

NATIONAL HOME BUILDERS  
**NHBRC**  
REGISTRATION COUNCIL

*Protecting the interests of housing  
consumers and regulating the home  
building industry since 1998*



## THE NHBRC: AN OVERVIEW

The National Home Builders Registration Council (NHBRC) was established in 1998 in terms of the Housing Consumers Protection Measures Act, 1998 (Act No. 95 of 1998) (as amended) – herein after referred to as the Act – and is mandated to protect the interests of housing consumers and to regulate the home building industry.

### OUR VISION

“To be a champion of the housing consumer”.

### OUR MISSION

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

### OUR VALUES

- Customer Service and Technical Excellence
- Learning, growth and caring organization
- Integrity
- Good Corporate governance
- Research and Innovation

### OUR STRATEGY

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

### MOTTO

“Assuring Quality Homes”

### STRATEGIC OBJECTIVES

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

# KEY MOMENTS IN THE HISTORY OF THE NHBRC

An overview of highlights of the past nine years of the NHBRC

## 2007

- Launched the Eric Molobi Housing Innovation Hub in Soshanguve, Pretoria

## 2008

- Development of integrated human settlements ("Breaking New Ground")

## 2009

- Relocated Gauteng Provincial Customer Service Centre to Woodmead.

## 2010

- Open days held in the Eastern Cape, Gauteng, KwaZulu-Natal and the Western Cape to educate housing consumers and home builders about the NHBRC and its objectives

## 2011

- In partnership with the National Department of Human Settlements, hosted the 12<sup>th</sup> International Housing and Home Warranty Conference (IHHWC), the first of its kind on African soil

## 2012

- Representation on the board of International Housing and Home Warranty Association (IHHWA) as Deputy Chairperson of the Association

## 2013

- Commencement of testing materials at Eric Molobi Innovation Hub

## 2014

- Launched the 20/20 Women Empowerment Programme
- Employed a fully insourced inspectorate service for NHBRC

## 2016

- Launch of the two mobile buses to serve as office units

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## SECTION 1: LEADERSHIP OVERVIEW

### 1. COUNCIL

The NHBRC is directed and controlled by the Council which is appointed by the Minister in terms of section 4 of the Act. The Council is appointed for a period determined by the Minister, but not exceeding three (3) years at a time. The current Council was appointed by the Minister effective from the 01 August 2015 and its terms of office will come to an end on 31 July 2018.

The members of Council and their highest qualifications are as per Table 1 below.



**Ms. J. Bayat**  
Acting Chairperson



**Mr. A. Chikane**  
Council Member



**Ms. X. Daku**  
Council Member



**Mr. G. Manack**  
Council Member



**Mr L.A. Potwana**  
Council Member



**Ms. B.N. Nzo**  
Council Member



**Mr. T. Dlamini**  
Council Member



**Ms. H. K. Dlepu**  
Council Member



**Mr. A. S. Kotane**  
Council Member



**Mr. P. Makgathe**  
Council Member



**Ms. M. C. Mohale**  
Council Member



**Mr. A. P. Rapea**  
Council Member



**Mr. O. L. Molotsi**  
Council Member



**Mr. M. Jacobs**  
Council Member

Table 1: Position and highest qualification of Council members

NAME	QUALIFICATION	INSTITUTION
*Mr. Abbey Chikane	<ul style="list-style-type: none"> <li>Post Graduate Diploma in International Business</li> <li>MSc. Economic Development</li> </ul>	<ul style="list-style-type: none"> <li>Southern New Hampshire University</li> </ul>
Ms. Julieka Bayat	<ul style="list-style-type: none"> <li>Bachelor of Arts</li> <li>Masters in Town and Regional Planning</li> </ul>	<ul style="list-style-type: none"> <li>University of Natal</li> <li>University of Durban – Westville</li> </ul>
Ms. Xoliswa Daku	<ul style="list-style-type: none"> <li>B. Proc</li> <li>LLM (MA, In Law)</li> <li>Diploma in Legal Practice</li> <li>Diploma in Human Resources Management and Training,</li> <li>Diploma (MDP); Economics; Marketing, People and Financial Management</li> <li>Post Graduate Project Management</li> <li>Degree in Computer Literacy</li> </ul>	<ul style="list-style-type: none"> <li>University of Transkei</li> <li>University of the Western Cape</li> <li>University of Cape Town</li> <li>Varsity College</li> <li>University of Stellenbosch</li> <li>Cranefield University</li> </ul>
Mr. Themba Dlamini	<ul style="list-style-type: none"> <li>Bachelor of Arts Economics</li> <li>Master of Arts in Development Economics</li> <li>Diploma in Business Administration</li> </ul>	<ul style="list-style-type: none"> <li>William College Massachusetts</li> <li>Howard University</li> <li>Northern Virginia Community College</li> </ul>
Ms. Hlaleleni Dlepu	<ul style="list-style-type: none"> <li>B. Proc,</li> <li>LLB</li> <li>Certificate in Business Rescue – Unisa, Certificate in Adjudication Skills Legal Continuous Education, First Level Regulatory Examinations (FSP) (Sole Properties) and Key Individual in categories I, II, IIA, III, IV &amp; Financial Services Board, Certificate on Court Based Mediation</li> </ul>	<ul style="list-style-type: none"> <li>University of the North</li> <li>University of South Africa.</li> </ul>
Mr. Mziwonke Jacobs	<ul style="list-style-type: none"> <li>Adult Education Training</li> <li>First Aid Training – Trained as a Trainer</li> <li>Primary Health Care Management</li> <li>Project Management</li> <li>Facilitation and Organisational Development</li> <li>Computer Training</li> </ul>	<ul style="list-style-type: none"> <li>CVET and UWC</li> <li>Health Care Trust and St Johns Ambulance</li> <li>Progressive Primary Health Care Network with Red Cross C/ Hospital</li> <li>ERIC and UCT Business School</li> <li>Portfolio on Facilitation and Organisational Development through CDRA</li> <li>Microsoft Training</li> </ul>
Ambassador Samuel Kotane	<ul style="list-style-type: none"> <li>Bachelor of Arts in Government and Law</li> <li>Master of Arts in International Politics, Law and Organisation</li> <li>Certificate in Teaching English as a Second Language</li> </ul>	<ul style="list-style-type: none"> <li>University of Botswana, Lesotho and Swaziland</li> <li>University of Denver Graduate School of International Studies</li> <li>George Brown College ( Toronto, Canada)</li> </ul>
Mr. Phetola Makgathe	<ul style="list-style-type: none"> <li>Bachelor of Administration in Industrial Psychology and Public Administration.</li> <li>Master of Science in Industrial Relations and Personnel Management</li> <li>Certificate in Management of Training</li> <li>Housing Finance Executive Programme</li> </ul>	<ul style="list-style-type: none"> <li>University of the North</li> <li>University of London</li> <li>University of the Witwatersrand</li> <li>University of the Witwatersrand</li> </ul>
Mr. Goolam Manack	<ul style="list-style-type: none"> <li>M. Sc Public Policy and Management</li> <li>Certificate in Government IT Management</li> <li>Executive Programme – Financial Management</li> </ul>	<ul style="list-style-type: none"> <li>University of London</li> <li>University of Witwatersrand</li> <li>Duke University</li> </ul>
Ms. Mankwana Mohale	<ul style="list-style-type: none"> <li>Certificate in Local Government and Development Management</li> <li>Certificate in Governance and Public Leadership</li> <li>Advanced Certificate in Governance and Public Leadership</li> </ul>	<ul style="list-style-type: none"> <li>MANCOSA</li> <li>UNISA</li> <li>Wits Business School</li> </ul>
Mr. Obed Molotsi	<ul style="list-style-type: none"> <li>National Diploma Architecture</li> <li>B. Tech Architectural Management, MDP</li> <li>Fundamental of Snr Management</li> <li>Master of Business Administration</li> </ul>	<ul style="list-style-type: none"> <li>Northern Transvaal Technikon</li> <li>Wits Technikon</li> <li>University of Pretoria</li> <li>UNISA SBL</li> </ul>
Ms. Busisiwe Nzo	<ul style="list-style-type: none"> <li>B.Sc Quantity Survey (honours)</li> <li>Property Development Programme (PDP)</li> <li>Leadership Development programme (PLD)</li> </ul>	<ul style="list-style-type: none"> <li>University of Port Elizabeth</li> <li>UCT GSB (Cape Town)</li> <li>IESE Business School, University of Navarra, Barcelona, Spain</li> </ul>
Mr. Andisa Potwana	<ul style="list-style-type: none"> <li>LLB,</li> <li>B. Juris</li> <li>Certificate in Legislative drafting</li> </ul>	<ul style="list-style-type: none"> <li>University of Transkei</li> <li>University of Pretoria</li> </ul>
Mr. Alvin Rapea	<ul style="list-style-type: none"> <li>B Com</li> <li>Post-Graduate Diploma in Management</li> <li>Diploma in Labour Law</li> </ul>	<ul style="list-style-type: none"> <li>University of the North</li> <li>Wits Business School</li> <li>Graduate Institute of Management and Technology</li> </ul>

\*Mr. Abbey Chikane was placed on special leave with effect from 16<sup>th</sup> March 2017.

## 2. ACTING CHAIRPERSON OF COUNCIL REPORT

It is my pleasure to present the Annual Report of the National Home Builders Registration Council (NHBRC) for the 2016/2017 financial year. The current Council of the NHBRC was appointed by the Honourable Minister of Human Settlements, Ms Lindiwe Sisulu on 01 August 2015 and is therefore in its second year of service to the organisation. Council has continued in its commitment to provide an oversight role as the regulator of the home building industry, as set out in the Housing Consumers Protection Measures Act, 1998 (Act No. 95 of 1998).

During the reporting period, Council continued to be driven by the vision of the organisation and the “assurance of quality homes” for every beneficiary of newly constructed homes in both the subsidised and non-subsidised housing sectors.

### Strategy and Performance

The effectiveness and achievement of the organisation’s strategic objectives and positive outcomes continued to be prioritised by Council, while being cognisant of the risks within the industry. Consumer awareness was increased by innovative interventions, and in this regard, the two (2) branded NHBRC mobile offices were launched. These buses began by serving the rural communities and by providing access to the NHBRC’s services and increasing consumer awareness and accessibility to the services of the NHBRC.

In addition, Council established a firm foundation to ensure the institutionalisation of both regulatory and legal compliance which set the tone for excellent service delivery and quality homes in our country. Council also ensured that the NHBRC played a pivotal role in the radical transformation of the construction sector with substantial focus on women in construction, the disabled, military veterans and the youth.

### Finance and Investment

In the 2015/2016 financial year, the global economic turbulence affected many markets. The trend continued unabated during the 2016/2017 financial year.



Ms. Julieka Bayat

This led to the decision by Council to maintain the NHBRC’s financial solvency and the adoption of risk-averse investment solutions. The impact of the 2016 Budget of the country was significant in influencing and charting some of the financial and investment strategies and decisions that were taken by Council. What was of importance was the projection by National Treasury that GDP growth for 2016 would be at 0.9% and that it would gradually improve to 1.7% in 2017 and 2.4% in 2018. This was supported by improved global conditions and rising consumer business confidence.

During the period under review, investment into a Housing Development Investment Fund was approved by Council while ensuring that adequate returns for acceptable levels of risk for the Warranty Fund were provided. This included ensuring that there was a Risk Mitigation Plan to ensure that the assets of the NHBRC were protected while the risks that related to the subsidy market were understood.

Council adopted and approved a Turn-around Programme with the objective of shifting to a future value chain in service delivery and building an operating model with both internal and external orientation while being grounded on internal competence.

### Risk

The top ten risks that were identified and adopted by Council in the previous financial year were

elevated to the Strategic Risk Register of the NHBRC for the 2016/2017 financial year. Relevant risks were incorporated into the performance of the executives within the organisation to ensure management therefore while divesting the organisation of such risks and supporting the NHBRC to set and achieve its strategic objectives.

### Technology and Information

Having taken cognisance of the issues surrounding information technology in the organisation, Council formalised the mandate of the IT Task Team and elevated it to a Committee of Council as the Information, Technology and Information Committee. This was to ensure the integration of SAP system, information, processes and people within the organisation for the effective and efficient delivery of our Final Valuable Products. As the SAP ERP system remained one of Council's top priorities, there was continual monitoring of the management of the performance and the risks pertaining to third party and outsourced service providers. As the entity's highest investment, the SAP ERP system continued to be assessed for the value delivered to the NHBRC.

### Combined Assurance

The Audit Strategy for the year ending 31 March 2017 was approved while being cognisant of some of the areas of focus which included repeat findings from the previous year within IT audit and consequence management. The reporting period also saw substantial progress with the implementation of the organization's Combined Assurance Strategy and consistent monitoring and review of the findings of the Governance Review Maturity Assessment Model.

### Stakeholders

Council maintained its focused on gearing the NHBRC to being responsive to the needs of its stakeholders. During the financial year under review, a Consumer Survey was conducted to understand how the NHBRC could embrace a stakeholder-inclusive approach that balanced the needs, interests and expectations of material stakeholders in the best interests of the NHBRC, over time. The outcome of the survey, resulted in the continuation of the empowerment of women-in-construction through our social, transformation and empowerment programmes that were facilitated in partnership with the Gordon Institute of Business Studies (GIBS).

There was also considerable effort placed in making the NHBRC services easily accessible to housing consumers and home builders through satellite and mobile offices. Strategic collaborative partnerships with the Department of Human Settlements, the Department of Public Works, the Department of Military Veterans, the Department of Safety and Security, the Housing Development Agency (HDA) and the Estate Agency Affairs Board (EAAB) marked a commitment to leverage on mutual interests for the benefit of beneficiaries within the housing sector. Our partners within the Industry Advisory Committee, who represent an array of external stakeholders, remained participative in highlighting industry issues to the NHBRC.

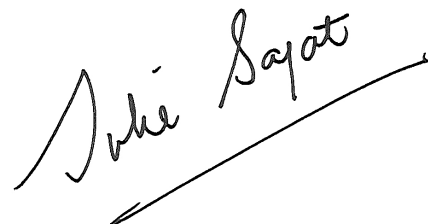
### Ethics

The inculcation of an ethical culture within the NHBRC remained a priority as Council set the direction on how ethics should be approached and addressed within the NHBRC. In this regard, various interventions were approved by Council for implementation during the reporting period. This included the introduction of an Ethics Pledge to be enunciated by Members of Council and staff of the NHBRC, an Ethics Survey which resulted in a commitment from Management to institutionalise ethics functions within the NHBRC by establishing formal organisational structures and the adoption of formal policies.

### Conclusion

In closing, I would like to acknowledge the support of the Members of Council and thank them for their continued patronage. May I also extend my grateful thanks to the Management and staff of the NHBRC for their contributions towards the achievement of the NHBRC's mandate.

*Let us continue to aspire to reach our vision of being "champions of housing consumers".*



**Ms. Julieka Bayat**  
**Acting Chairperson of Council**

### 3. ACTING CHIEF EXECUTIVE OFFICER'S REPORT

The mandate of the NHBRC is to regulate the homebuilding industry and protect the housing consumers.

The organisation has adopted three key strategies, namely: to improve visibility and accessibility in the market while at the same time enhancing interaction with our stakeholders; to position the NHBRC as a leader in knowledge creation, technical and technological building solutions; and to provide diversified products and services for the home building industry. During the past year, the NHBRC started laying the foundation for greater regulatory effectiveness in terms of its people, systems, processes and reputation. Our promise was to display a more effective regulatory muscle; enhance our responsiveness to market needs and ensure greater engagement with customers and key stakeholders.

