup>

In terms of the Department's overall underspending, it is clear that the Department needs to seriously address underspending in Programme 2, Housing, in particular. Some 82 percent of all reported underspending in the Department occurred due to this programme failing to make the necessary transfer payments to municipalities. As we have seen, the Department blamed this on 'slow progress in transferring to serviced sites' and 'delays in the approval and implementation of projects. This clearly indicates that the Department is not planning and budgeting appropriately to ensure the effective utilization of its funds. In addition, it seems to demonstrate that municipalities do lack the necessary capacity to implement housing projects themselves. The Department's intention of working more closely with municipalities is accordingly welcomed.

### 2.3. Budget and Expenditure - 2002/03 financial-year

**Table 3: Funds allocated per programmes and actual expenditure.**<sup>15</sup>

Programme	Budget R'000	Actual expenditure R'000	Variance: Under (over) expenditure R'000	Percentage of (over)/under Expenditure
1. Administration	26 322	24 125	2 197	8.3%
2. Housing	890 320	537 202	353 118	39.6%
3. Local Government	208 456	198 048	10 408	5%
4. Traditional affairs	95 974	85 226	10 748	11.1%
<b>Total</b>	<b>1 221 072</b>	<b>844 601</b>	<b>376 471</b>	<b>30.8%</b>

*Amounts in Millions = R'000*

<sup>12</sup> Department of Housing, Local Government and Traditional Affairs, Annual Report 2001/02, p. 76

<sup>13</sup> Ibid, pp. 76-77

<sup>14</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2001/02, p. 10.

<sup>15</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 10

In the 2002/03 financial year the Department's budget decreased slightly to R1.221 billion.<sup>16</sup> In the year under review the Department spent R844.6 million, recording underspending of R376.4 million, or 30.8 percent of its total budget.<sup>17</sup> Although this represented a slight improvement over the previous year, significant underspending was still evident in the Department.

Despite the seriousness of this underspending, the Department's annual report failed to offer any explanation for its occurrence. The only comment in the report regarding spending came from the MEC, who noted that the Department's spending 'leaves a lot to be desired.'<sup>18</sup> The annual report was bereft of any analysis for the overall underspending, or the underspending that occurred within its constituent programmes. Consequently, no justificants were presented by the Department to explain material variances in spending. Treasury Regulations state that Departmental annual reports must provide 'notes to the annual financial statements' and must 'by means of figures and a descriptive report, explain any other matters and information material to the affairs of the institution.'<sup>19</sup> In addition, Treasury Regulations indicate that each departmental accounting officer must ensure that annual reports include 'information about the institution's efficiency, economy and effectiveness in delivering programmes and achieving its objectives.'<sup>20</sup>

The fact that the Department chose not to adhere to these rules demonstrates a worrying contempt for regulations which govern financial reporting and are designed to ensure the most effective and efficient use of public resources. It also disregards accepted accounting practice, as performed by all other departments within the provincial government. As a matter of urgency the Department should address this critical issue if it ever hopes to resolve its crisis of underspending.

### **2.3 Pre-audited Year End Spending Results (2003/04 financial-year)**

In the 2003/04 financial year the Department's budget increased by R219.5 million to R1.440 billion.<sup>21</sup> By the end of the fourth quarter of the 2003/04 financial year, pre-audited figures indicated that the Department spent R1.244 billion, meaning that it underspent its budget by R196.2 million or 13.6 percent.<sup>22</sup>

### **2.4 Expenditure on conditional grants**

The Department has also failed to adequately spend its conditional grants. In the 2001/02 financial year, the Department received conditional grants to the value of R756.3 million, of which it spent R326.4 million, meaning that it underspent these grants by R429.8 million, or 57 percent.<sup>23</sup>

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<sup>16</sup> Department of Housing, Local Government and Traditional, Annual Report, 2002/03, p. 10

<sup>17</sup> Ibid.

<sup>18</sup> Ibid, p. 2

<sup>19</sup> Treasury Regulations, section 18.2.

<sup>20</sup> Ibid, Section 18.3.1.

<sup>21</sup> National Treasury Fourth Quarter spending results, 2003/04 financial year

<sup>22</sup> Ibid.

<sup>23</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs Annual Report, 2001/02, p. 94

In 2002/03, the Department received conditional grants totalling R875.3 million and spent R543 million.<sup>24</sup> This means that the Department failed to spend R332.2 million, or 37.9 percent of its conditional grant allocation.<sup>25</sup>

The Department offered a brief explanation for this underspending in the 2002/03 financial year. It stated that the South African Housing Fund was underspent due to 'capacity problems at municipal level' and that the Human Settlement and Local Government Support Grants were underspent because of 'delays in submission of business plans.'<sup>26</sup>

The PSAM is concerned to note that the Department has consistently failed to effectively spend its budget, or adequately explain why it has not been able to do so. These spending problems are attributable, in part, to the Department's failure to undertake rigorous strategic, operational and business planning exercises, which would enable it to track its expenditure more effectively. It is essential that the Department develops detailed business plans in order to guide and monitor the expenditure of each of its programmes and sub-programmes. By ensuring that each programme objective is measurable, properly costed and has a clear time-frame attached, programme managers will be able to track and monitor expenditure more efficiently.

