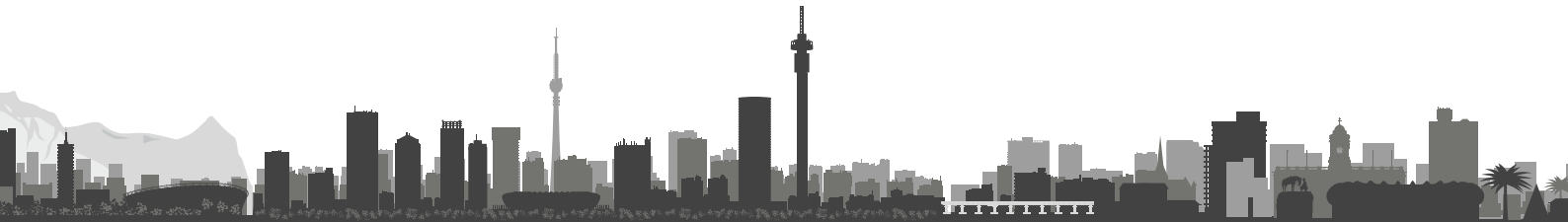




Social Housing Regulatory Authority

Annual Report 2013/2014





SYNERGY

The interaction of multiple elements in a system to produce an effect different from, or greater than, the sum of their individual effects.

The theme of this annual report is *'striving towards synergy'* as the concept of synergy is in keeping with that of social housing, the social housing sector and the SHRA. The aim of the social housing programme, whilst providing housing opportunities for low and medium income households, is far wider reaching. The intended impact is that of restructuring of our cities and empowerment of its residents. Human settlements are complex systems, the physical elements of which are apparent but the effect these have are less perceptible. Social housing aims to provide clean, healthy and safe

environments within proximity to services, transport routes, clinics, schools and economic opportunities. Alone these are valuable but they also directly influence our quality of life, ours and our children's ability to succeed and our peace of mind. Our cities, once planned to segregate, disenfranchise and oppress must correspondingly be planned to integrate, empower and uplift. The social housing sector consists of many different role-players, each with particular importance and contribution to this holistic system.

The graphic on the cover of this report depicts several of our cities' skylines merging imperceptibly together. With this, the SHRA would like to thank Azania Events & Media (Pty) Ltd (info@azaniaevents.co.za) for skilfully incorporating the theme into the design of this report.



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Part A

Overview of the Organisation



List of Abbreviations / Acronyms

BCA	Building Conditions Audit
BRT	Bus Rapid Transit
CBD	Central Business District
CEO	Chief Executive Officer
CSM	Corporate Services Manager
CoJ	City of Johannesburg
DORA	Division of Revenue Act, No. 2 of 2013
DSCR	Debt Service Cover Ratio
EAAB	Estate Agency Affairs Board
EC	Eastern Cape Province
GP	Gauteng Province
IIG	Institutional Investment Grant
IIP	Institutional Investment Programme
IS	Institutional Subsidy
ISHP	Interim Social Housing Programme
ISO	International Organisation for Standardisation
JOSHCO	Johannesburg Social Housing Company
KPI	Key Performance Indicator
KZN	KwaZulu-Natal
MHA	Madulamohoho Housing Association
MOE	Municipal Owned Entity
MP	Mpumalanga
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NASHO	National Association of Social Housing Organisations

NDoHS	National Department of Human Settlements
NDP	National Development Plan 2030
NDPP	National Director of Public Prosecutions
NHFC	National Housing Finance Corporation
NMBM	Nelson Mandela Bay Municipality
NPO	Non-Profit Organisation
NSHTT	National Social Housing Task Team
NT	National Treasury
NW	North West Province
ODD	Organisational Design and Development
PE	Public Entity
PFMA	Public Finance Management Act, No. 29 of 1999
RCG	Restructuring Capital Grant
RONA	Return on Net Assets
RZ	Restructuring Zone
SANS	South African National Standards
SARS	South African Revenue Services
SCM	Supply Chain Management
SH	Social Housing
SHA	Social Housing Act, No. 16 of 2008
SHF	Social Housing Foundation
SHI	Social Housing Institution
SHIP	Social Housing Investment Programme
SHRA	Social Housing Regulatory Authority
SNG	SizweNtsalubaGobodo Inc
WC	Western Cape Province

Strategic Overview



VISION

To provide affordable rental homes in integrated urban environments through sustainable institutions.

MISSION

To regulate and invest in delivering affordable, rental homes and renew communities.

VALUES

- Shared Sense of Purpose
- Best Use of Resources
- Atmosphere of Openness
- Regular Review of Progress
- Build on Experience
- Ride out The Storm

The Social Housing Regulatory Authority (SHRA) was established in August 2010 by the Minister of Human Settlements in terms of the Social Housing Act, No 16 of 2008. SHRA is a Public Entity (PE) in terms of Schedule 3A of the Public Finance Management Act, No. 29 of 1999 (PFMA).

The purpose of social housing is to contribute to the national priority of restructuring South African society in order to address structural, economic, social and spatial dysfunctionalities; therefore contributing to Government's vision of Sustainable Human Settlements. Social housing contributes to widening the range of housing options available to the poor.

The SHRA is responsible for:

- Regulating the social housing sector in South Africa;
- Approval, administration and disbursement of both institutional investment and capital grants (named the Restructuring Capital Grant).

The SHRA must promote an enabling environment for the growth and development of the social housing sector.

Legislative and Other Mandates

SHRA derives its mandate from the following legislation and policy:

- The Constitution of the Republic of South Africa, No. 108 of 1996
- The Social Housing Act, No. 16 of 2008
- The Housing Act, No. 107 of 1997 as amended
- The Rental Housing Act, No. 50 of 1999 as amended
- The Public Finance Management Act, No. 1 of 1999
- Comprehensive Plan for the Development of Sustainable Human Settlements: Breaking New Ground, 2004
- The Social Housing Policy, 2005
- The National Housing Code, 2009
- The National Development Plan 2030, *Our Future – Make it Work*

Foreword by the Chairperson



Ms. Z. Ebrahim
Chairperson

While the SHRA's tangible output is regulated social housing units in restructuring zones, its impact extends to the transformation of people, place and environment. The role players in the sector, including the staff of the SHRA, have expertise in many different fields. The breadth and depth of skills contributes to the social return that social housing delivers.

"Working together to achieve more"

Having served the statutory three year term, the Council's appointment was extended by the Minister, in July 2013. Due to various challenges faced by the organisation, 2013/14 was a difficult year for the SHRA. The CEO and CSM were suspended in December 2013, pending disciplinary hearings, and this impacted on the ability of the organisation to meet certain performance targets.

The sector has been made aware of the above problems and Council has been working tirelessly to address them. Subsequent to the suspensions, the CSM resigned and matters are continuing with the CEO. Council appointed Advocate Seeng Ntsaba-Letele, a Council member, as Acting CEO to ensure stability within the organisation. Council continued with its oversight responsibilities, was quorate at all its meetings and had diligent

discussions on all matters put forward. We believe that we operated efficiently and in line with our fiduciary responsibilities. Key aspects of project selection and implementation were identified as risks, in particular in respect of the Provincial Special Projects programme. Steps have been taken to enhance the internal control environment. This includes project management and disbursement of funds, to prevent a reoccurrence of the events that led to the suspensions. In consultation with our legal advisors, the Council is now proceeding with legal action/criminal proceedings. I would like to thank the sector for their understanding and cooperation in the change of project controls and apologise for any negative impact on the operations of Social Housing Institutions (SHIs).

Despite the above-mentioned difficulties, SHRA has had an unqualified audit. There have also been many achievements in the year under review and wonderful work undertaken in the sector at large.

Growth in the sector, a key mandate of the SHRA's, has been strong in the year under review. SHRA received a high number of applications for accreditation, 60 in total, and 47 of those achieved accreditation status. Considering that only 18 SHIs were accredited in SHRA's first year of operations, the growth in the sector has been encouraging. This reflects the will and drive to achieve the social return that differentiates social housing from other tenure options. The financial performance of the SHIs remains healthy and robust, with a positive outlook. The demand continues to exceed supply. The average key performance indicators (KPI) remain in line with the thresholds established by the SHRA, increasing year on year to push delivery and, ultimately, the sustainability of the sector. The target sector threshold for rental collection rate is 83% and this has been achieved across the sector. The rate would have been much higher but was brought down by certain Municipal Owned Entities which still have significantly

lower collection rates than their private counterparts.

The SHRA approved 2 279 units in the year under review. The projects selected under SHIP 4b indicate exciting developments in the sector. A large number of projects are situated in the City of Johannesburg. One can clearly see how the City's Corridors of Freedom and Bus Rapid Transit (BRT) are influencing the structure, and restructuring, of the City - and how rapidly the sector has responded to this. The first SHIP project situated in the North West, in the mining town of Klerksdorp, was approved under SHIP 4b. It is sure to be a first of many, and it will be interesting to see the impact and the extent to which it will determine the nature of housing delivery in mining areas. On the other hand, SHIP 4a did not yield any projects qualifying for grant award and the SHRA was unable to reach its target of approval of 5 429 units. There has been much discussion within the sector, and between the NDoHS, provinces and SHRA, about the ongoing suitability of the Call for Proposals process. Clearly it is vital to ensure a common understanding and a supported pipeline of projects. Consequently a pipeline has now been developed in partnership with the Provincial Steering Committees. This has

the potential to deliver over 25 000 units in the next four years. This number is expected to grow with the development of a more cooperative and pro-active planning approach between the Provinces and sector.

The SHIs have been quick to implement energy efficiency measures and SHRA has also adjusted the minimum technical specifications to incorporate greening elements to assist social housing projects to meet the SANS 10400 specifications. This is the first step in the move to regulate and enhance sustainability in the sector.

SHRA was able to make input towards the Rental Housing Amendment Bill tabled in Parliament this year. We are supportive of its progress and welcome the amendments to it. They reinforce the work the SHRA has been undertaking in ensuring the formalisation of contractual relationships between the tenants and SHIs, and also inculcating a culture of responsibility for payment of rentals. The notion of establishing Rental Tribunals in every Province is sure to add value to SHRA's work in regulating the sector.

Since its establishment, the SHRA has worked with the South African Housing Co-Operatives Association in developing a strategy to include Co-Operatives into the programme. The work is ongoing. In the year under review, five Co-Operatives submitted applications for accreditation with one Co-Operative achieving accreditation status. Whilst this is a small step, it can form the basis for continued growth as these organisations are viewed as an important delivery mechanism for social housing.

SHRA's strategy has been to promote organisational establishment, building and performance. SHRA is now moving into the phase of organisational effectiveness. Given the many changes in policy and process, the automation of certain key functions and the current revision of SHRA's organisational structure, effectiveness and efficiency become even more critical. To ensure that the SHRA improves the enabling environment for social housing, the need for internal collaboration and greater stakeholder engagement will be prioritised going forward. Hence the theme of this year's Annual Report, 'striving towards synergy'. The responsibilities of the organisation to regulate, capacitate, develop and invest in social housing projects as outlined in

the Social Housing Act, reflects the integrated nature of the SHRA's work. Synergy within the organisation and in the environment in which it operates will be key in ensuring the continued success of the social housing programme, as intended, especially after the difficulties of the past year.

Council hopes that this Annual Report will be reviewed with an understanding of the difficulties the organisation has faced and the gritty efforts made to ensure stability and continuity of the organisation's operations. As a result of the Minister's Budget Vote speech, there has been uncertainty raised regarding the future of the SHRA in its current form. Since the date of the announcement the entity has engaged with the Ministry to clarify the impact and intention of the statement. Following the meetings held, the Council is of the view that SHRA is expected to work more closely with the National Department of Human Settlements to effectively align its mandate and delivery in line with the targets set out in the Medium Term Strategic Framework 2015-2019.

In conclusion, I would like to extend my gratitude to my fellow Council members for remaining committed to the SHRA despite the unforeseen

extension of our term of office. I know I speak for all non-Executive members – Maphuti Lamola, Nontutuzelo Mbiza, Sharon Trail, Advocate Collen Weapond and Ahmed Vawda - when I say that our time with SHRA has been tough but rewarding. On behalf of Council, I wish to extend our gratitude to Advocate Seeng Ntsaba-Letele for providing the much needed stability and the drive in taking the organisation forward on the operational level as the Acting CEO. The staff need to be commended for their resolve and commitment to the organisation and its programmes in this difficult period. They have performed well despite the challenges encountered.

My gratitude goes, too, to the successive Ministers of Human Settlements, as well as the Portfolio Committee, for their continuous support of the entity and its programmes. We gladly welcome back Dr. Lindiwe Sisulu and look forward to working with her in the year ahead.

Ms. Zohra Ebrahim
Council Chairperson
The Social Housing Regulatory
Authority

Chief Executive Officer's Overview



Adv. S. Ntsaba-Letele
Acting Chief Executive Officer

If you want to be incrementally better:
Be competitive.
If you want to be exponentially better:
Be cooperative.
- Anonymous.

It is with the greatest honour that I present the SHRA's 2013/14 Annual Report.

Following my appointment in December 2013 as Acting CEO, my immediate priority was to stabilise the organisation and ensure continued delivery. I wish to thank the sector's stakeholders for the support they have shown to the SHRA and myself during this period. I believe there is much support for the work of the SHRA in general and that we are perceived as a progressive Regulator that aims not only to ensure compliance but supports delivery as well.

We continue to be successful in retaining existing accredited Social Housing Institutions (SHIs), while introducing a number of new SHIs. This year alone we received 60 accreditation applications, 47 achieved accreditation with a view to capacitating those that have not.

