



# ANNUAL REPORT 2022/23



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# PART A

GENERAL  
INFORMATION

# 1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	Social Housing Regulatory Authority
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WEBSITE:	www.shra.org.za
EXTERNAL AUDITORS:	RAiN Chartered Accountants Inc.
BANKERS:	First National Bank Limited
COMPANY/ BOARD SECRETARY:	Ms C Rahlagane

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## 2. LIST OF ABBREVIATIONS/ACRONYMS

<b>APP</b>	Annual Performance Plan
<b>ARC</b>	Audit and Risk Committee
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>BNG</b>	Breaking New Ground Policy (2004)
<b>CAR</b>	Compliance, Accreditation and Regulation
<b>CCG</b>	Consolidated Capital Grant
<b>CEO</b>	Chief Executive Officer
<b>CP</b>	Conditions Precedent
<b>EC</b>	Eastern Cape
<b>ENE</b>	Estimate of National Expenditure
<b>FC</b>	Financial Closure
<b>FS</b>	Free State
<b>GP</b>	Gauteng Province
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>HR</b>	Human Resources
<b>HDA</b>	Housing Development Agency
<b>ICT</b>	Information Communication Technology
<b>ICAS</b>	Independent Counselling and Advisory Services
<b>IIG</b>	Institutional Investment Grant
<b>IS</b>	Institutional Subsidy
<b>KZN</b>	KwaZulu-Natal
<b>LP</b>	Limpopo Province
<b>MISA</b>	Municipal Infrastructure Support Agent
<b>MOE</b>	Municipal Owned Entities
<b>MP</b>	Mpumalanga Province
<b>MTSF</b>	Medium-Term Strategic Framework
<b>NC</b>	Northern Cape
<b>NDoHS</b>	National Department of Human Settlements
<b>NDP</b>	National Development Plan
<b>NPC</b>	Non-Profit Company
<b>NW</b>	North West
<b>ODA</b>	Other Delivery Agent
<b>OTP</b>	Offers to Purchase
<b>PD&amp;F</b>	Project Development and Funding
<b>PFMA</b>	Public Finance Management Act (Act No. 1 of 1999)
<b>PSCC</b>	Property Sector Charter Council
<b>RCG</b>	Restructuring Capital Grant
<b>RRRP</b>	Residential Rent Relief Programme
<b>SALGA</b>	South African Local Government Association
<b>SHI</b>	Social Housing Institution
<b>SHRA</b>	Social Housing Regulatory Authority
<b>TPN</b>	Tenant Profile Network





### 3. FOREWORD BY THE MINISTER

Historically, urbanisation has always been closely linked to economic growth as it has always been associated with increased economic activities and division of labour. Not so in South Africa. Research at Economic Research Southern Africa<sup>1</sup> has shown that in South African cities, unemployment, poverty and inequality are very high by historic and international standards. The formal education and skills of most urban adults are poor, and rates of entrepreneurship and business growth are low. They further observed that many city roads, commuter rail networks, electricity grids, and water and sanitation systems are under pressure and in a state of disrepair. Social despair, violent crime, vandalism and environmental decay are serious concerns within many communities.

It is within this context that the Human Settlements Department must deliver sustainable and safe human settlements for communities. More importantly, such settlements must be located closer to economic opportunities and other social amenities. The Social Housing Regulatory Authority (SHRA) has an important role to play in ensuring that the working population that falls within the housing gap market can find decent housing in cities. Beyond the provision of decent housing, the SHRA plays a role in investing in disrupting the apartheid spatial development by placing people closer to economic opportunities.

Crowding-in more investments in the social housing sector will also attract other investments such as the retail sector. Such investments can be a catalyst for reversing the deterioration of the existing infrastructure in cities. Investments on Social Housing should also be

extended to intermediate cities which are alternative urban centres, that relieve pressure from the country's primate cities - particularly in countries where most demographic and economic activity has historically occurred in just one city. The SHRA must therefore be deliberate in ensuring that the projects it approves are equitably spread across metropolitan and secondary cities in the country.

Of the provincial distribution of projects and portfolio of units, Gauteng is the largest contributor with 115 projects accounting for 53%, followed by KwaZulu-Natal with 25 projects or 13% of the portfolio of units, Eastern Cape with 21 projects or 11% of the units, Western Cape with 16 projects or 11% of the units. The remaining provinces contribute the remaining 21 projects for 5 185 units or 12% of the overall portfolio. Evidently, Gauteng has been getting a lion share of the investments for reasons that are well-known. However, it is critical that equitability is adopted as a principle on the resource allocation.

Promisingly, the portfolio of units under regulation has risen from 32 046 units managed by twenty-five (25) institutions in 2018 to 44 114 units managed by thirty-nine (39) institutions, as reported at the end of March 2023. This is a 38% increase in the portfolio and a 56% increase in the number of delivery agents with stock under management.

Furthermore, of the thirty-nine (39) delivery agents with stock under management, twenty-six (26) were accredited institutions accounting for 60% or 26 633 units. This included four (4) Municipal Owned Entities (MOE) accounting for 27% or 11 782 units, followed by

<sup>1</sup> Ivan Turok and Justin Visagie, Cities, Productivity and Jobs in South Africa: Problems and Potential, Economic Research Southern Africa, Discussion Document 12 MAY 2023

nine (9) other delivery agents (ODA) with 13% or 5 699 units.

However, it is worrying that the SHRA has severely underperformed in new project accreditation of applicants that are majority-controlled by the designated groups. If the status quo continues, the social housing sector will never transform. I expect the SHRA in the new financial year to put more effort into ensuring that there is more project accreditation of applicants that are majority-controlled by the designated groups. The transformation of the social housing sector is not an option.

Let me express my gratitude to the Council, under the leadership of Ms. Busisiwe Nzo, for steering the organization to stability. Let me also thank the executives, led by Mr. Sandile Luthuli and the entire staff at SHRA, for their hard work.



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Mmamoloko Kubayi, MP  
**Minister of Human Settlements**  
**22 September 2023**



## 4. FOREWORD BY THE CHAIRPERSON

I am pleased to present the 2022/23 Annual Report of the Social Housing Regulatory Authority (SHRA). This year has been marked by both challenges, as institutional performance had dropped to 58 percent, and significant strides forward having met our unit delivery target for the year.

The Social Housing programme remains a beacon of hope in our ongoing journey towards addressing spatial inequalities, boosting economic recovery, and dealing with continued urbanisation trends. We recognize that the potential for positive change lies within our grasp. Our commitment to facilitating access to quality affordable rental options remains a priority and has never been more crucial.

The global COVID-19 pandemic and its aftermath have tested the resilience of the construction industry and the sector as a whole. The post-pandemic financial constraints, coupled with escalating costs and inflation, have created an unprecedented situation that requires nimble and creative responses. Our steadfast dedication to adapting to these challenges has enabled us to maintain a consistent unit delivery despite the formidable headwinds.

Collaboration has proven to be the cornerstone of progress. In this respect, our partnership with private sector funders and development agents has been instrumental in meeting the rising demand for affordable rentals. The participation of stakeholders such as National Housing Finance Corporation (NHFC), Infrastructure South Africa, DBSA, and private banks, signals the potential of social housing and how much this instrument can contribute to the national priority of restructuring our country in order to address historical spatial dysfunctionalities.

Our tenants often bear the brunt of increasing utilities and charges, which jeopardises affordability. In acknowledgment of this, several local authorities have proactively stepped forward with favourable rates and tariffs, facilitating a more sustainable and affordable living environment for our tenants.

However, our journey is not without its obstacles. The menace of 'construction mafias' has cast a shadow over our progress, as they unlawfully seize control of construction sites, inflicting harm on both projects and the economy at large. In addition, the advent of rental boycotts and illegal occupations place the sustainability of the sector at risk and underscores the need for collective efforts to safeguard our projects from such disruptions, ensuring that the benefits of affordable housing reach those who need it most.

The SHRA remains steadfast towards ensuring inclusive growth. The need for transforming the sector is in our priority list. Our dedication to fostering transformation in the property sector and the entire value chain is unyielding, and we are proud to collaborate closely with the Property Sector Charter Council to advance a shared understanding of transformational goals for the sector. Our gratitude extends to the invaluable support we have received from the Minister, Hon Mmamoloko Kubayi. Her dedication to the mandate of the SHRA and unwavering support for the SHRA is key and is equally appreciated.

We further extend gratitude to the National Department of Human Settlements, Provincial Departments, and Local Authorities. The collaboration between the other entities of the National Department of Human Settlements that support the mandate of the SHRA is also acknowledged. Your ongoing partnership is pivotal to our success and enables us to fulfil our mission of delivering affordable rental housing.

I would be remiss not to acknowledge the dedicated members of our Council, whose diverse expertise and tireless efforts have laid a robust foundation of sound governance. I extend my heartfelt gratitude to Mr. D Koekemoer for his exemplary leadership during his tenure as acting CEO, and I extend a warm welcome to Mr. Sandile Luthuli, our incoming CEO. Your leadership and dedication are invaluable assets that will undoubtedly enhance our performance and amplify the impact of the programme.

As we continue our journey, our resolve remains unwavering, our commitment to the cause unyielding,

and our vision steadfast. Together, we are shaping a future where the delivery of human settlements becomes a vehicle for empowerment, equality, and socio-economic progress.



**Busisiwe Nzo**  
**Social Housing Regulatory Authority**  
**31 August 2023**



## 5. OVERVIEW FROM THE CEO

My appointment in February 2023 as Chief Executive Officer of the Social Housing Regulatory Authority (SHRA) has come at a challenging time, globally and domestically. Global economic developments continue to affect South Africa negatively, with high inflation and high interest rates dominating the economic landscape. High levels of unemployment, poverty and inequality confront us daily.

The social housing programme assumes centre stage in alleviating some of these pressures while restoring human dignity. The negative economic climate will adversely affect the full realisation of the ideals of the Economic Reconstruction and Recovery Plan and the National Development Plan. Even the SHRA, which must play a counter-cyclical role through the development and funding of key infrastructure programmes in the human settlements space, has not been immune to these adverse economic conditions.

Throughout the year, the SHRA faced various challenges and celebrated some accomplishments in our unwavering commitment to providing affordable and sustainable rental housing opportunities for South African citizens. Key amongst these was the delivery of 3 182 social housing units and spending R781.3 million or 96% of total programme grants allocated to us.

We acknowledge that there is room for improvement in achieving the necessary scale to meet the ever-growing demand for decent housing. Far more projects are needed in different geographies to assist in reducing the housing backlog. By promoting affordable rental housing, we have actively worked towards addressing housing disparities and fostering spatial transformation. Our operating environment is influenced by a complex interplay of risks and opportunities, key stakeholders, and internal and external drivers. The poor economic climate has driven affordability challenges faced by

tenants, inflationary pressures within a constrained fiscal environment have also made it more difficult to attain delivery targets. Despite these factors, we have managed to maintain consistent expenditure and delivery in the provision of social housing.

I cannot emphasise enough the need for the SHRA to adapt to the changes in our operating environment and become more agile and more focused on our core business. Opportunities abound for leveraging infrastructure investments domestically, and act as a catalyst for ancillary industries in the construction sector thus generating positive spillover effects. This is critical for our country's growth path as well as making meaningful contribution to the realisation of our Constitutional mandate as contained in section 26.

Prior to my appointment, the SHRA Council initiated an organisational review during the year to ensure alignment with shareholder expectations, respond to market expectations of an agile and focused organisation, and adapt to changes in the operating environment. The review was also aimed at addressing the deteriorating performance in the organisation, and to ensure that the organisation remains operationally efficient, is adequately capacitated, effective, and financially prudent.

The need to refine our strategy may well arise as I get to understand and appreciate this organisation even more. Some of the core pillars of such a strategy will be around improving our operational efficiencies, improving the SHRA's development outcomes, enhanced delivery of key social infrastructure, leveraging key stakeholder relationships, providing capacity support and project preparation funds to aspiring black-owned property developers and maintaining financial prudence in the context increasing fiscal constraints.

In the long term and working with other entities in the human settlements stable, the SHRA must respond to the existential threat of climate change and ensure that we build resilient structures.

For the SHRA to be even more effective, functional municipalities rank very high amongst our key success dependencies. Equally, an effective law enforcement environment that is not tolerant of buildings and construction site hijackings is critical towards ensuring that projects are initiated, constructed, and delivered on time and within budget. This is absolutely essential in a country where the housing backlog is as high as South Africa's is.

The SHRA and the National Department of Human Settlements (NDHS) will continue to discuss options to unlock social housing projects delivery, particularly those that were negatively affected by the advent of the COVID-19 pandemic to ensure that they are completed and contribute towards the achievement of the Medium-Term Strategic Framework (MTSF) objectives. Added impetus will be required in this final year of the MTSF.

In social housing developments, the State is the single largest investor with grants that are intended at leveraging projects and catalysing public and private sector co-investment into the sector. The private sector plays an important role in infrastructure development through its various capital expansion programmes and the SHRA will, where appropriate, continue to work with the private sector in this regard.

Another important conversation to have with the NDHS is about the level of support that the SHRA should provide where the noble objects of a social housing development are not realised. Not all social housing developments will be successful. Provision of post-investment financing support is indispensable towards protecting the State's investment in social housing projects. The necessary financial and managerial resources to restore a struggling delivery agent to full functionality is a core intervention that the SHRA must bring in such instances.

Our sector development initiatives are geared towards providing financial and non-financial assistance to local

government focused largely on building the institutional capacity of municipalities to improve the delivery of social housing. Through the Municipal Capacity Support Programme, the SHRA provides capacity building support to under-resourced municipalities. We need to explore ways of blending the SHRA grants with the Municipal Infrastructure Support Agency (MISA) to accelerate delivery and reduce infrastructure backlogs and increase households' access to housing and other basic services.

I would like to express my sincere appreciation to the Minister of Human Settlements, Minister Kubayi, for her faith in me and endorsing the recommendation by the SHRA Council for my appointment as the Chief Executive Officer. In the short period, I have come to appreciate the dedication of all members of the SHRA Council under the leadership of the Chairperson, Ms Busisiwe Nzo. Heartfelt appreciation is also extended to Dewalt Koekemoer, my immediate predecessor, who steered the SHRA while the search for a permanent CEO was underway. In this period, I have also been exposed to exceptional development activists, the SHRA team (management and staff); I would like to acknowledge you and will continue to count on your support as we deliver on the path set for the SHRA. None of us must ever forget why we are here. We exist to implement programmes that result in visible and tangible improvements in people's lives in South Africa. We dare not fail in our delivery of this crucial mandate for our organisation and country.

In conclusion, I accepted the challenge of leading the SHRA with humility, a sense of optimism and confidence that I will be able to make a positive contribution to address housing challenges and foster inclusive growth and make a tangible difference in the lives of South Africans.



**Sandile Luthuli**  
**Chief Executive Officer**  
**Social Housing Regulatory Authority**  
**31 August 2023**

## 6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by RAI<sup>N</sup> Chartered Accountants Inc.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part F) have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the Public Finance Management Act, 1 of 1999 (PFMA) as amended.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors were engaged to express an independent opinion on the annual financial statements. The annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2023.

Yours faithfully



Chairperson of the Council  
Busisiwe Nzo  
31 August 2023



Chief Executive Officer  
Sandile Luthuli  
31 August 2023

## 7. STRATEGIC OVERVIEW

### VISION

To create an integrated South Africa where citizens live a good quality life in well-located, affordable, and quality rental homes.

### MISSION

To ensure there is quality housing for lower- to middle-income households in integrated settlements by investing in, enabling, regulating and transforming the affordable social housing rental market.

VALUES	DESCRIPTION
Service/stewardship	We know that exceptional service is important, and we intend to go the extra mile to ensure that we meet the needs of our beneficiaries.
Zealousness	We approach every day with a positive attitude, a willingness to grow, and a thirst for learning and challenging ourselves.
Connectedness/interconnectedness	We recognise that everything we do comes about as a result of team effort, and that by cooperation with one another we achieve results collectively, which enhances our efficiency and effectiveness.
Accountability	We understand that we serve the best interests of the citizens of our country and, as such, we are serious about being held responsible and accountable for our words, actions and results.
Our employees are holistic human beings	Our employees are the heartbeat of our organisation. Each one of them matters; they are valued, their opinion matters, and their contributions are worthy.

## 8. LEGISLATIVE AND OTHER MANDATES

### CONSTITUTIONAL MANDATE

At the apex of the legislative mandate informing the work of the SHRA is the Constitution of the Republic of South Africa (Act No. 108 of 1996), as the supreme law of the Republic of South Africa. Along with the Bill of Rights, the Constitution forms the legal foundation of a democratic South Africa, sets out the rights and duties of its citizens and defines the structure of the government.

The right to housing is enshrined in section 26 of the Constitution, which states that:

- Everyone has a right to have access to adequate housing.
- The state must take reasonable legislative and other measures within its available resources to achieve the progressive realisation of this right.
- No one may be evicted from their home or have their home demolished without an order of court made after considering all the relevant circumstances. No legislation may permit arbitrary evictions.

### HOUSING ACT, (ACT NO. 107 OF 1997)

The Act provides for the facilitation of a sustainable housing development process. For this purpose, it lays down general principles applicable to housing development in all spheres of government, to give effect to the constitutional obligation. It provides for:

- The national government, acting through the Minister, must after consultation with every Member of the Executive Committee (MEC) and the national organisations, representing municipalities, establish and facilitate a sustainable national housing development process.
- Every provincial government through its MEC, must after consultation with the provincial organisations representing municipalities, do everything in its power to promote and facilitate the provision of adequate housing in its province within the framework of the national housing policy.



- c) Every municipality must, as part of the municipality's process of integrated development planning, take all reasonable steps within a framework of national and provincial housing legislation and policy, ensure that the inhabitants of its area of jurisdiction have access to adequate housing on a progressive basis.

In terms of Section 3(4)(h) of the Housing Act (1997), the Minister may establish and finance national institutions for the purposes of housing development and supervise the execution of their mandate.

#### PREVENTION OF ILLEGAL EVICTION AND UNLAWFUL OCCUPATION OF LAND ACT, (ACT NO. 19 OF 1998 AS AMENDED)

The Act is aimed at providing protection to people against illegal eviction and addressing unlawful occupation of land. The Act seeks to strike a balance between the rights of property owners and the rights of occupiers or tenants, especially those who may be vulnerable or economically disadvantaged.

#### RENTAL HOUSING ACT, 1999 (ACT NO. 50 OF 1999 AS AMENDED)

The Act repealed the Rent Control Act of 1976 and sets out the government's role concerning rental housing properties. It establishes procedures to encourage the availability of rental housing and to ensure a well-functioning rental housing market. Moreover, it fosters harmonious relationships between tenants and landlords by outlining overall lease conditions and principles for appeals and conflict resolution between tenants and landlords. Additionally, the Act creates provisions for the establishment of Rental Housing Tribunals and clearly outlines the responsibilities, authority, and functions of these Tribunals and requires all local municipalities to have rental housing information offices.

#### SOCIAL HOUSING ACT, (ACT NO. 16 OF 2008)

The SHRA was established by the NDoHS as prescribed by the Social Housing Act, No. 16 of 2008. The SHRA is classified as a national public entity in terms of Schedule 3A of the Public Finance Management Act, 1 of 1999 as amended. The SHRA's mandate is to invest in, as well as capacitate and regulate the social housing sector.

The purpose of the Social Housing Act is to:

- I. Establish and promote a sustainable social housing environment.
- II. Define the functions of national, provincial, and local governments in respect of social housing.
- III. Provide for the establishment of the SHRA to regulate all Social Housing Institutions (SHIs) obtaining or having obtained public funds.
- IV. Allow for the undertaking of approved projects by SHIs and other delivery agents with the benefit of public money.
- V. Provides for statutory recognition to SHIs.

In terms of the Act, the role of the SHRA is to:

- Accredit institutions meeting accreditation criteria as SHIs and maintain a register of SHIs, and conduct compliance monitoring through regular inspections and enforce compliance where necessary.
- Provide financial assistance to SHIs through grants to enable them to develop institutional capacity, gain accreditation as SHIs, and submit viable project applications.
- Approve, administer, and disburse institutional investment grants and capital grants and obtain applications for such grants through engagement with provincial governments and municipalities.
- Promote the development and awareness of social housing and promote an enabling environment for the growth and development of the Social Housing Sector.
- Make rules and regulations in respect of the accreditation of SHIs and the disbursement of government funds to them.
- Support provincial governments with the approval of project applications by SHIs and assist, where requested, in the process of the designation of restructuring zones.
- The SHRA is empowered to intervene if it is satisfied on reasonable grounds that there has been maladministration by an SHI.

Whilst the SHA provides the legal framework for the establishment and mandate of the SHRA, various other legislation regulates how the SHRA should give effect to its mandate, notably these are:

## Legislation

## Intention

Public Finance Management Act (No.1 of 1999), as amended

- Provides the basis for the management of public funds by public entities listed in terms of the PFMA.
- The SHRA is listed as a Schedule 3A National Public Entity and is obligated to adhere to the requirements and principles of the Act as it embodies the legislative reporting requirements and governs our operations.

Preferential Procurement Policy Framework Act (No. 5 of 2000), as amended

- To ensure that government's preferential procurement procedures are aligned with the aims of the Broad-Based Black Economic Empowerment (B-BBEE) Act No.53 of 2003 and the associated Codes of Good Practice.
- The Act provides the mechanism to ensure Procurement sets aside benefits for vulnerable/designated groups, including women, youth, and persons with disabilities.

Broad-Based Black Economic Empowerment Act, (No. 53 of 2003), as amended

- Establishes a legislative framework for the promotion of black economic empowerment, empowers the Minister to issue Codes of Good Practice and publish transformation charters, and establish the Black Economic Empowerment Advisory Council.

Intergovernmental Relations Framework Act (No. 13 of 2005), as amended

- Provides a framework for the national, provincial, and local governments to promote and facilitate intergovernmental relations as a means for the three spheres of government to work together in the delivery of services.

Co-operatives Act (No. 14 of 2005), as amended

- The intention of this Act is to provide for the formation and registration of co-operatives; the establishment of a Co-operatives Advisory Board, and the winding up of co-operatives. The Co-operatives Amendment Act No. 6 of 2013 came into effect in 2019 and provides for the establishment, functions and powers of the Co-operatives Development Agency.

Municipal Systems Act (No. 2 of 2000)

- The intention of SPLUMA is to align spatial planning with the Constitution, and to specifically introduce the principles of spatial justice, spatial efficiency and sustainability to guide all decision making.
- The Act also established semi-independent Tribunals to adjudicate on planning decisions and cascading spatial development frameworks.

Spatial Planning and Land Use Management Act (SPLUMA), (No. 16 of 2013)

- The intention of this Act is to provide for the core principles, mechanisms and processes that are necessary to govern at the local government sphere as well as to enable municipalities to move progressively towards the social and economic upliftment of communities with reference to rental housing.

Consumer Protection Act (CPA) (No. 68 of 2008)

- The Consumer Protection Act (No. 68 of 2008) is a comprehensive piece of legislation in South Africa that aims to protect the rights and interests of consumers in various transactions, including residential leasing.

Property Practitioners Regulatory Act, (No. 22 of 2019)

- The Act regulates property practitioners and the continuation of the Estate Agency Affairs Board as the Property Practitioners Regulatory Authority.

Appropriation Act, as amended

- Ensures funding for Social Housing is appropriated from the National Revenue Fund annually and sets out the conditions for the spending of funds.

## Policies

## Intention

Housing White Paper (1994)	To establish a sustainable housing process which will eventually enable all South African citizens to access secure housing within a safe and healthy environment and viable communities, in secure tenure.
Breaking New Ground (BNG) (2004)	To enhance social mobility, promote a non-racial, integrated society through delivery of housing products, particularly through an SH institutional mechanism that would hold and effectively manage housing as a public asset over a period of time. This housing would be medium density units rented to occupants. BNG saw a shift from stabilising the housing environment to enabling sustainable human settlements.
Social Housing Policy (2005)	To provide access to affordable, quality rental housing located within designated urban restructuring zones, managed by accredited social housing institutions (SHIs), the costs of which are predominantly subsidised by the government.
National Housing Code (2009)	This Code sets the underlying policy principles, guidelines, norms and standards which apply to the government's various housing assistance programmes introduced and updated since 1994
National Development Plan (NDP) (2013)	To identify how rental housing can contribute towards economic development, employment creation, urban integration, and revitalising lower-end property markets.
Integrated Urban development Framework (IUDF) (2016)	To ensure spatial integration, improve access to services and promote social and economic inclusion.

Table 1: Legislative and policy mandates

### NATIONAL DEVELOPMENT PLAN (NDP) 2030

Adopted by Cabinet in 2012, the NDP is the visionary blueprint of government, with business and society as collaborative partners, seeking to eliminate poverty and sharply reduce inequality and unemployment by 2030. All of government is challenged to ensure their medium- and short-term planning, monitoring and evaluation efforts are aligned to the NDP.