The NHBRC was structured into three (3) programmes which are Administration, Regulation and Consumer Protection. The Administration programme includes governance and leadership, Human Capital matters and Supply Chain Management, Finance and Audit functions. The Regulation programme on the one hand governs issues of registration, deregistration and re-instatement of homebuilders. The programme also includes the compliance



Ms. Thitinti Moshoeu

of homebuilders to set norms and standards, enforcement of set norms and standards and the training of homebuilders. The Consumer Protection programme on the other hand includes project enrolment, home enrolment, issuing of warranty certificates, stakeholder engagement and sustaining the warranty fund.

#### Performance of the organization

The Council developed top ten priorities which needed to be implemented in the short term, which Council is still monitoring on a continuous basis to ensure that they become reality. The interventions that were employed for the priorities are as follows:

Table 2: Top 10 Priorities developed by Council

NO.	DESCRIPTION OF PRIORITIES	INTERVENTIONS AND PROGRESS
1.	Visibility and Accessibility	<ul style="list-style-type: none"> <li>Media Engagement</li> <li>Sites visits, marketing campaigns to increase Consumer Awareness.</li> <li>Roundtable Dialogues with Home builders, contractors, academics in related sectors and housing consumers.</li> <li>Publications of the Home Building Manual</li> </ul>
2.	Leader in knowledge Creation	<ul style="list-style-type: none"> <li>Centre for Research, Innovation and Development.</li> </ul>
3.	Products and Services	<ul style="list-style-type: none"> <li>The NHBRC is researching on new products and services such as extensions of the warranty to 10 years.</li> </ul>
4.	Review of the Operating Model	<ul style="list-style-type: none"> <li>The NHBRC is appointing a company to assist Council with the development of an Organogram.</li> </ul>
5.	Review of the Legislation	<ul style="list-style-type: none"> <li>Review the current legislation to expend more benefits to housing Consumers and homebuilders.</li> </ul>

NO.	DESCRIPTION OF PRIORITIES	INTERVENTIONS AND PROGRESS
6.	SAP Implementation	<ul style="list-style-type: none"> <li>The system has been implemented but teething issues are being dealt with in some areas.</li> </ul>
7.	Investment Strategy	<ul style="list-style-type: none"> <li>The investment strategy has been submitted to the Minister of Human Settlements for approval purposes..</li> </ul>
8.	Clean Audit	<ul style="list-style-type: none"> <li>In the previous financial year, the Council received an unqualified audit opinion with some emphasis of matter.</li> </ul>
9.	Social Transformation	<ul style="list-style-type: none"> <li>Accelerate high impact programs for the development of Youth, Military Veterans, Women and People with Disabilities.</li> </ul>
10.	Strategic Capacitation of the entity	<ul style="list-style-type: none"> <li>Implement a Human Capital Strategy which ensures effective leadership and management within the organization.</li> </ul>

I am pleased to report that in terms of registration of homebuilders in the sector the NHBRC has witnessed an increase by 11% from the 2015/2016 financial year to 2016/2017 financial year. A total of 4,879 homebuilders were registered with NHBRC against a target of 4,068 for the financial year under review. The trend over the years is that when government advertises Human Settlements construction tenders, more homebuilders register with the NHBRC such that they are ready to participate in activities related to these tenders. Other contributory factors could include the relatively stable economy in the earlier parts of 2016/17, which positively impacted the financial viability of homebuilders. Homebuilders are always motivated by an increase of activities in the market for them to register with the regulator. NHBRC has been having workshops with homebuilders with the sole aim of encouraging them to see the benefits of being a registered homebuilder.

The NHBRC has also witnessed an increase in the number of homebuilders who renewed their registration for the 2016/2017 financial year. This has been the trend since 2007/08, with an average of 75% renewals in the last four years. The NHBRC has a total of 15,000 active homebuilders who are in the database. The process of the organization stipulates that homebuilders must renew their registration on an annual basis and this is necessary where homebuilders have to do some remedial works they should be found to be active in the homebuilding industry.

The NHBRC has enrolled a total of 51,990 homes in the non-subsidy sector against a target of 53,994 which indicates that the target was missed by 3%

due to economic conditions which the organization has no control over. We have further enrolled 74,149 homes in the subsidy for the year under review. The National Department of Human Settlements has delivered a total of 156,000 units for the 2016/2017 financial year. The discrepancy with the enrolment numbers of NHBRC could be because the Department could have build some units which were enrolled in the previous years. The NHBRC's subsidy sector enrolments are in alignment to the approved strategy by the Minister for the delivery of quality homes. The positive performance in the subsidy sector is attributed to an increased performance by provincial human settlements departments.

The NHBRC has always discouraged home builders from the late enrolment of homes since it poses a risk to the warranty fund, and it also disadvantages the organization of an opportunity to conduct inspections. The NHBRC has always insisted that homebuilders must give a financial guarantee to the NHBRC in cases where they started construction of homes where enrolment was not done. The Financial guarantee has always been used as a fall back position where the monies would be used for remedial purposes so that benefits can be extended to the housing consumers. For the year under review a total of 1,287 late enrolments were conducted against a target of 1,349 which indicates a reduction in late enrolments.

The effort to reduce the number of late enrolments to zero, will be carried on to the next financial year. This effort is anchored on the principle of ensuring that home builders fully comply with the housing Consumers Protection Measures Act, 1998 (Act No. 95 of 1998).

Council has resolved to assume a zero tolerance approach towards non-compliance with the Act. In the year under review, 113,379 homes were inspected in the non-subsidy sector against a target of 53,994 homes. In the Subsidy sector, a total of 94,528 homes inspected were carried against a target of 140,196 homes. This is attributable to the number of subsidy projects which should have been enrolled with the organization and were not, for various reasons.

### Disciplinary Hearings Cases

A total of 445 disciplinary hearings were conducted by the NHBRC, which resulted in a total of 153 homebuilders being suspended for the year under review, for the following reasons: failing to attend to complaints from housing consumers; some for failing to adhere to norms and standards; and others for failing to attend to major structural defects. It is upon this basis that the database of defaulting homebuilders is then circulated to all the provinces with the sole aim of ensuring that non-compliant homebuilders are prevented from practicing in the construction sector, until their suspension is lifted.

### Inspection of homes

The inspection of homes is the core business of the NHBRC, and the organization views inspection as a mitigating factor against the warranty fund. We have therefore ensured that the inspectorate has adequate capacity to ensure the speedy and quality inspection of homes for both the subsidy and the non-subsidy sector.

### Training of women and youth

One of the National Department of Human Settlements' key priorities remains utilising housing delivery to drive job creation for the women and youth in particular. To this end the NHBRC has, through its Social Transformation and Empowerment program, focused on training and building the capacity of women and youth. During this financial year we undertook the following training initiatives: Homebuilders, Youth, Women, Inspectors, Artisans, People with Disabilities and Military Veterans. A total of 7,619 individuals were trained on various skills, against a target of 5,031 for the 2016/17 financial year.

The Eric Molobi Centre of Excellence has been recommended by the National Department of Human Settlements for utilisation as a base for coordinating training events for women and youth. Our strategy is to ensure that training happens where construction is unfolding such that trainees get exposed to both the theoretical and the practical side of the training.

## SUSTAINABILITY REPORTING

The National Home Builders Registration Council (NHBRC) remains financially stable and is able to carry out its statutory duties as stipulated in the Housing Consumers Protection Measures Act, 1998 (Act No.95 of 1998). The NHBRC is also governed by activities that take place in the construction industry market. The residential building activities are expected to continue to reflect conditions with regard to the economy, household finances, consumer confidence and factors impacting the market for new and existing housing, which will show up in the demand and supply of new housing. The NHBRC adheres to the Act, the Public Finance Management Act (PFMA), National Treasury regulations and principles related to integrated sustainability reporting as stipulated by the King III Report when it implemented its strategies and operations in the reporting financial year.

### Economic sustainability

The NHBRC is a self-sustaining organisation that depends on the provision of the Housing Consumers Protection Measures Act, 1998 (Act No.95 of 1998) and its ability to build up reserve funds. The main aim of the NHBRC as a warranty scheme is to ensure its ability to honour claims arising from the warrant cover provided. The NHBRC Warranty Fund, which was valued on a run-off basis by independent actuaries, was found to be both solvent and in a sound financial position as at 31 March 2017.

## Financial performance

Table 3: Financial performance summary 2013-2017

	2012/13	2013/14	2014/15	2015/16	2016/17
Surplus for the year('Rm)	525	215	523	250	488
Return on equity	17%	6%	14%	6%	10.7%
Total assets ('Rm)	4 237	4 761	5 374	5 635	6 064
Total reserves('Rm)	3 080	3 295	3 818	4 068	4 556
Total technical liabilities('Rm)	1 011	1 291	1 361	1 367	1 356

### Environmental sustainability

The Industry Advisory Committee gives advice to Council on all matters relating to the operations of the home building industry, in addition to acting as a communication channel between the industry and the Council. Industry stakeholders are invitee members of this Committee. The NHBRC has also established technical infrastructure at the Eric Molobi Testing Centre to test building materials such as bricks and blocks.

The NHBRC through its technical section ensures that any housing product used in the provision of homes for housing consumers meets the National Building Regulations requirements. The NHBRC has a database of innovative technological housing products that satisfy the National Building Regulations. These products are assessed based on a number of criteria, including structural strength and stability, fire, thermal performance and durability.

The home building environment can be intrusive and pervasive to the environment in which it develops and expands. Each and every home built in an area under the jurisdiction of a local authority falls within the scope of the National Building Regulations and Building Standards Act, 1977 (Act No. 103 of 1977) and its regulations, under the Department of Trade and Industry.

The regulations include mandatory performance requirements to support the objectives of the Act, which aim to ensure the safety and health of persons living or working in any building. Guidance in the application of the regulations may be found in SANS 10400.

### Centre for Research and Innovation

The NHBRC has established a Centre for Research and Innovation of which its main purpose is to put the NHBRC as a leader in knowledge creation when it comes to research and development. Through the Centre for Research and Innovation the NHBRC has published and presented papers at international conferences in the 2013/2014 financial year. The Centre was also in the forefront when it comes to promoting innovative building technologies and alternate building technologies. Through the works of the Centre monies has been raised through Golf tournaments and houses have been build using different innovative building technologies and were handed over to the indigent in the Free State and Gauteng province.

### People

The following Executive positions have been filled i.e. Business Services Executive Manager, Corporate Services Executive Manager. Since most of the Executive positions are filled the NHBRC is able to deliver on its objectives fully and efficiently.

As we proceed on our journey towards continuously "assuring quality homes", I humbly acknowledge that we could never have achieved the above, without firm stewardship from our Council, the immense contribution by our management, staff and stakeholders.



**Ms. Thitinti Moshoeu**  
**ACTING CHIEF EXECUTIVE OFFICER**

#### 4. EXECUTIVE COMMITTEE

The NHBRC Executive Committee is a top management committee responsible for making decisions on strategic and operational matters which are reserved for management in terms of the Delegation of Authority Policy. The Committee is constituted by all Executive Managers, with the Acting Chief Executive Officer as the Chairperson of the Committee. During the year under review the Committee comprised of the following members:

*Table 4: Position and highest qualification of Executive Committee (EXCO) members*

	Position	Names	Qualifications
1	Acting Chief Executive Officer	Mr. A Chikane (Acting CEO from 29 April 2016 to 31 <sup>st</sup> March 2017)	Post Graduate Diploma in International Business MSc. Economic Development
		Ms. Thandiwe Ngqobe (Acting CEO from 23 <sup>rd</sup> February 2017 to 04 July 2017)	B.Com, (University of North West) Postgraduate Diploma in Management
		Ms. Thitinti Moshoeu (Acting CEO from 01 <sup>st</sup> August 2017 to Date)	B.Com, B.Com (Hons) (Unin), M.Sc (Business Studies) (Salford University, UK).
2	Chief Operations Officer	Ms. Thandiwe Ngqobe	B.Com, (University of North West) Postgraduate Diploma in Management
3	Chief Financial Officer	Mr. Shafeeq Abrahams	CA(SA), MBL, B.Compt (Honours)
4	Executive Manager: Business Operations	Ms. Thitinti Moshoeu	B.Com, B.Com (Hons) (Unin), M.Sc (Business Studies) (Salford University, UK).
5	Executive Manager: Corporate Services	Ms. Keolebogile Modise	Bachelor of Science
6	Executive Manager: Legal Compliance and Enforcement	Ms. Julia Motapola	B.Proc (Univen), LLB (University of Pretoria), LLM (Emory School of Law, USA)



**Mr. Abby Chikane**  
Acting Chief Executive Officer



**Ms. Thandiwe Ngqobe**  
Chief Operations Officer



**Mr. Shafeeq Abrahams**  
Chief Financial Officer



**Ms. Thitinti Moshoeu**  
Executive Manager: Business Services



**Ms. Keolebogile Modise**  
Executive Manager: Corporate Services



**Ms. Julia Motapola**  
Executive Manager: Legal, Compliance and Enforcement



## SECTION 2: FINANCIAL HIGHLIGHTS

### Purpose

The primary purpose of the Finance division is to secure the financial sustainability of the NHBRC through effective asset and liability management, sustained revenue generation and prudent cost management. The NHBRC Warranty Fund, which was evaluated on a run-off basis by independent actuaries, was found to be both solvent and in a sound financial position as at 31 March 2017.

### Strategy of the division

The Finance division contributes to the NHBRC by growing and sustaining the warranty fund through the implementation of an appropriate investment asset and liability strategy. In order to support the achievement of this objective, the NHBRC has adopted, on a voluntary basis, the principles and practices of Solvency Assessment Management (SAM).

Whilst revenue generation from non-subsidy enrolments has been stable in recent years, increases in interest rates have dampened growth in this revenue segment. While this is the largest source of revenue, it is highly dependent on conditions within the home building industry. At the same time, this segment presents limited opportunity for the NHBRC to stimulate revenue growth.

This, therefore presents a risk to the predictability of future cash flows generated in this segment. In order to mitigate this risk, effective and responsive cost management has become a necessity.

Year on year growth in operating expenses was 4%, being less than the inflation rate for the period of approximately 7%. This was largely due to the implementation of initiatives aimed at positioning the NHBRC to effectively deliver on its mandate while ensuring prudent cost management on a sustainable basis.

### FIVE YEAR FINANCIAL SUMMARY

#### Overview

The housing outlook for the construction of new homes points to subdued growth in homes with a value greater than R 5 million, while growth is anticipated in the segment for flats and townhouses with a value below R 1 million.

At the same time the residential property market continues to be influenced by macro-economic and household sector related factors. This includes economic and confidence factors affecting home owners and prospective home buyers during times of rising inflation, high debt to income ratios and poor credit risk. These factors restrict the affordability of housing and accessibility to mortgage finance.

Future demand for and supply of new homes will be driven by developments with regard to the economy in general, but specifically by the impact of the following:

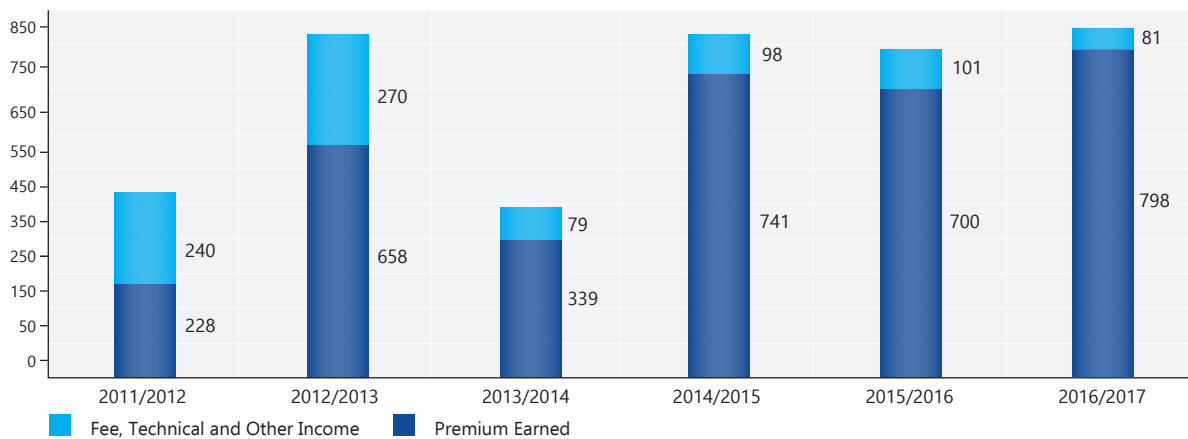
- Growth in real gross domestic product which will impact levels of employment in the economy;
- Average consumer price inflation affecting spending power;
- Interest rate stability in 2017;
- Effects of actual, and potential, downgrades on the sovereign credit rating;
- Household debt management;
- Consumer risk profiles; and
- The affordability of property and the accessibility of mortgage finance for households.