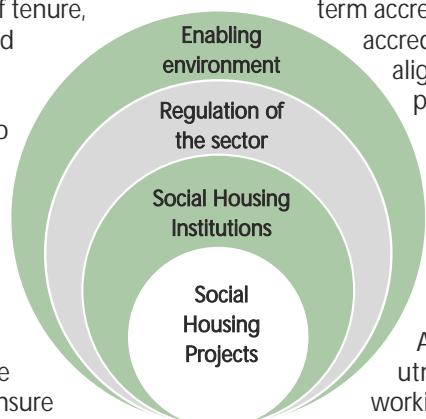
Despite operations only commencing in 2011, the SHRA has had a significant impact on the social housing sector. Since inception, the SHRA has approved 12 429 units which totals over R1.6 billion in Restructuring Capital Grants. We have made some very significant investments in the sector stakeholders' projects. A full range of next generation

Regulatory Tools have been developed, tested and are providing insight on the state's investment in social housing.

As the Chairperson noted, the theme of this year's Annual Report is that of striving towards *synergy*. The social housing sector's stakeholders must work together to achieve a thriving sector. Just as the report highlights achievement within this past year, it also provides insight into SHRA's intentions going forward. Our hope is to focus more on cooperation within the sector and the creation of an enabling environment for social housing to thrive. In order to achieve this, the SHRA will re-organise its structure to

create the capacity and ability to reach out to the sector and to guide and assist where possible. The revision to our structure will also provide more opportunity for *synergy* within SHRA's operations which is aimed at promoting greater efficiency, effectiveness and control.

Going forward, our primary focus will remain unchanged, but we will start to integrate more aspects of our work and greatly expand our reach. We will ensure the protection of public funds invested in social housing by promoting comprehensive property risk management, certainty of rent collection, security of tenure, creation of equity and maintenance of the properties. We will regulate the sector to the benefit of the low to middle income earners whilst ensuring financial viability of the SHIs. We will form close working relationships with the Rental Tribunals to ensure an additional level of oversight in the sector. We have continued to introduce new institutions for accreditation in every financial year. We will capacitate the sector through training, assisting financially on project readiness and turn-around of distressed SHIs.



The accreditation process has to produce financially savvy SHIs that are capable of handling public funds, creating employment and delivering projects. The accreditation process is stringent but well documented in the regulations. It is our intention to create regulatory certainty by introducing long term accreditation for fully accredited institutions, aligning the accreditation process with the International Standards Organisation (ISO) and the Estate Agency Affairs Board (EAAB), as our SHIs are estate managers.

As a matter of the utmost priority, I am working with the executive team on ways to accelerate mass delivery of well-located rental housing stock in areas of high economic activity with the implementation of an automated risk based regulatory methodology. We will be developing financial models that will link the rental and income bands to the

grant and also engage the Department on the adjustment of income and rental bands.

SHRA has always believed in working constructively with the social housing sector, including private developers, to arrive at mutually acceptable solutions. This will continue. We will be forthright in representing the low and middle income earners' interests and safeguarding the integrity of the Restructuring Capital Grant. By the same token, we will continue to consider the most appropriate governance and financial viability systems for SHRA.

An important step forward is to agree with Provinces and Municipalities on the role to be played by individual entities, in the delivery of social housing. The new administration term is characterised by the delivery of the National Development Plan 2030 and the SHRA will ensure strategic alignment to this vision and the indicative targets as per the Medium Term Strategic Framework (MTSF).

Chief Executive Officer's Overview

In summary, it has been a very challenging year but progress has been strong and the potential for continued growth is considerable. We start the new year with a positive outlook and look forward to a close working relationship with the Department and Minister. We plan to initiate extensive stakeholder engagement which we hope will ultimately create an enabling environment to ensure delivery of social housing units as well as aligning and synchronising the SHRA and Provincial pipelines.

As always, our performance in the year under review, was based on the active support of many different stakeholders. I therefore want to thank our employees, our Council, our partners, the SHIs, other delivery agents and the thousands of tenants that reside in the social housing estates.

I also want to thank our colleagues at the National Department, Provinces, Municipalities and other government departments, with whom we work.

Together we can achieve more.

Adv. Seeng Ntsaba-Letele
Acting CEO
The Social Housing Regulatory Authority

Governance

Council Members

The SHRA's Council, as appointed in terms of Section 9 of the Social Housing Act, acts as the Accounting Authority in terms of the PFMA and the Shareholder Compact Agreement and as such reports to the Executive Authority, the Minister of Human Settlements. The Portfolio Committee on Human Settlements provides parliamentary oversight of SHRA through the NDoHS.

Council's responsibilities as the Agent of the Shareholder are to ensure the SHRA's mandate and strategic objectives are met and that the state's investment is protected. In the year under review, steps were taken to enhance the internal control environment in order to address the risks identified through the PSP programme and the previous fund disbursement methods. The funds received from the Provinces for the PSP programme were returned to National Treasury. The RCG contracts have been amended to reflect the change in internal controls.

Please refer to Part C: Annual Financial Statements for Council's full report.



Ms. Z. Ebrahim



Adv. S.C. Ntsaba-Letele



Ms. M. Lamola



Adv. C. Weapond



Ms. N. Mbiza



Ms. S. Trail

Mr. Ahmed Vawda was unavailable at the time of the photo shoot.

Part B

Performance Information



Overview of the SHRA's Performance



Mr. V. Fakudze
Finance Manager

Enhancement of controls and mitigation of organisational risks has played a key role within the Investment Programme in the year under review. The implementation of social housing pipeline planning is a bold move towards cohesion in terms of planning and support of project development.

The function of the Institutional Investment Programme has not been implemented to its full potential. However challenges over lack of allocated operational budget has restricted meaningful and appropriate

The SHRA's Regulatory programme showed growth toward maturity over the period under review. The system developed for the accreditation of Social Housing Institutions (SHI) has been implemented consistently over the past few years and going forward a more sophisticated methodology, assisted by automation, will provide greater depth of analysis with a view to ensuring sustainability of the social housing sector and protection of public funds.

delivery of this programme. Going forward, the key emphasis that this programme plays in creation of an enabling environment for social housing will be prioritised.

Organisational Environment

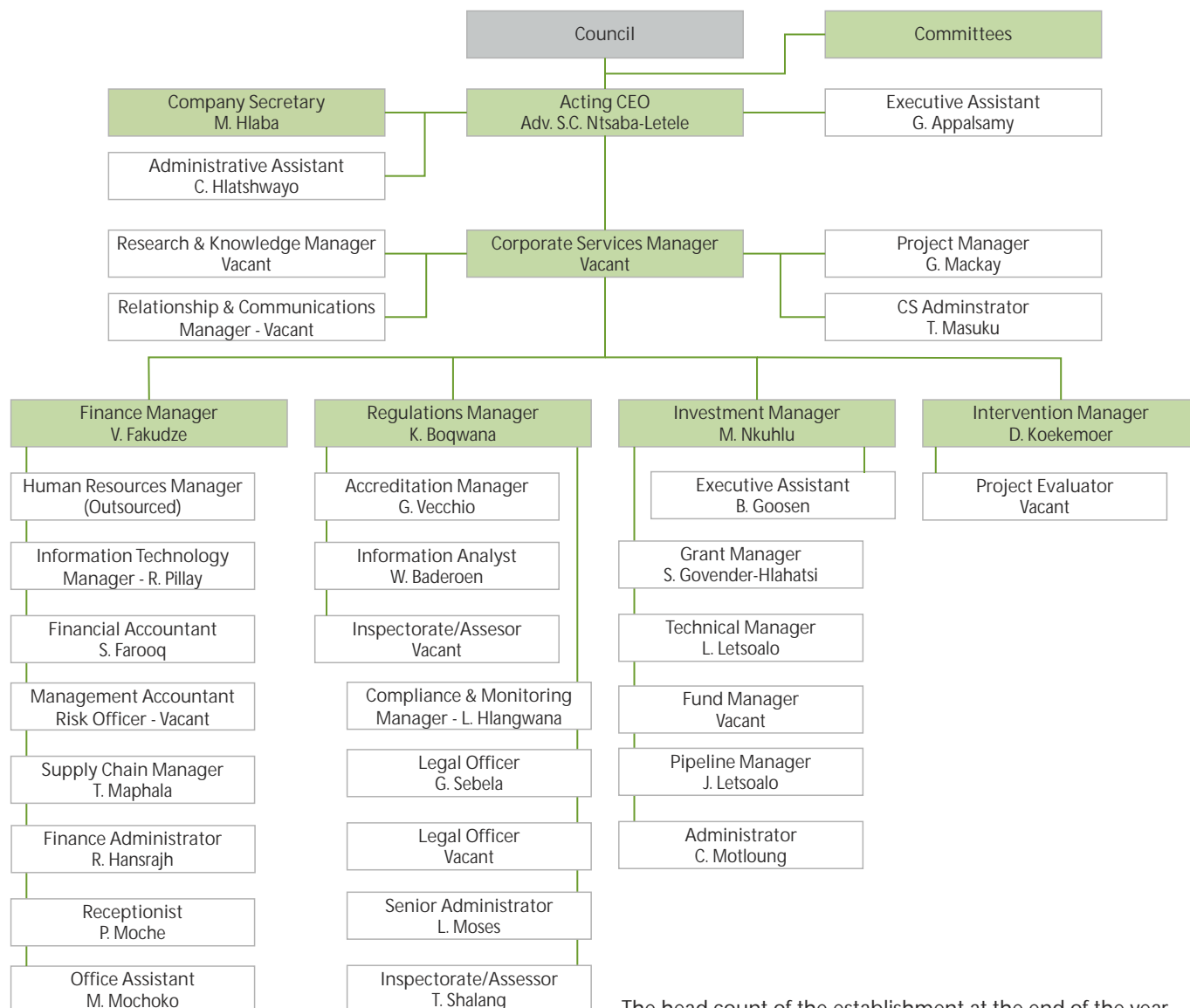
On 20 June 2013 the National Director of Public Prosecutions (NDPP) obtained an urgent Preservation Order freezing the bank account of a Social Housing Institution called Camel Rock, operating in the Eastern Cape. Council appointed an independent forensic auditing company, SizweNtsalubaGobodo Inc (SNG), to undertake the forensic investigation and to make recommendations. SNG's findings in respect of the payments to Camel Rock list serious allegations. These are mere allegations and have to be tested by following due process. Due to the seriousness of the allegations, Council took the view that it would be in the best interest of the organisation to suspend the CEO and CSM. The

suspensions occurred in December 2013. Council appointed Advocate Seeng Ntsaba-Letele, the Chair of the Regulations Committee, as the Acting CEO for the time being in order to avoid disruptions to the organisation.

The organisational design and development (ODD) process, already underway at the time of the suspensions, was realigned to ensure greater transparency, organisational efficiency and control in the recommendations suggested.

The ensuing financial year is sure to be one of dramatic change within the organisation as a revised structure, policies and process will be introduced and implemented. Performance contracts will be drawn up for all staff that align to the organisation's key performance areas and a rigorous performance management system implemented. A culture of informed and educated staff will be nurtured to enhance organisational effectiveness.

Human Resource Management



The head count of the establishment at the end of the year under review was 27. There were 36 positions as per the above organogram. There are 9 vacancies in total.

Employment Equity at the end of the year under review:

	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	0	0	0	0	1	0	0	0	0	0	1
Senior Management	3	0	0	1	0	0	0	0	0	0	4
Professionally Qualified and Experienced Specialists and Mid-Management	2	0	1	1	2	0	1	1	0	0	8
Skilled Technical and Academically Qualified Workers, Junior management, Supervisors, Foremen and Superintendents	3	0	0	0	0	0	0	1	0	0	4
Semi-skilled and Discretionary Decision Makers	0	0	0	0	2	2	2	1	0	0	7
Unskilled and Defined Decision Makers	1	0	0	0	2	0	0	0	0	0	3
Total Permanent Staff	9	0	1	2	7	2	3	3	0	0	27
Temporary Employees	0	0	0	0	0	0	0	0	0	0	
GRAND TOTAL	9	0	1	2	7	2	3	3	0	0	27

Staff Turnover

During the year under review, the following staff movements occurred:-

Resignations

- The CSM's notice period ended in the last quarter of the year under review whilst he was under suspension.
- Compliance and Monitoring Manager

Appointments

The following appointments were made

- Compliance and Monitoring Manager
- Corporate Services Administrator
- Receptionist
- Pipeline Manager
- Building Conditions Inspector
- Acting CEO

Terminations

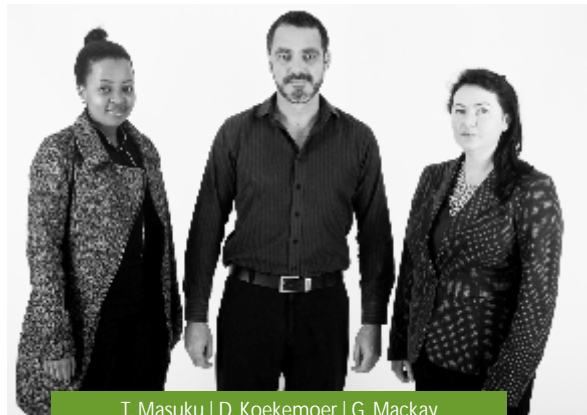
- The former CEO's contract terminated on 31 December 2013 whilst under suspension.

CEO's Office



G. Appalsamy | S. Ntsaba-Letele | C. Hlatshwayo

Corporate Services & Interventions Team



T. Masuku | D. Koekemoer | G. Mackay

Finance Team



S. Farooq | P. Moche | R. Pillay | T. Maphala | R. Hansrajh

Investments Team



M. Nkuhlu | B. Goosen | S. Govender-Hlahatsi | J. Letsoalo | C. Motloun | L. Letsoalo

Regulations Team



B. Mkoko | L. Hlangwana | T. Shalang | K. Boqwana
L. Moses | W. Baderoen

Overview of the SHRA's Performance



Ms. T. Maphala
Supply Chain Manager

Supply Chain Management

Working with the service providers, SHRA maintains sound Supply Chain Management (SCM) practices in line with the PFMA, National Treasury and other applicable frameworks, norms and standards.

SHRA has adopted the National Treasury's Code of Conduct for SCM officials and all staff engaged in supply chain activities have formally signed the Code to ensure fair and transparent SCM processes.

Promotion of B-BBEE is a priority for the entity and will continue to play a meaningful role in stimulating economic growth in the social housing sector.