The SHRA's contribution to the NDP is through Outcome 8 - Transforming Human Settlements and the National Space Economy. The key alignment considerations of Outcome 8 are as follows:

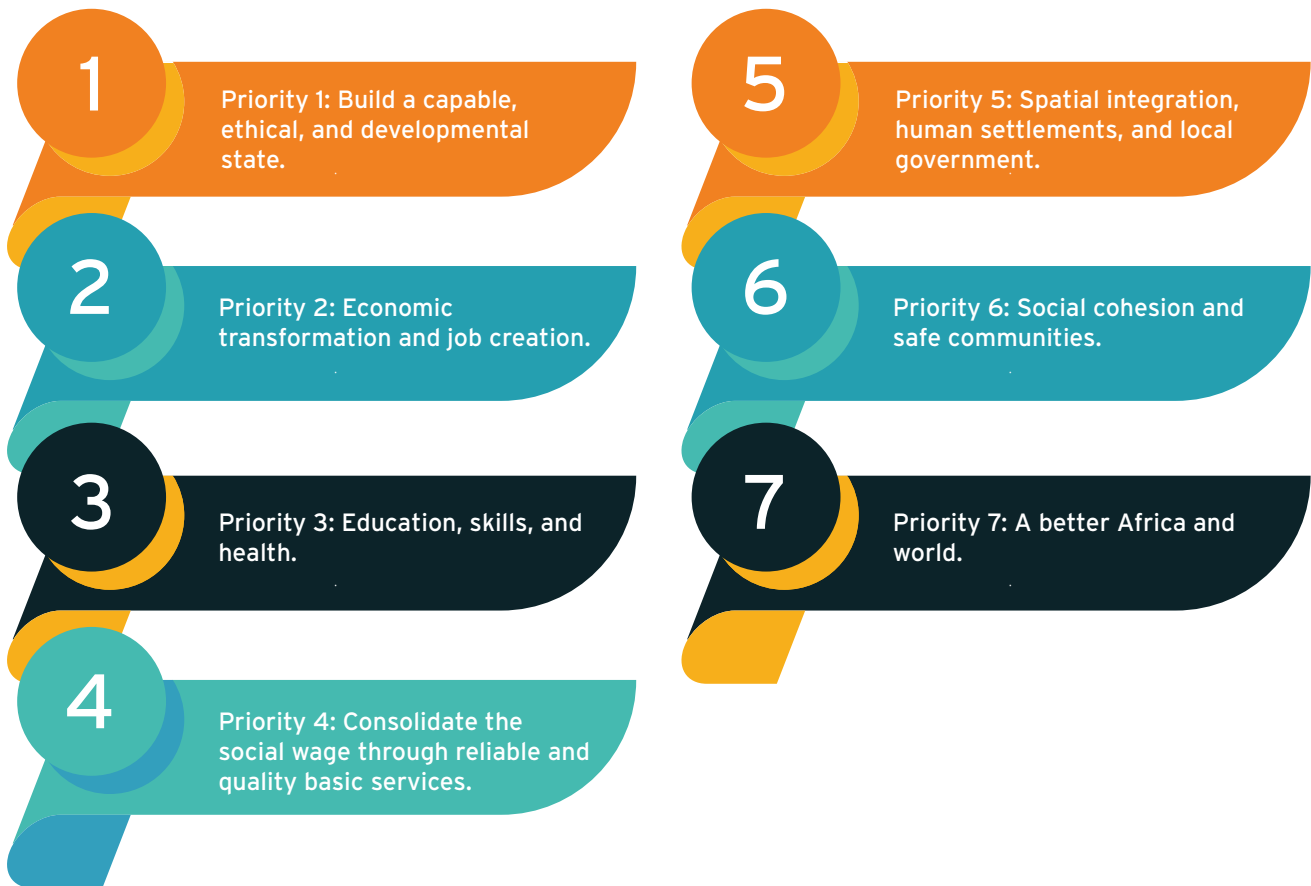
- 1) Respond systematically to entrenched spatial patterns across all geographic scales that exacerbate social inequality and economic inefficiency.
- 2) In addressing these patterns, take account of the unique needs and potentials of different rural and urban areas in the context of emerging development corridors in the southern African sub-region.
- 3) State will review its housing policies to better realise constitutional housing rights, ensure that the delivery of housing is used to restructure towns and cities, and strengthen the livelihood prospects of households.
- 4) Active citizenship in the field of spatial development are supported and incentivised through a range of interventions, including properly funded, citizen-led neighbourhood vision and planning processes, and the introduction of social compacts from neighbourhood to city level.
- 5) Planning in South Africa is guided by a set of normative principles to create spaces that are liveable, equitable, sustainable, resilient and efficient, and support economic opportunities and social cohesion.
- 6) South Africa develops a national spatial framework and resolves the current deficiencies with the local system of integrated development planning, and progressively develops the governance and administrative capability to undertake planning at all scales.

## MEDIUM-TERM STRATEGIC FRAMEWORK (MTSF)

The MTSF covers a period of five years and is aligned with the government's broader long-term development vision, as articulated in documents such as the National Development Plan (NDP). It sets out the government's priorities and strategies across various sectors and government departments to address key challenges and achieve specific developmental outcomes.

The SHRA takes its guidance from the National Department of Human Settlements in terms of its contribution to of its contribution to primarily MTSF Priority 5: Spatial Integration, Human Settlements and Local Government.

The seven priorities set out in the MTSF 2019-2024



## 9. ORGANISATIONAL STRUCTURE

The SHRA still maintains the legislatively mandated structure of four programmes; Administration; Sector Development and Transformation (SD&T); Compliance, Accreditation and Regulation (CAR); and Project Development and Funding (PD&F).

The SHRA CEO position was vacant for two years following the lapse of the former CEO's fixed-term employment contract. This contributed to instability in the executive leadership structure as executives were appointed to act in the role. It also resulted in the postponement of recruitment of other senior management vacancies. The new CEO was appointed and commenced service in February 2023.

An organisational design process was concluded in the last financial year to strengthen internal capacity and resourcing to improve risk and compliance functions. The revision to the structure received support in principle by the shareholder department, however contributory factors including government's objectives around reducing the public sector wage bill and need and identification of savings within the Human Settlements budget prohibited the required funding for implementation.

In the interim, the SHRA executive team will continue to ensure the optimal deployment of internal capacity to strengthen key functions before adding additional capacity and incurring additional costs.

The figure below reflects SHRA's organisational structure.

# STRUCTURE OF THE ENTITY

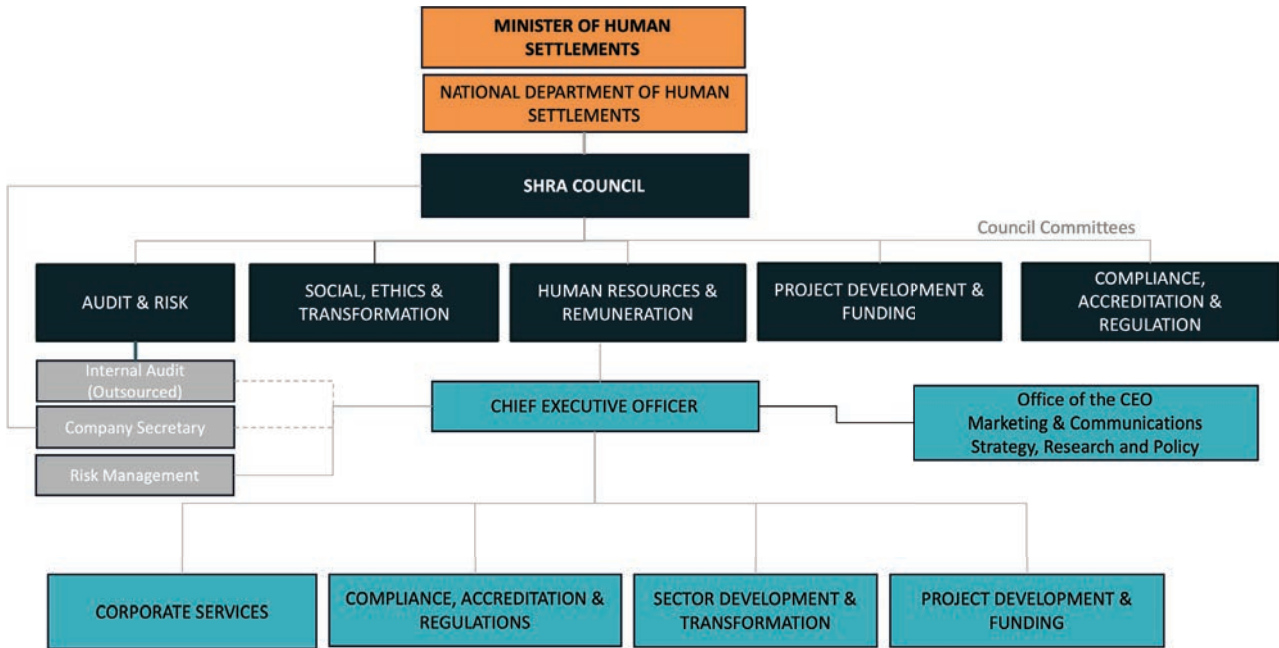


Figure 1: SHRA structure



**Standing left to right:** Ayanda Olifant, Kevin Kiewitz, Mandla Radebe, Jacob Khawe, James Maboja, Vusi Fakudze, Lahlane Malema.  
**Seated left to right:** Busisiwe Nzo, Sandile Luthuli, Pulani Thobejane



# SECTION B



PERFORMANCE  
INFORMATION

# 1. OVERVIEW OF PERFORMANCE

## Service Delivery Environment

The provision of social housing is one of the government's primary housing interventions for achieving the desired densities to support spatial transformation. It is also an instrument to address economic integration, social development, urban efficiency, urban inclusivity, and good urban management. The programme contributes to the National priority of restructuring South African society and has the strategic objective of addressing structural, economic, social, and spatial dysfunctions, thus contributing to the government's vision of an economically empowered, non-racial, and integrated society.

According to a report by the Centre for Affordable Housing Finance in Africa, the urban population in South Africa has been expanding at a steady annual rate of 2% over the past decade. It is projected that by the year 2030, a significant 71% of the country's population will be residing in cities. Despite the government's efforts to address housing needs for low-income households by providing over 3 million state-sponsored homes since 1994, there remains a substantial shortfall in meeting the housing demands of the growing metropolitan population.

According to Stats SA's 2018 General Household Survey, a concerning 13.1% of South African households still live in informal dwellings. It is worth noting that, despite increased efforts in government subsidies to facilitate access to housing, the percentage of households benefitting from these subsidies rose only from 5.6% in 2002 to 13.6% in 2018. This disparity highlights the persistent challenges faced by low-income families in securing adequate housing, even with the implementation of such initiatives.

One of the primary challenges confronting the country is the persistent demand for housing in close proximity to economic opportunities. The existing supply of housing falls short of meeting this demand, and there is a lack of additional supply entering the market. In this context, rental housing plays a crucial role for numerous low- to medium-income earners as it offers them the flexibility of choice and mobility. Additionally, it presents an opportunity for households that do not qualify for an ownership subsidy.

The national social housing programme plays a key role in providing formally constructed rental accommodations. It is specifically designed to cater to the housing needs of low- and medium-income households. By providing rental housing options, the Social Housing Programme benefits individuals, families, and groups seeking affordable accommodations while facilitating their access to economic opportunities and improving their overall living conditions. The programme is flexible and adaptive, aiming to respond effectively to the market demand in various regions.

The construction industry has experienced the most unprecedented and financially daunting period over the past three years as housing construction and real estate market activity fell sharply due to the COVID-19 pandemic, economic lockdowns and the resultant consequences, some of which are still being felt. During this period, the construction sector also suffered the ever-rising costs due to industry escalations and rapid inflation on the back of the global economic recovery. As a result, many grant recipients had to raise additional funding to conclude contracts and projects already underway and provide for allowance for escalations on the new projects in anticipation of the cost overruns driven by industry escalations and inflation.

Rental boycotts have been identified as a primary threat to the ongoing sustainability of the sector, while a draft strategy has been formulated during the financial year. Given the complexities surrounding such occurrences further work was required for the Council to endorse the strategy. Work will continue in the forthcoming year to ensure that the SHRA and all sector stakeholders are better placed to deal with such events that inevitably result in distressed assets and institutions.

In addition, there are external factors that hinder human settlement initiatives. Criminals and gangs, commonly referred to as 'construction mafias', illegally occupy and take control of construction sites nationwide, extorting money from developers. This has severely impacted projects and the economy. Their interference results in some projects being halted, negative community dynamics, the need for extra security measures and an increased financial burden.

To fast-track the delivery, efforts include facilitating partnerships with provinces and municipalities, partnerships with other government departments, and funding such as the Infrastructure Fund to secure loan funding for social housing development and partnerships with the private sector.

## Portfolio Under Regulation

The portfolio of units under regulation has risen from 32 046 units managed by twenty-five (25) institutions in 2018 to 44 114 units managed by thirty-nine (39) institutions as reported at the end of March 2023. This is a 38% increase in the portfolio and a 56% increase in the number of delivery agents with stock under management.

Growth in the portfolio has been driven organically through the delivery of projects receiving capital grant funding from the SHRA. Units from the provincially funded Institutional Subsidy (IS) projects predating the SHRA have remained constant at approximately 10 000 units and its overall share of the portfolio reduced from 31.5% in 2018 to 22.9% by March 2023. The balance of the portfolio (20%) comprised of unsubsidised stock.

Of the thirty-nine (39) delivery agents with stock under management, twenty-six (26) were accredited institutions accounting for 60% or 26 633 units. This included four (4) Municipal Owned Entities (MOE) accounting for 27% or 11 782 units, followed by nine (9) other delivery agents (ODA) with 13% or 5 699 units.

Of the provincial distribution of projects and portfolio of units, Gauteng is the largest contributor with 115 projects accounting for 53%, followed by KwaZulu-Natal with 25 projects or 13% of the portfolio of units, Eastern Cape with 21 projects or 11% of the units, Western Cape with 16 projects or 11% of the units. The remaining provinces contribute the remaining 21 projects for 5 185 units or 12% of the overall portfolio.

Funding Type	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023
Restructuring Capital Grant (RCG) / Consolidated Capital Grant (CCG)	13 222	16 830	18 954	21 209	23 401	25 217
Institutional Subsidy (IS)	10 095	9 930	10 750	10 246	10 182	10 096
Community Residential Units (CRU)	509	522	522	522	365	365
Unsubsidised Units	8 220	9 023	9 181	8 651	8 585	8 436
<b>Total Number of Units</b>	<b>32 046</b>	<b>36 305</b>	<b>39 407</b>	<b>40 628</b>	<b>42 533</b>	<b>44 114</b>
<b>Number of Institutions</b>	<b>25</b>	<b>28</b>	<b>29</b>	<b>33</b>	<b>36</b>	<b>39</b>

Table 2: Units under regulation as reported at year end (2018- 2023)

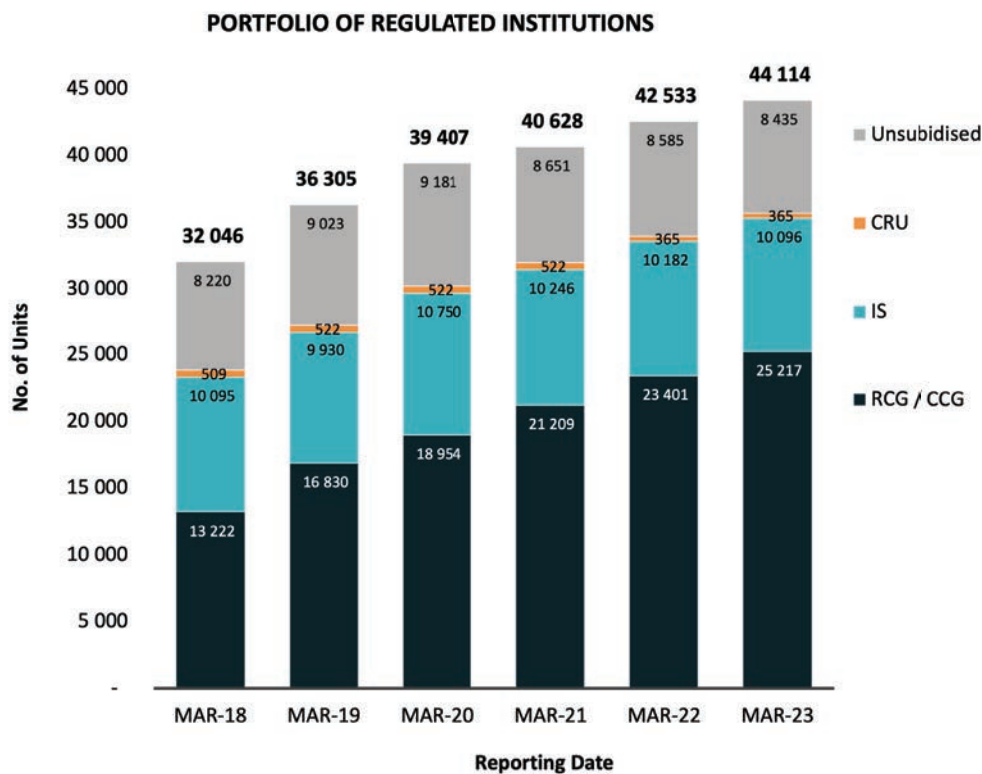


Figure 2: Portfolio of regulated institutions



Province	No. of Projects	Total No. Units	% of Units	RCG/CCG Units	IS Units	CRU Units	Unsubsidised Units
Eastern Cape	21	4 672	11%	3 907	696	0	69
Free State	1	897	2%	897	0	0	8 196
Gauteng	115	23 553	53%	10 583	4 774	0	8 196
KwaZulu-Natal	25	5 800	13%	4 923	773	0	103
Limpopo	2	697	2%	0	508	189	0
Mpumalanga	15	2 335	5%	209	1 883	176	67
Northern Cape	2	88	0%	0	88	0	0
North West	1	1 168	3%	1 168	0	0	0
Western Cape	16	4 904	11%	35 30	1 374	0	0
<b>Total</b>	<b>198</b>	<b>44 114</b>	<b>100%</b>	<b>25 217</b>	<b>10 096</b>	<b>365</b>	<b>8 435</b>
<b>% of Total</b>		<b>100%</b>		<b>57.2%</b>	<b>22.9%</b>	<b>0.8%</b>	<b>19.1%</b>

Table 3: Units under regulation by province 2022/23.

### Social Housing Pipeline

Eighteen (18) projects were removed from the pipeline during the period under review due to their Offers to Purchase (OTP) and accreditation status expiring. However, six (6) new projects were registered and the pipeline currently includes the potential yield of 37 341 units across seventy-three (73) projects would take approximately ten (10) years to realise. Thirty-three (33), or 45%, of the seventy-three (73) projects submitted were from private sector participants while forty (40) projects, or 55% of projects, were registered by accredited SHI's and MOEs.

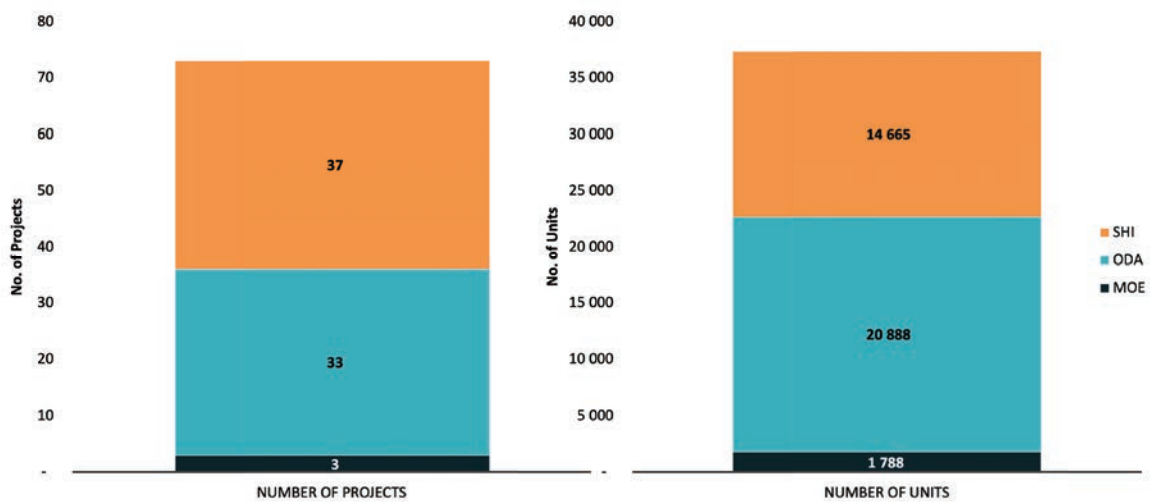


Figure 3: Project pipeline by delivery agent and number of units

Forty-five (45) projects are located within Gauteng which accounts for 62%, followed by KwaZulu-Natal with fourteen (14) projects or 20%. There has been an increase in projects from the North West with five (5) projects having been registered within the province as at year end because of active participation by the provincial department and previous support offered by the SHRA. The Eastern Cape has also been active in the formulation of projects with five (5) new projects being recorded since 2020.

According to Stats SA (2022), Gauteng and KwaZulu Natal account for 15.8 million and 11.5 million people respectively or 45% of the country's population. They also account for 34% and 16% contribution to GDP respectively. It is for these reasons that they experience the most migration leading to a higher concentration of social housing projects to respond to demand pressures.

The SHRA will however continue to work with provinces of under-representation by reviving Provincial Steering Committees, increasing investment into municipal support, ensuring that restructuring zones and priority human settlement development areas are expanded accordingly and prioritising projects in provinces of under-representation.

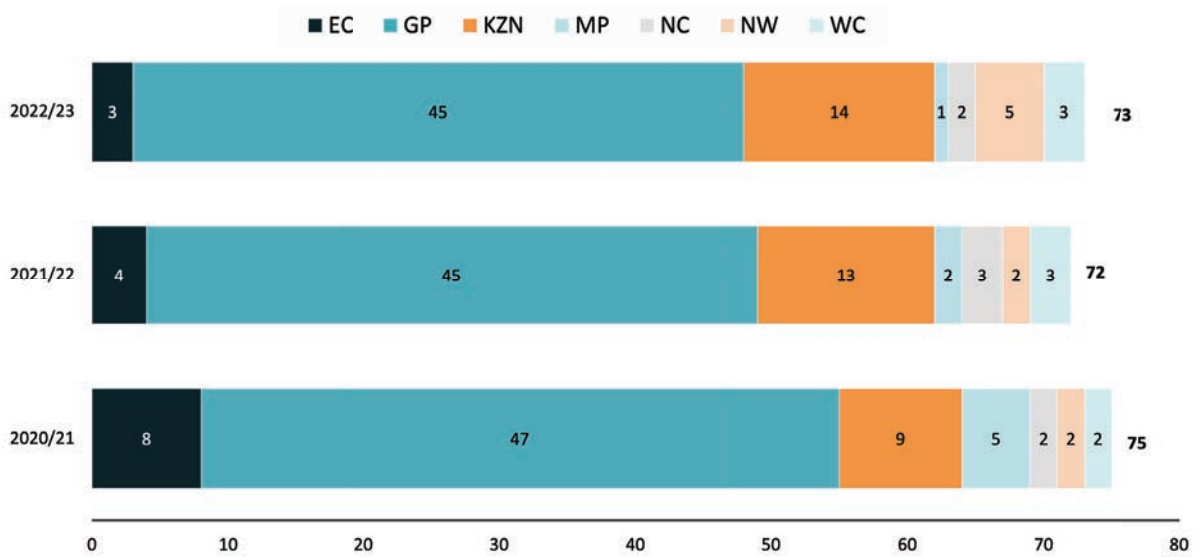


Figure 4: Number of projects registered in the pipeline by province (2020-2023)

### Active Projects

There were 60 projects that have received approval for capital grant funding amounting to R7.9 bn as at year-end (see Annexure A).

Project Status	Total No. of Units	No. of Projects	EC	FS	GP	KZN	LP	MP	NC	NW	WC
Planning	7983	16			7	1		1		2	5
Construction & Tenanting	16 887	31	2	1	20	2	1	0	1	1	3
On hold	1591	4	0	2	1	0	0	1	0	0	0
Completed with challenges	2020	5			4	1					
Completed	1458	4			3						1
<b>Total</b>	<b>29939</b>	<b>60</b>	<b>2</b>	<b>3</b>	<b>35</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>9</b>

Table 4: Active CCG contracts by project status 2022/23.

### Organisational environment

The SHRA has endeavored through a challenging period with vacancies in key positions during the period under review, this is with regards to the entity having spent the 2022/23 fiscal year without a permanent CEO. The end of the contract for the former CEO meant that the SHRA had to start the recruitment of the new CEO, which was completed towards the end of the fiscal year.

The figure below illustrates the achievement over the five-year period of 2018/19 to 2022/23. During the period under review, the SHRA managed to achieve 58% as compared to 2019/20, where achievement was at 67%. In 2020/21 the achievement was even higher at 71%. There has been a 3% reduction in overall performance from the prior financial year and 13% reduction since 2020/21.

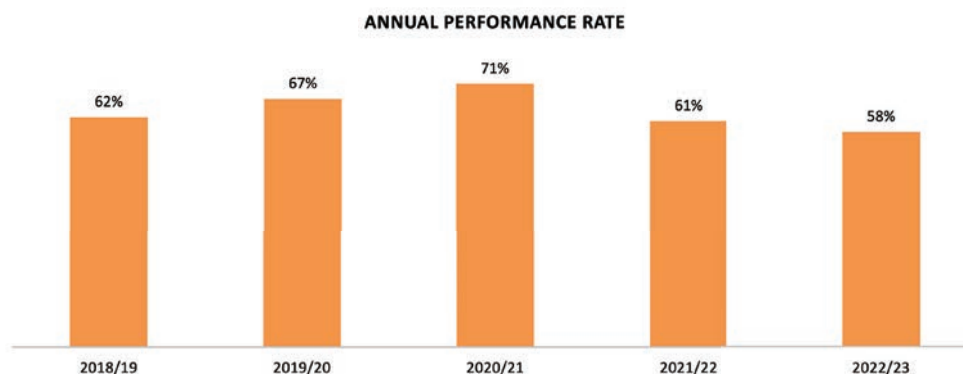


Figure 5: Institutional Performance 2018/19-2022/23

Inclusion of transversal transformation targets for designated groups at a disaggregated level for designated groups which include majority owned businesses by youth, persons with disabilities and military veterans across programmes post 2020/21 and the subsequent non-achievement has contributed to the reduction in overall performance.