Within the subsidy market, growth is anticipated over the next 5 years, due to the Department of Human Settlements 1,5 million housing opportunities programme.

## RESULTS FOR THE YEAR

## Revenue

Figure 1: Revenue (R' million)



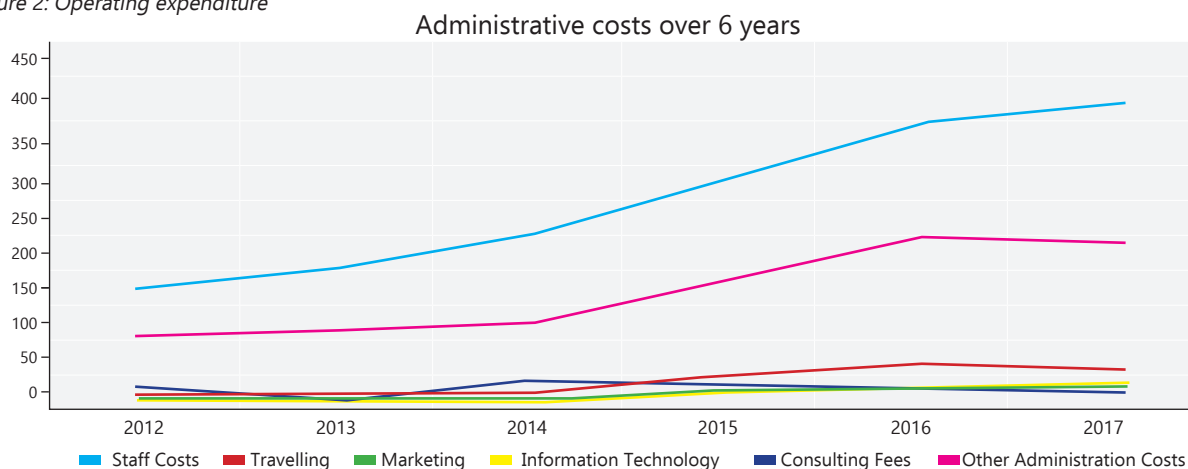
Revenue from enrolments (premiums written) increased by R 98 million to R 798 million whilst in 2016 the premiums written had decreased by 41 million. The increase in the provision for unearned premium of R 72 million (2016: R 52 million) was reduced by the change in the unexpired risk provision amounting to R 84 million (2016: R 47 million). Insurance premiums are recognized over the period of the policy commensurate with the expected incidence of risk from the date of occupation of the home.

Non-subsidy home enrolment values increased by 15% while subsidy home enrolment decreased by 11%. The decrease in subsidy home enrolments is primarily due to the rollover of projects approved in the prior year which are now entering the construction phase. The increase in non-subsidy premiums written is attributable to a higher than anticipated performance in the home building industry as compared to the previous financial year. Fee revenue decreased from R 42 million to R 33 million (21%), which was mainly attributable to the decrease in subsidy project enrolments by R11 million (2016: decrease by R7 million). Fee revenue includes annual registration fees, annual renewal fees, late enrolment fees, builder manual fees, subsidy project enrolments and document sales.

Technical services revenue represents rectification and forensic technical service fees earned in the subsidy market. The realisation of fees is primary due to contracts rolled over from the previous financial year. Income earned from investments amounts to R370 million (2016: R 336 million) and represents a year on year increase of R 34 million.

## Operating expenditure

Figure 2: Operating expenditure

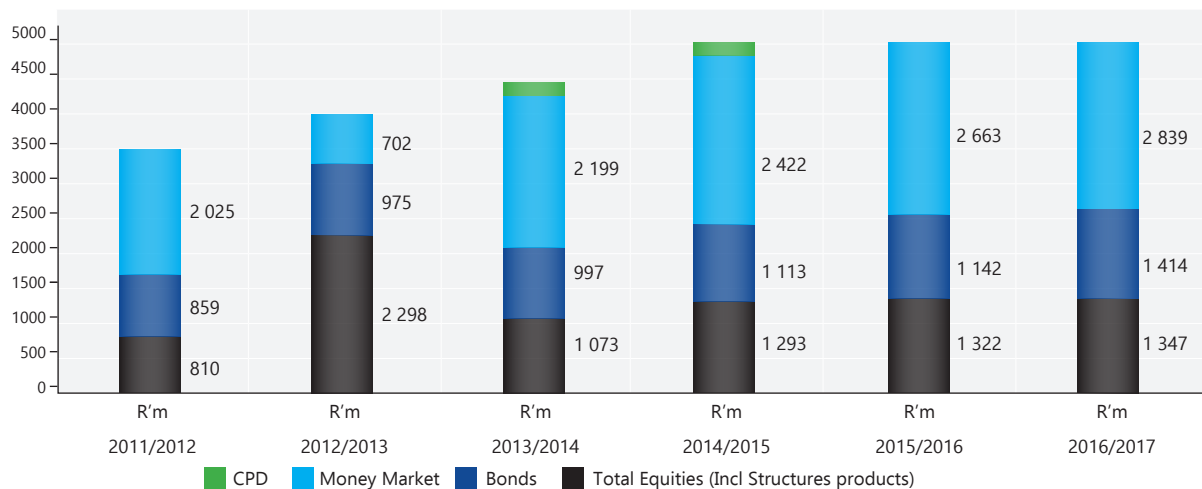


Expenditure is categorised into risk mitigation (operating expenditure) and business support (administrative expenditure). Risk expenditure is incurred to mitigate any risk to the warranty fund by enforcing legislated building regulations. Risk expenditure comprises inspection fees incurred during the construction of homes and the accreditation of builders on an annual basis. Business support expenditure consists of fixed costs to maintain the NHBRC operations and services to its customers.

Risk mitigation costs increased with the enhancement of the inspection model during the year under review with greater emphasis being placed on the employment of inspectors and quality assessors. The additional costs incurred by in-sourcing are evident in the increased employee costs incurred. The business support expenditure of R715 million (2016: R 700 million) represents a year on year increase of 2.1%, and is attributable to the implementation of cost containment measures whilst ensuring that there is capacity required to sustain business growth and improve service delivery to all stakeholders.

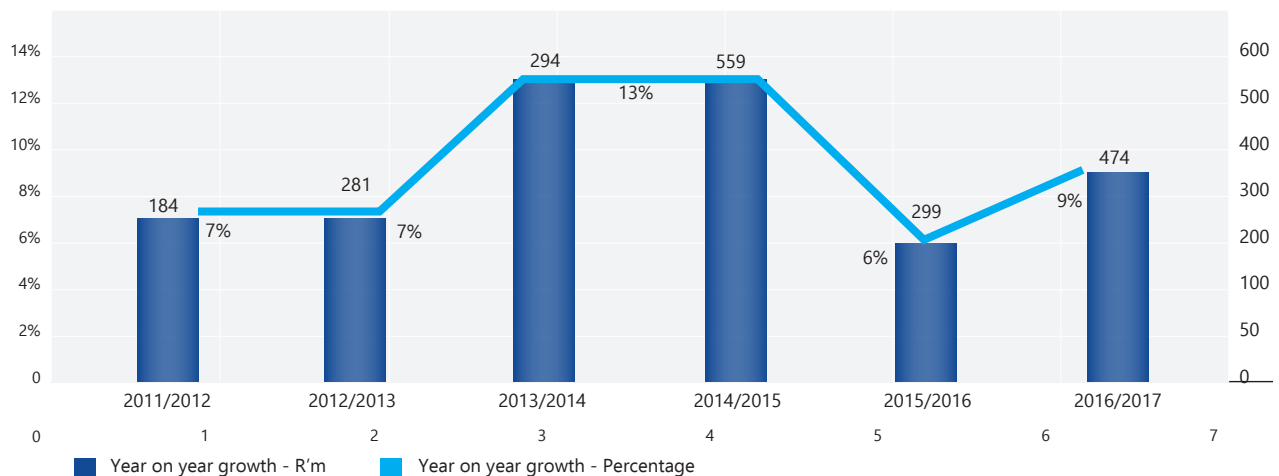
## Investments

Figure 3: Investments



The NHBRC is regulated in terms of the Housing Consumers Protection Measures Act, 1998 (Act No.95 of 1998) and is required to establish a fund for the purposes of providing assistance to housing consumers under circumstances where a home builder fails to meet their obligations under section 13(e)(b)(1) of the Act. Accordingly, the fund's investment mandate concentrates on the preservation of capital so as to ensure that the NHBRC remains financially sound to meet housing consumer claims as and when they arise.

Figure 4: Growth in investments



Investments are held in Local Bonds, Local Equities, Money market instruments, structured equity linked notes and the Corporation for Public Deposits. These portfolios are managed on behalf of the NHBRC by external asset managers, with investment performances tracked against predetermined benchmarks. The market value of the investment portfolio increased to R 5.6 billion (2015: R5.1 billion). The fair value gain adjustment of R 51 million (2016: fair value loss R 114 million) is taken to the Statement of Financial Performance in terms of GRAP 104.

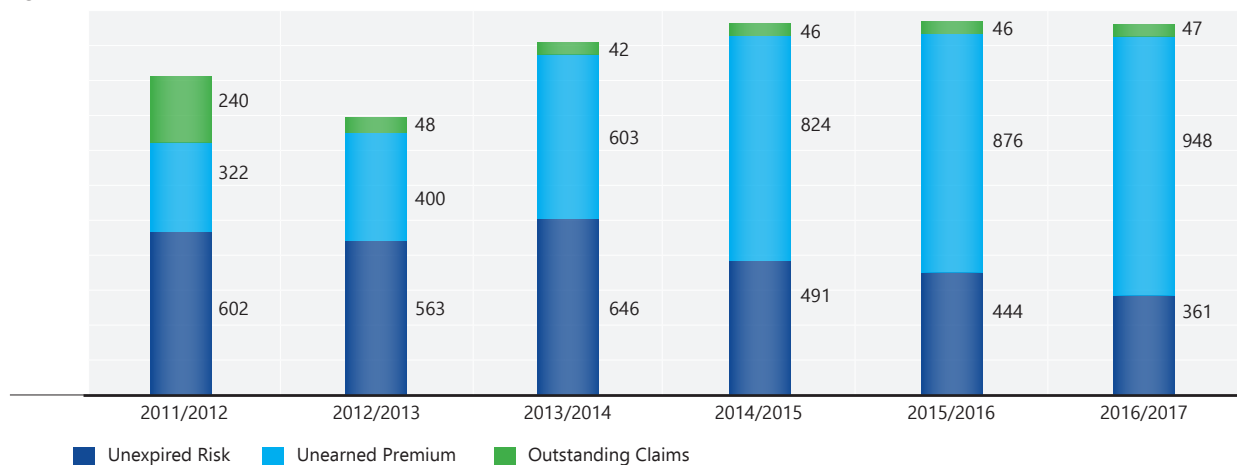
### Emerging Contractor Reserve

The emerging contractor training reserve was established to develop programmes to assist homebuilders, through training and inspection, to achieve and to maintain satisfactory technical standards of home building in terms of Section 3(h) of the Housing Consumers Protection Measures Act, 1998 (Act No. 95 of 1998).

The emerging contractor reserve has been established, with the Ministerial approval, to develop programmes targeted at the empowerment of emerging home builders registered with the NHBRC, which will enable learners to be able to start and manage their own construction contracting businesses. The Council utilised R5.8 million (2016: R 10 million) for home builder training in the current financial year.

### SOLVENCY OF THE WARRANTY FUND

Figure 5: Technical Provisions

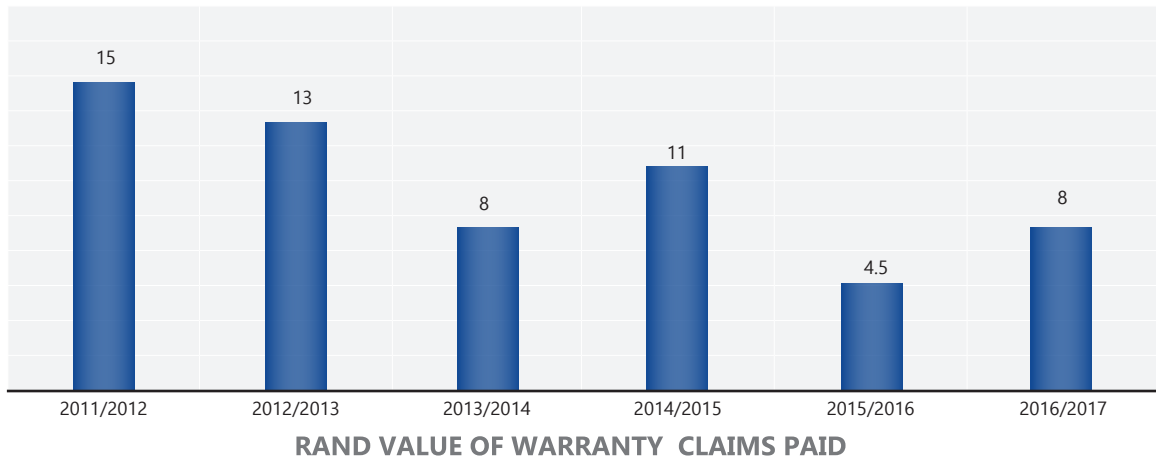


The technical liabilities of the NHBRC are actuarially determined annually as part of the solvency valuation of the warranty fund. The technical liabilities consists of the outstanding claims provision, unearned premium and unexpired risk provisions which are defined below.

The outstanding claims provision consists of both the "notified outstanding claims provision" and the "incurred but not reported claims provision". The notified outstanding claims provision is the portion of outstanding claims provision that relates to the claims that were reported before the financial year-end, which were not settled at that date. The "Incurred but not reported claims provision" relates to claims that were neither reported, nor settled at the financial year end.

During the current year the NHBRC settled warranty claims amounting to R 8.3 million (2016: R 5 million). The outstanding claims provision increased by R 0.85 million (2016: R 0.8 million).

Figure 6: Claims against the Warranty Fund



### Unexpired Risk Provision

The unexpired risk provision estimates the cost of insurance claims, related expenses and deferred acquisition costs which exceed the unearned insurance premiums, after taking account of future investment income which will arise during the unexpired terms of policies in force at the balance sheet date. In calculating the estimated cost of future insurance claims, actuarial and statistical projections of the frequency and severity of future insurance claims events are used to project ultimate settlement costs.

The unexpired risk, which arises primarily in the subsidy housing market, to ensure that this market is independently solvent. The provision decreased from R 445 million to R 361 million, thereby increasing insurance premium revenue earned for the year by R 84 million (2016: R 46 million). The results of the independent actuarial valuation indicate that the NHBRC, as a whole, including both subsidy and non-subsidy houses, is solvent and in a sound financial position as at 31 March 2017 when valued on a run-off basis.

The actuarial liabilities are 420% (2016: 384%) funded and the actuarial surplus is 320% (2016: 284%) of provisions. The solvency position (surplus as a percentage of provisions) has increased since the last valuation due to an increase in the valuation of assets that exceeds the increase in the value of provisions.

