

Mr. Abbey Chikane

Executive Chairman

**Briefing by NHBRC to deal with
Irregular Expenditure**

**Portfolio Committee of Human
Settlements, Old Assembly**

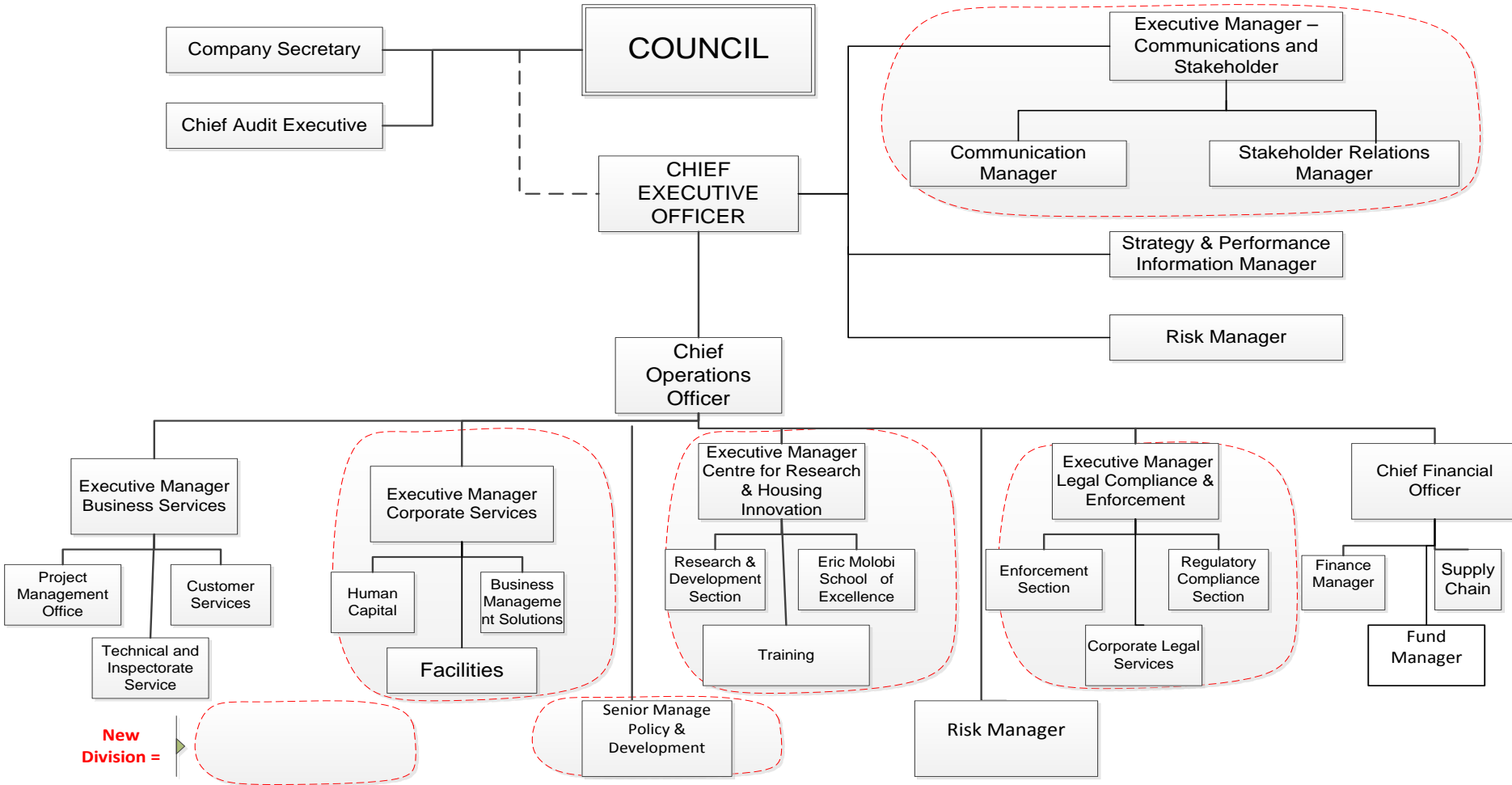
08 November 2016



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Organogram



NHBRC Mandate

- NHBRC established in terms of the Housing Consumers Protection Measures Act, 1998 (Act No 95 of 1998) (as amended)
- The objectives of the NHBRC as set out in the Act are to:
 - a) represent the interests of housing consumers by providing warranty protection against defects in new homes;
 - b) regulate the home building industry
 - c) provide protection to housing consumers in respect of the failure of home builders to comply with their obligations in terms of this Act;
 - d) establish and to promote ethical and technical standards in the home building industry;
 - e) improve structural quality in the interests of housing consumers and the home building industry;
 - f) promote housing consumer rights and to provide housing consumer information;
 - g) communicate with and to assist home builders to register in terms of this Act;
 - h) assist home builders, through training and inspection, to achieve and to maintain satisfactory technical standards of home building;
 - i) regulate insurers contemplated in section 23 (9) (a); and
 - j) in particular, to achieve the stated objects of this section in the subsidy housing sector.

Strategic Direction

Vision

A world class home builders warranty organization that ensures the delivery of sustainable quality homes.

Mission

To protect the housing consumer and regulate the home building environment by promoting innovative home building technologies, setting home building standards and improving the capabilities of home builders

Strategy

1. To improve visibility and accessibility in the market while enhancing interaction with our stakeholders.
2. To position the NHBRC as a leader in knowledge creation, technical and technological building solutions through strategic partnerships.
3. To provide diversified services and products in line with changing building requirements and needs

Strategic objectives

1. To grow, protect and sustain the NHBRC warranty fund
2. To provide innovative quality funds and services that will delight the customer
3. To strengthen the NHBRC operating processes, systems, and procedures
4. To create a learning environment produce products and services

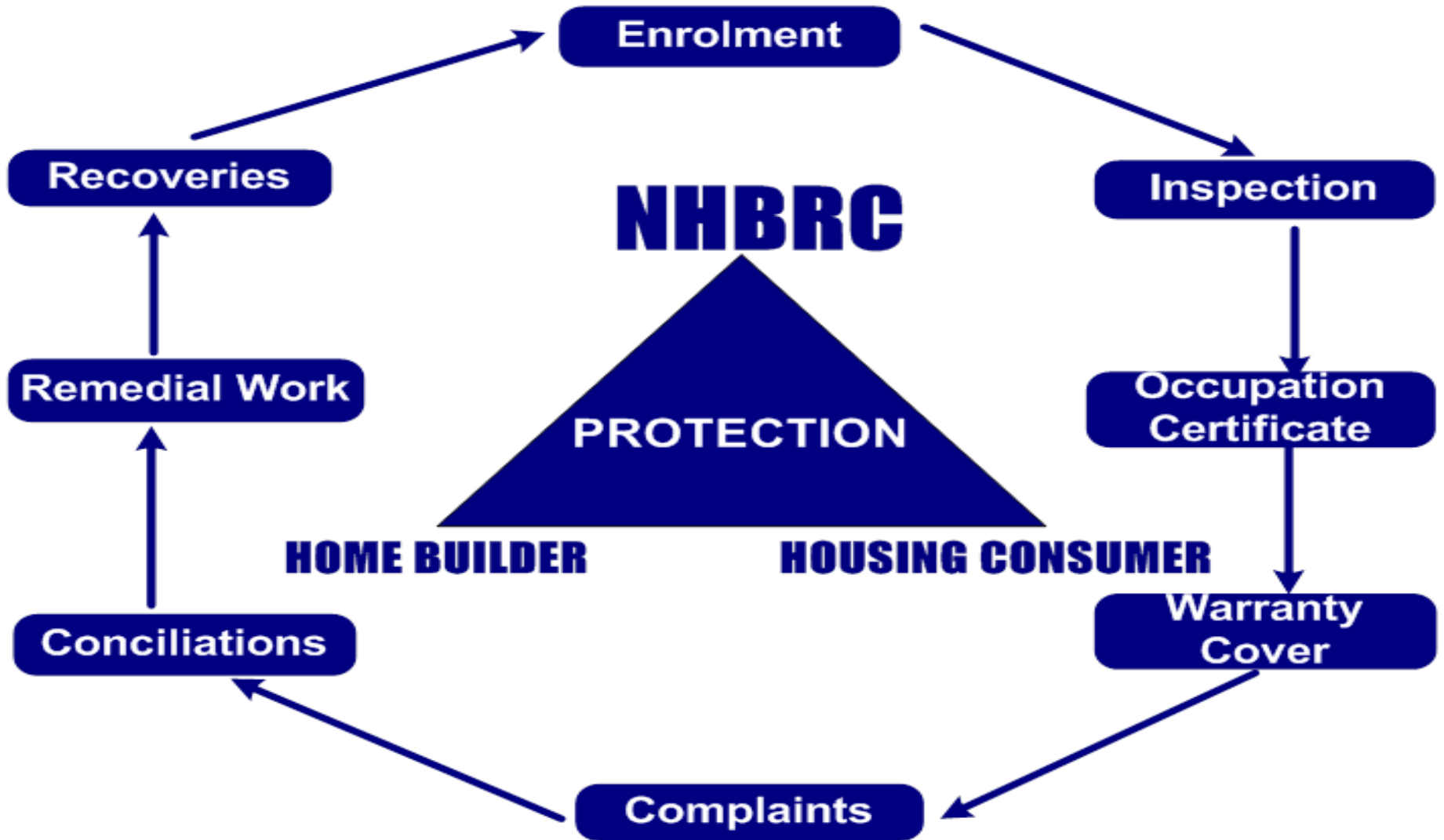
Products and Services Offered

- Enrolment of new homes;
- Late Enrolment of homes;
- Registration of homebuilders;
- Renewal of Registration of homebuilders;
- Inspections of homes (subsidy / non subsidy);
- Forensic engineering investigations and assessment of houses;
- Training;
- Home building dispute resolution;
- Litigation and legal advisory services; and
- Geo-technical and materials engineering.

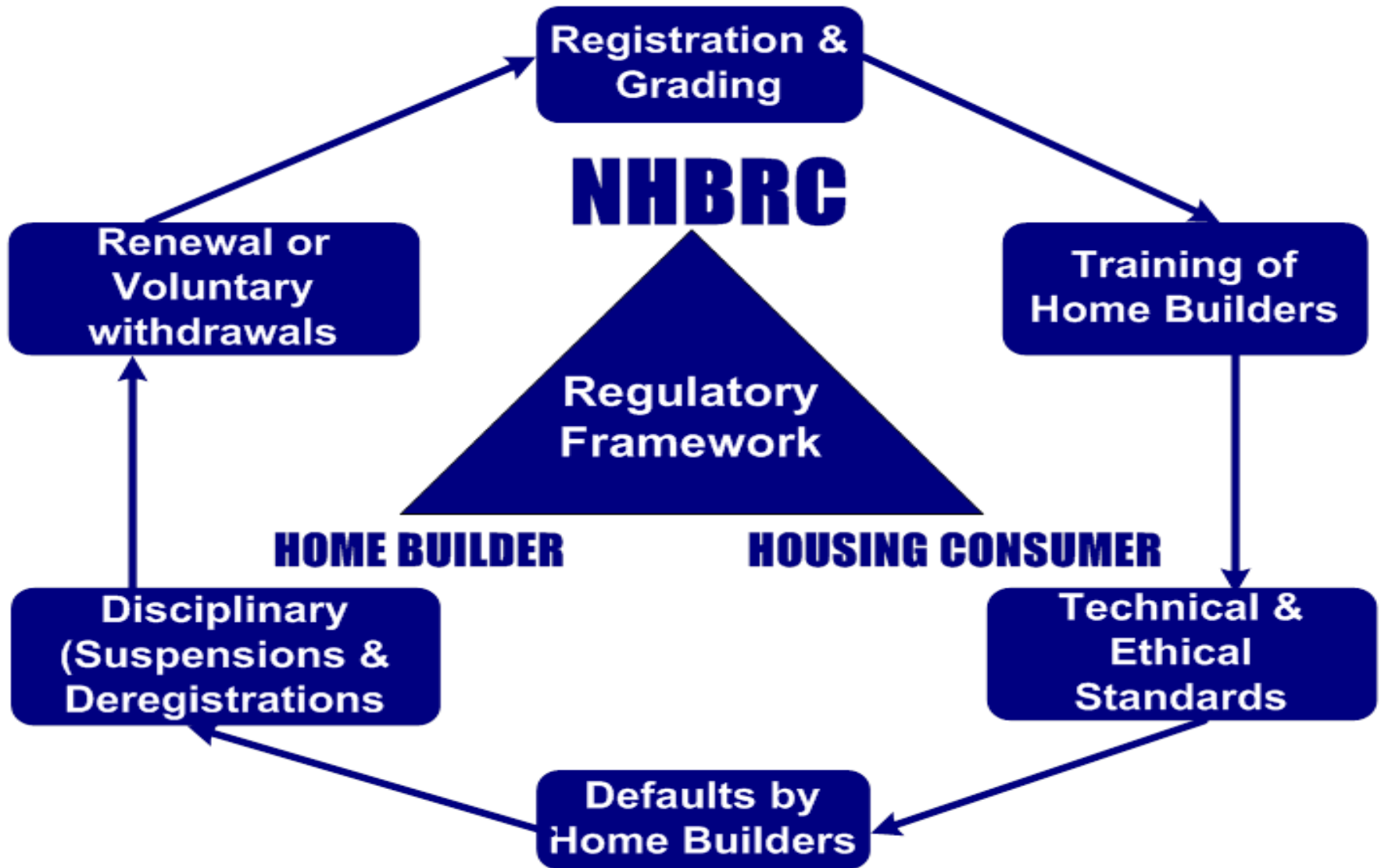
Interventions by NHBRC to support delivery

1. Engineers provided by NHBRC in all the provincial human settlements departments to speed up the subsidy enrolments.
2. Plans are in place to ensure that subcontractors are registered with NHBRC.
3. NHBRC testing building materials at Eric Molobi testing center for quality control and to reduce the use of substandard materials in the sector.
4. Turnaround for resolving complaints have been improved for 180 days to 30 days.
5. Implementation of the inspection model to ensure that all homes enrolled with NHBRC are inspected and qualify for a warranty.

