

NATIONAL HOME BUILDERS

NHBRC

REGISTRATION COUNCIL

Mr. Mziwonke Dlabantu

Chief Executive Officer

**Portfolio Committee of Human
Settlements**

Annual Report 2016/2017 financial year



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VISION

“To be a Champion of the housing consumer”

MISSION

“To protect the housing consumers and to regulate the home building environment”

VALUES

- Customer service and technical excellence
- Learning, growth and caring organization
- Integrity
- Good corporate governance
- Research and Innovation

MOTTO

“Assuring Quality Homes

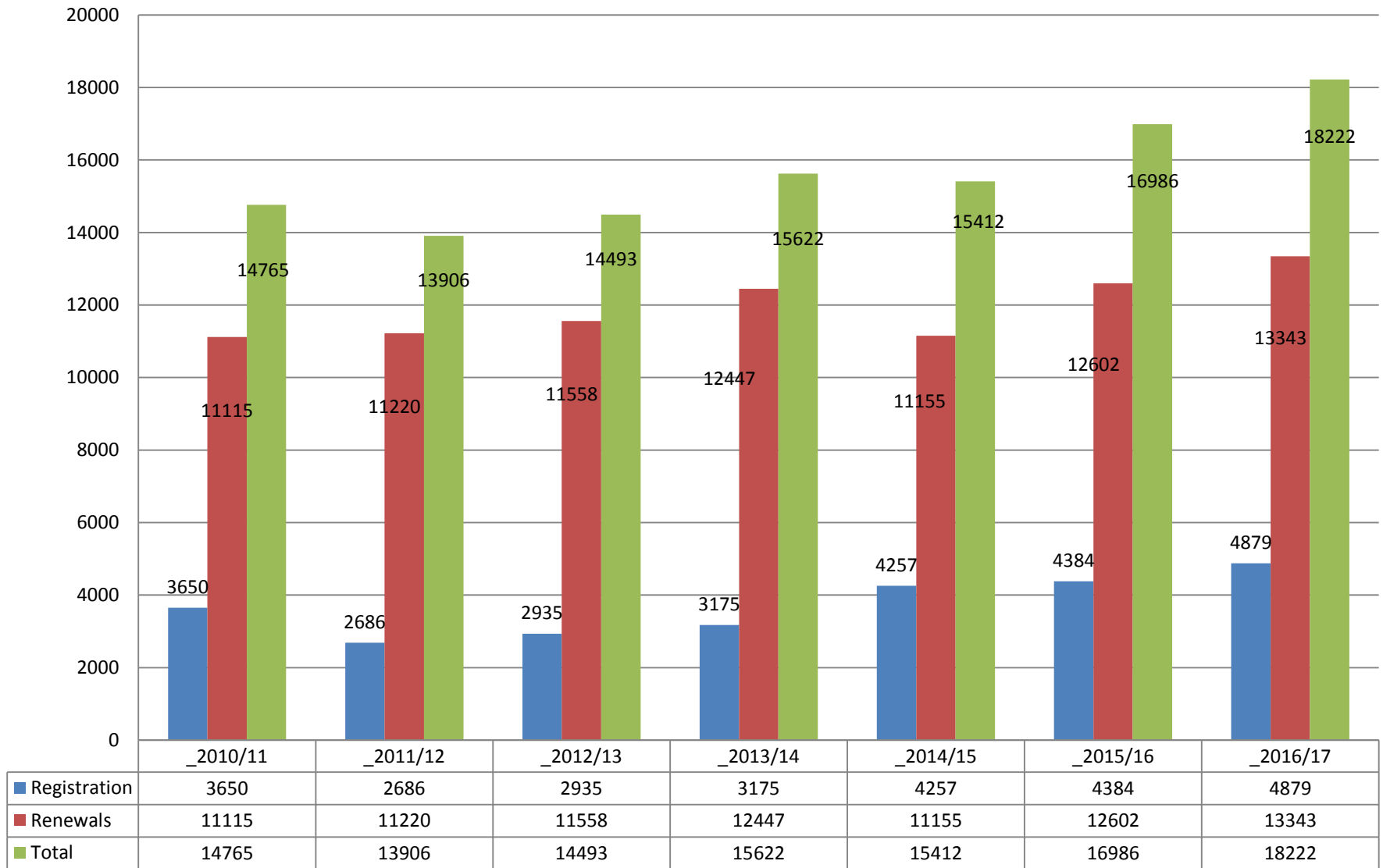
Our Strategy

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

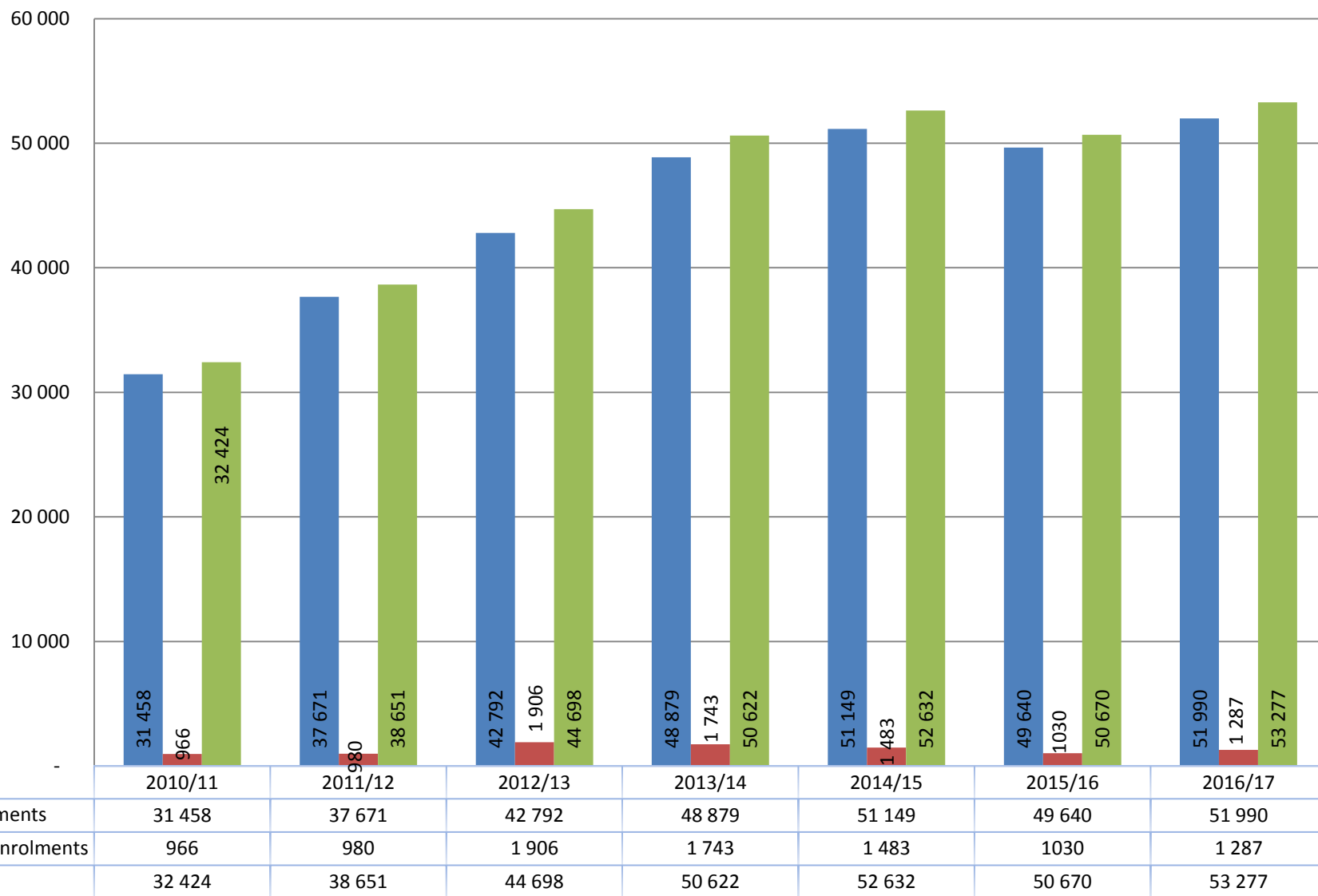
Strategic Objectives

- Grow, protect and sustain the warranty fund
- Provide innovative quality products and services that delight the customer
- Strengthen the operating processes, systems and procedures
- Create a learning environment and building capabilities that deliver NHBRC value products and services