SHRA did not receive any unsolicited bids in the year under review.

SHRA has put in place appropriate processes and systems to support its compliance to the SCM Framework. The review of the SCM policy has been initiated to ensure uniformity and alignment with the legislative environment, particularly to promote accessibility of SHRA's supply chain management systems for emerging businesses in the social housing sector.

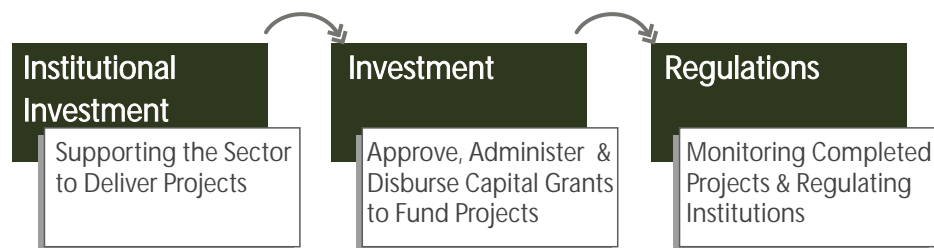
Strategic Outcome Oriented Goals

Strategic Outcome Oriented Goal	Goal Statement
Goal 1	
To be a Reputable and Reliable Regulator	<ul style="list-style-type: none"> ▪ To be recognised as a national Regulator on par with SARS and other credible Regulators ▪ To form partnerships with similar international organisations ▪ To provide an enabling but responsive regulatory authority.
Goal 2	
To be a Good Custodian/Steward of State Resources	<ul style="list-style-type: none"> ▪ To ensure that funds vested with SHRA are used for the purpose intended and optimised by leveraging other funding channels ▪ To develop a model that will over time require less direct state resources.
Goal 3	
To Use Cutting-edge Technology and Best Brand Systems to Achieve Business Results	<ul style="list-style-type: none"> ▪ To recruit, reward and retain the best available skills in the market taking into account equity requirements ▪ To deploy the best available technological resources to support business drivers within budget ▪ To consistently seek business improvement opportunities and enhance operations.

Performance Information by Programme

The SHRA operates three programmes:

- Investment: the approval, administration and disbursement of the RCG
- Regulations: comprising of Accreditation and Compliance Monitoring of social housing projects and institutions
- Institutional Investment: the approval, administration and disbursement of Institutional Investment grants



The programmes are integrated. They perform overlapping functions of the organisation as determined by the Social Housing Act.

		Audited / Actual Performance	Target	Audited / Actual Performance
Strategic Objective		2012/2013	2013/2014	2013/14
1	Investment in Social Housing (units approved)	5 121 units	5 429 units	2 279 units
2	Accreditation (entities assessed)	52 entities	50 entities	54 entities (an additional 6 withdrew)
3	Regulation through Institutional Investment (number of entities with interventions)	11 entities	40 entities	None

Performance Information by Programme

Programme: Investment in Social Housing

Key Performance Indicator	Actual 2012/13	Target 2013/14	Achievement 2013/14	Variance	Reason for Variance
Number of Social Housing Units Approved	5 121	5 429	2 279	-3 150	<p>Projects submitted for SHIP 4a RCG application did not meet the investment criteria.</p> <p>During SHIP 4b RCG application, 36 submissions with approximately 35 000 units were received. The majority of projects did not meet the investment criteria and the submissions did not indicate sufficient project planning and readiness for implementation within the timelines. In addition, most projects did not meet financial viability, hence the target could not be met.</p>

Programme: Interventions (Institutional Investment)

Key Performance Indicator	Actual 2012/13	Target 2013/14	Achievement 2013/14	Variance	Reason for Variance
Number of Project Feasibility Grants Issued	6	16	4	-12	
Number of Gear-up Grants issued	8	20	0	-20	
Number Specific Intervention Grants issued	11	15	0	-15	<p>The shortfall on performance targets was largely due to the confirmation that no additional budget would be released by the NDoHS before additional internal controls had been implemented for the investment programme and that expenditure, where RCG would be used for other programmes, would be regarded as irregular.</p>

Programme: Regulation of the Social Housing Sector

Key Performance Indicator	Actual 2012/13	Target 2013/14	Achievement 2013/14	Variance	Reason for Variance
Percentage of Applications Processed for Accreditation	100%	100%	100%	0	-
Percentage of Accredited Applications	83%	100%	77%	-23%	Due to withdrawn or declined applications.
Number of Compliance Inspections	26	20	22	+2	Further audits than initially anticipated were conducted as the consultant was well versed with the tools developed.

Social Housing Investment Programme



Mr. M. Nkuhlu
Investment Manager

Purpose of the Programme

The Social Housing Investment Programme (SHIP) is responsible for the management of the capital grant. The SHRA is allocated with a capital budget and is responsible for the approval, administration and disbursement of this capital grant, known as the Restructuring Capital Grant (RCG), which acts as a catalyst for funders to participate in the social housing programme.

The programme calls for project proposals at specific times during the year which undergo independent assessment for organisational sustainability, project technical feasibility and financial viability.

The projects that are successful in this assessment and selection process are awarded the RCG, subject to meeting Conditions Precedent and Financial Closure. Projects that are not located in Restructuring Zones are not considered but those that meet the basic investment requirements, but are not yet viable, are placed in the project pipeline for further monitoring and future consideration. These pipeline projects may potentially qualify for assistance in terms of the Institutional

Investment Programme where project feasibility grants are awarded to prepare social housing projects for implementation.

The RCG is proactively managed throughout the projects' lifecycle and grant tranches released on achievement of specific criteria as work progresses. Once initial tenancing is undertaken these projects, or social housing estates, are transferred over to the Regulatory Unit for compliance and monitoring.

Social Housing Investment Programme

Overview of the Programme

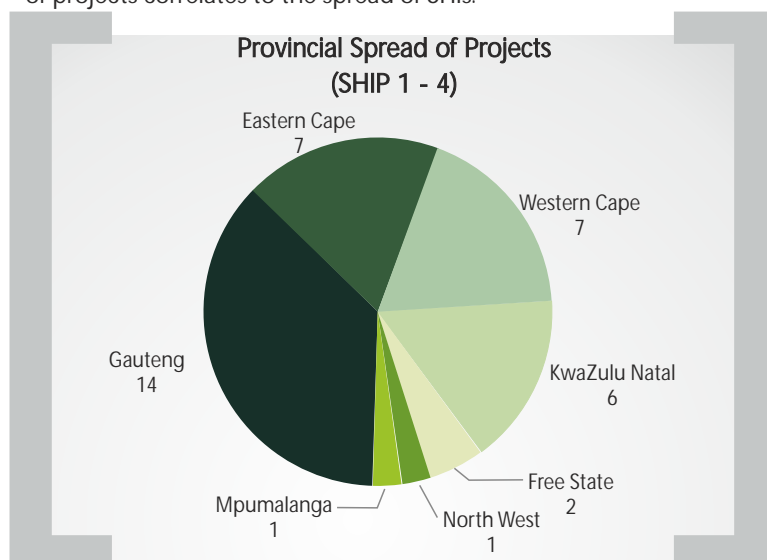
The SHRA has successfully managed four (4) funding cycles (SHIP Programmes). A summary of the programmes that have been funded is presented below:

	Annual RCG Budget Allocation (Million)	Annual Target - Units		RCG Awarded (Million)	Units Awarded	No of Projects
SHIP 1 (2010/11)	R177.4	1 050		R141.0	1 050	5
SHIP 2A & B (2011/12)	R226.2	1 712		R513.9	3 979	14
SHIP 3A & B (2012/13)	R647.4	4 661		R629.0	5 121	12
SHIP 4B (2013/14)	R904.1	5 429		R257.2	2 279*	7

The SHIP Programme achieved and exceeded its targets in the first three (3) funding cycles. The Programme underperformed in SHIP 4a. A detailed explanation is provided in subsequent sections.

Social Housing Investment Programme

The provincial spread of social housing projects funded is shown below. The spread of projects correlates to the spread of SHIs.



Of the 12 429 units approved to date, 2 357 have been completed, 5 932 are under construction or semi-tenanted. 4 140 units are still in the planning stages or were awarded in the year under review.

The internal control environment involving disbursement of the RCG has been reviewed and enhanced to reduce risk. For example the policies and contractual agreements have been altered to ensure all new projects are undertaken in a more controlled environment.

SHIP Programme Performance

RCG Awards

Two 'Calls for Proposals' were published in the year under review. The SHIP 4a Call for Proposals was published in April 2013 and concluded in July 2013. It was a closed call in that only accredited SHIs could submit applications. None of the projects submitted met grant qualification status as they were not considered technically and / or financially feasible.

The projects submitted, that have potential and are located in a Restructuring Zone, but were not approved, form part of the project pipeline and will be monitored as they may prove feasible in the future.

Social Housing Investment Programme

The second 'Call for Proposals', SHIP 4b, was advertised in July 2013 and was an "Open Call for Proposals" whereby both accredited SHIs and other delivery agents could submit applications. There were 20 submissions from the private sector which was an incredibly good response.

The projects awarded under SHIP 4b are presented below:

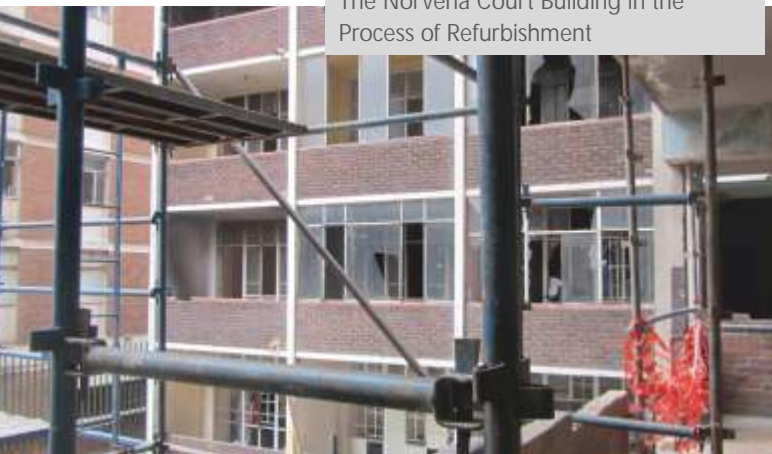
Grant Recipient	Project	Province	Municipality	Units	Grant Value (R'mil)
Toproot Property	Pennyville	GP	CoJ	112	14 350
Toproot Property	Riverlea	GP	CoJ	141	17 930
IMIZI	Willowdene	EC	NMBM	400	20 260
Madulammoho	Riverside Ridge	GP	CoJ	252	32 040
Mmanapendlo	Ellaton	NW	Klerksdorp	576	72 360
JOSHCO	Dobsonville	GP	CoJ	502	63 070
JOSHCO	Nancefield	GP	CoJ	296	37 190
				2 279	257 200

The SHRA regards for-profit private companies as the 'private sector' given that SHIs are non-profit private companies. Private sector companies are one of the 'other delivery agents' as defined in the Social Housing Act that may undertake an approved project, other than an SHI. Different RCG contracts are entered into with SHIs and the private sector respectively to accommodate and capture specific requirements, conditions and obligations in terms of investment criteria and protection of state investment. For private sector applicants, a minimum of 20% equity contribution is obligatory. The transfer or disposal of stock is regulated by the SHRA. SHIs must apply to the SHRA should they wish to dispose or transfer stock. In addition private sector grant recipients are not allowed to consider disposal until the stock has been utilised for social housing for a period of 20 years. In the event that the SHRA agrees to the sale of social housing stock, the grant recipient is required to pay back the state funding.

Institution	Project	Province	Municipality	Number of Units	Grant Value (R)	Value of Tranches Disbursed (R)	Project status
Norvena	O'Reilly Road	GP	CoJ	271	34 041 665	7 271 675	Under Construction
eMalahleni	Klarinet	MP	eMalahleni	104	13 375 544	10 700 435	Under Construction
Imizi Housing Utility	Fairview Link	EC	NMBM	368	46 226 320	9 245 264	Under Construction
SOHCO	Steenberg 2B	WC	City of Cape Town	100	12 561 500	2 512 300	74 units occupied. Under Construction
					TOTAL	29 729 674	

Social Housing Investment Programme

The Norvena Court Building in the Process of Refurbishment



Norvena Court

Norvena Consortium, a private developer, was awarded SHRA RCG funding in 2012 to renovate the 15 storey building (Norvena Court). This included a greenfields development on O'Reilly Road, which will in total deliver 271 social housing units by the end of 2014.

This project is part of the City of Johannesburg's Inner City Property Scheme which is a partnership with the private sector to rejuvenate the CBD.

City Deep Phase 3 building



City Deep Phase 3

City Deep Phase 3 is a project recently completed by the Johannesburg Social Housing Company (JOSHCO). City Deep was a former hostel which JOSHCO has refurbished to house families. Phase 3 is a new building which should garner 328 social housing units.

JOSHCO is a Municipal Owned Entity (MOE) established in 2004 by the City of Johannesburg to manage and develop rental housing stock. This is the second of four of JOSHCO's projects that the SHRA is co-funding.

Social Housing Investment Programme

Scottsdene



Scottsdene

Scottsdene is a new building project from Madulammoho Housing Association (MHA). MHA have primarily worked in Johannesburg. This is their first project in the Western Cape. This project will deliver 500 social housing units to the community of Scottsdene in Cape Town. It will be very interesting to watch their establishment in another province. Madulammoho has won numerous awards for its work in the inner city of Johannesburg including the 2013 Govan Mbeki award for Best Social Housing Company Project for Fleurhof Views.

3D render of Klarinet



Klarinet

eMalahleni Housing Company is currently constructing the Klarinet project as part of the integrated housing development in Mpumalanga, in partnership with the Municipality and ABSA Bank. One hundred and four (104) social housing units will be developed. Klarinet is situated near Witbank in eMalahleni.