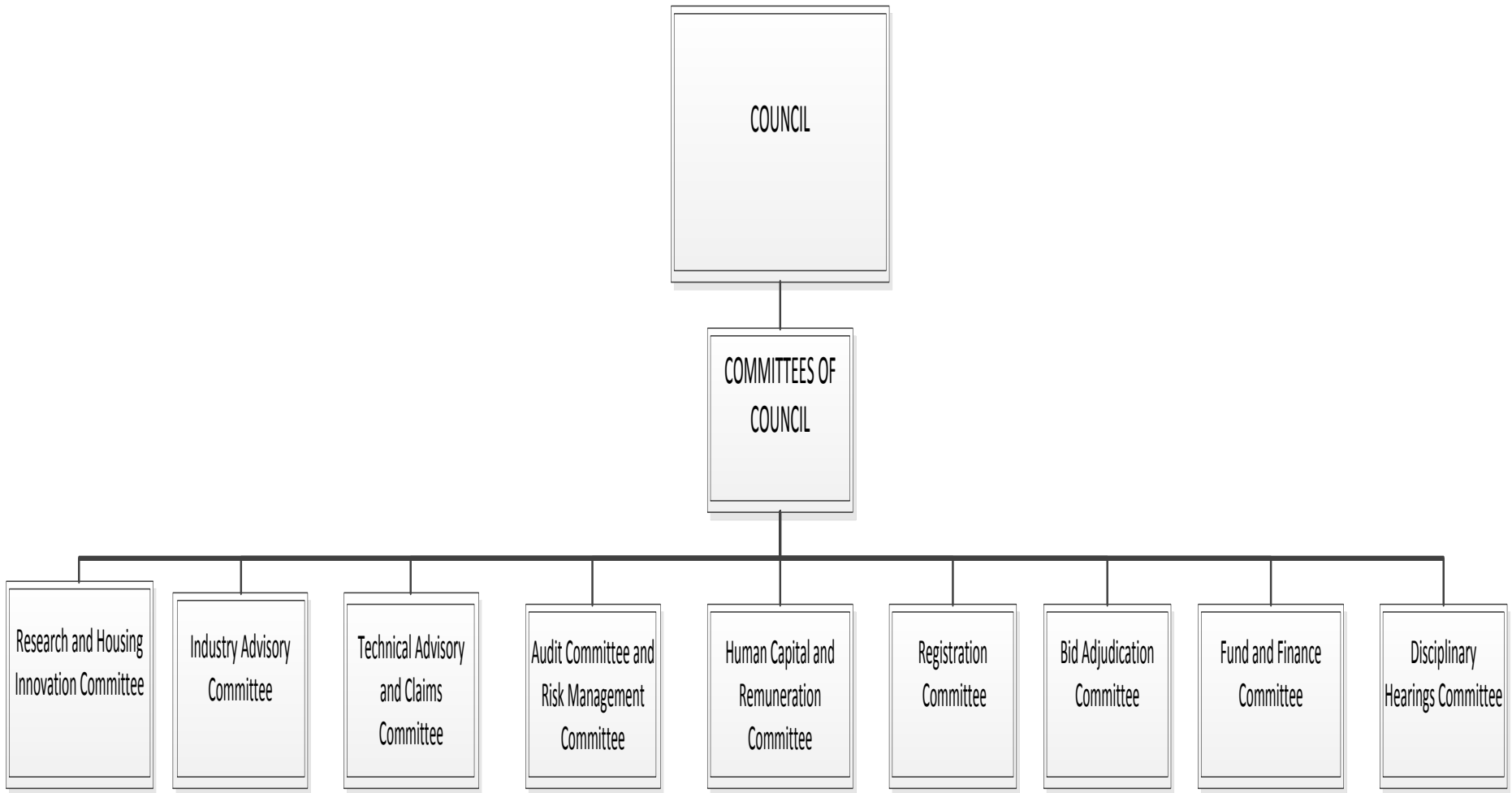
HOUSING CONSUMERS PROTECTION PROCESS



Regulation process



Governance Structure



Governance Structure of NHBRC

Committees of Council are as follows:

- Fund Advisory and Finance Committee
- Registration committee
- Audit and Risk Management Committee
- Technical Claims and Advisory Committee
- Disciplinary Steering Committee
- Human Capital and Remuneration Committee
- Industry Advisory Committee
- Bid Adjudication Committee (Tender Committee)
- Research and Housing Innovation Advisory Committee

Key focus for NHBRC

NHBRC has set itself short-term to medium term plans in order to address a number of short-comings in the execution of the mandate. That is to:-

- Implementation and full execution of the inspection model
- Alignment of NHBRC deliverables with the MTSF (Medium Term Strategic Framework) targets for 2014-2019
- Provide Technical Support at provinces and municipalities to fast track subsidy enrolment
- Enforcement and Compliance of the industry with provisions of the Housing Consumers Protection Measures Act,1998(Act No.95 of 1998).
- Implementation of Training Strategy
- Grow and Sustain the Warranty Fund
- Operationalization of the Centre for Research and Housing Innovation

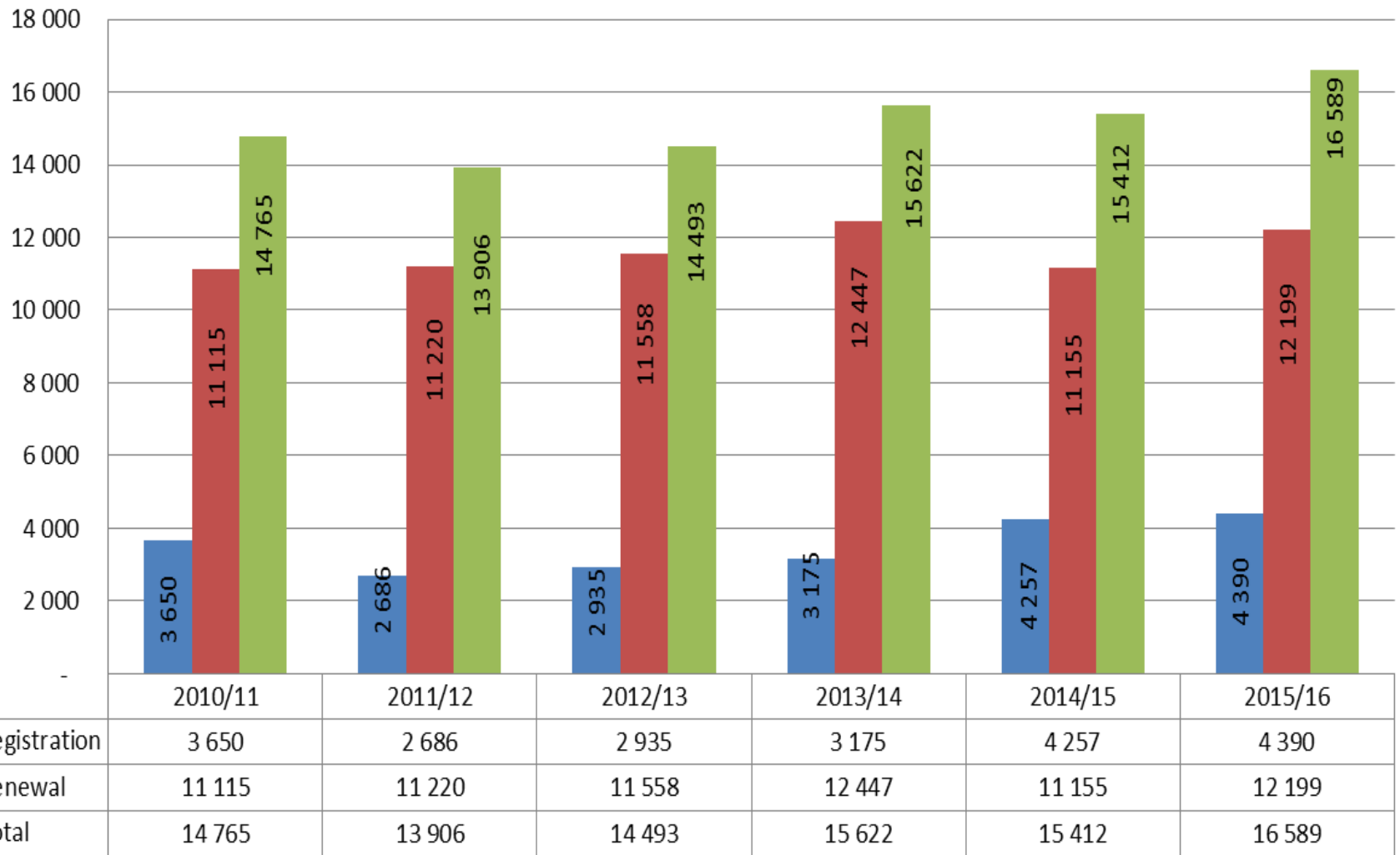
Valuable Final Products

VFP	Target	Performance	Variance	Variance %	Reason for variance
Registration of home builders	3 500	4 390	890	25%	Target met
Renewal of registration	13 218	12 199	-1 019	-8%	NHBRC has no control over who comes to renew their registration
Enrolment (Non-Subsidy)	50 205	49 612	-593	-1%	Target not met
Late enrolment(Non-Subsidy)	1 255	1 028	227	18%	Target met
Training of home builders	1 200	2 463	1 263	105%	Target met
Training of youth	2 000	1 623	-377	-19%	Target not met

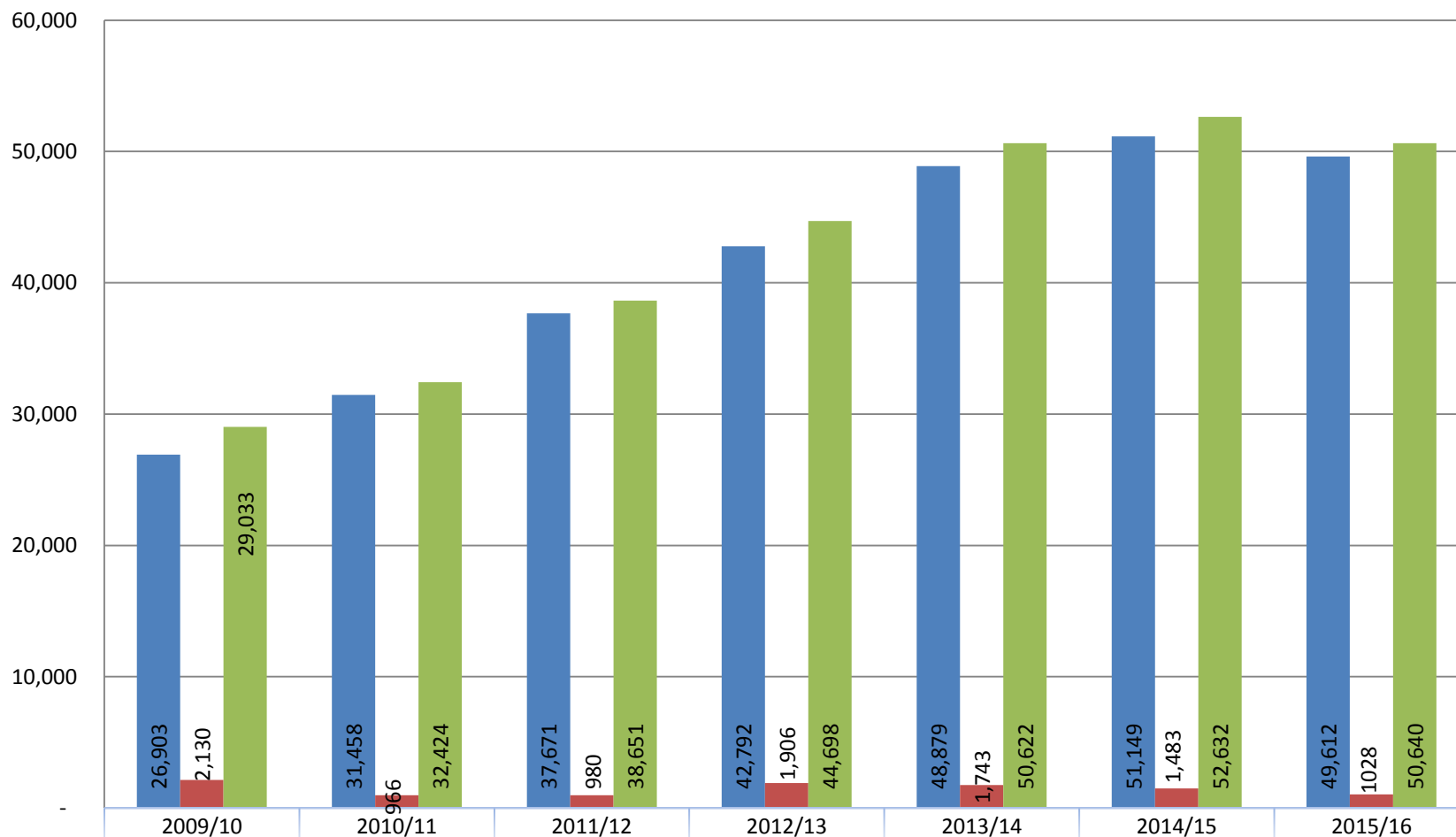
Valuable Final Products

VFP	Target	Performance	Variance	Variance %	Reason for variance
Inspection (Non-subsidy)	200 820	258 446	57 626	29%	Target met
Project enrolment (Subsidy)	51 665	4 440	-47 225	-91%	NHBRC receives homes to enrol from the Department
Home enrolment (Subsidy)	44 645	7 437	-37 208	-83%	NHBRC receives homes to enrol from the Department
Consolidation(Subsidy)	81707	69567	-12 140	-15%	NHBRC receives homes to enrol from the Department
Inspection (Subsidy)	385 200	230 103	-155 097	-40%	Inspection depends on houses that are constructed

