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ANNUAL REPORT



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WHO WE ARE

THE HOUSING DEVELOPMENT AGENCY (HDA) IS A NATIONAL PUBLIC SECTOR DEVELOPMENT AGENCY THAT ACQUIRES AND PREPARES LAND AS WELL AS DEVELOP THE LAND AND PROJECT MANAGE THE DEVELOPMENT OF HOUSING AND HUMAN SETTLEMENTS.

We carry out our activities in partnership with a range of stakeholders including national, provincial and local government and municipalities, as well as with communities, developers, financiers and other affected parties. Established in 2009, the Agency is established by an Act of Parliament in 2008 and is accountable through its board to the Minister of Human Settlements.



Section A

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General Information

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Abbreviations & Acronyms

APP	Annual Performance Plan	MTEF	Medium-term Expenditure Framework
BCMM	Buffalo City Metropolitan Municipality	MTSF	Medium-term Strategic Framework
CEO	Chief Executive Officer	MSP	Master Spatial Plan
CFO	Chief Financial Officer	MTOP	Medium-term Operational Plan
CCMA	Commission for Conciliation, Mediation and Arbitration	NaHSLI	National Human Settlements Land Inventory
CoCT	City of Cape Town	nDHS	national Department of Human Settlements
CoGHSTA	Department of Cooperative Governance, Human Settlements and Traditional Affairs	NDP	National Development Plan
COVID-19	Corona Virus Disease	NHFC	National Housing Finance Corporation
CPP	Catalytic Projects Programme	NHNR	The National Housing Needs Register
DHS	Department of Human Settlements	NMBM	Nelson Mandela Bay Municipality
DLRDR	Department of Agriculture, Land Reform & Rural Development	NUSP	National Upgrading Support Programme
DORA	Division of Revenue Act	PFMA	Public Finance Management Act
Exco	Executive Committee	PHDA	Priority Housing Development Area
GIS	Geographic Information System	PHSHDA	Priority Human Settlement and Housing Development Housing Areas
GRAP	Generally Recognised Accounting Practice	PMO	Project Management Office
HDA	Housing Development Agency	PPD	Programme Planning and Design
HSDG	Human Settlements Development Grant	PHP	People's Housing Process
IP	Implementation Protocol	SCCD	Southern Cape Corridor Development
ISU	Informal Settlement Upgrading	SCOPA	Standing Committee on Public Accounts
IRDP	Integrated Residential Development Programme	SCM	Supply Chain Management
LapSIS	Land and Property Spatial Information System	SDF	Spatial Development Framework's
MEC	Member of the Executive Council	SIA	Spatial Information and Analysis
MINMEC	Ministers and Members of Executive Council	SIR	Stakeholder and Intergovernmental Relationships
MoA	Memorandum of Agreement	STST	Spatial Transformation and Scoring Tool
		UISP	Upgrading of Informal Settlements Programme

Foreword by The Minister of Human Settlements, Water and Sanitation



THE FINANCIAL YEAR 2019/20 MARKED THE FIRST YEAR OF THE 2019/24 MEDIUM STRATEGIC FRAMEWORK (MTSF) BEING THE ELECTORAL MANDATE AND THE BLUEPRINT OF THE 6TH ADMINISTRATION IN WHICH GOVERNMENT'S FIVE-YEAR PLANS ARE ARTICULATED.

The MTSF is in alignment with the National Development Plan's vision that by 2030, human settlements in South Africa will be transformed into equitable and efficient spaces with citizens living in close proximity to work with access to social facilities and necessary infrastructure. The Housing Development Agency (HDA) is an entity of the Department of Human Settlements governed by the Housing Development Act (Act No. 23 of 2008) and is a key contributor towards the realisation of this vision.

The year under review has been a challenging year for the HDA. I am concerned that the agency received a qualified audit opinion, but equally confident that the Board will ensure the implementation of the revised strategy and operating model to effect the necessary interventions to turn this situation around as the HDA is a critical enabler of government's human settlements policies.

Just before the close of the financial year under review, the President addressed the nation on measures to combat the coronavirus (COVID-19) pandemic and declared a State of National Disaster in terms of the National Disaster Act. In response I directed the Department to urgently find solutions to prevent the spread of the coronavirus in high-density public areas, informal settlements and rural areas. Amongst other measures, the Department and the HDA established a National Command Centre to coordinate the human settlements intervention which involved all the role players from the spheres of government.

The HDA was charged with the responsibility of leading our efforts in the provision of emergency housing with measures focused on de-densification of overcrowded informal settlements. The agency played a critical role in the provision of emergency housing across the country in the form of temporary residential units.

The advent of COVID-19 has changed much of how we operate as a sector in addressing this national crisis and the HDA has employed a combination of innovative and alternative construction technologies which are much quicker and more cost effective than the conventional brick and mortar. Going forward, the agency will be expected to educate our beneficiaries and advocate for the ubiquitous acceptance of Alternative Building Technologies (ABTs) as well as adopt an innovative approach to our delivery of human settlements developments.

The COVID-19 pandemic has been one of the worst health emergencies in world history and is forecasted to remain with us for some time. The pandemic has also highlighted the importance of strengthening cooperation between policy-makers, government entities, private sector and civil society in the human settlements sector, This coupled with the current housing backlog estimated at 2.6 million across the country demands a bold and immediate response. Our solutions must address persistent challenges that impede our delivery of human settlements in a way that spatially transforms our society and provides security of tenure on a broad level, and that ensures our people are living in safe and healthy environments as we continue the fight to overcome the Covid 19 pandemic.

My gratitude to the interim board of the HDA, the management and staff for their role in ensuring that government delivers on its mandate in the delivery of spatially transformed, integrated and sustainable human settlements that provide security of tenure.



Ln Sisulu, MP

Minister of Human Settlements, Water and Sanitation



Foreword by Chairperson of the Board

THE HOUSING DEVELOPMENT AGENCY IS MANDATED THROUGH THE HOUSING DEVELOPMENT AGENCY ACT 23 OF 2008 TO ADDRESS LAND ACQUISITION AND ASSEMBLY, PROVIDE PROJECT MANAGEMENT SUPPORT AND HOUSING DEVELOPMENT SERVICES EXPEDITIOUSLY AND WITH MORE AGILITY.

The Housing Development Agency's period of administration ended at the commencement of the reporting period, with the appointment of a Board in April 2019 that was in office for one quarter. This short-term period is informed by the fact that the Executive Authority dissolved the Board in July 2019.

An acting Chief Executive Officer who also served as the accounting authority was seconded to the HDA by the Minister of Human Settlements, Water and Sanitation in September 2019. An Interim Board was appointed by the Executive authority in November 2019 and it was tasked with the responsibility to stabilise the entity and ensure that it delivers on its mandate.

The Interim Board expresses its gratitude to the previous Board and acting Chief Executive Officer Mr DN Chainee for their persistent effort to contribute to the sustainability of the organization and ensuring that the HDA is set back on a path to discharge its primary mandate within the sector.

The HDA, albeit all difficulties and challenges, maintained relationships that enabled it to collaborate with all partners in all the spheres of government to fulfil its development mandate.

In the current period and emerging from the most turbulent organisational environment, the HDA received a qualified audit opinion. This necessitates renewed commitment and consistent efforts as well as a focus on improving systems and internal controls to enable better performance.

The Interim Board will continue to provide the support and guidance that will lead to better audit outcomes in future years.

The financial and non-financial challenges experienced also encouraged the Board to look at ways in which it could improve the Agency's performance and operating model. The development of a funding model and strategy that would enable the HDA to assume the role of developer in future years was undertaken. This will contribute immensely in the sustainability of the organisation amidst the shrinking fiscus and growing demand.

During the period, the HDA worked with the National Department of Human Settlements on the declaration of the Priority Human Settlements Development Areas (PHSDA) in order to prioritise areas that are targeted for the delivery of integrated human settlements. The entity is gradually moving towards regaining its position within the sector in pursuit of its developmental mandate.

On behalf of the Interim Board, I take this opportunity to thank the Acting CEO and his team of executives as well as staff of the HDA for their continuous dedication and commitment in ensuring that the organisation overcomes its challenges and achieves its targets. The period under review was not an easy one as it was also characterised by many leadership changes that impacted negatively on delivery and staff morale.

We express our appreciation to the Minister of Human Settlements, Water and Sanitation, Honourable Lindiwe Sisulu and Director General, Mr Mbulelo Ntshangana, as well as the entire Management for their unwavering support and support and guidance that continues to inspire confidence and contribute to the stabilisation of the Agency.



Adv. MP Motlogelwa - Acting Chairperson



Foreword by Chief Executive Officer

IT GIVES ME GREAT PLEASURE TO PRESENT TO YOU THE 2019-2020 FINANCIAL YEAR ANNUAL REPORT. THIS YEAR WILL BE RECALLED AS A PERIOD THAT THE HDA FACED GREAT DIFFICULTIES AT GOVERNANCE AND MANAGEMENT LEVEL, WHILE AT THE SAME TIME BEING PRESENTED WITH AN OPPORTUNITY TO REFOCUS THE STRATEGY TO ALIGN TO THE MANDATE OF THE AGENCY. IN THIS ANNUAL REPORT, WE REFLECT ON SOME OF THE SUCCESSES AND CHALLENGES FACED DURING THE PERIOD UNDER REVIEW, WHILE FORGING AHEAD WITH THE IMPLEMENTATION OF A NEW STRATEGY FOR THE ORGANIZATION COVERING THE 2019-2024 MTSF PERIOD.

Some of our notable achievements over the 2019/2020 financial year include: -

- The acquisition of 3045.5377 hectares of well-located land identified for human settlement development,
- rezoning of 6 parcels of land, and working in collaboration with the national Department of Human Settlements to identify and declare 136 PSHDAs.

The end of the 2019/2020 Financial Year also marked the end of the MTSF period 2014/2019. The following programs were implemented successfully: -

- The acquisition of 23514.1023 hectares of land, exceeding the MTSF target of 10.000 hectares of land acquired,
- The completion of a Master Spatial Plan to direct housing developments, infrastructure, and planning for social amenities for future human settlement developments, and
- The Programme and Project Management Support we provide to three National Priority Programmes such as, Catalytic Projects, Mining Towns, and Informal Settlement Upgrading Programme.

Our 2019/2020 FY and combined MTSF period achievements contribute significantly to creating an enabling environment for the development of integrated and sustainable human settlements.

The end of the 2019/2020 financial year also ushered in a new era of doing business globally and our sector was not spared the negative impact of the COVID 19 pandemic. I am pleased to report that the Housing Development Agency continues to play an important role in the fight against COVID 19 as the HDA was appointed as an Implementing Agent for the Informal Settlements de- densification Programme. This Programme focused on providing emergency measures in overcrowded informal settlements through the de-densification, provision of basic services (water and sanitation), identification of suitable land for relocation, and provision for transitional temporary residential units. Our response to the pandemic is work that started as we closed 2019/2020 FY and it is work that will continue into the 2020/2021 FY.

The 2019/2020 FY was not without its challenges which impacted negatively on the performance in various areas of the organisation. The various changes in leadership both governance and management levels resulted in instability and exposed the operational vulnerabilities of the HDA. The operating model of the HDA had deficiencies which contributed significantly to the outcome of the audit for the year under review.

I herewith report that the HDA received a qualified audit opinion for the 2019-2020 Financial Year pointing to systemic deficiencies in systems, processes, and internal controls of the Agency. We take this audit outcome as an opportunity to rebuild and improve the effectiveness of internal controls. Since my appointment as Acting CEO in March 2020, working closely with the management team and staff of the HDA, I initiated processes to not only stabilise and turn-around the performance of the Agency but to critically assess and determine how the HDA can improve its contribution to the delivery of human settlements.

Despite the challenges of the last financial year, we are confident that our new strategy will respond to the challenges facing the sector and place the Housing Development Agency as a leading human settlements developer for government. I can report with confidence that the strategy we have developed to become a fully-fledged public sector developer of choice, responds to challenges experienced by the Agency during the 2019/20 financial year.

I take this opportunity to thank the management and staff of the HDA who continues to ensure that we deliver on the mandate to provide sustainable human settlements for our beneficiaries. I wish to express my gratitude to the interim Board of the HDA for their support and the Department of Human Settlements for their guidance.

Lastly, I wish to thank the Minister of Human Settlements, Water and Sanitation Hon. Lindiwe Sisulu for her stalwart support, who consistently keeps us accountable and ensures that we give our undivided attention to the directives she has given to the HDA.

Thank You



Mikki Xayiya - Acting CEO

Scope, statement of responsibility & confirmation of accuracy of annual report

THIS REPORT PRESENTS A BALANCED VIEW OF THE HDA'S FINANCIAL AND NON-FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2020.

The Board, as the Accounting Authority of the HDA, is responsible for the preparation of the annual report and is accountable for the integrity and objectivity of the information presented.

According to prescripts governing Schedule 3A public entities, the Accounting Authority is also responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information and human resource information. In compliance, this system existed in the HDA and was implemented during the 2019/2020 financial year. It is noted, however, that improvement to the internal control environment is required. Furthermore, the performance management system could be improved to ensure reliable reporting for all indicators and targets.

As a public entity, the Agency is monitored stringently. The independent auditor conducted a statutory audit of the financial performance of the Agency. The audit opinion appears on pages 89 - 96 of this report. The Accounting Authority and Officer of the HDA, to the best of their knowledge and belief, confirm the following:

- The annual report is complete, accurate and free from any omissions, and fairly reflects the operations, the performance information, governance and the human resources information of the Agency for the financial year ended 31 March 2020.
- The performance information reflects the service delivery of the Agency for the reporting period, as documented in the 2019/2020 APP.
- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the independent auditor.
- The report has been prepared in accordance with guidelines on the annual report issued by National Treasury.
- The HDA's financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the Public Finance Management Act, as amended by Act 1 of 1999 (PFMA).

- The Accounting Authority is responsible for preparing the annual financial statements and for judgments made in this information.
- The Accounting Authority is responsible for implementing a system of internal control designed to provide reasonable assurance on the integrity and reliability of the performance information, human resources information and annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

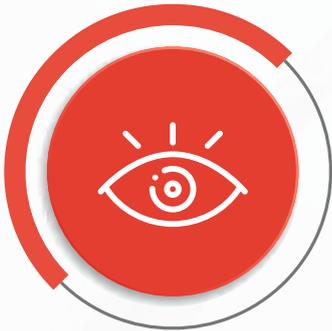
The annual financial statement have been prepared on the going-concern basis.

In our opinion, this annual report fairly reflects the operations, performance information, human resources information and financial affairs of the HDA for the year ended 31 March 2020.



Vision, Mission & Values

Figure 1: Our vision, mission and values



VISION

Resilient, integrated and sustainable human settlements.



MISSION

Build a capable and developmental Agency geared to transform the sector and lead in the development of resilient integrated and sustainable human settlements.



VALUE

The HDA has defined the following guiding values:
Performance-orientated,
Excellence, Accountability,
Teamwork and Integrity.



Legislative & Other Mandates

THE CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA, 1996 (ACT NO. 108 OF 1996) PROVIDES FOR THE PROVINCIAL AND NATIONAL FUNCTIONS REGARDING HOUSING DELIVERY (SCHEDULES 4A AND 5A OF THE CONSTITUTION IN PARTICULAR). THE DEPARTMENT OF HUMAN SETTLEMENTS HAS A CONSTITUTIONAL MANDATE TO GIVE EFFECT TO THE RIGHT OF EVERYONE TO HAVE ACCESS TO ADEQUATE HOUSING [SECTION 26(1)].

The Act, in section 26(2), goes further and provides that the state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right. In Schedule 4A the Act makes the housing function a concurrent national and provincial legislative competence. It provides that where the function in Schedule 4A and 5A can best be administered locally, a provincial or national department could by agreement assign / delegate such function to a municipality provided that the municipality has capacity and resources to follow the function.

The HDA is established as a juristic person operating as a national public entity with its executive authority vested in the Minister of Human Settlements, Water, and Sanitation to facilitate the acquisition of land and landed property and provide housing development services for the purposes of creating sustainable Human Settlements. As an entity of the nDHS, the HDA gives impetus to the realisation of the constitutional mandate (of the nDHS) by acquiring land and providing housing development services for purposes of developing sustainable human settlements.

1.1 HDA MANDATE

The intention of the HDA Act is to create an agency to augment the performance of municipalities and provinces to meet their mandate for the delivery of sustainable human settlements. The establishment of the HDA is aimed to address market failure at two levels.

Firstly, the HDA is expected to augment the human settlements delivery role of municipalities and provinces to address failure in terms of delivery by using and leveraging the government-funded housing instruments to address the failure of the private housing market to cater for low and middle-income earners, at the same time addressing the spatial dislocation of poorer people from access to amenities and creating more inclusive and liveable towns and cities.

Secondly, the HDA is mandated to support the activities of municipalities and provinces who are not able to meet the human settlement objectives and targets by complementing their delivery efforts through improved and fast-tracked spatial planning, land identification and acquisition, packaging and housing development.

A summary of the mandate, functions, and roles of the HDA clearly highlights the following:

- Land for housing development including planning, identification, acquisition, holding and packaging of land.
- Housing delivery in a broad range of roles including implementation agent, project manager, project developer, and social facilitator.
- Release both in terms of packaged land to developers as well as developed land to ultimate beneficiaries.

Other Policies & Acts

LEGISLATION

HOUSING ACT, 1997 (ACT NO 107 OF 1997)

BRIEF DESCRIPTION

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 three spheres of government.

Section 2 of the Act compels all three (3) spheres of government to prioritise the housing needs of the poor. Additionally, all three (3) spheres of government must ensure that housing development:

- i. provides as wide a choice of housing and tenure options as is reasonably possible;
- ii. is economically, fiscally, socially and financially affordable and sustainable;
- iii. is based on integrated development planning; and
- iv. is administered in a transparent, accountable and equitable manner, and upholds the practice of good governance (Section 2 (1) (c).)

The Act further defines the functions and responsibilities of the national, provincial and local spheres of government in respect of housing development and delivery.

Provision is made for municipalities to be developers in the housing development process. However, this provision neither precludes the Department (and its entities) from being a Developer nor from engaging in public-private partnership ventures in housing development. The HDA Act 23 of 2008 is rooted in Section 3(4)(h) of this Housing Act by which the Minister may establish and finance national institutions for the purposes of housing development and supervise the execution of their mandate.

RENTAL HOUSING ACT, 1999 (ACT NO 50 OF 1999)

This Act repeals the Rent Control Act of 1976 and defines government's responsibility for rental housing property. It creates mechanisms to promote the provision of rental housing and the proper functioning of the rental housing market. It facilitates sound relations between tenants and landlords by laying down general requirements for leases and principles for conflict resolution in the rental housing sector. It also provides for the establishment of Rental Housing Tribunals and defines the functions, powers and duties of such Tribunals.

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

Establishes and promotes a sustainable social housing environment, defines the functions of each of the three (3) spheres of government in respect of social housing; administers national social housing programmes including approvals and allocation of capital grants thereto; establishes the Social Housing Regulatory Authority (SHRA) which accredits and provides statutory recognition to social housing institutions and advises the Minister on social housing matters; and provides for other delivery agents to undertake approved projects utilising public money.

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

The Act identifies the applicability of legislation in terms of categories of persons, to prohibit certain actions in respect of unlawful occupation of land, and to commit offences thereon.

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**COMMUNITY SCHEMES
OMBUDSMAN SERVICES ACT, 2011**
(ACT NO 9 OF 2011)

The Act regulates the conduct of parties within Community Schemes

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**NATIONAL BUILDING
REGULATIONS AND BUILDING
STANDARDS ACT, 1977**
(ACT NO 103 OF 1977)

The Act promotes uniformity relating to the erection of buildings in the areas of jurisdiction of local authorities and prescribes building standards.

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**CONSTRUCTION INDUSTRY
DEVELOPMENT BOARD ACT,
2000** (ACT NO 38 OF 2000)

The Act provides for the establishment of the Construction Industry Development Board (CIDB) to implement an integrated strategy for the reconstruction, growth and development of the construction industry. The Act mandates the Board to establish and maintain a National Register of Contractors and a National Register of Projects. An SPV will be required to appoint CIDB registered contractors on all its housing delivery projects, in addition to the mandatory registration with the NHBRC. All projects above a certain value (currently R200 000) will also have to be registered with the CIDB.

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**PROPERTY PRACTITIONERS
REGULATORY ACT, 2019**
(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.

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**SPATIAL PLANNING AND LAND
USE MANAGEMENT ACT, 2013**
(ACT NO 16 OF 2013)

The Act provides a framework for spatial planning and land use management. It specifies the relationship between spatial planning and land use management systems and other kinds of planning, and provides for inclusive, developmental, equitable and efficient spatial planning in the different spheres of government. It also provides a framework for the monitoring, coordination and review of the spatial planning and land use management system; provides a framework for policies, principles, norms and standards for spatial development planning and land use management; addresses part of spatial and regulatory imbalances; and promotes greater consistency and uniformity in the application procedures and decision-making by authorities responsible for land use decisions and development applications. The Act further provides for the establishment, functions and operations of Municipal Planning Tribunals, and provides for the facilitation and enforcement of land use and development measures and matters connected herewith.

**COMMUNAL PROPERTIES
ASSOCIATIONS ACT, 1996**
(ACT NO 28 OF 1996)

The Act enables communities to form juristic persons, to be known as Communal Property Associations in order to acquire, hold and manage property on a basis agreed to by members of a community in terms of a written constitution.

ALIENATION OF LAND ACT, 1981
(ACT NO 68 OF 1981 AS AMENDED)

Regulates the alienation of land in certain circumstances.

**IMMOVEABLE ASSETS
MANAGEMENT ACT**
(NO 19 OF 2007)

Provides for, amongst others, a uniform framework for the management of immoveable assets that are held or used by a National or Provincial Department, and to ensure coordination of the use of immoveable assets with service delivery objectives of national and provincial departments.

DEEDS REGISTRY ACT, 1937 (ACT
NO 47 OF 1937 AS AMENDED)

Consolidates and amends the laws relating to the registration of deeds.

EXTENSION OF SECURITY OF TENURE ACT, 1997

(ACT NO 62 OF 1997)

The Act provides for measures with State assistance to facilitate long term security of land tenure and to regulate the conditions of residence on certain land; the conditions on and circumstances under which the right of persons to reside on land may be terminated; the conditions and circumstances under which persons, whose right of residence has been terminated, may be evicted from land

UPGRADING OF TENURE RIGHTS ACT, 1991

(ACT NO 112 OF 1991 AS AMENDED)

Provides for the upgrading and conversion into ownership of certain rights granted in respect of land.

CONVERSION OF CERTAIN LEASEHOLD RIGHT TO OWNERSHIP ACT, 1988

(NO 81 OF 1988 AS AMENDED)

Provides for the mechanisms for obtaining assistance to acquire registered title to public rental houses.

LAND ADMINISTRATION ACT, 1995

(ACT NO 2 OF 1995 AS AMENDED)

Provides for the delegation of powers and assignment of administrative laws regarding land matters to provinces and provides for the creation of uniform land legislation.

EXPROPRIATION ACT, 1975

(ACT NO 63 OF 1975 AS AMENDED)

Provides the Minister with the power to expropriate property for public and certain other purposes and to use the property for public purposes.

NATIONAL ENVIRONMENT MANAGEMENT ACT, 1998

(ACT NO 107 OF 1998 AS AMENDED)

Protects ecologically viable areas representative of South Africa's biological diversity and its natural landscapes and seascapes in a system of protected areas.

PUBLIC FINANCE MANAGEMENT ACT, 1999

(ACT NO 1 OF 1999 AS AMENDED)

The Act regulates financial management in the national and provincial governments to ensure that all revenue, expenditure, assets and liabilities are managed efficiently and effectively. The Act also provides for the responsibilities of persons entrusted with financial management and enables public sector managers to ensure effective, efficient and prudent use of public funds for socio-economic development programmes.

**MUNICIPAL FINANCE
MANAGEMENT ACT, 2003** (ACT
NO 56 OF 2003 AS AMENDED)

The Act seeks to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government. The Act also establishes treasury norms and standards for the local sphere of government. The MFMA contains a procedure for the disposal of capital assets under Section 14 of the Act.

DIVISION OF REVENUE ACT
(AS AMENDED)

Provides for equitable division of national revenue among the three (3) spheres of government, for each financial year, and the responsibilities of each sphere pursuant to such division.

**BROAD BASED BLACK
ECONOMIC EMPOWERMENT
ACT, 2003**
(ACT NO 53 OF 2003)

The Act promotes black economic empowerment and empowers the Minister of Trade and Industry to issue codes of good practice and to publish transformation charters. The Act further provides for the establishment of the Black Economic Empowerment Advisory Council.

**PROMOTION OF
ADMINISTRATIVE JUSTICE ACT,
2000** (ACT NO 3 OF 2000)

Gives effect to the constitutional right to just administrative action for any member of the public whose rights have been adversely affected, and to ensure efficient, effective and legitimate administration within all spheres of government.

**PREFERENTIAL PROCUREMENT
POLICY FRAMEWORK ACT, 2000**
(NO 5 OF 2000)

Gives effect to Section 217 (3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217 (2) of the Constitution.

**PROMOTION OF ACCESS TO
INFORMATION ACT, 2000**
(ACT NO 2 OF 2000)

Gives effect to the constitutional right of access to any information held by the State, and any information held by a private person that is required for the exercise or protection of any other right.

**INTERGOVERNMENTAL
RELATIONS FRAMEWORK
ACT, 2005**
(ACT NO 13 OF 2005)

Establishes a framework for National, Provincial and Local Government to promote and facilitate intergovernmental relations, and to provide a mechanism and procedure to facilitate the settlement of intergovernmental disputes.

Strategic Overview

THE HDA IS PART OF THE TOTAL HUMAN SETTLEMENTS SECTOR WHICH IS EXPECTED TO ADDRESS THE ENTIRE SCOPE OF HUMAN SETTLEMENT DELIVERY INCLUDING LAND, INFRASTRUCTURE INCLUDING BULK SERVICES, SOCIAL INFRASTRUCTURE SUCH AS ROADS, EDUCATION, HEALTH AND SOCIAL SERVICES AS WELL AS TOP STRUCTURE, BEING HOUSING UNITS AND ACCOMMODATION.

“Human settlements are defined as the totality of human community - whether a city, town or a village - with all social, material, organisational, spiritual and cultural elements that sustains it.” (National Department of Human Settlements, Draft Housing White Paper 2015, p.23). The integrated nature of human settlements is one of the primary focus points of the National Development Plan (Chapter 8). The Human Settlements Sector has experienced some challenges that impede the delivery of integrated human settlements.

The NDP further provides what can be termed key principles that must underlie the transformation of human settlements. These principles include:

- Human settlements must systematically respond to the entrenched apartheid spatial patterns across all geographic scales that exacerbated social inequality and economic inefficiencies,
- Human Settlements must 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,
- Human settlement policies and legislation must realise people’s constitutional right to housing,
- The delivery of housing must restructure towns and cities, strengthen livelihood prospects of households and support active citizenship and involvement in conceptual and planning processes,

- Human Settlement Spaces must be livable, equitable, sustainable, resilient, efficient and support economic opportunities and social cohesion, and
- Human Settlement developments must provide people with a greater choice of where to live.

Stats SA’s Community Survey 2016 reveals that 13% of South African households live in informal dwellings, 7% in traditional dwellings, 23.1% in RDP dwellings and 65.7% in owned dwellings. Of the households in owned dwellings, 54.7% is owned and fully paid off and 11% is owned but not yet paid off. A total of 34.3% of households live in rented, rent-free or other dwellings such as tents and remain without security of tenure and asset-based justice and equality. The 2018 General Household Survey indicates that by 2018, 13% of households were still living in informal dwellings although the percentage of households that have received some kind of subsidy to access housing has increased from 5.6% in 2002 to 13.6 by 2018. The human settlements backlog of the country stands at 2.6 million. Addressing this backlog requires that some of the impediments to the delivery of integrated, sustainable human settlements are removed.