New Registration of Home Builders and Renewal of Registrations

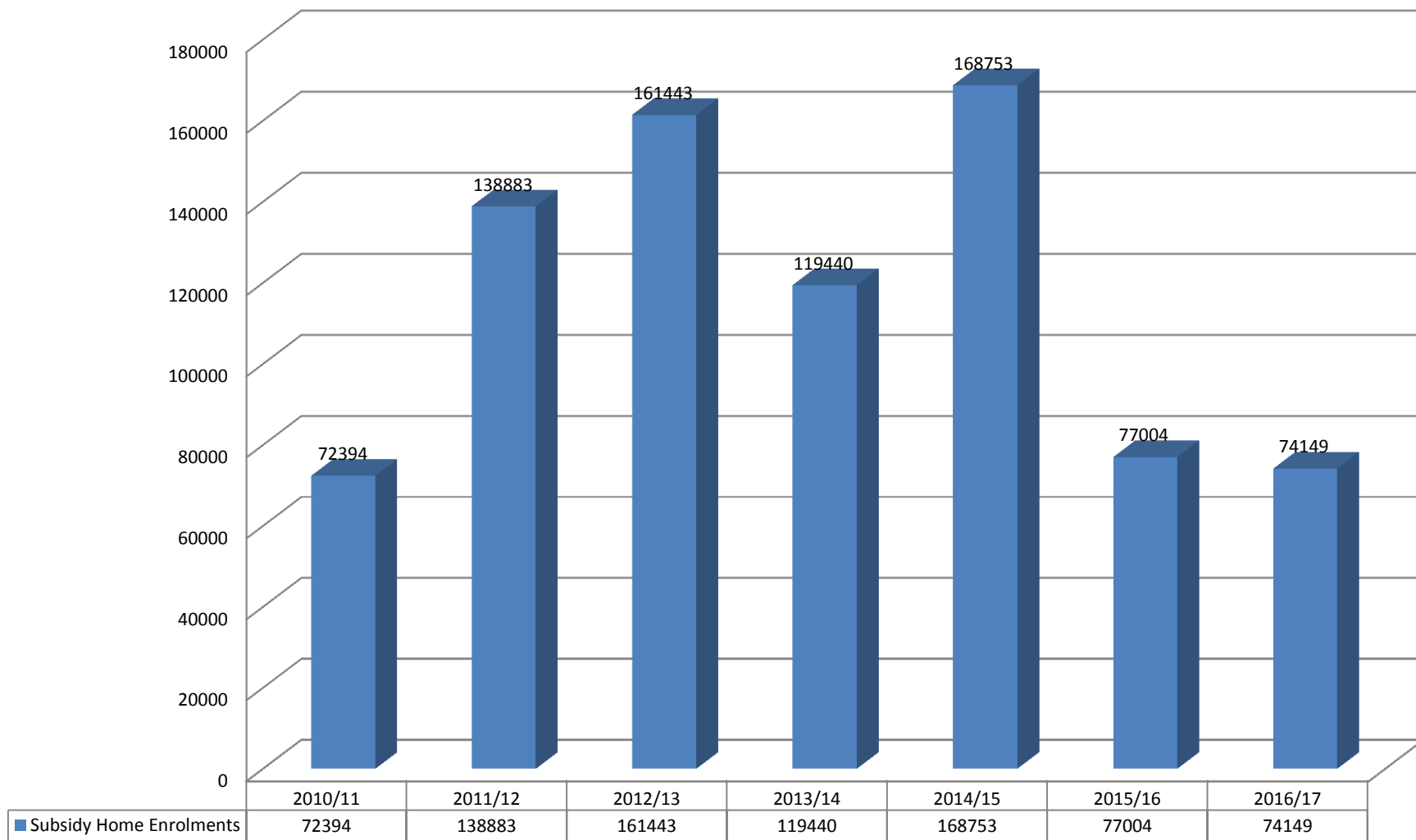


Non-Subsidy Enrolment and Late Enrolment of homes

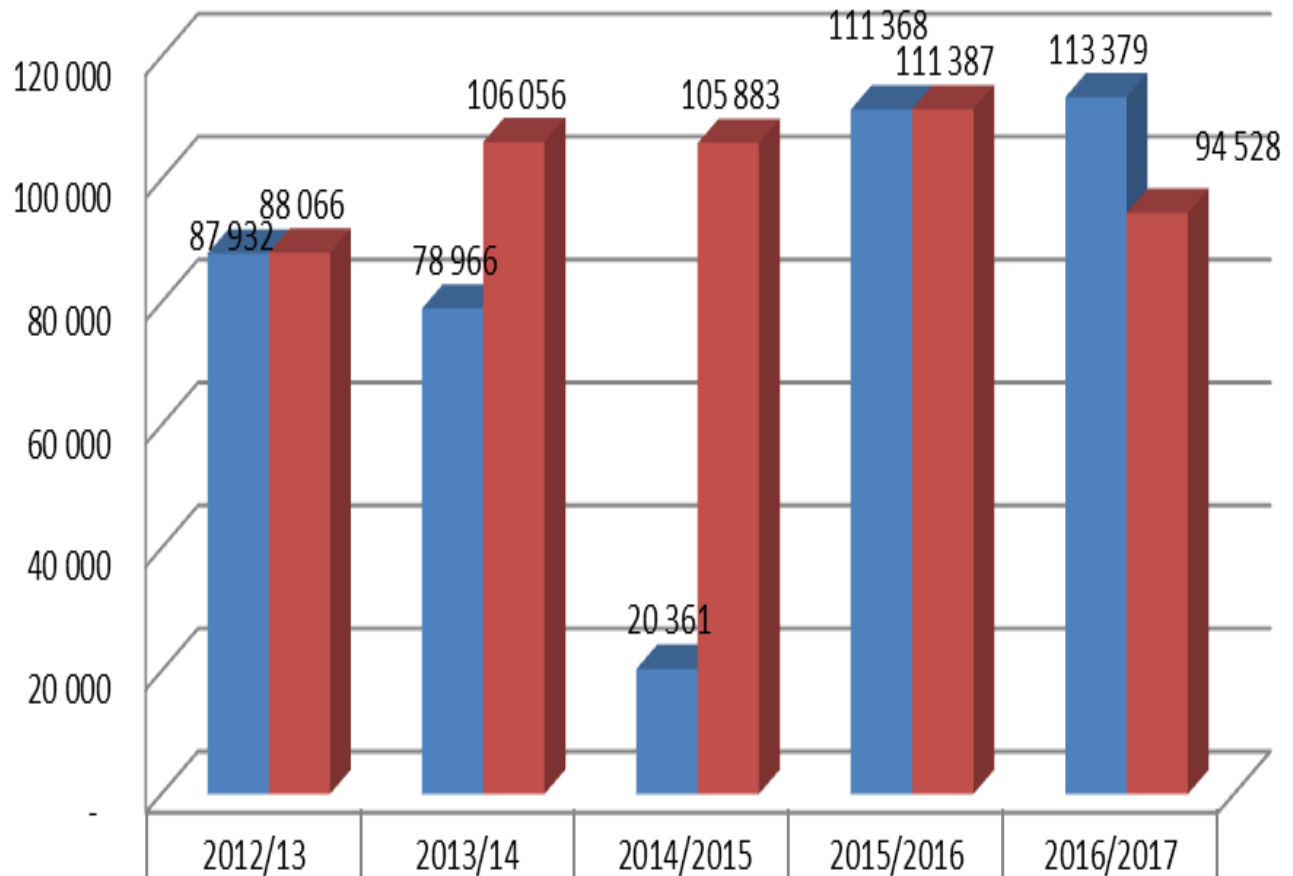


Number of homes enrolled in Subsidy Sector

Subsidy Home Enrolments



7-Year Subsidy and Non-Subsidy Inspections of Homes

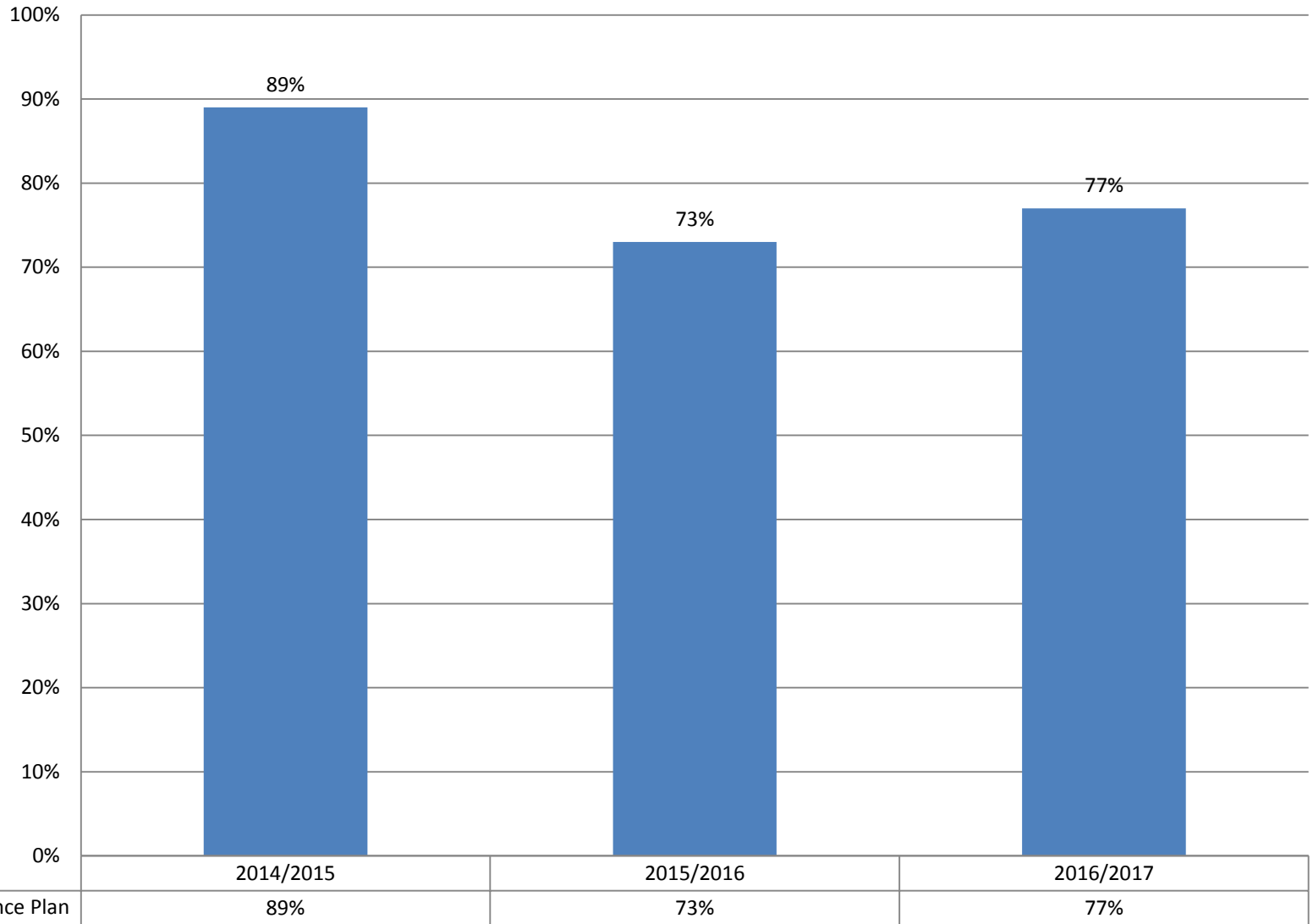


■ Non subsidy Homes inspected	87 932	78 966	20 361	111 368	113 379
■ Subsidy Homes inspected	88 066	106 056	105 883	111 387	94 528