### Cash Flow

The cash flow inflow from operating activities decreased from R 62 million to R 17 million in the current financial year.

### Economic sustainability

The NHBRC is a self-sustaining organisation that depends on the provision of the Housing Consumers Protection Measures Act, 1998 (Act No.95 of 1998) and its ability to build up reserve funds. The main aim of the NHBRC as a warranty scheme is to ensure its ability to honour claims arising from the warrant cover provided. The NHBRC Warranty Fund, which was valued on a run-off basis by independent actuaries, was found to be both solvent and in a sound financial position as at 31 March 2017.

### Financial performance

Financial performance summary 2013-2017

	2012/13	2013/14	2014/15	2015/16	2016/17
Surplus for the year(Rm)	525	215	523	250	488
Return on equity	17%	6%	14%	6%	10.7%
Total assets (Rm)	4 237	4 761	5 374	5 635	6 064
Total reserves(Rm)	3 080	3 295	3 818	4 068	4 556
Total technical liabilities(Rm)	1 011	1 291	1 361	1 367	1 356



## SECTION 3: CORPORATE GOVERNANCE

### Composition of the Council

In terms of section 4 of the Act, the Minister is empowered to appoint a minimum of seven (7) and a maximum of fifteen (15) Council members for a period determined by the Minister, but not exceeding three (3) years at a time. The Minister has appointed 14 Council members as listed under Table 5 below effective from the 01 August 2015, including the Chairperson, Mr. Abbey Chikane

### The NHBRC Council

#### Mandate of the Council

The NHBRC derives its mandate from the Act. The broad mandate is outlined under Section 3 of the Act as follows:

- To represent the interests of housing consumers by providing warranty protection against defined defects in new homes;
- To regulate the home building industry;
- To provide protection to housing consumers in respect of the failure of home builders to comply with their obligations in terms of the Act;
- To establish and promote ethical and technical standards in the home building industry;

- To improve structural quality in the interests of housing consumers and the home building industry;
- To promote housing consumer rights and to provide housing consumer information;
- To communicate with and assist home builders to register in terms of the Act; and
- To assist home builders, through training and inspection, to achieve and to maintain satisfactory technical standards of home building

#### Council Meetings

In line with good governance principles as espoused by the King III Report of Good Corporate Governance, the PFMA and the Council Charter, Council is required to hold at least four quarterly meetings in each financial year in order to exercise proper oversight and accountability in relation to the activities of the NHBRC. The table below illustrates the meetings that were held in the year under review and each member's attendance of those meetings.

Table 5: Council meetings and attendance in the year under review

Member Name	Capacity	Council Meetings											Totals per member
		29-Apr-2016	27-May-2016	29-Jun-2016	30-Jun-2016	29-Jul-2016	27-Sep-2016	13-Dec-2016	31-Jan-2017	1-Feb-2017	27-Feb-2017	27-Mar-2017	
Mr Abbey Chikane	Chairperson*	✓	✓	✓	✓	x	✓	✓	✓	✓	x	x	8
Ms Julieka Bayat	Deputy Chairperson*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Ms Xoliswa Daku	Member*	x	x	✓	✓	✓	✓	✓	x	x	✓	✓	7
Mr Themba Dlamini	Member*	✓	✓	✓	✓	✓	x	✓	x	x	✓	x	7
Ms Hlaleleni Dlepu	Member*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Mr Whitey Jacobs	Member*	x	x	✓	✓	x	✓	x	✓	✓	x	✓	11
Ambassador Samuel Kotane	Member*	x	x	✓	✓	x	✓	✓	✓	✓	x	✓	7
Mr Phetula Makgathe	Member*	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	10
Mr Goolam Manack	Member*	✓	✓	✓	x	x	✓	✓	x	x	✓	✓	7
Ms Mankwana Mohale	Member*	✓	✓	✓	✓	✓	x	x	x	x	x	x	5
Mr Obed Molotsi	Member*	✓	x	x	x	x	x	x	x	x	x	x	1
Ms Busisiwe Nzo	Member*	x	✓	✓	✓	✓	✓	✓	x	x	✓	✓	8
Mr. Andisa Potwana	Member*	x	x	x	x	✓	x	✓	✓	✓	x	x	4
Mr Alvin Rapea	Member*	✓	x	✓	✓	x	✓	✓	✓	x	x	x	6
14	Total members	9	8	12	10	8	10	11	8	7	7	8	

\*Council was appointed from 1<sup>st</sup> August 2015 for a period of 3 years .

\*Mr. O Molotsi was a board member from 01<sup>st</sup> August 2015 to 31<sup>st</sup> June 2016.

\*Ms. M Mohale was a board member from 01<sup>st</sup> August 2015 to 31<sup>st</sup> August 2016.

\*Mr Abbey Chikane was appointed as Executive Chairman from 01 April 2016 to 29 April 2017.

\*Ms Julieka Bayat was appointed as Deputy Chairperson of Council and then later appointed as the Acting Chairperson of Council from 17 March 2017 to date.

## LIST OF CONSTITUTED COUNCIL COMMITTEES FOR THE PERIOD 2016/2017 FINANCIAL YEAR

Table 6: Human Capital and Remuneration Committee

Human Capital and Remuneration Committee	Number of meetings	Special meetings	Number of meetings attended
Mr Rapea (Chairperson)	5	4	9
Mr Makgathe	5	2	7
Mr Kotane	5	3	8
Ms Mohale	2	-	2
Ms Bayat	3	4	7
Ms Daku	3	3	6

Table 7: Audit and Risk Management Committee

Audit and Risk Management Committee	Number of meetings	Special meetings	Number of meetings attended
Mr Amod (Chair)	5	2	7
Mr Manack	3	1	4
Mr Molotsi	1	1	2
Mr Makgathe	2	-	2
Ms Daku	4	-	4

Table 8: Fund Advisory and Finance Committee

Fund Advisory and Finance Committee	Number of meetings	Special meetings	Number of meetings attended
Mr Manack (Chair)	7	-	7
Mr Makgathe	7	-	7
Ms Dlepu	6	1	7
Mr Dlamini	4	1	5
Ms Bayat	1	-	1

Table 9: Bid Adjudication Committee

Bid Adjudication Committee	Number of meetings	Special meetings	Number of meetings attended
Ms Dlepu (Chair)	7	2	9
Mr Manack	2	-	2
Mr Makgathe	1	-	1
Ms Daku	5	1	6
Ms Mohale	4	-	4
Mr Potwana	3	1	4
Mr Jacobs	4	1	5

Table 10: Registrations Committee

Registration Committee	Number of meetings	Special meetings	Number of meetings attended
Mr Dlamini(Chair)	3	2	5
Mr Kotane	3	3	6
Mr Rapea	2	1	3
Ms Bayat	3	3	6
Mr Potwana	3	2	5

Table 11: Technical Research and Advisor Committee

Technical Research and Advisory Committee	Number of meetings	Special meetings	Number of meetings attended
Ms Nzo (Chair)	3	-	3
Ms Bayat	2	-	2
Mr Dlamini	2	-	2
Mr Makgathe	3	-	3

Table 12: Industry Advisory Committee

Industry Advisory Committee	Number of meetings	Special meetings	Number of meetings attended
Ms Bayat (Chair)	2	-	2
Mr Jacobs	1	-	1
Mr Molotsi	-	-	0
Mr Kotane	2	-	2
Ms Nzo	2	-	2
Ms Mohale	1	-	1

Table 13: Social and Ethics Committee

Social & Ethics Committee	Number of meetings	Special meetings	Number of meetings attended
Mr Kotane (Chair)	2	-	2
Ms Dlepu	2	-	2
Ms Mohale	1	-	1
Mr Potwana	1	-	1
Mr Jacobs	0	-	0
Mr Chikane	0	-	0

Table 14: Social Transformation Committee

Social Transformation Committee	Number of meetings	Special meetings	Number of meetings attended
Ms Daku (Chair)	5	1	6
Mr Chikane	1	-	1
Ms Nzo	4	1	5
Ms Bayat	2	1	3
Ms Mohale	2	-	2
Ms Dlepu	4	-	4
Mr Dlamini	4	-	4

Table 15: Information and Communication Technology (ICT)

ICT	Number of meetings	Special meetings	Number of meetings attended
Mr Jacobs (Chair)	3	1	4
Ms Nzo	3	1	4
Mr Makgathe	2	1	3
Mr Manack	2	1	3
Ms Dlepu	1	-	1
Mr Dlamini	1	-	1

## COUNCIL COMMITTEES

The NHBRC Council is supported by eleven (11) Committees, established in terms of Section 5 of the Housing Consumers Protection Measures Act, 1998 (Act No. 95 of 1998). Each committee operates under terms of reference approved by Council. The following committees were constituted by Council in August 2015.

### Fund Advisory and Finance Committee

The Fund Advisory and Finance Committee are responsible for advising the Council on the prudent management of its funds. The committee makes recommendations to the Council regarding the setting of fees, procedures and policies for approval by the Council, as well as on all matters relating to the management of risk to the warranty fund, and the administration of its fund or any other Council fund. The committee regularly reviews the management financial reports before submission to Council for approval, recommends the budget for approval by Council and advises Council on all other financial matters.

The Committee is constituted by the following members:

Name	Position
Mr. G Manack	Chairperson and Council Member
Mr. PNS Makgathe	Council member
Ms. HK Dlepu	Council member
Mr. TTC Dlamini	Council member
Vacant Chartered Accountant member	Non-Council member

### Registration Committee

The Registration Committee is responsible for advising the Council on all matters relating to the registration and renewal of registration, suspension and deregistration of homebuilders under the Act; monitoring the registration and deregistration of homebuilders, and also to recommends appropriate policies and procedures to Council for approval.

The Committee also assesses owner-builder applications received under section 29 of the Act, and determines whether home builders qualify in terms of the Act for exemption from enrolment of their own homes.

The Committee is constituted by the following members:

Name	Position
Mr. TTC Dlamini	Chairperson and Council Member
Mr. A Kotane	Council Member
Mr. AP Rapea	Council Member
Ms. J Bayat	Council Member
Mr. LA Potwana	Council Member

### Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for assisting the Council by reviewing the effectiveness of its systems of internal controls and risk management mitigation strategies; reviewing its financial policies and procedures; reviewing financial information reported to its stakeholders; and assessing the effectiveness of the internal and external audit functions.

The committee also ensures the maintenance and monitoring of the risk management framework. The committee further reviews the risk register and assessment reports, to ensure efficiency and effectiveness of the risk management strategy and plans.

The Committee is constituted by the following members:

Name	Position
Mr. Y Amod	Chairperson and Independent Non-Council Member
Mr. G Manack	Council Member
Mr. PNS Makgathe	Council Member
Ms. X Daku	Council Member
Vacant IT Specialist	Non-Council member

### Technical Research and Advisory Committee

The Technical Research and Advisory Committee is responsible for evaluating remedial works claims submitted by provincial offices, and making recommendations to the Council on the appropriate manner of dealing with such claims. It also reviews and approves the setting of NHBRC research agenda.

In addition, the committee advises the NHBRC Business Service division with special emphasis on Technical and Inspectorate section with regards to all technical aspects of construction and innovation (both professional and technical), which may impact on the NHBRC's risk management process.

The Committee is constituted by the following members:

Name	Council Member
Ms. BN Nzo	Chairperson and Council Member
Ms. J Bayat	Council Member
Mr. TTC Dlamini	Council Member
Mr. PNS Makgathe	Council Member

### Disciplinary Hearings Committee (ad hoc sittings)

This committee is responsible for presiding over cases of alleged contraventions of the Act by homebuilders, and imposing disciplinary sanctions where homebuilders are found guilty of contravening the Act.

The Committee is constituted by a panel of legally qualified chairpersons and technical assessors who are all independent non-council members appointed by Council for the term of office of Council.

During this financial year, Council established a panel of independent Chairpersons and Assessors with the required professional and technical expertise.

### Human Capital and Remuneration Committee

The Human Capital and Remuneration Committee advise Council on employees' remuneration policies. This committee also maintains a corporate overview of the Council's human capital policies.

The Committee is constituted by the following members:

Name	Positions
Mr. AP Rapea	Chairperson and Council Member
Mr. PNS Makgathe	Council member
Mr. A Kotane	Council member
Ms. X Daku	Council member
Ms. J Bayat	Council member

### Industry Advisory Committee

The Industry Advisory Committee is responsible for giving advice to the Council on all matters relating to the operations of the home building industry, in addition to acting as a communication channel between the industry and the Council. Industry stakeholders are invitee members of this Committee.

The Committee is constituted by the following members:

Name	Positions
Ms. J Bayat	Chairperson
Mr. W Jacobs	Council member
Mr. A Kotane	Council member
Ms. BN Nzo	Council member
Ms. MC Mohale	Council member

- Ms. M Mohale was a board member from 01<sup>st</sup> August 2015 to 31<sup>st</sup> August 2016.

### Bid Adjudication Committee

The Bid Adjudication Committee adjudicates and awards tenders in line with the NHBRC procurement policy, Delegation of Authority Policy and relevant legislation, including the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its related regulations, and the Broad Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003), among others.

The Committee is constituted by the following members:

Name	Position
Ms. HK Dlepu	Chairperson and Council Member
Mr. G Manack	Council member
Ms. X Daku	Council member
Mr. LA Potwana	Council member
Ms. MC Mohale	Council member
Mr. W Jacobs	Council member

- Ms. M Mohale was a board member from 01<sup>st</sup> August 2015 to 31<sup>st</sup> August 2016.

### Social and Ethics Committee

The social and ethics Committee role is to Advocate for ethics throughout the NHBRC's operations by:

- Determining clearly articulated ethical standards (Code of Ethics) and ensure that the National Home Builders Registration Council takes measures to achieve adherence to these in all aspects of the business;
- Overseeing the review of material risks and liabilities relating to the provisions of the Code of Ethics and of the management of risks to ensure that such are part of the National Home Builders Registration Council's risk management programme;
- Obtaining independent assurance on the National Home Builders Registration Council's ethics performance on an annual basis; and
- Providing guidance on the review and approval of the National Home Builders Registration Council's Safety, Health and Environment policy and strategy.

The Committee is constituted by the following members:

Name	Position
Mr. A Kotane	Chairperson and Council Member
Mr. A Chikane	Council member
Ms. HK Dlepu	Council member
Ms. MC Mohale	Council member
Mr. W Jacobs	Council member

- Ms. M Mohale was a board member from 01<sup>st</sup> August 2015 to 31<sup>st</sup> August 2016.

### Social Transformation Committee

The purpose of the Social Transformation Committee is to ensure that the National Home Builders Registration Council (NHBRC), as a part of responsible corporate citizenship, contributes to sustainable development by taking into account the legitimate interests and expectations of stakeholders within its sphere of influence by protecting, enhancing and investing in the wellbeing of the economy, society and the natural environment through its services, products, processes and relationships.

The Committee is constituted by the following members:

Name	Position
Ms. X Daku	Chairperson and Council Member
Mr. A Chikane	Council member
Ms. BN Nzo	Council member
Ms. J Bayat	Council member
Ms. MC Mohale	Council member
Ms. HK Dlepu	Council member

- Ms. M Mohale was a board member from 01<sup>st</sup> August 2015 to 31<sup>st</sup> August 2016.

### Information and Communication Technology (ICT)

The purpose of Information and Communication Technology (ICT) Committee is to ensure that all matters that deal with ICT are expedited to ensure the proper functioning of the organization.

The Committee is constituted by the following members:

ICT	Number of meetings
Mr. Jacobs (Chair)	Chairperson and Council Member
Ms. Nzo	Council member
Mr. Makgathe	Council member
Mr. Manack	Council member
*Mr. A Chikane	Council member

- \*Mr Abbey Chikane was appointed as Executive Chairman from 01 April 2016 to 29 April 2017.