### Residential rent relief for social housing

The Residential Rent Relief Programme (RRRP) was developed by the Department of Human Settlements to cater for low-income earners who have been impacted negatively by extenuating circumstances, particularly COVID-19. The intent of the RRRP is to provide temporary financial relief to residential low-income tenants and landlords in circumstances where tenants have been and are unable to meet their rental obligations as a consequence of financial distress associated with the COVID-19 lockdown.

The RRRP was not envisaged to be a permanent grant and sought to protect the long-term sustainability of the Social Housing Programme. It was conceptualised to provide relief to tenants and stave off mass evictions post the COVID-19 lockdown.

The reality of the South African macroeconomic environment has transformed rental boycotts into a structural form that requires permanent interventions and solutions rather than temporary intermediations.

It was introduced in two phases. The first phase sought to receive individual tenant applications based on strict eligibility. The applications were channelled to the SHRA through social housing landlords.

During 2021/22 in the first phase a total of R2.1 million or 0.7% of the R300 million allocated was disbursed. In February 2022 the National Policy Framework was revised. This allowed for the second phase of implementation to provide relief on an institutional basis, relaxing some of the original criteria and extending the applicability period up to March 2021 while still ensuring that the ultimate benefit would be transferred to the tenant.

While this had a positive impact on approvals for 2022/23, only R1.4 million of R15.5 million was disbursed by the end of March 2023. Poor expenditure was a result of timing pressure from the approval of the retention of cash surpluses, outstanding information from applicants and internal vetting processes not being concluded by year end.

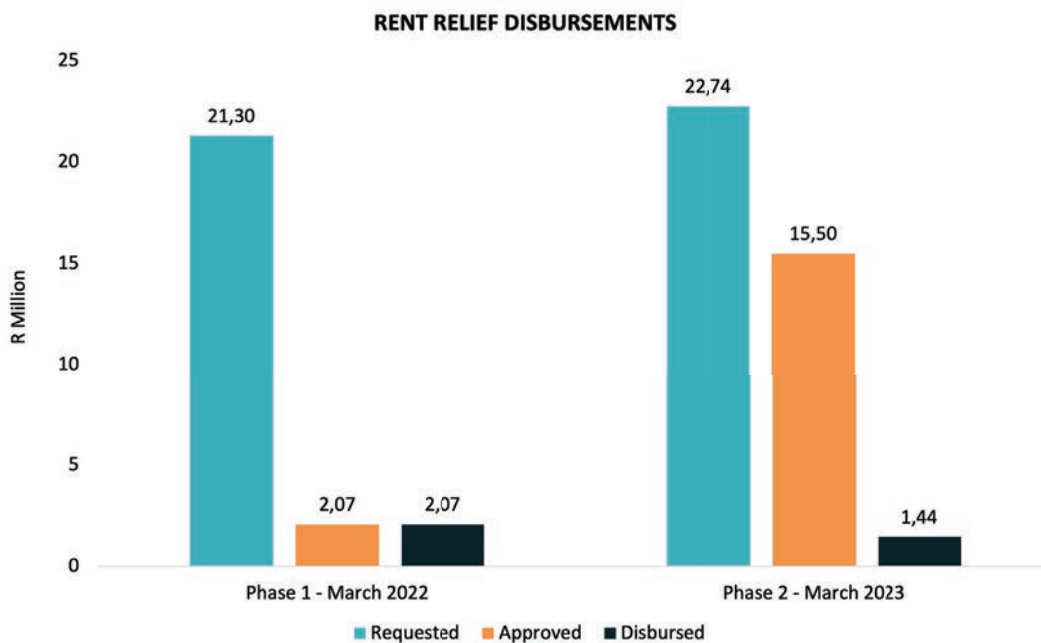


Figure 6: Performance of the Residential Rent Relief Programme for Social Housing.

## Key policy developments and legislative changes

The following are key policy developments and legislative changes:

### Adjustment to the subsidy quantum

The Minister of Human Settlements, together with the Provincial Members of the Executive Council (MECs) of Human Settlements, approved adjustments to the Social Housing Programme, effective from 1 April 2022. These changes included an amendment to the target income market and an increase in the Consolidated Capital Grant (CCG) quantum increased from R271 687 per unit to R328 687 per unit effective for the financial year.

On 31 March 2023, the Honourable Minister for Human Settlements announced policy amendments that would see increases in the subsidy instruments including the CCG to address the ever-increasing building-costs. This came into effect on 1 April 2023 to further increase the human settlements subsidy amounts and the CCG to R426 308, an increase of 29.7%.

The increase of 57% in capital quantum since the start of 2020 would have a positive impact in ensuring that social housing projects remain viable while incorporating additional measures outlined in the norms and standards, it does so in a constrained fiscal environment. The absence of additional funding and implementation of austerity measures, further strain is placed on achieving delivery targets, thus the need to crowd in alternative sources of funding and private sector participation is further strengthened.

### Rental Housing norms and standards

On 20 January 2023, the Rental Housing norms and standards were approved by the Minister after consultation with MECs responsible for human settlements, the South African Local Government Association (SALGA), and the Council of the SHRA in terms of Section 2 and 3 of the Housing Act and is to be incorporated into the Housing and Human Settlements Code.

Adequate housing is not just about shelter; it is about providing a stable foundation upon which individuals can pursue education, employment, and a better quality of life. The norms and standards for social housing seek provide guidance to delivery agents on the qualitative and quantitative aspects in the delivery of quality social housing projects by brining best practice with constantly changing environments and innovation in design and construction, including introducing green initiatives to enhance sustainability through more resource-efficient design and construction practices.

### Progress towards achievement of institutional Impacts and Outcomes

The SHRA must create and facilitate an enabling environment for the development of social housing as an integral component of urban areas to ensure that we meaningfully contribute to the “creation of liveable neighbourhoods”.

The SHRA contributes to the restructuring of the space economy (spatial justice), improving household access to economic opportunities, social amenity opportunities, infrastructure opportunities and also enabling households to access a wider range of tenure and housing options that aligns with the stated objectives of social housing (overarching including spatial restructuring and improving low- and medium-income household access to employment, services and tenure options, creating employment opportunities and integrating classes and races).

During the period under review 3 182 social housing units were completed against the target of 3 000 unit completions, while 2 595 units have been tenanted against a target of 3 529, with a shortfall of 934 units being tenanted.

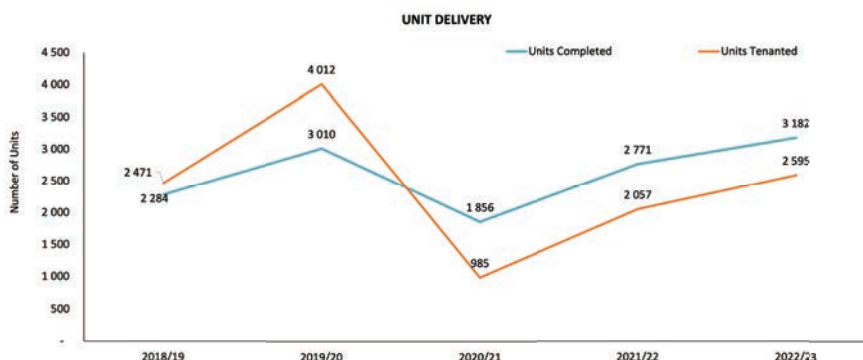


Figure 7: Unit Delivery 2018/19-2022/23

There is a lag in tenanting of completed units, with an improvement over the past three years to close the gap from 52% in 2020/21 to 82% of annual units being tenanted in relation to completions. In the current economic climate tenants struggle to keep up with escalated living costs, increases in municipal services and charges this contributes negatively towards affordability and the take-up of units. Failure to fully tenant projects further compound risks faced by delivery agents to honour their debt funding obligations and to adequately provision for maintenance.

The SHRA is tasked with the delivery of 18 000 social housing units for both the national MTSF 2019-24 period and Strategic Planning period from 2020-25. From 2019/20 a total of 10 819 units have been completed against the MTSF target, thus 7 809 units remain to be delivered in 2023/24 to achieve the target. Against the SHRA's five-year strategic plan, from the start of 2020/21, 7 809 units have been delivered, with a shortfall of 10 191 units for the SHRA to deliver by March 2025. Should the planned delivery as per the SHRA's Annual Performance Plan be met, the SHRA is expected to achieve between 78% to 84% of the MTSF and the SHRA's five-year strategic plan 2020-2025 as outlined in the following table.

PERIOD	TARGET	Cumulative Completions	Shortfall end 2022/23	Target* 2023/24	Target* 2024/25	Expected end period delivery	% of Target
MTSF PERIOD (2019-2024)	18 000	10 819	7 181	3 200	-	14 019	78%
SHRA STRATEGIC PLAN (2020-2025)	18 000	7 809	10 191	3 200	4 000	15 009	84%

Note: Targets as per APP 2023/24

Table 5: Delivery against the MTSF 2019-2024 and SHRA Strategic Plan 2020-2025

As part of the implementation of the performance improvement plan, the SHRA has focussed the approval of brownfield projects and acquisitions that has assisted in achieving the 2022/23 annual target.

On 6 December 2022, the Presidential Infrastructure Coordinating Commission Council included the Social Housing programme as a strategic infrastructure project. The SHRA had submitted four (4) projects with a projected investment value of R1.28 billion for consideration to Infrastructure South Africa, three (3) projects were at Planning Phase and one (1) project was under construction at year end. The partnership with the Infrastructure Fund is aimed at unlocking debt and bridging the viability gap for current projects and exploring longer-term funding options.

Province	MTSF 2019-2024 Target	2019/20		2020/21		2021/22		2022/23		Total	
		Completed	Tenanted	Completed	Tenanted	Completed	Tenanted	Completed	Tenanted	Completed	Tenanted
Eastern Cape	1 296	452	379	385	243	0	178	0	111	837	911
Free State	1 296	0	0	0	0	0	0	13	36	13	36
Gauteng	6 606	2 140	2 659	1 049	456	1 627	1 480	2 775	1 910	7 591	6 505
KwaZulu-Natal	2 052	0	430	0	0	0	0	0	0	0	430
Limpopo	720	0	0	164	0	330	0	0	0	494	0
Mpumalanga	1 026	114	114	0	0	0	0	0	0	114	114
Northern Cape	360	0	0	0	0	0	0	0	0	0	0
North West	1 908	0	362	0	0	144	0	0	0	144	362
Western Cape	2 736	304	68	258	286	670	399	394	538	1 626	1 291
<b>Total</b>	<b>18 000</b>	<b>3 010</b>	<b>4 012</b>	<b>1 856</b>	<b>985</b>	<b>2 771</b>	<b>2 057</b>	<b>3 182</b>	<b>2 595</b>	<b>10 819</b>	<b>9 649</b>

Table 6: Unit Delivery 2019/20-2022/23 by Province

Over the past financial year, there were 7 990 jobs created through the implementation of social housing projects. Gauteng remains the dominant contributor given the concentration of projects followed by KwaZulu-Natal and the Western Cape as shown in the following table.

Province	2012/23									
	Q1		Q2		Q3		Q4		Annual 2023/24	
	No. of Jobs	No. of Projects	No. of Jobs	No. of Projects	No. of Jobs	No. of Projects	No. of Jobs	No. of Projects	No. of Jobs	No. of Projects
Gauteng	1 095	5	919	3	546	3	2 946	8	5 506	11
KwaZulu-Natal	25	1	450	2	442	2	684	2	1 601	2
Mpumalanga	0	0	0	0	32	1	65	1	97	1
Western Cape	357	2	120	1	151	2	158	2	786	4
<b>Total</b>	<b>1 477</b>	<b>8</b>	<b>1 489</b>	<b>6</b>	<b>1 171</b>	<b>8</b>	<b>3 853</b>	<b>13</b>	<b>7 990</b>	<b>18</b>

Table 7: Number of job opportunities from projects implemented in 2022/23

Capital expenditure has been positive against actual receipts with over 97% being expended against the allocations received. However, approvals have reduced to 3 132 units being approved for seven (7) projects in the past financial year.

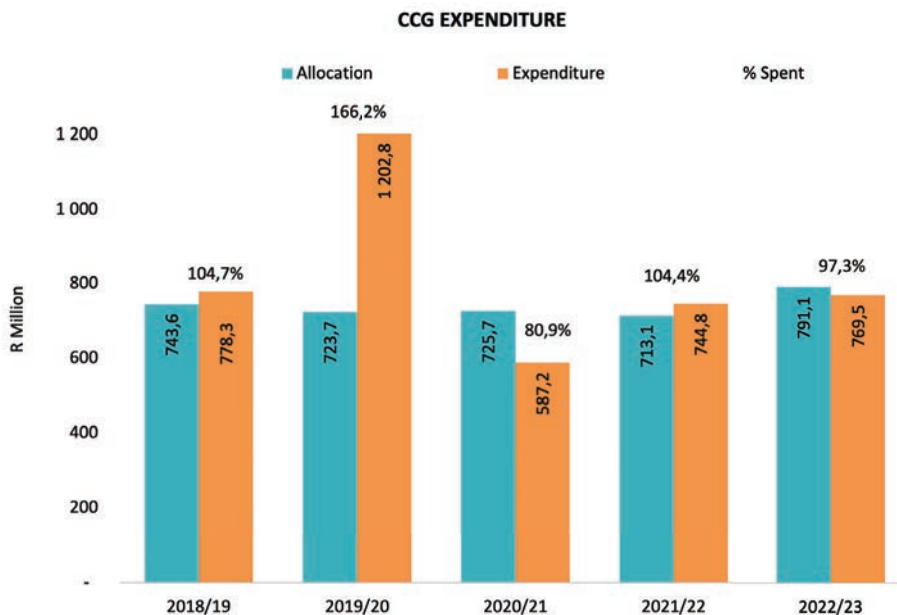


Figure 8: Capital allocation received and expenditure 2018/19-2022/23

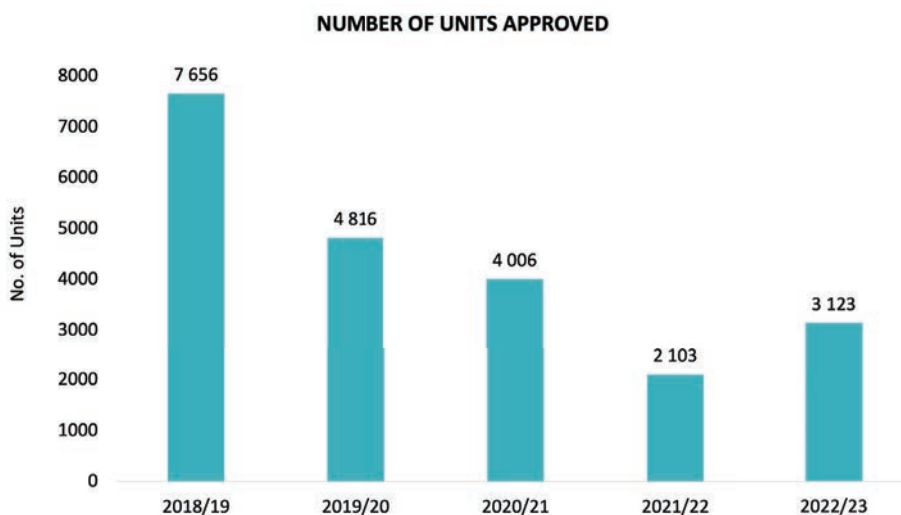


Figure 9: Unit Approvals 2018/19-2022/23

At the end of the the financial year there were a total of eight-four (84) accredited Social Housing Institutions , of which thirty-five (35) had stock under management.

Compliance benchmarks are monitored on a quarterly basis throughout the year. These include vacancy rates, rental collections, debtors' balances, operating costs and debt servicing capacity of the institutions. These benchmarks are dependent on environmental factors and general economic conditions, and provide an indication of operational sustainability of institutions with stock under management.

Vacancies impact long-term financial sustainability of a project and the institution. There are numerous factors that can contribute to vacancies, and these include demand; location; competition; affordability; inefficiencies in tenant strategies and maintenance condition of the building or units. During the period under review vacancies have increased to approximately 11% from 8% in the year prior.

General price and interest rate increases have a negative impact on disposable household income and place strain on tenants to afford rentals. On the other hand, delivery agents are also impacted by the increase in financing cost and operational costs as consumer inflation has outpaced rental increases. The trends are consistent with market data indicating tenants who paid less than R3 000 per month in rent had the highest percentage of non-payment (16.39%) among all rental brackets (Tenant Profile Network, Rental Monitor Q4 2022).

Despite the tough operating environment for social housing landlords, the percentage of institutions that achieved three or more of the performance metrics have improved from 44% in 2021/22 to 56% for the period under review.

Poor performance by the sector and struggles encountered by SHIs is reflected in the number of institutions that are deemed to be in the red for an extended period in terms of their performance and levels of overall compliance. Out of the four municipal owned entities (MOEs) that manage social housing stock being Johannesburg Social Housing Company (JOSHCO), Ekurhuleni Housing Company, Housing Company Tshwane and Polokwane Housing Association all have outstanding compliance matters relating to continued poor performance relative to other delivery agent types. Three out of the four have collection rates that ranging from 29% to 62% with only one MOE having collection rates greater than 90% for the period under review.

A total of 3 525 tenancy audits were completed during the period under review while 30 subsidised housing projects' safety and security audits conducted.

There has also been a gradual increase in the number of institutions that are referred for regulatory enforcement due to issues of non-compliance.

The SHRA remains steadfast in its commitment to achieving transformation across the value chain. Performance in procurement from designated groups has yielded positive outcomes, notably achieving a commendable 46% operational expenditure directed towards women-owned enterprises.

Challenges persist in allocating resources to enterprises owned by youth or persons with disabilities, primarily due to factors such as the SHRA's expenditure profile, the number of qualifying suppliers in relation to total expenditure, and prevailing industry dynamics.

Additionally, accreditation of new projects from institutions that are 'majority-owned' by women, youth, or persons living with disabilities, reached 25%, falling short of the set target of 40%.

To address these challenges and improve participation, the SHRA remains dedicated to nurturing and maintaining strong collaborative relationships with representative bodies, human settlements entities, and delivery partners.

Twelve (12) institutions completed their participation in the incubation project for the year and the tailor-made support for each of these are being implemented to assist and support the participants to plan, construct and tenant their first social housing projects. Two (2) of the participants already have approved projects with development manager support provided to new entrant Siyanakhela Imizi, while the construction of the Hospital Street project of Buhlebezwe is progressing well. Seven (7) participants have projects in the pipeline while work with others are continuing to foster relationships with municipalities in our support programme or working with the Housing Development Agency (HDA) on making land available.

Twelve (12) municipalities from eight (8) provinces are included in the municipal support project with six (6) municipalities having projects approved, under construction or under management. The intent is to achieve completion of new social housing projects within these municipalities where nine (9) projects in four (4) municipalities are registered in the pipeline with four (4) more municipalities expected to be able to have projects in the pipeline in the next financial year.

Sixteen (16) project-related support grants were implemented, and it is intended to substantially increase the support for projects in the pipeline in the next financial year. Four (4) project support interventions will be concluded early in the new financial year to be ready for consideration with others to follow. Support was also provided to three (3) new entrants where two (3) obtained conditional accreditations.

The 2022 Social Housing Training Programme delivered sixteen (16) training sessions across five (5) provinces and covered Introduction to Social Housing, Social Housing Project Packaging, ODA Project Accreditation, SHI Accreditation and Supplier Development.

Eleven (11) youth graduates were placed in the social housing sector with the 12<sup>th</sup> graduate starting at a Social Housing Institution on 1 April 2023. Nine (9) of the graduates were placed in the different SHRA units while one was placed with SOHCO in eThekweni and the other with Communicare in Cape Town.

During the 2019/20 fiscal year, institutional support spending reached a peak at 75%, but it subsequently saw a reduction to 40% in the 2021/22 fiscal year. Nevertheless, in the period under review, we observed a positive increase in expenditure with more than 20% expenditure recorded in the last quarter of 2022/23. As of March 31, 2023, more than 80% of the expenditure had been allocated; however, there is an implementation challenge as

spending on interventions is ongoing into the new financial year, 2023/24. This is having a detrimental impact on expenditure as the budgeted funds are not being fully utilised due to some interventions not yet concluded by the end of the reporting period.

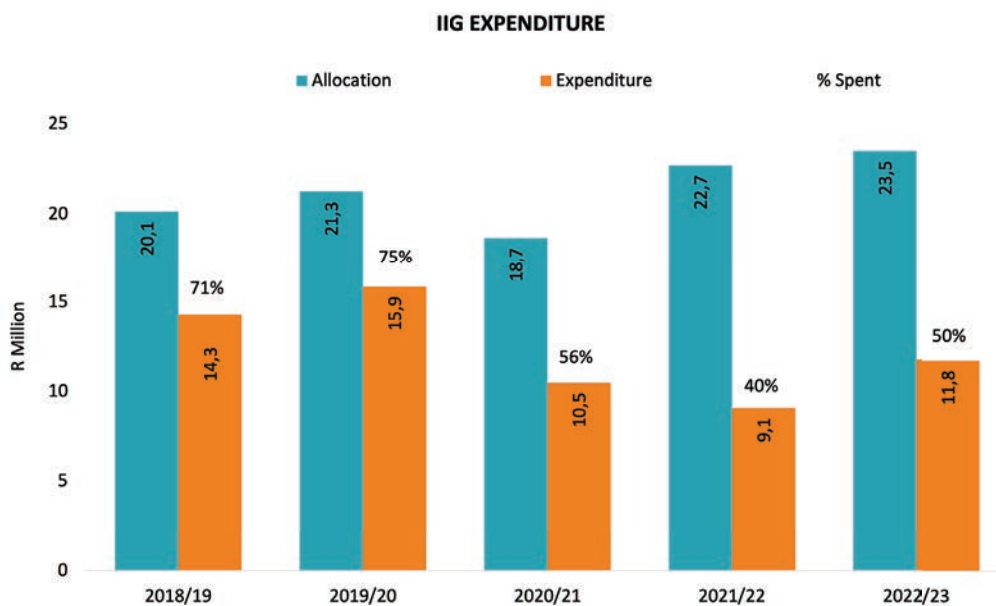


Figure 10: Institutional Investment Grant (IIG) Expenditure Trends.

## 2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

RAiN Chartered Accountants have been appointed as external auditors and have performed the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading.

Refer to pages 66 - 67 of the Auditor's Report, published as Part F: Financial Information.

## 3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

Alignment to the MTSF Priority 5: Spatial Integration is provided through six specific outcomes over its 2020-2025 strategic plan. The table below outlines the link and number of indicators.

SHRA STRATEGIC OUTCOMES	NO. OF APP INDICATORS 2022/23	WEIGHT	Targets Achieved	Targets Not Achieved
1. Functional, efficient and integrated government	5	19%	4	1
2. Quality affordable social housing for rent delivered in strategically located areas	3	12%	2	1
3. Enhanced Performance of Delivery Agents and projects	2	8%	1	1
4. Increased capacity of municipalities and provinces to deliver social housing	1	4%	0	1
5. An effectively regulated and sustainable Social Housing Sector	4	15%	3	1
6. A transformed Social Housing Sector value chain	11	42%	5	6
<b>Total</b>	<b>26 indicators</b>	<b>100%</b>	<b>15</b>	<b>11</b>

Table 8: SHRA Strategic Outcomes (2020-2025) and APP 2022/23 indicators.

The SHRA had twenty-six (26) planned targets for the period under review, fifteen (15) were achieved and eleven (11) were not achieved. Programme 1: Administration achieved five (5) of the eight (8) planned annual targets (62%);



Programme 2: CAR achieved three (3) of the five (5) planned annual targets (60%); Programme 3: SD&T achieved three (3) of five the (5) planned annual targets (60%); and Programme 4: PD&F achieved four (4) of the eight (8) planned annual targets (50%). The overall performance therefore translates to 58% (15 of 26) annual achievement.

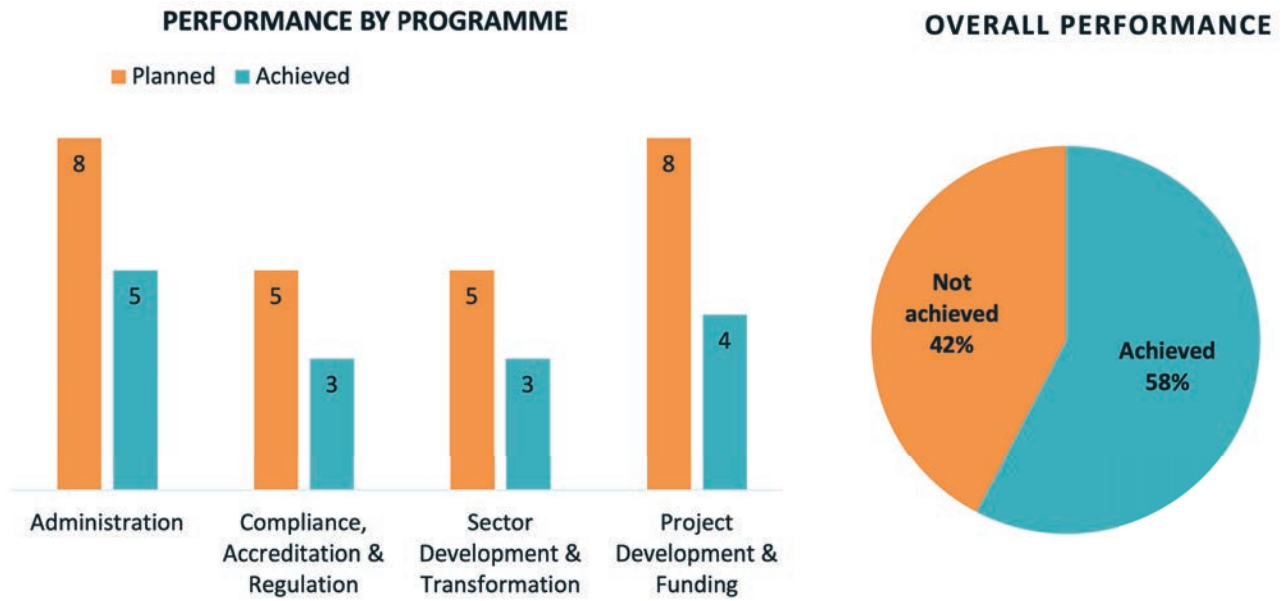


Figure 11: Institutional performance 2022/23 by programme.