Remedial work

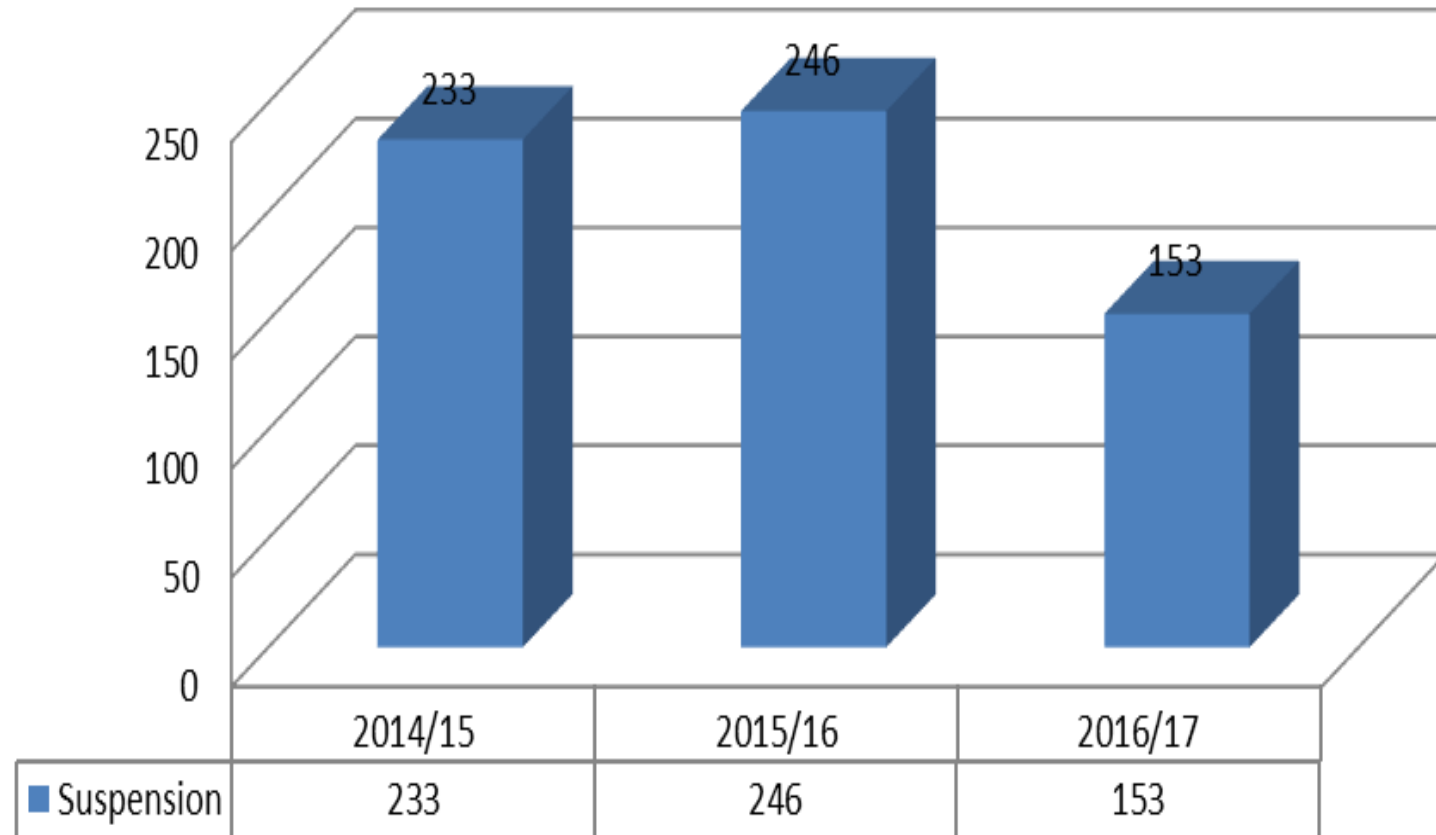
Claims against the Fund	2014/15	2015/16	2016/17
Foundation	1 330 741	353 386	-
Substructure	2 995 222	1 605 413	1 198 581
Superstructure	2 892 690	896 915	634 128
Roof Structure	147 781	34 709	24 515
Professional fees	1 104 356	332 875	4 721
Settlement	2 011 880	1 015 589	6 277 572
Transport and Storage	143 298	4 059	-
Accommodation	477 592	238 980	25 000
Total claims against fund	11 103 559	4 481 925	8 164 518