Registration and Renewals of homebuilders

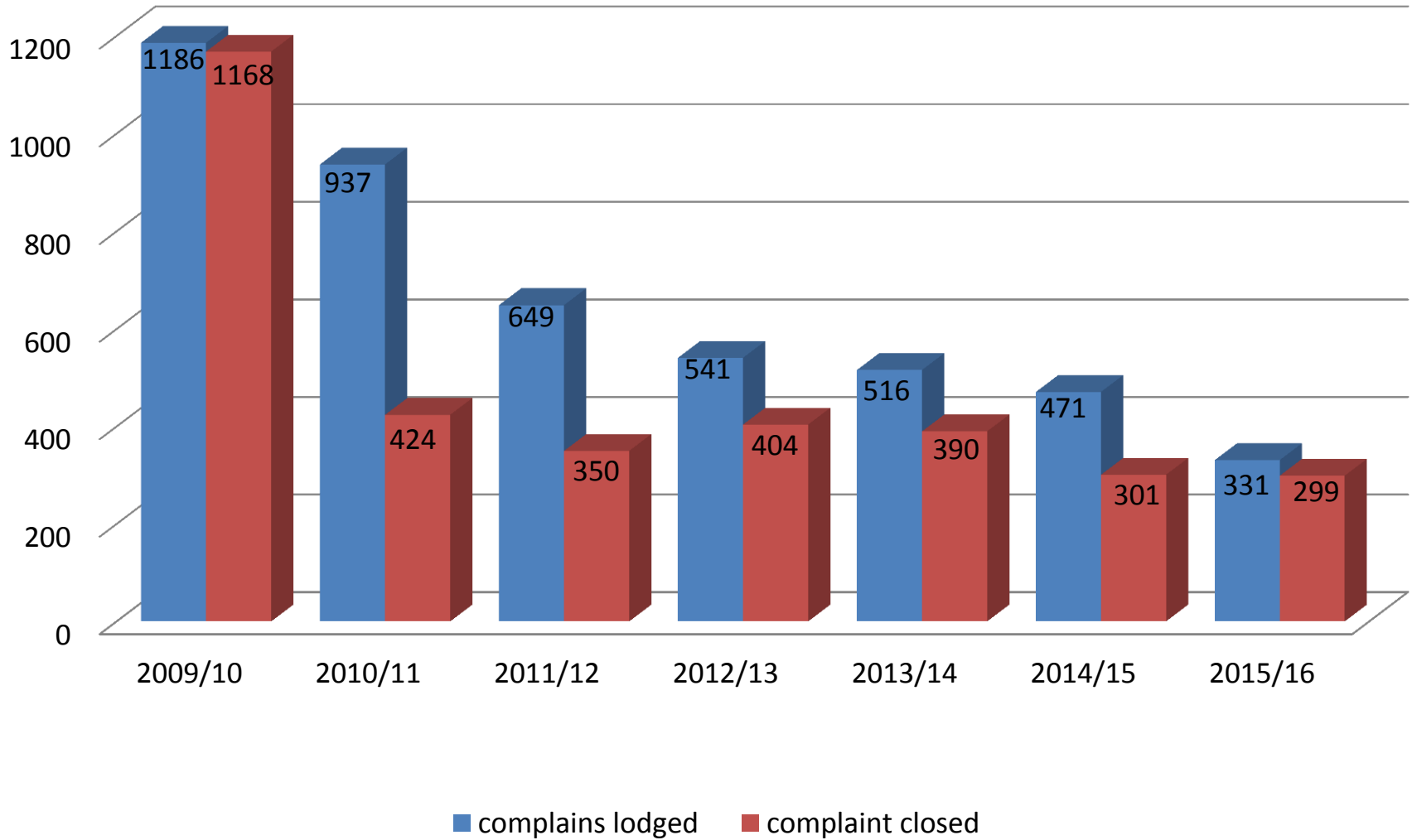


Enrolment and Late Enrolment

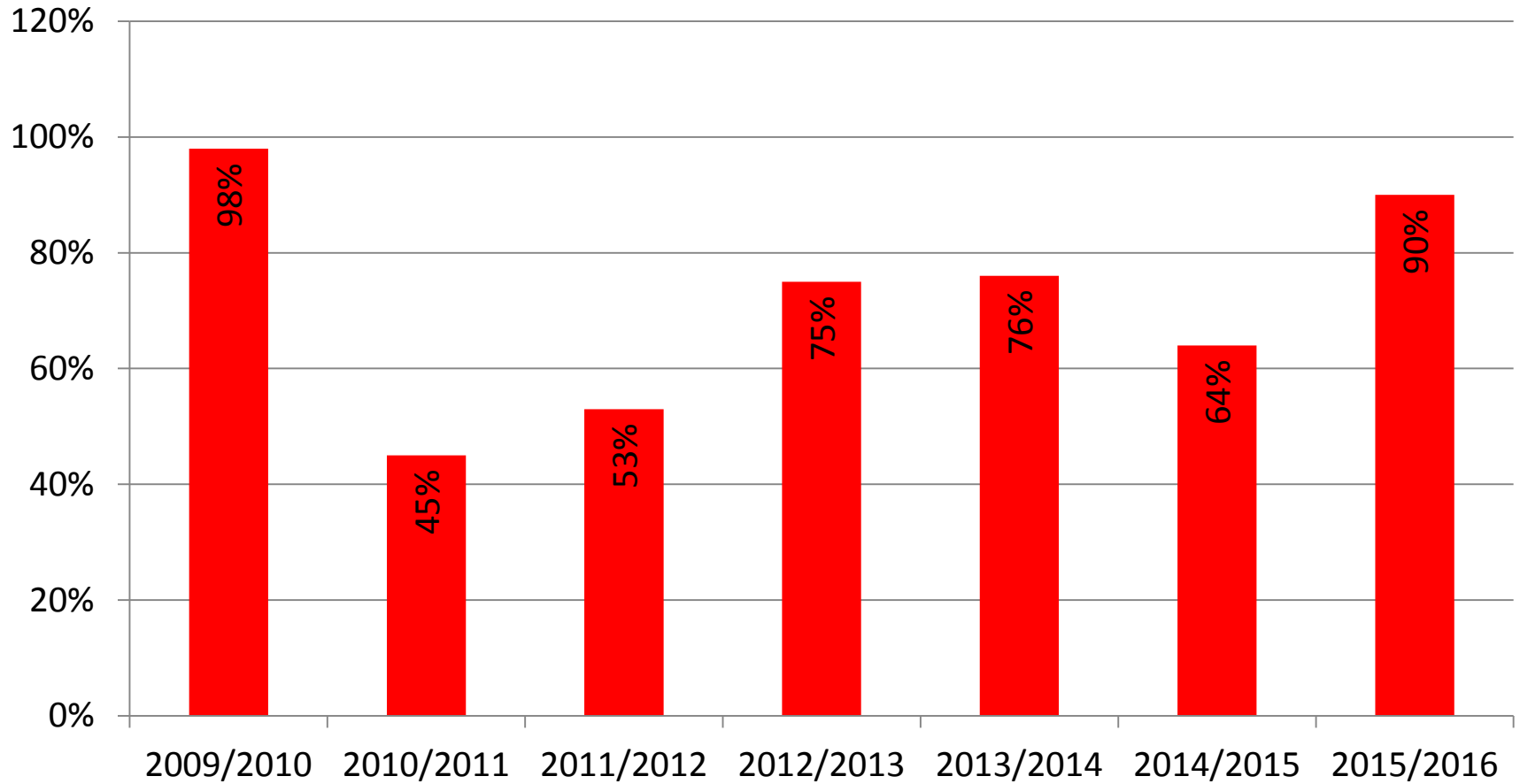


■ Enrolments	26,903	31,458	37,671	42,792	48,879	51,149	49,612
■ Late Enrolments	2,130	966	980	1,906	1,743	1,483	1,028
■ Total	29,033	32,424	38,651	44,698	50,622	52,632	50,640

