

Eastern Cape Department of Human Settlements

## **Expenditure Tracking Report**

2010/11

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### **Findings And Recommendations**

- 1. Finding:** The Annual Report shows a regression in the Department's overall expenditure trend. For the 2010/11 financial year, the Department incurred an under expenditure of 7.5% (R140 million). This is disappointing considering that in 2009/10, there was only 0.06% (5 million) under expenditure of the Department's total budget.

**Recommendation:** The Department's under expenditure in the 2010/11 financial year of 7.5% is a negative blow to the Department's significant improvement in expenditure trends in the last two financial years. In order for the budget needs to be spent more efficiently and effectively, the Department must significantly improve its expenditure of Goods and Services line item as well as fill critical vacancies in financial management and housing development (Programmes 1 and 3 respectively). These improvements must be maintained in order to secure much needed increased budgets over the MTEF.

- 2. Finding:** The Department has failed to address its high (56%) vacancy. This financial year the Department only managed to achieve 50% of its housing targets (10 783 against a target of 22 000) as a result of limited resources mainly in Supply Chain Management.

**Recommendation:** The Department's human resource challenges continue to impact negatively on the Department's ability to deliver on its mandate. The Department is urged to find long-term solutions such as working with the Provincial Treasury to sufficiently budget for critical vacancies over the MTEF. The Department and the Legislature are also encouraged to call for a review of the equitable share formula in order to assist in addressing the housing backlog. Employing interns is only a temporary solution. The Department needs to find ways to hire and retain qualified and skilled staff.

- 3. Finding:** The Department incurred irregular expenditure of R49.3 million. According to the Auditor General, this expenditure incurred was in contravention of the PFMA relating to supply chain management practices and duplicate payments.

**Recommendation:** The Department is obliged to comply with all legal and regulatory provisions outlined in the PFMA. The AO is also obliged by the PFMA to report on the irregular expenditure in the Annual Report as well as take disciplinary measures against officials who are not complying with PFMA and ensure that irregular expenditure does not occur again in future maintain this level of expenditure and motivate for increased allocations to deal with its human resource shortages for effective use of available resources.

- 4. Finding:** The Department received a qualified audit yet again because internal controls were not of the standard required by the PFMA and Treasury Regulations. Deficiencies that contributed to the audit opinion include poor reporting of financial and performance management processes, non-compliance with laws and regulations as well as failure by the Department to pay creditors within 30 days.

**Recommendation:** Non compliance with the applicable legislation regarding internal controls, poor reporting and failure to pay creditors on time is causing serious and continuous problems in the Department. Senior management and the Legislature need to exercise oversight in this regard and ensure that improvements are realised in these areas. Senior management and the

Legislature need to ensure that corrective action is taken where deficiencies are identified and where officials are not complying.

## **Introduction**

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 efficiently and effectively spent during the financial year under review.

## **Broad overview of Expenditure**

**Table 1: Expenditure over the last six years<sup>1</sup>**

<b>Financial Year</b>	<b>Total Budget R'000</b>	<b>Expenditure R'000</b>	<b>Variance: (over)/ under expenditure R'000</b>	<b>% of (over)/under expenditure R'000</b>
2004/05	666,946	660,648	36,298	5.2
2005/06	666,327	666,327	0	0
2006/07	821,136	695,835	125,301	15.2
2007/08	616,082	395,340	220,742	35.8
2008/09	1,168,801	1,228,255	(59,454)	(5.1)
2009/10	1,531 715	1,530,764	951	0.06
2010/11	1,865,939	1,725,515	140,424	7.5
<b>Total</b>	<b>7,336,946</b>	<b>6,302,684</b>	<b>1,034,262</b>	<b>14</b>

Table 1 shows the Department's significant under-expenditure in the years prior to 2008/09. More recently there has been a worrisome change in the expenditure pattern. The Department's under expenditure in the 2010/11 financial year of 7.5% is a negative blow to the Department's significant improvement in expenditure trends in the last two financial years. In order to ascertain where the budget needs to be spent more efficiently and effectively, it will be considered in greater detail below.