Annual Compliance Plan

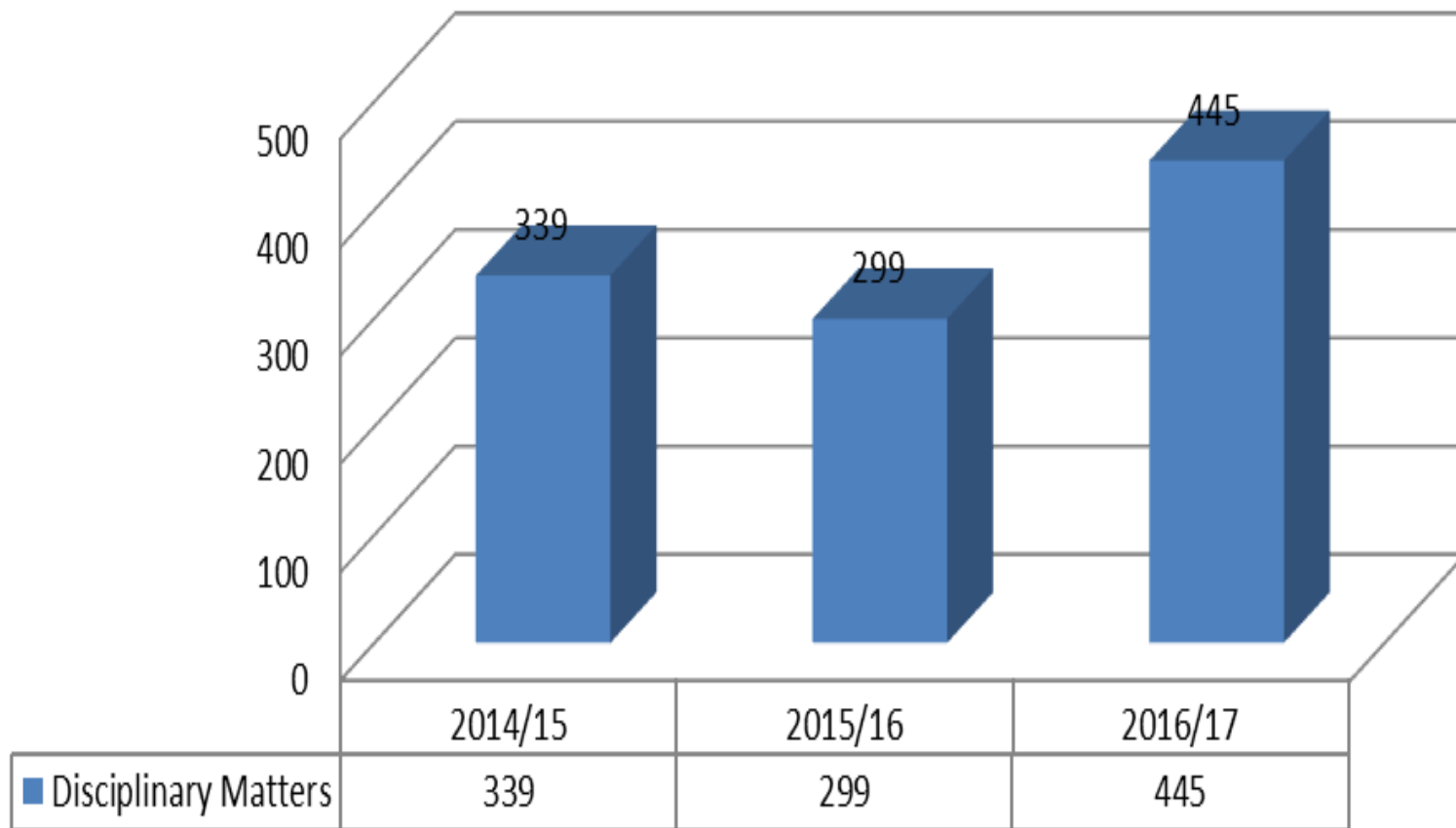


Suspensions for the past three years

Suspension



Disciplinary Matters



Workforce profile as at 31 March 2017

Occupational Levels	Grades	Male				Female				Foreign Nationals	Total
		A	C	I	W	A	C	I	W	Male	
Top management	1-2	1	0	0	0	1	0	0	0	0	2
Senior management	3 - 4	1	1	0	0	4	0	0	0	0	6
Middle-management Professionally qualified	5 - 6	15	2	2	4	8	0	2	2	0	35
Skilled / technical qualified / Junior management	7-12	211	22	6	12	264	14	5	12	0	546
Skilled and discretionary decision making	13 - 15	7	0	0	0	7	1	0	0	0	15
Semi-skilled and defined decision making	16-17	3	0	0	0	18	0	0	1	0	22
TOTAL PERMANENT		238	25	8	16	302	15	7	15	0	626
TEMPORARY EMPLOYEES		15	0	0	5	19	2	3	0	0	44
AND Total		253	25	8	21	321	17	10	15	0	670

Education Training and Development

TRAINING CATEGORY		Q4 PERFORM- ANCE	Q3 PERFORM- ANCE	Q2 PERFORM- ANCE	Q1 PERFORM- ANCE	YTD PERFORM- ANCE	YTD TARGET	YTD VARIANCE	YTD % VARIANCE
EMERGING HOME BUILDER	Male	422	368	251	109	1150			
	Female	236	173	115	65	589			
	Total	658	541	366	174	1739	1200	539	45%
TECHNICAL PROFESSIONAL	Male	29	93	119	81	322			
	Female	10	63	162	50	285			
	Total	39	156	281	131	607	400	207	52%
MILITARY VETERANS	Male	136	57	124	24	341			
	Female	76	60	20	6	162			
	Total	212	117	144	30	503	180	323	179%
ARTISANS	Male	82	108	131	44	365			
	Female	111	122	96	70	399			
	Total	193	230	227	114	764	351	413	118%
PEOPLE WITH DISABILITIES	Male	48	36	27	0	111			
	Female	55	40	23	0	118			
	Total	103	76	50	0	229	100%	100%	100%
YOUTH	Male	817	110	204	150	1281			
	Female	931	106	193	127	1357			
	Total	1748	216	397	277	2638	2000	638	32%
WOMEN	Total	508	344	287	0	1139	900	239	27%
TOTAL: ALL TRAINING PROGRAMMES	Male	1534	772	856	408	3570			
	Female	1927	908	896	318	4049			
	Total	3461	1680	1752	726	7619	5031	2588	51%