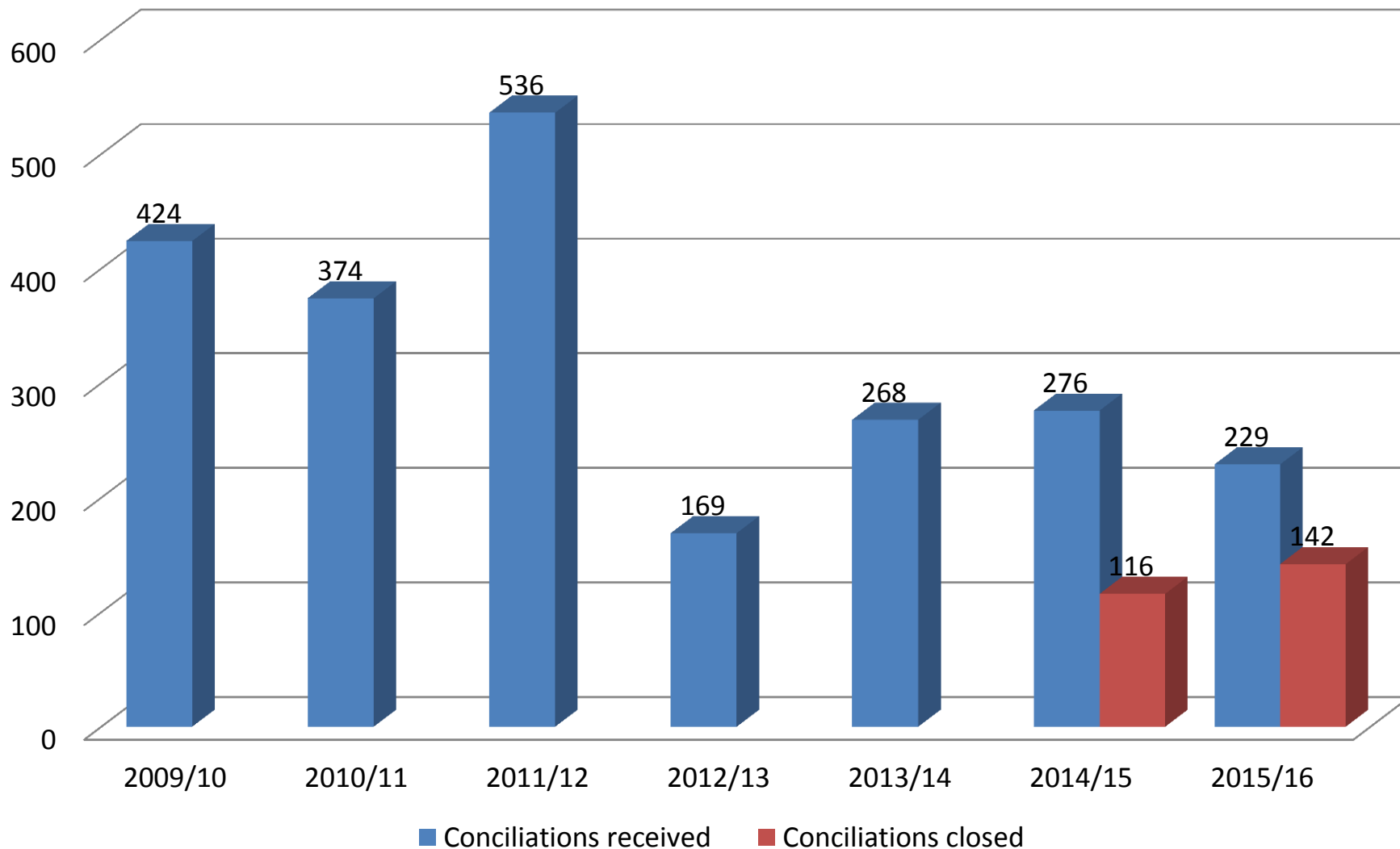
Complaints and Conciliations



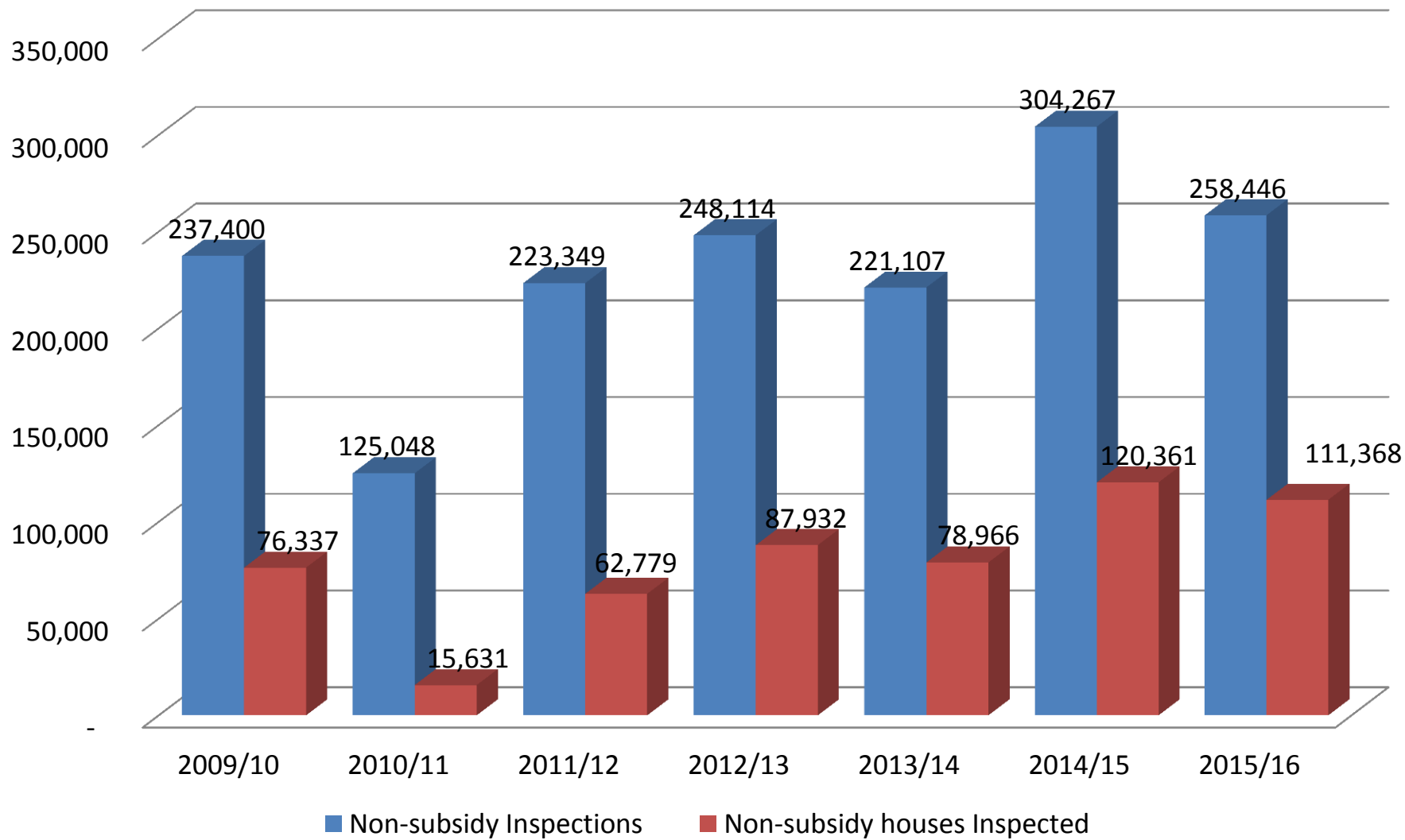
Percentage of complaints resolved



Conciliations received and closed between home builder and housing consumer



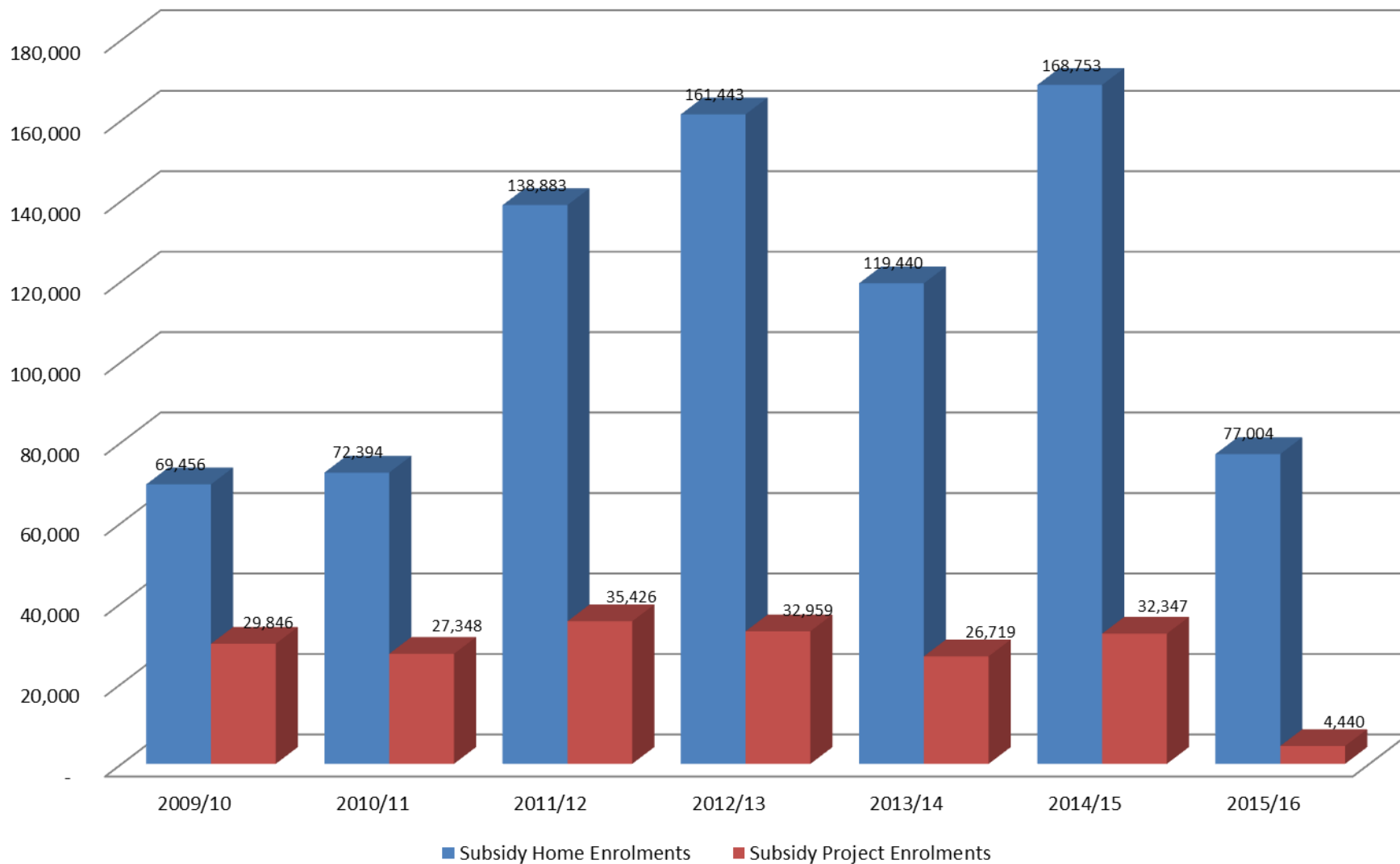
Non-Subsidy Inspections Stages and Number of houses inspected



Remedial works per stages

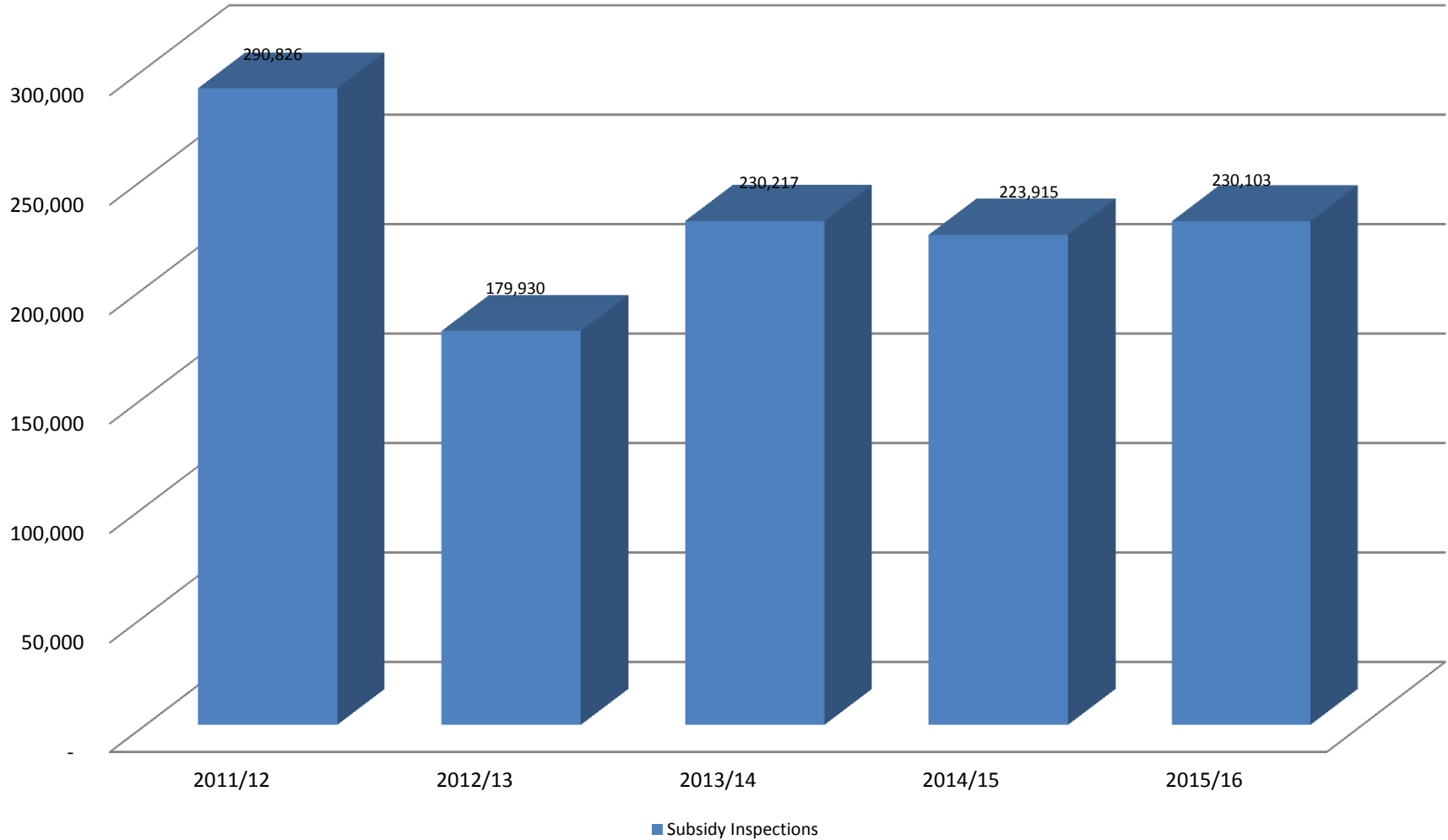
REMEDIAL STAGES	NUMBER OF UNITS RECTIFIED PER STAGE
Foundations	6
Substructure	19
Super-structure	48
Roof	3
Drainage	1
Settlement	18
Total Houses	95

Subsidy sector



Subsidy Inspection Stages

Number of subsidy inspections conducted



Enforcement and Compliance in the industry

NHBRC has established a fully fledged division to ensure that:

- There is an efficient and effective execution of the NHBRC's legislative mandate by ensuring compliance with the applicable legislative framework, enforcement of the Act and provision of cutting edge legal advisory services.
- Key Focus Areas
- To ensure compliance with applicable legislative and regulatory framework;
- To ensure enforcement with the Act through prosecution of defaulters;
- To implement an efficient contract management system;
- To ensure prudent litigation management system (including interdicts and recoveries); and
- To provide cutting edge legal advisory services.