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<sup>1</sup> Eastern Cape Department of Housing Annual Reports, 2004/05, 2005/06, 2006/07, 2007/08, 2008/09, 2009/10, 2010/11

**Table 2: Expenditure by Economic Classification<sup>2</sup>**

<b>Economic Classification</b>	<b>Voted for 2010/11 R'000</b>	<b>Adjusted Appropriation R'000</b>	<b>Virement R'000</b>	<b>Final Appropriation R'000</b>	<b>Actual Expenditure R'000</b>	<b>Variance R'000</b>	<b>Expenditure as a % of Final Appropriation</b>
<b>Current Payments:</b>							
Compensation of Employees	160,727	157,056	0	155,069	154,850	219	99.9
Goods and Services	67,298	65,180	-728	66,697	61,070	5,627	91.6
Interest on rent on land				37	37		100
<b>Transfers and Subsidies</b>							
Households	1,599,261	1,638,625		1,638,625	1,504,067	134,558	91.8
<b>Payment for capital assets</b>							
Machinery and equipment	1,589	3,479	728	4,207	4,187	20	92.5
<b>Total</b>	<b>1,828,875</b>	<b>1,864,340</b>		<b>1,864,635</b>	<b>1,724,211</b>	<b>140,424</b>	<b>7.50%</b>

A further breakdown of the Department's overall expenditure by economic classification (Table 2 above) highlights important areas for improvement from the previous financial year. Significant line items have been largely over-spent in 2010/11. The 'Goods and Services' line item and 'Households' line items incurred over expenditures of R5.6 million (8.4%) and R134 million (8.2%) in 2010/11 respectively.<sup>3</sup> Whereas in 2009/10 these line items managed to remarkably achieve expenditures of 100%.

It is pleasing to note however that the Department has managed to maintain significant improvement in expenditure on the 'Compensation of Employees' line item. This is the second largest line item with an adjusted budget of R157 million. In 2008/09, this line item had the largest percentage over-expenditure of 13%<sup>4</sup> and in 2009/10, 100% expenditure was achieved for the compensation of employees budget.<sup>5</sup> Again in 2010/11 the Department has managed to reasonably spend its adjusted 'Compensation of Employee's' budget allocation with a slight under-expenditure of 0.1%. Although the Department should be commended for not over or under spending its compensation of employees budget in the 2010/11 financial year, the Department was allocated a main budget of R160 million which was re-adjusted by less than 3 million to R157 million. We

<sup>2</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11, p. 123

<sup>3</sup> Ibid

<sup>4</sup> Eastern Cape Department of Housing, Annual Report 2008/09, p. 34

<sup>5</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11, p. 123

would like the Department to improve their spending for this line item (and others) by spending the significantly larger budget allocated at the beginning at the year.

In addition, the 2010/11 Annual Report reports that by the end of the financial year only 396 posts were filled out of the 905 posts available.<sup>6</sup> This translates into a vacancy rate of 56%.<sup>7</sup> This vacancy rate has not decreased since the previous financial year. For the last two financial years the Department has maintained the same vacancy rate of 56%.<sup>8</sup> In 2008/09, the vacancy rate was at 52%.<sup>9</sup> This means the vacancy rate is not improving and the Department has been working with just under 50% of the required capacity for the last two financial years. This is extremely worrisome, considering that the Department has in the past admitted to failing to achieve its targets and goals due to insufficient personnel.<sup>10</sup> This financial year, the effects of an insufficient personnel has had far more reaching consequences. The Department has only managed to meet just under 50% of its 2010/11 housing target (10 784 units against a target of 22 000)<sup>11</sup> due to limited human resources. The AO reported that the limited workforce in Supply Chain Management resulted in considerable delays of procurement processes which in turn affected the pace of service delivery.<sup>12</sup> In addition the limited workforce also led to the contravention of PFMA relating to supply chain management practices and payments.<sup>13</sup>

The Departments needs improve its human resources planning and practices and come up with an effective recruitment strategy that will successfully deal with the long-standing problem of high vacancy rates. The main reason provided by the AO continues to be “due to an insufficient Equitable Share.”<sup>14</sup> The Department needs to clarify what proactive measures and long-term solutions is it currently taking to increase its compensation of employees budget allocation in order to reduce the vacancy rate as it stands. Resorting to hiring interns is only provides a short term solution for a much more intricate and long standing problem.<sup>15</sup> The Department needs to fill its critical vacancies with highly skilled and qualified and permanent employees. Other proactive measures the Department could consider include: redirecting funds meant for consultants to training and recruitment, partnering with Provincial Treasury and the Office of the Premier to manage the budget they have been allocated more efficiently and effectively by “tightening up procurement and human resources planning and practises”<sup>16</sup>, cutting

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<sup>6</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11, p.171

<sup>7</sup> Ibid

<sup>8</sup> Eastern Cape Department of Housing, Annual Report 2009/10 p.29.