## SECTION 4: ACTING CHIEF EXECUTIVE OFFICER'S DIVISION

The CEO's division is comprised of the following sections,

- Risk Management Section;
- Internal Audit Section;
- Corporate Communication and Marketing Section and;
- Strategy and Performance Information Management.

The performances of the different sections are as outlined as follows:

### 5. RISK MANAGEMENT

#### PURPOSE

The purpose of the Enterprise Risk Management (ERM) Section is largely influenced by the following success factors which includes but not limited to defining, assessing, strengthening and sustaining the risk culture of the organisation. The section strives to achieve an effective Risk Management culture that promotes an open and improved Risk Management communication across different organizational levels to the top. The achievement of the desired Risk Management effectiveness includes knowledge sharing, best practices, ongoing process improvement as well as a robust commitment to ethical and responsible organizational behavior.

An alignment to best practice and continuous improvement of the organizational risk processes requires the Enterprise Risk Management (ERM) Section to ensure that the Risk Management processes are robust and technologically up to date. This has called for the need to manage strategic risks to a maturity level that is in line with our continuous attempts around operational risks. Improved communication requires the ERM Section to ensure that the Council and Management are provided with the risk information that they need.

This will assist them to provide the required oversight in driving the organisation forward towards an effective Risk Management culture. The Enterprise Risk Management (ERM) Section recognises that Risk Management is inseparable from the organization's strategic and operational business processes. As such the Section has a crucial task to ensure that Management remain accountable and responsible for the implementation of risk mitigation plans.

This includes ensuring that Risk Management activities are embedded in our day-to-day activities. In line with corporate governance requirements as outlined in Part 5 of the King IV Report, the NHBRC Council is considered to be the governing body of the organisational activities.

King IV requires the Council to be responsible for the overall Risk Management process of the organisation and to consider allocating the risk governance oversight to a dedicated Committee. In accordance with this requirement, the Council has established the Audit and Risk Management Committee (ARMCO) responsible for Risk Management oversight in the NHBRC. Through the Committee, the Council has established a process for the identification, evaluation and management of all significant risks faced by the organisation.

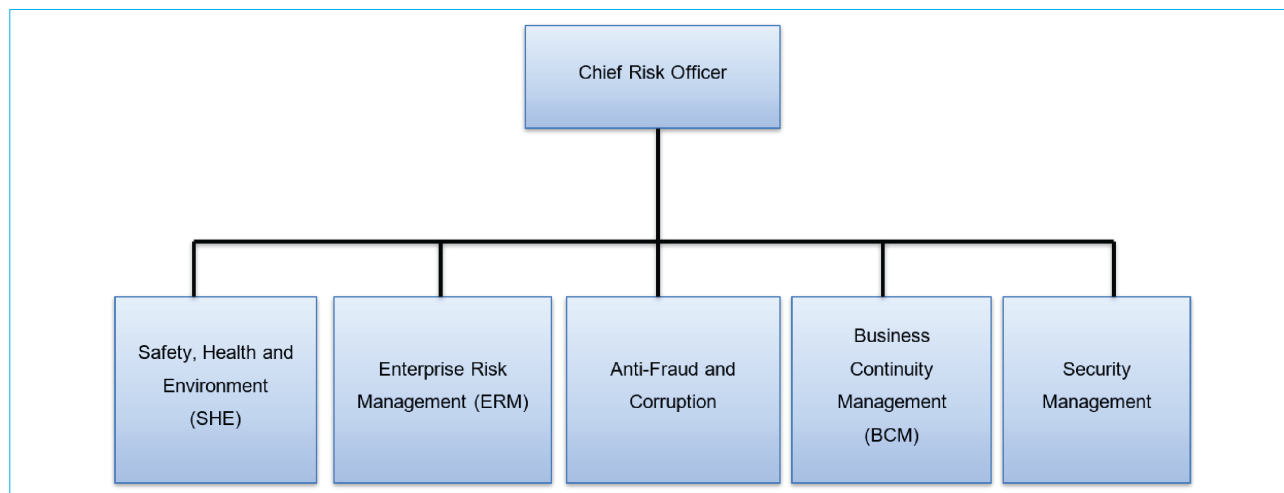
As per the 2009 ISO 31000 and 2013 COSO Risk Management Frameworks, the NHBRC Council has approved a comprehensive framework which contains a process for the identification and management of all risks (events or circumstances) that may impact on the achievement of the organisation's strategic objectives. The identified events are in turn assessed in terms of likelihood and degree of impact followed by an assessment of the effectiveness of the existing controls to mitigate the risks.

This allows for the determination of a risk response action or strategy where necessary and monitoring progress in its implementation. In line with Grant Purdy (2010), a proactive approach by the NHBRC to risk identification and Risk Management as well as a greater consistency in risk definitions and process can lead to better confidence in decision making and, eventually, to better decisions. This will assist in safeguarding stakeholder value and confidence as well as positively influencing the sustainability of the organisation. In recognition of the importance of Risk Management to the success of our organisation, the ERM Section is divided into the following complementary Units of equal importance:

- Enterprise Risk Management (ERM);
- Safety, Health and Environment (SHE);
- Business Continuity Management (BCM);
- Security; and
- Fraud Risk Management.

Below is a structure of the Enterprise Risk Management (ERM) Section that has been tasked with the overall implementation of the Risk Management framework and processes within the NHBRC.

Figure 7: Structure of the Enterprise Risk Management (ERM) Section



### Responsibilities of the different Enterprise Risk Management Units within NHBRC

In accordance with the National Treasury Public Sector Risk Management Framework (2010), the organisation's Enterprise Risk Management (ERM) function is being run under the leadership of the Chief Risk Officer (CRO) whose main responsibility is to provide specialist expertise to assist in embedding Risk Management into the NHBRC and to influence its benefits to enhance performance.

One of the high level responsibilities of the Chief Risk Officer (CRO) is to work with senior management in terms of developing the organisation's vision for Risk Management as well as the organisation's Risk Management framework.

### Enterprise Risk Management (ERM)

The organisation's Enterprise Risk Management Unit is being run through the assistance of 3 Risk Coordinators (ERM) and its main responsibility is to assist the Chief Risk Officer in embedding the ERM Framework, process and methodology within the NHBRC. The responsibilities of the ERM Coordinators include but not limited to the following:

- Development, implementation and updating the Enterprise Risk Management Policy, framework and methodology on an on-going basis;

- Facilitation of risk assessment workshops and development of risk registers across the organisation;
- Maintenance, reviewing and updating of organisational risk registers on an on-going basis.

The Enterprise Risk Management (ERM) Unit is responsible for the introduction and recommendation of applicable ERM practices and mechanisms within the organisation. The Unit also has the responsibility to report on Enterprise Risk Management process compliance, efficiencies and exposure within the organisation.

### Safety, Health and Environment (SHE)

The Safety, Health and Environmental (SHE) Unit is being run through the assistance of two Safety, Health and Environmental (SHE) Coordinators. The Occupational Health and Safety Act, 1993 (Act No.85 of 1993) (OHS Act) has been prioritised by the NHBRC to regulate health and safety in the workplace. The SHE Unit has been charged with ensuring that the organisation provides a safe and healthy working environment for its employees, contractors, visitors and stakeholders by establishing safety policy, procedures, guidelines, and standards. This is particularly because workplace health and safety procedures are essential for the well-being of both employers and employees.



Through the assistance of appointed SHE Representatives, SHE Coordinators investigate complaints pertaining to safety non-conformance and ensure that any hazards or unsafe work environments are mitigated. It is therefore important for the NHBRC as the employer to take all the necessary steps to protect its employees from the health and safety concerns of today's corporate environments.

### Security Risk Management

In line with best practice and international standards such as ISO 31000, ISO 27001 and HB 167 2006: Security Risk Management Standard, the NHBRC has established a Security Risk Management Unit. Two Security Risk Management Administrators have been tasked with the administration of all physical guarding and electronic security Risk Management aspects of the organization. The electronic security function consists of the following components:

- Provision and monitoring of all physical security guarding services in all the NHBRC offices nationally;
- Supply, installation and maintenance of a fully integrated electronic security system;
- Supply, installation and maintenance of alarm monitoring and response services for all offices nationally.

The core responsibility of the Unit is to implement and enforce the desired culture, processes and structures that are focused at increasing the benefits of security in favor of organizational objectives. Adopting a risk based approach to security management allows the NHBRC to prioritize its business activities founded on the likelihood and consequence of a security related risk being realized. This is done to enhance positive business outcomes while reducing the occurrence or effects of occurrences or events that may have a negative effect on the desired outcomes.

### The Anti- Fraud and Corruption

In support of the approved Risk Management framework, the organisation has established an Anti-Fraud and Corruption Unit. The Unit is being run through the assistance of two Fraud Specialists.

The core responsibilities of the Unit are to assist the Chief Risk Officer in terms of developing anti-fraud strategies, fraud prevention framework and to manage the fraud risk. The Unit is also responsible for conducting fraud risk assessments, fraud and ethics awareness training and workshops across the organisation. The Unit also has a vital task to assist management in terms of addressing all fraud and ethics related incidents and taking appropriate actions to resolve such incidents.

### Business Continuity Management (BCM)

In accordance with the requirements of the ISO 22301 Business Continuity Management System Standard, the organisation has appointed a BCM Coordinator to assist in terms of the administration and maintenance of Business Continuity Management (BCM) activities within the organisation. In accordance with good practice, the NHBRC has committed itself to establishing and maintaining a BCM programme to provide a basis for understanding and to better prepare in case of a disaster resulting in total business or IT service disruptions. Through the programme, the organisation will identify activities and critically facilitate the consideration of threats and risks, resulting in the identification of strategies for risk reduction, recovery and management.

To satisfy the requirements of ISO 22301, the objectives of the NHBRC's BCM programme have been structured as follows:

- Proactively improve the NHBRC's resilience against any disruptions and disasters;
- Provide the NHBRC with a tested and rehearsed method for restoring services and the ability to continue supplying its products and services to its clients, to an agreed level within an agreed timeframe, in reaction to a disruption or disaster;
- Provide a proven capability to minimise the impact of any disruption or disaster on the NHBRC's reputation or disaster on the NHBRC's reputation and brand image and
- Provide confidence in the NHBRC's dealings with its clients and suppliers, and other organisations.

## CRITICAL STRATEGIC RISKS FACING THE NHBRC

In the 2016/17 Financial Year, Management has recognized the need for managing strategic risk to a maturity level consistent with our efforts around operational risk. To achieve this, the ERM Section has steered the organization's Risk Management activities to focus more on Strategic Risk identification and mitigation. To safeguard stakeholder value and increase stakeholder confidence, the NHBRC strategic risk register was revised with key Executive Committee (EXCO) members during Quarter 3 (2016/17). During the review process, the following list of strategic risks was identified as critical for the organization:

Risk No.	Risk Description	Inherent Rating	Controls to Mitigate Risk	Residual Rating
1	Inability of the strategic business model to keep up with current and future environmental expectations / demands	20 - Maximum	Effective governance and oversight committees Effective implementation of approved Investment Policy and Strategy Review legislation to enable effective regulation Review operating model for improved efficiencies Review financial & operating model Address & resolve relevant findings in a timely manner Continual review of financial & operating model Media response plan	8 - Medium to Low
2	Inadequate governance, risk and compliance strategies	15 - High	Effective implementation of approved strategies Effective regular monitoring of performance Alignment of APP to strategies Media response plan Defend and/or settle Review of strategies Enforce executive accountability Identify root cause and remedy gaps Address & resolve relevant findings in a timely manner	4 - Low
3	Inability to establish a robust and integrated information management system	25 - Maximum	Effective and successful ERP Implementation Develop and implement an IT Governance Framework Effective project management of IT Projects (SAP, Unified, Data Cleansing) Data recovery & clean-up Review communications strategy System reconfiguration Communication & engagement System reconfiguration Media response plan	12 - Medium
4	Inefficient development & implementation of policies and procedures to achieve organisational objectives	12 - Medium	Review of the policies and procedures Consultation / communication with relevant stakeholders in development Effective training of policies & procedures Implementation of orientation programme Ensure compliance with regulatory framework Review policies & procedures Identify root cause and remedy gaps Communication & relationship management Media response plan	3 - Low

Risk No.	Risk Description	Inherent Rating	Controls to Mitigate Risk	Residual Rating
5	Inadequate / ineffective leadership competencies	20 - Maximum	Refined Recruitment Policy	8 - Medium to Low
			Attracting & retaining the right capabilities and skills	
			Leadership development programme	
			Implement good corporate governance best practices	
			Review organisational culture & environment	
			Identify root cause and remedy gaps	
			Proactive communication	
6	Inadequate / ineffective leadership skills	20 - Maximum	Refined Recruitment Policy	8 - Medium to Low
			Attracting & retaining the right capabilities and skills	
			Implement good corporate governance best practices	
			Leadership development programme	
			Review organisational culture & environment	
			Identify root cause and remedy gaps	
			Proactive communication	
7	Fraud and corruption of NHBRC employees and developers/builders	20 - Maximum	Segregation of duties	6 - Medium to Low
			Implementation of approved fraud prevention plan	
			Consequence management	
			Creation of ethical organisational culture	
			Effective implementation of fraud hotline	
			Detailed investigation	
			Consequence management	
			Asset recovery where possible	
			Media response plan	
8	Non-compliance with applicable laws and regulations relating to the organization	12 - Medium	Effective implementation of policies and Procedures	3 - Low
			Effective regulatory Compliance Function	
			Asset recovery where possible	
			Consequence management	
			Stakeholder communication	
			Identify root cause and remedy gaps	
			Identify root cause and remedy gaps	
9	Inadequate enforcement of the Housing Consumers Protection Measures Act (HCPMA)	12 - Medium	Effective enforcement Unit	6 - Medium to Low
			Develop and roll-out a Consumer Awareness Programme	
			Create and raise awareness of the NHBRC Mandate to all relevant stakeholders	
			Stakeholder communication	
			Media response plan	
			Identify root cause and remedy gaps	
			Identify root cause and remedy gaps	

## PERFORMANCE INFORMATION

Table 16: Performance of the section in relation to targets set in scorecards for 2016/2017

#	Key performance area	Target 2016/17	Performance against target
1.	Enterprise Risk Management (ERM)	100%	91%
2.	Safety, Health and Environment	100%	90%
3.	Security Risk Management	100%	80%
4.	Anti-Fraud and Corruption	100%	80%
5.	Business Continuity Management	100%	82%

- Please note that the performance in the above table is aligned to the Level One Scorecard of the Organization.

## HIGHLIGHTS AND ACHIEVEMENTS FOR 2016/2017

### Enterprise Risk Management Unit:

- A revised strategic risk register has been completed for the organization;
- Risk Champion training has been completed for the organization;
- The ERM Section participates in external forums to keep abreast of new developments and to gather a common understanding on best Risk Management practices within the industry;
- An Insurance brokering tender has been finalized and approved and a new service provider has been appointed for the organization.

### Safety Health and Environment Unit:

- SHE audits have been completed at all offices;
- SHE Reps have been operationalized to conduct monthly SHE audits;
- Quarterly provincial SHE meetings have been completed;
- Legal liability training has been completed for all NHBRC management representatives in terms of section 16(2) of the OHS Act of 1993.

### Security Risk Management Unit:

- Security risk assessments have been completed at 22 NHBRC offices;
- The physical security guarding tender has been finalized and a new company has been appointed for the organization;
- CCTV has been successfully installed at the NHBRC Head Office in Sunninghill;
- The Security Management Policy has been developed for the organization.

### Anti-Fraud and Corruption Unit:

- The Anti-Fraud and Corruption Unit has been resourced with two Fraud Specialists for the organization;
- Fraud and Ethics Awareness sessions have been rolled out across the organization;

- The Fraud Policy and Fraud Prevention Plan have been developed and approved;
- The organizational ethics plan has also been developed for the organization.