Some of the persistent challenges that impede the delivery of integrated human settlements are:

- Insufficient delivery by the public sector due to challenges and blockages in the system,

- Declining supply by the private sector caused by both supply and demand side constraints,
- The continued location of housing project on the periphery of cities that marginalises the poor in terms of transport and access to work opportunities and social service,
- Fragmented funding framework for the delivery of human settlements, and
- An untransformed human settlement sector in terms of black industrialists with specific focus on women, youth and persons with disabilities.

The HDA has a critical role to play in removing, as well as navigating its way around the impediments in secure delivery of integrated human settlements. In response to the above challenges, the HDA has developed the following response to these challenges :

ISSUES	HDA RESPONSE
High Need for Housing	<ul style="list-style-type: none"> • Improved national spatial planning • More rapid urban / new settlement planning and development • Better integrated and sustainable settlement
Insufficient Public Sector Delivery	<ul style="list-style-type: none"> • Land Assembly • Land acquisition • Mobilisation of technical, programme and project management skills • Improved financial packaging and fund mobilisation
Declining Private Sector Delivery	<ul style="list-style-type: none"> • De-risking projects through unblocking and related interventions (e.g. expediting plans) • Securing funding for critical infrastructure • Ensuring funding (especially subsidy) flows
Poor Human Settlement Outcomes	<ul style="list-style-type: none"> • Improved spatial planning • Better programme, project as well as contract management • Building public-private partnerships
Fragmented Funding Framework	<ul style="list-style-type: none"> • Improving IG coordination and funding packaging • More effective fund management • Mobilising other public and private resources (in addition to HSDG)
Untransformed Human Settlement Sector	<ul style="list-style-type: none"> • Contribute to the creation of Black Industrialists with specific focus on women youth, persons with disability and communities. • Influence changes to materials supply chain • Change mind-sets

The Strategic Plan and Annual Performance Plan of the HDA is informed by the NDP, the imperatives of the 2014-2019 Medium Term Strategic Framework, whilst giving effect to the objects and functions in the HDA Act.

The role of the HDA in the Human Settlement Sector can be summarised into 4 strategic areas:

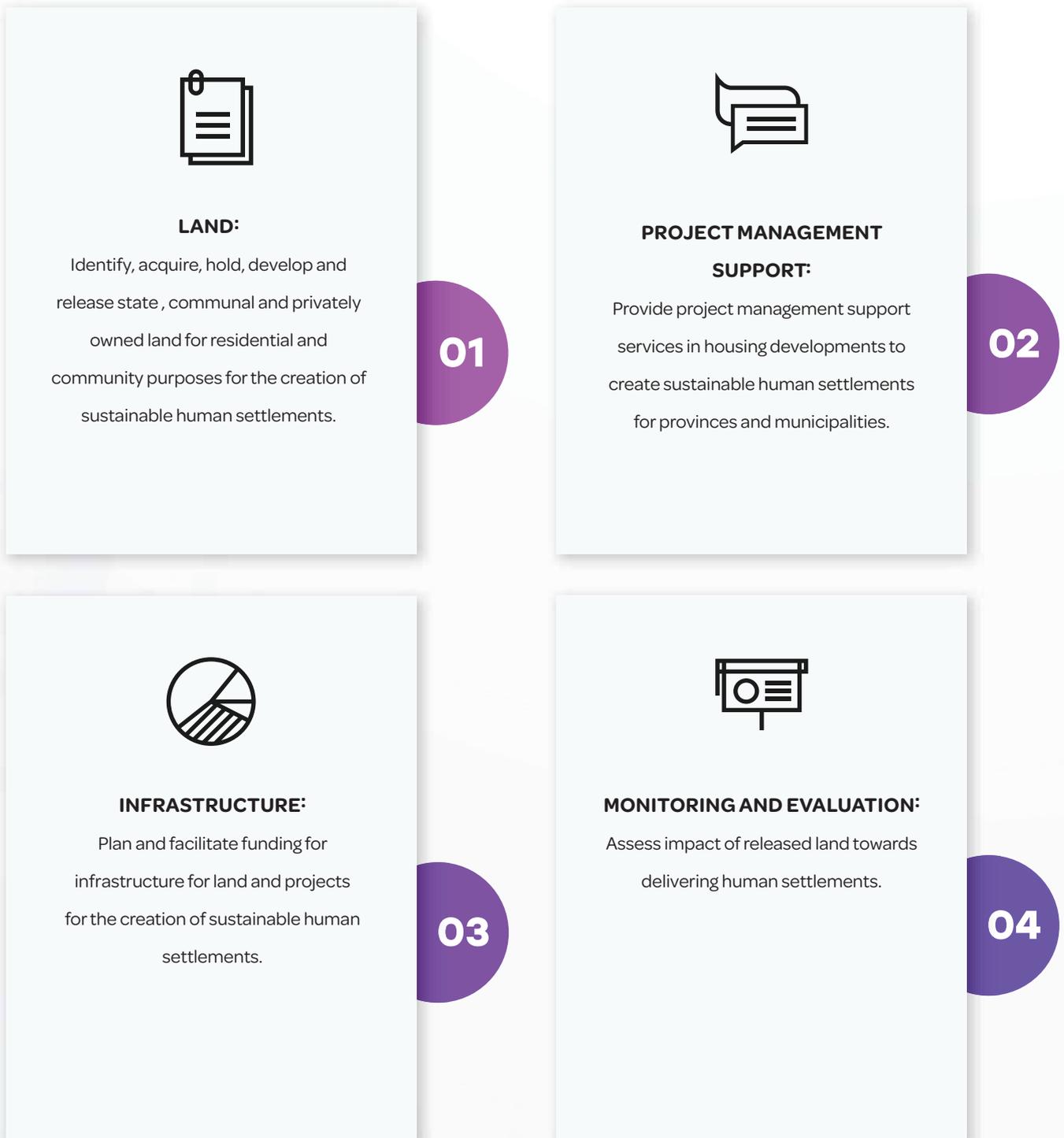


Figure 2: The role of the HDA in the Human Settlement Sector

Strategic Outcome-Oriented Goals

THE STRATEGIC OUTCOME-ORIENTED GOALS FOR THE HDA FOR THIS 5 (FIVE) YEAR STRATEGIC PLAN AND THE APP ARE SHOWN IN THE FIGURE BELOW.

THE STRATEGIC GOALS ARE AS FOLLOWS:

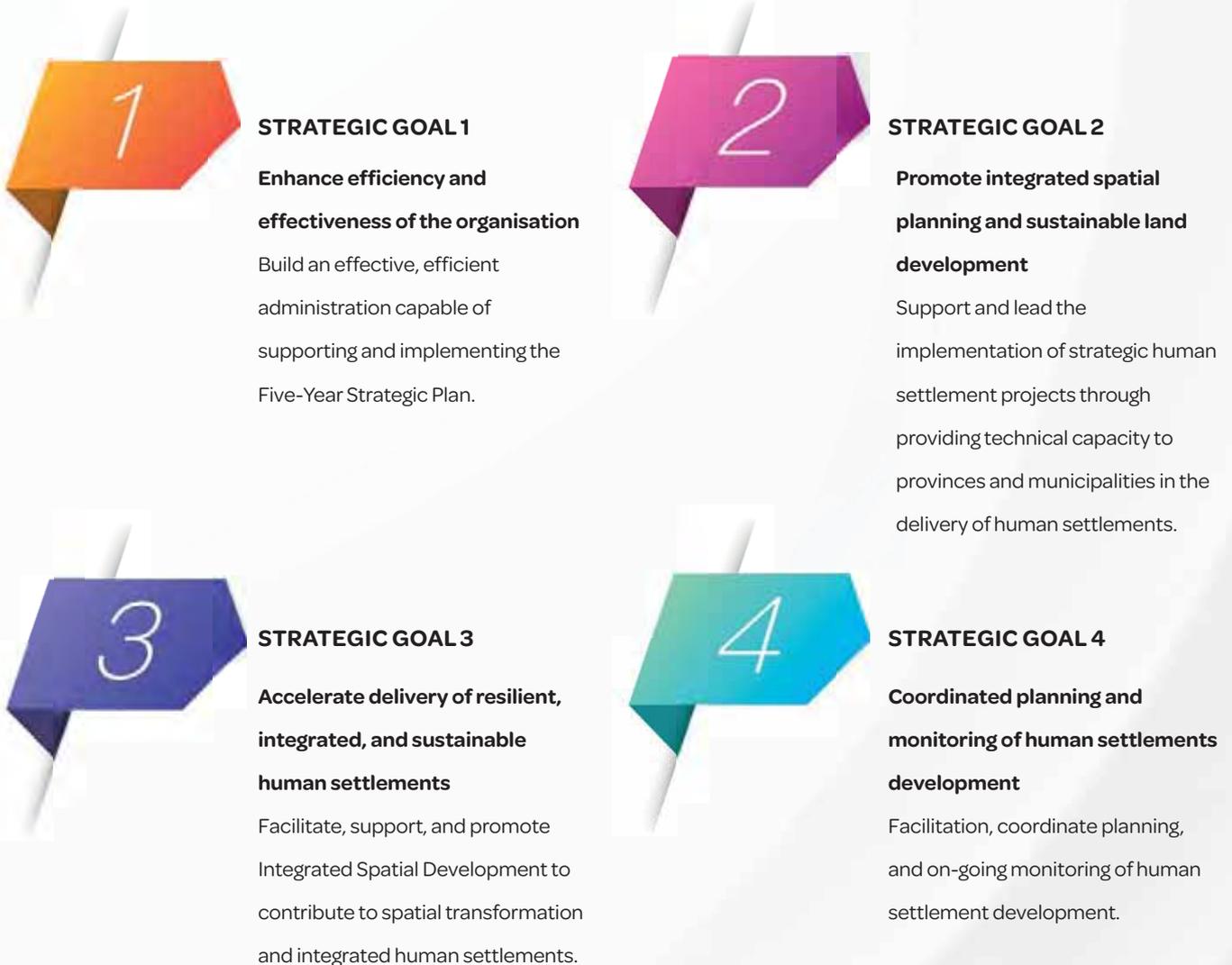


Figure 3: Strategic Goals

Organogram

HDA Organisational Structure

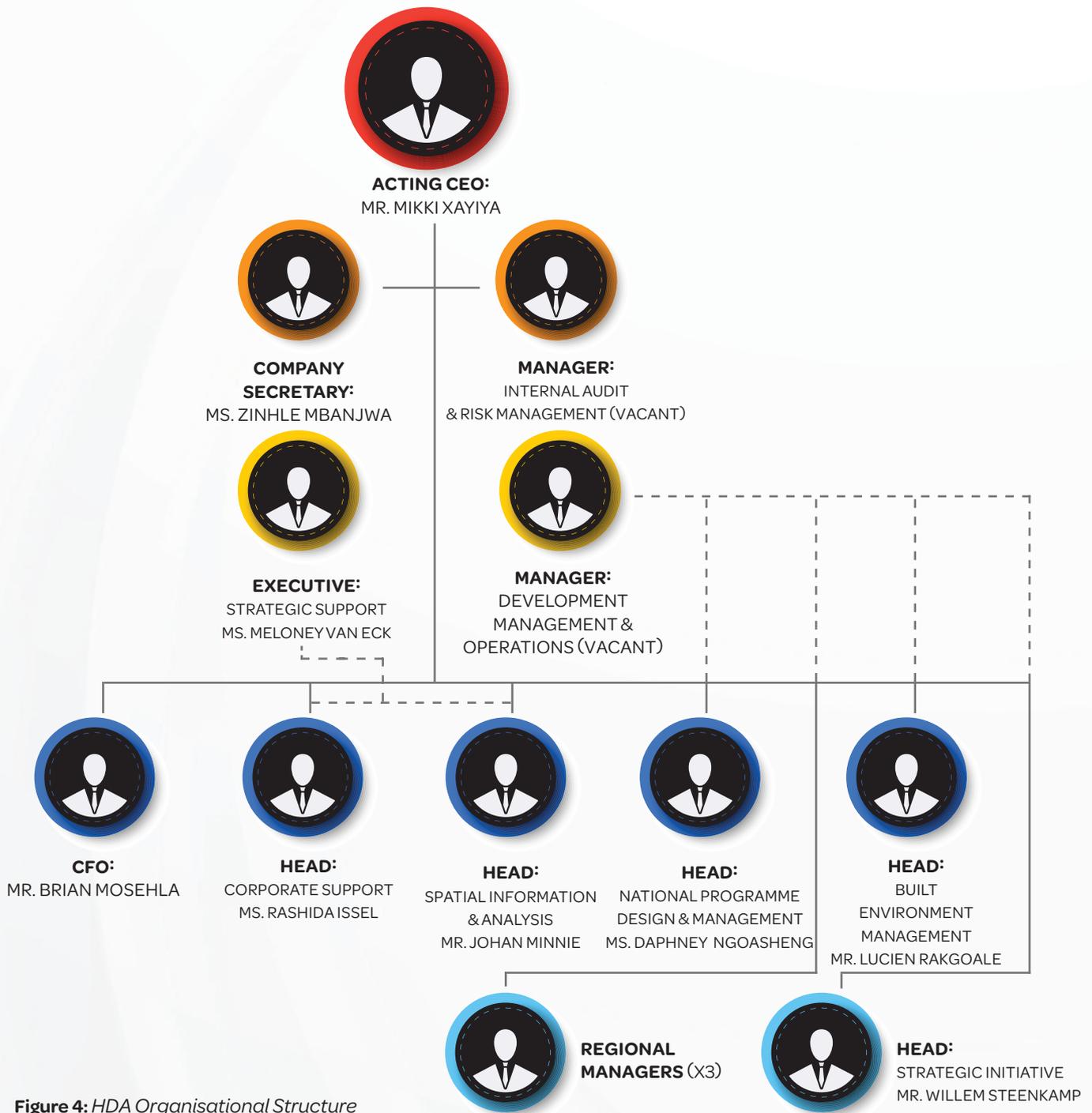


Figure 4: HDA Organisational Structure



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The Agency has identified

over 3054.8730 hectares

of land located in various Provinces for acquisition and subsequent development for human settlement purposes.





Section B

Performance Information

Auditor-General's Report: Predetermined Objectives

The independent auditor currently performs 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 report of the Annual Performance Report section of the independent auditor's report.

Refer to page 89 - 96 of the annual report for the independent auditor's report published in Section E: Annual Financial Information.



Situational Analysis

IN DECEMBER 2018, THE THEN MINISTER OF HUMAN SETTLEMENTS, HONOURABLE NOMAINDIYA MFEKETO INVOKED SECTION 31 OF THE HDA ACT AND PLACED THE AGENCY UNDER ADMINISTRATION. THE MAIN PURPOSE OF PLACING THE AGENCY UNDER ADMINISTRATION WAS TO STABILISE ITS OPERATIONS, ADDRESS GOVERNANCE CHALLENGES AND IMPROVING FINANCIAL MANAGEMENT AND INTERNAL CONTROLS.

The 2019/2020 Financial Year commenced with the HDA still under administration. The instability at governance and administrative levels as well as low staff morale contributed significantly to the poor performance of the HDA.

As a key player in the Human Settlements Sector, the HDA regularly enters into cooperative agreements or service delivery agreements with Provinces and Municipalities as an implementing agent or for providing project management support for the delivery of Human Settlements. This role requires that the Agency is stable, agile and efficient to perform its function of augmenting delivery capacity in the sector. The challenges experienced by the Agency led to considerable reputational damage which made the operating environment even more challenging. Management played a key role in ensuring that relations with municipalities are maintained and service delivery continues.

The Agency turned a new leaf when the Minister of Human Settlements, the Honourable Lindiwe Sisulu appointed an Interim Board in November 2019. This began the process of stabilising the governance of the Agency as well as the administrative and management levels of the HDA. By the end of the Financial Year, Mr Mikki Xayiya was appointed as an acting CEO for period of a year to stabilise the Agency. This injected new hope and expectation that the Agency will not only go back to achieving its set targets but fully implement its role as a developer in the human settlements sector. At the centre of the “new HDA” is a review and implementation of new funding model which will ensure long term sustainability of the HDA.

“

THIS INJECTED NEW HOPE AND EXPECTATION THAT THE AGENCY WILL NOT ONLY GO BACK TO ACHIEVING ITS SET TARGETS BUT FULLY IMPLEMENT ITS ROLE AS A DEVELOPER IN THE HUMAN SETTLEMENTS SECTOR.

Service Delivery Environment

THE 2019/20 WAS THE AGENCY MOST CHALLENGING YEAR SINCE ITS INCEPTION IN 2009.

The overall performance of the HDA was 56% achievement of targets set for the 2019/2020 Financial Year. Even though key targets such as land acquired for human settlement and parcels of land facilitated for rezoning were achieved and exceeded, these efforts did not salvage the dwindling performance of the HDA's key targets such as Housing Units and sites and services delivered. Furthermore, programmes established as National Priority Projects for the MTSF 2014-2019 such as the Informal Settlements Upgrading Programme and the Mining Towns Programme failed to achieve targets due to the general state of instability within the organisation.



Performance Against MTSF Targets

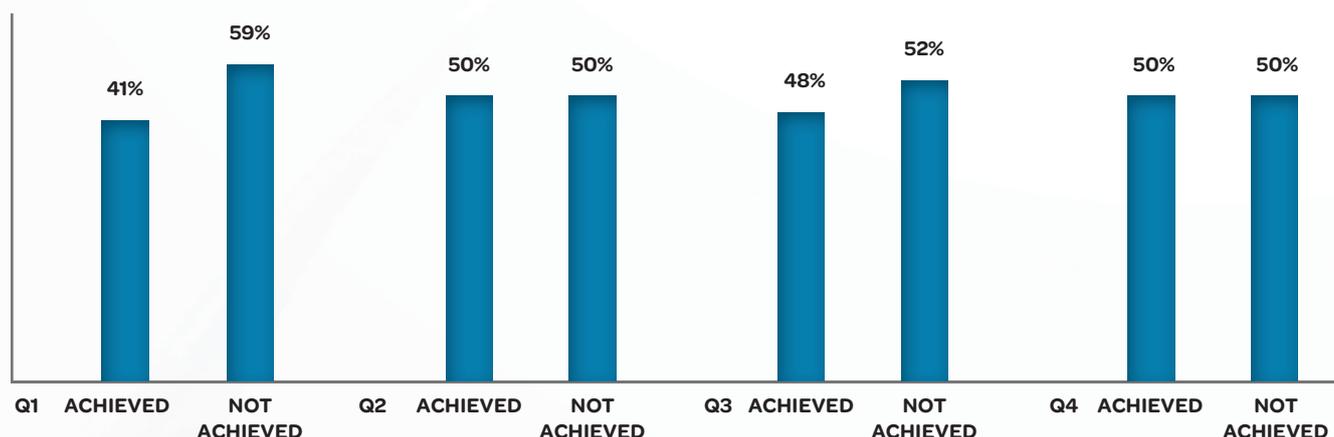
Figure 5: Performance Against MTSF Targets



Overview of Performance

Quarter 1-4 graph (Achieved, not achieved)

Agency performance through each quarter of this financial year



1. DETAILED ORGANISATIONAL PERFORMANCE PER PROGRAMME AND SUB PROGRAMME

PROGRAMME	TOTAL NUMBER OF KPI'S	TOTAL TARGETS ACHIEVED	TOTAL TARGETS NOT ACHIEVED
PROGRAMME 1 TOTALS	4	2	2
Sub Programme CEO's Office	1	1	0
Sub Programme Finance	3	1	2
PROGRAMME 2 TOTALS	4	3	1
Sub-Programme Land Management	4	3	1
PROGRAMME 3 TOTALS	5	0	5
Sub-Programme 3A Regional Coordination	4	0	4
Sub-Programme 3B Strategic Initiatives	1	0	1
PROGRAMME 4 TOTALS	12	9	3
Sub-Programme 4A Planning Programme & Design	6	3	3
Sub Programme 4D Spatial information and analysis	6	6	0
HDA Totals	25	14	11
HDA Overall Performance		56%	44%

Programme

Performance Information

PROGRAMME 1 - ADMINISTRATION

This programme focuses on ensuring on that the organisation's operations and resources are administered effectively and efficiently. The following sub-programmes are part of the Programme 1 i.e Sub-programme 1a: Office of the CEO and sub-programme 1b: Office of the Chief Financial Officer. This programme provides strategic leadership, ensures that there is good governance , that the Agency is financially stable and becomes a high performance organisation.

STRATEGIC OBJECTIVE: TO PROVIDE STRATEGIC LEADERSHIP AND FINANCIAL SUSTAINABILITY TO SUPPORT THE IMPLEMENTATION OF HDA MANDATE						
INDICATOR NUMBER	PERFORMANCE INDICATOR	BASELINE	2019/20 TARGET	ANNUAL PERFORMANCE	VARIANCE	REASON FOR VARIANCE
1A.1	Date for the Approval of APP and Strategic Plan by the Board.	Approved 2019/2020 APP and Strategic Plan by 28 January 2019.	APP and Strategic Plan approved by Board by end February 2020.	Approved APP and Strategic Plan by end of February 2020.	None	None
1B.1	Funding model developed and approved by Board.	No Baseline.	Funding model developed and approved by Board by 31st March 2020.	Not Achieved Financial Model not developed.	A developed funding model.	Draft funding model has been developed, tabled at Exco recommendations for further improvement of the model made before finalisation.
1B.2	Unqualified financial audit opinion on the financial statements obtained from external auditors.	A qualified audit opinion on the financial statements obtained from external auditors.	Unqualified financial audit opinion on the financial statements obtained from external auditors.	The external audit process has not resumed.	None	None
1B.3	% Of BEE level 1-4 supported through HDA budget spend.	61.77% of BEE level 1-4 supported.	35% Of BEE level 1-4 supported through HDA budget spend.	Achieved 80.62% Of BEE level through HDA budget.	45.62	The target was exceeded due to implementation of prequalification's criteria (in line with the preferential procurement act) which disqualifies companies that do not meet the criteria.

PROGRAMME 2 - LAND MANAGEMENT

Through this Programme, the HDA delivers on one of its key objectives contained in the HDA act no 23 of 2008, i.e. to identify, hold, acquire, develop, release state, communal and privately owned land for residential and community purposes in pursuit of creating sustainable Human Settlements.

STRATEGIC OBJECTIVE: IDENTIFY, HOLD, ACQUIRE, DEVELOP, RELEASE STATE, COMMUNAL AND PRIVATELY-OWNED LAND FOR THE RESIDENTIAL AND COMMUNITY PURPOSES AND FOR THE CREATION OF SUSTAINABLE HUMAN SETTLEMENTS						
INDICATOR NUMBER	PERFORMANCE INDICATOR	BASELINE	2019/20 TARGET	ANNUAL PERFORMANCE	VARIANCE	REASON FOR VARIANCE
2A.1	Number of hectares well located land identified for human settlement development.	4583.2911 ha of well-located land was identified for human settlements acquired.	3000 hectares of well-located land identified for human settlement development.	ACHIEVED 3045,5377 hectares of well-located land identified for human settlement development.	45.5377 hectares of well-located land identified for human settlement development.	The target was exceeded due to a substantial number of requests from Provinces for the HDA to assist with the identification of well-located land.
2A.2	Number of hectares of well-located land (targeting poor and middle-income households) acquired or released.	A total number of 3124,8773 ha of well-located land was acquired or released.	3000 hectares of well-located land (targeting poor and middle-income households) acquired or released.	ACHIEVED 3514, 5428 hectares of well-located land (targeting poor and middle-income households).	514.5428 hectares of well-located land (targeting poor and middle-income households).	The target was exceeded due to the land parcel measuring 569.1750 ha that was released which contributed significantly.
2A.3	Number of parcels of land facilitated for rezoning.	6 parcels of land facilitated for rezoning.	5 parcels of land facilitated for rezoning.	ACHIEVED 6 parcels of land have been facilitated for rezoning.	1 land parcel facilitated for rezoning.	An additional land parcel was facilitated for rezoning which led to the target being exceeded.
2A.4	A sector-wide land assembly strategy developed and approved.	No baseline.	A sector-wide land assembly strategy developed and approved the Board by the 31st March 2020.	NOT ACHIEVED The sector -wide land assembly strategy inception report finalised .	An approved sector-wide land assembly strategy .	During the period when The Agency was placed under administration, various internal processes were placed on hold, including procurement, this resulted in delays in the appointment of service providers for this indicator.

PROGRAMME 3 - REGIONAL COORDINATION AND HUMAN SETTLEMENTS IMPLEMENTATION SUPPORT SERVICES

This Programme is composed of 2 sub-programmes i.e. Regional Coordination and and Strategic Initiatives. Through this Programme the HDA meets objective 4(b) of the HDA act no 43 of 2008 which requires the HDA to project manage housing development services for the purposes of creation of sustainable human settlements. This is achieved through provision of project management support and in some cases being appointed as an implementing agent for Provinces and/or Municipalities to deliver sustainable human settlements.

STRATEGIC OBJECTIVE: PROJECT MANAGE HOUSING DEVELOPMENT SERVICES FOR THE PURPOSES OF THE CREATION OF SUSTAINABLE HUMAN SETTLEMENTS						
INDICATOR NUMBER	PERFORMANCE INDICATOR	BASELINE	2019/20 TARGET	ANNUAL PERFORMANCE	VARIANCE	REASON FOR VARIANCE
3A.1	Number of provinces provided with capacity support as per MTOPs and business plans.	9 Provinces provided with capacity support as per MTOPs and business plans.	9 provinces provided with capacity support as per MTOPs and business plans.	NOT ACHIEVED 8 provinces provided with capacity support as per MTOPs and business plans.	1 province provided with capacity support as per MTOPs and business plans.	Eastern Cape MTOP agreement has not been finalised.
3A.2	Number of human settlement units delivered/ supported.	7,998 housing units delivered.	6,498 human settlements units delivered/ supported.	NOT ACHIEVED 4,655 human settlements units delivered/ supported.	1843 housing units.	The target was not achieved due to the following challenges: EC - Projects listed in the Provincial Business Plan for 2019/2020 were not ready for implementation. Awaiting additional funding for fixing of slabs at Khayamnandi 479. NC - The Province allocated additional work to the HD. Late NHBRC home enrolment in Diamond Park and Design changes in Prieska. GP- Community protests and illegal invasion at Mackenzie Ext 2 Poor performing contractors due to cashflow challenges.

STRATEGIC OBJECTIVE: PROJECT MANAGE HOUSING DEVELOPMENT SERVICES FOR THE PURPOSES OF THE CREATION OF SUSTAINABLE HUMAN SETTLEMENTS

INDICATOR NUMBER	PERFORMANCE INDICATOR	BASELINE	2019/20 TARGET	ANNUAL PERFORMANCE	VARIANCE	REASON FOR VARIANCE
						<p>LIMP- Poor performance of contractors due to poor cash flow and planning.</p> <p>Disruptive community protests affecting construction on sites. Unavailability of stands for construction of units for Military Veterans' housing.</p>
3A.3	Number of human settlements serviced sites delivered/ supported.	12,942 serviced sites delivered.	9,100 human settlements serviced sites delivered/ supported.	NOT ACHIEVED 6,041 Human Settlements Service sites delivered/ supported	3,059 Serviced sites.	<p>The target was not achieved due to the following challenges:</p> <p>NC- Delay of BAC and Treasury approval for the extension of time request. Refusal of informal dwellers to relocate from the Phase 2 area that is earmarked for 150 sites.</p> <p>GP- Scarcity of land for relocation of informal settlements which delays sites & services projects.</p>

						Poor performing contractors due to cashflow challenges. NW- Informal settlement invasion to serviced stands.
3A.4	Number of title deeds facilitated for registration.	No baseline.	2,000 title deeds facilitated for registration.	NOT ACHIEVED 403 title deeds facilitated for registration.	1,597 title deeds.	LIMP- Untraceable beneficiaries affecting handing over of title deeds for completed housing units.
3B.1	Strategic Initiative Business Case developed and approved by the Board.	No baseline.	Strategic Initiative Business Case developed and approved by the Board by 31st March 2020.	NOT ACHIEVED The project could not be undertaken due to budget constraints.	Approved Strategic initiatives Business Case	During the period when the Agency was placed under administration, various internal processes were placed on hold including procurement. This resulted in delays in the appointment of service providers for this indicator.