<sup>9</sup> Eastern Cape Department of Human Settlements, 2009/10 Operational Plan, p.7

<sup>10</sup> Eastern Cape Department of Human Settlements, Annual Report 2009/10 ,p.73 & p.77

<sup>11</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11, p. 21

<sup>12</sup> Ibid, p.110

<sup>13</sup> Ibid, p.118

<sup>14</sup> Eastern Cape Department of Human Settlements, Annual Report 2009/10, p.29, Eastern Cape Department of Human Settlements, Annual Report 2010/11, p.22

<sup>15</sup> Ibid, p.110

<sup>16</sup> Eastern Cape Overview and Estimates of Provincial Expenditure 2010/11, p.V

expenditure on non-core goods and services<sup>17</sup>, and equipping municipalities to fulfil more housing responsibilities thereby relieving some of the pressure on the Department's human resources.

The Department is also strongly encouraged to increase the compensation of employees budget over the MTEF as a strategy to attract and retain much needed critical staff particularly in the technical industry.

Table 2 also shows an under- expenditure of 7.5% of the Department's 2010/11 adjusted budget allocation.<sup>18</sup> This is a result of rollovers of expenses from the 2010/11 financial year which may have an adverse effect on resource availability of the 2011/12 financial year.<sup>19</sup> The Department is urged to continue to ensure that as few of the Department's expenses are accrued and subsequently rolled over into the next financial year.

#### Departmental Expenditure by Programmes

**Table 3: Budget and Expenditure per programme for the Department of Human Settlement, 2010/11<sup>20</sup>**

<b>Programme</b>	<b>Total Budget (R'000)</b>	<b>Expenditure (R'000)</b>	<b>Variance (R'000)</b>	<b>Percentage of (over) / under expenditure</b>
<b>1 Administration</b>	<b>94,254</b>	<b>91,459</b>	<b>844</b>	<b>2.97</b>
<b>2 Housing Planning &amp; Research</b>	<b>17,041</b>	<b>15,980</b>	<b>(26)</b>	<b>6.23</b>
<b>3 Housing Programme Facilitation &amp; Administration</b>	<b>1,747,789</b>	<b>1,611,457</b>	<b>39,420</b>	<b>7.8</b>
<b>4 Housing Asset Management</b>	<b>6,855</b>	<b>6,619</b>	<b>(348)</b>	<b>3.44</b>
<b>Total</b>	<b>1,865,939</b>	<b>1,725,515</b>	<b>39,890</b>	<b>7.53%</b>

<sup>17</sup> 2010 Budget Speech by MEC for Finance, M. Jonas delivered on 3 March 2010, p.10

<sup>18</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11, p.123

<sup>19</sup> Ibid, p.38

<sup>20</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11, p.39

The above table reveals that all programmes performed fairly ranging from 92% to 98% use of funds. This is slightly disappointing considering that in the previous financial year all programmes managed to achieve 100% of their budgets with the exception of Programme 1 which under spent its budget within an acceptable range of 0.06%<sup>21</sup>. The most notable regression in expenditure by Programme is within Programme 3 with an under-expenditure of 7.5%. This Programme is responsible for promoting effective and efficient housing delivery by implementing and monitoring housing projects. This Programme also houses the conditional grant. In the previous financial year, Programme 1 housed the conditional grant and managed to register a 100% expenditure rate.<sup>22</sup> This means that in 2010/11 Programme 3 failed to maintain this improved conditional grant expenditure. The Department however, can be congratulated for maintaining overall improved expenditure considering the 5% over expenditure experienced in the 2008/09 financial year.