Disciplinary Committee hearings

Provinces	Suspensions	Total DC Hearings	Not Guilty Verdict	Warning	Fine Imposed	Registration Withdrawn	Matters Postponed / Struck off the Roll	Charges Withdrawn
WC	45	39	0	2	18	1	11	7
KZN	44	54	0	0	39	2	7	6
GP	13	96	1	14	48	4	13	16
EC	10	20	0	2	13	0	1	4
MP	35	18	0	3	6	1	6	2
LP	69	19	3	1	5	1	1	8
NW	22	29	1	2	11	2	8	5
NC	6	12	0	3	6	0	1	2
FS	2	12	0	0	9	0	3	0
TOTAL	246	299	5	27	155	11	51	50

Growth rate in suspension

Provinces	2013/2014	2014/2015	2015/2016	TOTAL
WC	78	71	45	194
KZN	15	16	44	75
GP	23	28	13	64
EC	14	8	10	32
MP	5	19	35	59
LP	36	79	69	184
NW	8	9	22	39
NC	4	0	6	10
FS	19	3	2	24
TOTAL	202	233	246	681

Training Programmes

2015/16 PERFORMANCE

PROGRAMME		EC	FS	GP	KZN	MP	NC	LP	NW	WC	YTD PERFORM MANCE
Youth	Male	96	46	57	139	99	0	78	16	30	561
	Female	102	48	160	305	185	0	203	34	25	1062
	Total	198	94	217	444	284	0	281	50	55	1623
Military Veterans	Male	75	0	0	0	0	0	0	0	0	75
	Female	0	0	36	0	0	0	0	0	0	36
	Total	75	0	36	0	0	0	0	0	0	111
Artisans	Male	32	0	13	0	0	19	11	0	0	75
	Female	44	0	76	0	0	40	21	0	0	181
	Total	76	0	89	0	0	59	32	0	0	256
People with Disabilities	Male	17	0	0	0	0	0	0	0	0	17
	Female	17	0	0	0	0	0	0	0	0	17
	Total	34	0	0	0	0	0	0	0	0	34
Women	Total	100	0	63	0	30	28	0	58	0	279
GOVERNMENT PROGRAMMES TOTAL	Male	220	46	70	139	99	19	89	16	30	728
	Female	263	48	335	305	215	68	224	92	25	1575
	Total	483	94	405	444	314	87	313	108	55	2303

Root Cause:

- NHBRC had a flat structure with only an IT Manager responsible for all the functions.

Organization response to ICT Governance Framework

- ICT Committee is in place
- CIO has been appointed
- Information Security and IT Governance Officer has been appointed.
- An ICT Security policy has been developed
- Co-operative Governance of ICT policy has been developed.
- An IT Change control process has been developed.

Repeat Findings on Performance Information

Root Causes:

- Annual Performance Plan was not submitted to the Auditor General for audit purposes in terms of SMART Key Performance Indicators.
- Quarterly Performance Information was not subjected to internal audit before submission to Committees of Council and NDHS.
- Workshops on Management of POE were not being conducted at provincial offices and sections within NHBRC.

Organizational response to Performance Information:

- Annual Performance is submitted to the Auditor General of SA for auditing purposes.
- Quarterly Performance Report are subjected to an internal audit process before submission to Committees of Council.
- Workshops on management of Portfolio of Evidence are conducted with Provincial Offices and sections within NHBRC on a continuous basis.
- Executive Managers and Managers are signing off their Portfolio of Evidence before they are loaded in the Portal.
- Council has agreed that a unit on Monitoring and Evaluation should be established immediately.

Repeat findings on Declaration of Interest

Root Cause:

- Failure to declare their business interest with NHBRC.

Organization response on Declaration of Interest

- Disciplinary procedures are in place.

Audit results for 2014/2015

Selected Programme	Usefulness	Reliability
Programme 1: Administration and Governance	Not selected for audit purposes	Not selected for audit purposes
Programme 2: regulation	Qualified	Disclaimer
Programme 3: Consumer Protection	Qualified	Unqualified

Current Position 2015/2016

Selected Programme	Usefulness	Reliability
Programme 1: Administration and Governance	Not selected for audit purposes	Not selected for audit purposes
Programme 2: regulation	Unqualified	Unqualified
Programme 3: Consumer Protection	Unqualified	Qualified

NATIONAL HOME BUILDERS

NHBRC

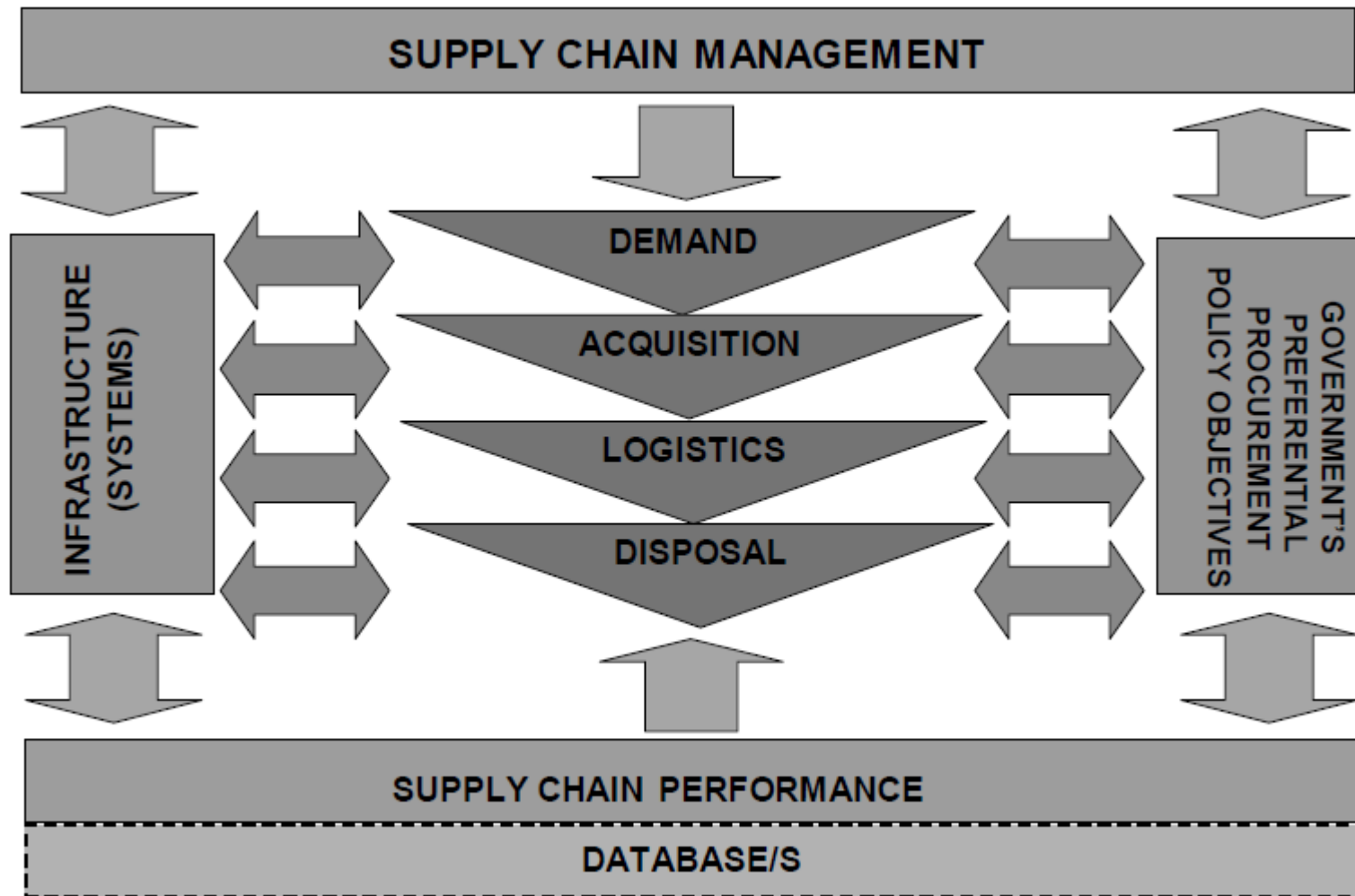
REGISTRATION COUNCIL

National Homebuilders Registration Council

SUPPLY CHAIN MANAGEMENT AND IRREGULAR EXPENDITURE



National Treasury SCM Model



React

1

Review of Non Compliant expenditure

Root Cause Analysis

Disclosure in AFS

2

Spend analysis

Process 32 Bids in 15/16

Project Manager

Cat.1 | Cat.2 | Cat.3 | Cat.4

Bid Process

Control reviews

Governance

Contracts

11/7/2016

Build

3

Infrastructure	Demand	Acquis	Logistics	Contract
Policies	✓	✓	✓	✓
Procedures	✓	✓	✓	✓
Risks	✓	✓	✓	✓
Controls	✓	✓	✓	✓
Reports	✓	✓	✓	✓
KPIs	✓	✓	✓	✓
Governance	✓	✓	✓	✓
Align technology	✓	✓	✓	✓

3

Operating Model

- Develop Operating Model

3

People Development

- Gap analysis and Delta Resourcing
- Training of SCM Staff
- Training of end users

3

Leadership and Culture

- Ethics and Values Training
- Consequence management - Low tolerance of non compliance

Operate

4

Procurement strategy

Contract analysis

Category management

Future automation Opportunities

Develop an SRM Framework

5

Normalised operations

- Demand management
- Acquisition management
- Logistics management
- Contract management
- Risk management
- Compliance management
- Performance management
- Coaching and mentoring

6

e-Governance

- Develop e-Gov Framework
- Establish e-Gov Framework

Supply Chain Management

Key challenges

- Slow and ineffective SCM function resulting in slow delivery of goods and services to the business.
- Audit findings for non-compliance to Treasury Regulations resulting in irregular expenditure and increased risk of fraud and corruption.

Root causes

- Lack of/or ineffective policies, processes and procedures as it pertains to SCM, Irregular expenditure and BBBEE.
- Lack of demand planning and integration with business needs.
- Lack of appropriate control monitoring and compliance in the SCM function.
- Limited, and where present cumbersome, analytical and reporting capabilities on the ERP system.
- Relatively new SCM team with recruitment on critical positions still in progress.
- Limited business user knowledge, discipline and accountability for compliance to SCM requirements.
- Inadequate contract management by contract owners

Organisational response to Supply chain management challenges

- Comprehensive independent maturity assessment carried out on the SCM function with a view to developing the function.
- SCM, Unauthorised Irregular and Fruitless Expenditure and BBBEE policy has been drafted and approved by Council.
- More efficient and automated SCM processes and related controls have been designed and enabled by SAP.
- Improved analytical and reporting, particularly on non compliances, in place on SAP.
- Implementation of Demand Management, integrated with the budgeting and planning process, carried out to fully understand business requirements and to inform SCM resourcing requirements.
- Implementation of contracts for items less than R500 000, instead of 3 quotes, for frequently purchased items.
- Improved Control Framework and compliance thereto designed and implemented.
- Finalisation of the SCM organogram to address capacity issues.
- Training of end users on SCM policies, procedures and applicable accountabilities.

Irregular expenditure

Key challenges

- At 31 March 2016 irregular expenditure awaiting condonation amounted to R706 million. Of this, R692m related to the 2011/12, 2012/13 and 2013/14 and 14/15 financial years.
- Key root causes resulting in the incurrance of irregular expenditure relates to non compliance with National Treasury prescripts during the acquisition of goods services. The three major root causes are:
 - ✓ not following the 3 quote system;
 - ✓ tenders not advertised for 21 days;
 - ✓ lack of training on SCM prescripts;
 - ✓ lack of procedure manuals and process flows; and
 - ✓ NHBRC SCM policy no aligned to National Treasury Regulations.