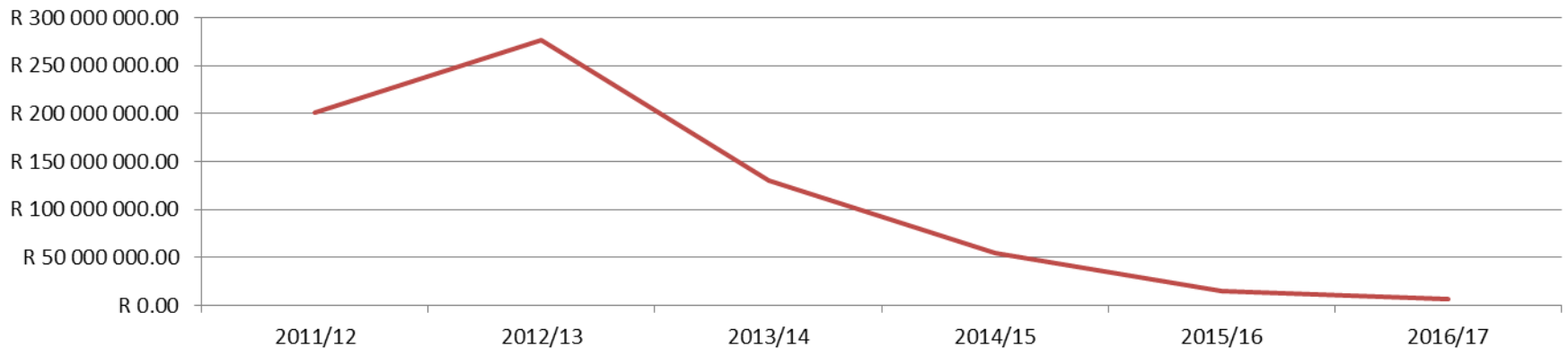
Irregular Expenditure trend

	Year	Year	Year	Year	Year	Year
	2017	2016	2015	2014	2013	2012
	R	R	R	R	R	R
Reconciliation of Irregular expenditure						
Opening balance	676 022 525	662 421 143	608 451 654	477 992 939	201 304 234	-
	7 293 111	13 601 382	53 969 489	130 458 715	276 688 705	201 304 234
Add: Irregular expenditure relating to prior year	1 112 338	-	33 100 430	95 494 087	30 507 319	-
Add: Irregular expenditure relating to current year	6 180 773	13 601 382	20 869 059	34 964 628	246 181 386	201 304 234
Less: Amounts condoned			-	-	-	-
Irregular expenditure awaiting condonation	683 315 636	676 022 525	662 421 143	608 451 654	477 992 939	201 304 234

Irregular Expenditure trend

Year	Total Irregular Expenditure
2011/12	R 201 304 234.00
2012/13	R 276 688 706.00
2013/14	R 130 458 717.00
2014/15	R 53 969 489.00
2015/16	R 14 713 721.00
2016/17	R 6 180 773.00
Total	683 315 640.00

Total Irregular Expenditure



Root causes – irregular spend 2012 to 2017

What are the current key risks to irregular expenditure?

1. Leases – placing new leases and minimising extensions
2. Security contract – conclusion of security tender asap to prevent further irregular spend.
3. Cleaning contracts - conclusion of security tender asap to prevent further irregular spend.
4. Insurance contract - conclusion of security tender asap to prevent further irregular spend.
5. Training contracts
6. Remedial works
7. Legal fees on continuing cases where appointments were non compliant
8. ICT contracts continuing after expiry.

What can we do to resolve irregular expenditure by 31 March 2018

1. Consider applying National Treasury guide on irregular expenditure with a view to condoning some these expenses – refer to Auditor General recommendations in 2016/17 audit.

External Audit Report

1	Audit Opinion	Unqualified
2	Matter of Emphasis	Restatement of prior year financials Irregular Expenditure Predetermined Objectives
3	Annual Financial Statements	No material findings
4	Compliance with Legislation	Material findings
5	Predetermined Objectives	Material findings

DEFECT PROGRESS

Defect Area	No of Defects	No Dev Completed (EOH)	No UAT Completed (NHBRC)	Deployed to Production (NHBRC)	No Signed Off
CRM Legal	3	3	-	-	-
CRM Business Services	20	13	11	11	-
SCM	3	2	2	2	2
Contract Management	6	5	-	-	-
HCM	13	7	4	4	-
Finance	10	8	6	3	-
Workflow	5	4	4	4	-

RISKS AND ISSUES

- Completion date missed. 18 defects not completed as of 21 September 2017.
- Non delivery of outstanding defects on proposed date escalated to legal for legal opinion.

AUDITOR GENERAL AUDIT FOLLOW UPS

Emphasis Of Matter

#	AUDIT ISSUE	ACTION PLANS	STATUS UPDATE
1	The corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements.	The prior year financial statements were corrected before the finalisation of the audit	The prior year financial statements were corrected before the finalisation of the audit
2	Disclosed cases where liability cannot be quantified and therefore are not provided in the financial statements (R328 852 482.00)	These cases are reviewed, and are disclosed for noting as a contingent liability in the financial statements.	Given the regulatory nature of the NHBRC; it is susceptible to legal challenges. Hence this paragraph is unlikely to disappear from the audit report.
3	These material misstatements were on the reported performance information of Program 2 Regulation and Program 3: Consumer Protection. Management subsequently corrected some of the misstatements.	<p>The Head of Strategy has been conducting workshops in all provincial offices on Management of Portfolio of Evidence. This was done to ensure that the POE submitted is reliable and efficient.</p> <p>Executive Managers of divisions and Managers of sections are required to sign off Portfolio of Evidence for all key performance Indicators that relate to them.</p>	<p>All provinces shall be visited on a quarterly basis. We are currently doing the same with more emphasis on performance information reporting.</p> <p>We agreed that more emphasis would be placed on ensuring that Executives and Managers sign off POE.</p> <p>The Strategy section is also reviewing the Strategy and Performance Information Management Policy to address submission timelines.</p>

Emphasis Of Matter continued...

#	AUDIT ISSUE	ACTION PLANS	STATUS UPDATE
4.	Material findings in respect of the reliability of selected programs. Selected programs are as follows: Program 3: Consumer Protection.	Reviews are done monthly on performance information to ensure the accuracy, validity and completeness of reported performance.	All misstatements were corrected before the finalization of the Financial Statements.
4.1	The reported achievement for the target of number of subsidy homes enrolled as aligned with business plans of National Department of Human Settlements was misstated as the evidence provided indicated 74 149 enrolled and not 83 519 as reported.	Reviews are done monthly and quarterly on performance information to ensure the accuracy, validity and completeness of reported performance. Strategy is conducting workshops with provincial offices and head office managers on Management of Portfolio of Evidence	All misstatements were corrected before the finalization of the Audited Annual Report 2016/2017.
4.2	The reported achievement for the target of number of late enrolments processed in the subsidy sector was misstated as the evidence provided indicated 1 954 late enrolments and not 2900 as reported.	Reviews are done monthly on performance information to ensure the accuracy, validity and completeness of reported performance. Strategy is conducting workshops with provincial offices and head office managers on Management of Portfolio of Evidence	All misstatements were corrected before the finalization of the Audited Annual Report 2016/2017.