A closer look at expenditure of Programme line items reveals massive expenditure of the Goods and Services budget by each Programme ranging from 7% to 20%.<sup>23</sup> For instance, Programme 2 under spent its Good and Services budget by R880 000 (or 20%) while Programmes 1 and 3 under spent its Goods and Services budget by R37 million (7%) and by R134 million (10%) respectively.<sup>24</sup> The Department's 2010/11 total Goods and Services budget allocation was under-spent by 8.4%.<sup>25</sup>

This is unsatisfactory considering that all Programmes achieved a close to 100% expenditure of their Goods and Services budget in 2009/10. The Department attributes its failure to spend its entire 2010/11 allocation due to under-expenditure in Goods and Services.<sup>26</sup> Under-expenditure of this line item results in essential services such as training, consultants and specialized services and other Conditional Grant operational services.<sup>27</sup> In the 2008/09 financial year, the Department once again encountered expenditure problems of its Goods and Services line item by under-spending it by 17%.<sup>28</sup> The Department is urged to improve its expenditure for this crucial line item for the successful implementation of Conditional Grant activities and achievement of targets.

The expenditure of the conditional grant will now be considered.

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<sup>21</sup> Eastern Cape Department of Human Settlements, Annual Report, 2009/10, p.32

<sup>22</sup> Ibid

<sup>23</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11, p.124-130

<sup>24</sup> Ibid,p.75, p.125 & p.127

<sup>25</sup> Ibid, p.123

<sup>26</sup> Ibid, p.40

<sup>27</sup> Eastern Cape Provincial Treasury, Budget Statement II 2008/09,p404

<sup>28</sup> Eastern Cape Department of Housing, Annual Report 2008/09, p. 34



**Table 4: Eastern Cape Department of Human Settlements, (IHSDSG) Conditional Grant Expenditure during 2010/11.<sup>29</sup>**

<b>Name of grant</b>	<b>Division of Revenue Act</b>	<b>Rollovers &amp; Adjustments</b>	<b>Total Available</b>	<b>Amount Received by Department</b>	<b>Amount Spent by Department</b>	<b>Variance as % of total available funding</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	
IHSDSG	1,598,646	39,000	1,637,646	1,503,796	1,503,818	91.8%
<b>Total</b>	<b>1,598,646</b>	<b>0</b>	<b>1,637,646</b>	<b>1,503,796</b>	<b>1,503,818</b>	<b>0</b>

The Integrated Housing and Human Settlements Development Grant (IHSDSG) adjusted allocation of R1.63 billion comprised 88% of the total adjusted 2010/11 R1.86 billion Human Settlements budget.<sup>30</sup> The Grant funds the majority of departmental projects including land acquisitions for housing development, unblocking projects, housing subsidies, delivery of housing units as well as the upgrading of informal settlements. In the previous financial year the Grant was spent by 100%. The Department must be applauded for its much improved conditional grant expenditure for the last two years.

This financial year, the Conditional Grant was increased from a main allocation of R 1.59 billion to an adjusted allocation of R 1.63 billion. The additional R39 million was allocated to the provincial department by the National Department “to pilot the rectification programme in the Eastern Cape.”<sup>31</sup> Of the R1.63 billion adjusted conditional grant, the Department managed to spend R1.5 billion or 92%.<sup>32</sup> This means the Department under-spent its total adjusted conditional grant appropriation by 8%. The Department admits to spending only 12% or R180 million of the conditional grant on the rectification programme.<sup>33</sup> It is also disappointing to note that the Department failed to meet its 2010/11 rectification targets despite receiving additional funds for this specific purpose.

<sup>29</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11, p.157

<sup>30</sup> The Eastern Cape Department of Human Settlements, Annual Report 2010/11, p.141 & 157.

<sup>31</sup> Ibid, p.40

<sup>32</sup> Ibid

<sup>33</sup> Ibid

The Department reported rectifying 3 142 post 1994 units out of a target 4 896 units<sup>34</sup>, in addition, the Department failed to rectify any pre 1994 units out a target of 411 units. Reasons provided for poor expenditure and implementation of conditional grant funds and activities is due to the following:<sup>35</sup>

- Under-performance of contractors
- Delays in procurement
- Late appointment of contractors and other service providers

It appears from the list of setbacks, that the Department's project management and quality assurance is weak. According to the AO, this is due to an insufficient number of available inspectors required for housing quality assurance work.<sup>36</sup> The Department is also urged to improve their Monitoring and Evaluation Systems, fill out critical and highly skilled vacancies such as site managers and inspectors and black list under-performing contractors as well as contractors who continuously fail to meet contractual deadlines. In addition, the Department can also improve its emerging contractors programme or resort to strictly awarding contracts to established contractors as poor contractor performance, project management and quality assurance is impacting negatively on expenditure and delivery trends. All outstanding rectification projects have been rolled over into the 2011/12 financial year thereby putting increased pressure on the 2011/12 conditional grant budget.