PROGRAMME 4 - PROGRAMME PLANNING AND DESIGN

Programme 4 is made up of 2 Sub-Programmes: i.e. Programme Planning and Design and Spatial Information Management and Planning. Through this programme the HDA manages National Priority Programmes such as Catalytic Projects, Mining Towns and Informal Settlements Upgrading Programme. In addition the programme provides spatial planning and support for sustainable land development.

STRATEGIC OBJECTIVE: ENSURE THAT THERE IS COLLABORATION AND INTERGOVERNMENTAL AND INTEGRATED ALIGNMENT FOR HOUSING DEVELOPMENT SERVICE						
INDICATOR NUMBER	PERFORMANCE INDICATOR	BASELINE	2019/20 TARGET	ANNUAL PERFORMANCE	VARIANCE	REASON FOR VARIANCE
4A.1	Number of priorities, programmes, and projects implemented.	3 National Priority Programmes managed for implementation.	3 programmes including Catalytic Projects, mining towns and NUSP implemented.	ACHIEVED 3 PPD programs have been implemented in the quarter in review, mining towns, Catalytic Projects & NUSP.	None	None

STRATEGIC OBJECTIVE: ENSURE THAT THERE IS COLLABORATION AND INTERGOVERNMENTAL AND INTEGRATED ALIGNMENT FOR HOUSING DEVELOPMENT SERVICE

INDICATOR NUMBER	PERFORMANCE INDICATOR	BASELINE	2019/20 TARGET	ANNUAL PERFORMANCE	VARIANCE	REASON FOR VARIANCE
4A.2	Number of informal settlements provided with technical and capacity implementation support.	5 informal settlements projects have been provided with implementation support.	34 Informal settlements provided with technical and capacity implementation support.	NOT ACHIEVED 6 Informal settlements provided with technical and capacity implementation support.	28 Informal settlements provided with technical and capacity implementation support.	During the period when the Agency was placed under administration, various internal processes were placed on hold, including procurement, this resulted in delays in the appointment of service providers to assist with technical support provision.
4A.3	Number of Catalytic Projects provided with capacity and delivery support.	57 Catalytic Projects have been identified and implemented.	50 Catalytic Projects and Mega Projects provided with capacity and delivery support.	ACHIEVED 50 Catalytic Projects and mega projects provided with capacity and delivery support.	None	None
4A.4	Number of Spatial Transformation Plans approved.	No baseline.	3 Spatial Transformation Plans approved.	ACHIEVED 5 Spatial Transformation Plans approved for Emalahleni and Steve Tshwete. Council Resolutions for; Matlosana, Randwest City, Westrand, Mogale City, and Thabazimbi.	2 Spatial Transformation Plans	Approved Spatial Transformation Plans by the Matlosana, Randwest city, Westrand, Mogale City and Thabazimbi Local Municipality
4A.5	Strategy for Labour Aending Areas for the Eastern Cape developed and approved by the Board.	No baseline.	Strategy for Labour Sending Areas for the Eastern Cape developed and approved by the Board by 31 March 2020.	NOT ACHIEVED The Labour Sending Area strategy has been finalised and submitted to exco for approval.	Approved strategy for Labour Sending Areas in the Eastern Cape.	During the period when the Agency was placed under administration, various internal processes were placed on hold, including procurement, this resulted in delays in the appointment of service providers for this indicator.

STRATEGIC OBJECTIVE: ENSURE THAT THERE IS COLLABORATION AND INTERGOVERNMENTAL AND INTEGRATED ALIGNMENT FOR HOUSING DEVELOPMENT SERVICE

INDICATOR NUMBER	PERFORMANCE INDICATOR	BASELINE	2019/20 TARGET	ANNUAL PERFORMANCE	VARIANCE	REASON FOR VARIANCE
4A.6	Strategy for Mining Legacy Assets developed and approved by the Board.	No baseline.	Strategy for Mining Legacy Assets developed and approved by the Board by 31 March 2020.	NOT ACHIEVED The revised terms of reference have been finalised through the Bid Specification Committee.	An approved strategy for Mining Legacy Assets.	During the period when the Agency was placed under administration, various internal processes were placed on hold, including procurement, this resulted in delays in the appointment of service providers for this indicator.

PROGRAMME 4C - SPATIAL INFORMATION MANAGEMENT AND PLANNING

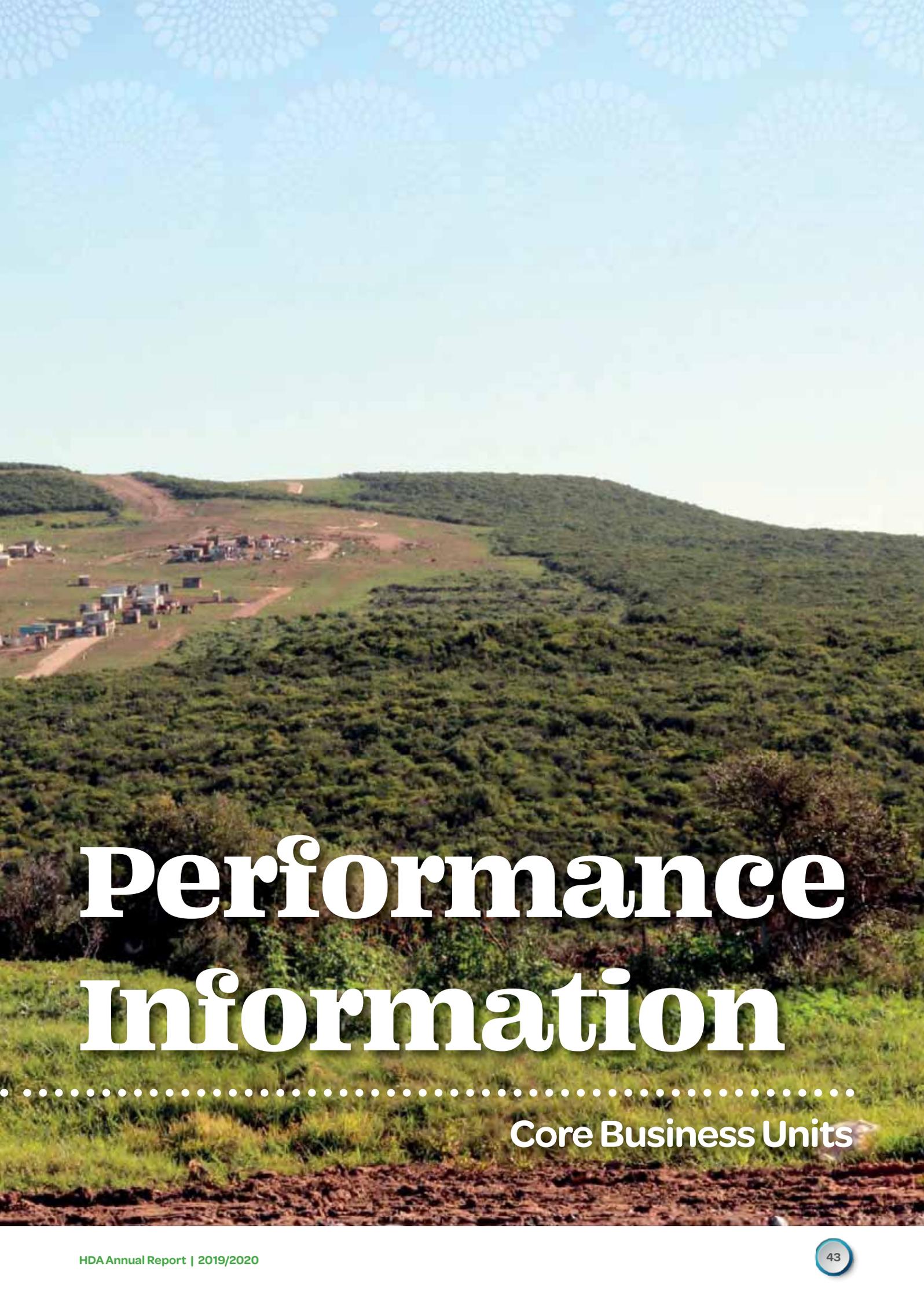
STRATEGIC OBJECTIVE: MONITOR PROGRESS OF THE DEVELOPMENT OF LAND AND LANDED PROPERTY ACQUIRED FOR THE PURPOSES OF CREATING SUSTAINABLE HUMAN SETTLEMENTS

INDICATOR NUMBER	PERFORMANCE INDICATOR	BASELINE	2019/20 TARGET	ANNUAL PERFORMANCE	VARIANCE	REASON FOR VARIANCE
4C.1	% mapping requests supported for land identification.	No baseline.	100% mapping requests supported for land identification.	ACHIEVED 100% mapping requests supported for land identification.	None	None
4C.2	% availability of online land inventory and supporting systems.	No baseline.	96% availability of online land inventory and supporting systems.	ACHIEVED 99,59% availability of online land inventory and supporting systems.	3,59% availability of online land inventory and supporting systems.	Higher system performance during systems testing.
4C.3	Number of projects assessed on spatial transformation.	No baseline.	20 projects assessed on -spatial transformation.	ACHIEVED 20 projects assessed on spatial transformation.	None	None

STRATEGIC OBJECTIVE: MONITOR PROGRESS OF THE DEVELOPMENT OF LAND AND LANDED PROPERTY ACQUIRED FOR THE PURPOSES OF CREATING SUSTAINABLE HUMAN SETTLEMENTS

INDICATOR NUMBER	PERFORMANCE INDICATOR	BASELINE	2019/20 TARGET	ANNUAL PERFORMANCE	VARIANCE	REASON FOR VARIANCE
4C.4	Number of assessments of HDA land and landed properties facilitated between 2009 and 2019.	No baseline.	154 assessments of HDA land and landed properties facilitated between 2009 and 2019.	ACHIEVED 154 assessments conducted on HDA land and landed properties.	None	None
4C.5	Number of PHDAs identified for consultation.	No baseline.	58 PHDAs identified for consultation.	ACHIEVED 136 PSHDAs approved by the Minister of Human Settlements, Water, and Sanitation as declared and to be gazetted shortly.	78 PSHDAs approved by the Minister of Human Settlements.	The number of identified PHDAs for preliminary declaration has increased.
4C.6	Number of PHDAs identified for preliminary declaration.	51 PHDAs were approved and declared.	94 PHDAs identified for preliminary declaration.	ACHIEVED 136 PSHDAs approved by the Minister of Human Settlements, Water, and Sanitation as declared and to be gazetted shortly.	42 PSHDAs approved by the Minister of Human Settlements.	The number of identified PHDAs for preliminary declaration has increased.





Performance Information

Core Business Units

Overview of HDA Core Functions

SUMMARY OF THE MANDATE & CORE FUNCTIONS HIGHLIGHT THE FOLLOWING:

- Land for housing development including planning, identification, acquisition, holding and packaging of land.
- Housing delivery in a broad range of roles including implementation agent, project manager, project developer and social facilitator.
- Release, both in terms of packaged land to developers as well as developed land to ultimate beneficiaries

To this end, the Core business activities include Research, Plan, Acquire, Develop, and Release. Some of the HDA activities that are predominantly such as Inter-Government Relations, Social Facilitation and Monitoring & Evaluation span across the value chain activities.

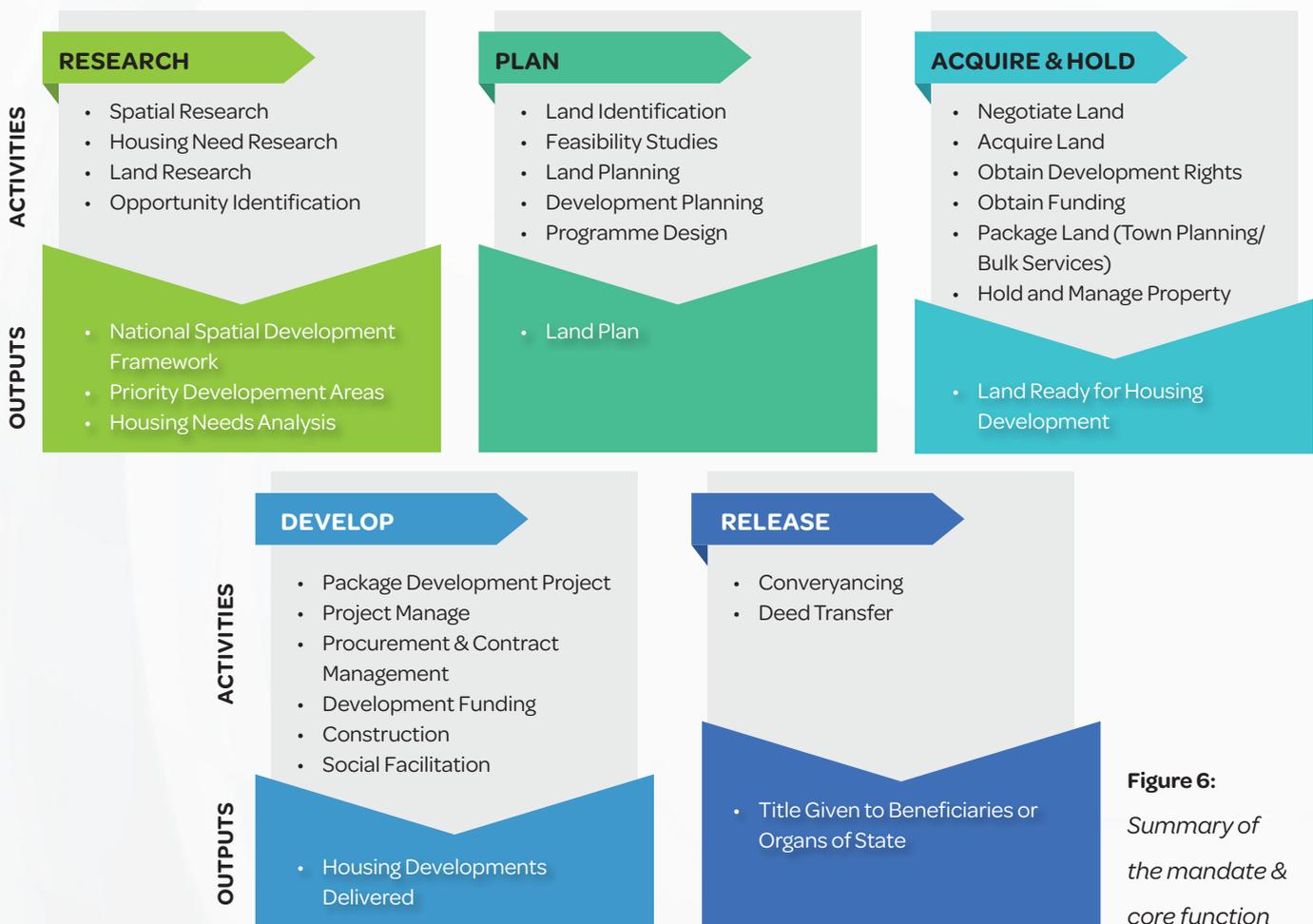


Figure 6:
Summary of the mandate & core function

Programme 2: Land Management

Land Assembly is responsible for, amongst others, the identification, acquisition, holding, and release of land for human settlements development targeting the poor and middle-income households. The Land Assembly Programme directly supports the government's Accelerated Land Reform Programme and Programme of Action adopted by the Inter-Ministerial Committee on Land Reform.

ACHIEVEMENTS FOR THE YEAR LAND IDENTIFICATION, ACQUISITION AND RELEASE

The Agency has identified over 3045,5377 hectares of land located in various provinces for acquisition and subsequent development for human settlement purposes.

The Agency further facilitated the release and/or acquisition 3514.5428 hectares of land for development of human settlements by provinces and municipalities. The released land parcels are at various stages of development. Upon completion, these will make a significant contribution towards addressing the human settlements backlog in the country.

The Inter-Ministerial Committee (IMC) on Land Reform has approved the release of over 14.000 hectares of well-located land under the custodianship of the Department of

Public Works and Infrastructure by means of a power of attorney in favour of human settlements. The power of attorney will enable the Agency, in conjunction with provinces and municipalities, to fast track the required planning approvals and the subsequent development of the land parcels to accommodate mostly low-income households on well-located land. Thus, the development of these land parcels directly responds to Spatial Transformation and Consolidation Programme of the National Department of Human Settlements (NDoHS).

LAND PREPARATION /REZONING

Six (6) land parcels measuring 817,223 hectares in extent, located in Free State, Limpopo, and North West Provinces were rezoned for human settlements development. Services installation is underway on some of these land parcels.

LAND HOLDING

The current immovable property holding portfolio consists of 304 land parcels, with 62 of these properties managed on behalf of various Provinces and the remaining 242 owned by the Agency. The total extent of all the properties is 1,122,9328 hectares (847,4587 owned by the Agency and 275,4741 managed for provinces). 31 lease agreements are in place and generated rental income of R3,851,451.60 per annum.

THE CURRENT
IMMOVABLE PROPERTY
HOLDING PORTFOLIO
CONSISTS OF
304
LAND PARCELS.

Land acquired for Human Settlements:



Figure 7: Land acquired for human settlements

Land Rezoned:



6 Parcels

Figure 8: Land rezoned

Regional Coordination & Human Settlements Implementation Support Services

REGION A (Western Cape, Eastern Cape & Northern Cape)

The region comprises the following provincial offices:

a) Western Cape, b) Eastern Cape, and c) Northern Cape.

Better known as the NEW Capes, the region's key goal is to effectively and efficiently contribute to the delivery of the targets set out annually in the Annual Performance Plan (APP) pertaining to MSTF 4. This entails the land acquired and rezoned for human settlements in PSHDA as well as providing adequate housing for lower and middle-income households in livable neighbourhoods. Integrated and co-ordinated spatial planning and inclusive, sustainable human settlements are also a focus under MTSF 4.

The year in review saw a number of achievements, including a 99% completion of the compensation project that was entered into with the Department of Mineral Resources (DMR) for the Heuningvei community in Northern Cape. A preliminary closeout report was submitted to DMR. A development was confirmed that will benefit approximately 5,500 households. This was possible through the approval of the formalisation of the identified informal settlement (Promised Land) by the District Municipal Tribunal in Northern Cape. Poffader in Northern Cape saw a delivery of bulk infrastructure (1,5 ML water reservoir) with a practical completion certificate issued by the engineers. There were additional projects assigned to HDA with approved funding and the Implementation Plan (IP) with BCMM was concluded. Moreover, an MOA was signed with the; nDHS, Provincial Dept of Human Settlements, BCMM, and HDA.

While also contributing to the alignment between Human Settlement Sector Strategic Pillars (1-4) and the HDA Role, the N2 Gateway Project was the focus in the Western Cape. Its completion is linked to the MOA that the HDA entered into with nDHS. This is the Department's pilot project in terms of its Breaking New Ground in Housing Delivery Programme and focuses on parts of the N2 Highway between Bunga Drive, (Langa) and Cape Town International Airport. There are terms for the HDA to operationalise its support and carry out specific functions in line with the scope of the existing IP in the province which is that the Western Cape Department of Human Settlements' contribution to the Agency cannot exceed a maximum amount equal to 5% of the total subsidy value approved for the completion of the development in respect of Phase 1 of the project. This funding excludes the capital funding for land acquisition.

The role of the HDA in the Northern Cape is to act as the Implementing Agent (IA) of CoGHSTA. Part of this role is to undertake specific project management services on behalf of CoGHSTA by ensuring the development and completion of identified projects. The Agency thereby commits to a Medium-Term Operational Plan (MTO) which is renewable every five years.

The HDA, on approval of the Annual Provincial Business Plan (BP), provides support ranging across various Human Settlements Programmes (Key Performance Areas). These include; Informal Settlements Upgrading Support (ISUP), land assembly for

human settlement developments, project implementation and management support, and programme support, planning, and coordination of project pipeline in the Province.

The Eastern Cape Office's signed IP with the Buffalo City Metropole Municipality (BCMM) concluded earlier this year. Funding Agreements were also concluded with the province for about 10 projects within the Nelson Mandela Bay Municipality (NMBM). The Eastern Cape does not have an MOA that is linked to the MTSF. The IP with BCMM clarifies the allocation of work, roles, and responsibilities and ensures compliance with the terms and conditions of the 2020 MOA (whilst still keeping within the provisions of the Intergovernmental Relations Framework Act).

Some key stumbling blocks were also noted. An overall lack of developable land for critical projects as well as challenges with processing tranche payments from the province caused some issues with deliverables. There were also some delays that caused disgruntlement in the communities affected by town planning at Promised Land and the backlog of claims through the HDA. The IP with the NMBM expired during this time and the relocation of households from the Phase 2 land in the Sesheng

1265 (Northern Cape) project proved challenging. In addition to this, operational costs hindered the Agency's ability to perform to its maximum potential.

With regards to the next financial year, there are aims to complete and closeout projects including Boystown in Western Cape project and Heuningvlei in Northern Cape. There also plans in motion to complete one Development Plan for PSHDA as well as secure the funding to complete more and expand to Sarah Baartman District Municipality in Eastern Cape. Some goals that have been outlined include: starting construction on the Emergency Housing Projects, to acquire 43 hectares of land located within PSHDA, release 43 hectares of land acquired for human settlements, ensure that 10% of acquired land during 2014-2019 is rezoned, and ensure that the 111 hectares of land linked to projects is rezoned for human settlements development. Conclusion of MOAs and IPs on all new business is essential as well as the implementation of all the projects in the current year's business plan that have approved funding in the Nelson Mandela Bay Region.

REGION B (Gauteng, Limpopo & North West)

The Region comprises the following provincial offices: a) Gauteng, b) Limpopo, and c) North West.

The year in review saw much work across these three provinces. In Gauteng, the Agency has assisted the province with the acquisition of various privately-owned land parcels required for human settlements development measuring approximately 212.6238 hectares in extent. During the year under review, the Agency delivered 453 housing units located within the area of jurisdiction of the Cities of Tshwane and Ekurhuleni (including Mogale City Local Municipality).

Support was also provided to the province to acquire serviced stands to be allocated to households who will build their own houses through the Gauteng Rapid Land Release Programme.



GOING FORWARD INTO THE NEXT FINANCIAL YEAR THE DEVELOPMENT PLAN FOR JOE SLOVO INTEGRATED HUMAN SETTLEMENT PROJECT WILL BE A FOCUS AS IT ENVISAGES A MUTUALLY BENEFICIAL PARTNERSHIP WITH THE PRIVATE SECTOR AND IS CURRENTLY BEING CONSULTED ON WITH STAKEHOLDERS.

In Limpopo, an excess of 1,213.0647 hectares of land was released for human settlements development within the Province. A total of 658 units were completed under the rural and military veteran housing assistance programme and 116 title deeds were registered.

The Agency undertook township establishment (as part of the IRDP) in three land parcels located within the distressed mining towns municipalities. These are the land parcels that were acquired by the province in previous financial years. The layout plans were approved with a yield of 5,086 units on these land parcels. A Development Plan was completed for Joe Slovo Integrated Human Settlement project.

The Agency supported the province with the formalisation of four informal settlements located in Thabazimbi, Lephalale, and Elias Motsoaledi Municipalities. Township applications were compiled with inputs from the occupants and lodged with municipalities for approval. The Agency also supported the tenure upgrading programme in two projects namely; Dendron extension 4 and Phagameng extension 11. In Dendron extension 4 a township register was opened, while transfer documents were lodged for Phagameng extension 11.

To support the Provincial Medium-Term Human Settlement Planning, the Agency reviewed the Provincial Multi-Year Housing Development Plan which was submitted to the nDHS as part of the Business Plan. In addition, five municipalities were assessed for level 1 accreditation.

The Agency tense assisted the North West province with the acquisition of various privately-owned land parcels required for human settlements development measuring approximately 663,336 hectares in extent. The Agency facilitated two (2) land parcels measuring 26,4324 hectares of land for rezoning. 1,351 serviced sites located at Ditsobotla and Naledi Local Municipalities were delivered by the Agency during this period and 3.8 km of bulk water and sewer were completed here. 208 units were delivered for human settlements within the Rustenburg Local Municipality.

Going forward into the next financial year the Development Plan for Joe Slovo Integrated Human Settlement project will be a focus as it envisages a mutually beneficial partnership with the private sector and is currently being consulted on with stakeholders. A team comprising various Government Departments from the three spheres of Government will continue working towards the development of the Greater Alexandra Development Plan. Processes are also in progress to establish the Greater Alexandra Project Management Office which will mainly focus on development interventions by various government institutions as well as coordinate interventions by non-government institutions.

REGION C (Free State, KwaZulu-Natal, and Mpumalanga)

The Region comprises the following provincial offices: a) Free State, b) KwaZulu-Natal (KZN) and c) Mpumalanga. The HDA provincial offices in this region focus on providing programme and project management support to the respective provincial human settlements departments.

The HDA's presence has been active in the KZN province since January 2015. During the 2019/20 financial year the HDA provincial office continued to support the eThekweni Service Delivery War Room. This resulted in the eThekweni municipality achieving 100% on USDG expenditure. In 2019/20 the HDA provincial office was appointed as the programme manager to unlock the service delivery matters in Umlazi.

The HDA was appointed by the KZN Department of Human Settlements as the overall project manager for the Title Deeds Program on all the pre-1994 and post-1994 housing projects located within eThekweni and uMunduzi municipal areas. The HDA was successful in unblocking land issues on affected TRP projects located in various municipalities. Status Quo investigations were conducted on a total of 17 housing projects with a potential yield of 7 421 title deeds located within various municipalities. The HDA also provided capacity and implementation support for uMunduzi projects in the following areas: Peace Valley, Masons, Edendale EE Phase 3, Fox Hill Extension.

In Mpumalanga, the province's HDA office provided support to the Mpumalanga Human Settlements Department. The support was provided mainly to two programmes of the Housing code. These were: Upgrading of Informal Settlements Programme (UISP) as part of the support provided to the Lydenburg LR4 site, and the Integrated Residential Development Programme (IRDP) through support provided to Klarinet Phase 2, Malalane ext. 21, Corridor Hills Ext 1. In addition, upgrading plans for Skhila Informal Settlement were developed and the funding for the development of bankable business plan for Klarinet project were finalised.

The Free State office assisted the Free State Provincial Department of Human Settlements with the completion of the Multi-Year Housing Development Plan, Land Acquisition of Farm Elite in the Mangaung Metro, and completion and submission of three Informal Settlement Upgrading (ISU) Settlement Level Plans for funding consideration in the HSDG to the respective municipalities. Two of the three informal settlements (Mohokare and Masilonyana) were included in the 2020/21 HSDG Business Plan and a Provincial Pipeline register was completed.

The Agency also supported the province by completing a township establishment plan for unit 3 in Meloding, Settlement Level plans for Masilonyana, Tokologo and Mohakare, as well as Housing sector Plans for Moqhaka and Maluti a Phofung. In addition, the Multi Year Housing Development Plan was reviewed. The HDA provided support to align Municipal Spatial Development Framework's (SDF) to the Priority Human Settlement Development Areas (PHSDA's) in the province. The National Housing Needs Register (NHNR) support was provided to the Dihlabeng, Metsimaholo, and Mangaung Metro.

Informal Settlements Upgrading Programme

Informal settlements upgrading programme

One of South Africa's greatest human settlement challenges is one of informal settlements continuing to grow faster than the rate of low-income housing delivery. Therefore, the need for accelerated *in-situ* informal settlement upgrading is paramount. This growth in informal settlements is most notable in mining areas in South Africa.

The nDHS, together with the HDA, have been providing the capacity and technical assistance support to provinces and municipalities. Given the announcement of the National Mining Towns in Distress Presidential Intervention, the informal settlement upgrading support to the affected provinces in this intervention needed to be focused, fast-tracked, and aligned with other government department interventions in these areas.

Therefore, the HDA has undertaken various technical activities in support of the implementation of settlements. This includes the development of the Limpopo Provincial ISUP as well as the Free State Provincial ISUP. Support towards implementation of the informal settlements projects was prioritised in; Marikana Ext 13 informal settlement, Nkaneng informal settlement, and an action plan was developed for newly-identified informal settlements within seven clusters located in Matlosana Local Municipality. Moreover, a Settlement Development pipeline to monitor and track progress of prioritised settlements under category A and B1 was developed for multi-year budgeting. Capacity support towards implementation for informal settlements thrived with sector partners in various engagements. Overall, ten sector engagements have taken place with alignment and support geared towards the UISP Grant and capacitating stakeholders.