Social Housing Investment Programme

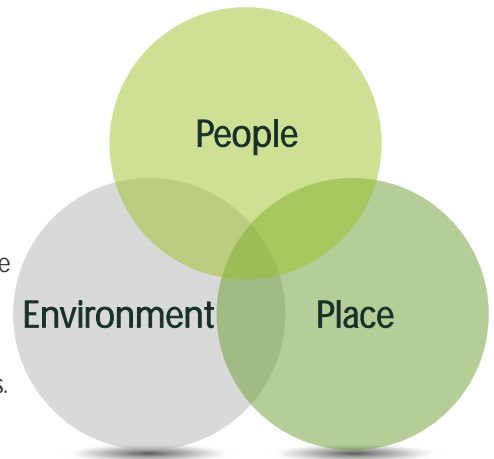
Pipeline Planning

There is risk to achieving the required delivery of social housing units by relying purely on the sector to submit proposals. With the appointment of a Pipeline Manager, a pipeline of projects has been developed in conjunction with the Provincial Steering Committee, to mitigate this risk. It is hoped that this should push the sector, including the SHRA, to develop a much more integrated and thorough planning process and a move away from the 'Call for Proposals' process. Currently, the focus has been on development of a Pipeline Toolkit which will be used for pre-assessment of projects prior to inclusion in the pipeline. The toolkit requires applicants to make submissions on the technical feasibility of projects which then get interrogated by SHRA. An informed decision will then be made on the suitability of the project and the financial year that the project is likely to be ready for funding.

The SHRA has proactively engaged with 5 out of the 9 provinces and will continue to engage with the other 4 provinces to ensure that a reliable and consistent National Social Housing Pipeline of projects is developed. This will assist the SHRA to proactively invest in the social housing sector as well as ensure alignment of all Provincial Business Plans.

Sustainability

Social housing needs to be environmentally sustainable. It is essential that the sector has a broad view of sustainability which includes Green Buildings, orientation of buildings in relation to the sun, landscaping, sound use of material, energy conservation and water conservation. All social housing projects are to comply with SANS 10400. In addition SHRA expects all grant recipients to proactively include other sustainability measures to reduce the carbon footprint of social housing projects. To date, some social housing projects have included: water tanks, solar water geysers and heat pumps. The SHRA is currently considering participating in a number of greening research initiatives.



Social Housing Investment Programme

Site Visits and Launches

The SHRA hosted a site visit to the Bloemfontein/Mangaung social housing projects with officials from the NDoHS; and a tour of social housing projects within Johannesburg with officials from the National Treasury.

The First Metro Housing Company's (FMHC) Avoca Hills Project and Lakehaven Project was launched in February 2014.

Avoca Hills Project Profile

The project is situated in a suburb of Durban known as Avoca Hills which is 15 km from the city centre and 10 km from Umhlanga. It is within major transport and economic nodes and in close proximity to schools and health care services which in essence represents a typical social housing project.

This is a low rise project comprising of 3 and 4 storey blocks, with 520 units in total. The units comprise of two bedrooms, one bathroom, a living room and kitchen. This is a 24 hour security, gated development. Community, sport and recreation facilities will be provided.

Energy saving light bulbs and pre-paid electricity meters have been installed to encourage energy savings from the tenants. The project is designed to get maximum sunlight and fresh air flow. The organisation has implemented a policy to reduce its carbon footprint on a long term basis.



Avoca Hills was launched in February 2014

Social Housing Investment Programme

Variance on Performance

The target for approval of number of units in the year under review was 5 429 however only 2 279 units received grant qualification status. There are several reasons why the target was not reached. These include:

- the lack of technical viability of project applications and
- that certain SHIs are at capacity in terms of project developments.

The SHRA has not been able to predict the quality of applications and the number of applications it will receive each year which makes it difficult to guarantee the outcome of each funding cycle and the number of units that can be achieved. This is evident by the fact that the SHIP 4a 'Call for Proposals' did not yield any grant awards. The conclusion is that, to date, the investment methodology has been reactive. Going forward a proactive investment strategy needs to be adopted. This will be achieved through the alignment of the SHRA Investment Model with Provincial Business Plans via the development of a robust National Social Housing Pipeline of Projects.

The Year Ahead

The SHRA constantly looks for ways to improve the SHIP programme and plans to benchmark processes against other funding agencies both locally and internationally. SHRA, as an organisation, has plans to map all key processes and undertake automation of processes which will lead to greater efficiencies and capacity to handle an increase in the number of projects. An automated investment business information system will cover the following processes:

- Call for Proposals,
- Compliance of RCG Contracts,
- Pipeline Pre-assessment and
- Management of the Pipeline.

This will also allow a level of self-monitoring by the grant recipients on their Compliance Status to track their progress in line with their contractual obligations.

The SHRA has acknowledged that a greater level of engagement with stakeholders is required. For example, training workshops for private sector participants and new SHIs, will ensure that they understand the SHRA, social housing, the RCG application and management process and requirements.

The SHRA will ensure that all new grant awards report on job creation and B-BBEE statistics in the implementation of social housing projects.

Institutional Investment Programme



Mr. D. Koekemoer
Intervention Manager

Purpose of the Programme

The Institutional Investment Programme manages the approval, administration and disbursement of the Institutional Investment Grants (IIG). The programme is designed to ensure that social housing institutions acquire the expertise, skills and operational capacity to manage sustainable entities capable of developing feasible projects. This programme, just like the SHIP, is managed as a grant programme and therefore award is based on the applicant qualifying for grant status upon meeting certain criteria. Whilst SHIP funds projects, the IIG supports and capacitates the sector to ensure an enabling environment for projects.

This programme's unit has not been fully capacitated and therefore is still very much in the process of development.

Grants

The programme makes provision for the following grants:

- Project Feasibility Grants: For RCG to assist fully or conditionally accredited SHIs with outstanding matters that could be appropriately dealt with to allow the projects to qualify
- Gear-up Grants: For fully or conditionally accredited SHIs. Where assistance is provided to SHIs in order for projects to be implemented and managed effectively and efficiently
- Specific Intervention Grants to SHIs: Where all other proposals submitted for potential assistance could be considered

A separate budget for this programme was never ring-fenced to specifically make provision for the grants although SHRA confirmed targets for the various grants in the Annual Performance Plans. Furthermore, the approach to allocation of grant funding has always been reactive with grants only identified when SHIs approached the SHRA for assistance or good social housing projects with potential failed to qualify for the RCG.

Institutional Investment Programme

Institutional Investment

It was decided to focus on the implementation of previously approved grants as a way to take cognisance of lessons learnt so that a more appropriate approach to this programme would ultimately promote an enabling environment for the growth and development of the social housing sector as per section 11(1)(d) of the Social Housing Act No. 16 of 2008.

Implementation of Approved Grants

Interventions into the potential turnaround of six (6) SHIs without conditional or full accreditation that received institutional subsidies prior to the establishment of SHRA were initiated during the financial year. These SHIs included:

- Polokwane Housing Association in Limpopo
- Mbombela Housing Association in Mpumalanga
- Govan Mbeki Housing Company in Mpumalanga
- Steve Tshwete Housing Association in Mpumalanga
- Vusani Madolobha Housing Company in Gauteng and
- Housing Company Tshwane in Gauteng

The investigations for Govan Mbeki Housing Company and Steve Tshwete Housing Association were not concluded in the year under review and an outcome on these two are therefore only expected in the next financial year. The investigations on Polokwane Housing Association and Mbombela Housing Association extended to provide assistance on the development of procedures and documents required for accreditation.

However, the major challenge for these SHIs remains the lack of performance related to the identification of and securing of new social housing projects for implementation to ensure sustainability over the medium to long term.

Housing Company Tshwane is currently undergoing a turnaround initiated by the City of Tshwane and information provided by the SHRA during the investigation was used in support of the development of the turnaround strategy.

Ekurhuleni Development Company (EDC) received assistance with their turnaround strategy on governance, organisational restructuring, financial management, tenant management, facilities management and property

development. In this regard, assistance was provided with all the required procedures and documents to enable EDC to progress to conditional accreditation. However, EDC remained pre-accredited since the consolidation of companies required ensuring that all social housing stock could be held by EDC have not been concluded. It is expected that EDC will progress to a higher level of accreditation once this has been concluded.

Amakhaya Ngoku in the Western Cape received institutional subsidies prior to the establishment of SHRA. SHRA was requested to provide assistance with due diligence and proposed remedial action plan as the project was deemed to be in distress. It is expected that this project will be concluded early in the ensuing year with specific actions and responsibilities allocated to all role players to protect the investment made by the State.

It is clear that in some cases SHRA would be required to intervene as per provisions of Section 12 of the Social Housing Act. In this regard, it would be important to develop the capacity of the organisation to ensure that such intervention could be implemented properly.

Institutional Investment Programme

Approval of Grants

Although the focus was on implementation of grants approved in the previous financial year, new applications for grants were also received during this financial year. In this regard, it became clear that the current section in the Investment Policy dealing with institutional investment was not sufficient to ensure proper assessment of grant funding applications.

A Project Feasibility Grant for Own Haven Housing Association was approved during the first quarter but the work required for implementation was not undertaken since the agreement with a land owner was cancelled. 3 project feasibility grants for Communicare were also approved during the year under review.

It is important to note that 11 applications for Gear-up Grants were received but that none of these could be awarded due to a lack of information provided to appropriately assess the requests. A number of follow-up consultations have been undertaken with applicants which informed the decisions on considering a rework of the policy related to the Institutional Investment Programme.

Legal Opinion

Since institutional investment forms part of the responsibilities of SHRA it was decided to obtain a legal opinion on what would be required within this programme to appropriately align it with the provisions of the Social Housing Act. The opinion confirmed that the current Institutional Investment Programme was not aligned to the needs as envisaged in the Social Housing Policy.

The legal opinion confirmed that the current Institutional Investment Programme was not sufficient and that it needs to provide for the following grants:

- Gear-up Grants: Available to conditionally and fully accredited SHIs with approved projects, specifically aimed at gearing up staff in anticipation of the delivery of a social housing project
- Project Acquisition and Feasibility Grants: To make projects ready for implementation, and available to all institutions
- Pre-accreditation Grants: To support and assist newly created SHIs to achieve accreditation

- Capacitation Grants: To achieve sustained sector development available to all organisations active in the social housing sector

It is in this regard some of the grants were not approved as it would be important to have a policy that aligns with the requirements of the legislation. Furthermore, it was confirmed that using the RCG for institutional investment would be regarded as irregular expenditure. The focus therefore shifted to develop an institutional investment policy aligning with the Social Housing Policy and the Social Housing Act including discussions with the NDoHS to regularise this critical programme and to request a separate operational budget for the programme.

Institutional Investment Programme

Institutional Investment Policy and Guidelines

A draft policy and guideline document, based on the legal opinion, was developed during the third quarter; and a focus group, consisting of representatives from the National Department of Human Settlements, SALGA, NASHO and two established and two upcoming SHIs, was established where this draft was presented during the fourth quarter. The draft policy and guideline was also presented to NDoHS (Policy Development and Review) and comments and input on the draft received.

These comments will be incorporated into a second draft document that will again be shared and discussed with the focus group. Thereafter the policy and guidelines will be finalised and submitted to the Regulations and Investment Committees of the SHRA for a final recommendation and approval by the Council.

It is expected that the approved Institutional Investment Policy and Guidelines will be available in the ensuing year to coincide with approval of a specific budget for Institutional Investment so that grants may then be awarded in the correct manner.

Variance on Performance

The shortfall on performance targets was largely due to the confirmation that no additional budget would be released by the NDoHS before additional internal controls had been implemented for the investment programme and that expenditure, where RCG would be used for other programmes would be regarded as irregular. In this regard, Institutional Investment Grants could not be approved without confirmation that an operational budget would be available for the implementation of these grants. However, in anticipation of a conclusion on this matter, SHRA has continued planning to ensure that the grants will be forthcoming once the budget is released.

Institutional Investment Programme

The Year Ahead

The strategic goals set for the ensuing year relate to a large extent on consolidation of the Institutional Investment Programme to ensure that grants submitted may be appropriately evaluated and implemented in accordance with the approach adopted where these grants need to be linked to projects or ensure protection of the existing investment made by government. However, none of this would be possible without a separate, confirmed and ring-fenced budget allocated to this programme.

It is therefore important to note that the Institutional Investment Grant programme cannot proceed and grants cannot be awarded and allocated before the budget for the programme has been approved and ring-fenced. Should this not occur any expenditure that uses part of the RCG would be deemed irregular as per the written confirmation received from the National Department in the third quarter feedback given to SHRA. The first priority is therefore to get the budget, in accordance with the Institutional Investment Plan, ring-fenced and approved. At the same time we will proceed to finalise the Institutional Investment Policy and Guidelines to ensure that, as soon as the budget is confirmed, work may proceed in accordance with the policy document.

The policy and approved budget will however not necessarily lead to a proactive approach where grants can be identified for implementation before SHRA gets confronted with these applications from SHIs or other delivery agents. In this regard, we are continuing to facilitate the development of rental strategies in consultation with the Provinces such that projects may be identified and

placed in the pipeline in accordance with the provincial business plans. Once we understand when and where projects need to be delivered, we will be in a position to provide support on getting these projects ready for the RCG but, of equal importance, provide the required capacitation to the delivery agents that would eventually be responsible for the implementation and management of these projects once constructed. This needs to also be undertaken with the development of the social housing pipeline and eventually aligned with provincial business plans so that a credible social housing pipeline for the next five (5) years is created.

Regulations Programme



Mr. K. Boqwana
Regulations Manager

Purpose of the Programme

The Regulatory Programme looks to regulating the SHIs through accreditation, compliance and monitoring. The SHRA is provided with powers, through the Social Housing Act, to enforce compliance and intervene in cases of maladministration. The purpose of regulation is to protect the state's investment in social housing to ensure the longevity of the stock and to achieve the desired impact of the Social Housing Programme.