### Programme 1: Administration

The purpose of Programme 1: Administration is to provide enterprise-wide support services based on specialised knowledge, best practices, and technology to serve internal and external business interests.

The Administration Programme had eight (8) APP targets. Of the eight (8) only five (5) targets were achieved and three (3) were not achieved. This represents 62% annual achievement.

The Programme comprises two sub-programmes:

1) Sub-programme 1A: Corporate Services

Sub-programme 1B: Office of the CEO

The Administration Programme delivers against the following Outcomes reflected in the 2020–2025 Strategic Plan:

- Outcome 1: Functional, efficient, and integrated government
- Outcome 6: A transformed Social Housing Sector value chain

The 2022/23 Output-Level Performance Plan for Programme 1 is reflected in the log frame tables below:

Programme 1: Administration									
Outcome	Output	Outcome Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviations	
Outcome 1: Functional, efficient, and integrated government	1.1. External audit outcome	1.1. External audit outcome	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings	None	None	
		1.1.1. Percentage implementation of the Internal Audit Plan	100% implementation of the Internal Audit Plan	82% implementation of the Internal Audit Plan	100% implementation of the Internal Audit Plan	100% implementation of the Internal Audit Plan	None	None	
	1.2. Anti-fraud and corruption	1.2.1. Percentage implementation of the Fraud Prevention Plan	100% implementation of the Fraud Prevention Plan	100% implementation of the Fraud Prevention Plan	100% implementation of the Fraud Prevention Plan	100% implementation of the Fraud Prevention Plan	100% implementation of the Fraud Prevention Plan	None	None
		1.3. Risk management	1.3.1. Percentage implementation of the Risk Management Plan	100% implementation of the Risk Management Plan	100% implementation of the Risk Management Plan	100% implementation of the Risk Management Plan	100% implementation of the Risk Management Plan	None	None
Outcome 6: A transformed Social Housing Sector value chain	6.1. Preferential procurement	1.4.1. Development of a Rental Boycott Strategy	-	New indicator	Final Rental Boycott Strategy approved	Final Rental Boycott Strategy not approved	The Strategy did not serve at the Council meeting and did not obtain endorsement within the financial year.	Actioning of the strategy and its implementation is to be done in the 2023/24 year.	
		6.1.1. Percentage of SHRA procurement spend on businesses majority-owned by women	-	New indicator	40% of SHRA procurement spend on businesses majority-owned by women	48.49% of SHRA procurement spend on businesses owned by women	None	None	
		6.1.2. Percentage of SHRA procurement spend on businesses majority-owned by youth	-	New indicator	20% of SHRA procurement spend on businesses majority-owned by youth	6.39% of SHRA procurement spend on businesses owned by youth	Deviation of 13.61%	This was a result of an insufficient number of appointments of service providers that are majority-owned by youth.	
		6.1.3. Percentage of SHRA procurement spend on businesses majority-owned by people with disabilities	-	New indicator	5% of SHRA procurement spend on businesses majority-owned by people with disabilities	0% of SHRA procurement spend on businesses majority-owned by people with disabilities	Deviation of 5%	The target was not achieved because the SHRA was unable to spend on this target.	

## Programme 2: Compliance, Accreditation and Regulation

The purpose of Programme 2: Compliance, Accreditation and Regulation is to accredit SHIs and projects ensure compliance of the sector for the purpose of attracting private investment, and ensure sustainability of the Social Housing Programme.

Programme 2: CAR had five (5) APP targets. Only three (3) of the five (5) were achieved which represents 60%, while the other two (2) were not achieved. The programme will try to get 100% achievement in the new financial year by working together with SD&T and PD&F.

The Programme comprises three sub-programmes:

- Sub-programme 2A: Regulation of social housing
- Sub-programme 2B: Accreditation of SHIs
- Sub-programme 2C: Project and compliance monitoring

In addition, it was tasked to manage and oversee the implementation of the Rent Relief Fund for social housing. The Compliance, Accreditation and Regulation (CAR) Programme delivers against the following Outcomes reflected in the 2020-2025 Strategic Plan:

Outcome 5: An effectively regulated and sustainable Social Housing Sector

Outcome 6: A transformed Social Housing Sector value chain

The 2022/23 Output-Level Performance Plan for Programme 2 is reflected in the log frame tables below:

Programme 2: Compliance, Accreditation and Regulation									
Outcome	Output	Outcome Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviations	
Outcome 5: An effectively regulated and sustainable Social Housing Sector	5.1. Performance monitoring of delivery agents	5.1.1. Percentage of reporting delivery agents achieving a minimum of 3 performance benchmarks	50% (15/30) of reporting SHIs and ODAs meeting 3 or more out of 5 of the primary performance benchmarks	43.75% of reporting SHIs and ODAs meeting 3 or more performance benchmarks	65% of reporting delivery agents achieving a minimum of 3 performance benchmarks	56% (18/32) of reporting SHIs and ODAs achieving 3 out of 5 benchmarks	9%	Negative variance of 9%. On a monthly average 14 entities that manage 66% of the social housing units have achieved 2 or less performance benchmarks over a period of 12 months. This is mainly due to poor average rental collection of 63. 9%, high average vacancy rate and operating cost of 99% and R3 260 respectively. Municipal-owned entities make up 27% of the 14 entities.	
	5.2. Accreditation of SHIs	5.2.1. Number of conditionally accredited SHIs with projects registered in the pipeline	New indicator	1 conditionally accredited SHI with projects registered in the pipeline	5 conditionally accredited SHIs with projects registered in the pipeline	10 conditionally accredited SHIs have registered 13 projects in the pipeline	None	None	
	5.3. Tenancy compliance and satisfaction monitoring	5.3.1. Number of subsidised housing units' tenancy audits conducted	1 867 subsidised housing units' tenancy audits conducted	4 532 subsidised housing units' tenancy audits conducted	3 500 subsidised housing units' tenancy audits conducted	3 525 subsidised housing units' tenancy audits conducted	None	None	
	5.4. Safety and security of tenants	5.4.1. Number of subsidised housing projects' safety and security audits conducted	New indicator	22 subsidised housing projects' safety and security audits conducted	30 subsidised housing projects' safety and security audits conducted	30 subsidised housing projects' safety and security audits conducted	None	None	
Outcome 6: A transformed Social Housing Sector value chain	6.2. Preferential accreditation of capital grant applicants	6.2.1. Percentage of new project accreditation applicants that are majority-controlled by the designated groups	New indicator	28% of new project accreditation applicants that are majority-owned or controlled by the designated groups	40% of new project accreditation applicants that are majority-controlled by the designated groups	25% achievement. Nine (9) of the 36 projects entered in the pipeline are majority-controlled by designated groups	Deviation of 15%	Insufficient applications received from designated groups.	

### Programme 3: Sector Development and Transformation

The purpose of Programme 3: Sector Development and Transformation is to support the growth and development of the Social Housing Sector and to administer the Institutional Investment Grant (IIG). It is responsible for the growth and development of Social Housing Institutions (SHIs) and Other Delivery Agents (ODAs), transformation and empowerment of the Social Housing Sector, assessment of applications for IIGs, and the coordination and management thereof.

The SD&T performance of reaching three (3) out of the five (5) APP targets (60%) must be improved where it is important to better align institutional and project support between the SHRA units to ensure the required outcomes of project approval and institutional compliance are reached. SHI and Project Intervention Plans will be agreed with PD&F and CAR in the first quarter with the expected outcomes also confirmed in order for SD&T to appropriately support institutions and projects identified to achieve the stated outcomes.

Municipal and provincial support will be enhanced to ensure better planning for the delivery of social housing in all provinces and municipalities to ensure that a representative spread of social housing across the provinces and municipalities is achieved.

The Sector Development and Transformation Programme delivers against the following Outcomes reflected in the 2020-2025 Strategic Plan:

- Outcome 3: Enhanced performance of delivery agents and projects
- Outcome 4: Increased capacity of municipalities and provinces to deliver social housing
- Outcome 6: A transformed Social Housing Sector value chain

The 2022/23 Output-Level Performance Plan for Programme 3 is reflected in the log frame tables below:

Programme 3: Sector Development and Transformation									
Outcome	Output	Outcome Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviations	
Outcome 3: Enhanced performance of delivery agents and projects	3.1. Institutional Investment Grant (IIG) Programme	3.1.1. Percentage achievement of the SHI Intervention Plan	75% of identified SHIs that received an IIG, of which the intervention is completed within the current financial year, at minimum, maintained their level of accreditation	100% achievement of the SHI Intervention Plan	75% achievement of the SHI Intervention Plan	100% achievement of the SHI Intervention Plan	None	None	
		3.1.2. Percentage achievement of the Social Housing Projects' Intervention Plan	75% of identified projects that received an IIG, of which the work is completed within the current financial year, are recommended for capital grant awards	0% achievement of the Social Housing Projects' Intervention Plan	75% achievement of the Social Housing Projects' Intervention Plan	0% achievement of the Social Housing Projects' Intervention Plan	Deviation of 75%	Projects where support was proven not viable or lacking bulk infrastructure. Others nearing conclusion still require final municipal approvals or provincial support for these to be considered for capital grant award.	
Outcome 4: Increased capacity of municipalities and provinces to	4.1. Municipal support programme	4.1.1. Number of projects within municipalities receiving support that are approved	New indicator	2 projects within municipalities receiving support that are approved	3 projects within municipalities receiving support that are approved	0 projects within municipalities receiving support were approved	Deviation of 3 projects	3 projects were not ready due to outstanding funding and required statutory approvals required prior to SHRA approval	
		6.3. Youth internship programme	-	New indicator	10 youth graduates placed within the Social Housing Sector	11 youth graduates placed within the Social Housing Sector	None	None	
Outcome 6: A transformed Social Housing Sector value chain	6.4. Preferential spend of the Institutional Investment Grant (IIG)	6.4.1. Percentage of Institutional Investment Grant (IIG) recipients that are from the designated groups	New Indicator	48% of Institutional Investment Grant (IIG) recipients that are from the designated groups	40% of Institutional Investment Grant (IIG) recipients that are from the designated groups	41% of Institutional Investment Grant (IIG) recipients that are from the designated groups	None	None	

## Programme 4: Project Development and Funding

The purpose of Programme 4: Project Development and Funding is to facilitate the delivery of social housing units through the optimal investment and management of the consolidated capital grant, effective deal-making, partnerships management (provinces, municipalities, other government institutions, funders, and financiers), and transformation of the Construction Sector.

During the period under review the PD&F programme had eight (8) planned APP targets. Four (4) were achieved which represents 50%, while four (4) targets were not achieved. A great deal of work will be done by the programme to enforce and leverage grant funding investment to implore grant recipients and their appointed contractors to ensure performance against APP targets in the 2023/24 financial year.

In supporting the SHRA's impact statement, which is: a transformed, compliant, and sustainable Social Housing Sector, comprising integrated, quality, and affordable social housing, the Project Development and Funding Programme delivers against the following Outcomes reflected in the 2020-2025 Strategic Plan:

Outcome 2: Quality affordable social housing for rent delivered in strategically located areas

Outcome 6: A transformed Social Housing Sector value chain

The 2022/23 Output-Level Performance Plan for Programme 4 is reflected in the log frame tables below:

Programme 4: Project Development and Funding

Outcome	Output	Outcome Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual achievement 2022/23	Deviation from planned target to actual achievement for 2022/23	Reasons for deviations
Outcome 2: Quality affordable social housing for rent delivered in strategically located areas	2.1. Delivery of Social housing units	2.1.1. Number of social housing units completed	1 856 social housing units completed	2 771 social housing units completed	3 000 social housing units completed	3 182 social housing units completed	None	None
	2.2. Expenditure of the Consolidated Capital Grant (CCG)	2.1.2. Number of social housing units tenanted	985 social housing units delivered	2 057 social housing units delivered	3 529 social housing units delivered	2 595 social housing units tenanted	Deviation of 934 social housing units tenanted	The tenanting of units versus the fourth quarter projection to exceed the target had not materialised. The regularisation of tenanting of estates as well as the slow uptake of units can be attributed to the current economic environment
Outcome 6: A transformed Social Housing Sector value chain		2.2.1. Percentage expenditure of the approved annual CCG cash flow projection	81% expenditure of the approved annual CCG cash flow projection	97% expenditure of the approved annual CCG cash flow projection	95% expenditure of the approved annual CCG cash flow projection	97% expenditure of the approved annual CCG cash flow projection	None	None
		6.5.1. Percentage of CCG awarded to black majority-controlled enterprises	54% of CCG awarded to black-majority owned / controlled enterprises	93.68% of CCG awarded to black majority-owned / controlled enterprises	70% of CCG awarded to black majority-controlled enterprises	100% of CCG awarded to black majority-controlled enterprises	None	None
		6.5.2. Percentage of construction spend to enterprises that are majority-owned by women	-	New indicator	40% of construction spend to enterprises that are majority-owned by women	9% of construction spend to enterprises that are majority-owned by women	31% deviation of the construction spend to enterprises that are majority-owned by women	The SHRA's target is beyond the number of registered women-owned contractors according to the CIDB Register of Contractors
		6.5.3. Percentage of construction spend to enterprises that are majority-owned by youth	-	New indicator	20% of construction spend to enterprises that are majority-owned by youth	0.89% of construction spend to enterprises that are majority-owned by youth	19.11% deviation of construction spend to enterprises that are majority-owned by youth	The SHRA's target is beyond the number of registered youth-owned contractors according to the CIDB Register of Contractors
		6.5.4. Percentage of construction spend to enterprises that are majority-owned by people with disabilities	-	New indicator	5% of construction spend to enterprises that are majority-owned by people with disabilities	0% of construction spend to enterprises that are majority-owned by people with disabilities	5% deviation of construction spend to enterprises that are majority-owned by people with disabilities	The number of contractors owned by people with disabilities is unknown
		6.5.5. Number of job opportunities created through projects implemented	-	New Indicator	6 646 job opportunities created through projects implemented	7 990 job opportunities created through projects implemented	None	None



2022/2023				
Programme Costs (Rand)	Budget	Other Income	Actual Expenditure	(Over) / Under Expenditure
Administration - Operations	63 706 000		67 421 707	-3 715 707
CAR- Operations	9 032 000		7 174 916	1 857 084
SD & T - IIG	23 534 000		11 786 346	11 747 654
PD&F - CCG	791 144 000		769 459 259	21 684 741
<b>Sub-Total</b>	<b>887 416 000</b>		<b>855 842 228</b>	<b>31 573 772</b>
Other income and Interest received and not budgeted for	-	95 143 121	67 441 326	27 701 795
<b>Total</b>	<b>887 416 000</b>	<b>95 143 121</b>	<b>923 283 554</b>	<b>59 275 567</b>

Table 9: Programme expenditure against budget 2022/23



# PART C

GOVERNANCE

Corporate governance embodies processes and systems by which public entities are directed, controlled, and held to account. In addition to legislative requirements based on a public entity's enabling legislation and the Companies Act, corporate governance with regards to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance. Parliament, the Executive, and the Accounting Authority of the public entity are responsible for corporate governance.

## 1. Portfolio Committees

Parliament exercises its role through evaluating the performance of the public entity by interrogating their annual financial statements and other relevant documents which must be tabled from time to time.

During the 2022/23 financial year, the SHRA presented to the Portfolio Committee of Human Settlements on the following dates:

- 20 April 2022: Briefing to the Committee on the 2023/24 Annual Performance Plan
- 14 October 2022: Briefing to the Committee on the audit outcome for 2021/22

## 2. Executive Authority

Oversight by the Executive Authority rests on the prescripts of the PFMA. The Executive Authority has the power to appoint and dismiss the Council of a public entity.

The Executive Authority must also ensure that the appropriate mix of executive and non-executive directors is appointed and that directors have the necessary skills to guide the public entity. During the 2021/22 financial year, the Executive Authority formalised the SHRA governance structure by appointing a Council of twelve members for a period of three years commencing on 26 November 2021.

During the 2022/23 financial year, quarterly reports were submitted to the Executive Authority within the periods as stipulated by National Treasury.

## 3. The Accounting Authority

The Council is the Accounting Authority of the SHRA. The Council of a public entity constitutes a fundamental base for the application of corporate governance principles in the public entity. All public entities should be headed by and controlled by an effective and efficient Accounting Authority comprising of the appropriate mix of executive and non-executive members representing the necessary skills to strategically guide the public entity. The majority of the Council are made up of non-executive members to ensure independence and objectivity in decision-making. The Council has an absolute responsibility for the performance of the public entity and is fully accountable to the public entity for such performance. The Council should also give strategic direction to the public entity.

The role of the Council is as follows:

- It holds absolute responsibility for the performance of the public entity.
- It retains full and effective control over the public entity.
- It must ensure that the public entity complies with applicable laws, regulations, and government policies.
- It has unrestricted access to information of the public entity.
- It formulates, monitors, and reviews corporate strategy, major plans of action, risk policies, annual budgets, and business plans.
- It ensures that the shareholders' performance objectives are achieved.
- It manages potential conflicts of interest.
- It develops a clear definition of levels of materiality.
- To attend scheduled meetings.
- It ensures financial statements are prepared.

- To appraise the performance of the Chairperson.
- It must ensure effective Council induction.
- It must maintain integrity, responsibility and accountability.

### Council Charter

As recommended by the King Code, the Council has a Charter setting out its responsibilities which is disclosed in its Annual Report. The Council Charter confirms the following:

- The Council's responsibility for the adoption of strategic plans.
- Monitoring of operational performance and management.
- Determination of policy processes to ensure the integrity of the public entity risk management and internal controls.

The Council Charter was reviewed and approved during the 2021/22 financial year. The Council members comply with the provisions of the Charter.

### Composition of the Board

The composition SHRA Council is done in accordance with Section 9 of the Social Housing Act. Council Members are appointed by the Executive Authority and its composition is set out as follows:

#### Non-Executive Council

- Ms Busisiwe Nzo (Chairperson)
- Ms Pulani Thobejane
- Ms Lahlane Malema
- Ms Sanele Sakasa
- Ms Yvonne Deliwe Mbane
- Ms Ayanda Olifant
- Ms Zimbini Hill
- Ms Confidence Tshilande (Resigned 29 September 2022)
- Mr Kevin Kiewitz
- Mr Ashley Latchu
- Mr James Maboja
- Ms Matshidiso Mfikoe (Resigned 03 October 2022)
- Prof. Mandla Radebe (Appointed 20 October 2022)

#### Executive Members

- Mr Sandile Luthuli (Chief Executive Officer)
- Mr Vusi Fakudze (Acting Corporate Services Manager)

The non-executive members of the Council were appointed by the Executive Authority on 26 November 2021. The table below outlines the Council composition during the period of the 2022/23 financial year:

Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorships	Other Committees or Task Teams	No. of meetings attended
Busisiwe Nzo	Council Chairperson	26/11/2021	Current	BSC Quantity Survey; Programme for Leadership Development; Property Development Programme	Built Environment Corporate Governance	Bayworld Museum Gauteng Partnership Fund	Project Development and Funding Committee Social and Ethics Committee	33
Lahlane Malema	Council Member	26/11/2021	Current	B Proc; LLB	Legal Corporate Governance Executive Leadership Compliance Risk Management	SA Forestry Company Ltd (SAFCOL) Ekurhuleni Municipality's Appeals Authority (EMAA) Weskoppies Psychiatric Hospital Momentum Foundation Community Trust (MFCT)	Project Development and Funding Committee Audit and Risk Committee	23
Mandla Radebe	Council Member	20/10/2022	Current	PhD Media studies; Masters (Media and Journalism); BA Honours (Journalism & Media Studies); Bachelor of Science (Statistics & Computer Technology)	Communications Stakeholder Management Strategic Planning Finance	Vaal University of Technology	Audit and Risk Committee Social and ethics Committee	3
Sanele Sakasa	Council Member	26/11/2021	Current	BCom; Honours Statistics; Certification in Investment Analysis and Portfolio Management; Master of Science (Financial Economics); Compliance Certificate (short-term programme); Programme in Short-Term Insurance	Investments Risk Management Economics Compliance Executive Leadership; Ethics management and Strategy	None	Audit and Risk Committee Project Development and Funding Committee	16
James Maboa	Council Member	26/11/2021	Current	BCom Fin; Post Grad Dip in Accounting; Advanced Diploma in Auditing	Finance Auditing Investments Human Resources Corporate Governance Compliance	Nuclear Energy Corporation South Africa (NECSA) Finance and Accounting Services Sector Education and Training Authority (FASSET) University of South Africa (UNISA)	Compliance, Accreditation and Regulations Committee Human Resources and Remuneration Committee	12
Kevin Kiewitz	Council Member	26/11/2021	Current	BA; LLB; LLM	Legal Corporate Governance Executive Leadership	None	Compliance, Accreditation and Regulations Committee Social and Ethics Committee (Chairperson)	19
Matshidiso Mfikoe	Council Member	15/03/2022	03/10/2022	Diploma in Education; Municipal Management; Development Programme; Programme in Public Management; Executive Development Programme	Stakeholder Management Executive Leadership Corporate Governance	None	Compliance, Accreditation and Regulations Committee Social and ethics Committee	7

Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorships	Other Committees or Task Teams	No. of meetings attended
Ashley Latchu	Council Member	26/11/2021	Current	MSc IT, Honours, BSC IT Management Degree	IT Corporate Governance Executive Leadership	The Performing Arts Centre (PACOFs) The National Arts Council (NAC) Tertiary Education and Research Network of South Africa (TENET) William Humphreys Art Gallery (WHAG) Ekurhuleni East TVET College (EEC) Gauteng Industrial Development Zone (GIDZ) Southern African Trust (SAT) Council of the Built Environment (CBE) Mpumalanga Community Education and Training College (MCETC) Edenvale Hospital	Audit and Risk Committee Project Developing and Funding Committee Compliance, Accreditation and Regulations Committee	17
Ayanda Olifant	Council Member	26/11/2021	Current	MBA; Master of Commerce (Economics); BSC Hon in Economics	Finance Investments Human Resources Executive Leadership	Community Schemes Ombud Services Medical Aid Scheme SAB	Compliance Accreditation and Regulations Committee Human Resources and Remuneration Committee	13
Pulani Thobejane	Council Member	26/11/2021	Current	Hon. Degree in Social Sciences; Advanced certificate in labour relations and HR Management	Stakeholder Management Human Resources Executive Leadership	Tshedza Trust City Power	Project Development and Funding Committee (Chairperson) Human Resources and Remuneration Committee Compliance Accreditation and Regulations Committee	12
Yvonne Mbane	Council Member	26/11/2021	Current	MBA; master's Diploma in HR Management; B Ed; BA Psychology; National Teachers Diploma	Organizational Development; Corporate Governance and Administration; Regulatory Compliance	Aids Foundation SA University of Limpopo Council Special Investigation Unit Committee Construction Industry Development Board (CIDB)	Human Resources and Remuneration Committee (Chairperson) Compliance Accreditation and Regulations Committee	13
Confidence Tshilande	Council Member	26/11/2021	29/09/2022	Bachelor of Engineering (Civil Engineering) Master of Engineering (Geotechnical); PrEng (Civil Engineering);	Built Environment Communications	Council Member UJ Aurecom's Limestone	Project Development and Funding Committee Social and ethics Committee	2

Table 10: Council Composition

## Committees

Committee	No. of meetings held	No. of members	Names of members
HUMAN RESOURCES AND REMUNERATION	6	5	<ul style="list-style-type: none"> <li>Ms Y Mbane (Chairperson)</li> <li>Ms A Olifant</li> <li>Mr J Maboja</li> <li>Ms Z Hill</li> <li>Ms P Thobejane</li> </ul>
PROJECT DEVELOPMENT AND FUNDING	9	5	<ul style="list-style-type: none"> <li>Ms P Thobejane (Chairperson)</li> <li>Ms B Nzo</li> <li>Ms L Malema</li> <li>Ms S Sakasa</li> <li>Ms C Tshilande</li> </ul>
SOCIAL AND ETHICS COMMITTEE	5	4	<ul style="list-style-type: none"> <li>Mr K Kiewitz (Chairperson)</li> <li>Ms L Malema</li> <li>Ms B Nzo</li> <li>Ms S Sakasa</li> </ul>
AUDIT AND RISK COMMITTEE	9	6	<ul style="list-style-type: none"> <li>Ms P Sibiya (Chairperson)</li> <li>Ms Z Tshabalala</li> <li>Ms S Sakasa</li> <li>Mr A Latchu</li> <li>Ms L Malema</li> </ul>
COMPLIANCE ACCREDITATION AND REGULATIONS	4	5	<ul style="list-style-type: none"> <li>Mr K Kiewitz (Chairperson)</li> <li>Ms Y Mbane</li> <li>Ms A Olifant</li> <li>Mr A Latchu</li> <li>Ms Z Hill</li> </ul>

Table 11: Committees of Council

## Remuneration of Council Members

The remuneration of the Council members as well as the travel disbursements and subsistence allowances are determined by National Treasury guidelines. Council Members in the employ of the state are not remunerated as per the National Treasury guidelines.