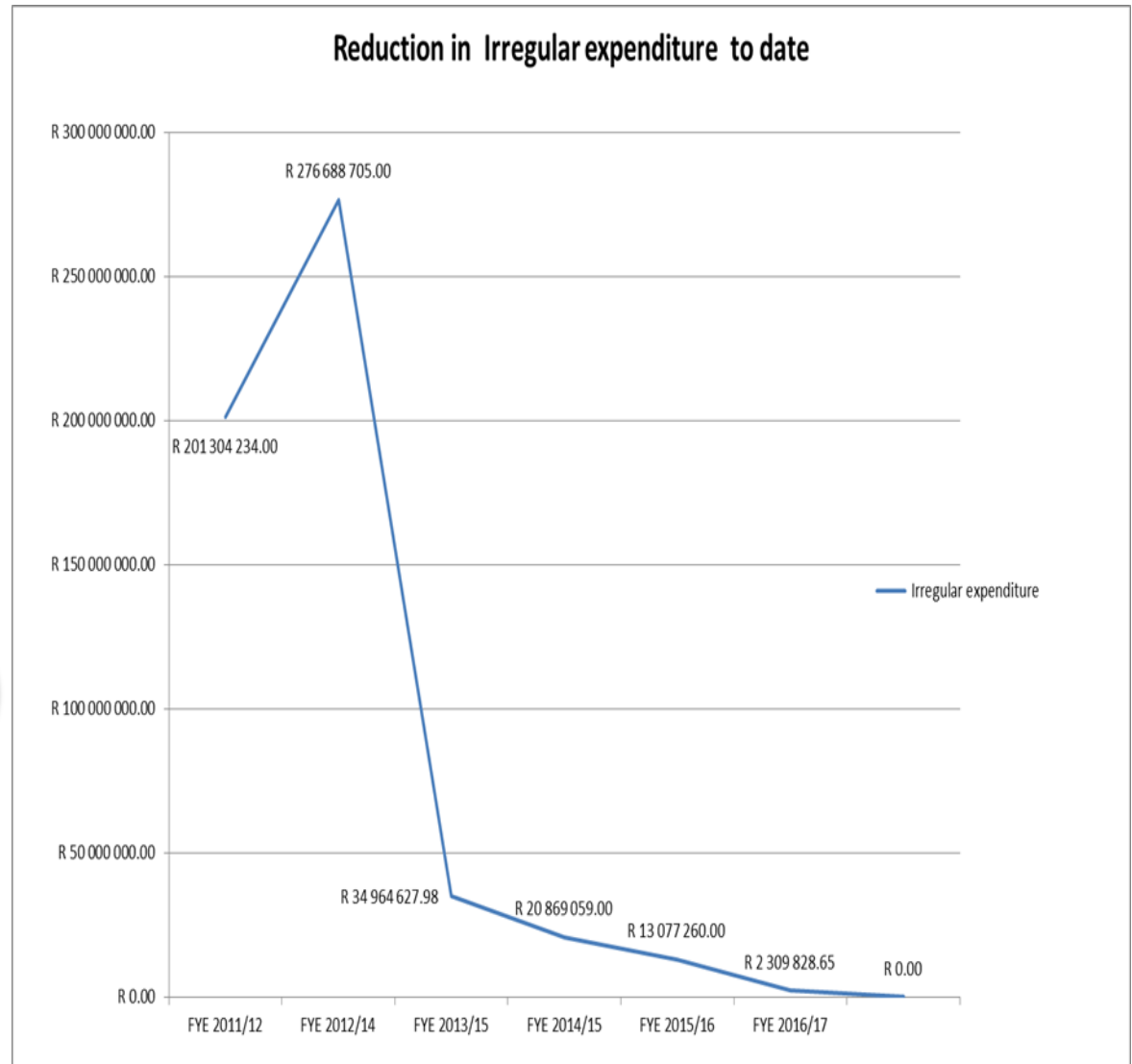
Organisational response to eradicate I E

- While significant strides have been made to reduce irregular expenditure, a fair amount of work still needs to be done to ensure systems of internal control are able to prevent, detect and report irregular expenditure. Given that non compliance with National Treasury prescripts is by nature a material reportable item, the risk of further audit findings in the future remains, however mitigation controls are in place
- In order to effectively reduce this risk, the following initiatives have being implemented as part of the SCM transformation:
 - ✓ Introduction of an Unauthorised, Irregular and Fruitless Expenditure policy and procedure aimed at preventing, detecting and reporting irregular, and ensuring that appropriate accountability for preventing and responding to incidences of irregular expenditure.
 - ✓ Enabling systems and related control to prevent and ensure transparent reporting irregular expenditure.
 - ✓ Corrective action through the Human Capital processes to prevent future incidences of UIF expenditure
 - ✓ Alignment of the SCM policy to the National Treasury regulations, procedures and process maps have been developed

Year	Irregular expenditure
FYE 2011/12	R 201 304 234.00
FYE 2012/14	R 276 688 705.00
FYE 2013/15	R 34 964 627.98
FYE 2014/15	R 20 869 059.00
FYE 2015/16	R 13 077 260.00
FYE 2016/17	R 2 309 828.65

Trends in Irregular Expenditure per year

Year	Irregular expenditure
FYE 2011/12	R 201 304 234.00
FYE 2012/14	R 276 688 705.00
FYE 2013/15	R 34 964 627.98
FYE 2014/15	R 20 869 059.00
FYE 2015/16	R 13 077 260.00
FYE 2016/17	R 2 309 828.65



Legacy contracts have been regularised following due SCM processes

Auditor-General

Audit Report for the year ended 31 March 2016

Overview

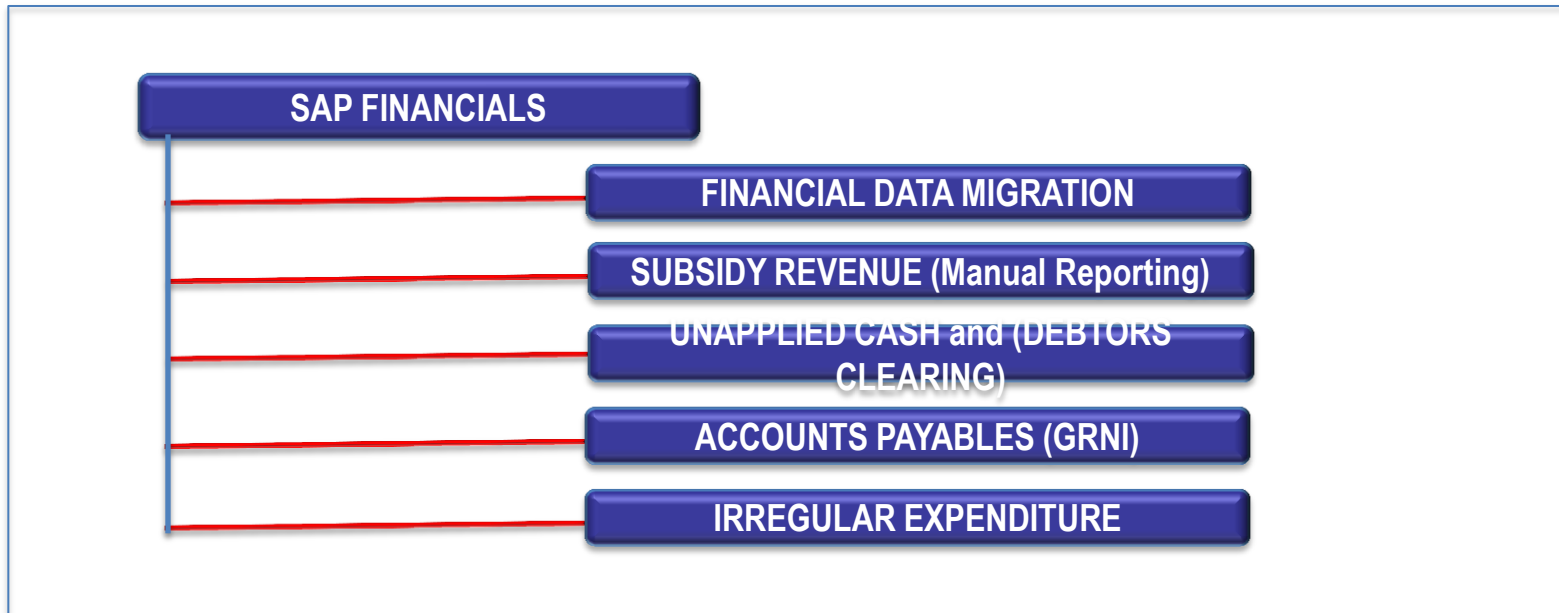


Key Risks (Financial Audit)

IT Governance

SAP Project Implementation

SAP Controls



Summary of outcomes irt 2015/16

Section	2015/16	2014/15	Trend
1. Material misstatements in the financial statements (Unqualified audit opinion)	None	None	↔
2. Matters to be brought to the attention of users	1	1	↔
3. Reported information relating to the performance of the public entity against predetermined objectives – percentage of dimension unqualified	75% unqualified	28% unqualified	↑
4. Findings on compliance with legislation – irregular expenditure incurred in current year	R0.7m	R20,9m	↑
5. Internal control – number of red areas	3/42	4/42	↔
6. Assessment of assurance providers – number of assurance providers providing full assurance	1/5	0/5	↔
7. Other reports – investigations reported	2	3	↔
8. Financial viability – status	Good	Good	↔
9. Procurement and contract management	R0.7m	R20,9m	↑
10. Fraud and consequence management	2	3	↔

Material misstatements in the AFS

2015/16

2.1 MISSTATEMENTS IN THE FINANCIAL STATEMENTS

We commend the public entity for submitting financial statements that were free from material misstatements. There were misstatements identified however these were not material.

2014/15

PART A – MISSTATEMENTS IN THE FINANCIAL STATEMENTS

7. We commend the public entity for submitting financial statements that were free from material misstatements.

Given the regulatory nature of the NHBRC it is susceptible to legal challenges. Hence this paragraph is unlikely to disappear from its audit report

2015/16

Significant uncertainties

8. With reference to note 25 to the financial statements, relating to pending cases which have been disclosed as contingent liabilities, the ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements

2014/15

Significant uncertainties

9. With reference to note 25 to the financial statements, relating to pending cases which have been disclosed as contingent liabilities, the ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Conclusions on performance information

2015/16

Selected [programme/objective]	Usefulness	Reliability
<i>Programme 2: Regulation</i>	Unqualified	Qualified
<i>Programme 3: Consumer Protection</i>	Unqualified	Unqualified

2014/15

Summary of audit conclusions

22. The following is a summary of our conclusions on the usefulness and reliability of the reported performance information:

Selected programme	Usefulness	Reliability
a. Programme A: Home Builders Registration	<i>Unqualified</i>	<i>Disclaimer</i>
b. Programme B: Renewal of Home Builder Registration	<i>Qualified</i>	<i>Disclaimer</i>
c. Programme C: Enrolments	<i>Unqualified</i>	<i>Qualified</i>
d. Programme D: Late enrolment of homes	<i>Qualified</i>	<i>Disclaimer</i>
e. Programme E: Project and Home Enrolment (Subsidy Sector)	<i>Unqualified</i>	<i>Adverse</i>
f. Programme F: Complaints and Conciliations	<i>Qualified</i>	<i>Adverse</i>
g. Programme G: Project Support Unit (PSU)	<i>Disclaimer</i>	<i>Disclaimer</i>
h. Programme J: Legal Compliance and Enforcement	<i>Qualified</i>	<i>Qualified</i>
i. Programme N: Quality Assurance	<i>Adverse</i>	<i>Disclaimer</i>
j. Programme N: Technical Support	<i>Disclaimer</i>	<i>Disclaimer</i>
k. Programme P: Homebuilder training & development	<i>Unqualified</i>	<i>Adverse</i>

Findings on non-compliance with legislation

23.3 Reconciliation of Irregular expenditure				
Opening balance			692 928 462	638 958 973
			13 601 382	53 969 489
Add: Irregular expenditure relating to prior year			12 896 761	33 100 430
Add: Irregular expenditure relating to current year			704 621	20 869 059
Less: Amounts condoned			-	-
Irregular expenditure awaiting condonation			706 529 844	692 928 462
Analysis of awaiting condonation per age classification				
Current year			12 896 761	20 869 059
Prior year			693 633 083	672 059 403
Total			706 529 844	692 928 462

2015/16

Procurement and contract management

24. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

Expenditure management

25. Effective steps were not taken to prevent irregular expenditure, amounting to R13, 601,381 as disclosed in note 23 of the AFS.





































2014/15

Procurement and contract management

68. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

Expenditure management

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

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
Leadership						
Overall movement from previous assessment	↔		↔		↔	
• Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protecting and enhancing the best interests of the entity						
• Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls						
• Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored						
• Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities						
• Develop and monitor the implementation of action plans to address internal control deficiencies						
• Establish an information technology governance framework that supports and enables the business, delivers value and improves performance						
Financial and performance management						
Overall movement from previous assessment	↔		↔		↑	

Part E: Assessment of assurance providers

2015/16

Assurance levels

Senior management *Provides some assurance*

Accounting Authority *Provides some assurance*

Minister *Provides some assurance*

Internal audit *Provides some assurance*

Audit committee *Provides assurance*

2014/15

Assurance levels

Senior management *Provides some assurance*

Council *Provides some assurance*

Minister *Provides some assurance*

Internal audit *Provides some assurance*

Audit committee *Provides some assurance*

Findings on non-compliance with legislation

			2016 R	2015 R
23.3 Reconciliation of Irregular expenditure				
Opening balance			692 928 462	638 958 973
			13 601 382	53 969 489
Add: Irregular expenditure relating to prior year			12 486 318	33 100 430
Add: Irregular expenditure relating to current year			1 115 064	20 869 059
Less: Amounts condoned			-	-
Irregular expenditure awaiting condonation			706 529 845	692 928 462

2015/16

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Expenditure management

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2014/15

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Expenditure management

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Section 3: Part B – Financial indicators

Cash management

4.1	The year-end bank balance was in overdraft	No	No
	<ul style="list-style-type: none"> Amount of year-end bank balance (cash and cash equivalents)/(bank overdraft) 	R83 208 459	R171 719 372
4.2	Net cash flows for the year from operating activities were negative	No	No
	<ul style="list-style-type: none"> Amount of net cash in/(out) flows for the year from operating activities 	R58 640 694	R341 285 575
4.3	Creditors as a percentage of cash and cash equivalents	141.2%	52.8%
	<ul style="list-style-type: none"> Amount of creditors (accounts payable) 	R117 397 155	R90 730 434
	<ul style="list-style-type: none"> Amount of cash and cash equivalents/(bank overdraft) at year-end 	R83 208 459	R171 719 372