Performance in 2013/2014

Accreditation

The annual accreditation cycle, which commenced in November 2013, received a record number of applications, 60 in total. These applications were assessed in detail prior to a decision regarding accreditation status. Established and reliable institutions that were expected to achieve a higher status of accreditation have disappointed, while there are new institutions that showed promise and have been accredited.

A total of 60 Institutions applied for accreditation. The details are as follows:-

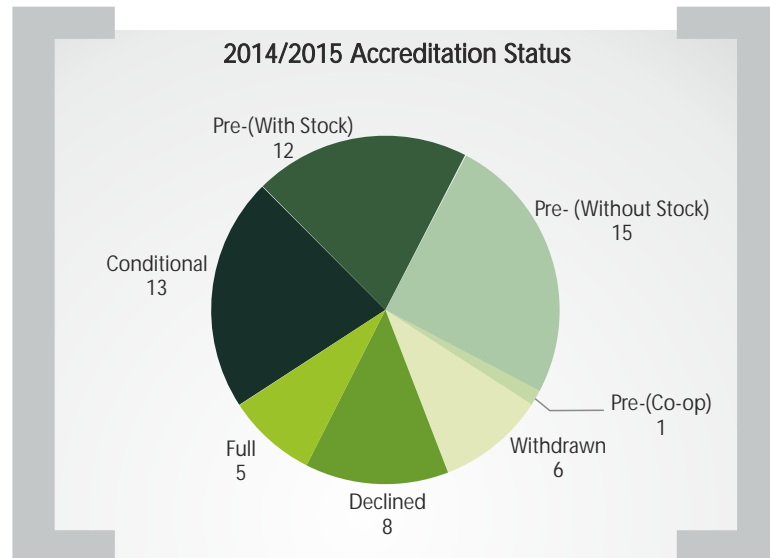
- 43 Renewal Applicants
- 16 New Applicants
- 1 Co-Operative

Application Status	Period		% Growth
	2013/14	2014/15	
Full Accreditation	8	5	-37.5%
Conditional Accreditation	12	13	8.3%
Pre- Accreditation	23	29	21.7%
*Declined	8	7	0%
**Withdrawn	1	6	-83.3%
TOTAL	52	60	15.38%

* Applications that were assessed but did not meet the qualifying criteria

** Applications that were not assessed

Regulations Programme



The accreditation analysis exercise has yielded varied results that demonstrates a poor culture of compliance amongst a number of institutions. Fifteen (15) of the 43 renewal applications dropped accreditation status including the 5 that had their accreditation withdrawn because they failed to apply for renewal. These represent approximately 35% of the total sample that have not complied.

A Co-Operative has achieved accreditation status for the first time. The Gauteng Secondary Co-Operative has achieved pre-accreditation and SHRA will continue to work with them, until they reach full accreditation and develop stock. A workshop has also been held with a number of Primary and a Secondary Co-Operatives around Gauteng to gather information on their current operations.

Regulations Programme

Strategy on Regulation of Housing Co-Operatives

A desktop study titled *"Draft SHRA Diagnostic Analysis Report"* was commissioned by the Regulations Unit, aimed at analysing achievements and information available nationally and internationally, in order to provide a point of reference in the development of Co-Operative Policies and Programmes. The study established the different factors for the successful implementation of housing Co-Operatives i.e. support structures, funding, capacity-building and training. The study also focused on whether housing Co-Operatives can play a role in providing an avenue for housing delivery and which model would be the most appropriate to implement in the South African context. It was also important to establish if housing Co-Operatives could be sustainable through the various models.

The pilot of this programme has secured accreditation for one Co-Operative in Gauteng. We are currently working with this Co-Operative to ensure they improve their accreditation status and are able to develop social housing stock.

Regulatory Policies

The following five policies have been approved by Council and are in the process of being implemented:

- Code of Conduct for Institutions Accredited with SHRA
- Distressed SHI Policy
- Legal Intervention Policy
- Housing Co-Operatives Policy
- Forensic Investigations Policy

The following policies have been developed and are yet to be approved by Council:

- Tenancy Standards
- Rent Standards and Rent Indexation Policy
- Regulatory Reporting
- Interpretation of Regulatory Powers Policy
- Distressed un-Accredited SHI Policy

The above policies will be implemented during the ensuing year.

Rules and Forms on Disposal and Transfer of State Funded Stock

The SHRA has developed Draft Rules and forms for disposal and transfer of stock. The rules have been approved by the Executive Committee and the Council. The Draft Rules will be gazetted for public comment during the second quarter of the ensuing year. SHRA will also conduct stakeholder workshops, inviting public comments in order to engage and receive input from the interested parties before finalising the draft rules. Whilst these rules will still be work-shopped, they have been tested in the intervention of Riverview Project in Cato Manor. SOHCO wished to sell the stock and the stock has been purchased by the KZN Province and will remain in the social housing programme.

SHRA is in the process of developing a financial model that will be used to engage with the sector on how the state's investment will be evaluated and how it will be ultimately recovered, and once recovered, how it can be reinvested in new social housing projects.

Regulations Programme

Tenant Income Audits and Satisfaction Surveys

SHRA has started 14 Tenant Income Audits and Tenants Satisfaction Surveys expected to be completed within the second quarter of the ensuing year.

Building Condition Audits

SHRA has also started a series of Building Condition Audits (BCA) using tools developed in the previous financial year. 13 BCAs will be conducted. The tools are expected to be refined during this process.

In terms of performance in the number of compliance inspections, SHRA exceeded the target.

Regulatory Framework

Section 3(1)(a) of the Social Housing Act 16 of 2008, requires that the Minister set a Regulatory Framework within the Legislative and Policy environment to create an enabling environment for delivery of social housing. The SHRA is required by the following sections 11(1)(d), 11(1)(i) and 11(4)(b) of the Social Housing Act to create an enabling environment for the growth of social housing.

The Regulatory Framework has been presented and discussed by the Regulations Committee; this document was presented as a Draft Framework. Further consultation is due to take place.

Outcomes of Verification and Action Plan

SHRA has completed the process of verifying Gauteng based publicly funded projects that were funded prior to the inception of the SHRA. The NDoHS has also provided the SHRA with a list of 390 social housing projects that received public funds in the other 8 Provinces in order for SHRA to commence the verification process of these projects.

Through the verification project and exercise, the SHRA has managed to verify 68 % of the Gauteng projects. This verification process included analysis of copies of the actual institutional subsidy agreements as well as other supporting documents which will assist the SHRA in regulating the non-compliant and unaccredited social housing projects and/or institutions within the Gauteng Province.

The abovementioned pilot projects will be in respect of institutions that are within the Gauteng province. The duration of this exercise is estimated to take a maximum of 6 months to complete though the legal intervention process may take longer due to the nature of the legal system. The Regulations Unit envisages that this work will be completed during the forthcoming financial year.

SHRA has opted for a strategy that is focused on reviving the provisionally accredited SHIs based on the fact that the Gauteng Department of Human Settlements has a more structured system than other provinces. The province has in the past tried to regulate SHIs through a Provincial Housing Act. The strategy is also based on the fact that most of the projects are based in Gauteng.

Regulations Programme

Variance on Performance

The Regulatory programme achieved its targets for processing and accrediting 100% of all applications.

More compliance audits were conducted therefore surpassing the set target. This was not initially anticipated but the tools developed are easy to use and understandable.

The Year Ahead

Various aspects of the regulatory function have the potential to be automated in terms of accreditation and compliance reporting. This will not only enable greater efficiencies and accuracy in the process but will also provide the ability to consolidate all data since SHRA's inception. This will provide a wealth of opportunity to greater analyse the sector with a view to development and ensuring sustainability. This project will commence in the ensuing year. It is hoped to be completed towards the end of the third quarter. The potential impact this will have on the sector cannot be underestimated, it is sure to not only deliver a wealth of information but greatly assist in regulating the sector and hopefully developing it.

A long term accreditation system will be developed in the ensuing year to reduce reporting requirements, particularly aimed at the fully functioning and well performing institutions. The SHRA does not wish to hamper these institutions with extensive reporting requirements but rather support them and guide them towards long term sustainability.

The SHRA also wishes to incorporate ISO standards in the regulatory environment in the move towards establishment of best practice and recognition.

The SHRA is also looking to form close working relationships with the Rental Tribunals which is sure to prove extremely valuable in the regulation of the sector.

Part C

Annual Financial Statements

for the year ended 31 March 2014



General Information

Country of incorporation and
domicile
Republic of South Africa

Legal Form of Entity
Schedule 3A public entity listed in terms
of the PFMA

Council Members
Ms. S Trail
Ms. M Lamola
Adv. S Ntsaba-Letele (*Acting Chief
Executive Officer*)
Adv. JC Weapond
Ms. N Mbiza
Mr. A Vawda
Ms. Z Ebrahim (*Chairperson*)
Mr. B Moholo (*Contract expired 31
December 2013*)
Mr. E Perumal (*Resigned 05 January
2014*)

Registered Office
Ground Floor, Building B,
Sunnyside Office Park,
32 Princess of Terrace,
Parktown, Johannesburg
2193

Postal Address
Postnet Suite 240
Private Bag X 30500
Houghton
2041

Bankers
First National Bank Limited

Auditors
Ernst & Young Incorporated
Registered Auditors



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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Preparer

RAiN Chartered Accountants Incorporated

Council Responsibilities and Approval

The Council is required by the Social Housing Act, 2008, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Council to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable, prudent judgements and estimates.

The Council has fulfilled its responsibilities in accordance with the PFMA, Section 51. The Council acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the Council to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Council has reviewed the entity's cash flow forecast for the year to 31 March 2015 and, in light of this review and the current financial position, is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Council Responsibilities and Approval

The entity is wholly dependent on the National Department of Human Settlements for funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the National Department of Human Settlements has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the Council is primarily responsible for the financial affairs of the entity, it is supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 51.

The annual financial statements set out on pages 45 to 102, which have been prepared on the going concern basis, were approved by the Council on 30 July 2014 and were signed on its behalf by:

Ms. Z. Ebrahim
(Chairperson)

Adv. S.C. Ntsaba-Letele
(Acting Chief Executive Officer)

Audit, Finance, Risk and IT Committee Report

We are pleased to present our report for the financial year ended 31 March 2014.

Audit Committee Members and Attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference.

	Number of Attended Ordinary Meetings	Number of Attended Special Meetings	Number of Workshops Attended	Apologies
Adv. C. Weapond	3	3	-	-
Ms. S. Trail	2	2	-	2
Dr. C. Sanangura* (Resigned 31 July 2013)	2	3	-	-
Ms. M. Khumalo*	3	3	-	-
Ms. M. Lamola (Resigned 13 May 2013)	-	-	-	-

* Independent non-executive

Audit Committee Responsibility

The audit committee reports that it has complied with its responsibilities arising from section 55(1)(a)(ii) of the PFMA and Treasury Regulation 27.1.

The Effectiveness of Internal Control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the external auditors, there were no material deficiencies noted in the system of internal controls. Accordingly, we can report that the system of internal control over financial reporting for the year under review was efficient and effective.

Audit, Finance, Risk and IT Committee Report

Evaluation of Annual Financial Statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the external auditors and the members;
- reviewed the external auditor's management report and management's response thereto;
- reviewed the entity's compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The audit committee concurs with and accepts the external auditor's report on the financial statements and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the external auditors.

Internal Audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Adv. C. Weapond
Chairman of the Audit Committee
30 July 2014

Report of External Auditor

Independent Auditor's Report to Parliament on the Financial Statements of The Social Housing Regulatory Authority for the year ended 31 March 2014

Report on the Financial Statements

Introduction

We have audited the financial statements of the Social Housing Regulatory Authority as set out on pages 65 to 101, which comprise the statement of financial position as at 31 March 2014, the statement of performance, statement of changes in net assets and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information and the accounting authority's report.

Accounting Authority's responsibility for the financial statements

The Accounting Authority is responsible for the preparation and fair presentation of these financial statements in accordance with Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of the South Africa, and for such internal control as the

accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with the Public AUDIT act of South Africa, the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report of External Auditor

Report on the Financial Statements

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Social Housing Regulatory Authority as at 31 March 2014, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise and the requirements of the Public Finance Management Act of South Africa.

Emphasis of Matter

We draw attention to note 27 to the financial statements which describes the uncertainty related to the going concern of the Entity. Our opinion is not qualified in respect of this matter.

Additional Matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Auditing Professions Act

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified unlawful acts or omissions committed by persons responsible for the management of the Social Housing Regulatory Authority which constitutes reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in paragraph 15 and paragraph 16 to the Councils' report.

Report of External Auditor

Report on other Legal and Regulatory Requirements

In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the Entity for the year ended 31 March 2014:

- Investment in Social Housing (units approved) - Part B of Annual Performance Plan, page 3.
- Accreditation (entities assessed) - Part B of Annual Performance Plan, page 3.
- Regulation (number of intervention projects) - Part B of Annual Performance Plan, page 3
- We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. We further performed test to determine whether indicators and targets were all defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not raise and material findings on the usefulness and reliability of the reported performance information for the selected programmes.

Report of External Auditor

Compliance with Laws and Regulations

We performed procedures to obtain evidence that entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice in terms of the PAA are as follows:

Expenditure Management

The accounting authority did not take effective steps to prevent irregular, fruitless and wasteful expenditures as required by section 51 (1) (b)(ii) of the Public Finance Management Act.

Internal Control

We considered internal control relevant to our audit of the financial statements, the annual performance report and compliance with laws and regulations. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with laws and regulation included in this report.

Leadership

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control. This resulted in irregular, fruitless and wasteful expenditure being incurred.

Ernst & Young Inc.
Director - Sifiso Sithebe
Registered Auditor
Chartered Accountant (SA)

Council's Report

The Council submits its report for the year ended 31 March 2014.

1. Review of Activities

Main Business and Operations

The Social Housing Regulatory Authority was established in terms of Section 7 of Chapter 3 of the Social Housing Act, 2008 and is also listed as a Schedule 3A public entity in terms of the Public Finance Management Act, No1 of 1999, as amended, (PFMA). The Council as appointed in terms of Section 9 of the Social Housing Act acts as the accounting authority in terms of the PFMA.