Emphasis Of Matter continued...

#	AUDIT ISSUE	ACTION PLANS	STATUS UPDATE
5.	Goods and services below R500k were procured without obtaining the required price quotations.	<ul style="list-style-type: none">• The SCM unit has been capacitated.• The SCM policy has been reviewed and aligned to the PFMA and the National Treasury Regulations.• Officials within SCM have been trained.	The process of condoning all past irregular expenditure is currently in progress and is currently under consideration by Council.

Other Matters

#	AUDIT ISSUE	ACTION PLANS	STATUS UPDATE
6.	Effective steps not taken to prevent irregular expenditure (R 6 180 773.00)	<ul style="list-style-type: none"> • Policy compliance has been enhanced. • Responsible officials have been instructed to account. • Consequence management being implemented. • Audits being done to identify and report on those responsible. 	Effective steps have been put in place to prevent irregular expenditure. All identified irregular r expenditure is currently being considered for condonation by Council. Irregular expenditure reduced from R13 601 382.00 in 2015/2016.
7.	Senior management did not exercise oversight responsibility over contract management resulting in instances where goods and services were procured without inviting competitive bids.	<ul style="list-style-type: none"> • Policy compliance has been enhanced. • Responsible officials have been instructed to account. • Consequential management being implemented. • Audits being done to identify and report on those responsible. 	Effective steps have been put in place to prevent irregular expenditure. All identified irregular expenditure is currently being considered for condonation by Council.
8.	Failure to exercise effective oversight responsibility regarding performance reporting.	Executive Mangers for divisions and Managers for sections are required to sign off Portfolio of Evidence for all the key performance indicators that relate to them.	<p>We have established the Monitoring and Evaluation function within the Strategy Section which shall assist with oversight responsibility regarding performance reporting.</p> <p>We have ensured that all Executive Managers and Managers shall sign off Portfolio of Evidence.</p>

Audited Annual Financial Statements Analysis

For the year ended 31 March 2017



Salient features (Unaudited results)



Warranty Fund profit of R54million; (2016: R19 million)



Growth in the investment portfolio amounts to R415 million;(2016:R 258 million)



Net Cash generated from operations amounts to R17 million;(2016:R 63 million)



Total income earned of R879m (after actuarial adjustments); (R2016:R 801 million)



Operating profit amounts to R77m (Budget R 77m) compared to R35m in 2015/16 against a budget of R128k)



Administrative expenses have increased below inflation to R715 million; (2016:R 700 million)



Irregular expenditure has reduced to R 6.2 million in 2016/17 from R13.6m in 2015/16.



Restatement of prior year financials (Refer to Note 25 of the AFS)

Income statement – 6 years



Operating profit amounts to R77m



Net profit amounts to R488m

NHBRC

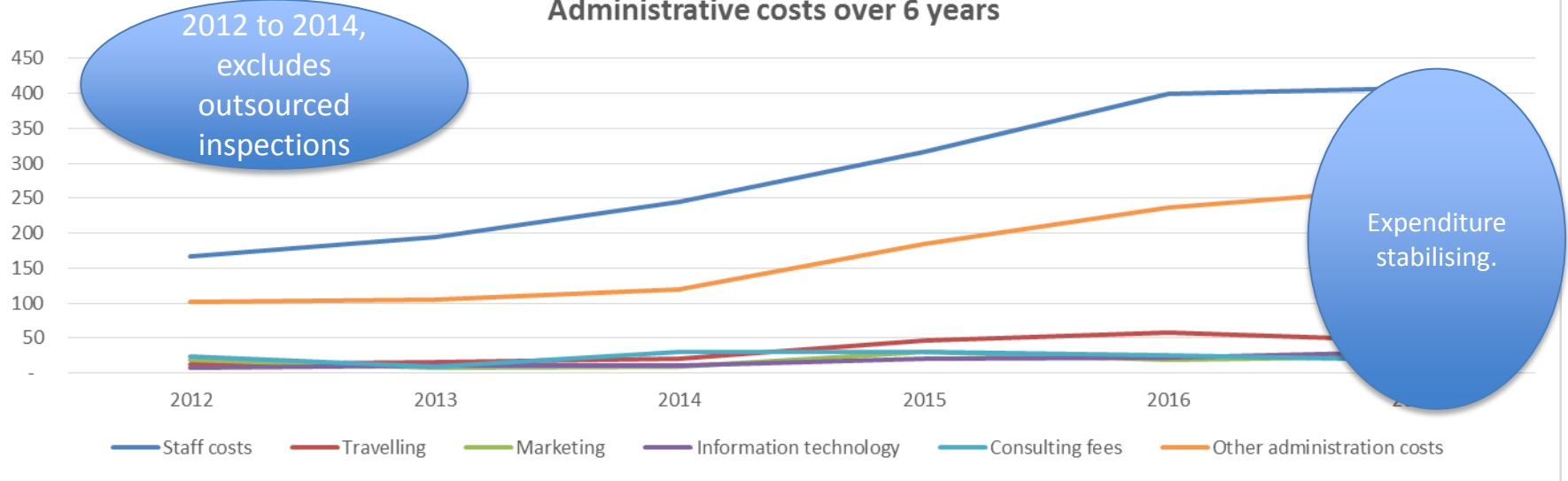
Income Statement 5 year view

	2012	2013	2014	2015	2016	2017
	R	R	R	R	R	R
Insurance premium revenue	227 674 344	568 476 259	339 061 175	740 770 044	700 272 893	798 497 991
Fee revenue	58 301 592	47 477 895	30 951 855	50 680 650	42 311 370	32 865 444
Technical services revenue	139 283 978	215 989 718	42 214 463	24 124 500	56 315 976	44 657 784
Other income	42 438 202	6 155 467	5 425 437	23 229 935	2 215 229	3 399 300
Net income	467 698 116	838 099 339	417 652 930	838 805 129	801 115 468	879 420 519
Insurance claims and loss adjustment expenses	5 255 613	8 884 344	2 273 540	14 638 847	5 309 754	9 013 033
Inspections and accreditation expenses	76 928 941	56 849 342	62 894 274	1 708 314	4 253 342	3 173 211
Technical services expenditure	192 065 741	235 913 941	26 652 774	5 368 647	55 807 461	50 831 942
Administration expenses	329 999 135	343 794 695	416 724 764	627 804 025	700 435 199	714 896 402
Expenses	604 249 430	645 442 322	508 545 352	649 519 834	765 715 756	775 174 167
	41%	7%	-21%	27%		
Profit/(loss) from operating activities	-136 551 314	192 657 017	-90 892 422	189 285 296	35 399 712	76 934 356
Net investment income	246 710 010	332 667 768	305 467 316	338 272 291	214 916 026	411 372 303
Interest received and investment income	197 357 574	199 183 249	218 047 369	271 072 480	336 992 764	369 597 073
unrealised profit on sale of financial activities	58 197 775	143 092 105	97 185 568	75 067 393	-114 607 285	51 154 862
Asset management services	-8 845 339	-9 607 586	-9 765 621	-7 867 582	-7 729 453	-9 379 631
Net profit before finance costs	110 158 696	525 324 785	214 574 894	527 557 587	250 315 738	488 306 659
Finance costs	575	8 470	-	4 369 938	30 690	13 359
Surplus for year	110 158 121	525 316 314	214 574 893	523 187 649	250 285 048	488 293 300