Overall assessment

Overall the financial viability is assessed as:

Green (Good)

Green (Good)

Fraud and consequence mgt

	Allegations reported in the prior year	Allegations reported in the current year
Number of cases of fraud/corruption reported through the auditee's internal mechanism	3	2
Number of cases investigated (in relation to number of cases reported)	3	0
Number of cases not yet investigated (in relation to number of cases reported.)	0	2
Number of investigations finalised i.e. report issued	2	0
Number of cases that resulted in disciplinary actions, civil recoveries or criminal charges being laid	1	0
Number of cases that have been referred to the law enforcement/investigation agencies <i>e.g. the SAPS, the Public Protector, the Competition Commission, or the SIU</i>	1	0

Finding	Number of instances	Value
1. Non-declaration of interest in outside entities by employees (and	2	R524,120.96

Finding	Number of instances	Value
suppliers) and approval not obtained for additional remunerative work		
2. Employees performed additional remunerative work at a supplier of the NHBRC, but did not obtain approval for the additional remunerative work performed by disclosing it to Human Capital ("HC") on the SBD4 submitted	2	-



Key concerns

- ICT Governance area
- Declaration of interests

Annual Financial Statements Analysis

For the year ended 31 March 2016



Salient features (Audited results)



Warranty Fund profit of R19m (second year of profit)



Growth in the investment portfolio amounts to R258m for 2015/16



Net Cash generated from operations amounts to R59m



Cash invested amounts to R150m



Total income earned of R800m (after actuarial adjustments)



Operating profit amounts to R22m against a budget of R 128k



Improved risk profile of the Warranty Fund



Administrative expenses have increased to R714m in 2015/16



Irregular expenditure has reduced to R 13.6 million in 2015/16 from R53m in 2014/15

Income statement – 6 years



Operating profit amounts to R22m



Net profit amounts to R189m

NHBRC

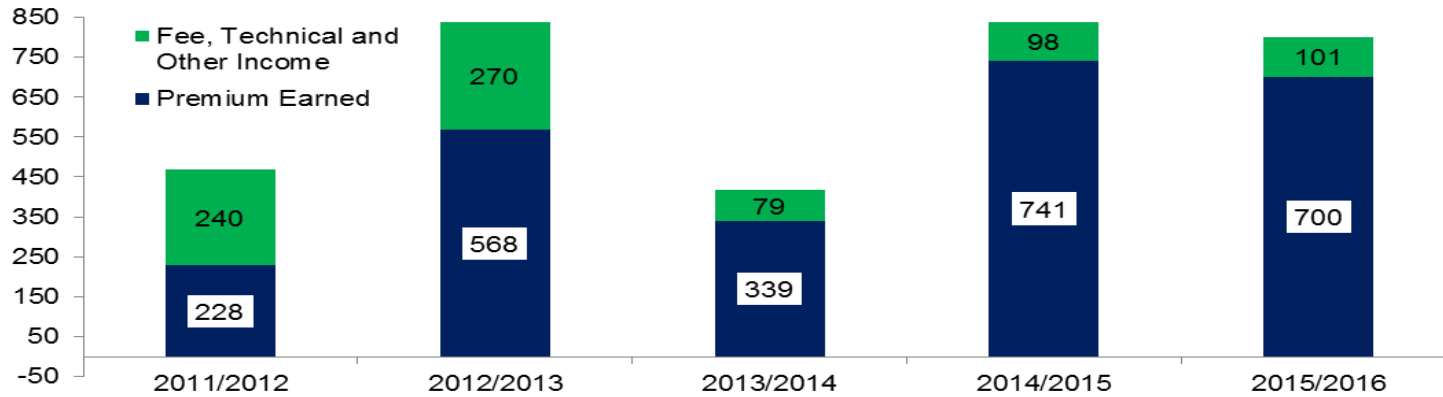
Income Statement 5 year view

	2011	2012	2013	2014	2015	2016
	R	R	R	R	R	R
Insurance premium revenue	356 560 296	227 674 344	568 476 259	339 061 175	740 770 044	700 272 893
Fee revenue	31 907 933	58 301 592	47 477 895	30 951 855	50 680 650	42 311 370
Technical services revenue	80 396 035	139 283 978	215 989 718	42 214 463	24 124 500	56 045 976
Other income	881 299	42 438 202	6 155 467	5 425 437	23 229 935	2 215 229
Net income	469 745 563	467 698 116	838 099 339	417 652 930	838 805 129	800 845 468
	6%	0%	79%	-50%	101%	
Insurance claims and loss adjustment expenses	11 542 190	5 255 613	8 884 344	2 273 540	14 638 847	5 309 754
Inspections and accreditation expenses	59 041 867	76 928 941	56 849 342	62 894 274	1 708 314	2 935 103
Technical services expenditure	27 700 625	192 065 741	235 913 941	26 652 774	5 368 647	55 807 461
Administration expenses	330 631 250	329 999 135	343 794 695	416 724 764	627 804 025	714 323 262
Expenses	428 915 932	604 249 430	645 442 322	508 545 352	649 519 834	778 375 580
	-9%	41%	7%	-21%	27%	
Profit/(loss) from operating activities	40 829 631	-136 551 314	192 657 017	-90 892 422	189 285 296	22 469 888
	240%	-434%	241%	-147%	312%	
Net investment income	390 961 109	246 710 010	332 667 768	305 467 316	338 272 291	167 032 269
Interest received and investment income	203 122 056	197 357 574	199 183 249	218 047 369	271 072 480	289 109 007
unrealised profit on sale of financial activities	196 607 721	58 197 775	143 092 105	97 185 568	75 067 393	-114 607 285
Asset management services	-8 768 668	-8 845 339	-9 607 586	-9 765 621	-7 867 582	-7 729 453
Net profit before finance costs	431 790 740	110 158 696	525 324 785	214 574 894	527 557 587	189 502 157
Finance costs	255	575	8 470	-	4 369 938	30 690
Surplus for year	431 790 486	110 158 121	525 316 314	214 574 893	523 187 649	189 471 467

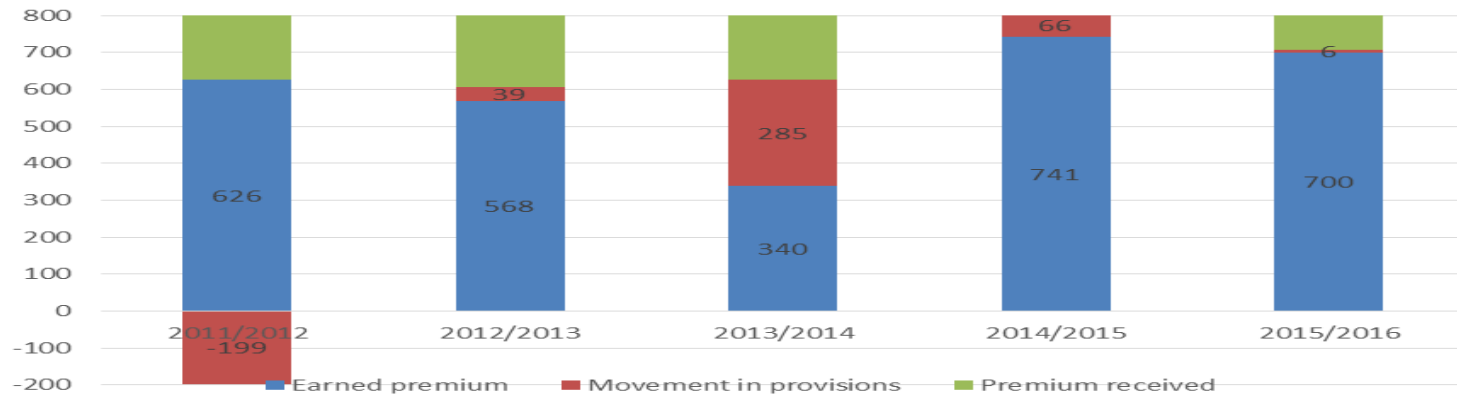
Revenue



Total income earned of R800m (after actuarial adjustments)



Premiums received in 2015/16 amounts to R707m

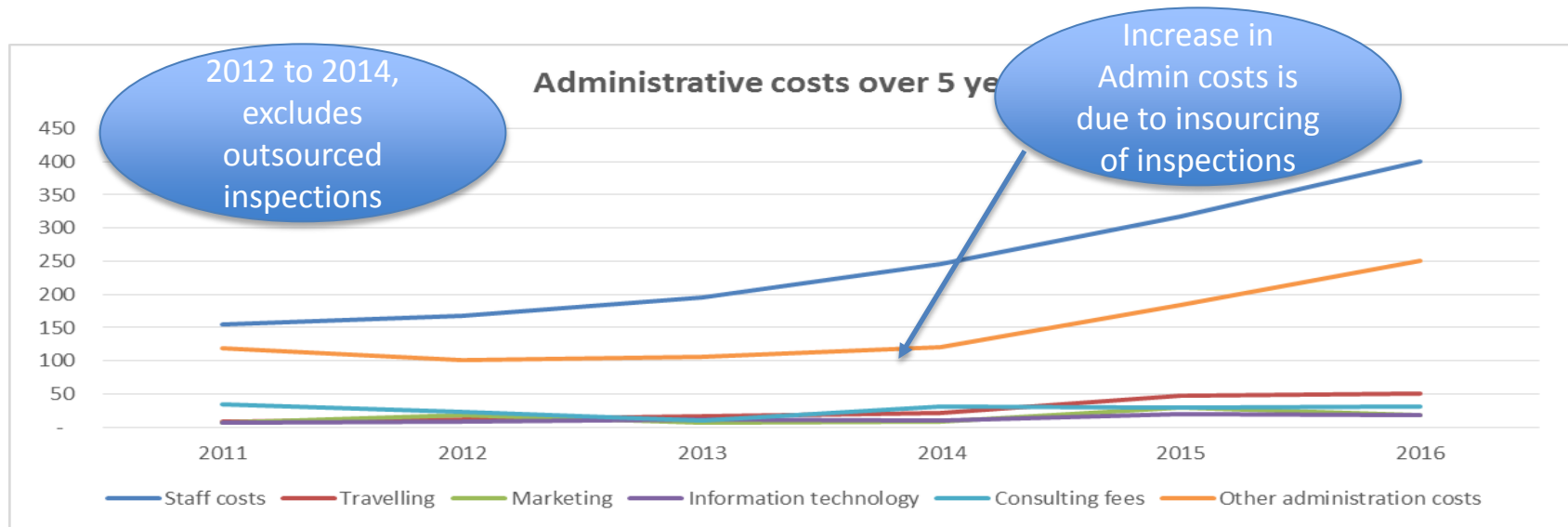


Premiums earned in 2015/16 amounts to R700m

Operating costs



Administrative expenses have increased to R714m in 2015/16



	2011 R	2012 R	2013 R	2014 R	2015 R	2016 R
Staff costs	154 608 389	167 284 764	195 008 551	245 534 932	316 659 728	399 913 432
Travelling	9 131 391	11 850 448	16 020 875	21 068 773	47 208 801	51 235 731
Marketing	7 041 256	18 555 156	6 587 804	8 996 145	29 466 696	17 769 921
Information technology	6 296 727	7 738 905	10 984 788	10 291 672	19 600 147	19 545 861
Consulting fees	35 177 400	23 478 727	9 472 229	10 522 795	30 233 667	30 771 998
Other administration costs	118 376 087	101 091 136	105 720 449	120 310 446	184 634 987	195 086 319
	330 631 250	329 999 135	343 794 695	416 724 764	627 804 025	714 323 262

Balance Sheet – 6 year view



Total assets have grown by R209m after adjusting to fair values



Equity has grown by R189m



Total liabilities have increased by R20m

NHBRC

Balance sheet 5 year view

	2011	2012	2013	2014	2015	2016
	R	R	R	R	R	R
ASSETS						
Non current assets	1 310 642 748	1 710 731 713	1 950 434 935	2 580 426 257	2 178 771 619	2 466 078 486
Current assets	2 256 692 908	2 141 610 667	2 271 505 824	2 180 348 811	3 195 273 781	3 117 246 206
TOTAL ASSETS	3 567 335 656	3 852 342 380	4 221 940 760	4 760 775 068	5 374 045 400	5 583 324 692
EQUITY AND LIABILITIES						
Equity	2 450 297 361	2 554 807 853	3 080 124 168	3 294 699 059	3 817 866 709	4 007 358 176
LIABILITIES						
Non current liabilities	577 368 699	775 570 168	818 731 582	1 047 637 607	1 021 732 856	985 781 707
Current liabilities	539 669 597	521 964 358	323 085 010	418 438 402	534 425 834	590 184 809
TOTAL EQUITY AND LIABILITIES	3 567 335 656	3 852 342 380	4 221 940 760	4 760 775 068	5 374 045 400	5 583 324 692