### Business Continuity Management Unit:

- Completed Business Continuity Management (BCM) Champion training;
- Business Continuity risk assessments have been completed for the organization;
- Business Continuity Crisis Management Team appointed and trained;
- Business resumption plans were completed and updated for all 22 regional offices.

## CONCLUSION

To influence and enhance risk intelligent decision making within the organisation, we have built a strong Risk Management culture that is in accordance with consistent and visible leadership. This has resulted in sound Risk Management practices in enabling achievement of our business objectives. Our executives play a central role in the process to integrate Risk Management into the culture of the organisation.

Their role also extends to the translation of Risk Management strategy into tactical and operational objectives whilst assigning Risk Management responsibilities across the organisation. These efforts have resulted in the organisation achieving a level 3 risk maturity level from the Department of Human Settlements Risk Forum. The Enterprise Risk Management (ERM) Section will continuously strive to achieve an effective risk aware culture throughout the organisation, whilst we continue to balance risk, cost and value.

## 6. INTERNAL AUDIT

### PURPOSE

The purpose of Internal Audit is to ***“To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight”.***

NHBRC has an in-house Internal Audit section (IA) that utilizes external subject matter expertise in key areas that cover, amongst others, the following:

- Investments
- IT Security/Cyber
- Engineering/Technical
- Fraud Prevention.

The Section's activities are informed and guided by:

- An approved Internal Audit Charter
- Approved Strategic Corporate Plan 2014-2019
- Approved 3 year rolling and annual internal audit plans
- Internal Audit Section Balanced Scorecard (Performance Management)

### THE NHBRC INTERNAL AUDIT THRUST

The Internal Audit has assumed a greater strategic role within the Organisation and aims to become a fully trusted Strategic Advisor to the Business and Council. The scope of the Internal Audit during the year was driven by focusing on key strategic areas and activities taking place within the NHBRC.

These key strategic areas of focus were on:

- Council key priorities
- Core business - activities
- Performance Information and Reporting
- Governance
- Risk Management
- Fraud prevention and detection
- ERP / IT and third party risks
- Supply Chain Management, and
- Tracking of resolution of Auditor General and Internal Audit findings.

During the year, Internal Audit worked together with Business in assessing the maturity levels of the NHBRC's governance, risk management and compliance processes and the identified gaps are being addressed by Executive Management, and Internal Audit in turn provides assurance to Council accordingly.

### ANNUAL PERFORMANCE

Table 17: IA performance achievement at a Strategic Level in the last financial years:

Strategic Internal Audit KPI	Target	2016/17	Reasons for Variance
Follow up on Resolution of Internal Audit findings	100%	100%	Internal Audit has implemented a robust follow up process to track and monitor implementation of Internal and External Audit findings
Implementation of audit plan	95%	90%	NHBRC is undergoing significant changes and has resulted: <ul style="list-style-type: none"> <li>• Increased EXCO and Council ad-hocs</li> <li>• Increased reviews of the Tender/Procurement process</li> <li>• Staff/Executives unavailability due to involvement in turnaround strategy</li> </ul>
Investigation of fraud incidents reported and tracking of the implementation of corrective management plan	100%	100%	Internal Audit had minimal responsibility in this area; this responsibility has now moved to the Risk Management Section.

## BUSINESS CHALLENGES

The IA has had to contend with challenges as it delivers:

**Table 18: IA Challenges as delivered**

Source of Challenges	Drivers of the Challenges	Interventions
Strategic Relevance	Misalignment to Business	<ul style="list-style-type: none"> <li>• Incorporate Council and Ministerial priorities</li> <li>• Involve business in the development of the Annual Plan</li> <li>• Balance Assurance and Advisory work</li> <li>• Involve management participation in the audit process and get them in problem solving on identified key control deficiencies</li> </ul>
Competencies	Skill deficiencies	<ul style="list-style-type: none"> <li>• IA has implemented a co-source arrangement</li> <li>• A learning and development plan to upskill the in-house team is in place</li> </ul>
IA Delivery Process	IA process not responsive to Business	<ul style="list-style-type: none"> <li>• Automated the IA delivery process</li> <li>• Data analytics tool has been acquired and in use by the team</li> <li>• IA will introduce Continuous Auditing in the 2017/18 cycle.</li> <li>• Combined Assurance Model driven by IA has been introduced and is being implemented.</li> </ul>

## BUSINESS ASSURANCE ENHANCEMENT PROJECTS

The NHBRC governance, risk management and compliance environment is under-going significant changes as it moves towards the goal of being strategically relevant to the NHBRC. Internal Audit is driving the following key strategic projects to heighten governance across the NHBRC:

### Combined Assurance Project

This project has gained traction and is co-driven with Risk Management and the Compliance Sections. The Combined Assurance Plan has been approved by Audit and Risk Management Committee. The end-goal is to ensure that there is integrated assurance and reporting by strengthening the governance, risk management and compliance processes within the NHBRC operations, systems and processes.

The project entails leveraging of technology to achieve the integrated goal and audit has rolled out the utilisation of automated auditing software to now encompass tracking and monitoring of audit findings, risk management activities and compliance issues in a near real-time manner to allow relevant business management to act on these issues and account accordingly using the technology.

The technology is currently under implementation. The automation of the combined assurance process will enable business management to access and address audit, risk management and compliance deficiencies in their area of responsibility, and in turn Council's oversight role will be significantly enhanced in this area as Executive Management accountability will be entrenched.

Coupled with enhanced Council oversight on governance, risk management and compliance, the NHBRC will be able to implement consequential management in instances where serious governance, risk management or compliance failure has occurred.

### CONCLUSION

The Internal Audit section is clearly focussed on the implementation of its strategic plan that is aligned to the NHBRC vision, mission and near-long term strategy. The strategic plan is under-pinned by developing of a core internal audit team that has superior skills in technology, business and industry knowledge, risk management, governance and fraud prevention and the Internal Audit Section destination is to be a Council Strategic Advisor.

## 7. CORPORATE COMMUNICATION AND MARKETING SECTION



### PURPOSE

Corporate Communication and Marketing section is responsible for internal and external communication, media and public relations, stakeholder engagement, events and brand positioning of the organization.

### COMMUNICATION OBJECTIVES

The NHBRC Council approved a three year integrated marketing, communications and stakeholder relations strategy which informs the implementation based on the following key objectives;

- **Awareness** of NHBRC positioning, mandate, services, values, benefits to create relevance.
- **Education** about property related transactions in order to produce property-savvy consumers.
- **Promote access** using digital media and mobile offices in order to improve service delivery and interaction with all stakeholders.
- **Relationship building** in order to develop win-win relations with all key stakeholders internally and externally

### PUBLIC RELATIONS (PR) AND MEDIA STRATEGY

A media strategy was implemented to preserve our financial investment through focussing on free publicity through the development of two media releases per week covering a myriad of issues relevant to the NHBRC and Human Settlements.

This resulted in the issuing of twenty (20) media releases on issues such as Inspector training workshops; youth brigade graduation ceremonies; youth dialogues; Mobility App; Council visits and the Women Empowerment Programme (WEP) amongst others.

Thirteen (13) media interviews and six (6) 1-on-1 engagements with print and broadcasting journalists were conducted.

The majority of this year's media coverage was neutral. Print media continued to be the dominant platform followed by broadcast and online as a result of the targeted engagement with the print and broadcast media as they deliver more audiences, especially from the rural and peri-urban audiences.

During the 2016/17 financial year NHBRC received media coverage with a combined PR (Public Relations) Value generated/Advertising Value Equivalent (AVE) of R35, 964, 524 which potentially reached 29 185 585 stakeholders. This emanated from 723 items, comprising of:

- Print articles: 368
- Online articles: 253
- Broadcast features: 104.

## ACHIEVEMENTS OF THE SECTION

A consumer awareness campaign ran for a period of four months using a combination of platforms including: radio, newspapers, television, street poles, taxis and online was launched on 1st of June 2016 until 30 October, 2016. The NHBRC potentially reached 66 974 430 stakeholders through this campaign. The campaign consisted of:

- **Television**

"30 seconds adverts on prime time

10 seconds clocks before news

15 seconds squeeze backs during select high viewership programmes.

- **Radio**

"30 seconds adverts on prime time slots

- **Print**

Strip adverts in Weekly, Daily and Community newspapers

- **Online**

Online Banners on News websites, updates on NHBRC Social Media platforms

- **Outdoor**

Street poles

Taxis (in Gauteng, Kwazulu Natal, Free State, Western Cape and North West)

- **Activations**

Consumer drives at shopping malls, exhibitions, public gatherings and road intersections in major metros.

## MEDIA PARTNERSHIPS

- 10-week media partnership campaign with City Press to profile the Women Empowerment Programme (WEP) candidates and various housing projects across the country. We profiled 111 candidates and various housing typologies across the country. The partnership was designed to create an opportunity for the NHBRC to profile its role, products and services. These are accompanied by the NHBRC consumer adverts and a reader DIY competition.
- Special Feature in the Sunday Times Green publication.
- 4,3 million housing opportunities campaign – Radio airtime on SAFM & Radio 2000.
- Housing in Southern Africa Partnership which

resulted in the production of :

- 20 page supplement focusing on IBTs (Innovative Building Technology) and the inaugural Human Settlements Conference.
- To create awareness about the National Human Settlements Conference we sourced a number of media partnerships with:
  - Independent Newspapers (8-page supplement);
  - Construction News (interviews & social media);
  - Bay TV (interviews)
  - Algoa FM (Outside Broadcast & Interviews)

## STAKEHOLDER RELATIONS

The Communication sub-unit of Stakeholder Relations embarked on various initiatives to promote, raise awareness, support and empower the targeted groups as per our mandate, the National Development Plan as well as the Department of Human Settlements objectives.

The following stakeholder initiatives were implemented:

- MoU (Memorandum of Understanding) signed with SACPCMP (South African Council for the Project and Construction Management Professions.
- Home Inspectors Provincial Workshops with Municipalities
- Launch of the Home Building Manual and Technical Publications
- Build Aid Seminars
- Sponsoring the Govan Mbeki Awards
- Sponsoring the Women in Construction Awards
- Sponsoring the South African Construction Awards
- Architecture Association of South Africa
- SAWIC (South African Women in Construction)
- WEP (Women Empowerment Programme) workshop at Cape Construction
- Skills Development Summit
- Training of newly elected Local Councillors & Traditional Councils
- Launched new intranet
- Annual Performance Plan Roadshow with Council
- Quarterly site-visits with Council members
- Provincial Top Builder Engagement sessions

## BRAND MANAGEMENT

This sub-unit of brand management aims to promote and protect the NHBRC brand in order to build positive perception about the organisation through digital platforms. The year in review the team was able to implement the following;

- The inaugural Human Settlements Conference which included the launch of the Training Academy
- Homebuilder's Manual Launch
- Home /Green Expo
- Provincial Roadshows and Expos
- Women in Construction awards
- Mall and shopping centre activations
- UN Habitat III, (Pretoria and Quito)
- Totally Concrete Expo
- Rustenburg Grand Design
- Grand Design Live
- Decorex Joburg
- Kwadukuza Career Expo
- East London Home Expo
- Homemakers Expo (GP & WC)
- Provincial Human Settlements Project Signage
- NHBRC Offices directional signage

## MEASUREMENT AND EVALUATION

To ensure effectiveness of our interventions the following measurement and evaluation tools will be used:

- Annual stakeholder surveys
- Quarterly employee dipstick research
- Best Company to Work For
- Media monitoring
- Reputation tracking
- Return on Investment (ROI) for campaigns, events etc.
- Google Analytics
- Customer Satisfaction Index
- Internal Employee feedback sessions
- Audit findings
- Policies and Procedures

## PERFORMANCE OF THE SECTION ON LEVEL 1 SCORECARD

The section has performed against the level 1 scorecard as indicated below:

	Key Performance Indicators	Target	Performance
1.	% of approved Communication Strategy implemented	100% execution of plans against the strategy	75% execution of the plans against the strategy
2.	% execution of Organizational reputational survey	100% execution of organizational reputational survey	63% execution of organizational reputational survey



## 8. STRATEGY AND PERFORMANCE INFORMATION MANAGEMENT SECTION

### PURPOSE

The purpose of the Strategy and Performance Information Management Section is to ensure that the organization achieves its broader strategic objectives and Key Performance Indicators that are contained in the approved Annual Performance Plan.

The Strategy and Performance Information Section is responsible for the Management of Strategic Planning Process for sections, provinces and divisions. The various sections, provinces and divisions are guided on the process to be followed so that they can produce the divisional scorecards, provincial scorecards and sectional scorecards. The scorecards are then evaluated for compliance so that they are monitored and evaluated on a monthly and quarterly basis.

The Section is responsible for co-ordinating the performance of the organization and ensure production of the Quarterly Performance Information Report which is then sent to the National Department of Human Settlements and National Treasury at the end of each quarter after it has been approved by Council. The Section is responsible for ensuring that Portfolio of Evidence that supports the claimed performance is loaded in the correct way in the relevant portals. Process has been designed in such a way that Internal Audit ensures that the report is audited before it is submitted to the Executive Authority.

The section has conducted workshops across the organization on Management of Portfolio of Evidence.

The different sections are made aware that without managing POE on a daily basis it always becomes a problem at the end of the quarter. The section ensures that performance is co-ordinated and an Annual Report is produced and submitted to the Executive Authority and presented to the Portfolio Committee in a timely manner.

The section is tasked with Management of Promotion of Access to Information Act so that no individual releases information from the Organization to outside parties without it being signed off by the CEO. It has been realised that management of predetermined objectives has been problematic and the aim was to ensure that our reporting improves in the financial year.

The workshops with provincial and sections within the NHBRC were focused on ensuring that we develop a framework that would ensure that we are able to provide regular, accurate and complete performance reports through our monthly performance information reports and our Quarterly Performance Information reports that are subjected to an audit process before they are submitted to Committees of Council.

### CONCLUSION

The Strategy and Performance Information is responsible for co-ordinating the Strategy of the NHBRC in consultation with Council. The process is that Management present their ideas to Council which then ratifies and decides on the direction which the Organization must follow on a yearly basis. Council would then monitor and evaluate the performance of the Organization against the set key performance indicators which would be contained in the approved Annual Performance Plan.

Table 19: Performance of Strategy and Performance Information Management Section

	Key Performance Indicators	Target	Performance
1.	Production of the Quarterly Performance Information Report	100% production of the Quarterly Performance Information Report	100% achieved
2.	Production of the Annual Performance Plan	100% production of the Annual Report 2016/2017	100% achieved
3.	Management of Portfolio of Evidence	100% Management of Portfolio of Evidence	100% achieved
4.	Promotion of Access to Information Act	100% provision of information to the public	100% achieved



## SECTION 5: CHIEF OPERATING OFFICER'S DIVISION



The following division's reports directly to the office of the Chief Operating Officer. The divisions are as follows:

- Business Services division
  - Corporate Services division
  - Legal Compliance and Enforcement division
- The performance of the divisions for the 2016/2017 financial year is as outlined on the next page:

### 9. BUSINESS SERVICES DIVISION

The Business Services division consists of three sections which are Customer Services, Technical and Project Management Services and Inspections.

#### Purpose of Customer Services Section

The purpose of Customer Service Section is to ensure that all provincial offices of the NHBRC delivers quality services to all its customers and stakeholders within the required turnaround times.

#### Purpose of Technical Section

The purpose of Technical Section is to ensure that NHBRC delivers quality services for its stakeholders in order to realise the vision that we are "Champions of the housing consumer".

#### Purpose of Inspectorate Section

The purpose of Inspectorate section is to ensure that all homes that are in the Subsidy sector and Non-Subsidy Sector are inspected in order to enforce quality homes in the sector.