In addition, it is clear that the ability of Programme 2, Housing, to spend its money efficiently is also dependent on the capacity and organisational competency of municipalities. Efforts need to be made to ensure that municipalities have the necessary capacity to effectively interact with the Department to ensure that vitally needed housing funds are spent effectively and efficiently.

### **3. OVERSIGHT**

#### **3.1. Auditor- General**

*In terms of Section 3 of the Auditor-General Act (No. 12 of 1995), the provincial Auditor-General is responsible for auditing, on a test basis, the financial statements of government departments and their levels of compliance with relevant laws and regulations applicable to the financial management of public resources and for expressing an opinion on these matters.*

The following are the various audit opinions the Auditor-General may issue a Department or state organ upon examination of its financial transactions and related matters.

#### *Disclaimer*

An audit disclaimer is the most severe opinion that can be issued where a Department's records and supporting documentation are either unavailable for audit purposes or are of such poor quality that no reasonable determination of the validity of financial transactions could be made.

#### *Qualified*

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<sup>24</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 109

<sup>25</sup> Ibid.

<sup>26</sup> Ibid, p. 133

A qualified audit opinion is an adverse opinion which highlights significant exceptions with the financial statements of a Department.

### *Unqualified*

An unqualified opinion is a favorable opinion issued where the financial statements of a Department fairly represent its financial situation

Table 5. Audit Opinion and financial year

<b>Financial Year</b>	<b>Audit Opinion</b>
2001/02	Qualified
2002/03	Disclaimer

### **2001/02**

In the 2001/02 financial year, the Auditor-General issued the Department with a qualified audit opinion, which was an improvement over the previous year's audit disclaimer.<sup>27</sup> In qualifying his opinion, the Auditor-General identified a series of problems with the Department's financial statements;

- The Auditor-General pointed out that the Department failed to provide supporting documentation to verify suspense accounts to the value of R2.5 million.<sup>28</sup>
- The Department also failed to provide documentation to substantiate a treasury balance of R9.467 million.<sup>29</sup>

Under Emphasis of the Matter, the Auditor-General expressed, inter alia, the following concerns:

- Internal Controls: The Auditor-General noted that there were 'serious deficiencies' in the Department's internal control environment, adding that 'the possibility of monetary losses due to the lack of sound financial management cannot be excluded.'<sup>30</sup> This is in contravention of section 40 of the PFMA. In particular the Auditor-General drew attention to the following problems:
  - i) Personnel: Controls over leave, credit, applications, payroll, promotions and attendance was said to be poor. There was no reconciliation between PERSAL and BAS.
  - ii) Assets: Control over inventories, bank and cash, vehicles, fixed assets was not properly exercised. The Auditor-General stated that he could not discount the possibility of theft, loss and misuse of assets. This was in breach of section 38(1)(d) of the PFMA.
  - iii) Transfer Payments: The Auditor-General noted that the Department did not always comply with section 38(1)(k) of the PFMA.

<sup>27</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2001/02, p. 83

<sup>28</sup> Ibid, p. 81

<sup>29</sup> Ibid, p. 82

<sup>30</sup> Ibid, p. 83

iv) In addition, the Auditor-General noted other internal control issues relating to the budget process, revenue, bursary payments and payments for goods and services.<sup>31</sup>

- The Auditor-General noted that the Department's accounting officer had failed to sign documents relating to the change over from the Financial Management System to the Basic Accounting System. This contravened Treasury circulars and meant that a balance of R4.8 million was not properly cleared.<sup>32</sup>
- The Department failed to submit quarterly reports as it is required to do in terms of Treasury regulation 5.3.1.<sup>33</sup>
- Disclosures relating to capital commitments and leases were not made in the Department's annual report as required by the Treasury.<sup>34</sup>
- The Auditor-General noted that 46 percent of the Department's budget had been underspent and commented that it implied the Department had 'service delivery problems' which, despite being identified in the previous year, 'had not been adequately addressed.'<sup>35</sup>
- Forensic audits had to be carried out on two matters relating to the Department.<sup>36</sup>
- Lastly, the Auditor-General noted that his audit was submitted late due to delays caused by the Department's failure to provide supporting documentation.<sup>37</sup>