Cash flow - 6 year view



Cash generated from operations amounts to R59m



Cash invested amounts to R150m



Cash in bank of R84m

NHBRC

Cash Flow Statement 5 year view

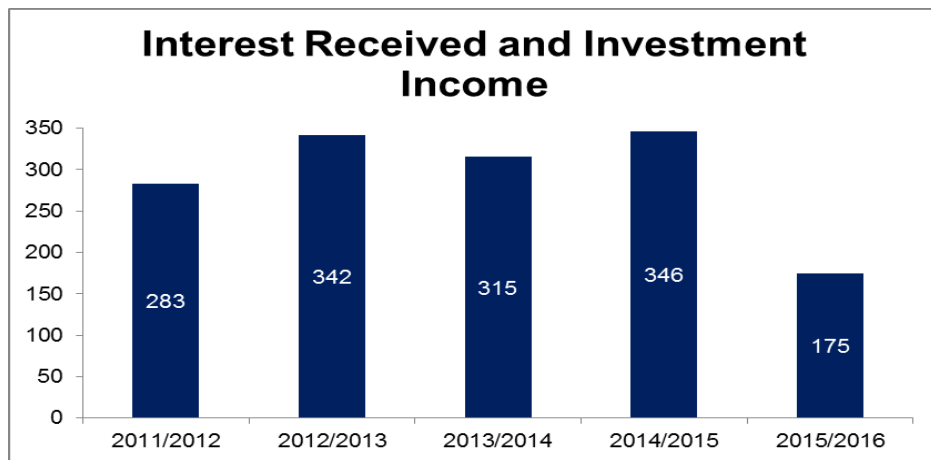
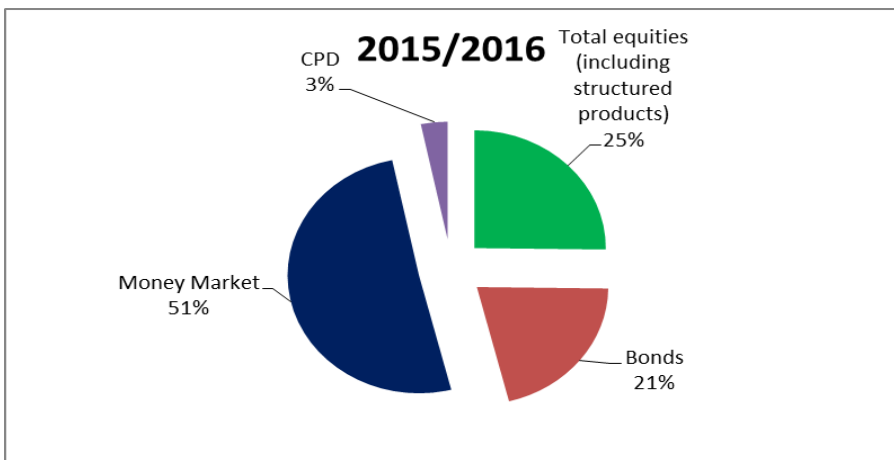
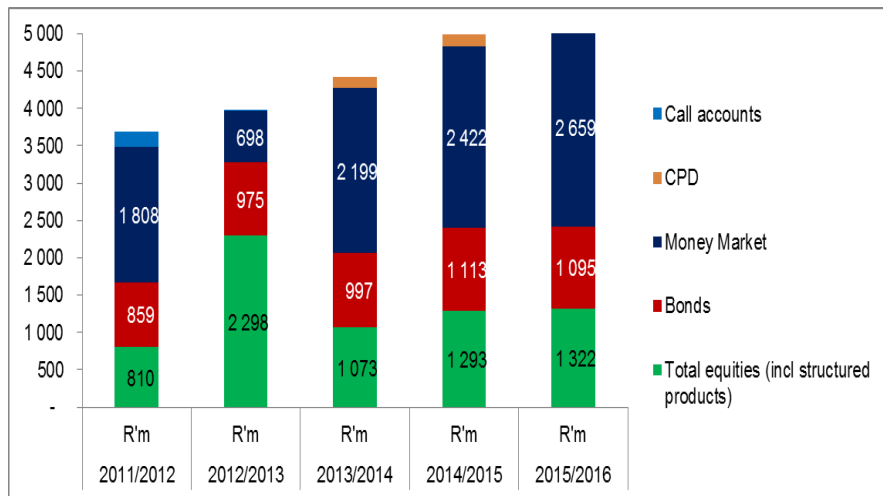
	2011	2012	2013	2014	2015	2016
	R	R	R	R	R	R
Cash flows from operating activities	260 658 071	29 379 227	81 829 055	258 913 629	341 285 575	58 640 694
Cash flows from investing activities	85 203 318	-325 210 181	22 185 597	-237 670 399	-305 946 094	-142 669 682
Cash flows from financing activities	-22 269 995	-311 205 775	-12 558 677	-8 266 727	-11 103 559	- 4 481 925
Cash and cash equivalents at beginning of year	30 665 353	354 256 747	43 050 972	134 506 947	147 483 450	171 719 372
Cash and cash equivalents at end of year	354 256 747	43 050 972	134 506 947	147 483 450	171 719 372	83 208 459

Investments – 5 Years



Growth in the investment portfolio amounts to R258m for 2015/16

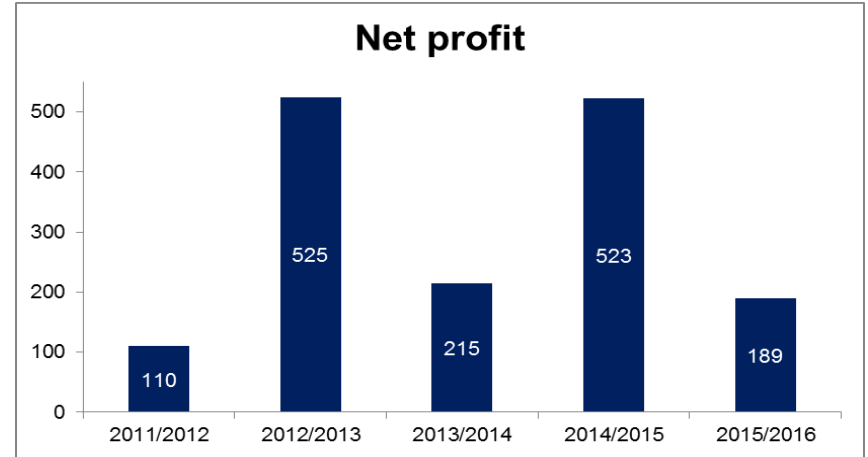
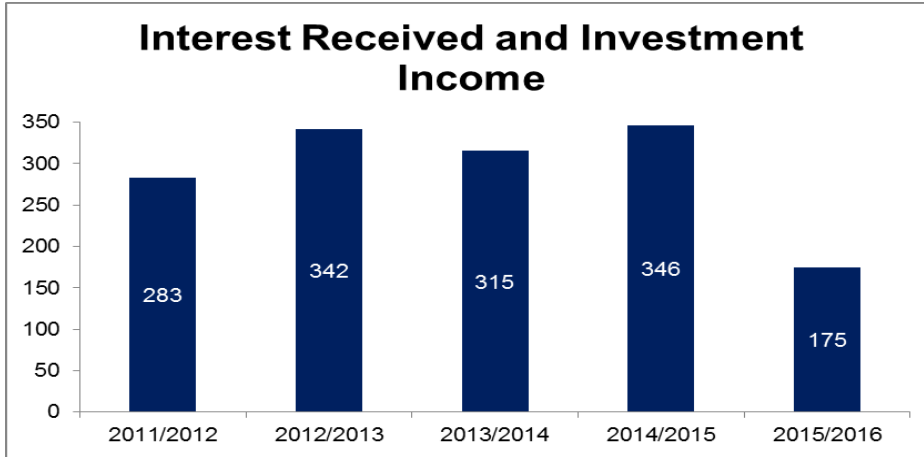
Growth in investment portfolio over 5 years



Investments and operating profit 5 Years



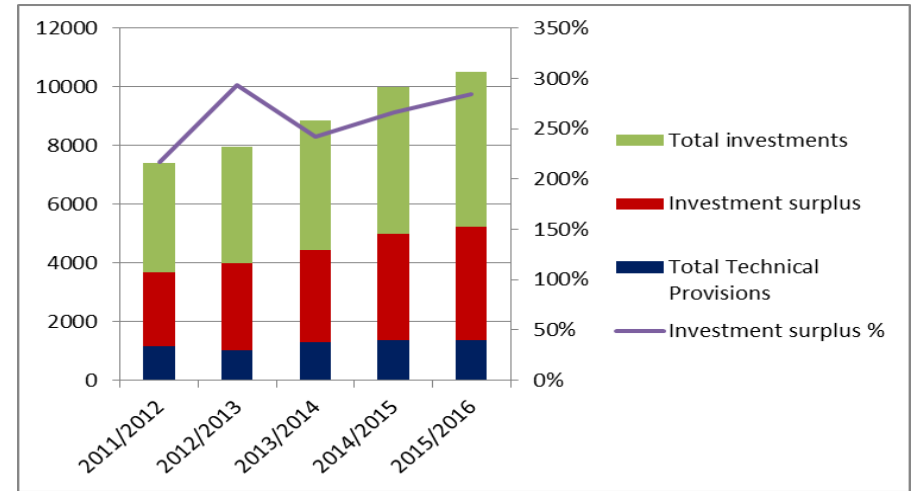
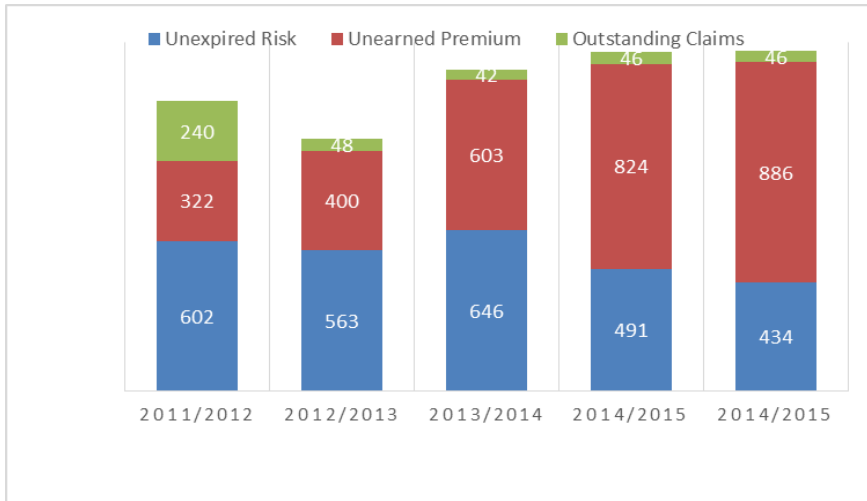
Investment income amounts to R167m for 2015/16



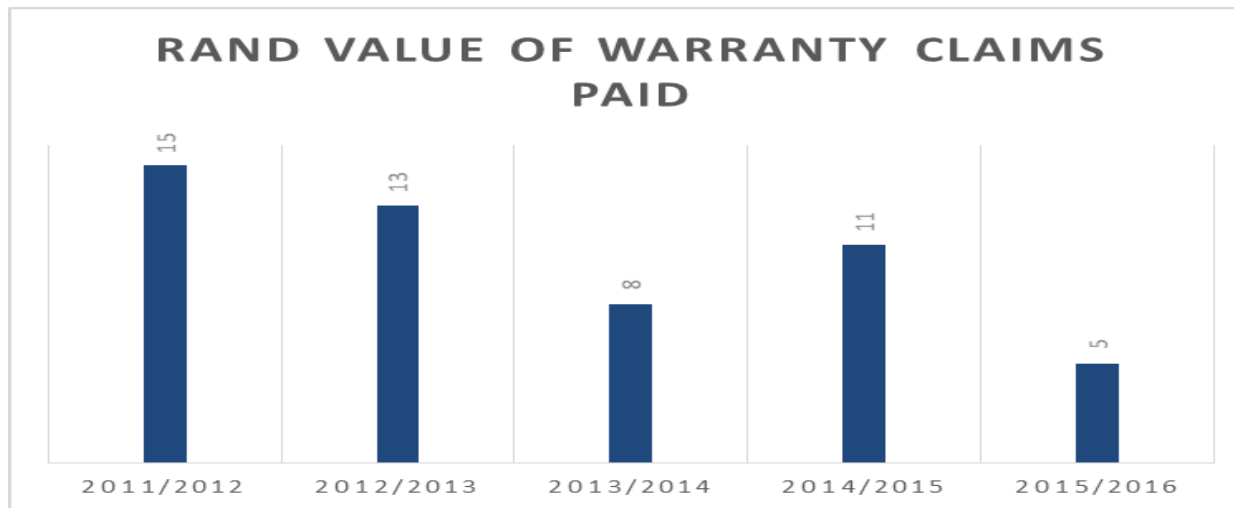
Liabilities



Investment surpluses exceed technical provisions by 284%



Risk profile of the Warranty Fund



Irregular expenditure



Irregular expenditure incurred for the 2015/16 financial year is analysed as follows;

- Irregular expenditure for the year was R 705k, (2014: R 21 million)
- Two incidents of non-disclosure by employees amounting to R 524k
- One case of non-compliance with SCM prescripts amounting to R 180k

END
THANK YOU
Questions