Name	Remuneration	Travel expenses	Other services*	Total
Busisiwe Nzo (Chairperson)	229 452	14 407	151 090	394 949
Ashley Latchu	168 847	2 627	8 247	179 721
Lahlane Malema	193 401	5 064	19 038	217 503
James Maboja	189 656	0	0	189 656
Sanele Sakasa	117 301	940	3 927	122 168
Kevin Kiewitz	144 480	0	8 555	153 035
Yvonne Deliwe Mbane	242 823	4 285	38 932	286 040
Pulani Thobejane	217 159	1 112	50 360	268 631
Zimbini Hill	120 197	191	20 372	140 760
Mandla Radebe	32 376	36	0	32 412
Ayanda Olifant	168 713	621	16 591	185 925
Confidence Tshilande	14 835	153	0	14 987
Matshidiso Mfikoe	83 535	969	2 619	87 123
Zelda Tshabalala*	144 168	-	6 477	150 645
Precious Sibiya*	227 296	-	-	227 296

\* Independent members invited to meetings.

This table should align to the information under page 73 (Section F) of the Audited Council report and displayed as such.

\* relates to special meetings, additional workshops, training, seminars and events attended by members over the period.

Table 12: Council Remuneration (Rand)

## 4. RISK MANAGEMENT

Risk Management within the SHRA is on an ongoing journey directed at realising performance and sustainability through building an optimal risk culture as well as integration of risk management with its planning, performance, and sustainability management programmes.

This journey takes place in a measured and progressive manner over the financial year and in line with available financial and other resources as approved from time to time. For that reason, the essence of the risk implementation plan is to focus on the core priorities of the organisation under conditions of constrained resources. The SHRA hopes to ensure that over time, there is progressive capability building in a manner that builds internal capacity and skills whilst ensuring that all relevant stakeholders are educated on risk management.

The SHRA has an approved risk management policy and strategy which provides guidance on the risk assessment principles and processes. The SHRA conducts regular risk assessments to determine the effectiveness of its risk management strategy and to identify new and emerging risks.

The Audit and Risk Committee reports to Council on the overall system of risk management, especially the mitigation of unacceptable levels of risk; it also advises Council on risk management and independently monitors the effectiveness of the system of risk management. It utilises its risk management plan to monitor progress in the management of risks.

## 5. INTERNAL CONTROL UNIT

The internal audit function, under the oversight of the audit and risk committee, is recognised as an integral part of the governance structure of the organisation.

The internal audit charter is reviewed annually. The charter is in line with the International Internal Audit standards and defines the roles, responsibility, and authority of internal audit, including its role within combined assurance. Updates to the charter are approved by the audit and risk committee.

The internal audit function is independent of management. Management designs and implements the controls that are in place to manage key risks. Internal audit provides assurance over the effectiveness of the internal control environment. The internal audit function is established by the Council and its responsibilities are determined by the audit and risk committee. It is accountable to the committee for assurance over internal controls. Internal Audit is an outsourced function and carries with it the objectivity and authority necessary for internal audit to meet its objectives.

## 6. INTERNAL AUDIT AND AUDIT COMMITTEES

The Audit and Risk Committee is established in terms of best practice, and its primary functions can be summarised as follows:

- To assist the Accounting Authority of the SHRA in fulfilling its oversight responsibility by reviewing:
- financial reports and other financial information provided by the SHRA to any governmental body or the public;
- the SHRA's systems of internal controls regarding finance, accounting, legal compliance, and ethics that have been established;
- the SHRA's IT Strategy, Charter and Governance framework and provide oversight for IT expenditure; and
- the SHRA's auditing, accounting, financial reporting, and general IT processes.

The tabled below discloses relevant information on the audit committee members.



Name	Qualifications	Internal or external	Date appointed	Date resigned	No. of meetings attended
P Sibiya (Chairperson)	Bachelor of Accountancy; Postgraduate Diploma in Accountancy; Part 1 Qualifying Examinations - SAICA; Part 2 Qualifying Examinations - SAICA; Advanced Short Course in Business Rescue Practice	External	18/07/2022	Current	3
Z Tshabalala	Master (MBA); Post Graduate Diploma Business Administration; BCom	External	26/11/2021	Current	5
L Malema	BProc; LLB	External	26/11/2021	Current	5
S Sakasa	BCom; Hounours Statistics; Certification in Investment Analysis and Portfolio Management; Master of Science (Financial Economics); Compliance Certificate (short-term programme); Programme in Short-Term Insurance	External	26/11/2021	Current	4
A Latchu	MSC IT; Honours; BSC IT Management Degree	External	26/11/2021	Current	5
J Maboia	BCom Fin; Post graduate Diploma in Accounting; Advanced Diploma in Auditing	External	26/11/2021	26/01/2023	3

Table 13: Members of the Audit Committee

## 7. COMPLIANCE WITH LAWS AND REGULATIONS

Section 51(1)(h) of the PFMA compels the Council to comply and ensure compliance by the institutions with the provisions of the Act, and other relevant legislative prescripts.

The Audit and Risk Committee reviews the institution's compliance with legal and regulatory provisions. During the 2022/23 financial year the SHRA commenced with the compilation of a compliance universe and prioritised the following legislative prescripts that the SHRA is required to comply with:

- Basic Conditions of Employment Act No. 75 of 1997
- Employment Equity Act No. 55 of 1998
- Housing Act No. 107 of 1997
- Preferential Procurement Policy Framework Act No. 5 of 2000
- Promotion of Access to Information Act No. 2 of 2000
- Promotion of Administrative Justice Act No. 3 of 2000
- Rental Housing Act No. 50 of 1999
- Social Housing Act No. 16 of 2008
- Broad-Based Black Economic Empowerment Act No. 53 of 2003 and 2013 Code
- Public Finance Management Act No. 1 of 1999
- Unemployment Insurance Act No. 63 of 2001
- Occupational Health and Safety Act No. 85 of 1993
- Electronic Communications and Transactions Act No. 25 of 2002
- Labour Relations Act No. 66 of 1995
- Cybercrimes Act No. 19 of 2020

## 8. FRAUD AND CORRUPTION

Good progress has been made with the implementation of a fraud prevention plan and strategy which aims to maximise fraud prevention and enhance good corporate governance practices. The Audit and Risk Committee monitors the implementation of the strategy and plan with regular progress reported to the Council.

Consequence management and disciplinary processes are being improved with regular feedback on the status of disciplinary cases to the Audit and Risk Committee and Council.

In addition to the fraud prevention plan and strategy, the SHRA has a Fraud and Corruption Prevention Policy, as well as a Whistle-Blower policy. Whistle-blowers make use of a dedicated fraud hotline to report allegations of fraud and corruption, these reports are monitored on a quarterly basis by the designated governance structures of the entity.

## 9. MINIMISING CONFLICT OF INTEREST

Council members are required to declare conflicts of interest in relation to particular items of business at the commencement of all Council and Committee meetings, or as soon as the Council member becomes aware of such conflict or potential conflict. Council members are required to recuse themselves from discussions or decisions on matters in which they have a conflict of interest.

Furthermore, Council members and the staff of SHRA are required to confirm their financial, economic, and related party interests. Council members and staff are required to notify the Company Secretary of any significant changes.

## 10. CODE OF CONDUCT

The SHRA has an approved Code of Ethics and Conduct which regulates the conduct and behaviour of SHRA Council, staff, and stakeholders. The SHRA applies its Code of Ethics and Conduct quite firmly, and any breach of the Code is dealt with in line with the applicable policies.

## 11. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The SHRA has an approved Health and Safety policy and has also established a Health and Safety Committee that reports to the Executive Committee on a quarterly basis. The Committee has continued to monitor the COVID-19 statistics during the 2021/22 financial year and has ensured adherence to the applicable regulations whilst they were still in effect.

## 12. COMPANY SECRETARY

The Company Secretary provides professional corporate governance services to the organisation. The Company Secretary ensures that Council procedures, regulations and governance codes are adhered to. As and when it is appropriate, the Company Secretary provides guidance to the Council members on governance, compliance, and their fiduciary responsibilities. The Company Secretary engages regularly with executive management and works closely with the Chairperson.

## 13. SOCIAL RESPONSIBILITY

The Social and Ethics Committee has been established in line with the King IV principles, which set out the ethical commitments and performance that lay the foundation for a socially responsible entity.

## 14. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2023.

## Audit Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 55 (1) (a) of the Public Finance Management Act and Treasury Regulation 27.1 The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## The Effectiveness of Internal Control

The Audit and Risk Committee obtains assurances from management, internal audit and the external auditors on the effectiveness of governance, risk management and internal controls in the areas of financial management, performance management, compliance management and information communication and technology (ICT). Management has made some progress in addressing the internal control deficiencies that have been reported on in the prior years by internal audit and the external audit. Some weaknesses in the system of internal controls remained for the period and were raised with management and the accounting authority.

## Internal Audit

The entity's internal audit function is outsourced and was operational for the entire period under review. The independence of the internal audit was monitored throughout the period. Internal audit follows a risk based approach, which incorporates management's risk assessment. The internal audit plans and reports issued for the period under review were all reviewed by the Adit and Risk committee the ARC is satisfied that some level of assurance was provided by the internal audit function and that it as endeavoured to address the risks pertinent to the entity.

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the entity revealed certain weaknesses, which were then raised with management and the accounting authority. The following internal audit work was undertaken during the year under review:

- Unaudited Financial Statements Compliance Review
- Unaudited Annual Performance Report - 2021/2022
- Quarterly Performance Information (Q4 of 2021/22 & Q1-Q3 of 2022/23),
- Information and Communication Technology - Security Controls Review
- Risk Management
- Sector Development and Transformation - Follow Up Review
- Compliance Accreditation and Regulation
- Project Development and Funding
- Review of the Strategic Plan and Annual Performance Plan
- Supply Chain and Expenditure Management
- Human Capital Management
- Review of Compliance Checklist - Quarter (Q4 of 2021/22, Q1 - Q3 of 2022/23)
- Financial Discipline Review
- Follow Up on External Audit Findings.

The following were areas of concern:

Conclusion of Internal Audit work against the approved Internal Audit Plan. There were several internal delays that affected the timeous conclusion of certain internal audit reviews regarding performance information within the reporting period.

- Management's commitment to addressing audit findings of both internal and external audit.
- Document management to ensure that information is readily available and there is adequate audit trail.

## Risk Management

The audit and risk committee is responsible for oversight of risk management. The accounting authority has adopted a risk management framework, risk management policy and fraud prevention policy for SHRA. The risk management processes are reviewed by internal audit. The audit and risk committee has noted some areas of improvement relating to the maturity of risk management and made recommendations to management to enhance the risk function.

## In-Year Management and Quarterly Report

The entity has submitted quarterly reports to the Executive Authority.

## Evaluation of Financial Statements

The following review were performed by ARC during the financial year under review:

- review and discussion of the audited / unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Chief Executive Officer
- review of the Auditor-General's management report and management's response thereto
- review of any changes in accounting policies and practices
- review of the entity's compliance with legal and regulatory provisions
- review of the information on predetermined objectives to be included in the annual report
- review of any significant adjustments resulting from the audit
- the quality and timeliness of the financial information availed to the audit and risk committee for oversight purposes during the year such as interim financial statements.

## Auditor-General's Report

The Audit and Risk Committee has met with the Auditor-General South Africa to discuss their audit report, to ensure that there are no unresolved issues. We have also reviewed the management responses to the audit issues raised in the AGSA management report and continuous oversight will be exercised to ensure that unresolved findings are adequately addressed.

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved. The Audit and Risk Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

## Appreciation

The Audit and Risk Committee expresses its sincere appreciation to the Accounting Authority, Chief Executive Officer, Management team, Internal Audit and External audit for their co-operation towards us achieving the requirements of our Charter as mandated.



Ms Zelda Tshabalala  
Interim Chairperson of the Audit Committee  
Social Housing Regulatory Authority  
31 August 2023

## 15. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

Has the Department/Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 - 8) with regards to the following:		
Criteria	Response Yes/No	Discussion
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law?	Yes	Specified for accreditation of Social Housing Institutes and Other Delivery Agents in terms of the Social Housing Act.
Developing and implementing a preferential procurement policy?	Yes	Preferential Policy under review to align to the new PPPFA regulations that came into effect on 16 January 2023.
Determining qualification criteria for the sale of state-owned enterprises?	No	No current plans to sell off any assets.
Developing criteria for entering into partnerships with the private sector?	No	Normal procurement processes followed no plans to enter into PPPs.
Determining criteria for the awarding of incentives, grants, and investment schemes in support of Broad-Based Black Economic Empowerment?	No	The SHRA as the regulator does not award grants, incentives, and investment schemes.
Determining criteria for the awarding of incentives, grants, and investment schemes in support of Broad-Based Black Economic Empowerment?	No	The SHRA as the regulator does not award grants, incentives, and investment schemes.

Table 14: B-BBEE Compliance



# PART D



**HUMAN RESOURCE  
MANAGEMENT**

# 1. INTRODUCTION

Human Resources play a key role in helping an organisation achieve its goals and objectives. As such, the SHRA recognises its staff as being fundamental to its overall success.

The SHRA HR Unit supports business through the implementation of the HR Operational Plan in the following areas:

- transformation and diversity;
- organisational culture and values;
- talent acquisition;
- leadership development;
- learning and development;
- remuneration and reward;
- performance management;
- HR policies and procedures;
- staff wellness and engagement; and
- HR statutory compliance and governance.

## Set HR priorities for the year under review and the impact of these priorities

The HR priorities for the year under review were closely linked to the SHRA's strategic and annual performance plans to enable the SHRA to deliver on its mandates.

Changes to the core operating frameworks in the Compliance, Accreditation and Regulation (CAR) programme necessitated a review of the Project Development & Funding (PD&F) framework. Given the inter-related nature of the various changes and HR processes, an Organisational Design (OD) exercise was embarked on in the 2021/22 financial year to determine if the entity is structurally geared to deliver on its mandate and support any motivations for structural amendments. A new fit for purpose structure was approved by Council and recommended to the Minister of Human Settlements for approval. The approval for implementation of the proposed structure is still pending.

The SHRA recognises the importance of having a change management strategy and implementation plan to assist and empower employees (including management) in adapting, managing and controlling change. Given the changes within and around the SHRA, the SHRA has embarked on a change management project to enhance performance of the entity and to ensure that the entity supports the social housing sector as is mandated in the Social Housing Act. The procurement of a suitable change management service provider is still underway. Implementation of the change management strategy and plan will commence in the next financial year.

Apart from the above, other areas of focus in the HR Unit were:

- Executive Leadership has concluded a focused development programme which focused on themes including systemic thinking and problem-solving in a boundaryless world; thinking practices for current realities and a brave new world needs brave new leadership.
- Review of current and development of new HR Policies and Procedures.
- Ensure sound employee relations.
- Continuous coaching, guidance and support on HR policies and procedures.
- Recruitment of critical vacancies.

## Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

The SHRA acknowledges that without our staff we cannot achieve any of our objectives. All recruitment initiatives are therefore focused on ensuring that individuals with the relevant knowledge, experience, qualifications, competencies, and potential are appointed in the SHRA; and ensuring that all recruitment practices are aligned to the relevant legislative requirements and best practices.

During the period under review two critical vacancies, i.e., the Chief Executive Officer (CEO) and the Information and Communication Technology (ICT) Manager have been concluded. A further sixteen (16) positions were filled during this period.

In anticipation of approval of the proposed organisational structure, recruitment for certain vacancies did not take place which resulted in a slightly higher vacancy rate than the previous year.

The SHRA believes that all its employees have the potential to grow, both in their work role and personally, and it shall endeavour to provide opportunities for growth and personal development as far as reasonably possible. It considers it appropriate to base its training and development opportunities on the requirements of the business, and decisions about investment in staff training and development are made accordingly.

The SHRA implemented an approved succession plan for identified critical positions. The succession pool was identified, and development initiatives were implemented.

### Employee performance management framework

The SHRA uses a balanced scorecard approach as a basis for managing performance. This is to ensure that alignment is achieved in terms of the vision, mission and strategy across the whole organisation and the performance behaviours of all employees. Outputs are cascaded from the top down as a direct interpretation of the SHRA strategic plan, the Annual Performance Plan, operational plans, job profiles and the goals that are to be achieved.

Automation of the performance management system was undertaken. This included the performance contracting and review processes. The set-up and training of the system is done, and full implementation is scheduled for the next financial year.

### Employee wellness programmes

The SHRA has appointed a new employee wellness service provider, i.e., Independent Counselling and Advisory Services (ICAS). ICAS is a reputable employee wellness service provider with a national footprint. Their services include counselling, trauma debriefing, emotional support, health support, financial planning support, bereavement and legal support for staff and their dependents.

### Policy development

The SHRA continuously reviews its policies to ensure alignment with applicable legislation and best practices. A total of thirteen (13) HR policies were reviewed during this financial year.

### Highlights and achievements

During the period under review the internal auditors, O.M.A. Chartered Accountants Inc., conducted a full internal audit review on the HR Unit. The outcome of this audit was very positive.

The SHRA has successfully implemented an internship programme to provide graduates with opportunities to gain practical work experience. This programme aims at assisting the interns gaining on-the-job work experience and alleviating some of the high levels of unemployment amongst young graduates in South Africa. A total of fifteen (15) interns were approved for the Internship Programme for the 2022/23 financial year.

### Challenges faced by the public entity

The SHRA CEO position was vacant for approximately two years following the lapse of the former CEO's fixed-term employment contract and a prolonged labour dispute. This contributed to instability in the executive leadership structure as executives were appointed to act in the role. It also resulted in the postponement of recruitment of other senior management vacancies. The new CEO was appointed and commenced service in February 2023.

The operational budget was inadequate to allow for funding for certain key positions. These continued vacancies hindered the SHRA's performance.

The National Treasury guidelines to government departments and public entities on compensation management indicated that entities are expected to not budget for salary increases and performance bonuses. The SHRA has subsequently implemented the directive in accordance with the budgeting guidelines and did not approve a cost-of-living adjustment for 2022/23. This had an impact on staff morale and placed additional economic and financial strain on staff.

### Future HR plans and goals

Human Resources' plans and/or goals for the next financial year are aligned with the SHRA Strategic and Annual Performance Plan. These include current and future projects:



- Implementation of the proposed organisational structure as per the organisational design project.
- Implementation of a change management initiative in support of building a high-performing organisation.
- Development and implementation of training initiatives for middle management.
- Implementation of staff wellness initiatives focusing on opportunities for physical, mental, and financial health and encouraging work/life balance.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

### Personnel related expenditure

Programme	Total expenditure for the entity (R'000)	Personnel expenditure* (R'000)	Personnel expenditure as a % of total expenditure	Number of employees	Average personnel cost per employee** (R'000)
Administration Programme	831 595	17 257	2.08%	22	784.41
Compliance Accreditation and Regulations (CAR) Programme	831 595	9 626	1.16%	11	875.09
Sector Development and Transformation (SD&T) Programme***	831 595	4 781	0.57%	15	318.73
Project Development and Funding (PD&F) Programme	831 595	7 261	0.87%	9	806.78

\* Difference between expenditure above and statement of financial performance relates to Council remuneration, outsourced services through external service providers that are not included on the payroll.

\*\* Represents the number of employees during the year and differs to the actual head count at year end.

\*\*\* The Average personnel cost per employee for Sector Development and Transformation (SD&T) Programme is low because of 11 interns who started in January 2023 who have been included in the calculation.

Table 15: Personnel cost by programme

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee* (R'000)
Top Management	2 754	6.81%	1	2 754
Senior Management	6 419	15.86%	4	1 605
Professional Qualified	16 052	39.66%	18	982
Skilled	12 295	30.38%	22	559
Semi-skilled	1 269	3.14%	5	254
Unskilled	1 680	4%	14	120
<b>Total</b>	<b>40 469</b>			

\* The average personnel cost does not consider employee movements throughout the year.

Table 16: Personnel cost by level

### Performance Rewards

Following the National Treasury guidelines to government departments and public entities on compensation management indicating that entities are expected to not budget for salary increases and performance bonuses as mentioned earlier, the SHRA has not paid any performance rewards during this financial year.

### Learning and Development Expenditure

Programme	Personnel expenditure (R'000)	Learning and Development expenditure (R'000)	Learning and Development expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee
Administration	17 257	75	0.43%	14	5.36
Compliance Accreditation and Regulations	9 626	61	0.63%	4	15.25
Sector Development and Transformation	4 781	46	0.96%	1	46
Project Development and Funding	7 261	39	0.54%	5	7.8

Table 17: Training Costs

## Employment and Vacancies

Programme	2022/23 Approved posts	2022/23 Number of employees	2022/23 Vacancies	% of vacancies
Administration	31	22	9	75%
Compliance Accreditation and Regulations	12	11	1	8%
Sector Development and Transformation	4	4	0	0%
Project Development and Funding	9	7	2	17%
<b>Total</b>	<b>56</b>	<b>44</b>	<b>12</b>	<b>100%</b>

Table 18: Employment and vacancies

Programme	2022/23 Approved posts	2022/23 Number of employees	2022/23 Vacancies	% of vacancies
Top Management	2	1	1	8%
Senior Management	4	3	1	8%
Professional Qualified	21	20	1	8%
Skilled	23	15	8	67%
Semi-skilled	6	5	1	8%
Unskilled	0	0	0	0%
<b>Total</b>	<b>56</b>	<b>44</b>	<b>12</b>	<b>100%</b>

Table 19: Positions by level

A total of 11 interns do not form part of this calculation as it is not part of the approved organisational headcount. CEO recruitment was placed on hold pending the conclusion of a pro longed labour dispute. Subsequently recruitment for other top management and senior management positions was also placed on hold.

## Employment Changes

Turnover rates provide an indication of trends in the employment profile of the public entity.

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	0	1	0	1
Senior Management	3	0	0	3
Professional Qualified	18	3	1	20
Skilled	18	2	5	15
Semi-skilled	5	0	0	5
Unskilled	0	0	0	0
<b>Total</b>	<b>44</b>	<b>6</b>	<b>6</b>	<b>44</b>

Table 20: Employment changes

## Reasons for Staff Leaving

Reason	Number	% of total no. of staff leaving
Resignation	5	75%
Dismissal	1	25%
<b>Total</b>	<b>6</b>	<b>100%</b>

Table 21: Reasons for staff leaving

During the period under review there were five (5) resignations and one (1) dismissal. The majority of resignations were due to career development. As a small entity with a relatively flat organisational structure, career progression opportunities are limited.

## Labour Relations: Misconduct and Disciplinary Action

Nature of disciplinary action	Number
Verbal Warning	1
Written Warning	2
Final Written Warning	0
Dismissal	1

Table 22: Labour relations statistics 2022/23

During the period under review four (4) disciplinary actions were implemented.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	1
Senior Management	1	2	0	0	0	0	1	1
Professional Qualified	4	8	0	1	1	0	0	1
Skilled	4	8	0	0	0	2	0	0
Semi-skilled	2	2	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>12</b>	<b>20</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>3</b>

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	0	0	0	0
Senior Management	1	2	0	0	0	0	0	0
Professional Qualified	9	5	1	1	1	1	1	1
Skilled	9	12	2	2	2	3	0	0
Semi-skilled	2	2	0	0	0	0	1	0
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>21</b>	<b>22</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>1</b>

Levels	Disabled Staff							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0
Professional Qualified	0	0	0	0	1	1	1	1
Skilled	0	0	1	1	2	3	0	0
Semi-skilled	0	0	0	0	0	0	1	0
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>1</b>

Table 23: Employment equity 2022/23



# PART E

PFMA COMPLIANCE  
REPORT

# 1. Irregular, Fruitless and Wasteful Expenditure and Material Losses

According to instruction no. 4 of 2022/23 from the National Treasury's PFMA compliance and reporting framework, unauthorised, irregular, fruitless and wasteful expenditure is outlined in the table below.

Description	2022/23	2021/22
	R'000	R'000
Irregular expenditure confirmed	77 811	R 75 648
Unauthorised expenditure	0	0
Fruitless and wasteful expenditure	0	0
<b>Closing balance</b>	<b>77 811</b>	<b>R 75 648</b>

Table 24: Irregular, fruitless and wasteful expenditure

The SHRA has not incurred any fruitless and wasteful expenditure nor any unauthorised expenditure for the 2022/23 and 2021/22 financial years.

# 2. Late and/or Non-Payment of Suppliers

Description	Number of invoices	Consolidated Value
	R'000	R'000
Valid invoices received	637	35 889
Invoices paid within 30 days or agreed period	572	32 183
Invoices paid after 30 days or agreed period	65	3 706

Table 25: Late payment of suppliers

Approximately 10 per cent of invoices received were paid beyond thirty days. Reasons for late payment stem from invoices being received post close of scheduled payment runs and some invoices being in dispute regarding the associated deliverables.

# 3. Supply Chain Management

## Procurement by other means

For the period under review a total of five projects, given their specific context, were procured by way of single source outlined in the following table.

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract (Rand)
Sage to provide licensing for the Financial System (Sage Evolution)	Sage South Africa (Pty) Ltd.	Single Source	Once-Off	205 723
Licensing for the Risk Management information System (Barnowl)	IDI Technology Solutions	Single Source	Once-Off	44 143
Website repairs	SWM Communications	Single Source	Once-Off	5 089
Reinstalling fingerprint readers and relocation of the camera	Active Motion	Single Source	Once-Off	10 327
Office redesign and partitioning	Growthpoint Management Services	Single Source	Once-Off	193 745
<b>Total</b>				<b>459 027</b>

Table 26: Procurement by other means

## Contract Variations and Expansions

There were no contract variations and expansions.