### **2002/03**

In the 2002/03 financial year, the Auditor General issued the Department with an audit disclaimer.<sup>38</sup> This pointed to a deterioration in the state of financial management within the Department. In support of the disclaimer, the Auditor-General raised the following concerns:

- The Auditor-General sharply criticized the Department's failure to conduct adequate monitoring of its capital transfer of R265 million in relation to the construction of homes. The Auditor-General noted that as of January 2003, only 10 percent of projects were being monitored by the Department in terms of site inspections and performance reports. At some 90 percent of sites randomly inspected by the office of the Auditor-General, houses being constructed did not conform to the norms and standards of the National Housing Code. Given this, the Auditor-General noted that a 'significant portion' of the R265 million payments 'would have been withheld had adequate monitoring and control procedures been in place.' The Auditor-General stated that while it was not possible to actually quantify an exact total, fruitless and wasteful expenditure had clearly taken place.<sup>39</sup>

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<sup>31</sup> Department of Housing, Local Government and Traditional Affairs, Annual Report, 2001/02, p. 83

<sup>32</sup> Ibid, p. 84

<sup>33</sup> Ibid.

<sup>34</sup> Ibid, p. 85

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

<sup>38</sup> Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 107

<sup>39</sup> Ibid.

- A Treasury balance of R29.5 million could not be verified, reconciled or confirmed. This was an issue raised by the Auditor-General in the previous year.<sup>40</sup>
- The Department failed to provide supporting evidence to verify suspense accounts to the value of R2.3 million. This issue was also raised in the 2001/02 audit but no remedial action appears to have been taken.<sup>41</sup>

Under Emphasis of Matter the Auditor-General expressed, inter alia, the following concerns:

- Once again, the Auditor-General drew attention to the poor state of internal controls within the Department and, as in the previous year, could not discount the possibility of monetary loss taking place within the Department. The Auditor-General identified nine areas where the Department's internal controls were lacking:
  - i) Expenditure: misallocations of items, payments not performed, late payments and insufficient documentation.
  - ii) Stores: Stock cards not properly updated.
  - iii) Housing Subsidy Payments: Handover certificates obtained from beneficiaries before houses delivered, incomplete project agreements, inadequate monitoring, inspection and reporting.
  - iv) Ledgers: Inadequate reconciliations of account balances.
  - v) Transfer payments: business plans in support of payments not obtained and ineffective reporting and monitoring.
  - vi) Salaries and wages: Incomplete leave records, (meaning that R7 million worth of leave could not be verified), incomplete personnel files, overpayment of salaries.
  - vii) Interfaces: reconciliations not performed timeously on interface cards.
  - viii) Fixed Assets: Incomplete register.
  - ix) Budget process: no evidence of review of budget process, no minutes of budget meetings.

The Auditor-General noted that 'similar control weaknesses were reported in the prior year.'<sup>42</sup>

- Despite the existence of a shared internal audit unit little evidence could be found to suggest that it had done any work.<sup>43</sup>
- Conditional grant underpending, relating to housing subsidies, equaled R332 million.<sup>44</sup>
- The annual financial statements were not complete in terms of National Treasury guidelines in at least five areas.<sup>45</sup>
- There was non-compliance with Provincial Treasury Tender guidelines, effecting tenders to the value of R1.5 million.<sup>46</sup>

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<sup>40</sup> Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 107.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid, p. 108

<sup>43</sup> Ibid, p. 109

<sup>44</sup> Ibid.

<sup>45</sup> Ibid, pp. 109-110

<sup>46</sup> Ibid, p. 110

- There was inadequate monitoring mechanisms in place, in regard to transfer payments to municipalities.<sup>47</sup>
- The Auditor-General noted non-compliance with 'numerous' salary and wage Treasury Circulars.<sup>48</sup>
- The Auditor-General reported an overall budget underspend of 31% with programme 2, Housing, underspending by R335 million. The Auditor-General reported that this underspending 'is indicative of a service delivery problem.' He noted that 'as this matter was reported in the prior year, it would appear that it has not been adequately addressed.'<sup>49</sup>
- It was noted that six special investigations were carried out by the office of the Auditor-General relating to the Department.<sup>50</sup>

### 3.2 Audit Committee

There was no audit committee report for the 2001/02 financial year.