The entity is the sole regulatory authority in social housing countrywide, and is therefore an autonomous statutory organisation established to ensure the sustainability and growth of the social housing rental sector in line with government's objectives by investing in and regulating the social housing sector as well as providing guidance to the sector.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent Events

The Council is aware of subsequent events disclosed in note 27 of the annual financial statements.

4. Council's Interest in Contracts

All Council members are required to sign a declaration of interest register at the commencement of each Council and Council committee meeting. None of the Council members have declared any interest in contracts with the entity during the current year.

5. Accounting Policies

The annual financial statements for the year ended 31 March 2014 were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), the PFMA and its regulations, directives and interpretations issued by the Accounting Standards Board. GRAP statements which were applied prior to the commencement dates in the current year are listed in the accounting policy note on presentation of annual financial statements.

6. Non-Current Assets

There were no major changes in the nature of non-current assets of the entity during the year.

There were no changes in the policy relating to the use of non-current assets during the year.

Council's Report

7. Council Members

The members of the entity during the year and to the date of this report are as follows:

Name	Nationality	Changes
Ms. S. Trail	South African	
Ms. M. Lamola	South African	
Adv. S. Ntsaba-Letele (Acting Chief Executive Officer)	South African	Appointed as Acting CEO on 09 December 2013
Adv. J. C. Weaponond	South African	
Ms. N. Mbiza	South African	
Mr. A. Vawda	South African	
Mr. E. Perumal (Corporate Services Manager)	South African	Resigned 05 January 2014
Ms. Z. Ebrahim (Chairperson)	South African	
Mr. B. Moholo (Chief Executive Officer)	South African	Contract expired 31 December 2013

Council's Report

8. Council Members and Executive Managers Remuneration

Council members

	Meeting fees	Travel Expenses	Allowances	Council fees	Salary	Bonus	Total package 2014	Total package 2013
Non-Executive Council Members								
Chairperson: Z. Ebrahim	101 150	2 240	-	40 000	-	-	143 390	117 769
Member: Adv. C. Weapond	60 000	454	-	26 000	-	-	86 454	78 813
Member: Adv. S. Ntsaba-Letele	51 000	-	-	26 000	-	-	77 000	53 771
Member: N. Mbiza	69 200	-	-	26 000	-	-	95 200	41 000
Member: S. Trail	67 000	-	-	26 000	-	-	93 000	120 340
Member: M. Lamola	71 000	4 738	-	26 000	-	-	101 738	61 808
Member: C. Sanangura	15 000	-	-	-	-	-	15 000	-
Member: M. Khumalo	22 000	862	-	-	-	-	22 862	-
	456 350	8 294	-	170 000	-	-	634 644	473 501

A Vawda is an employee of the state and is therefore not remunerated.

Council's Report

8. Council Members and Executive Managers Remuneration (*continued*)

Council Members

	Meeting fees	Travel Expenses	Allowances	Council fees	Salary	Bonus	Total package 2014	Total package 2013
Executive Council Members								
Chief Executive Officer: B. Moholo	-	15 662	515	-	1 635 700	-	1 651 877	2 102 942
Corporate Services Manager: E. Perumal	-	28 284	3 926	-	1 102 846	-	1 135 056	1 300 205
Acting Chief Executive Officer: Adv. S. Ntsaba-Letele	-	1 736	-	-	432 683	-	434 419	-
	-	45 682	4 441	-	3 171 229	-	3 221 352	3 403 147

Mr. Moholo was placed on special leave on 9 December 2013, pending an investigation and disciplinary hearing, Adv. S. Ntsaba-Letele was appointed as Acting Chief Executive Officer with effect from the same date. Mr. Moholo's fixed term employment contract expired automatically at the end of its term on 31 December 2013. Mr. E. Perumal resigned on 05 January 2014.

Council's Report

8. Council Members and Executive Managers Remuneration (*continued*)

	Meeting fees	Travel Expenses	Allowances	Council fees	Salary	Bonus	Total package 2014	Total package 2013
Executive Managers								
Company Secretary: Ms. M. Hlaba	-	518	8 400	-	667 137	38 000	714 055	671 648
Finance Manager: Mr. V. Fakudze	-	13 480	196	-	1 002 773	65 250	1 081 699	942 321
Investment Manager: Mr. M. Nkuhlu	-	18 312	14 202	-	909 835	65 250	1 007 599	926 136
Regulations Manager: Ms. G. Vengadjellum	-	-	-	-	-	-	-	781 156
Regulations Manager: Mr. K. Boqwana	-	4 296	3 190	-	1 109 032	77 250	1 193 768	100 000
Intervention Manager: Mr. D. Koekemoer	-	28 758	2 233	-	900 956	71 250	1 003 197	471 737
	-	65 364	28 221	-	4 589 733	317 000	5 000 318	3 892 998

Council's Report

9. Corporate governance

General

The Council is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Council supports the highest standards of corporate governance and the ongoing development of best practice.

Council Members

The Council:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
 - non-executive members, all of whom are independent directors as defined in the Code; and
 - executive members.
- has established a Council continuity programme.

Chairperson and Chief Executive

The Chairperson is a non-executive and independent member (subscribing to good corporate governance standards).

The roles of Chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Chief Executive Officer and the Corporate Services Manager, who are the only two executive members of the entity, are determined by the Council, and the Council members will determine the remuneration. The Non-Executive Council members are remunerated as determined by the Minister in line with National Treasury tariffs.

Executive Committee Meetings

The Executive Committee is scheduled to meet fortnightly during the financial year.

Non-executive Council members have access to all members of management of the entity.

Audit, Finance, IT Governance, and Risk Committee

The committee met 6 times during the financial year to review matters necessary to fulfil its role.

Procurement Framework

The entity complies with the PFMA and Treasury Regulation 16A.

The entity operates within the Preferential Procurement Regulations of the Preferential Procurement Policy Framework of Act 5 of 2000. It follows the 80/20 principle of all procurement exceeding R30 000 and falling below R1 000 000 and 90/10 principle for all procurement exceeding R1 000 000.

Council's Report

10. Council Meetings

	Number of Attended Ordinary Meetings	Number of Attended Special Meetings	Number of Attended Workshops	Apologies
Ms. Z. Ebrahim (Chairperson)	3	11	-	-
Ms. S. Trail	2	9	-	3
Ms. M. Lamola	3	11	-	-
Ms. N. Mbiza	3	9	-	2
Adv. S. Ntsaba - Letele	3	11	-	-
Adv. C. Weapond	-	7	-	6
Mr. A. Vawda	1	7	-	5
Mr. B. Moholo	1	4	-	-
Mr. E. Perumal	1	3	-	1

11. HR Committee

	Number of Attended Ordinary Meetings	Number of Attended Special Meetings	Number of Attended Workshops	Apologies
Ms. N. Mbiza (Chairperson)	2	-	-	-
Ms. Z. Ebrahim	2	-	-	-
Adv. S. Ntsaba - Letele	2	-	-	-

Council's Report

12. Regulations Committee

	Number of Attended Ordinary Meetings	Number of Attended Special Meetings	Number of Attended Workshops	Apologies
Ms. N. Mbiza (Chairperson)	3	-	-	-
Adv. S. Ntsaba - Letele	3	-	-	-
Ms. Z. Ebrahim	3	-	-	-
Adv. C. Weapond	3	-	-	-
Mr. E. Perumal	1	-	-	1

13. Investment Committee

	Number of Attended Ordinary Meetings	Number of Attended Special Meetings	Number of Attended Workshops	Apologies
Ms. S. Trail (Chairperson)	1	1	-	1
Ms. Z. Ebrahim	2	-	-	1
Ms. M. Lamola	1	1	-	1
Mr. E. Perumal	1	-	-	2

14. Auditors

Ernst & Young Incorporated were appointed as auditors over a three year cycle. This is the last financial year of their audit cycle. The entity will, in terms of its supply chain management policies and procedures, source the services of another auditor from the 2014/2015 financial year, subject to the approval of the Auditor General.

Council's Report

15. Irregular Expenditure

Irregular expenditure as a result of capital budget being used for operational requirements
Irregular expenditure as a result of not withholding PAYE from a personal service provider
Irregular expenditure incurred in respect of Provincial Special Projects
Irregular expenditure incurred in respect of tranche payments
Condoned by Council

2014	2013
20 253 060	-
-	729 000
93 608 283	400 946 971
-	424 894 906
(113 861 343)	(826 570 877)
-	-

15.1 Provincial Special Projects

The National Department of Human Settlements had identified that the provinces would not meet their social housing targets. The National Department of Human Settlements then instructed the Provincial Departments to transfer their social housing allocation to SHRA in order for the social housing projects to be implemented as identified at MinMec.

The Provincial Special Projects (PSP's) were then presented for noting to both the Investments Committee and Council.

Council therefore condoned the PSP expenditure for the following reasons:-

- It was within the SHRA's mandate and objectives, these were projects supported and recommended by the Provinces;
- As a result of Outcome 8 being focused on social housing, more funding was reserved for the rental social housing programme; and
- There was an understanding with the National Department of Human Settlements on the PSP Programme.

15.2 Capital Expenditure Used for Operational Requirements

Capital budget was utilised for operational requirements as the operation budget was insufficient to support operational activities. The budget was used for the following operational activities:-

- Turnaround strategies through the intervention programme;
- Project monitoring for SHIP Projects; and
- The legal fees following the recent activities in the organisation with regard the forensic investigation.

Council's Report

15.3 Tranche Payments Made Without Meeting All the Conditions

The current tranche payments are structured to be aligned with project progress. In situations where the tranches are paid out without the project reaching conditions precedent or financial closure, the contract states that payments to the projects are at the SHRA's discretion and in those situations discretion was made to release the payments but there were still the other contractual and project risk mitigations in place to prevent the misappropriation of funds. However, the discretion applied was not supported in terms of the current Capital Investment Policy.

In condoning all the instances of the irregular expenditure described above, Council has considered Treasury Regulations 33 of the PFMA.

15.4 Personal Service Provider

A consultant representing Venga Management Services (VMS), was engaged to perform the services as the role of Regulations Manager. VMS was engaged by SHRA between April 2011 and December 2012 at an agreed fee of R729 000. In addition, VMS received other allowances and reimbursement for certain expenses.

VMS was considered a "personal service provider" in terms of Income Tax Act 58 of 1962 and Interpretation Note 35 of 2010. SHRA was therefore required to deduct PAYE. Since the start of the contract no PAYE had been deducted and transferred to SARS by SHRA. This was a result of an oversight by management. The total value of the PAYE deductible for the 2012/13 financial period was R316 950. In terms of section 51 (1)(d) and section 51 (1)(h) of the PFMA, SHRA was required to comply with all tax commitments and any legislation applicable to SHRA. Not withholding the PAYE as required by the Income Tax Act was a contravention of these sections of the PFMA.

16. Fruitless and Wasteful Expenditure

	2014	2013
Disbursement to Marang Estate Development Project	59 755 040	-

A transfer was made in respect of the Marang Estate Development Project for which not all value had been received. The accumulated amount is R 144 755 040 (2013: R 85 000 000 - 2014: R 59 755 040).

Statement of Financial Position

as at 31 March 2014

	Notes	31 March 2014 R	31 March 2013 R
Assets			
Current Assets			
Receivables from Exchange Transactions	3	700 366	584 689
Receivables from Non-Exchange Transactions	4	436 000 000	-
Cash and Cash Equivalents	5	45 675 384	178 571 575
		<u>482 375 750</u>	<u>179 156 264</u>
Non-Current Assets			
Property, Plant and Equipment	6	2 977 758	3 183 665
Intangible Assets	7	243 465	320 881
		<u>3 221 223</u>	<u>3 504 546</u>
Total Assets		<u>485 596 973</u>	<u>182 660 810</u>
Liabilities			
Current Liabilities			
Operating Lease Liability	8	404 244	365 352
Payables	9	9 982 396	10 786 085
Provisions	10	1 575 650	880 553
		<u>11 962 290</u>	<u>12 031 990</u>
Total Liabilities		<u>11 962 290</u>	<u>12 031 990</u>
Net Assets		<u>473 634 683</u>	<u>170 628 820</u>
Reserves			
Revaluation Reserve		296 351	-
Accumulated Surplus		473 338 332	170 628 820
Total Net Assets		<u>473 634 683</u>	<u>170 628 820</u>

Statement of Financial Performance

	Notes	31 March 2014 R	31 March 2013 R
Revenue from Non-Exchange Transactions	11	650 151 000	1 114 559 056
Other Income	12	39 452	-
Operating Expenses		(35 336 632)	(29 207 078)
Programme Costs	13	(143 958 961)	(978 919 516)
Operating Surplus	14	470 894 859	106 432 462
Investment Revenue	15	2 443 473	4 546 948
Surplus for the year		473 338 332	110 979 410

Statement of Changes in Net Assets

	Revaluation reserve	Accumulated surplus	Total net assets
	R	R	R
Balance at 01 April 2012	-	59 649 410	59 649 410
Changes in Net Assets	-		
Surplus for the year	-	110 979 410	110 979 410
Total Changes	-	110 979 410	110 979 410
Balance at 01 April 2013	-	170 628 820	170 628 820
Changes in Net Assets			
Revaluation of Property, Plant and Equipment	296 351	-	296 351
Net Income Recognised Directly in Net Assets	296 351	-	296 351
Surplus for the year	-	473 338 332	473 338 332
Total Recognised Income and Expenses for the year	296 351	473 338 332	473 634 683
Refund of prior year Accumulated Surplus to National Treasury	-	(170 628 820)	(170 628 820)
Total Changes	296 351	302 709 512	303 005 863
Balance at 31 March 2014	296 351	473 338 332	473 634 683

Cash Flow Statement

	Notes	31 March 2014 R	31 March 2013 R
Cash flows from Operating Activities			
Receipts			
Grants		214 151 000	1 114 559 056
Interest Income	15	2 443 473	4 546 948
Other Receipts		39 452	-
		216 633 925	1 119 106 004
Payments			
Employee Costs		(16 073 632)	(11 678 924)
Refund of prior year surplus		(170 628 820)	-
Other Payments	16	(162 278 539)	(986 491 580)
		(348 980 991)	(998 170 504)
Net Cash Flows from Operating Activities	17	(132 347 066)	120 935 500
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	6	(372 409)	(1 461 145)
Proceeds from sale of Property, Plant and Equipment	6	1 426	-
Purchase of Other Intangible Assets	7	(178 142)	(11 970)
Net Cash Flows from Investing Activities		(549 125)	(1 473 115)
Net Increase/(Decrease) in Cash and Cash Activities		(132 896 191)	119 462 385
Cash and Cash Equivalents at the beginning of the year		178 571 575	59 109 190
Cash and Cash Equivalents at the end of the year	5	45 675 384	178 571 575

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including interpretations, guidelines and derivatives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant Judgements and Sources of Estimation Uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment testing for Property, Plant and Equipment and Intangible Assets

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates of expected future cashflows for each of the assets are prepared.