# PART F



## ANNUAL FINANCIAL STATEMENTS

# SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual financial statements for the year ended 31 March 2023

## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Members</b>	Ms BN Nzo (Chairperson) Ms Z Hill Ms P Thobejane Ms L Malema Ms S Sakasa Ms Y D Mbane Ms A Olifant Mr K Kiewitz Mr A Latchu Mr J Maboja Prof M Radebe
<b>Registered office</b>	3rd Floor Sentinal House Sunnyside Office Park 32 Princess of Wales Terrace Parktown, Johannesburg 2193
<b>Postal address</b>	Postnet Suite 240 Private Bag X 30500 Houghton 2041
<b>Bankers</b>	First National Bank Limited
<b>Auditors</b>	RAiN Chartered Accountants Incorporated Registered Auditors
<b>Company Secretary</b>	Ms C Rahlagane
<b>Preparer</b>	The audited annual financial statements were independently compiled by: RBCA & Associates Chartered Accountants (SA)
<b>Authorised by</b>	Mr V Fakudze Acting Corporate Services Manager

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# REPORT OF THE COUNCIL'S RESPONSIBILITIES

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the audited 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 audited annual financial statements and were given unrestricted access to all financial records and related data.

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

The Council has fulfilled its responsibilities in accordance with section 51 of the Public Finance Management Act and section 11(2)(b) of the Social Housing Act. The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members 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 members are 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 audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the entity's cash flow forecast for the year to 31 March 2024 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

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



**Ms BN Nzo**  
**Chairperson**  
**31 August 2023**

# AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2023.

## 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.

Name of member	Number of meetings attended
Ms P Sibiyi (Independent Chairperson)	5 (Appointed 1 August 2022)
Ms Z Tshabalala (Independent)	9 (Resigned as interim chairperson 31 July 2022 and re-appointed as member)
Ms L Malema	9
Ms S T Sakasa	4
Mr J Maboja	8
Prof M Radebe	1 (Appointed 20 October 2022)
Mr A Latchu	9

## Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 55(1)(a) 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 audited annual financial statements, and the management report of the Auditor-General South Africa, it was

noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations thereof. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

## Evaluation of audited annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, for submission to the external auditors;



**Ms Zelda Tshabalala**  
Interim Chairperson of the Audit Committee  
24 August 2023

# Independent auditor's report to the Parliament on the Social Housing Regulatory Authority

## Report on the audit of the financial statements

### Opinion

1. We have audited the financial statements of the Social Housing Regulatory Authority set out on pages 79 to 106, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. 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 2023, its financial performance and cash flows for the year then ended in accordance with the *Generally Recognised Accounting Practice (GRAP)* and the requirements of the *Public Finance Management Act 1 of 1999 (PFMA)*.

### Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.
4. We are independent of the public entity in accordance with the *Code of professional conduct for auditors* of the Independent Regulatory Board for Auditors (IRBA) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards).
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

6. We draw attention to the matter below. Our opinion is not modified in respect of this matter:  
**National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework**

7. On 23 December 2022 National Treasury issued *Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23* in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure (UIFW expenditure). Among the effects of this framework is that irregular expenditure incurred in previous financial years and not addressed is no longer disclosed in either the annual report or the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 18 to the financial statements. Furthermore, the movements in respect of irregular expenditure are no longer disclosed in the notes to the annual financial statements of the public entity. The disclosure of these movements (e.g., condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now included as part of other information in the annual report. We do not express an opinion on the disclosure of irregular expenditure in the annual report.

### Responsibilities of accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with *Generally Recognised Accounting Practice (GRAP)* and the requirements of the *Public Finance Management Act 1 of 1999 (PFMA)* and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations or has no realistic alternative but to do so.

## Responsibilities of the auditor for the audit of the financial statements

- Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

### Report on the audit of the annual performance report

- In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
- We selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. We selected a programme that measures the public entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Programme	Page numbers	Purpose
Project Development and Funding	38	The purpose is to facilitate the delivery of social housing units through the optimal investment and management of the consolidated capital grant, effective deal-making, partnerships management (provinces, municipalities, other government institutions, funders and financiers), and transformation of the Construction Sector.

- We evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
- We performed procedures to test whether:
  - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
  - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
  - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
  - the reported performance information is presented in the annual performance report in the prescribed manner
  - there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

16. We performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

17. The material finding on the performance information of the selected programme is as follows:

#### Project Development and Funding

##### Percentage of construction spend to enterprises that are majority owned by women

- An achievement of 9% was reported against a target of 40%. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially more than reported. Consequently, it is likely that the achievement against the target was better than reported.

## Other matter

19. We draw attention to the matters below.

### Achievement of planned targets

20. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements. This information should be considered in the context of the material findings on the reported performance information.

21. The public entity plays a key role in delivering services to South Africans. The annual performance report includes the following service delivery achievements against planned targets:

Key service delivery indicators not achieved	Planned target	Reported achievement
<b>Project Development and Funding</b> <i>Targets achieved: 50%</i> <i>Budget spent: 100 %</i>		
Number of social housing units tenanted	3 529 Social housing units tenanted	2 595 social housing units tenanted

Reasons for the underachievement of targets are included in the annual performance report on pages 38.

### Material misstatements

22. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Project Development and Funding. Management did not correct the misstatements and we reported material findings in this regard.

### Report on the audit of compliance with legislation

23. In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

24. We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

25. Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

26. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Annual financial statements

27. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.

Material misstatements of liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were corrected subsequently, resulting in the financial statements receiving an unqualified audit opinion.

### Other information

28. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

29. Our opinion on the financial statements and our findings on the reported performance information and the report on compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.

30. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
31. If based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

#### Internal control deficiencies

32. We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.
33. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the material findings on compliance with legislation included in this report.
34. Matters to be reported:
- Material misstatements were identified in the financial statements, which can be attributed to limited capacity in the quality review process by management to ensure that financial statements comply with the requirements of the relevant GRAP standards.
  - Management did not ensure that the underlying schedules, in supported of the reported performance information, are complete and accurate, which resulted in material misstatements to the annual performance report.

#### Auditor tenure

35. In terms of the IRBA rule published in Government Gazette No. 39475 dated 4 December 2015, we report that RAIN Chartered Accountants has been the auditor of the Social Housing Regulatory Authority for one year.



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RAIN Chartered Accountants Incorporated  
Chartered Accountants (SA)  
Registered Auditor  
Per: I.E. Pierce  
Johannesburg  
22 August 2023

## **Annexure to the auditor's report**

The annexure includes the following:

- the auditor's responsibility for the audit
- the selected legislative requirements for compliance testing.

### **Auditor's responsibility for the audit**

#### **Professional judgement and professional scepticism**

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with selected requirements in key legislation.

#### **Financial statements**

In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### **Communication with those charged with governance**

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 55(1)(a); 55(1)(b); 55(1)(c)(i); Section 56(1); 56(2); Section 57(b); Section 66(3)(c); 66(5)
Preferential Procurement Policy Framework Act 5 of 2000 and regulations and instructions issued in terms of the act.	Section 2.1(a); 2.1(b); 2.1(f)
Practice note 7 of 2009/10	Paragraph 4.1.2
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 8.2.1; 8.2.2 Regulation 16A 6.1; 16A6.2(a) & (b); 16A6.2(e); 16A 6.3(a); 16A 6.3(b); 16A 6.3(c); 16A6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A8.2(1) and (2); 16A 8.3; 16A8.3(d); 16A 8.4; 16A9; 16A9.1 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A9.2; 16A 9.2(a)(ii); 16A9.2(a)(ii) Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Regulation 31.1.2(c); 31.2.5; 31.2.7(a) Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c) Regulation 33.1.1; 33.1.3
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
NT instruction note 4 of 2015/16	Paragraph 3.4
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4(b); 3.9
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
NT SCM Instruction Note 03 2021/22	Paragraph 4.3; 4.4(a); 4.4 (c); 4.4(d) Paragraph 5.4
NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.4(a); 3.3.1
NT instruction note 1 of 2021/22	Paragraph 4.1
Erratum NTI 5 of 2020/21	Paragraph 1 Paragraph 2
Public service regulation	Public service regulation 18; 18 (1) and (2);
PRECCA	Section 34(1)
CIDB Act	Section 18(1)
CIDB Regulations	CIDB regulation 17 & 25(7A)
Social Housing Act no 16 of 2008	All sections applicable



## COUNCIL'S REPORT

The members submit their report for the year ended 31 March 2023.

### 1. Review of activities

#### Main business and operations

The Social Housing Regulatory Authority was established in terms of Section 7 of Chapter 3 of Social Housing Act, 2008 and is also listed as a Schedule 3A public entity in terms of Public Finance Management Act, No. 1 of 1999, as amended, (PFMA). The Council is appointed in terms of Section 9 of the Social Housing Act and 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 the 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 audited 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.

The Social Housing Regulatory Authority is currently working 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 2019-2024, therefore the continued operation of the entity as a going concern is intact for the foreseeable future. In addition, there is no indication from the National Department of Human Settlements to terminate or vary the Medium-Term Strategic Framework approved fund allocation. There are engagements currently underway to address the MTEF funding of the commitments as contained in note 20.

### 3. Subsequent events

The members are not aware of any matter or circumstance arising since the end of the financial year.

### 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. Any instances of potential interest were reported accordingly.

### 5. Accounting policies

The annual financial statements for the year ended 31 March 2023 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.

### 6. Non-current assets

There 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.

**Social Housing Regulatory Authority**  
**Audited Annual Financial Statements for the year ended 31 March 2023**

**7. Council Members**

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

Name	Nationality	Changes
<b>Non-Executive Members Current</b>		
Ms BN Nzo (Chairperson)	South African	
Ms Z Hill	South African	
Mr J Maboja	South African	
Mr A Latchu	South African	
Mr K Kiewitz	South African	
Ms A Olifant	South African	
Ms Y D Mbane	South African	
Ms L Malema	South African	
Ms S Sakasa	South African	
Prof M Radebe	South African	Appointed 20 October 2022
Ms P Thobejane	South African	
<b>Former Members</b>		
Ms C Tshilande	South African	Resigned 29 September 2022
Ms M Mfikoe	South African	Appointed 15 March 2022 and Resigned 3 October 2022
<b>Executive Members</b>		
Mr S Luthuli (Chief Executive Officer)	South African	Appointed 1 February 2023
Mr D Koekemoer (Acting Chief Executive Officer)	South African	Appointed 1 March 2022 to 31 January 2023
Mr V Fakudze (Acting Corporate Services Manager)	South African	Appointed 8 November 2021 to 30 April 2023
<b>Executive Managers</b>		
Mr D Koekemoer (Sector, Development and Transformation Executive)	South African	
Ms MM Nkopane (Compliance, Accreditation and Regulation Executive)	South African	
Mr L Letsoalo (Project, Development and Funding Executive)	South African	
Ms J Phoswa (Acting Sector, Development and Transformation Executive)	South African	Appointed 1 April 2022 to 30 June 2022
Mr J Mofokeng (Acting Sector, Development and Transformation Executive)	South African	Appointed 1 July 2022 to 31 January 2023

**Social Housing Regulatory Authority**  
Audited Annual Financial Statements for the year ended 31 March 2023

8. Council Members and Executive Managers Remuneration

Council Members					
	Meeting fees	Travel expenses	Other services	Total package 2023	Total package 2022
<b>Non-executive Members</b>					
Current Chairperson: Ms BN Nzo	229,452	14,407	151,090	394,949	247,809
Former Chairperson: Ms BO Dlamini	-	-	-	-	68,481
	<b>229,452</b>	<b>14,407</b>	<b>151,090</b>	<b>394,949</b>	<b>316,290</b>

Non-executive Members					
Former Members					
Mr PWW Ximiya	-	-	-	-	94,569
Mr TM Sukazi	-	-	-	-	50,685
Ms R Matenche	-	-	-	-	99,528
Mr O Mabena	-	-	-	-	82,842
Ms L P Shole	-	-	-	-	34,944
Ms C Tshilande	14,835	153	-	14,987	41,411
Ms M Mfikoe	83,535	969	2,619	87,123	-

Current Members					
Ms Z Hill	120,197	191	20,372	140,760	172,214
Ms P Thobejane	217,159	1,112	50,360	268,631	44,832
Ms L Malema	193,401	5,064	19,038	217,503	38,122
Ms S Sakasa	117,301	940	3,927	122,168	33,439
Ms Y D Mbane	242,823	4,285	38,932	286,040	57,155
Ms A Olifant	168,713	621	16,591	185,925	72,370
Mr K Kiewitz	144,480	-	8,555	153,035	43,840
Mr A Latchu	168,847	2,627	8,247	179,721	47,745
Mr J Maboja	189,656	1,716	26,666	218,038	46,685
Prof M Radebe	32,376	36	-	32,412	-

Independent-members invited to meetings					
Ms F Kobo	-	-	-	-	54,782
Ms Z Tshabalala	144,168	-	6,477	150,645	14,130
Ms P Sibiyi	227,296	-	-	227,296	-
	<b>2,064,787</b>	<b>17,714</b>	<b>201,784</b>	<b>2,284,284</b>	<b>1,029,293</b>
	<b>2,294,239</b>	<b>32,121</b>	<b>352,874</b>	<b>2,679,233</b>	<b>1,345,583</b>

**Social Housing Regulatory Authority**  
Audited Annual Financial Statements for the year ended 31 March 2023

Council's Report					
Council Members					
	Salary	Expense allowance	Other benefits received	Total package 2023	Total package 2022
<b>Executive Members</b>					
Acting Chief Executive Officer Mr D Koekemoer	1,714,054	24,500	6,889	1,745,443	1,985,913
Ms MM Nkopane	-	-	-	-	2,154,333
Chief Executive Officer Mr S Luthuli	404,307	7,000	-	411,307	-
Acting Corporate Services Manager Mr V Fakudze	1,836,592	18,000	32,144	1,886,736	1,921,381
Corporate Services Manager Ms A Puoane	-	-	-	-	1,665,501
	<b>3,954,953</b>	<b>49,500</b>	<b>39,033</b>	<b>4,043,486</b>	<b>7,727,128</b>

Executive Managers					
Project Development & Funding Executive Mr L Letsoalo	1,789,257	24,000	478	1,813,735	2,007,178
Sector Development & Transformation Executive D Koekemoer	243,846	4,000	-	247,846	-
Acting Sector Development and Transformation Executive Mr J Mofokeng	598,812	14,000	4,975	617,786	933,378
Acting Sector Development and Transformation Executive Ms J D N Phoswa	225,692	5,000	-	230,692	903,340
Compliance, Accreditation and Regulation Executive: Ms MM Nkopane	1,640,948	24,000	6,541	1,671,489	-
	<b>4,498,555</b>	<b>71,000</b>	<b>11,994</b>	<b>4,581,548</b>	<b>3,843,896</b>
	<b>10,747,747</b>	<b>152,621</b>	<b>403,901</b>	<b>11,304,267</b>	<b>12,916,607</b>

## 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 members as defined in the Code; and
  - executive members.
- Has established a Council continuity programme.

### Chairperson and Chief Executive

The Chairperson of the Council is a non-executive and independent member.

The roles and responsibilities of the Chairperson of the Council and Chief Executive Officer are separate.

### 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 Council, are determined by the Council.

The Non-Executive Council members are remunerated as determined by the Minister in line with National Treasury tariffs.

### Executive 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.

# Social Housing Regulatory Authority

Audited Annual Financial Statements for the year ended 31 March 2023

## Audit and risk committee

The committee's main purpose is to ensure the appropriateness of financial reporting and audit process, and to oversee the maintenance of IT operations and risk management.

## Project Development & Funding Committee

The committee oversees the Social Housing Investment Plan, ensuring adherence and compliance to the Capital Investment Plan and legislated investment criteria.

## Compliance, Accreditation and Regulations Committee

The Committee has strategic responsibility of the Social Housing Regulatory Plan and ensuring compliance with that plan. Furthermore, it has the responsibility of ensuring that there is compliance monitoring of all the reporting entities.

## Human Resources and Remuneration Committee

The Committee has the responsibility to inform and

ensure that management is provided with guidance on the adequacy and efficiency of the human resources policies, procedures and practices applied by the Social Housing Regulatory Authority.

## Social and Ethics Committee

The Committee oversees the Social Housing Regulatory Authority's activities related to sustainable social and economic development, which include the promotion of equality and ethics management.

## 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.

## 10. Council Members

### Ordinary Council Meetings

	Total Number of Ordinary Meetings	Number of Ordinary Meetings Attended
<b>Former Members</b>		
Ms C Tshilande	6	2
Ms M Mfikoe	6	4
<b>Current Members</b>		
Ms BN Nzo (Chairperson)	6	6
Ms Z Hill	6	3
Ms P Thobejane	6	5
Ms L Malema	6	6
Ms S Sakasa	6	5
Ms Y D Mbane	6	5
Ms A Olifant	6	5
Mr K Kiewitz	6	6
Mr A Latchu	6	6
Mr J Maboja	6	5
Prof M Radebe (Appointed 20 October 2022)	6	1
<b>Independent members who attend by invitation</b>		
Ms P Sibiya	6	1
Ms Z Tshabalala	6	2

**Social Housing Regulatory Authority**  
Audited Annual Financial Statements for the year ended 31 March 2023

**Ordinary Human Resources and Remuneration Committee Meetings**

	Total Number of Ordinary Meetings	Number of Ordinary Meetings Attended
<b>Current Members</b>		
Ms Y D Mbane (Chairperson)	4	4
Ms A Olifant	4	3
Ms Z Hill	4	2
Ms P Thobejane	4	2
Mr J Maboja	4	4

**Compliance, Accreditation and Regulations Committee**

	Total Number of Ordinary Meetings	Number of Ordinary Meetings Attended
<b>Former Members</b>		
Mr A Latchu	4	4
Ms C Tshilande	4	0
<b>Current Members</b>		
Mr J Maboja (Chairperson)	4	0
Mr K Kiewitz	4	4
Ms Y D Mbane	4	4
Ms Z Hill	4	1
Ms A Olifant	4	4
Ms M Mfikoe	4	1

**Project, Development and Funding Committee**

	Total Number of Ordinary Meetings	Number of Ordinary Meetings Attended
<b>Former Members</b>		
Ms S Sakasa	6	3
<b>Current Members</b>		
Ms P Thobejane (Chairperson)	6	6
Ms BN Nzo	6	6
Ms L Malema	6	6
Mr A Latchu	6	1

**Social and Ethics Meetings**

	Total Number of Ordinary Meetings	Number of Ordinary Meetings Attended
<b>Former Members</b>		
Ms L Malema (interim arrangement)	4	2
Ms C Tshilande	4	1
Ms M Mfikoe	4	2
<b>Current Members</b>		
Mr K Kiewitz (Chairperson)	4	4
Prof M Radebe	4	1
Ms BN Nzo	4	4
Ms S Sakasa	4	1

**Social Housing Regulatory Authority**  
Audited Annual Financial Statements for the year ended 31 March 2023

**Special Council Meetings**

	Total Number of Special Meetings	Number of Special Meetings Attended
<b>Former Members</b>		
Ms C Tshilande	7	1
Ms M Mfikoe	7	2
<b>Current Members</b>		
Ms BN Nzo (Chairperson)	7	5
Ms Z Hill	7	4
Ms P Thobejane	7	6
Ms L Malema	7	5
Ms S Sakasa	7	1
Ms Y D Mbane	7	5
Ms A Olifant	7	5
Mr K Kiewitz	7	4
Mr A Latchu	7	5
Mr J Maboja	7	5
Prof M Radebe (Appointed 20 October 2022)	7	3
<b>Independent members who attend by invitation</b>		
Ms P Sibiya	3	3
Ms Z Tshabalala	1	1

**Special Human Resources and Remuneration Committee Meetings\***

	Total Number of Special Meetings	Number of Special Meetings Attended
<b>Current Members</b>		
Ms A Olifant (Chairperson)	13	10
Ms Z Hill	13	5
Ms Y D Mbane	13	13
Ms BN Nzo	13	6
Mr J Maboja	13	10
Ms P Thobejane	13	12

\*The number of special meetings were much more than expected due to the additional requirements for meeting in regards to the CEO recruitment process.

**Special Compliance, Accreditation and Regulations Committee Meetings**

	Total Number of Special Meetings	Number of Special Meetings Attended
<b>Former Members</b>		
Mr A Latchu	1	1
Ms C Tshilande	1	1
<b>Current Members</b>		
Mr J Maboja (Chairperson)	1	0
Mr K Kiewitz	1	1
Ms Y D Mbane	1	1
Ms Z Hill	1	1
Ms A Olifant	1	1

**Social Housing Regulatory Authority**  
Audited Annual Financial Statements for the year ended 31 March 2023

**Special Project, Development and Funding Committee Meetings**

	Total Number of Special Meetings	Number of Special Meetings Attended
<b>Former Members</b>		
Ms S Sakasa	2	2
<b>Current Members</b>		
Ms P Thobejane (Chairperson)	2	1
Ms L Malema	2	2
Ms BN Nzo	2	2
Mr A Latchu	2	0

**Special Social and Ethics Meetings**

	Total Number of Special Meetings	Number of Special Meetings Attended
<b>Former Members</b>		
Ms L Malema	4	2
Ms C Tshilande	4	2
Ms M Mfikoe	4	1
<b>Current Members</b>		
Mr K Kiewitz (Chairperson)	4	4
Prof M Radebe	4	1
Ms BN Nzo	4	4
Ms S Sakasa	4	1

Additional workshops, training and seminars was attended during the period under review.

**11. Auditors**

RAiN Chartered Accountants Incorporated was appointed in office as external auditors for the current financial year after approval from Auditor General South Africa. The previous auditors Nexia SAB&T term ended 31 March 2022 due to the 5 year rotation requirement.

**12. Irregular expenditure**

There is irregular expenditure in the current financial year (2023: R77,811,147) (2022: R75,647,531). At the time of reporting for the 2022/23 financial year, there were matters under assessment in line with the Irregular Expenditure Framework as published by the National Treasury. These assessments may result in additional irregular expenditure but the nature and extent at reporting date have not been established. Refer to Note 18 of the Annual Financial Statements

**13. Fruitless and wasteful expenditure**

There is no fruitless and wasteful expenditure identified in current financial year.



## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Note(s)	2023 R	2022 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	1,451,623	1,594,729
Receivables from non-exchange transactions	4	26,724,812	-
Cash and cash equivalents	5	1,240,126,588	1,150,576,943
		<b>1,268,303,023</b>	<b>1,152,171,672</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	4,356,301	5,541,127
Intangible assets	7	3,267,785	3,267,785
		<b>7,624,086</b>	<b>8,808,912</b>
<b>Total Assets</b>		<b>1,275,927,109</b>	<b>1,160,980,584</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	8	299,249	855,635
Payables from exchange transactions	9	30,583,768	3,947,501
Provisions	10	53,333,996	22,304,880
Residential Rent Relief Programme	11	296,492,792	297,930,828
		<b>380,709,805</b>	<b>325,038,844</b>
<b>Total Liabilities</b>		<b>380,709,805</b>	<b>325,038,844</b>
<b>Net Assets</b>		<b>895,217,304</b>	<b>835,941,740</b>
Accumulated surplus		895,217,304	835,941,740
<b>Total Net Assets</b>		<b>895,217,304</b>	<b>835,941,740</b>

## STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 MARCH 2023

	Note(s)	2023 R	2022 Restated* R
Revenue from non-exchange transactions	12	887,416,000	806,119,000
Other income	13	26,952,044	42,212,228
Operating expenses		(76,814,728)	(80,867,278)
Programme costs	16	(846,468,826)	(756,581,355)
<b>Operating (deficit) surplus</b>	14	(8,915,510)	10,882,595
Interest income	15	68,191,077	34,861,758
<b>Surplus for the year</b>		<b>59,275,567</b>	<b>45,744,353</b>

\* See Note 25

## STATEMENT OF CHANGES IN NET ASSETS AS AT 31 MARCH 2023

	Accumulated Surplus R
Opening balance as previously reported	731,993,355
Adjustments	
Prior year adjustments*	58,204,032
	<hr/>
<b>Balance at 01 April 2021 as restated*</b>	<b>790,197,387</b>
Changes in net assets	
Surplus for the year	45,744,353
Total changes	45,744,353
	<hr/>
<b>Restated* Balance at 01 April 2022</b>	<b>835,941,737</b>
Changes in net assets	
Surplus for the year	59,275,567
Total changes	59,275,567
	<hr/>
<b>Balance at 31 March 2023</b>	<b>895,217,304</b>

\* See Note 25

## CASH FLOW STATEMENT AS AT 31 MARCH 2023

### Cash flows from operating activities

	Note(s)	2023 R	2022 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government Grants		887,416,000	806,119,000
Interest income		68,191,077	34,861,758
Other income		221,279	20,794,503
		<b>955,828,356</b>	<b>861,775,261</b>
<b>Payments</b>			
Employee costs		(42,216,043)	(42,377,103)
Programme costs		(786,108,032)	(839,093,616)
Suppliers		(35,674,487)	(37,773,997)
		<b>(863,998,562)</b>	<b>(919,244,716)</b>
<b>Net cash flows from operating activities</b>	<b>17</b>	<b>91,829,794</b>	<b>(57,469,455)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(842,113)	(1,645,034)
<b>Cash flows from financing activities</b>			
Net movement from Residential Rent Relief Programme		(1,438,036)	(2,069,172)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>89,549,645</b>	<b>(61,183,661)</b>
Cash and cash equivalents at the beginning of the year		1,150,576,943	1,211,760,604
Cash and cash equivalents at the end of the year	5	<b>1,240,126,588</b>	<b>1,150,576,943</b>

\* See Note 25

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 31 MARCH 2023

### Budget on Accrual Basis

	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference Note
	R	R	R	R	R	
<b>Statement of Financial Performance Revenue</b>						
Government Grants	887,416,000	-	887,416,000	887,416,000	-	26
Interest received	-	-	-	68,191,077	68,191,077	26
Other income	-	-	-	26,952,044	26,952,044	26
	<b>887,416,000</b>	<b>-</b>	<b>887,416,000</b>	<b>982,559,121</b>	<b>95,143,121</b>	
<b>Expenses</b>						
Compensation of employees	37,293,904	-	37,293,904	36,841,714	(452,190)	26
Council remuneration	1,600,000	-	1,600,000	2,679,234	1,079,234	26
Operating expenses	37,344,096	-	37,344,096	37,293,780	(50,316)	
Programme costs	811,178,000	-	811,178,000	846,468,826	35,290,826	26
<b>Total expenditure</b>	<b>887,416,000</b>	<b>-</b>	<b>887,416,000</b>	<b>923,283,554</b>	<b>35,867,554</b>	
<b>Surplus for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,275,567</b>	<b>-</b>	
<b>Significant operating expenses</b>						
Advertising	700,000	-	700,000	657,183	(42,817)	26
Audit fees	1,614,901	-	1,614,901	1,025,942	(588,959)	26
Computer expenses	2,318,927	-	2,318,927	3,721,948	1,403,021	26
Lease payments	5,110,489	-	5,110,489	4,491,399	(619,090)	26
Legal fees	7,000,000	-	7,000,000	5,763,109	(1,236,891)	26
Professional fees	18,482,625	-	18,482,625	11,288,126	(7,194,499)	26
Travel and subsistence	488,500	-	488,500	2,384,270	1,895,770	26
	<b>35,715,442</b>	<b>-</b>	<b>35,715,442</b>	<b>29,331,977</b>	<b>(6,383,465)</b>	

### Retention of Surpluses

National Treasury has approved the retention surpluses for the 2022 financial year, in terms of section 53(3) of the Public Finance Management Act of 1999, as well as National Treasury Instruction No. 12 of 2020/21.