Administrative expenses have increased to R715m below inflation in 2016/17

Administrative costs over 6 years

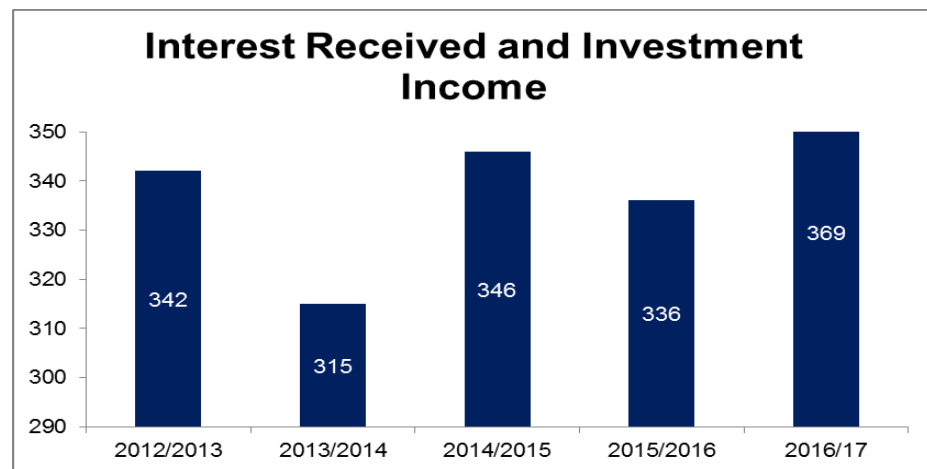
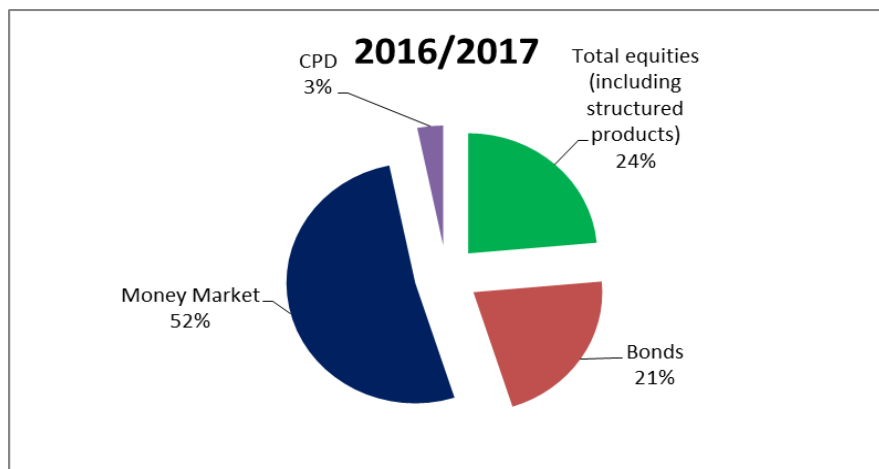
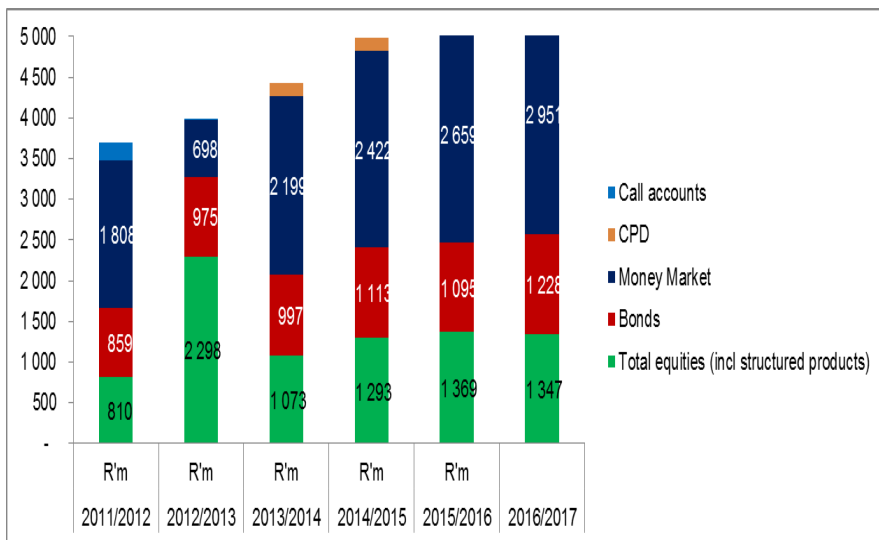


	2012 R	2013 R	2014 R	2015 R	2016 R	2017 R
Staff costs	167 284 764	195 008 551	245 534 932	316 659 728	411 431 667	426 443 643
Travelling	11 850 448	16 020 875	21 068 773	47 208 801	57 906 910	48 163 812
Marketing	18 555 156	6 587 804	8 996 145	29 466 696	17 769 921	23 207 711
Information technology	7 738 905	10 984 788	10 291 672	19 600 147	22 437 730	30 142 922
Consulting fees	23 478 727	9 472 229	10 522 795	30 233 667	26 159 354	19 132 764
Other administration costs	101 091 136	105 720 449	120 310 446	184 634 987	230 010 174	230 835 511
Total	329 999 135	343 794 695	416 724 764	627 804 025	765 715 756	777 926 363