**OVERALL,
TEN
SECTOR ENGAGEMENTS
HAVE TAKEN PLACE
WITH ALIGNMENT AND
SUPPORT...**

Mining Towns

REVITALISATION OF DISTRESSED MINING COMMUNITIES PROGRAMME

At the start of the new financial year 2019/20, the HDA had a responsibility to conclude the outstanding Spatial Transformation Plans and pipeline support in distressed mining communities. This also included; technical support in various Distressed Mining Communities, all *ad-hoc* support when requested by municipalities and the nDHS, and probable and potential partnerships with other spheres of government.

Significant progress was made with the two Spatial Transformation Plans (STPs) that are also going through the process of approval by Council in Steve Tshwete & Emalahleni Local Municipalities. Five STPs were approved by Council in; Matlosana, West Rand, Mogale City, Thabazimbi, and Rand West Local Municipalities.

TECHNICAL SUPPORT WORK

In Matlosana Local Municipality, a conditional assessment of legacy assets donated by Anglo Gold Ashanti to the municipality was concluded. The next step is to engage with the Matlosana Local Municipality to determine programme of action on the assets.

A Mining Towns Project pipeline was developed and approved by the council as well and a development plan and a resettlement plan are being developed for Khutsong Township in the Merafong Local Municipality.

All the required technical work is being carried out to support the intervention proposed by nDHS.

PARTNERSHIPS

The HDA received a mandate from the nDHS on the 24th October 2019 to address high-risk human settlements challenges in Khutsong Township in Merafong Local Municipality (MLM). After this mandate, a letter of request for technical assistance in this regard was received from Merafong Local Municipality. The HDA established the technical teams attending to the various workstreams in the proposed intervention.

These streams include but are not limited to; disaster declaration, the buildout of a new development plan area, intergovernmental steer-com and stakeholder engagement plan, sesettlement and enumeration, geological and human risk profiling, declaration of the PHDA, land reutilisation plan, and the reporting framework.

Through the aforementioned process and engagements, a number of deliverables were achieved. These included the Draft Implementation Plan being put in place. This will be finalised in the second quarter of 2020/21.

A Memorandum of Understanding was concluded between; the nDHS, HDA, and Cooperative Governance and Traditional Affairs, and the HDA and the Council for Geoscience. In addition, a Funding Agreement was concluded between the HDA and the Gauteng Provincial Department of Human Settlements. The Technical Steering Committee, inclusive of other arms of government, was also formally established with varying workstreams.

Catalytic Projects Programme (CPP)

Catalytic Projects

The Catalytic Projects Programme Human Overall Development Objective requires the identification and implementation of national priority human settlements catalytic projects using different tenure options to deliver mega, high impact integrated and sustainable human settlements that clearly demonstrate spatial, social, and economic integration. In support of the 2019-2024 MTSF and the 2030 NDP, the catalytic projects are being implemented by the nDHS with the technical delivery support of the HDA as a Programme Manager in collaboration with provinces, municipalities, and other key strategic partners.

The following constitute the Catalytic Projects programme development objectives:

INTER-GOVERNMENTAL RELATIONS, PARTNERSHIPS AND PRIVATE SECTOR COLLABORATIONS

- Focus and prioritise development
- Fast-track delivery
- Facilitate contractual agreements and unblock legal obstacles
- Promote private sector investment and facilitate contractual agreements
- Facilitate and structure IGR Agreements
- Build capacity and structure HDA, Provinces and Municipalities to implement

SPATIAL TRANSFORMATION

- Promote spatial targeting
- Promote mixed use developments
- Compact, Connect, Integrate Spatial Landscape
- Demonstrate Impact and Integration

HUMAN SETTLEMENTS SECTOR TRANSFORMATION AND ECONOMIC EMPOWERMENT

- Response to transformation/ ownership agenda
- Women and empowerment (From material supply to construction)
- Structured Youth Programme
- Preferred panel of material suppliers
- Preferred contractors
- Promote job creation, gender youth empowerment and BBBEE

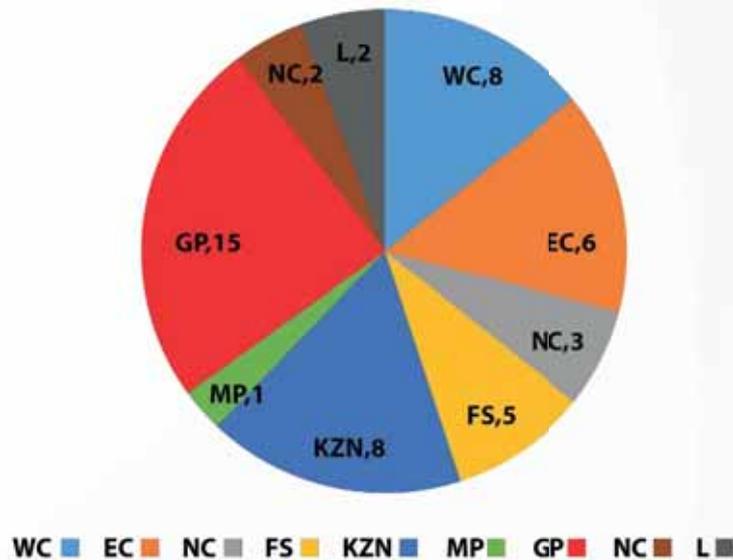
INNOVATIVE FUNDING MECHANISMS

- Ensure secured funding and appropriate funding mechanisms alternative sources
- Establish funding mix
- Target projects that can demonstrate a maximum gearing

The catalytic projects programme comprised of 50 government led national priority human settlements catalytic projects and a preferred pipeline of projects comprised of 50 joint venture projects that were overseen by HDA on behalf of the nDHS during the 2019/20 financial year as indicated in the following figure:

Figure 9: Catalytic Projects

NUMBER. CATALYTIC PROJECTS PER PROVINCE



In support of the catalytic projects programme (CPP) overall development objectives and targets, the 2019/20 CPP targets of ensuring that 50 national priority human settlements catalytic projects and/or mega projects are provided with oversight and/or technical delivery support was achieved.

Going forward into 2020/21 – 2023/24 the plan is to upscale the provision of technical implementation capacity to the 50 catalytic and/or mega projects to ensure that they meet their intended development objectives.

KEY CHALLENGES

Key challenges encountered in during the reporting period in programme delivery are as follows:

- No dedicated fund to incentivise and leverage private sector partnerships in the catalytic programme delivery;
- Limited funding for provision of socio-economic facilities in catalytic and mega projects;
- Limited bulk infrastructure funding which causes major delays in programme delivery;
- Limited to no funding for acquisition of well-located land for human settlements developments.

MITIGATIONS

- Strengthening of Inter-governmental relations is key in ensuring that HDA fulfils its mandate and ensure that tangible support is given to projects;
- Explore establishment of dedicated spatial fund to fund catalytic projects implementation;
- Leverage private partnerships to upscale programme delivery;
- Explore alternative projects delivery/development models through public-private partnerships;
- Ring fence certain percentage of HSDG and USDG for catalytic and mega projects funding including funding of socio-economic facilities;
- Tap into Infrastructure South Africa Funding and collaborations.

Stakeholder & Intergovernmental Relations

THE HDA RECOGNISES THE IMPORTANCE OF EFFECTIVE AND EFFICIENT STAKEHOLDER AND INTERGOVERNMENTAL RELATIONS IN SUCCESSFULLY ACHIEVING ITS STRATEGIC OBJECTIVES. CURRENTLY THE HDA BENEFITS FROM CHAPTER 3 OF THE SOUTH AFRICAN CONSTITUTION WHICH OUTLINES THE TRUST AND GOOD FAITH THAT SHOULD GOVERN THE COOPERATION BETWEEN SPHERES OF GOVERNMENT.

This is further substantiated through the provisions made in the Intergovernmental Relations Framework Act of 2005, the Housing Development Agency Act, 23 of 2008, and the Housing Act, 107 of 1997. In terms of the private sector, the King III Report (of 2009) highlights the fundamentals of managing stakeholder relations as an inclusive corporate governance approach

In order to deliver on its mandate, the HDA enters into various cooperative agreements such as IP and MoA's. In general, a MOA is akin to a co-operative agreement that at a high-level documents the intention and understanding of prospective contracting Parties in respect of their co-operation on a project or in the achievement of an objective.

In the context of the HDA, MoAs are concluded with either provincial or local government as the legal framework that determines the conditions upon which the HDA and the Department must deliver on the approved.

An IP mandates the HDA to *inter alia*:

- receive and confirm Instructions to Perform Work (“IPWs”) for each project from the Municipality; and
- procure professional service providers and contactors to implement the IPWs

Table below provides an overview of cooperative agreements currently in force:

PROVINCE	MTOP/IP/ MOA	DURATION
Western Cape	MOA	Date not specified
Eastern Cape	MOA	02 July 2015 - 31 May 2019
Northern Cape	MTOP	April 2020- March 2024
Gauteng	IP	Date not specified
North West	MTOP	April 2019 – March 2021
Limpopo	MTOP	01 April 2018 – 30 March 2021
Free State	MTOP	April 2019 – March 2020
KwaZulu-Natal	MOA	Date not specified
Mpumalanga	MTOP	November 2017 – March 2021

Spatial Information & Analysis

Monitoring and Evaluation, Knowledge Management and Research Planning

The key objective of the Monitoring and Evaluation, Knowledge Management and Research Planning department is (according to the HDA Act, 2008), to monitor the provision of all infrastructure required for housing development. Under Clause 7 (1) (D) of the HDA Act, the unit also monitors progress of the development of land and landed property acquired for the purposes of creating sustainable human settlements. Central to achieving these objectives is to undertake a land audit of HDA facilitated land and drive spatial transformation and targeting in catalytic projects to gear the land or landed property towards the realisation of a Human Settlement opportunity.

LESSONS LEARNT ON ZANEMVULA TRANSLATED TO A PROJECT CODE

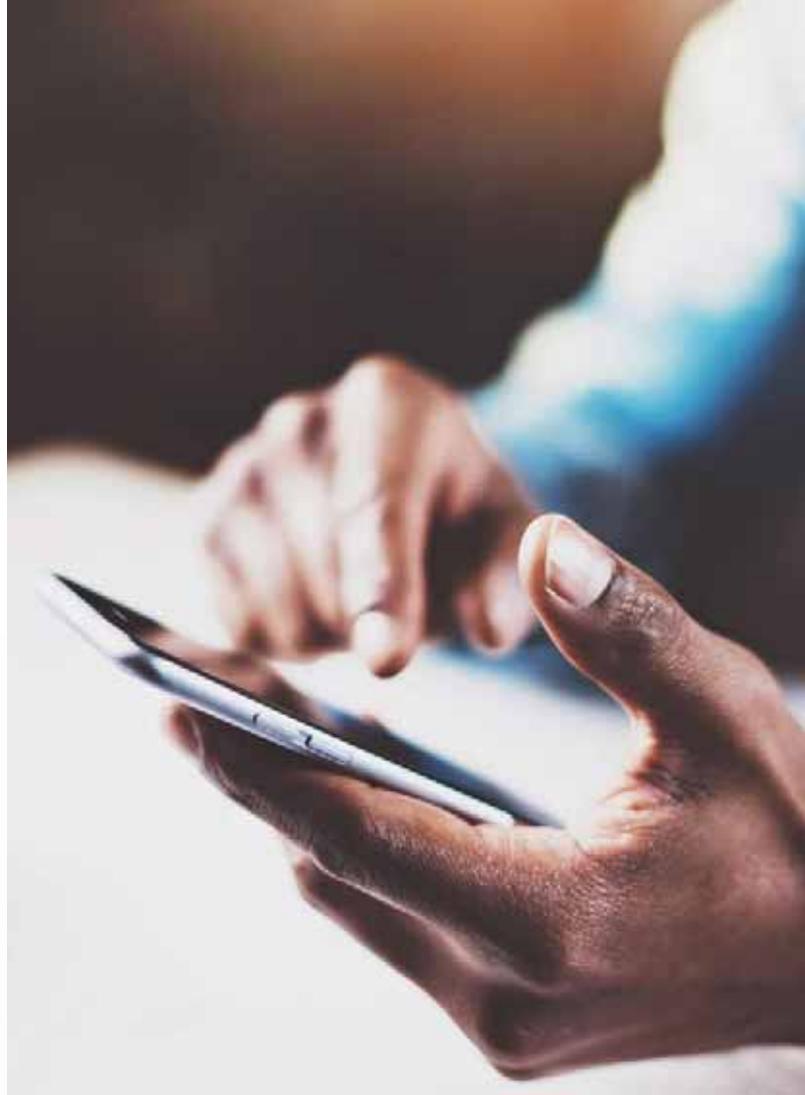
The project code built on the lessons learnt report on Zanemvula, Eastern Cape was completed in the 2019/20 financial year. Several challenges persist across the life cycle of projects and the implementation of the Spatial Transformation Planning Tool confirmed this fact as well. The nDHS published the Project Process Guide for Human Settlements Programme in 2017. The guide aims to provide guidance to project managers and developers/implementing agents to deliver successful human settlements projects. The project code uses this guide and classifies the challenges that arise at the various stages of the project process cycle and suggests ways to mitigate these challenges. The project code can be used to assist with challenges faced in human settlements delivery.

During the year under review, some areas were identified that need to be improved on going forward. One of these is Business Process as there is no central point to get updates on the status of the land parcels. Uploading of data on the Land App and obtaining information for the STST is time-consuming and the department is not currently capacitated to fast track this process. The platform for the Land App is restrictive, which proved to be challenging.

The next financial year's focuses will include the implementation of Spatial Transformation in two communities as well as the assessment of 100 parcels of land and landed properties. Different evaluation criteria will be incorporated to this assessment. There are a plans for PHSHDA including the; development of an M&E framework, adaptation of the Spatial Transformation Scoring Tool, executing a baseline evaluation of 10, and implementation of the project code.

LAND MONITORING AND EVALUATION APP

The HDA land assessments were translated to a digital platform called the Land Monitoring and Evaluation Application and stakeholders have access to this application to view evaluations of the land parcels. During Quarter 1 and 2, 80 assessments were conducted, in Quarter 3, 50 assessments were conducted, and in Quarter 4, 24 assessments were conducted. The main objective for undertaking a land audit on the identified and selected land parcels across South Africa is to determine and establish the status of the property and track the progress of land development. A land monitoring committee was established in the 2019/2020 Financial Year (FY) to assist with data needed to monitor and evaluate the land parcels. The committee consists of; town planners in different regions, GIS, and a land acquisition team.



HDA LAND AUDIT

NUMBER OF ALL
LAND PARCELS:

5



NUMBER OF YEARS SINCE
THE LAND WAS ACQUIRED:

6

DETAILS OF HDA LAND AUDIT
PROPERTIES:

Erf No. 111

PORTION

Suburb: Estoire

Town: Bloemfontein

Province: Free State

Municipality: Mangaung

PERCENTAGE OF
DEVELOPMENTAL LAND:

100%

EXTENT (HA):

26, 217.635

LAND STATUS:

56

LIAC is made up of Assessment Criteria
(LIAC) Average

Figure 10: HDA Land Audit

Each indicator is measured in terms of:



(GOOD PROGRESS)



(MEDIUM PROGRESS
/NEEDS SOME WORK)



(LACKING PROGRESS)

Figure 11: Measurement of indicators

THE SPATIAL TRANSFORMATION SCORING TOOL

The STPT was used to assess Catalytic Projects. Each Catalytic Project is assessed according to the Ten Pillars of Spatial Transformation. These are; 1. Land value-add, 2. Human settlements transformation scorecard, 3. Integration, 4. Socio-economic development, 5. Transversal alignment, 6. Urban management, 7. Quality, 8. Functional and equitable residential property markets, 9. Public safety, and 10. Return on investment. The STPT is a planning tool that allows the HDA to convert human settlements targets into achievements. It alerts the HDA regarding red flags and when and where to intervene. It further allows for project prioritisation and to stop working on the wrong projects and reclassify. Incidentally, it is also a source of comparative analyses among projects.

As part of the assessment of the Catalytic Projects, a set of benchmarks were developed for each indicator. These benchmarks were updated in the last financial year to take into consideration the standards of Council for Scientific and Industrial Research (CSIR) 'The Neighbourhood Planning and Design Guide' (new red book). Each indicator is measured in terms of green icon (good progress), amber icon (medium progress/needs some work), or red icon (lacking progress). The consolidation of all the measured indicators is represented in an infographic also known as the Front End which serves as both an assessment tool and a summary of the project. The HDA undertook spatial transformation analysis for 20 catalytic projects in the following provinces: Western Cape, Gauteng, Northern Cape, and Free State.

DATA INFORMATION SYSTEMS

The Data and Information Management Unit deals with organisational reporting on; projects, finances, land acquisition, and land holdings. The purpose is to provide insight into business performance by leveraging technology to represent data and focus on the main

objectives of the programme. This ensures that there is comprehensive reporting across the organisation and measures performance of projects and contractors as well as tracks financial expenditure of each division within the HDA. The performance of the HDA is monitored using Key Performance Indicators that show progress towards the achievement of MTSF (2014/19) outcomes.

The unit noted some successes during the year under review. A central database has been created for all top structure and service sites projects and focuses on status reporting and projected performance for units across all the provinces. An augmentation approach in reporting has ensured that there is a focus on provinces and their specific needs. Temporary Residential Units has a dashboard that tracks project progress as well as contractor management, and geo- and trend-visualisations of progress at different milestones and municipalities were compiled.

While Data and Information have made significant strides in streamlining and consolidating reporting, it is still unclear who is ultimately responsible for organisational reporting. It is a challenge which has potential to give incoherent reports if audiences engage from different sources.

Going forward, however, the Data and Information's focus in the 1st Quarter of 2020/21 financial year is to continue supporting the strategy unit. There will be further review of the work done in other programmes with broadening and customising, where necessary, the services and products to other provinces and agencies within the Human Settlements sector.

GEOGRAPHIC INFORMATION SYSTEMS (GIS)

The key objective of the Geographic Information Systems (GIS) unit is to provide spatial information solutions to the organisation. In doing so, it supports all HDA programmes that require spatial information solutions for operational and strategic decision-making.

The key performance areas of the unit as reported on the Annual Performance Plan (APP), are the following two areas:

- Mapping support provided for land identification.
- Availability of an online land inventory.

The main function of the unit is to provide support to land identification, which in turn leads to the holding, development, and release of land. Other key objectives of the unit are to support other business units with spatial information related to project management, planning, and the monitoring of infrastructure for housing development.

The GIS unit achieved its target by providing 100% support to requests from internal stakeholders that required mapping for land identification. 3,370 maps were produced by the unit for various purposes ranging from land identification and area profiling, to project and programme support, ecological assessments, infrastructure mapping, and spatial analysis.

HECTARES OF LAND PROFILED FOR LAND IDENTIFIED PER QUARTER

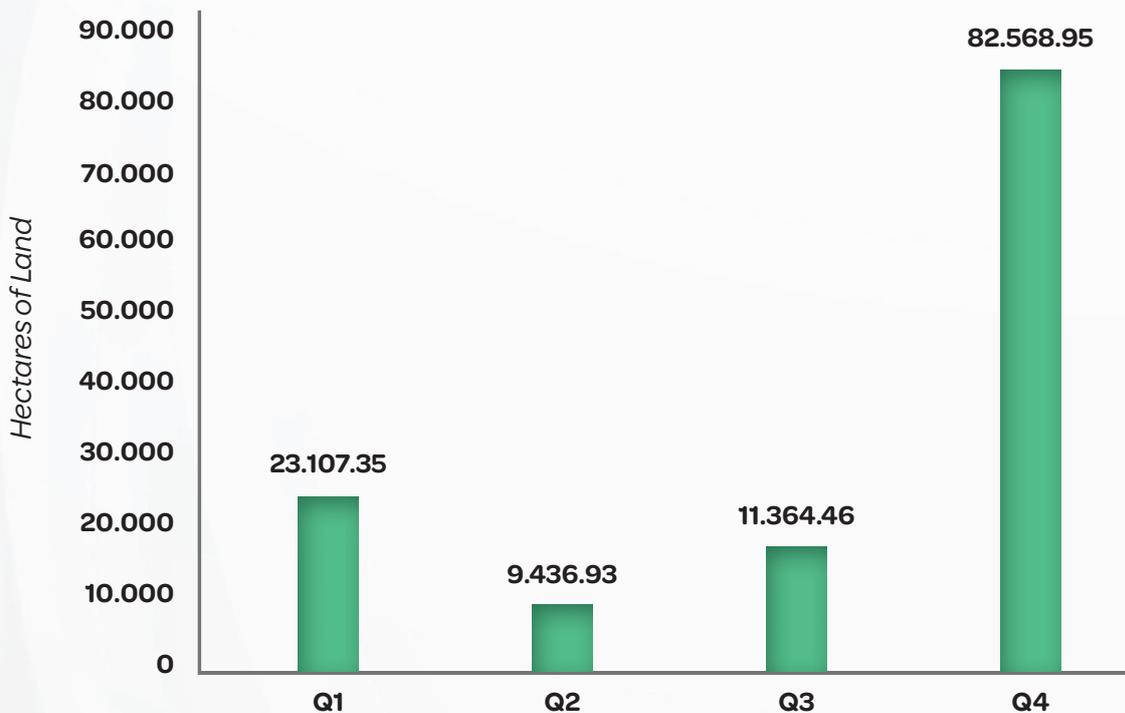


Figure 12: Hectares of land profiled for land identification

More than 126.000 hectares of land were profiled for land identification purposes to support land assembly in the regions and provinces with their annual land acquisitions targets, PHSHDA's, and for the resettlement of people living in informal settlements for the COVID-19 human settlements interventions. The NaHSLI tool was used to support prefeasibility studies to determine how well-located properties are as determined by the Well-located Land Continuum of the HDA is successful and popular particularly in rural provinces and municipalities. The system's uptime for this financial year was 99.85% and 98 new users registered in the financial year. The GIS unit is continuously looking to improve on the system to change according to technology, needs, and capacity building.

Dashboards were developed for profiling and assessing PHSHDA's, the evaluation of the 2020/21 Human Settlements Business Plans, the HDA Land Assembly Web Application, and the Public Containment Work Stream Dashboard (that was developed as a response to the COVID-19 pandemic for the National Joint Operational and Intelligence Structure (NATJOINTS) are all successes under this unit.





“

The Executive Authority vests with the Minister and has the

power to appoint and dismiss the Board.

At the start of the period under review, the Agency was under administration.





Section C

Governance

Governance

Introduction

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 regard 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 Board of the Public Entity are responsible for corporate governance.

Portfolio Committee

As an entity of the nDHS, the HDA regularly appears before Parliament's Portfolio Committee on Human Settlements. The committee exercises oversight role over the service delivery and performance of the Agency.

Executive Authority

Quarterly performance reports were submitted to the Executive Authority.

The strategic and operational plans were submitted and concerns with the plans were raised. Due to operational delays, extended submission dates were requested. The plans were due on 31 January 2020 but were submitted on 07 February 2020.

Correspondence by way of letters was received containing directives that the Agency was expected to action or adhere to regarding:

- i. the appointment of the acting Board of the Chairperson.
- ii. the appointment of the acting Chief Executive Officer.

This has been improved to map isolation and quarantine facilities as identified and assessed by the Department of Public Works and Infrastructure (DPWI) as well as the National Department of Health (NDOH). Additional information includes; hospitals and

clinics, police stations, COVID-19 figures, hotspots, and vulnerable areas.

The biggest challenge the GIS unit is facing is the small staff complement. Additional resources are required to support stakeholders' needs for spatial information. Furthermore, the unit must use geospatial technology effectively to drive internal processes. Although the unit is moving away from a reliance on outsourcing core deliverables it needs to leverage on existing mechanisms to improve the capability of the unit as well as individuals.

In addition, information that is collected by the human settlements sector is not being used with GIS effectively to track the location of projects. This can lead to inaccurate decision-making. Therefore, GIS needs to be utilised in the entire human settlements value chain to ensure that information is accurate, relevant, and up to date.

Going forward, the GIS Strategy and GIS Management Policies were approved in Quarter 4. These documents are crucial to pave the way to improve the governance of spatial data and information of the HDA. The GIS Strategy has identified the usage

of technology and the access of information as two of its key focus areas for the next financial year and the rest of the MTSF period. There is a gap that currently exists in the HDA and the rest of the human settlement sector across various programmes and projects.

Providing support to the PSHSDA programme's target to produce development plans, the creation of a national informal

settlements database, pro-active land identification, and the mapping of all HDA projects since its inception are all areas that will be concentrated on. Through the use of geospatial technologies, the HDA has the opportunity to be on the forefront of the 4th Industrial Revolution (4IR) in the human settlements sector where information can be used as an asset to inform and support operational and strategic decision-making.

The Accounting Authority/The Board

INTRODUCTION

The Board of Directors is the accounting authority of a public agency. The board of a public agency constitutes a fundamental base for the application of corporate governance principles in the public agency. The Board of Directors is the accounting authority of a public agency. The board of a public agency constitutes a fundamental base for the application of corporate governance principles in the public agency.

The Board provides Strategic Direction to the HDA, it is also accountable for the performance of the Agency.

THE ROLE OF THE BOARD IS AS FOLLOWS:

- Hold absolute responsibility for the performance of the public agency.
- Retain full and effective control over the public agency.
- Ensure that the Agency complies with applicable laws, regulations, and government policy.
- Has unrestricted access to information of the public agency.
- Formulates, monitors, and reviews; corporate strategy, major plans of action, risk policy, annual budgets, and business plans.

- Ensures that the shareholders' performance objectives are achieved.
- Manages potential conflicts of interest.
- Develops a clear definition of levels of materiality.
- Attends compulsory annual meetings.
- Ensures financial statements are prepared.
- Appraises the performance of the Chairperson.
- Maintains integrity, responsibility, and accountability in the annual report that provides the roles and responsibilities of the board.

BOARD CHARTER

As recommended by the King Code, the Board has a charter setting out its responsibilities which should be disclosed in its annual report. At a minimum, the charter should confirm:

- The Board'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.
- Communication policy, and director selection, orientation, and evaluation.



ACCORDING TO SECTION 9 OF THE HOUSING DEVELOPMENT AGENCY ACT 23 OF 2008, THE BOARD MUST CONSIST OF TWO EXECUTIVE MEMBERS AND SEVEN NON-EXECUTIVE MEMBERS.

The Board Charter's purpose is to:

- a. Set out the roles and responsibilities of the Board.
- b. Ensure that all Board members are aware of their individual, and collective, duties and responsibilities.
- c. Ensure that Board members are aware of the various legislation, regulations, and policies affecting their conduct.
- d. Ensure that the principles of corporate governance are applied in their dealings in respect of and on behalf of the company.

The relevant committees as required by the Charter were constituted and the process of reviewing the committee terms of reference was undertaken. Two of the three ministerial nominees also joined the Board in February and March 2020 respectively.

The Board has fulfilled its roles and responsibilities relating to:

- The development and approval of the organisational strategy.
- The management of risk.
- Ensuring that the directors discharge their fiduciary duties.

COMPOSITION OF THE BOARD

According to Section 9 of the Housing Development Agency Act 23 of 2008, the Board must consist of two executive members and seven non-executive members.

At the start of the period under review the Agency was under administration.

The period of administration ended when the Minister appointed a Board on 23 April 2020 comprising the following members:

- a. Ms NM Ntsinde (Chairperson)
- b. Advocate DJ Block (Deputy Chairperson)
- c. Ms ZZ Mxaku
- d. Ms P Lujabe
- e. Mr N Vimba
- f. Mr P Chiapasco
- g. Ms R Sadiki (Resigned on 07 May 2019)

The executive directors comprised Chief Executive Officer and Chief Financial Officer. Ms S Mpofu and Ms T Sejane were appointed acting Chief Executive Officers in 01 May 2019 to 31 August 2019. Mr DN Chainee was appointed acting Chief Executive Officer and accounting authority in 03 September 2019. He ceased to be the acting accounting authority on 11 November 2019 upon the appointment by the Minister of the Interim Board. Ms P Magagula was appointed as acting Chief Financial Officer on 01 March 2019 to 31 October 2019. Mr Sindisa Nxusani was seconded to the HDA from the National Housing Finance Corporation from 01 November 2019.