The Department must however be applauded for securing additional conditional grant funds and for not having any conditional grant funds being withheld this financial year. This is a positive sign that shows improved communication between the provincial Department, the National Department and Provincial Treasury.

### Internal Control

Proper expenditure of the Departments budget is dependent upon the proper functioning of internal controls and internal audit. These mechanisms are overseen by the Audit Committee who report to the AO regarding the Department's internal controls, risk management and governance processes. The Auditor General (AG) is responsible for monitoring and evaluating both the Audit Committee's and the Department's expenditure and senior management decisions. During the year under review the following concerns were raised regarding the effectiveness of these mechanisms by the following entities and persons:

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<sup>34</sup> Eastern Cape Department of Human Settlements 2010/11, p.94 & p.99

<sup>35</sup> Ibid

<sup>36</sup> Ibid, p.110

The Audit Committee stated that the Department's "system of internal controls for the period under review was adequate and partially effective."<sup>37</sup> The Committee also expressed satisfaction with the monthly and quarterly reports prepared and issued by the Head of the Department during the year under review in accordance to the PFMA and the Division of Revenue Act (DoRA) not as a result of the internal audit committee review but based on discussions with management, who confirmed compliance.<sup>38</sup>

The Audit Committee highlighted concerns with its own internal audit report citing that the "internal audit function did not operate optimally during the year and could not address all the key risks pertinent to the Department in its audits"<sup>39</sup> as a result of staff shortages within the Shared Internal Audit Services (SIAS) which is administered by the Provincial Treasury.<sup>40</sup> This is of concern as inadequate human resources in the SIAS was also highlighted in 2008/09 and 2009/10 by the Audit Committee.<sup>41</sup> This financial year the Provincial Treasury must be commended for finally addressing this problem of capacity within the SIAS. As of the 2011/12 financial year, the Eastern Cape Departments will no longer be sharing internal audit services and each Department will receive its own internal audit committee.<sup>42</sup>

The AO has again expressed "reasonable satisfaction"<sup>43</sup> with the SIAS and the Audit Committee citing that their advice and support has been adding value to the Department.<sup>44</sup> The AO also expressed his contentment with the measures taken by the SIAS to address the human resource challenges it was facing by de-centralising the SIAS and establishing the Department's own internal audit committee.<sup>45</sup> In the previous financial year, the AO called on for more assistance in the areas of risk management, planning and training from the SIAS in order to improve the Department's ability to deliver on its mandate, this financial year, the AO has failed to provide report back with regards to this.<sup>46</sup> The AO must however be commended for reporting on the Department's responses and progress with regards to implementing the Auditor General (AG) and SCOPA findings and recommendations over the last two financial years.<sup>47</sup> The Department is urged to continue reporting back on the implementation of AG recommendations in future Annual Reports.

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<sup>37</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11,p.105

<sup>38</sup> Ibid

<sup>39</sup> Ibid, p.104

<sup>40</sup> Ibid

<sup>41</sup> Ibid

<sup>42</sup> Ibid

<sup>43</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11,p.113

<sup>44</sup> Ibid,

<sup>45</sup> Ibid

<sup>46</sup> Eastern Cape Department of Human Settlements, Annual Report 2009, p.102

<sup>47</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11,p.114-115

This financial year after considering the Department's internal controls, the AG had the following to say:<sup>48</sup>

- The audit committee and internal audit did not execute all their responsibilities as the internal audit report on government processes and the control environment
- The Department's controls and processes were neither updated nor reviewed on a regular basis
- Insufficient monitoring of the Department's actual performance against pre-determined objectives
- Ineffective manual and automated controls to identify and accurately record irregular expenditure
- Inadequate oversight from leadership to ensure that Departmental commitments were reviewed and updated on a regular basis