### Customer Services

Customer Services is the main point of contact and interaction with the customers and stakeholders. NHBRC has established a total of 23 functional offices nationwide. The NHBRC has representation in all the provinces which are supported by satellite offices as well. The services and products that are offered by the division are registration and renewal of homebuilders, enrolment and late enrolment of homes, inspection of homes in the Subsidy and Non-Subsidy sector, complaints and conciliations and remedial works.

### NHBRC Mobile Office Units

As part of its concerted efforts to enhance and sustain the organisation's visibility and accessibility, the NHBRC acquired two (2) Mobile Office Units through an open tender process which was approved by Council during the 2016/17 financial year. The objectives of the Mobile Office Units are to increase visibility and accessibility, improve service delivery, take the NHBRC services to our stakeholders, particularly those in remote and rural areas; and facilitate collaboration between all Human Settlements agencies.

The overarching message is: Partnering with you to bring NHBRC services to the people! The Mobile Offices Units are equipped with ultramodern technologies and are assigned a dedicated team of professionals who are appropriately skilled to

provide the requisite services to the remote and unreached areas of the country. Through the Mobile Office Units, housing consumers and aspirant homebuilders in the rural parts of the country will finally access the NHBRC products and services. The officials will attend to consumer complaints, offer Technical Assistance, do Homebuilders Registrations and Home Enrolment and offer training of Home Builders as well as Consumer Awareness and beneficiary education.

The NHBRC has adopted an operational approach that ensures that the Mobile Office Units achieve what is intended, which is to focus the operations of the Mobile Office Unit in the rural areas, visit municipal offices in each district and rural areas. Points of convening to gain access to the mobile offices will be determined by the local conditions and every step will be taken to ensure accessibility and ease of congregating large numbers of stakeholders, access to communities will be sought from municipalities and traditional leaders.

Local media and loud hailers will be utilised to create awareness of upcoming visits by the mobile office units. In order to enable the Mobile Office Units to be key touch points for access to Human Settlement services by the communities, the NHBRC will partner with other Human Settlements agencies in that province. All six services offerings within the division are offered in the Customer Service Centres.

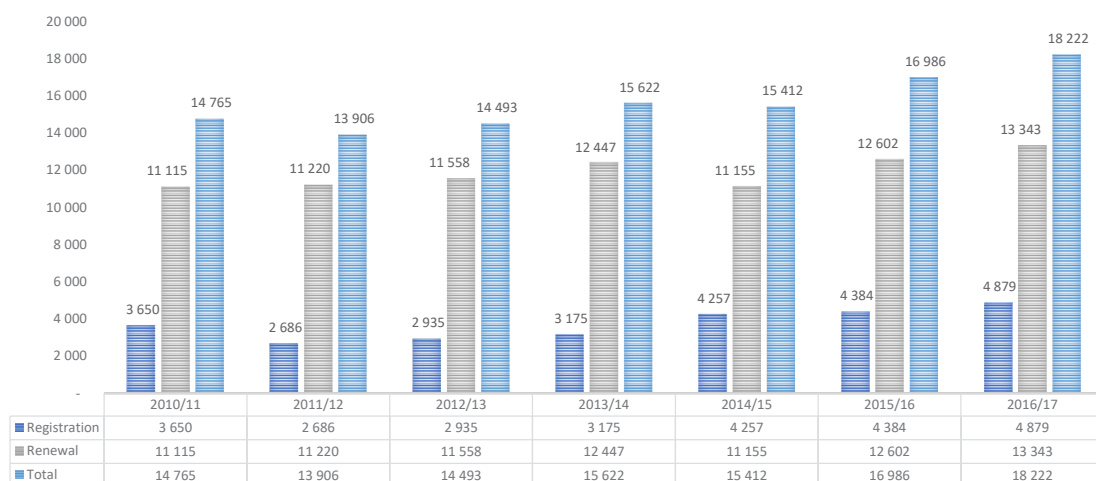
## Registrations of Home Builders and Renewal of Registration

Any person who is in the business of home building is required to register with the NHBRC in terms of the Act. Registration refers to the process undertaken by the applicant to register with NHBRC as a home builder. Renewal refers to the process undertaken by a home builder to renew their registration with NHBRC. The graph below highlights the number of homebuilders who registered with the NHBRC over a seven- year period.

A total of 4,879 new home builders were registered with the NHBRC for the 2016/2017 financial year. In order to qualify as registered homebuilders, the homebuilders are tested for managerial capability, technical capability and financial capability.

The NHBRC does these tests in order to ensure that housing consumers are serviced by capable registered homebuilders. The registration of a Home Builder is valid for a period of 12 months from date of approval of registration. In terms of the Regulations, the home builders are compelled to renew their registration on an annual basis. A total of 13,343 home builders renewed their registrations in the 2016/2017 financial year. This implies that a total of 18,222 home builders were registered with the NHBRC during the 2016/2017 financial year.

Figure 8: New Registration of Home Builders and Renewal of Registrations

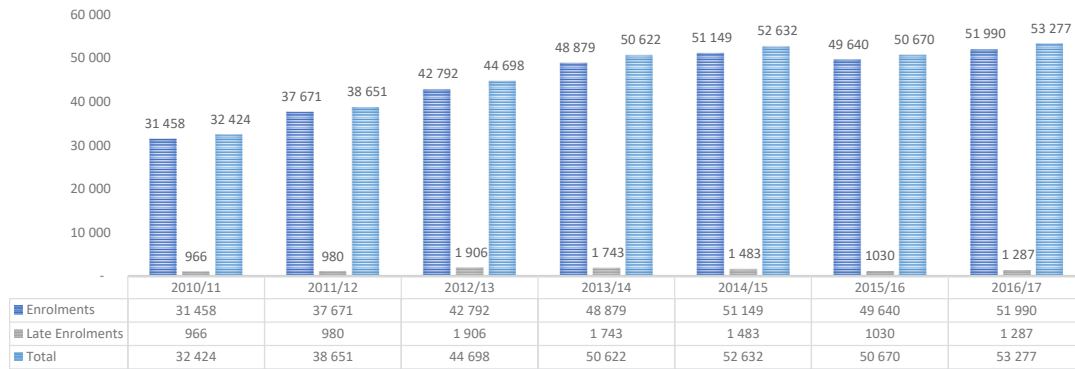


## Enrolment of homes

Enrolment of a home refers to an application submitted by a home builder for a particular home to be entered into the records of the NHBRC. The NHBRC conducts enrolment in the Subsidy and the Non-Subsidy sector.

The Chart below indicates that 51,990 non-subsidy homes were enrolled with NHBRC for 2016/2017 financial year. A total of 1,287 homes were recorded as late enrolment. The total enrolment in the non-subsidy sector for the 2016/2017 financial year is at 53,277. The total enrolment of homes in the non-subsidy sector increased by a total of 25% from the 2015/2016 financial year to 2016/2017 financial year.

Figure 9: Non-Subsidy Enrolment and Late Enrolment of homes



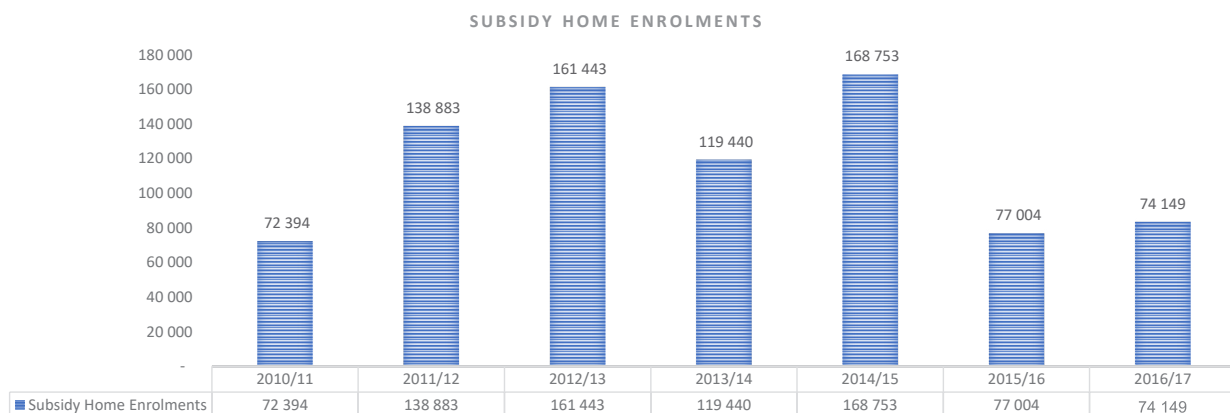
## Enrolment of homes in the Subsidy Sector

Enrolment of homes refers to the submission by a homebuilder of a request for a particular home to be entered into the records of the Council and the completed acceptance thereof.

The National Department of Human Settlements had targeted to enrol a total of 140,196 homes in the 2016/2017 financial year. The target for the financial year is in line with the projected figures that are contained in the Medium Term Strategic Framework that is aligned with the approved Strategic Corporate Plan 2014-2019 that covers a five year period. The projected figure in the MTSF is 285,000 units.

The Chart below highlights the number of homes enrolled in the subsidy sector. The total number of subsidy homes enrolled in the 2016/2017 financial year was 83,519. The performance for enrolment of homes in the Subsidy sector increased by 8% from the 2015/2016 financial year to 2016/2017 financial year.

Figure 10: Number of homes enrolled in Subsidy Sector



## Home Enrolment and Project Enrolment in the Subsidy Sector

Inspection of homes in the Subsidy and Non-Subsidy sector.

### Non-Subsidy Inspection of homes

NHBRC inspects enrolled homes in line with the Home Building Manual. An inspection is a visit by a NHBRC home inspector to the site of construction to ensure that the building activities on the enrolled homes are compliant with the NHBRC Home Building Manual and other technical standards. NHBRC conducts a minimum of four and a maximum of eight inspection stages per home. A total of 113,379 homes were inspected by the NHBRC for the 2016/2017 financial year in the non-subsidy sector.

The NHBRC inspected a total of 111,368 homes in the non-subsidy sector for the 2015/2016 financial year and a total of 113,379 homes were inspected in the non-subsidy sector for the 2016/2017 financial year. This demonstrates that there was an increase by 1% in terms of the homes inspected from the 2015/2016 financial year to the 2016/2017 financial year.

### Subsidy Inspection of homes

NHBRC has inspected a total of 94,528 homes in the Subsidy sector for the 2016/2017 financial year.

Figure 11: 7-Year Subsidy and Non-Subsidy Inspections of Homes

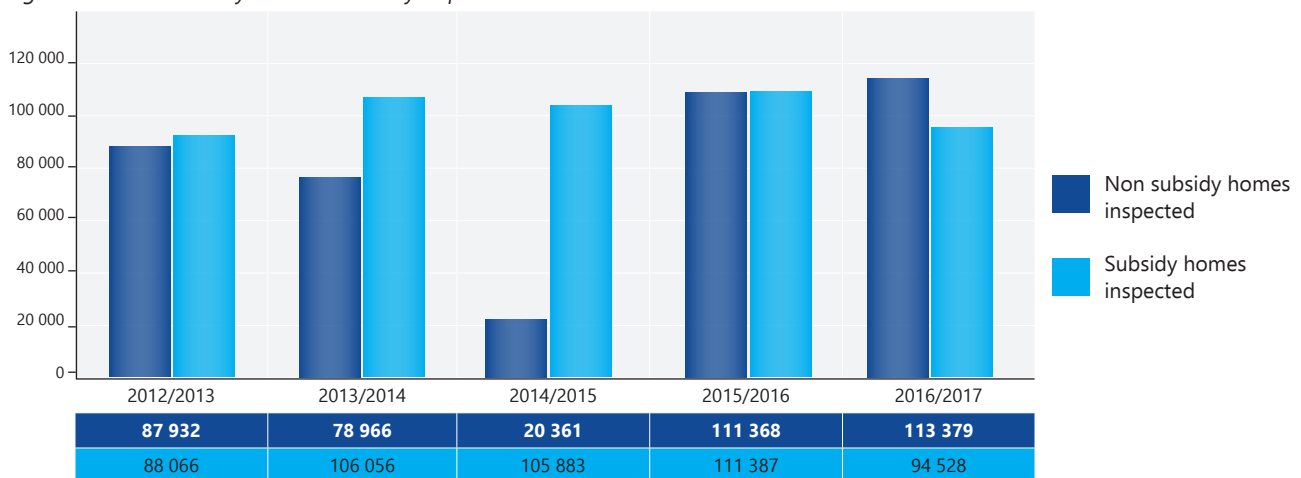
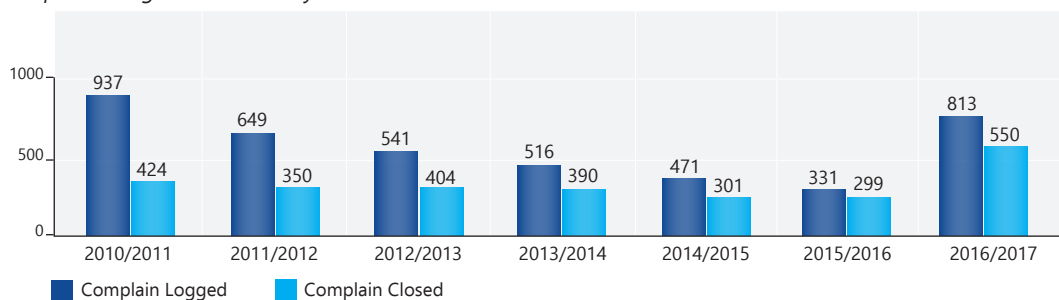


Figure 12: Complaints lodged and closed by NHBRC



NHBRC's strategic intent is to ensure that homebuilders deliver sustainable quality homes without infringing on the rights of housing consumers. Housing consumers can lodge a complaint with the NHBRC where the Home Builder has failed to rectify the defects from the date of official occupation.

The types of complaints are as follows:-

- 3-month maintenance
- 12 month roof leak
- 5 year major structural defect

NHBRC received a total of 813<sup>1</sup> complaints from consumers during the 2016/2017 financial year. A total of 550 complaints were closed during the same year.

1. Note: All the 813 complaints were recorded manually, due to the unavailability of complaints module within the SAP system.

Figure 13: Conciliations received and closed by NHBRC



NHBRC received a total of 233<sup>2</sup> conciliations in the 2016/2017 financial year. A total of 197 conciliations were closed in the year.

Conciliation is a process of mitigation which the NHBRC applies to resolve disputes between the registered home builder and home owner.

## REMEDIAL WORKS

If a housing consumer experiences a problem with their enrolled home they have an obligation to lodge a complaint with the regulator. The NHBRC will then send an Engineer to the enrolled home to do an assessment of the extent of the structural defect. Once an assessment is finalised the NHBRC will then send a registered homebuilder to fix the problem. Under normal circumstances the monies will be claimed from the homebuilder but if the homebuilder is sequestered, the NHBRC will settle and then start the process of recoveries through our legal section. The maximum amount paid on settlement was for R6 million.

Table 20: Remedial Claims done for the past three years

Claims against the Fund	2014/15	2015/16	2016/17
Foundation	1 330 741	353 386	-
Substructure	2 995 222	1 605 413	1 198 581
Superstructure	2 892 690	896 915	634 128
Roof Structure	147 781	34 709	24 515
Professional fees	1 104 356	332 875	4 721
Settlement	2 011 880	1 015 589	6 273 812
Transport and Storage	143 298	4 059	-
Accommodation	477 592	238 980	25 000
<b>Total claims against fund</b>	<b>11 103 559</b>	<b>4 481 925</b>	<b>8 160 757</b>

## CONCLUSION

The Business Services division's purpose is to ensure that quality homes are delivered on the ground. The divisions would ensure that all homebuilders who participate in the activities of homebuilding are registered with the regulator and also ensure that all homes that are constructed in the country are enrolled so that they qualify for a 5 year warranty against major structural defects, three months poor workmanship and one year roof leak.