The interim Board was appointed in November 2020 and comprised:

- Two executive members (acting Chief Executive Officer and acting Chief Financial Officer).
- Four non-executive members.
- Two non-executive members appointed as per Sections 9 (2)(b)(ii) and (iii) who joined the Board in February and March 2020.

The Interim Board was appointed by the Minister of Human Settlements, Water and Sanitation.

Board Members



Adv. M Motlogelwa

Adv. Monnapula Motlogelwa

Chairperson of the Board

Adv. Motlogelwa has over 20 years' experience in local government governance and executive administration and a seasoned director of companies and Council member of institutions of higher learning. He has led numerous local municipalities drawing on his vast experience in government housing needs planning, policy development, research and technical services. He holds an LLM degree (UNW) as well as post graduate qualifications in project management, urban and regional development planning. An accomplished presenter, he has been invited to speak at numerous international fora on topics relating to governance, local government management and sustainable urban development. Adv. Motlogelwa is an Advocate of the High Court of South Africa.



Ms. Z Mkhize

Ms. Zesuliwe Mkhize

Ms. Mkhize brings extensive experience across NGO, Private, and Government sectors. She holds an MD in Social Policy specialising in Urban Policy & Planning (UDW).

Her other qualifications include; Project Management, Finance, Fraud and Risk Management, and Contract Management.

She is an experienced executive and published author with a 20 year career in the Built Environment sector.



Mr. N G Vimba

Mr. Ntandanzo Goodman Vimba

A 15 year post graduate professional in legal advisory services in senior public and private sector, Mr Vimba is an admitted attorney and currently the Chief Executive Officer at the Municipal Infrastructure Support Agency (MISA). The latter provides oversight and technical support to over 108 municipalities in distress, through the deployment of key skills such as engineers, project managers, town and regional planners and artisans. Mr Vimba is actively involved in the Inter-Ministerial Committee tasked with resolving the debt impasse between Eskom and municipalities as well focusing on service delivery and drought alleviation.



Mr R J Makan

Mr. Rajesh Jamoo Makan

Mr Makan is a qualified Town and Regional Planner and a registered member of the South African Council for Planners where he has served in the Executive Committee including Chairperson of their Finance Committee. He is well versed in policy development, township establishment, economic development zoning, spatial planning and land use management. Mr Makan has extensive experience in coordinating and managing public and private development activities and programmes.



Ms. Z Moon

Ms. Zoleka Moon

Ms. Moon has extensive experience and deep understanding of government planning and management frameworks. She has brought her strategic, programme and project management skills to inform her long professional career. Her sound knowledge and experience in policy and legislation development and analysis gives her a further edge over her peers - particularly within organisations in flux. Ms, Moon graduated at Leeds Metropolitan University (UK) with an MSc in Management Consultancy.



Mr. M Xayiya

Mr. Mikki Xayiya

Acting Chief Executive Officer

Mr. Mikki Sivuyile Xayiya holds an LLM International Business Law degree from the University of Cumbria, (UK) and other academic achievements from high international institutions around the world. He has extensive experience in directorships and entrepreneurship start-ups and has served as a programme officer for; an international NGO, senior policy adviser, managing director, and an executive chairman of a JSE listed company.



Mr. KB Mosehla

Mr. Khomotso Brian Mosehla

Chief Financial Officer

Mr. Mosehla is a Chartered Accountant (SA). He currently serves as the non-executive Chairman of JSE listed Northam Platinum Limited, as well as non-executive director of MC Mining Limited - a resources company listed on the Australian, AIM London and JSE Limited. He served for five years at African Merchant Bank Limited and gained a broad range of experience including; MBO, property development, LBO, and capital restructuring transactions. He also established Mvelaphanda Corporate Finance for the development of Mvelaphanda's mining and non-mining interests.

Table 1: Board member details

BOARD MEMBER	DESIGNATION	DATE APPOINTED	AGE	RACE	GENDER	QUALIFICATIONS	PREVIOUS BOARDS	CURRENT BOARDS	NEW APPOINTMENT
MP Motlogelwa	Non-executive director (Nov 2019 – Feb 2020) Acting Board Chairperson (Feb 2020 --31 March 2020)	November 2019	46	Black	Male	B Iuris, Certificate: Project management, Diploma: Public administration, Certificate: Urban and Regional Development Planning Management	Deputy Chair: North West Liquor Board (2009 – 2011) Council Member: Vuselela FET College (2008 – 2011)	Member: Municipal Demarcation Board HDA Board (appointed November 2019)	Yes
MMS Xayiya	Board Chairperson (Nov 2019 – Feb 2020) Acting CEO (Feb 2020 – 31 March 2020)	November 2019	59	Black	Male	BA, Masters in International Relations, Certificate in Defence Management	Mvela Resources, Northam Platinum, Transhex Mining, Abvest Asset Managers, MvelaServe, Radisson, LifeHealth, Batho Bonke (the ABSA BEE Scheme), Mawenzi Asset Managers, Group 5	HDA Board (appointed Board Chairperson in November 2019) Appointed acting CEO of HDA in February 2020 to date, and stepped down as Board Chairperson	Yes
ZI Moon	Non-executive Director	November 2019	50	Black	Female	MSc: Management Sciences and Administrative Development	None	HDA Board (appointed Nov 2019)	Yes
CAZ Mkhize	Non-executive Director	November 2019	53	Black	Female	Certificates in Construction Contract Management ,Fraud and Risk Management Finance for Non Financial Executives	None	HDA Board (appointed Nov 2019)	Yes
R Makan	Non-executive Director	February 2020	46	Indian	Male	Diploma and Masters in Town and Regional Planning,	None	HDA Board (Ministerial nominee since Feb 2020)	Yes
G N Vimba	Non-executive Director	February 2020	44	Black	Male	Certificates in: Contract Management; Legal Writing; International Agreements; Legislative Drafting; Practical Legal Training	HDA Board (April to July 2019)	(Ministerial nominee since June 2020)	No

TABLE 2: Board and Board Subcommittee Meetings held in the 2019/20FY

COMMITTEE	ORDINARY MEETING	SPECIAL MEETING	TOTAL MEETINGS FOR 2019/20
Board Meeting	4	9	13
Audit & Risk Committee	2	0	2
Corporate Support and Remuneration Committee	3	4	6
Land Planning and Development Committee	1	0	1
Project Investment Committee	1	0	1
Social and Ethics Committee	1	0	1



BOARD MEETINGS

The Board has four scheduled meetings per annum. Special meetings are convened as and when the need arises. In 2019/20 (between the 2 Boards), 13 Board meetings were convened.

30 April 2019 – In-Committee Meeting

15 May 2019 – In Committee Meeting

29 May 2019 – In Committee Meeting

12 June 2019 – Ordinary Meeting

29 July 2019 - Ordinary Meeting (Board was disbanded)

**- upon appointment as acting Chief Executive Officer, Mr Xayiya resigned from all Committees where he was a member and assumed the status of executive director.*

BOARD	DESIGNATION	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
Ms N Ntsinde	Chairperson (23 April 2019 – 29 July 2019)	5	5
Adv DJ Block	Deputy Chairperson	5	3
Ms ZZ Mxaku	Member	5	5
Ms P Lujabe	Member	5	5
Mr N Vimba	Member	5	5
Mr P Chiapasco	Member	5	5
INTERIM BOARD (11 NOV 2019 – 31 MARCH 2020)			
Mr MS Xayiya*	Chairperson (11 November 2019 – 03 February 2020)	8	8
Adv MP Motlogelwa	Acting Chairperson (from 04 February 2020)	8	7
Ms CAZ Mkhize	Member	8	8
Ms ZI Moon	Member	8	8
Mr R Makan (appointed February 2020)	Member	8	0
Mr S Nxusani (Chief Financial Officer)	Member (executive director)	8	5

Table 3: Attendance of board meetings

COMMITTEES

Since the Board cannot attend to all the matters effectively in terms of the Board Charter, the Board established the following Committees to assist in the execution of its responsibilities:

- a. Audit and Risk Committee.
- b. Corporate Support and Remuneration Committee.
- c. Land Planning and Development Committee.
- d. Project Investment Committee.
- e. Social and Ethics Committee.

AUDIT AND RISK COMMITTEE

The Board that was appointed in April 2019 established a Finance Task Team that also considered matters of finance, audit, and risk. On 17 July 2019, the Task Team members were all absorbed into the newly-formed Audit and Risk

Committee. The Audit and Risk Committee was dissolved upon the dissolution of the Board.

The Audit and Risk Committee was constituted on 18 November 2019 following the appointment of the interim Board. In March 2020, in line with the requirements of the Shareholder Compact 2020/21, the composition of the Committee changed. The co-opted specialist (Ms SY Boulton) was appointed as the Chairperson of the Audit and Risk Committee. With the appointment of Advocate MP Motlogelwa as acting Board Chairperson in February 2020, he resigned from the Committee.

All the members of the Audit and Risk Committee are independent Non-executive Directors and the Executive Directors are standing invitees to meetings.

FINANCE TASK TEAM MEMBERS	DESIGNATION	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
Mr P Chiapasco	Chairperson (30 April 2019)	4	4
Ms R Sadike	Member (30 April 2019 – 07 May 2019)	4	0
Ms Z Mxaku	Member	4	4
Adv D Block	Member	4	1
Ms S Boulton	Independent Audit & Risk Specialist	4	4
Mr P Phili	Independent Audit & Risk Specialist	4	1
AUDIT AND RISK COMMITTEE MEMBERS	DESIGNATION	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
Adv D Block	Chairperson (17 July 2019)	1 (meeting held on 18 July 2019)	1
Mr P Chiapasco	Member (17 July 2019)	1	1

Ms Z Mxaku	Member (17 July 2019)	1	1
Ms S Boulton	Independent Audit and Risk specialist (17 July 2019)	1	1
Mr P Phili	Independent Audit and Risk specialist (17 July 2019)		
Ms CAZ Mkhize	Chairperson (18 November 2019 – 20 March 2020) and Member (from 20 March 2020)	1	1
Ms SY Boulton	Chairperson (20 March 2020)	1	1
Ms ZI Moon	Member	1	1
Adv MP Motlogelwa	Member (resigned on 20 March 2020)	1	1
Mr R Makan	Member (appointed 20 March 2020)	1	0

Table 4: Meetings of the Finance Task Team and Audit and Risk Committees

CORPORATE SUPPORT AND REMUNERATION COMMITTEE

The Committee comprises of independent Non-executive Directors and considers and oversees the following matters:

- i. Legal.
- ii. Human Resources, employment equity, staff and skills development.
- iii. Remuneration.
- iv. Communications.

The standing invitees to the committee's meetings are the two Executive Directors, the Head of Corporate Support and other executives whose roles are relevant to the matters being discussed.



ALL THE MEMBERS OF THE AUDIT AND RISK COMMITTEE ARE INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE EXECUTIVE DIRECTORS ARE STANDING INVITEES TO MEETINGS.

CORPORATE SUPPORT AND REMUNERATION COMMITTEE MEMBERS (JULY 2019)	DESIGNATION	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
Ms Z Mxaku	Interim Chairperson (12 June 2019 – 29 July 2019)	1	1
Ms N Ntsinde	Member	1	1
Mr P Chiapasco	Member	1	1
CORPORATE SUPPORT AND REMUNERATION COMMITTEE MEMBERS (NOVEMBER 2019)	DESIGNATION	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
Mr MS Xayiya*	Member	5	2
Advocate MP Motlogelwa	Chairperson	5	5
Ms ZI Moon	Member	5	5
Mr R Makan	Member	5	0

* - Mr Xayiya resigned in February 2020.

LAND, PROPERTY AND DEVELOPMENT COMMITTEE

Land Assembly lies at the heart of the agencies mandate and operations. The Land, Property, and Development Committee provides oversight on all matters relating to the acquisition of land and landed properties, management, and development. Oversight is exercised by the Committee on land acquisitions and development.

The Committee fulfils the following functions:

- To inform the formulation of the strategy for HDA Property Acquisitions, Management and Development.
- To give effect to the Land Acquisition and Management strategy and policy of the Agency to achieve the objectives of the Agency.

c. The Land, Properties, and Development Committee make recommendations to the Board for decisions in relation to:

- property acquisitions and priorities therein.
- property management.
- property development and projects related therein.
- property release and/or alienation.
- actions required to give effect to those decisions.

The standing invitees to the committee's meetings are the two Executive Directors, the Head of Land Assembly and other executives whose roles are relevant to the matters being discussed.

SOCIAL AND ETHICS COMMITTEE MEMBERS	DESIGNATION	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
Ms P Lujabe	Interim Chairperson (12 June 2019 – 29 July 2019)	1	1
Mr N Vimba	Member	1	1
Adv D Block	Member	1	1
SOCIAL AND ETHICS COMMITTEE MEMBERS	DESIGNATION	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
Ms Z Moon	Chairperson (11 November 2019)	0	0
Mr R Makan	Member	0	0
Ms Z Mkhize	Member	0	0
Mr M Xayiya	Member (11 November 2019 – 03 February 2020)	0	0

REMUNERATION OF BOARD MEMBERS

The remuneration and conditions of service of Non-executive Directors are sometimes determined by the executive authority, taking into consideration regulations and guidelines issued by the Minister for Public Service and Administration and National Treasury. Non-executive Directors are paid for meeting preparation and attendance. In addition, the Agency pays for the travel and accommodation of Board members when they have to attend Board meetings and also attend to agency business.

The 2019/20 rates for the payment of the chairperson of the Audit and Risk Committee and Board members was determined through Treasury Circulars.

REMUNERATION FOR THE CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE:

Rate per day: R4,317

Rate per hour: R540

REMUNERATION FOR THE BOARD CHAIRPERSON:

Rate per day: R4,317

Rate per hour: R540

REMUNERATION FOR NON-EXECUTIVE BOARD MEMBERS:

Rate per day: R2,619

Rate per hour: R327

The Board members that are designated by Ministers to serve on the Board are not remunerated for their services.

- Other expenses e.g. Travel, reimbursed by the public agency
- State the amount of remuneration paid to each board member.

RISK MANAGEMENT

The HDA recognises that there are inherent risks in its business activities. The Agency has embarked on a process of developing a risk strategy and reviewing all risk management policies and procedures. Risk assessments were conducted with the aim of identifying risks that could have a negative impact on the achievement of the Agency strategic objectives. The HDA's goal is to establish a well - functioning risk management system that will protect the Agency against adverse outcomes or reduce risks to an acceptable level. For this purpose, we recognise the need to invest in technological advancements and resources, whilst creating an enabling environment for risk management to thrive. Our plan is therefore to invest in resources and technology to improve our risk management systems in identifying and assessing risks ultimately improving our risk maturity level.

The HDA continuously sets internal controls to manage known and unknown risks. Internal controls are reviewed and regularly tested through internal audit and other proactive planned audits. The Board oversees the system of internal control within the HDA, whilst Executive Management oversees the day to day implementation and management of the system.

INTERNAL AUDIT AND AUDIT COMMITTEES

The internal audit function is outsourced to an external firm and it reports regularly to the Audit and Risk Committee. As part of its responsibilities internal audit appraises the adequacy and effectiveness of the HDA's systems of internal control. All the planned audits for the 2019-2020 financial year were undertaken and reported to the new Board.

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

NAME	INTERNAL/ EXTERNAL	DATE APPOINTED TO COMMITTEE	QUALIFICATION	DATE RESIGNED
SY Boulton	External	February 2020	B. Com degree, a registered AGA (SA), Professional Accountant (SA) and a Tax Practitioner (SA)	N/A
Z I Moon	External	November 2019	MSc: Management Sciences and administrative development	N/A
Z Mkhize	External	November 2019	BA, Masters in Social Policy, Diplomas in Project Management and Coaching	Resigned as Chairperson but remained as an ordinary member thereafter
MP Motlogelwa	External	November 2019 – February 2020	B Iuris, Certificate: Project management, Diploma: Public administration, Certificate: Urban and Regional Development Planning Management	Resigned as Committee member in February 2020 as he was appointed as acting Board Chairperson in that month.
R Makan	External	March 2020	Diploma and Masters in Town and Regional Planning	N/A

COMPLIANCE WITH LAWS AND REGULATIONS

The Agency has complied with the following legislation:

- a. **Public Finance Management Act 50 of 1999:** submission of quarterly reports, compilation of the strategic and annual performance plans for approval by the executive authority, preparation of a procurement plan, preparation of an annual budget, submission of the organisational structure, creation of an Audit and Risk Committee.
- b. **Housing Development Agency Act 23 of 2008:** setting up of the Board Committees, review of the terms of reference, recruitment of the Chief Executive Officer.
- c. **King Code on Corporate Governance:** governance of risk, ethical leadership by the Board, management of ethics, adequate delegation of authority.

FRAUD AND CORRUPTION

We have a Fraud Prevention Policy in place which outlines the process that should be followed in terms of reporting fraud and corruption cases.

In addition to our policy, we have a Fraud Hotline, which is managed by an external service provider. Whistle Blowing Reports are tabled at the Audit & Risk Committee on a quarterly basis, providing the committee feedback on how matters were followed up and investigated accordingly.

MINIMISING CONFLICT OF INTEREST

Annually the directors are required to declare their interests. At each Board and sub-committee meeting, directors declare their interests regarding any matter on the agenda. Where there is interest, the director must recuse themselves from the meeting.

For the period under review, no interests were declared in any of the matters that were tabled to the Board and its sub-committees.

CODE OF CONDUCT

Brief description and nature of code of conduct /ethics and the effect it has on the public entity. Discuss the process followed for the breach of code of conduct.

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Provide a brief description of the Health Safety and Environmental Issues and the effect it has on the public agency.



COMPANY SECRETARY

The Company Secretary provides support and guidance to the Board in order to enable the proper discharge of the Board's fiduciary duties.

The roles of the company secretary include:

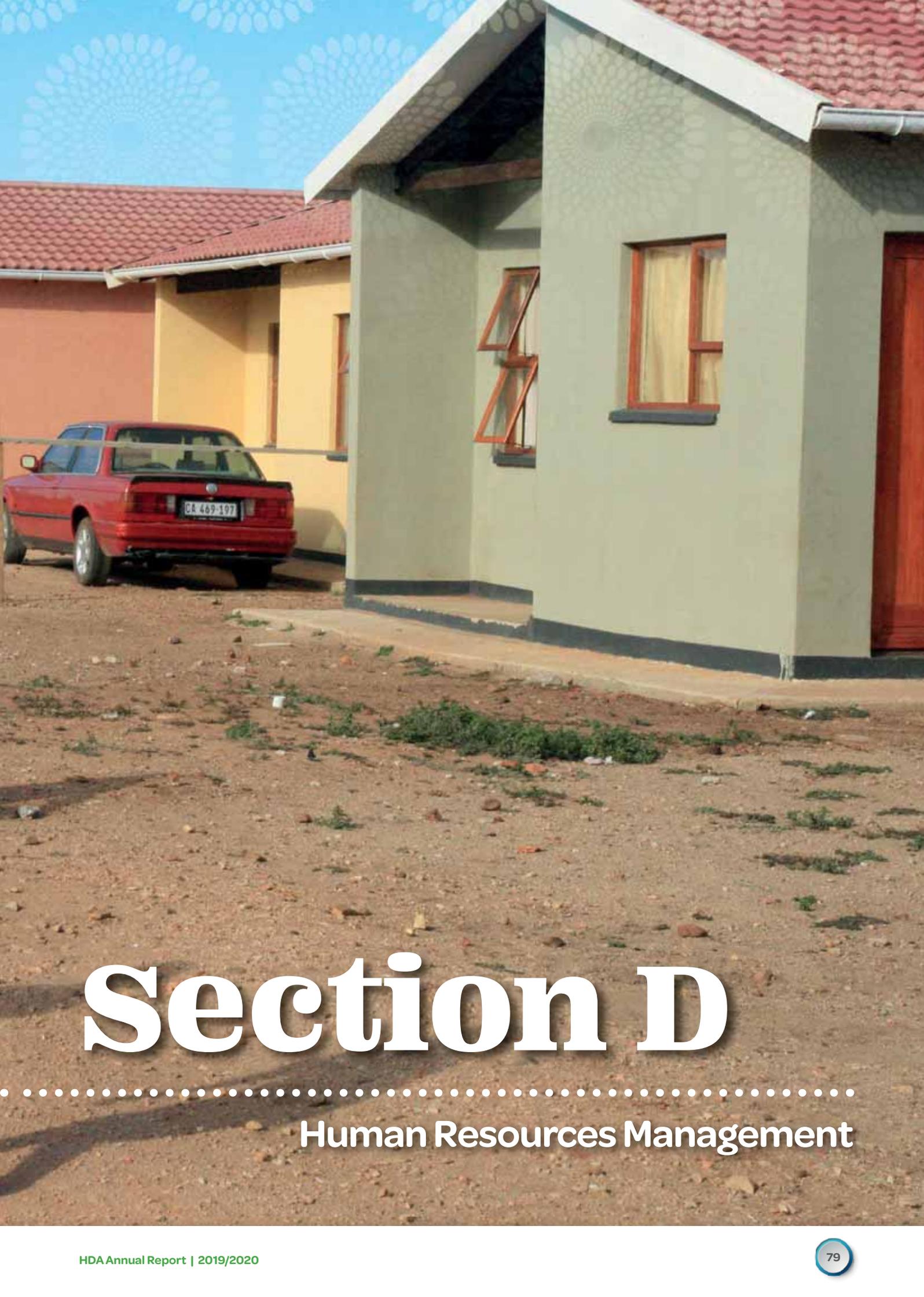
- Preparation of the annual meeting schedule for the Board and its committees as well as the agendas for the meeting in consultation with the Chairpersons.
- Maintenance of the committee terms of reference.
- Providing advice to the Board on matters of corporate governance, policy and legislation.
- Ensuring compliance with the Shareholder Compact as concluded between; the Minister of Human Settlements, Water and Sanitation and the Board.

Ms P Mohlabi was the company secretary in April 2019 . Advocate Risenga Maruma as company secretary of the Community Schemes Ombud Services was seconded to the HDA in June – July 2019 to assist with the company secretariat function. Ms Z Mbanjwa was the acting company secretary from October 2019.

SOCIAL RESPONSIBILITY

The Agency was under administration with very limited resources, no social responsibility projects were undertaken during the year under review





Section D

Human Resources Management

Overview

Personnel cost by salary band

LEVEL	PERSONNEL EXPENDITURE (R'000)	NO. OF EMPLOYEES
Top Management	16,630,514,08	9
Senior Management	22,371,095,24	15
Professional qualified	75,596,589,08	84
Skilled	42,460,687,91	101
Semi-skilled	124,484,770	7
Unskilled (including Interns)	1,494,600,75	19
TOTAL	159,798,334,01	235

Performance Rewards – for 2019/20

PROGRAMME/ACTIVITY/OBJECTIVE	PERFORMANCE REWARDS
Top Management	0
Senior Management	0
Professional qualified	R2,493,806,67
Skilled	R1,763,810,31
Semi-skilled	R45,516,59
Unskilled	R15,785,77
TOTAL	R4,318,919,34

Training Costs

PROGRAMME/ ACTIVITY/OBJECTIVE	TRAINING EXPENDITURE (R'000)	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE
Mastering Building Inspection	10,999	2	10,999
Construction Contract Law	9,773	3	9,773
ARCGIS	14,490	1	14,490
Advanced Financial Modelling Investment Evaluation	16,000	1	16,000
Financial Modelling Basics	20,000	1	20,000
MS Project 2013/2016	8,990	4	8,990
Conflict Management	5,390	4	5,390
IMESA Annual Conference	6,900	1	6,900
Excel	2,520	6	2,520
Finance for non-financial managers	7,350	3	7,350
Monitoring & Evaluation	6,270	1	6,270
SCM, Intro, Forecasting & Acquisition Management	10,978	13	10,978
PFMA and Treasury Regulations	7,400	1	7,400
Manage meetings and minutes taking	2,018	6	2,018
Customer service	3,633	8	3,633
Report writing	7,300	2	7,300
Short course on pavement materials	10,000	1	10,000
Coaching and mentoring	3,175	12	3,175
Professional Report writing	5,670	1	5,670
Risk Management	6,199	1	6,199
Construction Contract Law	9,774	3	9,774

Employment and vacancies

PROGRAMME/ ACTIVITY/ OBJECTIVE	2019/2020 NO. OF EMPLOYEES	2019/2020 APPROVED POSTS	2019/2020 VACANCIES	% OF VACANCIES
CEO Office / Office of CEO	17	17	0	0%
Strategic Support	5	8	3	37,50%
Land	10	18	8	44 %
SIA	13	14	1	7%
Programme Planning & Coordination	13	20	7	35,00%
PMO	11	15	4	26,67%
CFO Office (Finance)	17	21	4	19,05%
CFO Office (SCM)	10	12	2	16,67%
Corporate Support	11	24	13	54,17%
Gauteng	12	24	12	50%
Free State	11	19	8	42,11%
North West	6	10	4	40%
Western Cape	26	33	7	21%
Eastern Cape	17	27	10	37,04%
Northern Cape	5	9	4	44,44%
Mpumalanga	3	8	5	62,5%
Limpopo	15	26	11	42,31%
KZN	15	25	10	40,00%
Region A	1	1	0	0,00%
Region C	1	1	0	0,00%
Total (excluding interns)	219	336	117	33,6%

Employment changes

This section provides an overview of employment changes during the 2019/2020 FY

EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
01/04/2019 to 31/03/2020	28	60 (including end of contract)	235

REASONS FOR STAFF LEAVING

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Dismissals	2	3%
Growth opportunity, permanent positions, Fixed term contract end and Internship programme end	58	97%

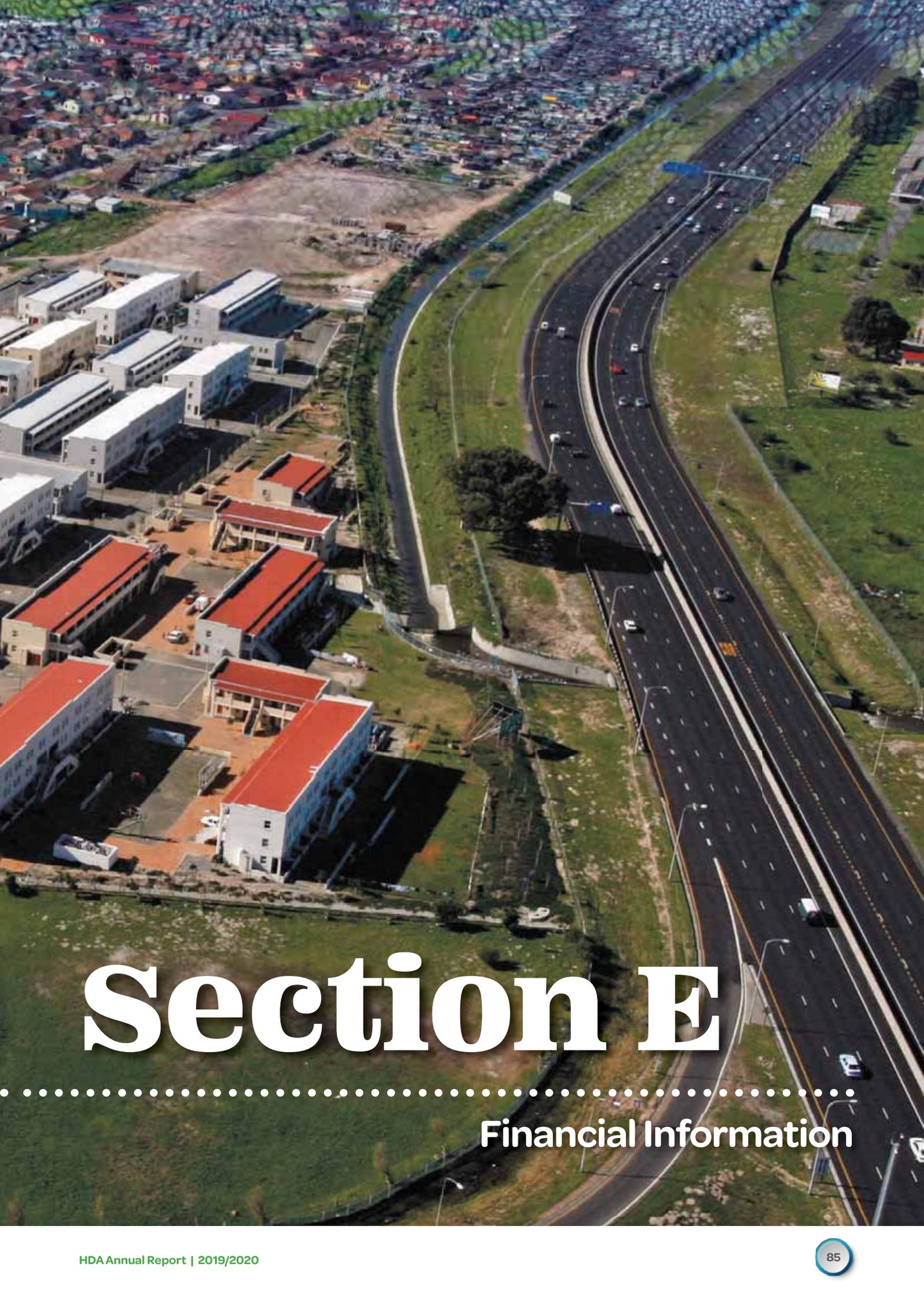




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The reports and statements set out below comprise the **annual financial statements** presented to the Minister.