Contrary to the Audit Committee and the AO, the list of concerns raised by the AG regarding the Department's and Audit Committee internal control system does not support claims of satisfactory fulfillment of the Department's internal roles and responsibilities in accordance to the PFMA.<sup>49</sup> In the previous financial year, the Auditor General (AG) again concluded that "there was no evidence that the Audit committee and internal audit had fulfilled all of their responsibilities contained in Treasury Regulation 3" as well as sections 76 and 77 of the PFMA.<sup>50</sup>

The Department received a qualified audit opinion for the 2009/10 financial year<sup>51</sup> from the Auditor General (AG). This financial year, the Department has once again received yet another qualified audit.<sup>52</sup> This is because the AG keeps emphasising the same deficiencies raised in the previous financial year regarding the Departments failure to comply with PFMA laws and regulations such as the payment of creditors within 30 days, its failure to accurately report on performance against legal and regulatory requirements as well as in the inadequacy of its internal controls.<sup>53</sup> It appears that these concerns have not been addressed despite assurances by the AO that the AG concerns have been addressed and his recommendations implemented,<sup>54</sup> specifically on accurate reporting on performance, compliance with PFMA, timely payment of creditors and inadequate internal controls.<sup>55</sup>

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<sup>48</sup> Eastern Cape Department of Human Settlements, Annual Report 2010/11, p.119-120

<sup>49</sup> Ibid, p. 104,111, 119-20

<sup>50</sup> Ibid, p.107

<sup>51</sup> Eastern Cape Department of Human Settlements, Annual Report 2009/10,p.106

<sup>52</sup> Eastern Cape Department of Human Settlements, Annual Report, 2010/11, p.118

<sup>53</sup> Ibid, p.119-120

<sup>54</sup> Ibid, p.114-115

<sup>55</sup> Ibid, p.119

In addition to these deficiencies, the AG discovered that the Department incurred irregular expenditure of R49.3 million.<sup>56</sup> “The expenditure incurred was in contravention of the PFMA relating to supply chain management practices and duplicate payments.”<sup>57</sup> According to the PFMA, the AO must report in the Annual report any unauthorized, irregular or fruitless and wasteful expenditure that occurred during the financial year, in addition, the AO must take criminal or disciplinary steps as a result of such expenditure.<sup>58</sup> The AO is urged to ensure that effective and appropriate steps are taken in accordance to the PFMA when dealing with irregular expenditure. In addition, the AO needs to give more attention to the Supply Chain Management processes in order to prevent irregular expenditure from occurring again.

Based on the AG’s report, in order for the Department to receive an unqualified audit opinion, the Department will need to improve on the following:

- Compliance with laws and regulations,
- Reporting on their financial and performance management
- Accurate and regular reviewing of information prior to submitting them for audit.
- Preparation and management processes of quarterly reports and other related financial documentation.
- Supply chain management processes
- Internal controls

## **Conclusion**

The 2010/11 Annual report shows that the Department has managed to maintain the progress that it made in the previous financial year. It is quite unfortunate that the Department has failed to top this improvement in the 2010/11 financial year. A 50% achievement of the 2010/11 housing targets leaves a lot to be desired. If ongoing challenges of a high vacancy rate and insufficient funding continue to persist, the Department will continue to fail to meet its housing targets.

The Annual Report for the last two financial years has demonstrated how insufficient internal controls as well as inconsistent and unreliable financial and performance reporting has been an obstacle to the Department receiving an unqualified audit opinion. These are areas that clearly need the Department’s attention. The Department needs to improve their internal control measures for accurate and effective reporting as well as for effective use of available funds. Improved internal controls will also go a long way in assisting the Department to fight corruption and in fulfilling its service delivery commitments and meeting targets.

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<sup>56</sup> Eastern Cape Department of Human Settlements ,Annual Report 2010/11, p.118

<sup>57</sup> Ibid, p.118

<sup>58</sup> Public Finance Management Act, 1999, Section 1, 40(3) (b)

The Department also needs to start taking disciplinary action against officials who fail to comply with PFMA to address weaknesses of inconsistent and sometimes unreliable financial and performance reporting. It is vital that the Department reports accurately on its expenditure and performance to ensure adequate accountability.