Provisions

Provisions were raised and management determined the best estimate of the expenditure required to settle the present obligation. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

Property and Equipment and Intangible Assets

The entity's management determines the estimated useful lives and residual values of property and equipment and intangible assets. These assessments are made on an annual basis and use historical evidence and current economic factors to estimate the values.

Administrative IT equipment, office furniture and equipment, exhibits and motor vehicles are not componentised. These assets do not have significant parts that are considered to have an estimated useful life different to the estimated useful life of the asset as a whole.

Accounting Policies

1.2 Property, Plant and Equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Any subsequent expenditure on property, plant and equipment is capitalised at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average Useful Life
Furniture and fixtures	6 - 15 years
Motor vehicles	3 - 6 years
Office equipment	3 - 6 years
IT equipment	3 - 6 years
Leasehold improvements	over the remaining period of the lease

Accounting Policies

1.2 Property, Plant and Equipment (continued)

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible Assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

For intangible assets amortisation is provided on a straight line basis over their useful lives. The residual value, the useful life and amortisation method for intangible assets are reviewed at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Accounting Policies

1.3 Intangible Assets (*continued*)

Reviewing the useful life of the intangible asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Amortisation commences on the date the asset is brought into use.

The amortisation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful Life
Computer software	2 years

Annual licence renewals and incidental costs are written off as period costs.

1.4 Financial Instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated;
- Financial assets measured at amortised cost and
- Financial liabilities measured at amortised cost.

Initial Recognition and Measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at

cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent Measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Accounting Policies

1.4 Financial Instruments (*continued*)

Impairment of Financial Assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

Receivables from Non-Exchange Transactions

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Receivables from Exchange Transactions

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or

deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payables from Exchange Transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Accounting Policies

1.5 Taxation

No provision has been made for taxation. The entity is exempt from taxation in terms of section 10 (1) cA of the Income Tax Act.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating Leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Impairment of Non-Cash-Generating Assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

As the entity is not profit orientated and it holds its assets to facilitate the pursuance of its mandate, its assets are non-cash generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in Use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Accounting Policies

1.7 Impairment of Non-Cash-Generating Assets (*continued*)

Basis for Estimates of Future Cash Flows

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or

- country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount Rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and Measurement

If the recoverable amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.7 Impairment of Non-Cash-Generating Assets (*continued*)

Reversal of Impairment Loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Accounting Policies

1.8 Employee Benefits (*continued*)

Short-term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.8 Employee Benefits (*continued*)

Post-employment Benefits: Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.9 Provisions and Contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting Policies

1.9 Provisions and Contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 21.

1.10 Revenue from Non-Exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Accounting Policies

1.10 Revenue from Non-Exchange Transactions *(continued)*

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.11 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Irregular Expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) the Public Finance Management Act No 1, 1999; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial period and which was condoned before year end and/or before finalisation of the financial statements is recorded appropriately in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.13 Related Parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Only transactions with Government related parties not at arm's length or not in the ordinary course of business are disclosed.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and Interpretations Issued, but Not Yet Effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2014 or later periods:

Standard/ Interpretation:	Effective Date: Years beginning on or after	Expected Impact:
GRAP 32: Service concession arrangements - Grantor	No Effective date	No material impact as not relevant, the entity is not a grantor of service concession assets.
GRAP 108: Statutory Receivables	No Effective date	No material impact as not relevant, the entity currently has no statutory receivables.
IGRAP 17: Interpretation of the Standard of GRAP on Service concession arrangements where a grantor controls a significant residual interest in an asset	No Effective date	No material impact as not relevant, the entity is not a grantor of service concession assets.
GRAP 18: Segment Reporting	No Effective date	No material impact as not relevant, the entity does not report on segments.
GRAP 105: Transfers of functions between entities under common control	No Effective date	No material impact as not relevant, the entity does not transfer its functions to another entity or control the functions of another entity.
GRAP 106: Transfers of functions between entities not under common control	No Effective date	No material impact as not relevant, the entity does not transfer its functions to another entity or control the functions of another entity.
GRAP 107: Mergers	No Effective date	No material impact as not relevant, the entity has not merged and will not be merging with another entity.
GRAP 20: Related parties	No Effective date	No material impact, the standard has been used to formulate and inform the current accounting policies and disclosures.
IGRAP 11: Consolidation – Special purpose entities	No Effective date	No material impact as not relevant, the entity is not a controlling or controlled entity.
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	No Effective date	No material impact as not relevant, the entity does not have jointly controlled entities.

Notes to the Annual Financial Statements

	31 March 2014	31 March 2013
	R	R
3. Receivables from Exchange Transactions		
Prepayments	35 516	33 967
Deposits	550 722	550 722
Sundry debtors	114 128	-
	<u>700 366</u>	<u>584 689</u>

Trade and Other Receivables Pledged as Security

No receivables were pledged as security.

Deposits

Deposits relate to rental deposit on the premises occupied by the entity and Telkom deposit.

Credit Quality of Trade and Other Receivables

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rates.

Trade receivables

Counterparties With External Credit Rating (Moody's)

BBB-	<u>550 722</u>	<u>550 722</u>
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Counterparties Without External Credit Rating

Unrates	<u>149 644</u>	<u>33 967</u>
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Notes to the Annual Financial Statements

31 March 2014	31 March 2013
R	R

3. Receivables from Exchange Transactions (*continued*)

Trade and Other Receivables Past Due but not Impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2014, R114 128 were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3+ months past due	114 128	-
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Trade and Other Receivables Impaired

As of 31 March 2014, no trade and other receivables were impaired and provided for.

4. Receivables from Non-Exchange Transactions

Government Grants and Subsidies	436 000 000	-
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5. Cash and Cash Equivalents

Cash and Cash Equivalents consist of:

Cash on Hand	669	1 908
Call Accounts	45 112 366	157 578 307
Current Accounts	557 206	20 987 476
Debit Card	5 143	3 884
	45 675 384	178 571 575

Credit Quality of Cash at Bank and Short Term Deposits, Excluding Cash on Hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counter party default rates:

Credit Rating

A	45 674 715	178 569 667
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Notes to the Annual Financial Statements

6. Property, Plant and Equipment

	31 March 2014			31 March 2013		
	R	R	R	R	R	R
	Cost/ Valuation	Accumulated depreciation, accumulated impairment and accumulated fair value adjustments	Carrying Value	Cost/ Valuation	Accumulated depreciation, accumulated impairment and accumulated fair value adjustments	Carrying Value
Furniture and fixtures	1 372 106	(581 706)	790 400	1 305 925	(512 970)	792 955
Motor vehicles	357 719	(127 719)	230 000	357 719	(17 886)	339 833
Office equipment	617 892	(307 092)	310 800	547 859	(226 504)	321 355
IT equipment	1 832 754	(1 071 302)	761 452	1 814 344	(1 248 304)	566 040
Leasehold improvements	1 909 562	(1 024 456)	885 106	1 804 561	(641 079)	1 163 482
Total	6 090 033	(3 112 275)	2 977 758	5 830 408	(2 646 743)	3 183 665

Reconciliation of Property, Plant and Equipment - 2014

	Opening Balance	Additions	Disposals	Depreciation	Revaluation Surplus/(Deficit)	Total
Furniture and fixtures	792 955	53 139	-	(166 064)	110 370	790 400
Motor vehicles	339 833	-	-	(71 544)	(38 289)	230 000
Office equipment	321 355	70 368	-	(98 465)	17 542	310 800
IT equipment	566 040	143 901	(27 258)	(400 602)	479 371	761 452
Leasehold improvements	1 163 482	105 001	-	(383 377)	-	885 106
Total	3 183 665	372 409	(27 258)	(1 120 052)	568 994	2 977 758

Notes to the Annual Financial Statements

6. Property, Plant and Equipment (*continued*)

Reconciliation of Property, Plant and Equipment - 2013

	Opening balance	Additions	Depreciation	Revaluation Surplus/(Deficit)	Total
Furniture and fixtures	190 818	781 557	(169 291)	(10 129)	792 955
Motor vehicles	-	357 719	(17 886)	-	339 833
Office equipment	311 398	166 386	(91 452)	(64 977)	321 355
IT equipment	1 095 859	155 483	(402 041)	(283 261)	566 040
Leasehold improvements	1 529 359	-	(365 877)	-	1 163 482
Total	3 127 434	1 461 145	(1 046 547)	(358 367)	3 183 665

Revaluations

The effective date of the revaluations was 01 April 2014. Revaluations were performed by an independent valuer. The valuation was performed using the current market value of the assets.

The revaluation resulted in the revaluation surplus/(deficit) recognised.

7. Intangible Assets

	31 March 2014			31 March 2013		
	R	R	R	R	R	R
	Cost	Accumulated amortisation and accumulated impairment	Carrying Value	Cost	Accumulated amortisation and accumulated impairment	Carrying Value
Computer Software	823 049	(579 584)	243 465	644 908	(324 027)	320 881

Notes to the Annual Financial Statements

7. Intangible Assets (*continued*)

Reconciliation of Intangible Assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	320 881	178 142	(255 558)	243 465

Reconciliation of Intangible Assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	505 956	11 970	(197 045)	320 881

8. Operating Lease Accrual

Current Liabilities - Premises	404 244	365 352
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9. Payables

Accrued Expenses (exchange transaction)	9 705 548	2 126 265
Credit card (exchange transaction)	114 677	106 465
PAYE (non-exchange transaction)	-	732 107
PAYE owed to consultant (non-exchange transaction)	-	336 000
Interest on provincial bank balances (exchange transaction)	162 171	7 485 248
	9 982 396	10 786 085

Payables are non-interest bearing and are settled on invoice or 30 day terms.

Notes to the Annual Financial Statements

31 March 2014 31 March 2013
R R

10. Provisions

Reconciliation of Provisions - 2014

	Opening balance	Additions	Utilised during the year	Total
Provision for leave	691 722	1 297 259	(1 362 381)	626 600
Provision for bonuses	188 831	949 050	(188 831)	949 050
	880 553	2 246 309	(1 551 212)	1 575 650

Reconciliation of Provisions - 2013

	Opening balance	Additions	Utilised during the year	Total
Provision for leave	331 941	923 757	(563 976)	691 722
Provision for bonuses	1 129 238	188 831	(1 129 238)	188 831
	1 461 179	1 112 588	(1 693 214)	880 553

The provisions represents management's best estimate of the entity's liability for employee benefits taking into account individual performance.

The provision is estimated to be utilised within the next 12 months. However, the timing of the utilisation of the provision is uncertain as it depends on the employees utilising their benefits during their term of employment.

11. Revenue from Non-Exchange Transactions

Province of the Eastern Cape Human Settlements (non-exchange transaction)	-	193 585 056
National Department of Human Settlements (non-exchange transaction)	650 151 000	668 497 000
Province of KwaZulu Natal Human Settlements (non-exchange transaction)	-	134 477 000
Province of Free State Human Settlements (non-exchange transaction)	-	118 000 000
	650 151 000	1 114 559 056

Notes to the Annual Financial Statements

			31 March 2014	31 March 2013
			R	R
12. Other Income				
Sundry Income			39 452	-
13. Programme Costs				
Province/Institution	Project	Programme		
Eastern Cape Province				
Social Housing Company (SOHCO)	Amalinda Acquisition	PSP	-	35 172 200
Camel Rock Housing Institution	Connemara Village	PSP	-	61 373 660
Imizi Housing Utility	Fairview Link	SHIP	9 245 264	36 981 056
Own Haven Housing Association	Milner Court	SHIP	-	855 663
Social Housing Company (SOHCO)	Emerald Sky	SHIP	-	9 150 789
Social Housing Company (SOHCO)	Emerald Sky	SHIP	-	5 229 022
Own Haven Housing Association	Talana Court	SHIP	-	1 011 965
			9 245 264	149 774 355
Free State Province				
Free State Social Housing Company	Brandwag Phase 2	SHIP	-	56 535 890

Notes to the Annual Financial Statements

			31 March 2014	31 March 2013
			R	R
13. Programme Costs (<i>continued</i>)				
Province/Institution	Project	Programme		
Gauteng Province				
Arrow Creek Investments 25	Mogale Junction	PSP	33 853 243	43 525 598
Johannesburg Social Housing Company (JOSHCO)	Fleurhof	SHIP	-	23 015 160
Johannesburg Social Housing Company (JOSHCO)	City Deep	SHIP	-	32 961 376
Madulammoho Housing Association	Jabulani Views	SHIP	-	22 827 420
Norvena Property Consortium	O'Reilly Road	SHIP	7 271 675	-
Yeast City Housing	Thembelihle	SHIP	-	73 761 128
Yeast City Housing	Salvokop	SHIP	-	5 901 696
			41 124 918	201 992 378
Mpumalanga Province				
Emalahleni Housing Institution	Klarinet	SHIP	10 700 435	-
North West Province				
Marang Project Securitisation	Marang Estate Development Project	PSP	59 755 040	85 000 000