Although the Audit Committee noted in 2002/03 that there had been a slight improvement in some internal controls within the Department, the committee identified the following deficiencies:

- poorly managed leave records led to improper leave being taken
- noncompliance with procurement procedures
- lack of monitoring when transferring funds
- Inadequate asset register.
- Non-implementation of recommendations due to, amongst other things, inadequate capacity.
- The non-filling of vacancies.<sup>51</sup>

As has been noted, the Committee did acknowledge some improvements in internal controls, but it stated 'the evident lack of segregation of duties as a result of vacant posts [meant that] internal controls of the Department were not effective.'<sup>52</sup> The Committee did indicate why the Department underspent so dramatically when it noted:

sometimes there is a lack of synergy between projected expenditure and anticipated activities in the operational plans due to budgetary control responsibilities being given a lower than appropriate priority compared to other aspects of work.<sup>53</sup>

### 3.3 Standing Committee on Housing and Local Government

*The Standing Committees of the provincial Legislatures are responsible for ensuring that all provincial government departments and other state organs are accountable to them. This oversight role is carried out by Committees through monitoring,*

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<sup>47</sup> Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 110

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid, p. 111

<sup>51</sup> Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 99

<sup>52</sup> Ibid.

<sup>53</sup> Ibid, p. 100

*investigating and the making of enforceable recommendations relating to the performance of departments and state organs within their jurisdiction.*<sup>54</sup>

During Committee hearings on the 2002/03 Annual Report, held in November 2002, the Standing Committee on Housing and Local Government made the following recommendations:

- The MEC was ordered to ensure that the top management in his Department meet as a collective before the Department's Annual Report is presented to the Committee, to prevent a repeat of the uncoordinated manner in which the 2002/03 Annual Report was presented.<sup>55</sup>
- The Committee also recommended that the Department must at all times comply with the PFMA when handling its budget.<sup>56</sup>
- The Committee instructed the Department to ensure 'that it had the necessary plans in place and the capacity to spend money allocated to it.'<sup>57</sup>
- The Committee noted a 'serious management problem' in the MEC's core staff which affected the overall performance of the Department. The Committee instructed the MEC to compile a report on how to address this problem.<sup>58</sup>
- Regarding the critical issue of housing, the Committee made the following recommendations:
  - i) The Department should fast track the process of capacity building at municipalities.
  - ii) In addition, it should evaluate the impact of training within Municipalities.
  - iii) The Department should fill critical posts 'as a matter of urgency' to assist in the monitoring and management of housing projects.
  - iv) The Department was also ordered to hold meetings with municipalities to discuss problems related to housing delivery in the province.<sup>59</sup>
  - v) The MEC was instructed to furnish the Department with a report explaining why the Department failed to spend R50 million allocated for rural housing.<sup>60</sup>

With regard to financial oversight, the Committee made the following recommendations:

- The Committee instructed the Department to reorganize its personnel budget to avoid overexpenditure.<sup>61</sup>
- The Committee recommended that the Department ensure that Housing Units in Municipalities are established to avoid the underspending of housing subsidies.<sup>62</sup>

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<sup>54</sup> Section 63, Standing Rules of Procedure of the Eastern Cape Provincial Legislature

<sup>55</sup> Recommendations of Standing Committee on Housing and Local Government, January 2003, p. 12

<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

<sup>58</sup> Ibid, p. 12

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

<sup>61</sup> Ibid, p. 17

<sup>62</sup> Ibid.

- The Committee noted that staff development remained a problem in the Department, and recommended that the MEC ensure that staff in the Department were capacitated in order to implement programmes effectively.<sup>63</sup>
- The Department was instructed to fill all critical posts as a matter of urgency.<sup>64</sup>

### **3.4 Standing Committee on Public Accounts (SCOPA)**

Despite repeated requests, the PSAM has been unable to obtain SCOPA resolutions specific to the Department of Education for the years under review.

It is of serious concern to the PSAM that during the two years under review the Department has consistently failed to address issues raised by the Auditor-General and by its Standing Committee. This has meant that there has been only limited improvements in the Department's financial management and reporting.

## **4. Recommendations**

In light of the issues raised in the report, the PSAM submits the following recommendations:

- The Department must address the problem of underspending. To do so it must familiarize itself fully with all regulations governing the creation of strategic, operational and business plans. Once it has done so, it must create proper plans and must rigorously monitor their implementation.
- In particular, the Department needs to address the problem of underspending in housing as a matter of urgency. It needs to create an effective housing business plan with realistic time frames and properly costed estimates. This plan then needs to be vigorously monitored by both the Department and the Standing Committee.
- The Department must establish monitoring structures to enable it to continually assess the quality of new houses being constructed. Monitoring reports should be compiled and submitted to the Standing Committee on a monthly basis. They should include accounts of site visits and inspection reports.
- Critical posts need to be filled to capacitate areas of financial management, both at provincial and municipal levels.
- The Department must fully comply with all the Public Finance Management Act and Treasury Regulations to avoid wasteful and fruitless expenditure. In particular the Department must improve its internal control mechanisms as a matter of urgency.
- The Department needs to properly address issues raised by oversight institutions, as it is constitutionally obliged to. In particular, the Standing Committee must ensure that its recommendations are implemented and should hold Department officials fully accountable where they are not.

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<sup>63</sup> Ibid, p. 18

<sup>64</sup> Ibid.