# Social Housing Regulatory Authority

Audited Annual Financial Statements for the year ended 31 March 2023

## Accounting policies

### 1. Presentation of Audited Annual Financial Statements

The audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including interpretations, guideline and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Public Finance Management Act (Act 1 of 1999).

These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. The financial statements have been rounded to nearest Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these audited annual financial statements, are disclosed below.

#### 1.1 Going concern assumption

These audited annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for the foreseeable future.

#### 1.2 Significant judgements and sources of estimation uncertainty

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

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

Provisions are recognised when the entity has a present legal or constructive obligation as a result of a past

event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated. Provisions are not recognised for future operating losses.

##### Useful lives and residual values of property and equipment and intangible assets

The Social Housing Regulatory Authority'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 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.

##### Other significant judgements

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

#### 1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

Any subsequent expenditure on property, plant and equipment is capitalised when the costs can be estimated reliably and the expenditure increases the economic benefits or service potential of the asset. All other expenditure is expensed.

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Items of property, plant and equipment are depreciated from date it is available for use, on the straight-line basis over their expected useful lives to their estimated residual value.

**Social Housing Regulatory Authority**  
**Audited Annual Financial Statements for the year ended 31 March 2023**  
**Accounting policies**

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	6 - 15 years
Motor vehicles	Straight-line	3 - 6 years
Office equipment	Straight-line	3 - 6 years
IT equipment	Straight-line	3 - 6 years
Leasehold improvements	Straight-line	Lower of useful life and term of lease

The residual value, and the useful life and depreciation method are reviewed when there is an indication that the entities expectation thereof have changed since the previous reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Indicators of reassessment used by management includes assets that are approaching the end of their useful life, planned replacement or refurbishment of assets, technology changes or change in use in asset.

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.

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

#### 1.4 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.

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 expected useful lives. The estimated residual value, the expected 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.

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 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.

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

Social Housing Regulatory Authority  
Audited Annual Financial Statements for the year ended 31 March 2023  
Accounting policies

Item	Depreciation method	Average useful life
Computer software	Straight-line	2 years

Annual license renewals and incidental costs are not capitalised as part of the cost of the intangible assets and are recognised immediately in surplus or deficit when the cost is incurred.

### 1.5 Financial instruments

A financial asset is:

- cash;
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

### 1.6 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.

### 1.7 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.

### 1.8 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees. Vested employee benefits are employee benefits that are not conditional on future employment.

#### 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:

- 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,



# Social Housing Regulatory Authority

Audited Annual Financial Statements for the year ended 31 March 2023

## Accounting policies

the entity recognises 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 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.

### 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 recognises the contribution payable to a defined contribution plan exchange for that service:

- as a liability (accrued expense), after deducting any amount 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 fund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Where contributions to defined contribution plan do not fall 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.

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.

Contingent assets and contingent liabilities are not recognised but are disclosed in the notes to the financial statements.

### 1.10 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments will be measured at the contract value, less any expenditure incurred in the current, and past, financial periods.

Operational commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity - therefore salary commitments relating to

# Social Housing Regulatory Authority

Audited Annual Financial Statements for the year ended 31 March 2023

## Accounting policies

employment contracts or social security benefit commitments are excluded

### 1.11 Revenue from non-exchange transactions

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### 1.12 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulation made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provisionial government.

Irregular expenditure is recognised and disclosed in the financial statements, in accordance with the compliance reporting requirements of National Treasury Instruction 4 of 2022/2023 PFMA Compliance and reporting framework.

### 1.13 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

### 1.14 Budget information

Entity is typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 April 2022 to 31 March 2023.

The budget for the economic entity includes all the entities approved budgets under its control.

The audited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

### 1.15 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.

Social Housing Regulatory Authority  
Audited Annual Financial Statements for the year ended 31 March 2023  
Notes to the audited Annual Financial Statements

	2023 R	2022 R
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## 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 2023 or later periods:

Standard/ Interpretation	Effective Date: Years Beginning on or After	Expected Impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	To be determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020 01 April 2023	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

## 3. Receivables from exchange transactions

	2023 R	2022 R
Prepayments	370,926	519,185
Deposits	1,048,178	1,069,701
Sundry receivables	32,519	5,843
	<b>1,451,623</b>	<b>1,594,729</b>

Other non-financial asset receivables included in receivables from exchange transactions above are as follows:

	2023 R	2022 R
Prepayments	370,926	519,185
Financial asset receivables included in receivables from exchange transactions above	1,080,697	1,075,544
Total receivables from exchange transactions	1,451,623	1,594,729

### Deposits

Deposits relate to rental deposit on the premises occupied.

### Trade and other receivables pledged as security

No receivables were pledged as security.

## 4. Receivables from non-exchange transactions

### Consolidated Capital Grant Recoveries

	2023 R	2022 R
Consolidated Capital Grant Recoverables	26,724,812	-

Social Housing Regulatory Authority  
 Audited Annual Financial Statements for the year ended 31 March 2023  
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	2023 R	2022 R
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**Consolidated Capital Grant Recoverables**

This was not a receivable in the normal course of business. It arose originally through the court order to recover disbursements historically made to the SHIP 8B - TBGI Holdings (Pty) Ltd - Soweto City.

**5. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	1,492	1,354
Bank balances	394,794,708	346,959,321
Call accounts	845,330,388	803,582,864
Debit cards	-	33,404
	<b>1,240,126,588</b>	<b>1,150,576,943</b>

**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 counterparty default rates:

**Credit rating**

<b>Ba1 - First National Bank (Moody's Rating)</b>	<b>1,240,126,588</b>	<b>1,150,576,943</b>
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In line with a National Treasury directive, the entity will place a significant portion of these funds with the Corporation for Public Deposits of the South African Reserve Bank.

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	2023 R	2022 R
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## 6. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2,461,281	(1,009,549)	1,451,732	2,448,721	(788,034)	1,660,687
IT equipment	4,031,674	(1,867,974)	2,163,700	3,489,122	(1,418,246)	2,070,876
Leasehold improvements	5,368,258	(4,740,072)	628,186	5,363,301	(3,666,420)	1,696,881
Motor vehicle	357,719	(250,403)	107,316	357,719	(250,403)	107,316
Office equipment	53,663	(48,296)	5,367	53,663	(48,296)	5,367
<b>Total</b>	<b>12,272,595</b>	<b>(7,916,294)</b>	<b>4,356,301</b>	<b>11,712,526</b>	<b>(6,171,399)</b>	<b>5,541,127</b>

### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Impairment loss	Total
Furniture and fixtures	1,660,687	12,560	(221,515)	-	1,451,732
IT equipment	2,070,876	824,596	(648,234)	(83,538)	2,163,700
Leasehold improvements	1,696,881	4,957	(1,073,652)	-	628,186
Motor vehicle	107,316	-	-	-	107,316
Office equipment	5,367	-	-	-	5,367
	<b>5,541,127</b>	<b>842,113</b>	<b>(1,943,401)</b>	<b>(83,538)</b>	<b>4,356,301</b>

### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Impairment loss	Total
Furniture and fixtures	1,883,113	6,045	(226,669)	(1,802)	1,660,687
IT equipment	1,384,083	1,397,595	(559,265)	(151,537)	2,070,876
Leasehold improvements	2,528,147	241,394	(1,072,660)	-	1,696,881
Motor vehicle	107,316	-	-	-	107,316
Office equipment	64,124	-	-	(58,757)	5,367
	<b>5,966,783</b>	<b>1,645,034</b>	<b>(1,858,594)</b>	<b>(212,096)</b>	<b>5,541,127</b>

#### Other information

Repairs and maintenance incurred relating to property, plant and equipment is R129,651: 2022 (R71,042)

#### Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Motor vehicles	107,316	107,316
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	2023 R	2022 R
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## 7. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,572,138	(1,304,353)	3,267,785	4,572,138	(1,304,353)	3,267,785

### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	3,267,785	-	3,267,785

### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	3,291,720	(23,935)	3,267,785

## Other information

The computer software is currently in the development phase and has not been brought into use as yet.

	2023 R	2022 R
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## 8. Operating lease liability

Current liabilities - Premises	299,249	855,635
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The operating lease liability relate to the rental of premises of the entity which have been negotiated for a 5 year period commencing 01 September 2018 with a yearly increase of 8.5%. The terms of the rental agreement do not include a renewal or purchase option.

## 9. Payables from exchange transactions

Trade payables	-	4,637
Accrued expenses	28,421,665	1,695,228
Accrued leave pay	2,152,640	2,242,493
Corporate Card	9,463	5,143
	30,583,768	3,947,501

Social Housing Regulatory Authority settled majority of creditors before year end. Payables are settled on invoice or 30 day terms.

Accrued expenses in the current year comprise mainly of programme costs. The comparative figure includes only operational costs.

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	2023 R	2022 R
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## 10. Provisions

### Reconciliation of provisions - 2023

			2023 R	2022 R
	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	2,481,201	-	(2,481,201)	-
Interest earned capitalisation	19,823,679	67,441,328	(33,931,011)	53,333,996
	<b>22,304,880</b>	<b>67,441,328</b>	<b>(36,412,212)</b>	<b>53,333,996</b>

### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	2,979,431	2,227,524	(2,725,754)	2,481,201
Interest earned capitalisation	21,660,719	3,746,820	(5,583,860)	19,823,679
	<b>24,640,150</b>	<b>5,974,344</b>	<b>(8,309,614)</b>	<b>22,304,880</b>

The bonus is a short-term performance incentive determined according to the approved remuneration and performance management policies. The payment of this incentives is considered subsequent to the audit processes in the period of September, annually.

The interest earned capitalisation constitutes of interest earned on various project bank sub-accounts held by the Social Housing Regulatory Authority over the years. In terms of the capital grant contracts and policies, the Social Housing Regulatory Authority may at its discretion, approve use of interest on capital grants for project enhancements. Any unutilised interest will be recognised as revenue in future, but the basic principle of this provision is to re-invest interest back into the social housing sector to improve quality and sustainability.

## 11. Residential Rent Relief Programme

Balance at the beginning of the year	297,930,828	300,000,000
Disbursements during the year	(1,438,036)	(2,069,172)
	<b>296,492,792</b>	<b>297,930,828</b>

The Residential Rent Relief Programme was developed by the National Department of Human Settlements in order to cater for low-income earners. The intent of the Rent Relief Programme is to provide temporary financial relief to residential low-income tenants and landlords, in circumstances where tenants have been unable and are unable to meet their rental obligations as consequence of financial distress associated with the COVID-19 lockdown.

The Residential Rent Relief Programme is not a permanent grant and serves the purpose of protecting the long-term sustainability of the Social Housing Programme so that achievement of the policy objectives of this Programme is not undermined.

## 12. Revenue from non-exchange transactions

Transfer payments	72,738,000	70,248,000
Institutional investment grant	23,534,000	22,725,000
Consolidated capital grant	791,144,000	713,146,000
	<b>887,416,000</b>	<b>806,119,000</b>

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	2023 R	2022 R
<b>13. Other income</b>		
Non-exchange other income		
Consolidated Capital Grant recoveries	26,724,812	-
Exchange other income		
Impairment Recovery	-	166,821
Recalled Grant Fund	-	41,912,791
SETA fund recoveries	124,830	73,253
Staff Recoveries	102,402	59,363
	<b>26,952,044</b>	<b>42,212,228</b>

**14. Operating surplus (deficit)**

Operating (deficit) surplus for the year is stated after accounting for the following:

	Notes	2023 R	2022 R
<b>Operating lease charges</b>			
Premises			
• Straight lined amounts		4,366,093	4,374,309
Equipment			
• Contractual amounts		125,306	161,192
		<b>4,491,399</b>	<b>4,535,501</b>
Depreciation and amortisation on property, plant and equipment	6	1,943,401	1,882,529
Employee costs		39,520,949	42,228,019
External and internal audit fee		1,025,942	1,500,971
Programme costs	16	846,468,826	756,581,363
Repairs and maintenance		129,651	71,042

**15. Interest income**

Interest earned - Bank		68,191,077	34,861,758
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			2023 R	2022 R
<b>16. Programme costs</b>				
Province/Institution	Project	Programme	2023	2022
<b>Eastern Cape Province</b>				
Imizi Housing Utility NPC	John Str	SHIP 9D	7,280,748	3,962,641
<b>North West Province</b>				
Bokone Social Housing	Tlhabane West	SHIP 11B	5,109,009	17,427,710
Instratin Properties (Pty) Ltd	Flamwood	SHIP 5A	2,662,903	-
			<b>7,771,912</b>	<b>17,427,710</b>
<b>Gauteng Province</b>				
Arrow Creek Investments 25 (Pty) Ltd	Mogale Junction	SHIP 7D	9,658,616	-
Instratin Properties (Pty) Ltd	Carnival City	SHIP 8B	2,856,021	6,692,501
Instratin Properties (Pty) Ltd	Devland Ext 36	SHIP 5A	2,150,306	-
Instratin Properties (Pty) Ltd	Little Manhattan	SHIP 9E	-	711,934
Kertrade 24 (Pty) Ltd	Madison Loft	SHIP 9F	-	10,487,621
LetsCare South Africa NPC	Sondela Village Phase 1	SHIP 9C	-	972,082
The Housing Hub (Pty) Ltd	Mohlakeng	SHIP 9A	26,620,727	19,495,641
Toro Property Management NPC	GaRankuwa	SHIP 8D	109,956,781	97,747,658
YG Property (Pty) Ltd	Kempton Village	SHIP 9A	248,510	683,401
Castle Crest Properties 80 (Pty) Ltd	Joes Place	SHIP 10A	-	13,593
Lets Care South Africa NPC	Sondela Village Phase 2	SHIP 10C	4,184,418	41,057,146
Ekurhuleni Housing Company (Pty) Ltd	Clayville	SHIP 9C	-	19,202,593
GNI Social Housing (Pty) Ltd	Unity House	SHIP 10B	2,597,462	18,652,259
YG Property (Pty) Ltd	Kempton Towers	SHIP 11B	14,437,858	46,586,754
JIDMAC Social Housing (Pty) Ltd	Fotchville	SHIP 10C	5,085,272	64,310,493
Ekurhuleni Housing Company (Pty) Ltd	Delville	SHIP 6A	412,436	9,213,860
JOSHCO (Pty) Ltd	Devland	SHIP 6A	-	10,146,610
Housing Company Tshwane	Townlands Phase 1	SHIP 7C	3,761,581	73,281,436
Housing Company Tshwane	Townlands Phase 2	SHIP 7C	2,769,832	-
Ekurhuleni Housing Company (Pty) Ltd	Germiston Firestation PH 2	SHIP 11D	-	8,248,608
Housing Company Tshwane NPC	Townlands PH2	SHIP 7C	-	27,144,135
Instratin Properties (Pty) Ltd	Midrand Heights	SHIP 12A	-	16,583,887
JIDMAC Social Housing NPC	Fochville EXT 8	SHIP 11B	2,052,247	62,628,156
Kenso (Pty) Ltd	Hillside	SHIP 8D	-	47,000,000
Azaad Aswat	Boston House	SHIP 12B	21,042,506	-
Grand Central Towers	Bridgeport No 105	SHIP 12B	148,181,879	-
SA Corporate Real Estate	North Park Mall	SHIP12A	34,260,000	-
JOSHCO (Pty) Ltd	Plein Street	SHIP 6A	4,934,904	-
JOSHCO (Pty) Ltd	Turfontein	SHIP 6A	13,476,730	-
			<b>408,688,086</b>	<b>580,860,368</b>
<b>Mpumalanga Province</b>				
Steve Tshwete Housing Association NPC	Hope City	SHP 9C	-	1,646,495
Govan Mbeki Housing Association NPC	Kwandokuhle	SHIP 10D	14,671,915	-
			<b>14,671,915</b>	<b>1,646,495</b>

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			2023	2022
			R	R
<b>16. Programme costs (continued)</b>				
<b>Kwa-Zulu Natal Province</b>				
Buhlebezwe Property NPC	Hospital Street	SHIP 10A	106,920,854	10,332,204
Instratin Properties (Pty) Ltd	Bridge City	SHIP 9F	63,637,487	8,699,791
Crowie Property Group	Bridge City	SHIP11D	6,075,695	-
			<b>176,634,036</b>	<b>19,031,995</b>
<b>Western Cape Province</b>				
Communicare NPC	Bothasig	SHIP 9E	3,894,604	2,523,551
Community Housing Services NPC	Goodwood	SHIP 8B	46,988,519	771,262
Povicom NPC	Regent Villa	SHIP 8D	-	1,146,942
Urban Status Rentals NPC	The Block (Glenhaven)	SHIP 5A	-	5,833,429
Own Haven Housing Association NPC	Conradie	SHIP 10C	12,488,377	82,665,084
Madulammoho	Maitland Mews	SHIP 11B	47,782,589	13,243,219
Povicom NPC	Regent Villa	SHIP 10B	5,676,053	10,043,629
Instratin Properties (Pty) Ltd	Mountain Ridge Gardens	SHIP 12A	19,582,426	-
			<b>136,412,568</b>	<b>116,227,116</b>
<b>Northern Cape Province</b>				
South Africa Swedish International Housing Company	Hull Street	SHIP 10C	17,999,994	5,634,398
<b>Programme costs - interest earned</b>			-	-
<b>Total Consolidated Capital Grants</b>			<b>836,900,585</b>	<b>748,537,544</b>
<b>Institutional Investment Grants</b>				
General Capacitation Grant			8,477,917	7,355,156
Project Feasibility Grant			904,220	-
Staff Gear-up Grant			186,104	688,655
			<b>9,568,241</b>	<b>8,043,811</b>
<b>Total Grants</b>			<b>846,468,826</b>	<b>756,581,355</b>

### Consolidated Capital Grants

These programme costs relate to capital grants to social housing in accordance with the relevant investment criteria.

### Institutional Investment Grants

These programme costs relate to the following:

- Gearing up staff in accredited and conditionally accredited institutions
- Providing financial support for the preparation of project proposals and obtaining approval
- Providing financial support for the preparation and submission of proposals for accreditation and increasing accreditation status
- Ad-hoc grants linked to institutional business planning and other programme related support grants

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	2023 R	2022 R
<b>17. Cash generated from (used in) operations</b>		
Surplus	59,275,567	45,744,353
<b>Adjustments for:</b>		
Depreciation and amortisation	1,943,401	1,882,529
Impairments	83,539	212,096
Movements in operating lease assets and accruals	(556,386)	(180,712)
Movements in provisions	31,029,112	(2,335,270)
Recalled Grant Fund	-	(41,912,791)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	143,106	97,307
Other receivables from non-exchange transactions	(26,724,812)	20,390,108
Payables from exchange transactions	26,636,267	(81,367,075)
	<b>91,829,794</b>	<b>(57,469,455)</b>

**18. Irregular expenditure**

Irregular Expenditure	77,811,147	75,647,531
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The irregular expenditure in the current year relates to:

Irregular expenditure resulting from non-compliance to Section 9 of the Social Housing Act, 2008 (Act No.16 of 2008). The irregular expenditure is a consequence of transactions being processed following resolutions taken by the Interim Council with regards to CCG project approvals and ensuing disbursements, payroll related approvals remuneration paid, and other costs incurred for the Interim Council.

The Council has ratified these resolutions on the 26 January 2023, whereafter there is no more additional irregular expenditure on the contracts which was previously approved by the interim Council. Approval for condonation of the irregular expenditure will be requested from National Treasury in the following financial period.

**19. Contingencies**

**Contingent assets**

The Social Housing Regulatory Authority deems it necessary to disclose contingent assets in respect of the following transactions:

**Toproot Property Management (Pty) Ltd - Riverlea - SHIP 4B and SHIP 9C**

A total amount of R9,755,865 has been paid in terms of a consolidated capital grant agreement. This amount was utilized by Toproot to pay its supplier, Valumax, who was both the developer and land owner to the project. Toproot instituted legal proceedings against Valumax to recover the amount as a result of breach of contract by Valumax which resulted in the collapse of the project. The recoverability of the amount by the Social Housing Regulatory Authority is dependent on the outcome of the court case between Toproot and Valumax. The SHRA is currently engaging with the stakeholders to revive the project and to implement the project through another Social Housing Institution.

**Housing Authority of East London (HAEL)**

HAEL's contract was cancelled in April 2020 due to non-performance. An amount of R8,009,699 was previously disbursed. Legal proceedings to recover the R8 009 699 with interest in respect of phase 3 and in addition to obtain the compliance. Records in respect of phases 1 and 2, has commenced. HAEI is opposing the application.

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**Manapendlo Social Housing Institution NPC**

The SHRA is taking the strategy of recovering the funds R10 798 385 from Manapendlo for failure to meet FC. This approach would require the appointment of attorneys and making an application in court. The grant recipient has since been placed under business rescue and the SHRA is bringing an application in court to uplift the business rescue and recover the funds. Once the transfer is finalised the SHRA identifies will identify an alternate delivery agent to take over the project.

**Hlalanathi Social Housing Association NPC**

The Restructuring Consolidated Grant was cancelled due to failure to meet financial closure. An amount of R28,000,552 was previously disbursed. This matter has been referred for Arbitration to recover the disbursed funds. The intention is to deliver this project via an alternate delivery agent. The pre arbitration took place on 9 May 2023 and the arbitration dates is still to be agreed on.

**Contingent Liability**

In terms of section 53(3) of the PFMA, and in terms of Treasury Instruction 12 of 2020/2021, a public entity may not accumulate surplus funds without approval from the National Treasury. Approval for the 2023 financial year will only be obtained after finalisation of the 2023 audit. National Treasury has previously approved the accumulation of surpluses, and there is no indication that the retention will not be allowed for the 2023 surpluses as well.

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	2023 R	2022 R
<b>20. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Consolidated Capital Grant	2,328,932,198	3,364,296,071
• Provincial Institutional Grant	41,156,679	69,988,439
	<b>2,370,088,877</b>	<b>3,434,284,510</b>
<b>Not yet contracted for and authorised by members</b>		
• Consolidated Capital Grant	1,026,489,687	-
<b>Total capital commitments</b>		
Already contracted for but not provided for	2,370,088,877	3,434,284,510
Not yet contracted for and authorised by members	1,026,489,687	-
	<b>3,396,578,564</b>	<b>3,434,284,510</b>
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• 21 Century Pay Solutions Group (Pty) Ltd	258,546	396,201
• ABMI Research Institute	-	255,600
• Alcari Consulting	(35,544)	200,025
• Architecture Fabrik	149,500	149,500
• Arie Diephout	78,000	-
• Audit and Risk Management Solutions	-	483,000
• Basadi Integrated Development Specialists CC	-	431,188
• Black Icon Designs	202,320	-
• Boldmoves63 (Pty) Ltd	-	122,544
• Cadre Connect (Pty) Ltd	217,811	-
• Continuity SA (Pty) Ltd	-	175,088
• Deep Black	105,000	363,500
• Deloitte Tip-offs Anonymous	246,930	-
• Delta Built Environment Consultants	198,300	89,625
• Demacon Reasearch and Projects (Pty) Ltd	73,830	-
• Diale Mogashoa Incorporated	543,657	-
• Ditshaba Management Holdings (Pty) Ltd	579,667	-
• Dynafrica IT Solutions	352,638	518,724
• Eloshiba Capital (Pty) Ltd	-	284,447
• Fisha Attorneys	2,956,928	-
• HLT Advisory (Pty) Ltd t/a Africa International Advisors	653,186	-
• ICAS Southern Africa (Pty) Ltd	193,022	-
• Ikatane ICT	-	1,282,998
• Impact Institute Consultancy Services (Pty) Ltd	562,551	-
• Isilumko Staffing	202,400	-
• JEC Technologies Group (Pty) Ltd	16,905	3,077,054
• Konica Minolta	688,282	-
• Kuhle Solutions and Development Services CC	-	348,968
• Learning Strategies (Pty) Ltd	369,593	-
• Lenakamo Projects (Pty) Ltd	25,070	25,070
• Merchelles Collective (Pty) Ltd	100,000	-

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	2023 R	2022 R
<b>20. Commitments (continued)</b>		
• Mintirho Development Services	-	412,850
• M-JNR and Olwethu Consulting	550,551	-
• NASHO	294,300	539,310
• Nestle (South Africa) Pty Ltd	262,951	272,342
• Nexia SAB & T Chartered Accountants Incorporated'	-	2,080,001
• nVisionIT (Pty) Ltd	-	2,893,179
• OMA Chartered Accountants	1,959,256	-
• PnD Academy of Learning	108,000	-
• Purple Growth Training and Executive Coaching (Pty) Ltd	61,525	-
• Pureau Fresh Water Company	111,110	-
• Quest Research Services (Pty) Ltd	247,825	-
• Rain Chartered Accountants Inc	3,894,826	40,457
• Ramokgadi Trading 261 (Pty) Ltd	54,003	-
• RBCA and Associates Inc	582,404	-
• SS Mthethwa Accountants and Consulting Services	527,000	-
• Tahiri Trading (Pty) Ltd	129,100	-
• TechEmpire	430,428	-
• The Document Warehouse (Pty) Ltd	64,003	86,459
• Urban-Econ	-	201,352
• Urban Studies	150,000	-
• Victorious Group Inc	(35,544)	-
• Warrior Talent Holdings (Pty) Ltd	(114,607)	-
• Zutari	280,901	-
	<b>18,296,624</b>	<b>14,729,482</b>
<b>Total operational commitments</b>		
Already contracted for but not provided for	18,296,624	14,729,482

This commitments relates to the contractual arrangement on items that meet project milestones in the investment programme related to social housing projects and disbursements will be from will be existing cash resources, retained surpluses and future MTEF budget allocations.