Section E

Financial Information

General Information

COUNTRY OF INCORPORATION	South Africa
LEGAL FORM OF ENTITY	Schedule 3A entity listed in terms of the PFMA
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management support services.
THE FOLLOWING IS INCLUDED IN THE SCOPE OF OPERATION	Identify, acquire, hold, develop and release welllocated land and buildings, provide project management support and housing development services.
CONTROLLING ENTITY	National Department of Human Settlements
MEMBERS OF THE ACCOUNTING AUTHORITY	Adv MP Motlogelwa (Acting Chairperson) CAZ Mkhize ZI Moon R Makan N Vimba MSMM Xayiya (Acting Chief Executive Officer) KB Mosehla (Chief Financial Officer)
PHYSICAL ADDRESS	Block A, Riviera Office Park 6-10 Riviera Road Killarney Johannesburg
BANKERS	First National Bank Ltd
AUDITORS	Ngubane & Co. (JHB) Inc
COMPANY SECRETARY	Zinhle Mbanjwa
BUSINESS ADDRESS POSTAL ADDRESS	P.O Box 3209 Houghton 2041
ANNUAL FINANCIAL STATEMENTS PREPARED BY:	KB Mosehla(CFO)

Statement of Responsibility & Approval

THIS REPORT PRESENTS A BALANCED VIEW OF THE HDA'S FINANCIAL AND NON-FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2021.

The Board, as the Accounting Authority of the HDA, is responsible for the preparation of the annual report and is accountable for the integrity and objectivity of the information presented.

According to prescripts governing Schedule 3A public entities, the Accounting Authority is also responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information and human resource information. In compliance, this system existed in the HDA and was implemented during the 2019/2020 financial year. It is noted, however, that improvement to the internal control environment is required. Furthermore, the performance management system could be improved to ensure reliable reporting for all indicators and targets.

As a public entity, the Agency is monitored stringently. The independent auditor conducted a statutory audit of the financial performance of the Agency. The audit opinion appears on pages 89 - 96 of this report. The Accounting Authority and Officer of the HDA, to the best of their knowledge and belief, confirm the following:

- The annual report is complete, accurate and free from any omissions, and fairly reflects the operations, the performance information, governance and the human resources information of the Agency for the financial year ended 31 March 2020.
- The performance information reflects the service delivery of the Agency for the reporting period, as documented in the 2019/2020 APP.

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the independent auditor.
- The report has been prepared in accordance with guidelines on the annual report issued by National Treasury.
- The HDA's financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the Public Finance Management Act, as amended by Act 1 of 1999 (PFMA).
- The Accounting Authority is responsible for preparing the annual financial statements and for judgments made in this information.
- The Accounting Authority is responsible for implementing a system of internal control designed to provide reasonable assurance on the integrity and reliability of the performance information, human resources information and annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statement have been prepared on the going-concern basis.

In our opinion, this annual report fairly reflects the operations, performance information, human resources information and financial affairs of the HDA for the year ended 31 March 2020.



Adv. MP Motlogelwa - Acting Chairperson

Report of the Audit & Risk Committee

THE ACCOUNTING AUTHORITY OF THE HOUSING DEVELOPMENT AGENCY (HDA) DELEGATED CERTAIN RESPONSIBILITIES TO THE AUDIT AND RISK COMMITTEE, AND THESE ARE SET OUT IN THE AUDIT & RISK COMMITTEE CHARTER.

The Committee's responsibilities are in line with the Public Finance Management Act, Act of 1 of 1999 and the Treasury Regulations. It has discharged all its responsibilities set out in its Audit & Risk Committee Charter. The Committee has amongst other things reviewed the following during the 2019/2020 financial year.

- The effectiveness of the internal controls
- The activities of the internal audit function, including its annual internal audit plan, co-ordination with the external auditors, the reports of significant findings and the response of management to specific recommendations,
- The adequacy, reliability and accuracy of financial information provided by management
- Any accounting or auditing concern identified as a result of an internal or external audit and
- Where relevant, the independence and objectivity of the external auditors.

Limited internal controls implemented by the HDA focused on identified key risk areas. Management has been directed to monitor all internal controls closely and ensure that action is taken to correct deficiencies as they are identified. In the opinion of the Committee, these controls and procedures of the HDA, during the year under review, were not adequate in safeguarding of assets, ensuring the maintenance of proper accounting records and the working capital and resources were not efficiently utilised.

Based on the presentation of the audited financial statements to the committee, the committee concurs and accepts the auditors qualified opinion on the Audited Annual Financial Statements and the disclaimer of opinion on the annual performance information read together with the report of the external auditor. The Committee, at its meeting held on the 24 November 2020 recommended these Annual Financial Statements, which were prepared on a going concern basis, to the Accounting Authority for approval.



S Boulton - Chairperson of the Audit and Risk Committee

Report on the Financial Statements

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE HOUSING DEVELOPMENT AGENCY

QUALIFIED OPINION

1. We have audited the financial statements of the Housing Development Agency set out on pages 97 to 142, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Housing Development Agency as at 31 March 2020, and the financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognized Accounting Practices (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

BASIS FOR QUALIFIED OPINION

Irregular, Fruitless and wasteful expenditure

3. Section 55 (2) (b) (i) of PFMA requires the public entity to disclose in a note to the financial statements particulars of all irregular expenditure and fruitless and wasteful expenditure that has occurred during the year. The public entity did not have adequate systems for identifying and recording all irregular expenditure and fruitless and wasteful expenditure

and there were no satisfactory alternative procedures that we could perform to obtain reasonable assurance that all irregular expenditure and fruitless and wasteful expenditure has been properly recorded. Consequently, we were unable to determine whether any adjustments were necessary to the balance of irregular expenditure and fruitless and wasteful expenditure stated in note 37 in the financial statements for R 131 886 000, (2019: R 109 430 000).

PROJECT OBLIGATIONS AND PROJECT RECEIVABLES

4. The public entity did not have adequate systems to maintain records of project obligations and receivables and reconcile the balances monthly. This resulted in project obligations being understated by R 2 250 145. The allocated project funds disclosed are also not aligned to the bank and cash holding for the respective provincial projects bank balances. In addition, there was an over payment on project obligations for work not performed. Furthermore, the public entity included the project pre-billing/advance tranche billing amounting to R80 007 382 in both the project obligation and project receivable balances in the financial statements.

We were also unable to obtain sufficient appropriate audit evidence for project obligations and project receivables due to some confirmations that were not received from departments and municipalities. We were unable to confirm these balances by alternative means. Consequently, we were unable to determine whether any further adjustments to project obligations and project receivables stated at

R 666 754 000 and R 119 447 000 in note 18 and note 8 to the financial statements respectively were necessary, the recoverability of project receivables thereof and its effect to the financial statements.

PROJECT PAYABLES

5. We were unable to obtain sufficient appropriate audit evidence for clearing accounts, inter-co transfer and unknown receipts amounting to R 1 967 792 included in project payables due to failure to maintain proper accounting records with regards to payment processing and reconciliation of control accounts by the public entity. We were unable to confirm these project payables by alternative means. Consequently, we were unable to determine whether any further adjustments to project payables stated at R 65 980 000 in note 17 to the financial statements were necessary.

CONTEXT FOR THE OPINION

6. 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 this auditor's report.
7. We are independent of the public entity in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of professional conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of ethics for

professional accountants and the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) respectively.

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

EMPHASIS OF MATTERS

9. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

EVENTS AFTER THE REPORTING DATE

10. We draw attention to note 36 in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of Covid-19 on the public entity future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of this matter.

MATERIAL ADJUSTMENTS TO PROVISION FOR BAD DEBTS FOR PROJECT RECEIVABLES

11. As disclosed in note 8, the public entity raised a provision for bad debts of R58 771 000 against project receivables where work was done without agreements in place with the provincial departments and municipalities.

OTHER MATTERS

12. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

HOUSING DEVELOPMENT AGENCY BOARD APPOINTMENTS AND RECALLING

13. The Department of Human Settlement Water and Sanitation appointed the Board on 23 April 2019 and recalled the same Board on 29 July 2019. An interim board was appointed in November 2019. The public entity was previously under Administration before the initial Board appointment up to the 29th of April 2019.

UNAUDITED SUPPLEMENTARY SCHEDULES

14. The supplementary information set out on pages 143 to 144 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion on them.

RESPONSIBILITIES OF ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

15. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the 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.
16. 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

17. 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.

18. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

INTRODUCTION AND SCOPE

19. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.
20. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the public entity enabled service delivery. Our procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.
21. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and

reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 3 – Regional coordination and Human Settlements Implementation Support Services	36 - 38

22. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

23. The material findings in respect of the reliability of the selected programme are as follows:

PROGRAMME 3 – REGIONAL COORDINATION AND HUMAN SETTLEMENTS IMPLEMENTATION SUPPORT SERVICES VARIOUS INDICATORS

24. We were unable to obtain sufficient appropriate audit evidence for the reported achievements of 3 of the 4 indicators relating to this programme. This was due to the lack of accurate and complete records. We were unable to confirm the reported achievements by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below:

Indicator number	Indicator description	Number of indicators
3A.2	Number of human settlements units delivered / supported	1
3A.3	Number of human settlements serviced sites delivered / supported	1
3A.4	Number of title deeds facilitated for registration	1

OTHER MATTER

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

ACHIEVEMENT OF PLANNED TARGETS

26. Refer to the annual performance report on pages 34 to 41 for information on the achievement of planned targets for the year and explanations provided for the under-/over-achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 23 to 24 of this report.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION INTRODUCTION AND SCOPE

27. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

28. The material findings on compliance with specific matters in key legislations are as follows:

ANNUAL FINANCIAL STATEMENTS, PERFORMANCE AND ANNUAL REPORT

29. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of current assets and liabilities, expenditure, commitments

and contingent liabilities identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

EXPENDITURE MANAGEMENT

30. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion the value disclosed in note 37 of the financial statements does not reflect the full extent of the irregular expenditure incurred. The majority of the irregular expenditure disclosed in the financial statements was caused by non-adherence to PFMA, Treasury Regulations and duplicate payments.

31. Expenditure was incurred without an approved budget, in contravention of section 53(4) of the PFMA.

32. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R 14 543 000, as disclosed in note 37 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by costs incurred on behalf of a province without an agreement in place for recovery of the costs.

STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT

33. The strategic plan for 2019-24 was not submitted for approval by the executive authority, as required by treasury regulation 30.1.1.

34. The annual performance plan for 2019-20 was

not submitted for approval by the executive authority, as required by treasury regulation 30.1.1

CONSEQUENCE MANAGEMENT

35. We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.
36. We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into fruitless and wasteful expenditure.

PROCUREMENT AND CONTRACT MANAGEMENT

37. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with the policies of the public entity, as required by treasury regulations 16A6.2 (a), (b) and (c). Similar non-compliance was also reported in the prior year.
38. Some of the contracts were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by treasury regulations 16A9.1(d). Similar non-compliance was also reported in the prior year.
39. Sufficient appropriate audit evidence could not be obtained that major infrastructure projects were reviewed by a gateway review team in accordance with the Framework for Infrastructure Delivery and Procurement Management.
40. Some goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation 16A6.1. Similar non-compliance was also reported in the prior year.

41. Some of the contracts were extended or modified without the approval of a properly delegated official as required by section 44 of the PFMA and treasury regulations 8.1 and 8.2. Similar non-compliance was also reported in the prior year.
42. Commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 preferential procurement regulation.
43. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).
44. Sufficient appropriate audit evidence could not be obtained that commodities designated for local content and production, were procured from suppliers who met the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5).

REPORTABLE IRREGULARITY

45. In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified the following reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors:

REDUCTION IN SCOPE OF WORK AND INADEQUATE DELIVERY

46. A supplier's contract amount was reduced without approval of the Bid Adjudication Committee due to duplicate/over payments that had been effected on a previous project. The supplier subsequently received payments covering the reduced contract amount, but there was no delivery of the full number of houses that should have been constructed.

OTHER INFORMATION

47. 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 the selected programme presented in the annual performance report that have been specifically reported in this auditor's report.
48. Our opinion on the financial statements and our findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
49. 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.
50. We did not receive the other information prior to the date of this auditor's report. When we receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.
51. Management did not exercise adequately oversight responsibility over the preparation of the annual financial statements, performance reporting, compliance with laws and regulations and internal control. This was evidenced by the material misstatements in the financial statements, non-compliance with laws and regulations and internal control deficiencies noted throughout the audit process.
52. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
53. Management did not design and implement formal controls to address the systems of collecting, verifying and storing the information as well as to plan, manage and report on the financial information.
54. Senior management did not always adhere to internal controls, which resulted in various instances of irregular, fruitless and wasteful expenditure being incurred and other material misstatements in the financial statements, not detected by management.
55. Senior Management did not establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance.

INTERNAL CONTROL DEFICIENCIES

51. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

AUDITOR TENURE

57. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane & Co. (Johannesburg) Inc has been the auditor of Housing Development Agency for 3 years.

Ngubane & Co.

Edwin Chapanduka – CA (S.A.) -Director
Ngubane & Co. (Johannesburg) Inc
Registered Auditor
27 November 2020
Midrand

ANNEXURE – AUDITOR’S RESPONSIBILITY FOR THE AUDIT

1. 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 entity’s compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. 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 entity’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
 - conclude on the appropriateness of the board of directors, which constitutes the accounting authority’s 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 Housing Development Agency 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 my opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause an agency 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

3. 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.
4. We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate 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.

Statement Of Financial Position as at 31 March 2020

<u>Figures in R `000</u>	<u>Note(s)</u>	<u>2020</u>	<u>2019</u>
ASSETS			
NON-CURRENT ASSETS		36,130	37,438
Property, plant and equipment	3	7,789	8,838
Intangible assets	4	436	695
Long-term land inventory	5	27,905	27,905
CURRENT ASSETS		1,112,643	1,049,237
Land inventory	6	343,197	322,263
Receivables from non-exchange transactions	7	10,224	4,066
Projects receivables	8	119,447	224,039
Rental deposit	9	1,382	1,379
Cash and cash equivalents	10	638,393	497,490
TOTAL ASSETS		1,148,773	1,086,675
NET ASSETS AND LIABILITIES			
NET ASSETS		29,948	31,670
Revaluation reserve		-	111
Accumulated surplus		29,948	31,559
NON-CURRENT LIABILITIES		547	-
Finance lease obligations	11	547	-
CURRENT LIABILITIES		1,118,278	1,055,005
Payables from exchange transactions	15	25,917	25,482
Provisions	16	16,175	13,451
Current portion of finance leases	11	255	143
Projects Payables	17	65,980	11,285
Projects obligations	18	666,754	682,381
Land inventory obligation	19	343,197	322,263
TOTAL LIABILITIES		1,118,825	1,055,005
TOTAL NET ASSETS AND LIABILITIES		1,148,773	1,086,675

Statement of Financial Performance for the year ended 31 March 2020

<u>Figures in R `000</u>	<u>Note(s)</u>	<u>2020</u>	<u>2019</u>
REVENUE		352,366	385,502
REVENUE FROM NON-EXCHANGE TRANSACTIONS		229,311	222,177
Transfer from controlling entity	20	229,311	222,177
REVENUE FROM EXCHANGE TRANSACTIONS		123,055	163,325
Provinces support conditional grant	21	102,833	107,524
Project management fees	22	13,042	39,189
Interest income	23	3,539	13,304
Other income	24	3,641	3,308
EXPENDITURE		295,176	398,166
Operating expenses	25	77,897	89,195
Land and related costs	26	12,047	11,214
Technical and project services	27	14,404	104,580
Finance costs	28	61	137
Employee costs	29	190,767	193,040
OTHER EXPENDITURE			
Impairment of project receivables		58,771	-
Deficit on disposal of property, plant and equipment		30	29
TOTAL OTHER EXPENDITURE		58,801	29
DEFICIT FOR THE YEAR		(1,611)	(12,693)

Statement of Changes in Net Assets as at 31 March 2020

<u>Figures in R `000</u>	<u>NOTE</u>	<u>Revaluation Reserves</u>	<u>Accumulated Surplus</u>	<u>Total</u>
Balance at 1 April 2017		111	22,830	22,941
Surplus for the year		-	21,422	21,422
Balance at 31 March 2018		111	44,252	44,363
Balance at 1 April 2018		111	44,252	44,363
Deficit for the year		-	(12,693)	(12,693)
Balance at 31 March 2019		111	31,559	31,670
Balance at 1 April 2019 Restated		111	31,559	31,670
Deficit of the year		-	(1,611)	(1,611)
Revaluation reversal of paintings		(111)	-	(111)
Balance at 31 March 2020		-	29,948	29,948

“

THE ACTING CHIEF EXECUTIVE OFFICER, RECOMMENDED THESE ANNUAL FINANCIAL STATEMENTS, WHICH WERE PREPARED ON A GOING CONCERN BASIS, TO THE ACCOUNTING AUTHORITY FOR APPROVAL.

Statement of Cash Flow

as at 31 March 2020

<u>Figures in R `000</u>	<u>Note(s)</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities			
Receipts		343,719	371,615
Grants		332,144	329,701
Management fees		13,042	39,189
Other receipts movements		(1,467)	2,725
Payments		(287,572)	(397,880)
Employee costs		(190,767)	(193,040)
Other payments		(96,805)	(204,840)
Cash generated/(utilised) in operations	33	56,147	(26,265)
Interest received		3,539	13,304
Interest paid - finance charges on finance leases		(61)	(137)
Interest accrued		(789)	-
Net cash out flows from operating activities		58,836	(13,098)
Cash flows from investing activities			
Property, plant and equipment acquired		(1,996)	(7,040)
Intangible assets acquired		(1,520)	(1,691)
Net cash flows from investing activities		(3,516)	(8,731)
Cash flows from financing activities			
Increase/(decrease) in funding receivables for projects		104,593	(140,853)
Decrease/(increase) in projects payables		54,695	(36,839)
Decrease in project obligations		(15,592)	(1,676,892)
Increase/(decrease) in lease liability		659	(612)
Increase in impairment of project receivables		(58,771)	-
Cash flows from financing activities		85,584	(1,855,196)
Increase/ (decrease) in cash and cash equivalents		140,903	(1,877,025)
Cash and cash equivalents at beginning of the year		497,490	2,374,515
Cash and cash equivalents at end of the year	10	638,393	497,490

Statement of Comparison of Budget Information with Actual Information for the year ended 31 March 2020

<u>Figures in R `000</u>	<u>Note(s)</u>	<u>2020</u>					
		ACTUALS	BUDGET	VARIANCE	% VARIANCE	ADJUSTMENT	APPROVED ANNUAL BUDGET
OPERATING REVENUE							
Operational grant-NDHS		229,311	229,311	-	0%	-	229,311
Provinces support conditional grant	38.1	102,833	218,584	115,751	53%	-	218,584
Project management fees	38.2	13,042	20,216	7,174	35%	-	20,216
Other income							
Interest income		3,539	3,000	(539)	-18%	-	3,000
Other income		3,641	4,238	597	14%	-	4,238
Total revenue		352,366	475,349	122,983	25%	-	475,349
Expenditure							
Land and related costs	35.5	12,047	24,253	12,206	50%	-	24,253
Operating expenses	38.3	77,897	104,895	26,998	26%	-	104,895
Technical and project services	38.4	73,175	122,486	49,311	40%	-	122,486
Finance costs		61	16	(45)	-281%	-	16
Employee costs	38.6	190,767	223,687	32,920	15%	-	223,687
Deficit on disposal of property, plant and equipment		30	12	(18)	-150%	-	12
Total expenditure		353,977	475,349	121,372	25%	-	475,349
Deficit for the year		(1,611)	-	1,611	-	-	-

Accounting Policies

1. Presentation of Annual Financial Statements

REPORTING ENTITY

The Housing Development Agency is a section 3A agency of the PFMA, Act 1 of 1999. The principal activity is accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management and support services.

BASIS OF PREPARATION

The annual financial statements have been prepared on a going concern basis and in accordance with the effective South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) for the accrual basis of accounting, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The following are the principal accounting policies of the HDA, adopted in preparation of the annual financial statements. The historical cost convention was used, except where indicated otherwise.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, were developed in accordance with paragraphs 8, 10 and 11 of the GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

PRESENTATION CURRENCY

The financial statements are presented in South African Rand, which is the functional currency of the Agency. Amounts in the financial statements are rounded to the nearest One thousand Rand.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the HDA's accounting policies. Estimates and

judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. An area where assumptions and estimates are significant to the annual financial statements is Provisions.

Provisions were raised based on management's determined estimate using the information available. These are measured at management's best estimates of the expenditure required to settle the obligation at reporting date. The accounting policy for provisions is disclosed under note 2.6 and additional disclosure of these estimates of provisions are included in note 16.

The HDA assumes the current replacement value of land inventory to be the value of the initially recognised corresponding land inventory obligation, which equate to the cost actually incurred when the land was bought. The accounting policy for Land inventory is disclosed under note 2.10

GOING CONCERN ASSUMPTIONS

These financial statements are prepared in concurrence with the going-concern principle and, on an accrual basis, in line with the measurement base applied, being the historical cost unless stated otherwise. Refer to note 40.

STANDARDS AND PRONOUNCEMENTS COMPRISING THE GRAP FINANCIAL REPORTING FRAMEWORK

The following standards were approved but are not yet effective as at 31 March 2020. The impact that these standards will have on the Agency is detailed below. A list of these standards is provided below:

**THE
HISTORICAL
COST CONVENTION
WERE USED,
EXCEPT
WHERE INDICATED
OTHERWISE.**

GRAP	STANDARDS	IMPACT	EFFECTIVE DATE
GRAP 34	Separate financial statements	Disclosure may be affected.	1-Apr-20
GRAP 35	Consolidated financial statements	Not Applicable	1-Apr-20
GRAP 36	Investments in associates and joint ventures	Not Applicable	1-Apr-20
GRAP 37	Joint arrangements	Disclosure will be affected as the HDA may enter into financial arrangements with other organs of state.	1-Apr-20
GRAP 38	Disclosure of interest in other agencies	Disclosure will be affected as the HDA may enter into financial arrangements with other organs of state.	1-Apr-20
GRAP 110	Living and non-living resources	Disclosure may be affected.	1-Apr-20

The following IGRAP standards have been approved but not yet effective as at 31 March 2020

IGRAP	STANDARDS	IMPACT	EFFECTIVE DATE
IGRAP 1	Applying the probability test on initial recognition revenue (amendments)	Disclosure may be affected.	1-Apr-20
IGRAP 17	Service concession arrangements where a grantor controls a significant residual interest in an asset	Not Applicable	1-Apr-20
IGRAP 20	Interpretation of the Standards of GRAP on Accounting for Adjustments to Revenue	Disclosure may be affected.	1-Apr-20

2. Policies

2.1 REVENUE RECOGNITION

The HDA is financed from money appropriated by Parliament and other sources as indicated below:

2.1.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to the revenue that accrued to the HDA directly in return for services rendered, the value of which approximates the consideration received or receivable. Revenue is recognised based on cost recovery. Revenue arising from the use by others of the agencies interest yielding assets is recognised when:

- it is probable that the economic benefits or service potential with the transaction will flow to the Agency; and
- the amount of revenue can be measured reliably.

Revenue from exchange transactions comprises of, Provinces support conditional grant, Management fees, Interest income and Other income.

PROVINCIAL SUPPORT CONDITIONAL GRANT

The HDA receives conditional grant funding from provinces in terms of signed MTOP agreements. The conditional grants are treated as liabilities in the statement of financial position in the year it was received or accrued and released to revenue as the expenses are incurred or to the extent that the conditions are met.

MANAGEMENT FEES

Management fees are raised in terms of funding agreements and implementation protocols entered into with provinces and municipalities for the management and implementation of various capital projects.

Management fees are recognised by reference to the stage of completion of projects which is reliably estimated through expenditure incurred at each stage of capital projects. Management fee are only charged to projects which are excluded from the provincial support conditional grant.

INTEREST INCOME

Interest income is recognised as it accrues on a time apportionment basis taking into account its effective yield.

OTHER INCOME

Other income comprises tender fees and insurance claims and is recognised when consideration is received.

RENTAL INCOME

Rental income from land and properties owned or managed by the Agency is accrued on a straight-line basis over the period of lease agreements, unless another systematic basis is more representative of the time pattern in which a use benefit derived from the leased assets is diminished.

2.1.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the HDA received revenue from another party without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants from government are recognised at fair value when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received. The HDA receives an unconditional grant from National Department of Human Settlement.

2.2 TAXATION

The HDA is not required to make provision for SA Normal Taxation in the annual financial statements, since it is exempted in terms of Section 10(1) cA (i) of the Income Tax Act 58 of 1962 as amended.

The HDA is defined as a public authority in terms of the VAT Act 89 of 1991 as amended and is not required to register for VAT (Value Added Tax). The HDA is also exempt

from paying Skills Development Levy in terms of Section 4 (d) of the Skills Development Levies Act no. 9 of 1999.

2.3 PROPERTY, PLANT AND EQUIPMENT

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

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

- it is probable that future economic benefits associated with the item will flow to the Agency; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired at no or nominal cost, its cost is its fair value as at the date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Property, plant and equipment, except for paintings, is carried at cost less accumulated depreciation and impairment losses.

Recognition of costs in the carrying amounts of an item of property, plant and equipment ceases when an item is in location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is depreciated on a straight-line basis over their expected useful lives to their estimated residual value. Depreciation commences when the asset is ready for its intended use.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately. Where the carrying value is greater than estimated recoverable amount, it is written down immediately to its recoverable amount. The useful lives of all the assets are assessed on an asset by asset basis. The major categories of assets are depreciated over the following average useful lives:

ITEM	AVERAGE USEFUL LIFE
Computer equipment	3 -4 years
Office equipment	4-5 years
Furniture & fittings	10- 12 years
Electronic hardware	4-5 years
Leasehold improvements	Over the shorter of lease term or 10 years

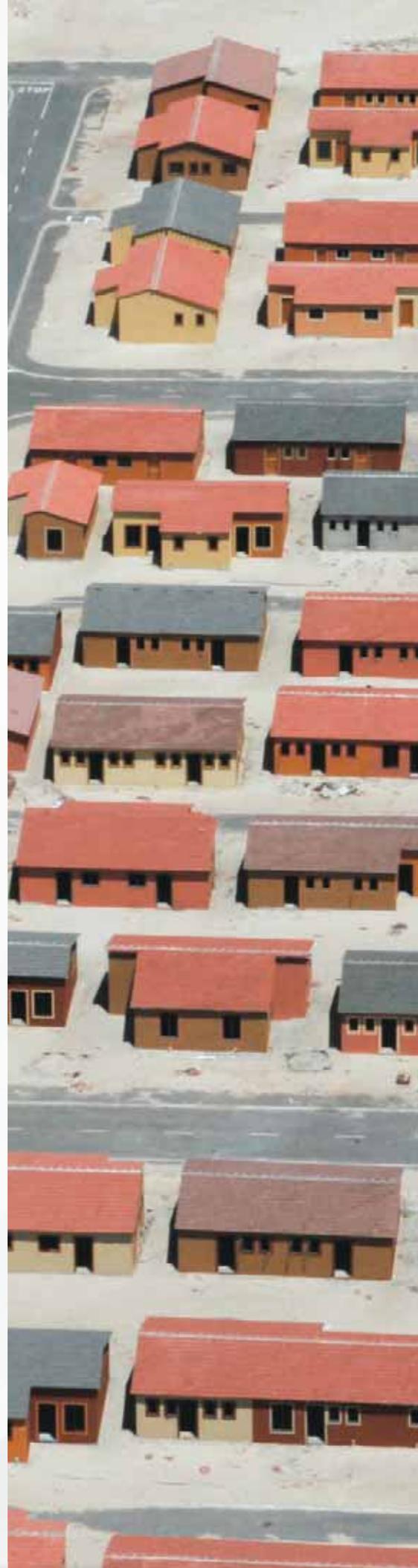
The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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 Agency conducts asset audits bia annual and assess property plant and equipment for impairment. If there are any indications of impairment the Agency estimates the recoverable service amount of the asset.If the asset’s carrying value exceeds it’s recoverable amount, the asset is impaired. In the assessing whether there is any indication that an asset may be impaired, the Agency considers all sources of information. The impairment loss is charged as an expense in the Statement of Financial Performance.