Notes to the Annual Financial Statements

			31 March 2014	31 March 2013
			R	R
13. Programme Costs (<i>continued</i>)				
Province/Institution	Project	Programme		
Kwa-Zulu Natal Province				
Msunduzi Housing Association	Meadowlands Estate	PSP	-	22 436 150
Msunduzi Housing Association	Westgate Grange	SHIP	-	95 668 384
First Metro Housing Company	Lakehaven Phase 2	SHIP	-	6 833 456
First Metro Housing Company	Avoca Hills	SHIP	-	13 063 960
First Metro Housing Company	First Metro	SHIP	-	42 650 000
First Metro Housing Company	Hampshire	SHIP	-	18 088 560
First Metro Housing Company	Hamptons	SHIP	-	43 211 559
First Metro Housing Company	Hilltops	SHIP	-	24 118 080
First Metro Housing Company	Phoenix	PSP	-	101 764 000
			-	367 834 149
Western Cape Province				
Social Housing Company (SOHCO Amalinda)	Steenberg Phase 2B	SHIP	2 512 300	10 425 030
Madulammoho Housing Association	Scottsdene	SHIP	-	52 636 800
Communicare	Bothasig Gardens	SHIP	-	3 014 760
Domus Social Housing	E-Junction Phase 1	SHIP	-	34 719 986
			2 512 300	100 796 576
Consulting and professional fees			20 621 004	16 986 168
			143 958 961	978 919 516

SHIP - Social Housing Investment Programme

PSP - Provincial Special Project

Notes to the Annual Financial Statements

	31 March 2014	31 March 2013
	R	R
14. Operating Surplus (deficit)		
Operating surplus for the year is stated after accounting for the following:		
Operating Lease Charges		
Premises		
▪ Contractual amounts	2 275 796	2 195 928
Equipment		
▪ Contractual amounts	112 059	108 671
	<u>2 387 855</u>	<u>2 304 599</u>
There are no contingent rentals payable on operating leases.		
Loss on sale of property, plant and equipment	(25 832)	-
Amortisation of intangible assets	255 558	197 045
External audit fees	929 912	682 860
Consulting and professional fees	20 621 004	16 986 168
Council members remuneration	3 855 996	3 941 659
Internal audit fees	400 463	502 207
Fair value adjustments of property, plant and equipment	38 289	358 367
Reversal of impairment on property, plant and equipment	310 932	-
Depreciation on property, plant and equipment	1 120 052	1 046 547
Employee costs	15 149 801	11 678 924
Defined contribution funds	923 831	596 779
Programme costs	<u>143 958 961</u>	<u>978 919 516</u>

Notes to the Annual Financial Statements

	31 March 2014	31 March 2013
	R	R
15. Investment Revenue		
Interest income		
Bank (exchange transaction)	2 443 473	4 546 948
16. Other Payments		
Movement in payables and accruals	764 797	(8 917 842)
Movement in provisions	(695 097)	580 626
Movement in receivables from exchange transactions	115 677	(16 915)
Total Expenses	179 295 593	1 008 126 594
Non Cash Items:		
Depreciation, amortisation and impairments	(1 375 610)	(1 601 959)
Loss on sale	(25 832)	-
Fair value adjustments	272 643	-
Separately Disclosable Items:		
Employee costs	(16 073 632)	(11 678 924)
	162 278 539	986 491 580

Notes to the Annual Financial Statements

	31 March 2014	31 March 2013
	R	R
17. Cash (used in) Generated from Operations		
Surplus	473 338 332	110 979 410
Adjustments for:		
Depreciation and amortisation	1 375 610	1 243 592
Loss on sale of assets	25 832	-
Impairment	(272 643)	358 367
Movements in operating lease assets and accruals	38 892	182 416
Movements in provisions	659 097	(580 626)
Refund of prior year surplus to National Treasury	(170 628 820)	-
Changes in Working Capital:		
Receivables from exchange transactions	(115 677)	16 915
Other receivables from non-exchange transactions	(436 000 000)	-
Payables	(803 689)	8 735 426
	(132 347 066)	120 935 500
18. Irregular Expenditure		
Irregular expenditure as a result of capital budget being used for operational requirements	20 253 060	-
Irregular expenditure as a result of not withholding PAYE from a personal service provider	-	729 00
Irregular expenditure incurred in respect of Provincial Special Projects	93 608 283	400 946 971
Irregular expenditure incurred in respect of tranche payments	-	424 894 906
Condoned by Council	(113 861 343)	(826 570 877)
	-	-

Notes to the Annual Financial Statements

	31 March 2014	31 March 2013
	R	R
19. Fruitless and Wasteful Expenditure		
Disbursement to Marang Estate Development Project	59 755 040	-

A transfer was made in respect of the Marang Estate Development Project for which not all value had been received. The accumulated amount is R 144 755 040 (2013: R 85 000 000 - 2014: R 59 755 040).

20. Commitments

Authorised Capital Expenditure

Already contracted for but not provided for

▪ Grants and subsidies	617 893 497	680 083 964
------------------------	-------------	-------------

This committed expenditure relates to the investment programmes related to social housing projects and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated.

Operating Leases - as lessee (expense)

Minimum lease payments due

▪ within one year	1 975 094	1 800 217
▪ in second to fifth year inclusive	2 126 139	4 082 483
	4 101 233	5 882 700

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of five years and have an escalation of between 8% - 10% (2013 : 8% - 10%). No contingent rent is payable.

Notes to the Annual Financial Statements

21. Contingencies

At the end of the financial reporting period an amount of R509 147 relating to a contingent liability existed. This is due to the uncertainty regarding the payment of the initial set up expenses paid by the National Department of Human Settlements on behalf of the entity. Management has reviewed the position and no provision is required under the circumstances as no claim has been submitted by the National Department of Human Settlements.

	31 March 2014	31 March 2013
	R	R

22. Related Parties

Relationships

Controlling Entity

National Department of Human Settlements

Related Party Transactions

Revenue Received from Related Parties

National Department of Human Settlements

	650 151 000	668 497 000
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Notes to the Annual Financial Statements

	Travel Expenses	Allowances	Salary	Bonus	Total package 2014	Total package 2013
Executive Council Members						
Chief Executive Officer: B. Moholo	15 662	515	1 635 700	-	1 651 877	2 102 942
Corporate Services Manager: E. Perumal	28 284	3 926	1 102 846	-	1 135 056	1 300 205
Acting Chief Executive Officer: Adv. S. Ntsaba-Letele	1 736	-	432 683	-	434 419	-
	45 682	4 441	3 171 229	-	3 221 352	3 403 147

Mr Moholo was placed on special leave on 9 December 2013, pending an investigation and disciplinary hearing, Adv. S Ntsaba-Letele was appointed as Acting Chief Executive Officer with effect from the same date. Mr Moholo's fixed term employment contract terminated automatically at the end of its term on 31 December 2013. Mr E Perumal resigned on 05 January 2014.

	Travel Expenses	Allowances	Salary	Bonus	Total package 2014	Total package 2013
Executive Managers						
Company Secretary: Ms. M. Hlaba	518	8 400	667 137	38 000	714 055	671 648
Finance Manager: Mr. V. Fakudze	13 480	196	1 002 773	65 250	1 081 699	942 321
Investment Manager: Mr. M. Nkuhlu	18 312	14 202	909 835	65 250	1 007 599	926 136
Regulations Manager: Ms. G. Vengadjellum	-	-	-	-	-	781 156
Regulations Manager: Mr. K. Boqwana	4 296	3 190	1 109 032	77 250	1 193 768	100 000
Intervention Manager: D. Koekemoer	28 758	2 233	900 956	71 250	1 003 197	471 737
	65 364	28 221	4 589 733	317 000	5 000 318	3 892 998

Notes to the Annual Financial Statements

31 March 2014	31 March 2013
R	R

23. Financial Assets by Category

The carrying values of financial assets, as disclosed below approach the fair values of the financial assets:

2014	Receivables	Total
Cash and Cash Equivalents	45 675 384	45 675 384
Receivables from Non-Exchange Transactions	436 000 000	436 000 000
	<u>481 675 384</u>	<u>481 675 384</u>

2013	Receivables	Total
Cash and Cash Equivalents	178 571 575	178 571 575

24. Financial Liabilities per Category

The carrying values of financial liabilities, as disclosed below approach the fair values of the financial liabilities:

2014	Financial liabilities at amortised cost	Total
Payables	9 982 398	9 982 398
Provisions	1 575 650	1 575 650
	<u>11 558 048</u>	<u>11 558 048</u>

2013	Financial liabilities at amortised cost	
Payables	10 786 085	10 786 085
Provisions	880 553	880 553
	<u>11 666 638</u>	<u>11 666 638</u>

Notes to the Annual Financial Statements

25. Risk Management

Financial Risk Management

The entity's activities expose it to a variety of financial risks: market risk (including cash flow and interest rate risk), credit risk and liquidity risk.

The entity's exposure to risk, its objectives, policies and processes for managing the risk arising from its financial instruments and methods used to measure the entity's exposure to these risks, have not changed significantly from the prior year.

Liquidity Risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables	9 982 398	-	-	-
Provisions	1 575 650	-	-	-

At 31 March 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables	10 786 085	-	-	-
Provisions	880 553	-	-	-

Notes to the Annual Financial Statements

25. Risk Management (*continued*)

Credit Risk

Credit risk consists mainly of cash deposits and cash equivalents. There are minimal risks relating to receivables from exchange transactions as it consists only of prepayments, deposits and one debtor past due which the entity still deems recoverable. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

Interest Rate Risk

Interest rate risk results from the cash flows and financial performance uncertainty arising from interest rate fluctuations. Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits.

This is a risk that fair value or future cash flows from financial instruments will fluctuate as a result of changes in the market interest rates. Values in the financial instruments may change thus resulting in both potential gains and losses.

Although the market interest rate risk is minimal, the entity managed this risk by keeping the cash in the operating bank account at a minimum in order to maximise interest earned on cash deposits.

The entity has invested any surplus cash in a call account. The interest rate on this account fluctuates in line with movements in current market rates.

26. Post-employment benefits - Pension - Defined Contribution Plan

Pension

31 March 2014	31 March 2013
R	R
923 831	596 779

The entity entered into a defined contribution plan with Momentum Group Limited whereby the entity contributes to a pension fund for the employees on a one for one ratio with the employees.

Notes to the Annual Financial Statements

27. Subsequent Events

On 15 July 2014, the Minister of Human Settlements, in the Human Settlements 2014 Budget Vote speech, stated, "The Social Housing Regulatory Agency (SHRA) has been unable, for various reasons, to fulfil its mandate. We are therefore placing it under administration and similarly exploring the possibility to absorb it into the Department of Human Settlements. The Board of SHRA will retain its responsibility until the restructuring is complete".

In a statement released to the media at the same event, the Minister stated that "the Social Housing Regulatory Authority (SHRA) will be absorbed as a component of the Department of Human Settlements as it has been unable to fulfil its mandate. This is effective immediately".

Since the date of the announcement the entity has engaged with the Ministry to clarify the impact and intention of the statement. Following the meetings held, the SHRA is expected to work closely with the National Department of Human Settlements to effectively align its mandate and delivery in line with the targets set out in the Medium Term Strategic Framework 2015-2019.

Prior to the announcement, the entity received its allocated operational budget of R33 480 000 and the written approval of the Annual Performance Plan for the ensuing year ending 31 March 2015.

The SHRA is a creature of statute in terms of the Social Housing Act No.16 of 2008. However, uncertainty exists regarding the continued operation of the SHRA in its current legal form.

Detailed Statement of Performance

	Notes	31 March 2014 R	31 March 2013 R
Revenue			
Government Grants & Subsidies		650 151 000	1 114 559 056
Other Income			
Other Income		39 452	-
Interest Received	15	2 443 473	4 546 948
		<u>2 482 925</u>	<u>4 546 948</u>
Operating Expenses			
Advertising		(429 482)	(330 754)
Auditors fees		(929 912)	(682 860)
Bank charges		(27 981)	(47 239)
Cleaning		(106 211)	(122 227)
Computer, IT and website hosting expenses		(509 636)	(993 810)
Consulting and professional fees		(20 621 004)	(16 986 168)
Depreciation, amortisation, impairments and fair value adjustments		(1 102 967)	(1 601 959)
Donations		(25 000)	-
Employee costs		(19 929 628)	(15 620 583)
Entertainment		(11 558)	(24 191)
Insurance		(48 780)	(74 276)
Legal fees		(4 053 129)	(581 840)
License fees		(58 661)	(82 080)
Loss on disposal of assets		(25 832)	-
Meeting Costs		(23 860)	(19 276)
Motor vehicle expenses		(45 196)	(8 103)

Detailed Statement of Performance

	Notes	31 March 2014	31 March 2013
		R	R
Operating Expenses (<i>continued</i>)			
Outsourced services		(980 209)	(2 018 717)
Postage, printing and stationery		(560 991)	(370 983)
Programme cost - Eastern Cape Province		(9 245 264)	(149 774 355)
Programme cost - Free State Province		-	(56 535 890)
Programme cost - Gauteng Province		(41 124 918)	(201 992 378)
Programme cost - KwaZulu Natal Province		-	(367 834 149)
Programme cost - Mpumalanga Province		(10 700 435)	-
Programme cost - North West Province		(59 755 040)	(85 000 000)
Programme cost - Western Cape Province		(2 512 300)	(100 796 576)
Rent and utilities		(2 387 855)	(2 304 599)
Repairs and maintenance		(195 796)	(43 795)
Staff welfare		(254 799)	(453 446)
Subscriptions		(24 057)	(112 905)
Telephone and fax		(647 503)	(481 196)
Training and workshops		(680 574)	(657 489)
Travel		(2 77 015)	(2 574 750)
		(179 295 593)	(1 008 126 594)
Surplus for the year		473 338 332	110 979 410

The supplementary information presented does not form part of the annual financial statements and is unaudited.

Notes



human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA



A public entity that falls under the National Department of Human Settlements.

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