Investments – 6 Years



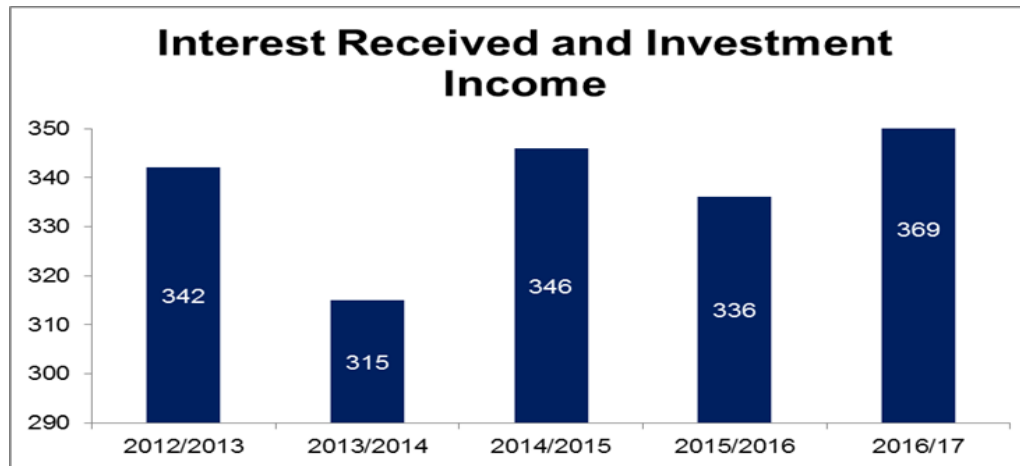
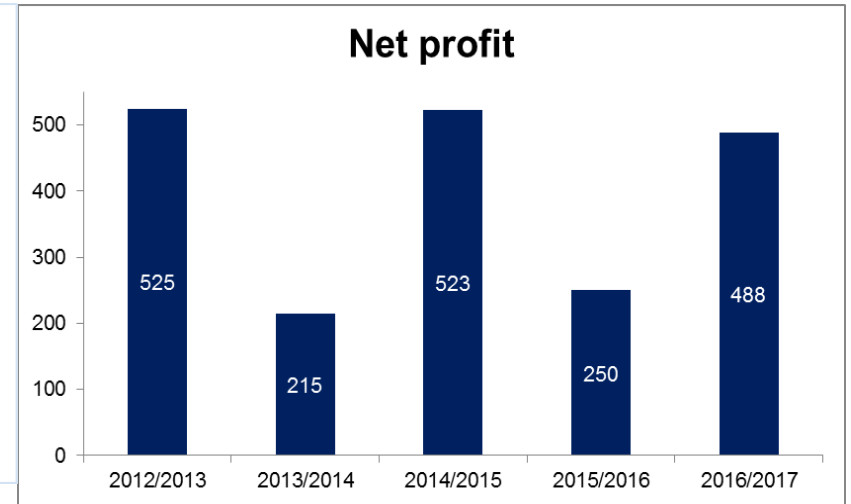
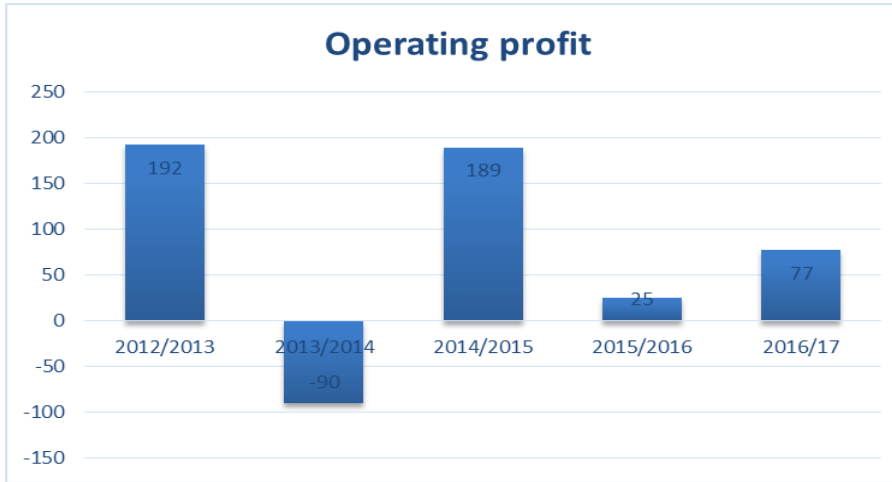
Growth in the investment portfolio amounts to R415m for 2016/17



Investments and operating profit 5 Years



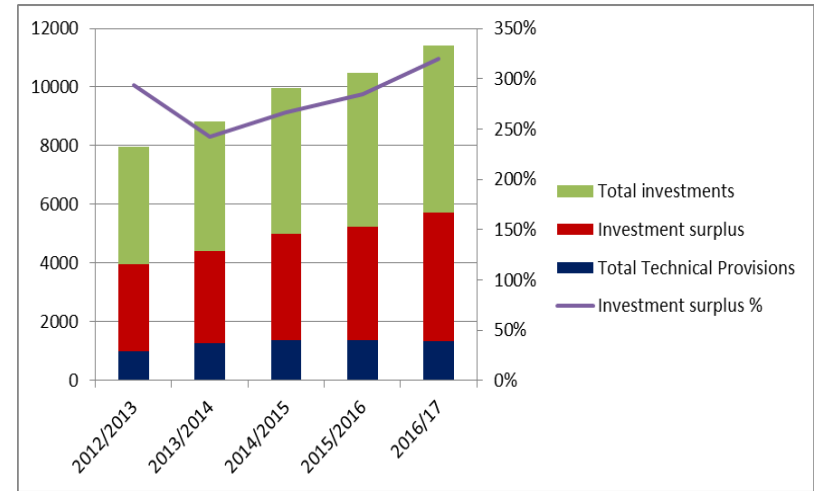
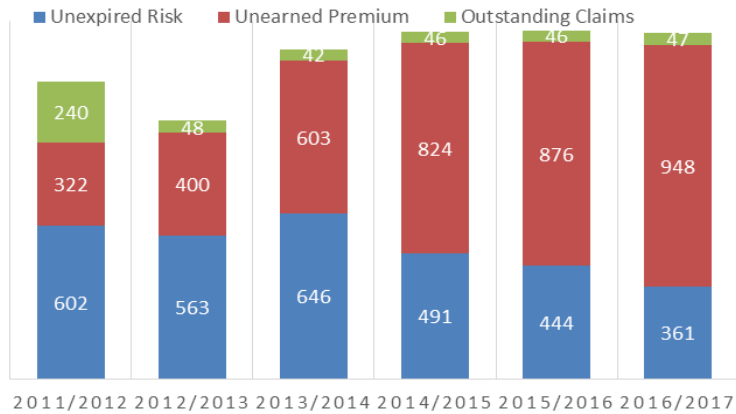
Investment income amounts to R369m for 2016/17



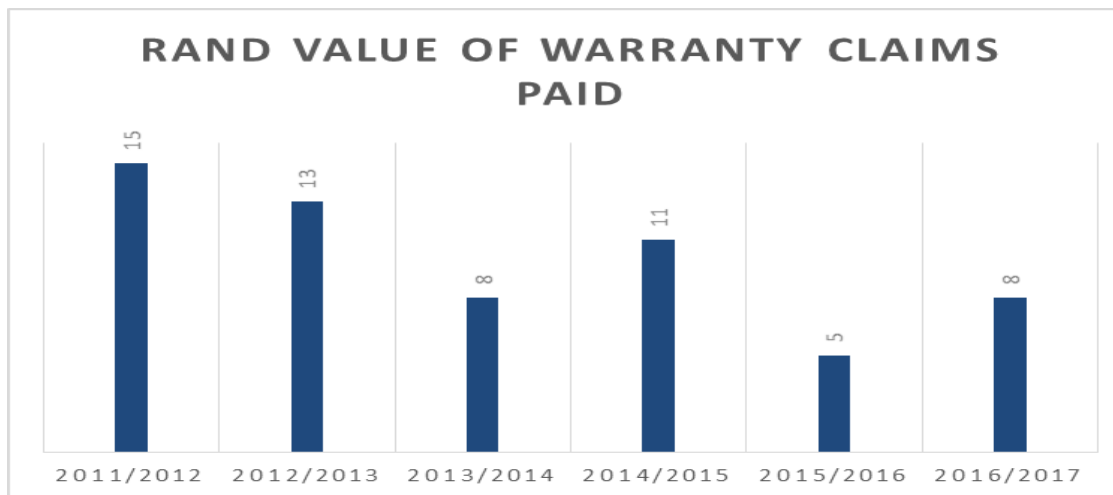
Liabilities



Investment surpluses exceed technical provisions by 320%



Risk profile of the Warranty Fund



Irregular expenditure



Irregular expenditure has reduced from R13.6m in 2015/16 to R6.2m in 2016/17

	2017 R	2016 R
23.3 Reconciliation of Irregular expenditure		
Opening balance	706 529 846	692 928 463
	6 255 872	13 601 382
Add: Irregular expenditure relating to prior year	-	-
Add: Irregular expenditure relating to current year	6 255 872	13 601 382
Less: Amounts Condonement	-	-
Irregular expenditure awaiting condonation	712 785 717	706 529 846
Analysis of irregular expenditure per financial year:		
Irregular expenditure incurred relating to prior financial years	4 805 921	12 896 761
Irregular expenditure incurred relating to the current financial year	1 449 951	704 621
Total	6 255 872	13 601 382
Analysis of awaiting condonation per age classification		
Current year	6 255 872	13 601 382
Prior year	706 529 846	692 928 463
Total	712 785 717	706 529 846

Relate to prior year, undergoing a process of condonement

END
THANK YOU
Questions