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.

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.



PAINTINGS

Paintings are subsequently carried at revaluation amount and are not depreciated. The revaluation method is used. Revaluations are made regularly, every three (3) years by an independent valuator.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

2.4 INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance.

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 Agency, and
- the cost of the asset can be measured reliably.

An asset is identifiable if it is either:

- Separable.*i.e* is capable of being separated or divided from an entity and sold , transferred , licenced, rented or exchanged, either individually or together with a related contract, identifiable assets or liability regardless whether the entity intends to do so; or arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the group or from other rights and obligation.

A binding arrangement describes an arrangement that confers similar rights and obligation on the parties to it as if it were in the form of a contract. Intangible assets are initially recognised at cost.

Intangible assets are purchased computer software and licences that is stated at cost less accumulated amortisation and any accumulated impairment losses.

It is amortised over its estimated life of over the licence period.

ITEM AVERAGE USEFUL LIFE

Computer Software	1-3 years
Licences	Over the licence period

The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the assets; and

* Residual value can be determined by reference to that market; and

* It is probable that such a market will exist at the end of the asset's useful life.

Useful lives, amortisation methods and residual values of assets are re-estimated annually to finite periods. The depreciable amount of an intangible asset with finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use. The assets are then amortised over their re-assessed useful lives.

An intangible asset shall be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss on derecognition on 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.

At each statement of financial position date, the carrying amounts of intangible assets are reviewed to determine whether there is any indication that those assets may have

been impaired. If the fair value less costs to sell of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its fair value less costs to sell. An impairment loss is recognised immediately in surplus or deficit.

2.5 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Classification of leases is done at the inception of the lease agreement.

FINANCE LEASES

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease assets are carried at the initial cost recognised less accumulated depreciation and impairment losses. Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease term unless the asset is expected to be used by the Agency beyond the term of the lease.

The major categories of leased assets are depreciated using the following range of useful life:

ITEM	AVERAGE USEFUL LIFE
Office equipment	2-3 years

OPERATING LEASES – LESSEE

Leases for assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.

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 liability.

OPERATING

LEASES - LESSOR

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

2.6 PROVISIONS

Provisions are recognised when:

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

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

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

Provisions are not recognised for future losses.

2.7 LEAVE PAYABLE

Employee entitlement to annual leave is recognised when it accrues to employees. An amount payable, based on total employment cost, is raised for the estimated liability as a result of services rendered by employees up to date of the statement of financial position.

2.8 COMMITMENTS AND CONTINGENCIES

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation in a note to financial statements if both the following criteria are met:

- Contract should be non-cancellable or only cancellable at significant cost, and
- Contracts should relate to something other than the routine, steady, state business for the Agency.

Lease commitments is derived from the signed lease agreements based on the future premiums.

Contingent liabilities are not recognised in the financial statements.

2.9 CONTINGENT LIABILITIES

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible

that economic benefits will flow from the Agency, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably. Contingent liabilities are not recognised in the financial statements.

2.10 LAND INVENTORY

The HDA acquires and holds land inventory in terms of signed agreements on behalf of provinces and municipalities in order to release it for future human settlement development. On recognition of the land inventory, the HDA recognises a corresponding land inventory obligation.

INITIAL RECOGNITION AND MEASUREMENT

Land inventory is a tangible asset that is held for sale or distribution in the ordinary course of operations.

Land inventory shall be recognised as an asset if, and only if:

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

Inventories that qualify for recognition as assets shall initially be measured at cost, which includes costs directly attributable to the acquisition of land. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be fair value as at the date of acquisition.

SUBSEQUENT MEASUREMENT

Inventories are measured at the lower of cost and current replacement cost where they are held for distribution through a non-exchange transaction. The HDA assumes the current replacement value of land inventory to be the value of the initially recognised corresponding land inventory obligation, which equate to the cost actually incurred when the land was bought. The Agency believes that the subsequent measurement of valuing land in variance to the obligation will not represent truthfully the financial position and cashflow of the Agency, as it will create unfunded project obligations or receivables.

DERECOGNITION

The carrying amount of inventories is derecognised when transfer of ownership has been passed back to the provinces or transferred for the purpose of human settlement development.

LONG-TERM LAND INVENTORY

Land purchased by the HDA for the purpose of future residential development and where there is uncertainty regarding date of release is classified as long-term land inventory.

SHORT-TERM INVENTORY

Land acquired on behalf of provinces and where there are conditions attached is classified under current assets as short-term land inventory.

2.11 RELATED PARTIES

The HDA operates in an economic environment currently dominated by agencies directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties. Only transactions with such parties which are not arm's length and not on normal commercial terms are disclosed.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the Agency. All individuals from the level of Executive Committee up to the Accounting Authority are regarded as key management. Close members of the family of persons related to the Agency may influence, or be influenced by them in their transactions with the Agency.

2.12 FINANCE COSTS

Finance costs are charges incurred by the Agency in connection with Finance lease liability. Finance costs are recognised as an expense in a period in which they are incurred.

**KEY MANAGEMENT IS DEFINED AS BEING
INDIVIDUALS
WITH THE AUTHORITY AND
RESPONSIBILITY FOR PLANNING,
DIRECTING AND CONTROLLING THE
ACTIVITIES OF THE
ENTITY.**

2.13 FINANCIAL INSTRUMENTS

A Financial instrument is any contract that gives rise to a financial asset of one agency and a financial liability or residual interest of another agency.

INITIAL RECOGNITION

The Agency recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Agency becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting. Upon initial recognition the Agency classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

INITIAL MEASUREMENT

When a financial instrument is recognised, the Agency measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

2.13.1 RECEIVABLES

Receivables are classified as loans and receivables and are initially measured at fair value. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are subsequently measured at amortised cost using the effective interest rate method. The allowance for debtor impairment is determined as being the difference between the present value of the expected future cash receipts and the carrying value. Bad debts are written off when concrete cases of default are identified. Gains and losses are recognised in surplus and deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.13.2 PAYABLES

The entity's financial liabilities include payables which are initially measured at fair value and subsequently measured at amortised cost.

2.13.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, comprise cash on hand and deposits held on call with banks, net of bank overdrafts, all of which are available for use unless otherwise stated.

These are initially and subsequently recorded at cost which equates fair value

2.13.4 OFFSETTING

Transactions are only offset when such offsetting reflects the substance of the transaction or event. Where a legally enforceable right of offset exists for recognised financial

liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

Transactions are only offset when such offsetting reflects the substance of the transaction or event. Where a legally enforceable right of offset exists for recognised financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

2.14 EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The HDA is a member of the Government Employees Pension Fund.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payment as a result of past performance.

2.15 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Agency will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Agency will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2.16 PROJECT OBLIGATIONS

Project Obligation is raised on receipt of a signed MTOP agreement, Funding agreements and Implementation protocol with clear deliverables for the Agency. This funding agreement is the basis of recognition of Project Obligation. The Obligation will be performed in the normal operating cycle of the Agency.

INITIAL RECOGNITION AND MEASUREMENT

Project Obligations are recognised as a Current Liability to the to the extent that the HDA is obliged to deliver a service of equal value to the project funder or repay the amount received if project is not delivered.

Project Obligation is equal to Project Cash plus Project receivable.

Project funds are kept separately and any interest accrued on the funds is due to the project funder and is allocated to the corresponding project. These project funds are matched to the project expenses until the project is completed and closed off.

SUBSEQUENT MEASUREMENT

Project Obligation is subsequently measured at cost plus interest earned.

2.17 FINANCIAL RISK MANAGEMENT

The Agency has limited exposure to financial risks as a consequence of its operations. Namely, liquidity risk, credit risk and interest rate risk. The agencies overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its performance. Financial risk management is carried out under approved finance policies that ensures financial practices directed as minimising the identified risks in areas.

2.18 BUDGET INFORMATION

The HDA is typically subject to budgetary limits in a form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar. General purpose financial reporting by the

Agency shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. The annual financial statements and the budget are prepared 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.

2.19 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure as defined by Section 1 of the PFMA means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and wasteful expenditure incurred. The expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are derecognised when settled or subsequently written-off as irrecoverable.

2.20 IRREGULAR EXPENDITURE

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

- a. the PFMA;
- b. the Treasury Regulations;
- c. a National Treasury Instruction, issued in terms of section 76 of the PFMA; and
- d. a Provincial Treasury Instruction issued in terms of section 18(2)(a) of PFMA.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons are therefore provided in the note.

Irregular expenditure is removed from the note when it is either condoned by the relevant authority, transferred to receivables for recovery or not condoned and is not recoverable.

2.21 COMPARATIVE INFORMATION PRIOR YEAR COMPARATIVES

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed. Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods except were stated.

2.22 COVID-19

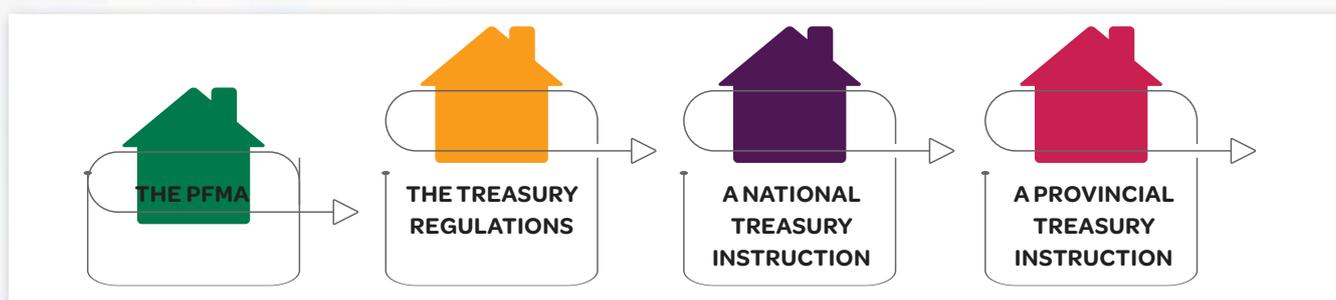
Items affected by the COVID-19 crisis will warrant separate presentation or disclosure in the financial statements if they were considered.

Where there is a significant risk that they will be a material adjustment to the carrying value of assets and liabilities in the next reporting

- The assets and liabilities that are affected.
- The carrying amount of those assets and liabilities at the reporting date.

Where specific assessments regarding the effects of COVID-19 and going concern had to be made. The Agency shall disclose information about those assumptions applied and uncertainties that exists.

Figure 14: Irregular Expenditure



3. Property, plant and equipment

Figures in R `000

	2020			2019		
	COST	ACCUMULATED DEPRECIATION	2020 CARRYING VALUE	COST	ACCUMULATED DEPRECIATION	2019 CARRYING VALUE
<i>Assets</i>						
Furniture and fittings	4,777	1,427	3,350	4,396	958	3,438
Electronic hardware	2,424	2,265	159	2,787	2,536	251
Office equipment	1,159	702	457	1,087	537	550
Computer equipment	6,848	5,101	1,747	7,057	4,431	2,626
Leasehold improvements	3,531	2,305	1,226	1,864	241	1,623
Capitalised leased assets	3,032	2,243	789	2,170	2,139	31
Paintings	319	(258)	61	319	-	319
	22,090	13,785	7,789	19,680	10,842	8,838

THE CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT CAN BE RECONCILED AS FOLLOWS FOR 2020:

	CARRYING VALUE AT BEGINNING OF YEAR	ADDITIONS	DISPOSALS	DEPRECIATION	2020 CARRYING VALUE AT END OF YEAR
<i>Assets</i>					
Furniture and fittings	3,438	388	-	(476)	3,350
Electronic hardware	251	-	(7)	(85)	159
Office equipment	550	74	(7)	(160)	457
Computer equipment	2,626	639	(29)	(1,489)	1,747
Leasehold improvements	1,623	-	-	(397)	1,226
Capitalised leased assets	31	895	(26)	(111)	789
Paintings	319	-	(258)	-	61
	8,838	1,996	(327)	(2,718)	7,789

PROPERTY, PLANT AND EQUIPMENT CONTINUED...

Figures in R `000

2020

2019

THE CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT CAN BE RECONCILED AS FOLLOWS FOR 2019:

	CARRYING VALUE AT BEGINNING OF YEAR	ADDITIONS	DISPOSALS	DEPRECIATION	2019 CARRYING VALUE AT END OF YEAR
<i>Assets</i>					
Furniture and fittings	1,453	2,292	-	(307)	3,438
Electronic hardware	352	-	-	(101)	251
Office equipment	448	290	(6)	(182)	550
Computer equipment	1,638	2,397	(23)	(1,386)	2,626
Leasehold improvements	-	1,864	-	(241)	1,623
Capitalised leased assets	538	51	-	(558)	31
Paintings	319	-	-	-	319
	4,748	6,894	(29)	(2,775)	8,838

PLEGGED AS SECURITY

Except for leased assets that have restriction on title, none of the assets above have been pledged as security.

The paintings are shown at their revalued amount. These were evaluated in October 2020 by an independent valuer, the valuator advisory. The valuation was done using market values.

4. Intangible assets – licences

	COST	ACCUMULATED AMORTISATION	2020 CARRYING VALUE	COST	ACCUMULATED AMORTISATION	2019 CARRYING VALUE
Computer software and licences	1,826	(1,390)	436	2,175	(1,480)	695
	1,826	(1,390)	436	2,175	(1,480)	695

THE CARRYING AMOUNTS OF INTANGIBLE ASSETS CAN BE RECONCILED AS FOLLOWS FOR 2020:

	2020 CARRYING VALUE AT BEGINNING OF YEAR	ADDITIONS	AMORTISATION	DISPOSALS	2020 CARRYING VALUE AT END OF YEAR
Computer software and licences	695	1,520	(1,779)	-	436
	695	1,520	(1,779)	-	436

Figures in R `000**2020****2019****THE CARRYING AMOUNTS OF INTANGIBLE ASSETS CAN BE RECONCILED AS FOLLOWS FOR 2019:**

	CARRYING VALUE AT BEGINNING OF YEAR	ADDITIONS	AMORTISA TION	DISPOSALS	2019 CARRYING VALUE AT END OF YEAR
Computer software and licenses	471	1,691	(1,467)	-	695
	471	1,691	(1,467)	-	695

5. Long-term land inventory

Land inventory - various	27,905	27,905
	27,905	27,905

LAND INVENTORY - VARIOUS

Land purchased comprises, at acquisition value:

Description

Erf 13120 Queenstown	3,540	3,540
Portion 237 of 78 farm Hartbeestpoort No.328JR	9,914	9,914
Portions 78, 89, 90, 151 Daspoort 319JR	7,158	7,158
Erf 10509 Cape Town	2,257	2,257
Farm 755/2 & Erf 8093 Michael Heyns-Swartland Cape Town	5,036	5,036
	27,905	27,905

The land and properties are held for purposes of future Human Settlements developments. There is no immediate plans to develop on these properties.

Figures in R `000

2020

2019

6. Land inventory

Property inventory, registered in the name of HDA

Description

Portion 170 and portion 5 of Farm Roodeport 467 KR - Bela-Bela	65,400	65,400
Erf 1816 Bethlehem township	4,400	4,400
Erf 4919 Kroonstad Ext 30 township	3,300	3,300
Erf 5246 Kroonstad ptn 5,6,7 & 8	1,733	1,733
Erf 229 Kroonstad	2,338	2,338
Ptn 37 of the farm Welkom 41	4,365	4,365
Erf 4049 Portion 20 Bethlehem	2,100	2,100
Farm 654 Portion 1 Bloemfontein	10,200	10,200
Erf 2116 Portion 3 Bloemfontein	2,500	2,500
Erven 17845, 243, 17847, 18093 and 17844 Knysna	1,700	1,700
Erf 3726 De Aar Township Northern Cape	10,000	10,000
Erf 635 De Aar Emthanjeni Municipality	7,700	7,700
Erf 3994 - 4225 Modelkloof KZN	7,000	7,000
Portion 9 of Farm 787, 807 Cape Road, Western Cape	7,854	7,854
Erven 921,924,925,927-938, 940-941,17735,172883 Gugulethu, Western Cape	15,569	15,569
Farm 700 Business Zone 949, Cape Town, Western Cape	4,552	4,552
Erf 807,3108, 21400 Philippi	39,195	39,195
Erven 4061,4062,5636,5637 Hout Bay, Western Cape	45,354	45,354
Farm 791, 793 Cape Town, Western Cape	10,842	10,842
Portion 64 of Farm 787 Cape Town, Western Cape	6,365	6,365
Erven 35163 - 35174, 36148, 38368 Milnerton, Western Cape	64,965	64,965
Erf 14443 Strand, Western Cape	4,831	4,831
Portion 34 of farm Schultz Vley No. 807	12,388	-
Erven 40076 & 40077 Goodwood City of Cape Town, Western Cape	8,546	-

343,197

322,263

Various assets were acquired based on the signed agreement and carry a corresponding liability disclosed in Note 19.

Figures in R `000

2020

2019

7. Receivables from non-exchange transactions

Receivables	3,531	377
Staff debtors	1,663	1,211
Prepaid expense	94	20
Operating leases - smoothing receivables	4,147	2,458
Interest Accrued	789	-

10,224

4,066

The carrying amount of receivables approximates fair value.

8. Projects receivables

Buffalo City Metro Municipality	6,079	9,196
Eastern Cape Provincial Government	5,930	42,805
Ekurhuleni Metro Municipality	62,440	98,429
Ethekwini Metro Municipality	2,192	-
Gauteng Provincial Government	12,195	11,871
KwaZulu-Natal Provincial Government	214	156
Limpopo Provincial Government	458	-
Northern Cape Provincial Government	33,833	2,110
North West Provincial Government	19,696	34,544
Mpumalanga Provincial Government	14,501	14,501
Western Cape Provincial Government	20,680	10,427

Sub-total

178,218

224,039

Provision for bad debts*

(58,771)

-

119,447

224,039

*** Provision for bad debts**

Mpumalanga Provincial Government

Costs incurred on behalf of the Thaba-Chweu Municipality. Amount has been outstanding for the past three financial years and now deemed irrecoverable.

Ekurhuleni Metro Municipality

Costs incurred on behalf of the Ekurhuleni Municipality. Amounts has been outstanding for past two financial years and now deemed irrecoverable. An Intergovernmental dispute has been lodged with the Department of Human Settlements.

Figures in R `000

2020

2019

9. Rental deposits

Rental deposit	1,382	1,379
	1,382	1,379

The rental deposit is refundable to the entity at the end of the lease term

10. Cash and cash equivalents

HDA	54,175	37,914
Projects*	584,185	459,541
Petty cash	33	35
	638,393	497,490

*** Projects funds**

	584,185	459,541
Eastern Cape Provincial Government	-	(42,108)
Ekurhuleni Municipality	-	(84,081)
Free State Provincial Government	68,914	68,613
Gauteng Provincial Government	114,811	133,850
KwaZulu-Natal Provincial Government	61,334	32,546
Mpumalanga Provincial Government	-	(14,501)
Limpopo Provincial Government	70,651	95,388
Northern Cape Provincial Government	251,883	212,679
North West Provincial Government	(395)	37,494
Western Cape Provincial Government	16,987	19,661

11. Finance lease obligations

Lease of photocopiers and faxes with Konica Minolta and Bytes	547	-
	547	-

Repayable within one year, transferred to current liabilities	255	143
	802	143

FINANCE LEASE OBLIGATIONS CONTINUED...

Figures in R `000

	2020	2019
Reconciliation between the total of the minimum lease payments and the present value:		
Minimum lease payments	1,030	149
- No later than 1 year	398	149
- Later than 1 year and no later than 5 years	632	-
Future finance charges on finance leases	(228)	(6)
	802	143

12. Operating leases-Lessor

RENTAL INCOME

The future minimum property lease receipts escalating at 10% p.a.

	2020	2019
- No later than 1 year	1,380	1,380
- Later than 1 year and no later than 5 years	79	79

13. Obligations under operating leases-Lessee

OFFICE LEASES

The future minimum office lease payments' escalation ranges between 8% and 9% p.a.

	2020	2019
- No later than 1 year	13,170	13,048
- Later than 1 year and no later than 5 years	9,973	16,747

Lease terms and conditions per office

	Expiry date	Lease term
Eastern Cape	31-Mar-21	3 years
Free State	31-Dec-23	5 years
Gauteng	31-Jan-21	1 year
KwaZulu-Natal	30-Apr-23	5 years
Limpopo	31-Mar-21	1.3 years
Western Cape	31-Oct-22	5 years

14. Commitments – operations

OPERATIONAL EXPENDITURE

- No later than 1 year	2,370	20,132
- Later than 1 year and no later than 5 years	1,935	23,089
	4,305	43,221

These are contractual commitments that are related to professional services and operational commitments.

During the period, certain services were terminated.

Figures in R `000

2020

2019

15. Payables from exchange transactions

Payables	18,186	13,281
Funds owing to National Treasury	-	631
Employees leave payable	7,641	9,038
Accruals	90	2,532
	25,917	25,482

Employees leave payable is reconciled as follows:

Carrying amount beginning of year	9,038	10,180
Decrease in leave payable	(97)	(375)
Amounts incurred and charged against the leave account	(1,300)	(767)
Carrying amount at end of year	7,641	9,038

The leave payable on termination is expected to realise during the 2021 financial year. The leave on termination was not discounted as the amount is already reflected at its present value at the reporting date and that the impact of discounting is (impractical as time is uncertain) and immaterial. When the amount payable for leave is calculated, it is based on the employees' salary scales as at the reporting date, but when the payable realises during the 2021 financial year, it may realise at the employees new salary scales as per the HDA Human Resources policy.

16. Provisions

Provision for bonus	16,175	13,451
	16,175	13,451

Provision for bonus is reconciled as follows:

Carrying amount beginning of year	13,451	9,024
Increase in provision	6,993	16,062
Amount paid	(4,269)	(11,635)
Carrying amount at end of year	16,175	13,451

The provision for bonus is based on the employee's performance. This is payable by September of each year. The assessment of performance was not yet finalised and an estimation has been done.

Bonus payment of R2.2m for Exco and Manco members for the financial year ended 31 March 2019 is included in the carrying amount of R16,2m and it was paid in June 2020.

Figures in R `000

2020

2019

17. Projects Payables

Payables	65,980	11,285
Project payables	65,980	11,285

Projects payables relates to contractors' invoices received for projects and not yet paid.

18. Projects obligations

Buffalo City Municipality	6,079	9,196
Ekurhuleni Municipality	33,895	14,348
Ethekwini Municipality	2,192	-
Free State Provincial Government	69,041	68,613
Gauteng Provincial Government	83,026	145,722
KwaZulu-Natal Provincial Government	61,040	32,701
Limpopo Provincial Government	70,789	95,155
Northern Cape Provincial Government	283,798	214,519
North West Provincial Government	19,302	72,039
Western Cape Provincial Government	37,592	30,088
	666,754	682,381

BELOW IS A RECONCILIATION OF EACH PROJECT OBLIGATION:

Buffalo City Metro Municipality

Opening balance	9,196	-
Amount owing	6,079	9,196
Cancelled invoice	(9,196)	-
Closing balance	6,079	9,196

Ekurhuleni Municipality

Opening balance	14,348	19,680
Owing and received in current year	(98,429)	(48,359)
Cash received	91,867	151,404
Interest earned	-	-
Amount owing	62,438	98,429
Expenditure	(36,329)	(206,806)
Closing balance	33,895	14,348

PROJECTS OBLIGATIONS CONTINUED...

Figures in R `000

	2020	2019
Ethekewini Municipality		
Opening balance	-	-
Amount owing	2,192	-
Closing balance	2,192	-
Free State Provincial Government		
Opening balance	68,613	99,676
Cash received	58,890	26,064
Interest earned	943	4,161
Amount owing	-	-
Expenditure	(59,405)	(23,749)
Transfer to National Treasury (NT)	-	(37,539)
Closing balance	69,041	68,613
Gauteng Provincial Government		
Opening balance	145,722	994,683
Owing and received in current year	(11,871)	-
Cash received	78,055	172,905
Interest earned	5,558	52,354
Amount owing	11,871	11,871
Expenditure	(146,309)	(180,562)
Transfer to National Treasury (NT)	-	(905,529)
Closing balance	83,026	145,722
KwaZulu-Natal Provincial Government		
Opening balance	32,701	40,920
Owing and received in current year	-	-
Cash received	43,650	37,801
Interest earned	1,904	1,507
Amount owing	-	156
Expenditure	(17,214)	(15,310)
Transfer to National Treasury (NT)	-	(32,373)
Closing balance	61,041	32,701

PROJECTS OBLIGATIONS CONTINUED...

Figures in R `000

	2020	2019
Limpopo Provincial Government		
Opening balance	95,155	318,750
Owing and received in current year	-	-
Cash received	108,000	234,997
Interest earned	4,693	8,198
Interest returned to Province	(21,600)	-
Amount owing	-	-
Expenditure	(115,459)	(466,790)
Closing balance	70,789	95,155
Northern Cape Provincial Government		
Opening balance	214,519	96,883
Owing and received in current year	-	-
Cash received	110,744	183,701
Interest earned	7,406	3,610
Amount owing	31,673	2,110
Expenditure	(80,544)	(71,785)
Closing balance	283,798	214,519
North West Provincial Government		
Opening balance	72,039	641,516
Owing and received in current year	(34,544)	-
Cash received	18,947	122,348
Interest earned	240	22,960
Amount owing	19,696	34,544
Expenditure	(57,076)	(211,559)
Transfer to National Treasury (NT)	-	(537,770)
Closing balance	19,302	72,039
Western Cape Provincial Government		
Opening balance	30,088	147,166
Owing and received in current year	(10,427)	-
Cash received	44,831	132,558
Interest earned	3,610	3,080
Amount owing	20,605	10,427
Expenditure	(40,180)	(263,143)
Funds returned to Province	(10,935)	-
Closing balance	37,592	30,088

Figures in R `000

2020

2019

19. Land inventory obligation

Properties held on behalf of provinces

343,197

322,263

The HDA acquired land and properties on behalf of other organs of state. The HDA is obliged to release the acquired land and properties based on signed agreements.

20. Revenue from non-exchange transactions-operational grants

Revenue from non-exchange transactions is made up as follows:

Transfer from controlling entity

229,311

222,177

229,311

222,177

21. Revenue from exchange transactions-conditional grants

Free State Provincial Government

12,888

15,814

Gauteng Provincial Government

16,146

-

KwaZulu-Natal Provincial Government

16,887

15,634

Limpopo Provincial Government

14,969

22,924

Northern Cape Provincial Government

6,835

5,141

North West Provincial Government

7,951

15,798

Western Cape Provincial Government

27,157

32,213

102,833

107,524

The grant received covers corresponding expenditure for the provinces projects and certain amount earned which is in investment income.