**Operating leases - as lessee (expense)**

<b>Minimum lease payments due</b>		
- within one year	2,065,487	4,795,357
- in second to fifth year inclusive	-	2,065,487
	<b>2,065,487</b>	<b>6,860,844</b>

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 a escalation of 8.5% per year (2022: 8.5%). No contingent rent is payable.

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Audited Annual Financial Statements for the year ended 31 March 2023  
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	2023 R	2022 R
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## 21. Related parties

Relationships

Controlling entity National Department of Human Settlements

### Related party transactions

#### Revenue received from related parties

	2023 R	2022 R
National Department of Human Settlements	887,416,000	806,119,000

### Remuneration of management

#### Executive Management Remuneration 2023

	Basic salary	Expense allowances	Other benefits received	Total
<b>Name</b>				
Acting Chief Executive Officer: Mr D Koekemoer	1,714,054	24,500	6,889	1,745,443
Chief Executive Officer: Mr S Luthuli	404,307	7,000	-	411,307
Acting Corporate Services Manager: Mr V Fakudze	1,836,592	18,000	32,144	1,886,736
	<b>3,954,953</b>	<b>49,500</b>	<b>39,033</b>	<b>4,043,486</b>

#### Executive Management Remuneration 2022

	Basic salary	Bonuses and performance related payments	Expense allowances	Other benefits received	Total
<b>Name</b>					
Acting Chief Executive Officer: Mr D Koekemoer	1,726,120	148,812	24,000	86,981	1,985,913
Acting Chief Executive Officer: Ms MM Nkopane	1,842,915	189,461	44,000	77,957	2,154,333
Corporate Services Manager: Ms A Puoane	1,366,541	211,405	10,500	77,055	1,665,501
Acting Corporate Services Manager: Mr V Fakudze	1,624,949	185,227	14,000	97,205	1,921,381
	<b>6,560,525</b>	<b>734,905</b>	<b>92,500</b>	<b>339,198</b>	<b>7,727,128</b>

#### Executive managers 2023

	Basic salary	Other short-term employee benefits	Other short-received	Total
<b>Name</b>				
Compliance, Accreditation and Regulation Executive: Ms MM Nkopane	1,640,948	24,000	6,541	1,671,489
Sector Development & Transformation Executive: Mr D Koekemoer	243,846	4,000	-	247,846
Acting Sector Development & Transformation Executive: Ms J D N Phoswa	225,692	5,000	-	230,692
Project Development & Funding Executive: Mr L Letsoalo	1,789,257	24,000	478	1,813,735
Acting Sector Development & Transformation Executive: Mr J Mofokeng	598,812	14,000	4,975	617,787
	<b>4,498,555</b>	<b>71,000</b>	<b>11,994</b>	<b>4,581,549</b>

Social Housing Regulatory Authority  
Audited Annual Financial Statements for the year ended 31 March 2023  
Notes to the audited Annual Financial Statements

	2023 R	2022 R
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Remuneration of management (continued)

Executive managers 2022					
	Basic salary	Bonuses and performance related payments	Expense allowance	Other benefits received	Total
<b>Name</b>					
Acting Sector Development & Transformation Executive: Ms J D N Phoswa	784,495	82,275	4,000	32,570	903,340
Project Development & Funding Executive: Mr L Letsoalo	1,668,961	208,814	24,000	105,403	2,007,178
Acting Sector Development & Transformation Executive: Mr J Mofokeng	806,533	82,275	12,000	32,570	933,378
	<b>3,259,989</b>	<b>373,364</b>	<b>40,000</b>	<b>170,543</b>	<b>3,843,896</b>

22. Financial instruments disclosure

Categories of financial instruments 2023

Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	1,080,697	1,080,697
Receivables from non-exchange transactions	26,724,812	26,724,812
Cash and cash equivalents	1,240,126,588	1,240,126,588
	<b>1,267,932,097</b>	<b>1,267,932,097</b>

Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	30,583,768	30,583,768

2022

Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	1,075,544	1,075,544
Cash and cash equivalents	1,150,576,943	1,150,576,943
	<b>1,151,652,487</b>	<b>1,151,652,487</b>

Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	3,947,501	3,947,501



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	2023 R	2022 R
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### 23. Risk management

#### Financial risk management

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

#### 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 abnormal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation. The entity manages liquidity risk through an ongoing review of future commitments and cash flows.

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 2023	Less than 1 year	Total
Payables from exchange transactions	30,583,678	30,583,678
At 31 March 2022	Less than 1 year	Total
Payables from exchange transactions	3,947,501	3,947,501

#### Credit risk

Credit risk consists mainly of cash deposits and cash equivalents. 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 surplus (deficit) from nonperformance by these counterparties.

Financial assets exposed to credit risk at year end were as follows:

	2023	2022
<b>Financial instrument</b>		
Cash and cash equivalents	1,240,126,588	1,150,576,943
Receivables from exchange transactions	1,080,697	1,075,544
Receivables from non-exchange transactions	26,724,812	-

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Market risk

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 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.

The entity managed the market interest rate 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.

24. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of five major functional areas: Consolidated Capital Grant, Operational Grant, Institutional Grant, Regulations and Residential Rent Relief Programme. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. All operations are centralised.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Segment surplus or deficit, assets and liabilities 2023						
	Consolidated Capital Grant	Operational Grant	Institutional Investment Grant	Regulations	Residential Rent Relief Programme	Total
<b>Revenue</b>						
Grants received	791,144,000	63,706,000	23,534,000	9,032,000	-	887,416,000
Interest income	47,077,790	4,484,319	-	-	16,628,968	68,191,077
Other income	26,724,812	227,232	-	-	-	26,952,044
<b>Total segment revenue</b>	<b>864,946,602</b>	<b>68,417,551</b>	<b>23,534,000</b>	<b>9,032,000</b>	<b>16,628,968</b>	<b>982,559,121</b>
<b>Entity's revenue</b>						<b>982,559,121</b>
<b>Expenditure</b>						
Advertising	-	506,739	-	150,444	-	657,183
Audit fees	-	1,025,942	-	-	-	1,025,942
Bank Charges	-	38,927	-	-	-	38,927
Professional fees	-	5,175,417	-	6,112,709	-	11,288,126
Employee costs	-	39,185,461	335,487	-	-	39,520,948
Programme costs	836,900,585	-	9,568,241	-	-	846,468,826
Lease rentals on operating lease	-	4,491,399	-	-	-	4,491,399
Legal expenses	-	5,193,645	-	569,464	-	5,763,109
Training and workshops	-	987,526	1,264,242	64,740	-	2,316,508
Travel	-	1,558,812	561,894	263,564	-	2,384,270
Other expenses	-	9,257,839	56,482	13,995	-	9,328,316
<b>Total segment expenditure</b>	<b>836,900,585</b>	<b>67,421,707</b>	<b>11,786,346</b>	<b>7,174,916</b>	<b>-</b>	<b>923,283,554</b>
<b>Total segmental surplus/(deficit)</b>						<b>59,275,567</b>

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24. Segment information (continued)

Segment surplus or deficit, assets and liabilities 2022						
	Consolidated Capital Grant	Operational Grant	Institutional Investment Grant	Regulations	Residential Rent Relief Programme	Total
<b>Revenue</b>						
Grant received	713,146,000	60,848,000	22,725,000	9,400,000	-	806,119,000
Interest income	23,175,045	2,153,530	-	-	9,533,183	34,861,758
Other income	42,079,612	132,617	-	-	-	42,212,229
<b>Total segment revenue</b>	<b>778,400,657</b>	<b>63,134,147</b>	<b>22,725,000</b>	<b>9,400,000</b>	<b>9,533,183</b>	<b>883,192,987</b>
<b>Entity's revenue</b>						<b>883,192,987</b>
<b>Expenditure</b>						
Advertising	-	828,783	-	-	284,915	1,113,698
Audit fees	-	1,500,971	-	-	-	1,500,971
Bank charges	-	42,425	-	-	-	42,425
Professional fees	-	7,781,816	510,306	4,180,130	1,872,000	14,344,252
Depreciation and amortisation	-	1,882,529	-	-	-	1,882,529
Employee costs	-	42,228,019	-	-	-	42,228,019
Programme costs	748,537,552	-	8,043,811	-	-	756,581,363
Lease rentals on operating lease	-	4,535,501	-	-	-	4,535,501
Legal expenses	-	5,910,796	-	-	-	5,910,796
Training and workshops	-	903,157	238,413	-	-	1,141,570
Travel	-	983,867	89,739	51,423	-	1,125,029
Other expenses	-	6,777,947	238,413	5,256	20,865	837,448,634
<b>Total segment expenditure</b>	<b>748,537,552</b>	<b>73,375,811</b>	<b>9,120,682</b>	<b>4,236,809</b>	<b>2,177,780</b>	<b>837,448,634</b>
<b>Total segmental surplus</b>						<b>45,744,353</b>

25. Prior period errors

In the prior years the interest earned on consolidated capital grant funds were incorrectly accounted for as a provision in accordance with GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets. This was corrected retrospectively.

The correction of the error(s) results in adjustments as follows:

	2022	2021
<b>Statement of financial position</b>		
Provisions: decrease / (increase)	77,632,256	58,204,032
Opening Accumulated Surplus or Deficit: decrease / (increase)	(58,204,032)	(58,204,032)
<b>Statement of financial performance</b>		
Interest income: (increase) / decrease	(23,175,045)	-
Programme costs: increase / (decrease)	3,746,821	-
<b>Commitments</b>		
Consolidated Capital Grant adjustments (decrease) / increase	(29,463,322)	(6,451,995)

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Adjustments are made to the prior years commitments disclosure due to errors found in the previous calculations performed by management during the current year.

	2022	2021
<b>Irregular expenditure</b>		
Balance adjustment (decrease) / increase	(10,528,596)	-

Adjustments are made to the prior years disclosure of irregular expenditure due to the fact that the related amount were disclosed in the incorrect period.

## 26. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance.

The budget information is also is also presented on the accrual basis and presented by nature. The approved budget covers the period from 1 April 2022 to 31 March 2023. The variance on the budget was as a result of the following;

- 26.1 Interest received. Interest is not included in the budget as the intention is not to have any carried forward funds
- 26.2 Other Income: The Consolidated Capital Grant recovery for TBGI - Soweto - SHIP 8B, have been raised in accordance with the court order to recover prior disbursements.
- 26.3 Compensation of employees. This is a result of new positions filled and more and the once off payment to staff in lieu of cost of living adjustments.
- 26.4 Council Remuneration: The main contributing factors are additional meetings by the selection panel to facilitate the CEO recruitment process, introduction sessions, attendance of training and engagements with the Parliamentary Portfolio Committee for presentation of the annual report and working sessions. The entity adopted the National Treasury remuneration rates and Institute of Directors guidelines for independent Audit and Risk Committee members who are remunerated on a quarterly fee basis, this was not budgeted for as the SHRA was only notified during the financial year.
- 26.5 Programme costs: The entity pays the relevant grants based on commitments made to the relevant SHI's and during the year these commitments were more than the budget allocated.
- 26.6 Advertising. This was as a as more emphasis has been placed on utilizing online social platforms rather than print media. Fewer procurements required competitive bidding adverts in the print media as the entity has adopted the E-Tender portal provided by National Treasury.
- 26.7 Audit costs. Due to improved audit readiness preparation and electronic information sharing, which has resulted in increased efficiency anda reduction in travel expenditure claims by the auditors.
- 26.8 Computer cost. Additional IT architectural and environmental infrasturcture requirements during the first half of this period and additional required licenses for software and additional users due to the increase in temporary headcount.
- 26.9 Consultants. This is as a result of increased internal resources and capacity to reduce the requirements of outsourced consultants.
- 26.10 Legal fees. This is as a result of the more matters handled by internal staff.
- 26.11 Travel. The main contributing factors are, increase in venue-based events attendance such as the Human Settlements Housing Indaba strategic session and project site visits by officials. An increase in flight costs due to the economic external factors also has been a major contributor.

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Audited Annual Financial Statements for the year ended 31 March 2023

		2023 R	2022 Restated*
<b>Revenue from non-exchange transactions</b>			
Government grants	12	887,416,000	806,119,000
<b>Other income</b>			
Consolidated Capital Grant recovery		26,724,812	-
Impairment recoveries		-	166,821
Interest received	15	68,191,077	34,861,758
Recalled Grant Fund		-	41,912,791
SETA Fund Recoveries		124,830	73,253
Staff Recoveries		102,402	59,363
		<b>95,143,121</b>	<b>77,073,986</b>
<b>Operating expenses</b>			
Advertising		(657,183)	(1,113,698)
Auditors remuneration - external and internal		(1,025,942)	(1,500,971)
Bank charges		(38,925)	(42,425)
Cleaning		(158,360)	(388,018)
Computer, IT and website expenses		(3,721,948)	(2,355,198)
Courier		(37,058)	(14,128)
Depreciation and amortisation		(1,943,401)	(1,882,529)
Donations		(920)	(49,000)
Employee costs		(39,520,949)	(42,228,019)
Entertainment		(249)	-
Impairments		(83,539)	(212,096)
Insurance		(402,822)	(377,765)
Lease rentals on operating lease		(4,491,399)	(4,535,501)
Legal expenses		(5,763,109)	(5,910,796)
Motor vehicle expenses		(94,773)	(61,916)
Preservation costs		-	(915,130)
Printing and stationery		(72,207)	(233,648)
Professional fees		(11,288,126)	(14,344,252)
Programme costs	16	(846,468,827)	(756,581,364)
Repairs and maintenance		(129,651)	(71,042)
Small assets		(136,545)	-
Staff welfare		(299,943)	(331,590)
Subscriptions		(511,699)	(438,435)
Telephone and fax		(660,108)	(585,820)
Training		(2,316,508)	(1,141,569)
Travel - local		(2,384,271)	(1,125,029)
Utilities		(1,075,094)	(1,008,695)
		<b>(923,283,556)</b>	<b>(837,448,634)</b>
<b>Surplus for the year</b>		<b>59,275,565</b>	<b>45,744,352</b>

This detailed income statement forms part of supplementary information and is unaudited.

\* See Note 25



**ANNEXURE**

**A**

**LIST OF ACTIVE  
PROJECTS**

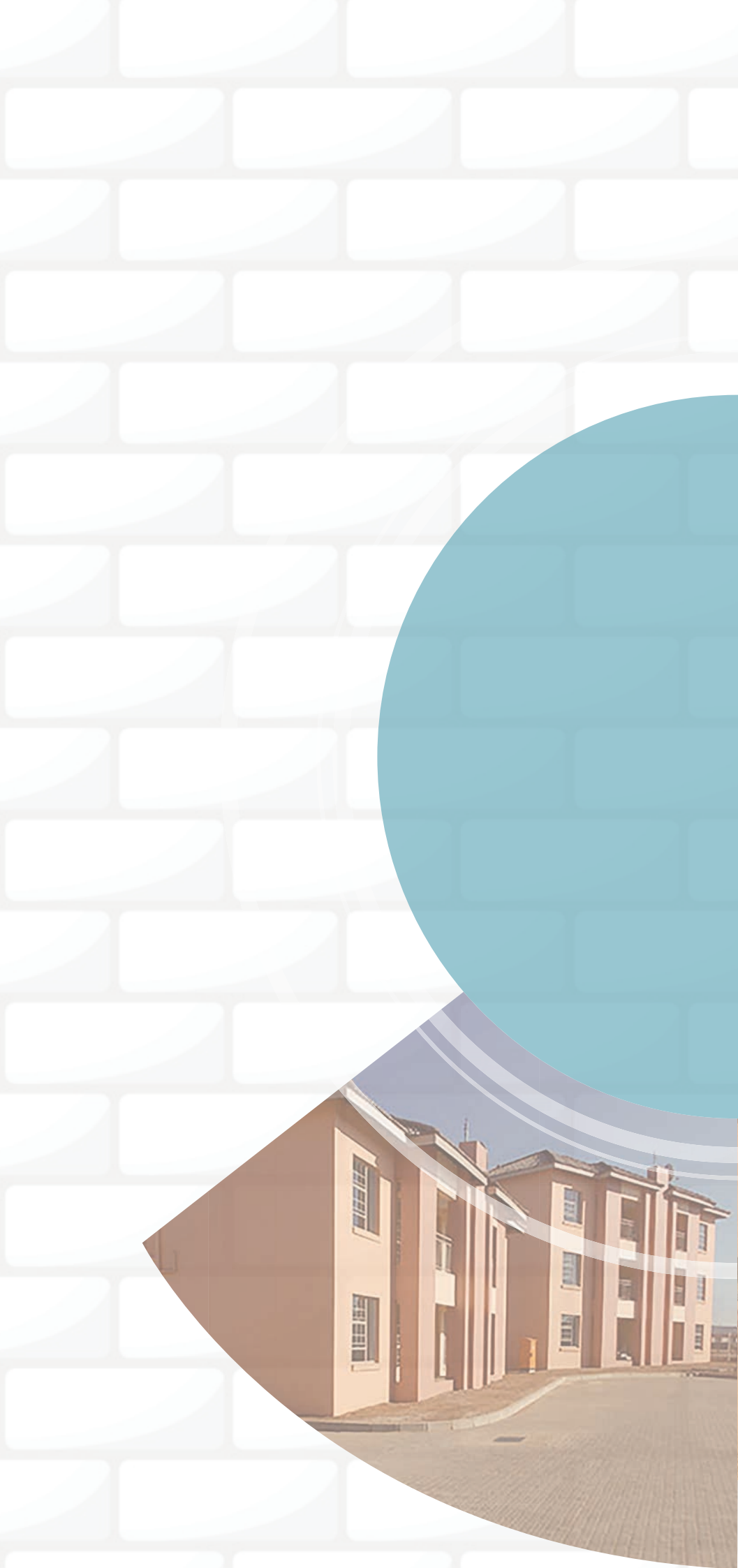
Year Approved	Grant Recipient	Project Name	No. of Units	Project Type	Project Status	Province	Total Grant Award (R'000)
2010/11	FRESHCO	Brandwag Ph 2	495	Greenfield	On hold	FS	118 981
2012/13	Capital City Housing	Aloe Ridge	952	Greenfield	Completed with challenges	KZN	228 860
2012/13	JOSHCO	City Deep Ph 3	328	Greenfield	Completed with challenges	GP	60 226
2013/14	JOSHCO	Dobsonville	502	Greenfield	Completed with challenges	GP	63 059
2014/15	QHAMA	Steve Biko Mumford	220	Brownfield	Construction and Tenanting	EC	63 044
2014/15	FRESHCO	Brandwag Ph 3	154	Greenfield	On hold	FS	54 714
2014/15	Instratin	Devland Gardens	870	Greenfield	Construction and Tenanting	GP	215 918
2014/15	Instratin	Matlosana Gardens	1168	Greenfield	Tenanting	NW	303 517
2015/16	Ekurhuleni Housing Co.	Delville	88	Greenfield	Completed with challenges	GP	12 562
2015/16	Ekurhuleni Housing Co.	Germiston Firestation	150	Greenfield	Completed with challenges	GP	19 480
2015/16	JOSHCO	Devland/Golden Highway	444	Greenfield	Construction and Tenanting	GP	55 773
2015/16	JOSHCO	Plein Street	210	Brownfield	Completed	GP	26 851
2015/16	Gabonewe Housing	Frischgewaagd Farm	801	Greenfield	Planning	NW	100 618
2016/17	Golden West	Westonaria Borwa	582	Greenfield	On hold	GP	154 781
2016/17	Housing Company Tshwane	Townlands Ph 2	509	Greenfield	Construction	GP	138 379
2016/17	Housing Company Tshwane	Townlands Ph 1	691	Greenfield	Construction	GP	187 860
2016/17	Urbanscape	301 Marshalltown	42	Brownfield	Tenanting	GP	11 170
2016/17	Arrow Creek	Mogale Junction Ph 1 & 2	1590	Greenfield	Construction and Tenanting	GP	334 029
2017/18	DCI Holdings	Goodwood Station	1055	Greenfield	Planning	WC	303 984
2017/18	DCI Holdings	Heideveld	180	Greenfield	Planning	WC	47 870
2017/18	Kenso	Hillside View	839	Greenfield	Tenanting	FS	178 529
2017/18	Instratin	Carnival Gardens	888	Greenfield	Construction and Tenanting	GP	251 728
2017/18	Toro Ya Afrika	Garankuwa	1592	Greenfield	Construction	GP	449 881
2018/19	YG Property Investments	Kempton Village	312	Greenfield	Completed	GP	95 761
2018/19	The Housing Hub	Mohlakeng	1080	Greenfield	Construction and Tenanting	GP	312 549
2018/19	Ekurhuleni Housing Company	Clayville (EKHC)	452	Greenfield	Construction	GP	122 884
2018/19	JOSHCO	Turffontein Gardens	504	Greenfield	Completed	GP	137 021
2018/19	Imizi	John Street	385	Greenfield	Tenanting	EC	133 237
2018/19	Communicare	Bothasig Gardens P3	314	Greenfield	Tenanting	WC	90 871
2018/19	Polokwane Housing Association	Ga Rena (Annandale)	494	Greenfield	Construction and Tenanting	LP	134 302
2018/19	Instratin	Bridge City (Instratin)	1130	Greenfield	Construction	KZN	307 210
2018/19	Kertrade 24 (Pty) Ltd	Madison Loft	100	Acquisition	Tenanting	GP	27 187
2019/20	Buhlebezwe Property	Hospital Street	1056	Greenfield	Construction	KZN	305 608
2019/20	GNI - Jeppe's Town	Unity House	95	Brownfield	Tenanting	GP	25 975

Year Approved	Grant Recipient	Project Name	No. of Units	Project Type	Project Status	Province	Total Grant Award (R'000)
2019/20	Povicom	Regent Villas Ph2	60	Greenfield	Construction	WC	17 351
2019/20	Let's Care	Sondela Village Phase 2	177	Greenfield	Tenanting	GP	51 498
2019/20	SASIHC	Hull Street	372	Greenfield	Construction	NC	101 135
2019/20	Jidmac	Fochville Ext 11	258	Greenfield	Tenanting	GP	74 664
2019/20	Own Haven Housing Association	Conradie Park P1	432	Greenfield	Completed	WC	142 945
2019/20	Goven Mbeki Housing Co.	Kwandokuhle	492	Greenfield	Planning	MP	133 759
2019/20	Mzansi Housing	Willow Creek	360	Greenfield	On hold	MP	99 564
2020/21	Jidmac	Fochville Ext 8	256	Greenfield	Tenanting	GP	69 598
2020/21	YG Property Investments	Kempton Towers	240	Greenfield	Tenanting	GP	69 455
2020/21	Madulammoho	Maitland Mews	204	Greenfield	Construction	WC	68 057
2020/21	Bokone Social Housing	Thlabane West	700	Greenfield	Planning	NW	202 578
2020/21	Ekurhuleni housing company	Germiston Firestation PH2	152	Greenfield	Construction and Tenanting	GP	41 324
2020/21	Crowie Property Group	Bridge City	738	Greenfield	Planning	KZN	200 638
2021/22	Instratin	Midrand Heights	305	Greenfield	Planning	GP	82 919
2021/22	Instratin	Mountain Ridge Gardens	362	Greenfield	Planning	WC	98 416
2021/22	SA Corporate Real Estate	North Park Mall	133	Brownfield	Tenanting	GP	36 158
2021/22	Bridgeport No 105	Grand Central Towers	990	Greenfield	Construction	GP	269 148
2021/22	Siyakhela Imizi	Betty Street	227	Brownfield	Planning	GP	61 714
2021/22	Azaad Aswat	Boston House	86	Brownfield	Construction and Tenanting	GP	23 381
2022/23	Own Haven Housing Association	Conradie Park P2	659	Greenfield	Planning	WC	216 605
2022/23	GNI	Benoni Heights	210	Brownfield	Planning	GP	69 024
2022/23	JOSHCO	Riverside	1108	Greenfield	Planning	GP	364 185
2022/23	JOSHCO	Lufhereng	347	Greenfield	Planning	GP	114 054
2022/23	JOSHCO	Princess Plots	333	Greenfield	Planning	GP	109 453
2022/23	Yapovu NPC	Selby House	356	Brownfield	Planning	GP	117 013
2022/23	Povicom	Regent Villas Ext 2	110	Greenfield	Planning	WC	36 156











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