22. Revenue from exchange transactions-project management fees

Eastern Cape Provincial Government

766

3,828

Ekurhuleni municipality

1,764

7,433

Gauteng Provincial Government

4,187

7,165

Limpopo Provincial Government

2,895

12,891

Northern Cape Provincial Government

1,211

2,839

North West Provincial Government

2,219

5,033

13,042

39,189

Management fees are earned as per agreements signed between the HDA and relevant organs of state.

Figures in R `000

2020

2019

23. Interest income

Interest received-HDA	3,539	11,826
Interest received-Projects current account	-	1,478
	3,539	13,304

24. Other income

Rental income	3,439	2,529
Insurance claims	202	201
Tender documents fees and other income	-	578
	3,641	3,308

25. Operating expenses

Accounting other services	2,117	1,157
Advertising and marketing	1,209	2,381
Agency support - outsourcing	1,878	3,723
Depreciation	2,719	2,777
Amortisation	1,779	1,466
Membership fees	18	116
Assets below R5 000 expensed	165	653
Auditors remuneration	1,557	507
Bank charges	203	232
Board costs	1,146	1,251
Catering	1,351	2,242
Communications	847	876
Computer expenses	3,884	4,239
Consultants	981	5,178
Contractors - operational	8,796	7,289
Insurance	873	451
Leasing charges	1,060	936
Legal fees	22,052	6,528
Office rentals	12,200	13,136

Figures in R `000

	<u>2020</u>	<u>2019</u>
Penalties	42	2
Printing, publications and stationery	1,020	1,870
Repairs and maintenance	287	714
Repairs - office refurbishment	14	382
Staff recruitment	809	8,018
Staff welfare	289	71
Other office expenses	499	1,685
Temporary staff	2,793	5,600
Training and staff development	1,202	1,797
Travel and accommodation	6,107	13,918
	77,897	89,195

The above expenditure includes certain expenses that are covered by Provinces support conditional grant on note 21.

26. Land and related costs

Insurance	181	165
Maintenance costs	1,759	869
Conveyancing and valuation costs	5,944	6,172
Projects operational contractors	3,319	2,974
Development planning and feasibility studies	844	1,034
	12,047	11,214

27. Technical and support services

Transactional advisors	-	8,792
Professional resource teams	14,404	95,788
	14,404	104,580

28. Finance costs

Finance leases	61	137
	61	137

The HDA entered into a new finance lease agreement for photocopier machines. Lease agreement will expire during the 2023 financial year. A capital portion of the lease is disclosed in current liabilities in the statement of financial position.

Figures in R `000

2020

2019

29. Employee costs

Basic salary	158,238	153,533
Labour settlement ^	3,243	1,957
Performance bonus	7,042	16,062
Leave recovery	(159)	(375)
Allowances	4,124	4,194
Employer's contributions	17,762	17,314
Other payroll expenses - COIDA	517	355
	190,767	193,040

^Labour settlement relates to a payment towards a settlement of an ex employee labour dispute matter.

30. Related party transactions

Relationship

Controlling entity

National Department of Human Settlements

Board members

Adv MP Motlogelwa - Acting Chairperson (from 04 February 2020 and from 11 November 2019 to date)

MSMM Xayiya - Chairperson (from 11 November 2019 to 03 February 2020)

CAZ Mkhize (from 11 November 2019 to date)

ZI Moon (from 18 November 2019 to date)

R Makan (from 04 February 2020 to date)

NM Ntsinde-Chairperson (from 23 April 2019 to 29 July 2019)

ZZ Mxaku (from 23 April 2019 to 29 July 2019)

P Lujabe (from 23 April 2019 to 29 July 2019)

Adv DJ Block (from 23 April 2019 to 29 July 2019)

P Chiapasco (from 23 April 2019 to 29 July 2019)

N Vimba (from 23 April 2019 to 29 July 2019) and (19 June 2020 to date)

Audit and Risk Committee

SY Boulton - Chairperson (from 20 March 2020 to date)

CAZ Mkhize - Chairperson (from 18 November 2019 to 20 March 2020)

CAZ Mkhize (from 20 March 2020 to date)

Adv MP Motlogelwa (from 18 November 2019 to 20 March 2020)

RELATED PARTY TRANSACTIONS CONTINUED...

ZI Moon (from 20 March 2020 to date)
R Makan (from 20 March 2020 to date)
Adv DJ Block - Chairperson (from 23 April 2019 to 29 July 2019)
P Chiapasco (from 23 April 2019 to 29 July 2019)
ZZ Mxaku (from 23 April 2019 to 29 July 2019)

Project Investment Committee

CAZ Mkhize - Chairperson (from 18 November 2019 to date)
Adv MP Motlogelwa (from 18 November 2019 to date)
ZI Moon (from 18 November 2019 to date)
N Vimba - Chairperson (from 23 April 2019 to 29 July 2019)
Adv DJ Block (from 23 April 2019 to 29 July 2019)
ZZ Mxaku (from 23 April 2019 to 29 July 2019)

Social and Ethics Committee

ZI Moon - Chairperson (from 18 November 2019 to date)
MSMM Xayiya - Chairperson (from 18 November 2019 to 03 February 2020)
CAZ Mkhize (from 18 November 2019 to date)
P Lujabe - Chairperson (from 23 April 2019 to 29 July 2019)
Adv DJ Block (from 23 April 2019 to 29 July 2019)
N Vimba (from 23 April 2019 to 29 July 2019)

Land, Development and Planning Committee

MSMM Xayiya - Chairperson (from 18 November 2019 to 21 May 2020)
CAZ Mkhize (from 18 November 2019 to date)
Adv MP Motlogelwa (from 18 November 2019 to date)
P Chiapasco (from 23 April 2019 to 29 July 2019)
NM Ntsinde - Chairperson (from 23 April 2019 to 29 July 2019)
P Lujabe (from 23 April 2019 to 29 July 2019)

Corporate Support and Remuneration Committee

Adv MP Motlogelwa - Chairperson (from 18 November 2019 to date)
MSMM Xayiya - Chairperson (from 18 November 2019 to 03 February 2020)
ZI Moon (from 18 November 2019 to date)
ZZ Mxaku - Chairperson (from 23 April 2019 to 29 July 2019)
P Chiapasco (from 23 April 2019 to 29 July 2019)
NM Ntsinde (from 23 April 2019 to 29 July 2019)

Executive and senior management

MSMM Xayiya - Acting Chief Executive Officer (from 04 February 2020 to date)

RELATED PARTY TRANSACTIONS CONTINUED...

PP Moloi - Chief Executive Officer (from 01 October 2015 to 20 January 2020)
SA Nxusani - Chief Financial Officer (from 1 November 2019 to 22 May 2020)
PG Magagula - Chief Financial Officer (from 1 March 2019 to 30 November 2019)
MD Mnisi - Head: Strategic Support (from 01 March 2016 to 18 April 2019)
MB George - Head: Development Management and Operations (from 01 September 2016 to 18 April 2019)
R Issel - Head: Corporate Support
JB Minnie - Head: Spatial Information Analysis
LS Rakgoale - Regional Head: Region B
BM Khoza - Regional Head: Region C
MJ Mphahlele - Regional Head: Free State
N Mlotshwa - Regional Head: Region C
W Steenkamp - Head: Strategic Initiatives
D Ngoasheng - Head: National Planning & Programmes Design
TC Mguli - Regional Head: Region A (from 01 January 2020)
M Van Eck - Head: Strategic Support (from 16 March 2020)

Administrators

D Chainee (from 5 September 2019 to 24 January 2020)
V Gqwetha (from 22 February 2019 to 22 April 2019)

Entities under common control*

National Housing Finance Corporation
Estate Agency Affairs Board
Community Schemes Ombud Services
National Home Builders Registration Council
Social Housing Regulatory Authority

*These are entities under common control of the National Department of Human Settlements of which the HDA forms part.

All other entities in the National Sphere of Government are considered to be related, but have not been disclosed unless transactions with those entities took place on terms that were not on ordinary terms or not course of business.

RELATED PARTY TRANSACTIONS CONTINUED...

Figures in R `000

2020

2019

During the year, the HDA entered into the following transactions with:

	Operational grant received		Amounts owed by the related party at year-end	
	2020	2019	2020	2019
National Department of Human Settlements	229,311	222,177	-	-

	Amounts returned to National Treasury		Amounts owed to the related party at year-end	
	2020	2019	2020	2019
National Treasury	631	1,513,211	-	-

NATIONAL DEPARTMENT OF HUMAN SETTLEMENTS

By virtue of the HDA being a national public agency, it is presumed that all other government agencies within the national sphere are related to it. However, only transactions that occurred outside the normal terms available to the broader public are disclosed in accordance with GRAP 20: Related Party Disclosures.

NATIONAL TREASURY

The HDA was instructed to return unspent grant funding received from Provincial Departments as at 15 November 2018. The funds were received in the 2017 financial year and were non-compliant with Section 17 of the Division Of Revenue Act (DORA) and rolled over to be spent in the 2018 financial year. The balance of R631 thousand was returned in the current period.

31. Executive and senior management remuneration 2020

Executive members	BASIC SALARY	PROVIDENT FUND	TOTAL COST	RISK BENEFITS	ALLOWANCES	BONUS	TOTAL EXPENDITURE
PP Moloi (Chief Executive Officer until 20 January 2020)	6,228	301	6,529	42	17	-	6,588
MSMM Xayiya (Chief Executive Officer from 4 February 2020)	619	-	619	-	4	-	623

EXECUTIVE AND SENIOR MANAGEMENT REMUNERATION CONTINUED...

Figures in R `000

2020

2019

EXECUTIVE MEMBERS	BASIC SALARY	PROVIDENT FUND	TOTAL COST	RISK BENEFITS	ALLOWANCES	BONUS	TOTAL EXPENDITURE
PG Magagula - Chief Financial Officer (from 1 March 2019 to 30 November 2019)	1,200	-	1,200	-	15	-	1,215
Total executive management remuneration	8,047	301	8,348	42	36	-	8,426

SENIOR MANAGEMENT	BASIC SALARY	PROVIDENT FUND	TOTAL COST	RISK BENEFITS	ALLOWANCES	BONUS	TOTAL EXPENDITURE
MD Mnisi - Head: Strategic Support (until 18 April 2019)	94	13	107	2	1	-	110
MB George - Head: Development Management and Operations (until 18 April 2019)	74	16	90	2	2	-	94
R Issel - Head: Corporate Support	2,109	178	2,287	34	22	-	2,343
JB Minnie - Head: Spatial Information Analysis	1,687	143	1,830	26	22	-	1,878
LS Rakgoale - Head: Land Management	1,680	142	1,822	26	22	-	1,870
BM Khoza - Regional Head: Region B	1,797	152	1,949	27	22	-	1,998
MJ Mphahlele - Regional Head: Free State	1,626	193	1,819	26	22	-	1,867
N Mlotshwa - Regional Head: Region C	1,677	192	1,869	27	22	-	1,918
W Steenkamp - Head: Strategic Initiatives	2,510	288	2,798	40	22	-	2,860

EXECUTIVE AND SENIOR MANAGEMENT REMUNERATION CONTINUED...

Figures in R `000

SENIOR MANAGEMENT	2020						2019
	BASIC SALARY	PROVIDENT FUND	TOTAL COST	RISK BENEFITS	ALLOWANCES	BONUS	TOTAL EXPENDITURE
D Ngoasheng - Head: National Planning & Programmes Design	1,985	168	2,153	31	22	-	2,206
TC Mguli	435	50	485	7	6	-	498
M Van Eck - Head: Strategic Support	68	-	68	-	-	-	68
Total senior management remuneration	15,742	1,535	17,277	248	185	-	17,710
Total	23,789	1,836	25,625	290	221	-	26,136

T Sejane and S Mpofu were appointed as Acting CEOs from 30 April 2019 to 4 September 2019. No acting allowance was paid for the acting position.

D Chainee was seconded as Acting CEO from 5 September 2019 to 24 January 2020 and MSMM Xayiya was appointed as Acting CEO from 4 February 2020 to date.

The Agency had vacancies in the office of the CEO from 24 April 2019 to 29 April 2019 and from 25 January 2020 to 3 February 2020.

P Moloi resigned from the HDA as CEO on 20 January 2020.

S Nxusani was seconded to the HDA as CFO from the National Housing Finance Corporation, an entity under Human Settlements from 1 November 2019 to 22 May 2020.

2019

EXECUTIVE MEMBERS	BASIC SALARY	PROVIDENT FUND	TOTAL COST	RISK BENEFITS	ALLOWANCES	BONUS	TOTAL EXPENDITURE
PP Moloi - Chief Executive Officer	3,503	389	3,892	55	32	404	4,383
APG Soares - Chief Financial Officer (until 15 February 2019)	2,370	184	2,554	34	227	264	3,079
B Chaplog- Chief Financial Officer (until 30 September 2018)	-	-	-	-	280	-	280
PG Magagula - Chief Financial Officer (from 1 March 2019)	150	-	150	-	-	-	150

EXECUTIVE AND SENIOR MANAGEMENT REMUNERATION CONTINUED...

Figures in R `000

2020

2019

EXECUTIVE MEMBERS	BASIC SALARY	PROVIDENT FUND	TOTAL COST	RISK BENEFITS	ALLOWANCES	BONUS	TOTAL EXPENDITURE
M.Tsehla - Acting Chief Financial Officer (from 01 October 2018 to 28 February 2019)	-	-	580	44	60	-	684

Total executive

management remuneration

6,023	573	7,176	133	599	668	8,576
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SENIOR MANAGEMENT

BASIC SALARY	PROVIDENT FUND	TOTAL COST	RISK BENEFITS	ALLOWANCES	BONUS	TOTAL EXPENDITURE
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MD Mnisi - Head: Strategic Support*	1,832	155	1,987	28	32	208	2,255
MB George - Head: Development Management and Operations	1,667	185	1,852	26	32	188	2,098
R Issel - Head: Corporate Support	2,109	179	2,288	33	22	239	2,582
JB Minnie - Head: Spatial Information Analysis	1,687	143	1,830	26	32	195	2,083
LS Rakgoale - Regional Head: Region B	1,680	142	1,822	26	32	191	2,071
BM Khoza - Regional Head: Region A	1,797	152	1,949	28	32	204	2,213
MJ Mphahlele - Regional Head: Free State	1,674	186	1,860	26	32	193	2,111
N Mlotshwa - Regional Head: Region C	1,677	186	1,863	26	32	191	2,112
W Steenkamp - Head: Strategic Initiatives	2,510	279	2,789	40	32	295	3,156

EXECUTIVE AND SENIOR MANAGEMENT REMUNERATION CONTINUED...

Figures in R `000

	2020					2019	
SENIOR MANAGEMENT	BASIC SALARY	PROVIDENT FUND	TOTAL COST	RISK BENEFITS	ALLOWANCES	BONUS	TOTAL EXPENDITURE
D Ngoasheng-Head National Planning & Programmes Design	1,985	168	2,153	31	32	225	2,441
Total senior management remuneration	18,618	1,775	20,393	290	310	2,129	23,122
Total	24,641	2,348	27,569	423	909	2,797	31,698

32. Non –executive members

Non-executive members of the accounting authority

MSMM Xayiya (from 11 November 2019 to until 5 February 2020)	89	-
Adv MP Motlogelwa (from 11 Novemeber 2019)	115	-
ZI Moon (from 11 November 2019)	81	-
CAZ Mkhize (from 11 November 2019)	65	-
N Ntsinde (until 29 July 2019)	83	-
DJ Block (until 29 July 2019)	47	-
P Lujabe (until 29 July 2019)	61	-
ZZ Mxaku (until 29 July 2019)	77	-
M Msimang - Chairperson (until 4 November 2018)	-	95
TS Songelwa	-	113
PA Singh	-	61
ME Mutheiwana	-	60
L Jiyose	-	20
T Botha	-	207
MH Mpahlwa	-	113
Total non-executive members	618	669

On the 23rd of April 2019, the Minister of Human Settlements ended the HDA's administration with the appointment of the new Board and on the 29th of July 2019 the Minister dissolved the Board. An interim board was appointed from 11 November 2019 to date.

NON-EXECUTIVE MEMBERS OF THE ACCOUNTING AUTHORITY CONTINUED

Figures in R `000

2020

2019

An interim Board was appointed from 11 November 2019 to date.

There was a vacancy in the accounting authority office from 30 July 2019 to 4 September 2019 and from 5 September 2019 to 24 January 2020. D Chainee was seconded in terms of Section 31(4) of the HDA Act 23 of 2008.

Audit and Risk Committee

PT Phili

-

42

SY Boulton

22

43

Total Audit and Risk Committee

22

85

Total

640

754

Administrator

NS Damasane (from 14 December 2018 to 21 February 2019)

-

1,140

Total Administrator

-

1,140

V Gqwetha was appointed as administrator from 22 February 2019 to 22 April 2019. The new members of the accounting authority were appointed on the 23 April 2019.

V Gqwetha was appointed as administrator at no allowance as he was seconded from National Housing Finance Corporation, an agency of the Human Settlements Department.

D Chainee was seconded from the Department of Human Settlements at no cost to the Agency.

33. Cash generated/(utilised) from operations

Net deficit	(1,611)	(12,693)
Adjustment for:		
Depreciation	2,719	2,777
Amortisation	1,779	1,466
Interest received	(3,539)	(13,304)
Deficit on disposal of property, plant and equipment	30	29
Interest accrued	789	-
Finance costs	61	137
Revaluation of art work - paintings	147	-
Impairment of project receivables	58,771	-
	59,146	(21,588)

CASH GENERATED/(UTILISED) FROM OPERATIONS CONTINUED

Figures in R `000

	2020	2019
Movements in working capital	(2,999)	(4,677)
(Decrease)/increase in payables	435	(8,526)
Increase in provisions	2,724	4,427
Increase in receivables	(6,158)	(578)
Cash generated/(utilised) in operations	56,147	(26,265)

34. Contingent liabilities

The Agency has labour related matters with former employees that have been referred to the Commission for Conciliation, Mediation and Arbitration (CCMA). The cases were referred towards the end of the financial year and there is no certainty on the outcome of the matters. The maximum exposure in case the CCMA rules against the Agency will be twelve months salaries paid to the affected employees.

35. Comparative figures

No comparative figures were reclassified in the current period.

36. Events after reporting date

KB Mosehla was appointed as CFO from 22 May 2020 to date.

N Vimba was reappointed as Board member effective 19 June 2020 to date.

During October 2020, management took a decision to close the Mpumalanga office as it was financially not viable to continue operations in that office.

COVID-19 RESPONSE

Department of Human Settlements identified the HDA as a Human Settlements sector COVID-19 response facilitator. The Agency has now signed funding agreements on capital projects to the value of R360 million with various provinces. The assignments includes purchase of land and construction of temporary relocation accomodation for the purposes of de-blocking informal settlements.

The HDA is involved in construction of housing units on behalf of provinces and municipalities. These activities were curtailed after year end as a result of the COVID-19 pandemic. Potential future escalation costs as a result of this will not be borne by the Agency but the provinces and/or municipalities. The potential future effect on HDA is the loss in project management fees in the financial year it was envisaged to be earned.

DEFICIT

The Agency has reported a deficit of R.1.6 million due a writing off irrecoverable debts.

Figures in R `000**2020****2019****3%. Irregular, fruitless and wasteful expenditure****Fruitless and wasteful expenditure**

Opening balance	2,844	-
Fruitless and wasteful expenditure - current year	14,543	2,844
Less amounts condoned	-	-
Closing balance	17,387	2,844

Below are the details of the fruitless and wasteful expenditure above.

Detail	Amount	Action taken
Thaba-chweu Mpumalanga payments not recoverable	14,501	Investigations are being undertaken by management on the expenditure incurred.
Penalty on late payments of invoices	42	Management has imposed stricter controls to ensure invoices are paid timeously

Total 14,543

Irregular expenditure

Opening balance	106,586	10,334
Amounts not deemed irregular	(41,893)	-
Irregular expenditure - current year	49,806	96,252
Irregular expenditure awaiting condonation	114,499	106,586

Irregular expenditure on SCM processes.

Below are the details of the Irregular expenditure above

Detail	Amount	Action taken
Non-compliance with National Treasury regulations, practice- and instruction notes	49,806	The corrective actions will focus on both ensuring completeness of irregular expenditure as well as developing additional controls to prevent irregular expenditure from recurring. These corrective actions will cover financial and procurement controls.

Total Irregular, fruitless and wasteful expenditure

131,886 **109,430**



THE EFFECTS OF COVID-19 WILL HAVE MINIMAL IMPACT ON THE AGENCY'S GOING CONCERN.

38. Budget statement review

38.1 CONDITIONAL GRANTS

Conditional grants are based on estimated spending by Provincial offices and full recovery is uncertain.

38.2 PROJECT MANAGEMENT FEES

Post returning of funds to National Treasury in 2018, the 2019 financial year management fees were based on estimates relating to work to be done by the Agency. Minimal work was given to the Agency in the financial year resulting in an underrecovery of management fees.

38.3 OPERATING EXPENSES

Operational expenses covers head office and provincial offices spending. Spending of provincial offices are estimates based on estimated conditional grants. Management will in future base budgets on committed provincial funds transferred to the Agency.

38.4 TECHNICAL AND PROJECT SERVICES

Most planned procurement was put on hold as the Agency was recovering from a Section 31(4) HDA Act administration. On recovery, certain members of the Executive Committee (Exco), who were part of the Bid Adjudication Committee (BAC) resigned leaving the remaining BAC members unable to form a quorum. Due to these challenges, most of the planned work was done inhouse resulting in a saving and a surplus realised by the Agency.

38.5 LAND & RELATED COSTS

Budgeted costs are based of projected requests for land valuations and land purchases from provinces. There was minimal request from provinces due to part of the funds returned included plans to purchase land. Provinces had to revisit their plans and budgets in the financial year. Land purchase requests were mostly received later in the financial year.

38.6 EMPLOYEE COSTS

Resignation of certain Executive Committee (Exco) members at the beginning of the financial year were not replaced until in the fourth quarter of the financial year. The CFO was seconded from NHFC in the last two quarters of the financial year at no cost to the Agency. Bonuses of Executive Committee (Exco) and Management Committee (Manco) members were paid in June 2020. This factors resulted in substantial savings in employee costs.

39. Financial risk management

The HDA, in the course of normal operations, has limited exposure to the financial risks, e.g liquidity risks, credit risks and interest rate risks. However, the HDA attempts to manage the following financial risks:

LIQUIDITY RISKS

Liquidity risk refers to the risk that sufficient liquidity is not available when required. The goal of the Agency is to maintain adequate liquidity at all times.

FINANCIAL RISK MANAGEMENT CONTINUED...

Figures in R `000

2020

2019

The HDA is exposed to liquidity risk only with regards to the payment of its payables. The payables are all due within a short time.

The HDA manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in a money market account.

The HDA manages liquidity risk according to its investment policy and working capital management, expenditure versus forecasted cash flows. The amount of cash invested in call deposits of 30 days, 60 days and 90 days is guided by the projected future cash requirements.

The maturity analysis of payables at reporting date were as follows:

Payables

Not past due	58,038	20,037
Past due 60 days	1,103	433
Past due 90 days	8,949	3,205

Finance lease obligations

Projected repayment - less than 1 year	255	143
Projected repayment- 31 March 2021	547	-

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk, currency risk, interest rate risk and other price risk. The entity is only exposed to interest rate risk. See cash and cash equivalents below.

INTEREST RATE RISK

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

This is a risk that fair value or future cash flows from financial instruments will fluctuate as a result of changes in the market interest rates. Values in the financial instruments may change, thus resulting in both potential gains and losses. The HDA's activities do not expose it to significant market interest rate risks. Therefore, there are no procedures in place to mitigate these risks.

Cash in the bank account is kept at a minimum in order to maximise interest earned on cash.

The HDA has invested any surplus cash in a short-term money market account. The interest rates on this account fluctuates in line with movements in current money market rates.

FINANCIAL RISK MANAGEMENT CONTINUED...

Figures in R `000

2020

2019

CREDIT RISK

Credit risk consists mainly of cash deposits, cash and cash equivalents, derivative financial instruments and trade debtors. The HDA deposits cash only with major banks with high quality credit standing and limits exposure to any other counter party.

The HDA receives grant funding from the government through the National Department of Human Settlements, therefore, its exposure to credit risk is minimal.

RECEIVABLES

The receivables are exposed to a low risk and amounts overdue are owing by other government institutions.

Receivables

Not past due	122,723	94,240
Past due 60 days	6,585	10,450
Past due 90 days	29,082	74,859

CASH AND CASH EQUIVALENTS

Cash and deposits are regarded as having insignificant credit risk. The balances of cash and cash equivalents are as follows:

Bank	Type	Interest rate %	Balance as at 31 March 2020	Balance as at 31 March 2019
Absa	Current account	-	59,029	31,330
Absa	Money Market Call	5.7	147,989	71,099
First National Bank	Current account	4.2	2,221	125,100
First National Bank	Corporate cheque account	4.2	4,193	-
First National Bank	Commercial Nstd Call	4.5	69,407	10,072
First National Bank	Commercial Money Market	5.4	137,606	96,534
Standard bank	Current account	3.5	54,543	51,999
Nedbank	Current account	-	800	7,509
Nedbank	Money trader	5.1	162,559	103,800
Stanlib	Extra Income ABIL Retention Fund	1	13	12
Petty cash	Cash	-	33	35
			638,393	497,490

FINANCIAL RISK MANAGEMENT CONTINUED...

Figures in R `000

2020

2019

FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Receivables and sundry receivables	8,626	2,904
Bursaries paid	1,598	1,162

10,224

4,066

FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Payables and other payables	25,917	25,482
Designated income received in advance	666,754	682,381

692,671

707,863

40. Going concern

Management has every reason to believe that the Agency has adequate resources in place, the necessary fiscal backing as supported by the approved MTEF allocation and various signed funding agreements and implementation protocols in place to fund the HDA and to continue in operation for the foreseeable future. The effects of COVID-19 will have minimal impact on the Agency's going concern.

There is no known or reported intention by Parliament to repeal the HDA Act that may cast any real material uncertainty onto the agencies continued existence.

41. Reclassification

No figures were reclassified in the current period.

Detailed Statement of Financial Performance

Figures in R `000

	<u>2020</u>	<u>2019</u>
Revenue		
Grants received	332,144	329,701
Grant received from the National Department of Human Settlements	229,311	222,177
Operational grant - Free State	12,888	15,814
Operational grant - Gauteng	16,146	-
Operational grant - KwaZulu-Natal	16,887	15,634
Operational grant - Limpopo	14,969	22,924
Operational grant - North West	7,951	15,798
Operational grant - Northern Cape	6,835	5,141
Operational grant - Western Cape	27,157	32,213
Project management fees	13,042	39,189
Gross Revenue	345,186	368,890
Other Income		
Investment income	3,539	13,304
Sundry income	3,641	3,308
	7,180	16,612
Total Revenue	352,366	385,502
Expenditure		
Accounting other services	2,117	1,157
Advertising and marketing	1,209	2,381
Agency Support- Outsourcing	1,878	3,723
Amortisation - Intangible assets	1,779	1,466
Assets under R5 000	165	653
Auditors remuneration	1,557	507
Bad debts	58,771	-
Bank charges	203	232
Board costs(fees and travel)	1,146	1,251
Catering	1,351	2,242

DETAILED STATEMENT OF FINANCIAL PERFORMANCE CONTINUED...

Figures in R `000

	<u>2020</u>	<u>2019</u>
Communications	847	876
Computer expenses	3,884	4,239
Consultants	981	5,178
Consultants - technical	14,404	104,580
Contractors- Operational	8,796	7,289
Deficit on disposal of property, plant and equipment	30	29
Depreciation - property, plant and equipment	2,719	2,774
Finance costs	61	137
Insurance	873	451
Land & related costs	12,047	11,214
Leasing charges	1,060	936
Legal fees	22,052	6,528
Membership fees	18	116
Office rentals	12,200	13,136
Other office expenses	499	1,688
Penalty	42	2
Printing, publications and stationery	1020	1,870
Repairs and maintenance	287	714
Repairs refurbishment - offices	14	382
Salaries	190,767	193,040
Staff recruitment	809	8,018
Staff welfare	289	71
Temporary staff	2,793	5,600
Training and staff development	1,202	1,797
Travel and accommodation	6,107	13,918
	353,977	398,195
Deficit for the year	(1,611)	(12,693)

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