## 10. CORPORATE SERVICES DIVISION



### PURPOSE

The purpose for the Corporate Services division is to build an efficient internal customer focused support structure. The Human Capital, Business Management Solutions and Facilities Management support the organisation in executing its strategic objectives.

The division consists of these sections, namely:-

- Human Capital
- Business Management Solutions
- Facilities Management

#### Purpose of Human Capital Section

The purpose of the Human Capital Section is to ensure that NHBRC becomes the employer of Choice. The Section is tasked with developing the policies, procedures and process maps which would ensure the smooth running of the organization. The Section through its Human Capital Strategy would ensure that there is succession planning in place to allow for transfer of skills from one person to the next.

#### Purpose of Business Management Solutions Section

Purpose of Business Management Solutions (BMS/ IT) section is to provide an effective and efficient ICT platform and services to support and enhance business functions and operations.

#### Purpose of Facilities Management

The purpose of Facilities Management is to ensure that the facilities within the NHBRC are optimum so that employees are provided with a conducive environment to perform their duties.

## 10.1. HUMAN CAPITAL SECTION

### INTRODUCTION

The Human Capital section strategy is to build an efficient internal customer focused support structure. Human Capital supports the NHBRC in executing its strategic objectives.

The main objective of Human Capital within the organization is to ensure that NHBRC attracts the best talent within the Country that can deliver quality service for the betterment of the Organization and also to ensure that the Organization is able to compete with its peers within the sector.

The year began with wage negotiations that were concluded amicably with no strike action. This had a positive impact on the Union/Management Relationship. The permanent staff compliment grew by twenty one (21) permanent employees.

The Human Capital section manages a very successful employee wellness programme with significant wellness interventions throughout the year. This includes disability awareness programs. Key Human Capital policies were reviewed and approved by HCREMCO and Council. The implementation process is in progress.

### HEADCOUNT AND WORKFORCE PROFILES

The number of employees in the payroll of the NHBRC is six hundred and seventy (670) staff as at the 31<sup>st</sup> of March 2017.

Table 21: Workforce profile as at 31 March 2017

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

#### Employment Equity by Gender

There are two hundred and eighty seven (287) males (45.85%) and three hundred and thirty nine (339) females (54.15%) employed by the NHBRC. In terms of race, 48% of the total staff compliment are African females and 38% are African males.

6.4% are coloured, 2.4% are Indian and 5.2% are white. The council is oversubscribed in certain areas and under subscribed in certain categories. This will be corrected through our targeted recruitment processes.

#### Employment Equity by Race

Of the 626 employees of the NHBRC, 86% are African,

#### People living with Disabilities (PWD's)

There are currently two people living with disabilities employed at the NHBRC.

## 10.2. BUSINESS MANAGEMENT SOLUTIONS SECTION



### PURPOSE

The purpose of Business Management Solutions (BMS/IT) section is to provide an effective and efficient ICT platform and services to support and enhance business functions and operations.

The main focus for BMS during the financial year has been the strengthening of ICT Governance as well as completion of two major projects carried over from the previous financial year which were SAP Implementation and the rollout of Unified Communications.

In the ICT Governance space, all documents relating to the Governance of ICT have been developed and are at advanced stages in the approval process.

A new BMS management structure was also put in place to ensure proper management of the different ICT competency areas.

Significant progress has been made in the implementation of Unified Communications with only two (2) of the twenty one (21) NHBRC sites outstanding.

Completion of the SAP project and stabilisation of the implemented solution components remains a challenge. Renewed efforts have been initiated to ensure that outstanding issues are resolved in the upcoming financial year.

Table 22: Performance for 2016/2017

No.	Key Performance Area	Target for 2016/2017	Performance against Target
1	Maintenance of ICT	Achieve 99% uptime of ICT systems	99% uptime of ICT systems

Table 23: Comparison between 2015/2016 and 2016/2017

No.	Key Performance Area	Performance for 2016/2017
1	Maintenance of ICT	99% uptime of ICT systems

## 11. LEGAL COMPLIANCE AND ENFORCEMENT DIVISION



### PURPOSE

The purpose of the division is to entrench a culture of compliance with applicable legislative and regulatory framework, ensure effective enforcement processes and provide prudent and cutting edge legal advisory services.

The division is comprised of three sections, which are Corporate Legal Services, Regulatory Compliance Function and the Enforcement Section.

#### Purpose of Corporate Legal Services Section

The purpose of Corporate Legal Services is to manage the Litigation Management which consists of General Litigation, Interdicts against defaulting home builders, Contingent Liability and Recoveries; Contract Management and Legal Advisory Services.

#### Purpose of Regulatory Compliance Function Section

The purpose of Regulatory Compliance Section is to implement the approved 2016/2017 Regulatory Compliance Plan covering, inter alia, Regulatory Compliance Universe; Compliance Risk Management Plans of core, high, topical and secondary risks; Monitoring of compliance; Reporting and Training/Awareness.

#### Purpose of Enforcement Section

The purpose of Enforcement Section is to enforce Suspension and Disciplinary action against home builders for failure to comply with specific provisions of the Act, including the Code of Conduct for Home Builders; Investigation of matters as per the Act and institution of criminal cases with the South African Police Services and Training of both internal and external stakeholders on relevant legislative framework.

The Legal Compliance and Enforcement Division's ("LCE") strategic objectives are to:

- safeguard the interest of the organisation through prudent litigation management,
- efficient contract management services and cutting edge legal advisory services;
- entrench a culture of compliance with applicable legislative and regulatory frameworks within the organisation; and
- Contribute to the execution of the organisational mandate through fair, effective and efficient enforcement of the Act.

## 11.1. LEGAL SERVICES SECTION

**Interdicts:** The Section is tasked with the responsibility to interdict home builders who:

- carry on the business of a home builder without being registered in terms of section 10 of the Housing Consumers Protection Measures Act 95 of 1998 ("the Act");
- commence with construction of a home without enrolment with the NHBRC in terms of section 14 of the Act; and
- prevents officials or agents of the NHBRC from carrying out their functions in terms of the Act.

Table 24: Interdicts facilitated in the 2016/2017 financial year

Province	Orders granted	Builder complied internal intervention	Legal process underway	Total
Eastern Cape	0	1	0	1
Gauteng	1	0	0	1
KwaZulu-Natal	8	9	0	17
Limpopo	0	1	0	1
Mpumalanga	3	2	0	5
Northern Cape	0	1	0	1
Western Cape	7	20	0	27
TOTAL	19	34	0	53

One of the milestones achieved during 2016/2017 financial year was a Court Order in favour of the NHBRC in respect of the interdict application to stop the Gauteng Department of Human Settlements from continuing with construction of subsidy housing projects in respect of certain subsidy projects without enrolment in terms of section 14 of the Housing Consumers Protection Measures Act, 1998 (Act No.95 of 1998).

### Recoveries

The Section is tasked with the responsibility to recover the following:

- amounts disbursed out of the warranty fund for rectification of defects in accordance with section 17(1) of the Housing Consumers Protection Measures Act No 95 of 1998 ("the Act"), from the defaulting home builders, developers and/or any person who caused or contributed to the failure of the home builder in respect of his or her obligations to rectify structural defects;
- fines imposed by the Disciplinary Committee ("the DC") against home builders for failing to comply with the Act and/or subordinate legislation thereto; and

- legal costs in instances where the NHBRC was awarded costs in terms of a court judgment or arbitration.

As at the end of March 2017, an amount of R 1,7 million was recovered as penalties imposed by the Disciplinary Committee against defaulting home builders as compared to R1.3 million for the financial year 2015/16. The recoveries increased by 23% from the 2015/2016 financial year to 2016/2017 financial year.

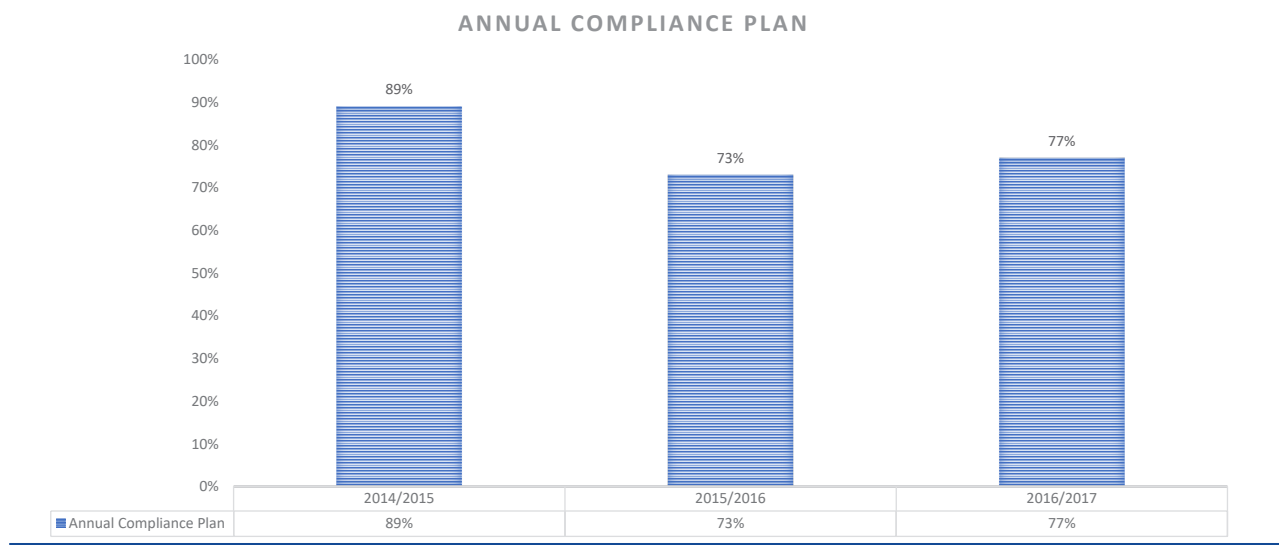
## 11.2. REGULATORY COMPLIANCE SECTION

The Regulatory Compliance Function focused on the following key performance areas which were contained in the approved regulatory compliance plan:

- review the regulatory universe in respect of laws affecting the NHBRC;
- compilation of the compliance risk management plans as planned for the year;
- monitoring of compliance risks in various sections of the NHBRC;

- Provision of practical training (on the job) to compliance champions in order to empower them to conduct efficient monitoring and reporting on compliance risks in their respective sections or provincial offices. To this end various visits to provincial offices were made by the compliance officers; and
- Reporting to Executive Committee, Committees of Council, specifically, the Audit and Risk Management Committee and Council on progress relating to the approved plans.

Figure 14: Implementation of the Annual Compliance Plan



The table above demonstrates that the division achieved a performance of 89% for the 2014/2015 financial, a decline in the achievement of Annual Compliance Plan was realised in the 2015/2016 financial year and a rise by 4% in performance was realised in the 2016/2017 financial year.

### 11.3. ENFORCEMENT SECTION

In terms of section 11 (3) of the Act, Council may suspend a registered home builder's registration or refuse to Enrol such home builder's homes for the period that the Council deems necessary to investigate the matter or until the registered home builder has complied with the relevant provisions, condition or obligation in terms of the Act. Further, the Act empowers the NHBRC's Disciplinary Committee, after following due process, to impose withdrawal of registration of a home builder; a fine not exceeding R25 000.00 or a warning in instances where a home builder has been found guilty of contravening the provisions of the Act.

The Disciplinary Committee ("the Committee") adjudicated upon 445 matters, 49% of which were heard within a target period of 160 days calculated from the date of suspension of a home builder for the year under review.

A total of 142 home builders were suspended during the financial year, 80% of which were approved and recorded on the system as such within the target period of 14 days from the date of receipt of a case.

The offences before the Committee are generally in relation to failure by the home builder to rectify major structural defects, failure to rectify workmanship related defects, failure to enrol homes, and code of conduct related matters.

The table below shows an analysis of both suspensions and disciplinary matters per quarter, according to Province and type of matters adjudicated upon by the Committee.

Table 25: Suspensions for the 2016/2017 financial year

Province	EC	FS	GP	KZN	LP	MP	NW	NC	WC	Total	% performance
Quarter 1	0	4	7	3	0	2	3	1	6	<b>26</b>	<b>18%</b>
Quarter 2	0	0	4	14	0	6	4	0	4	<b>32</b>	<b>22%</b>
Quarter 3	0	1	18	2	5	6	2	0	8	<b>42</b>	<b>30%</b>
Quarter 4	0	0	26	0	12	1	0	0	3	<b>42</b>	<b>30%</b>
Total	0	5	55	19	17	15	9	1	21	<b>142</b>	<b>100%</b>

Table 26: Disciplinary matters for 2016/2017 financial year

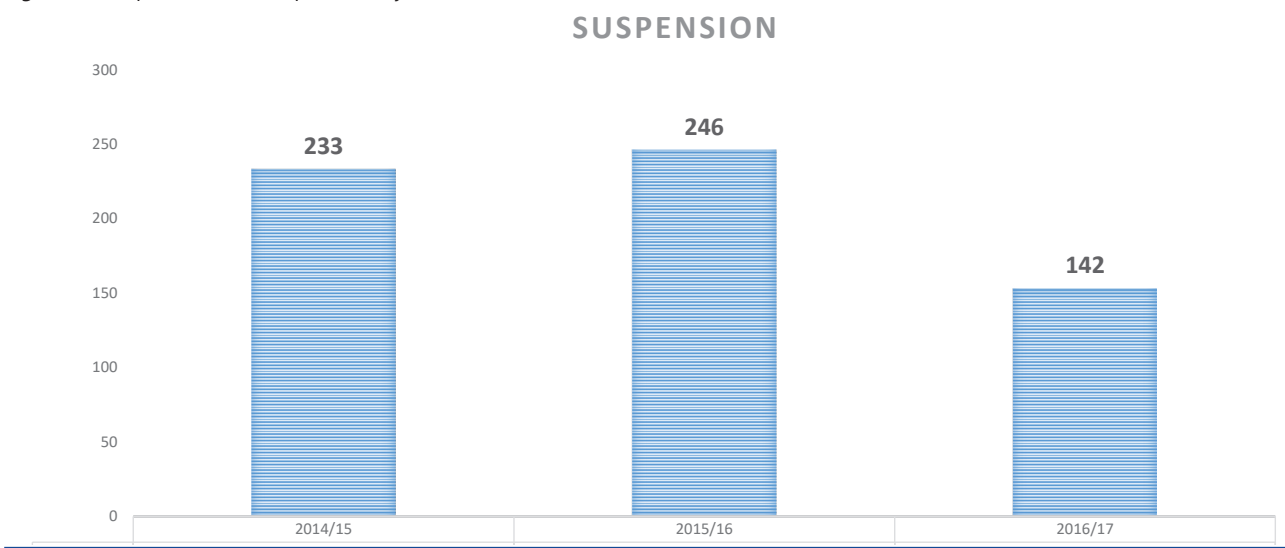
Province	EC	FS	GP	KZN	LP	MP	NW	NC	WC	Total	% performance
Quarter 1	0	2	23	20	20	5	15	4	12	<b>101</b>	<b>23%</b>
Quarter 2	1	2	34	38	39	33	14	0	30	<b>191</b>	<b>43%</b>
Quarter 3	5	2	21	7	13	10	9	0	9	<b>76</b>	<b>17%</b>
Quarter 4	2	5	23	6	0	23	4	0	14	<b>77</b>	<b>17%</b>
Total	8	11	101	71	72	71	42	4	55	<b>445</b>	<b>100%</b>

### SUSPENSIONS TURNAROUND

The NHBRC approved Annual Performance Plan 2016/2017 demonstrates that 80% of prosecutable matters will be suspended within 14 days of receipt of instructions by paralegal.

The table below shows that there was increase of 6% for homebuilders suspended from 2014/2015 to 2015/2016 financial years. The table below also shows that there was a decline by 38% in terms of homebuilders suspended from 2015/2016 to 2016/2017 financial years.

Figure 15: Suspensions for the past three years

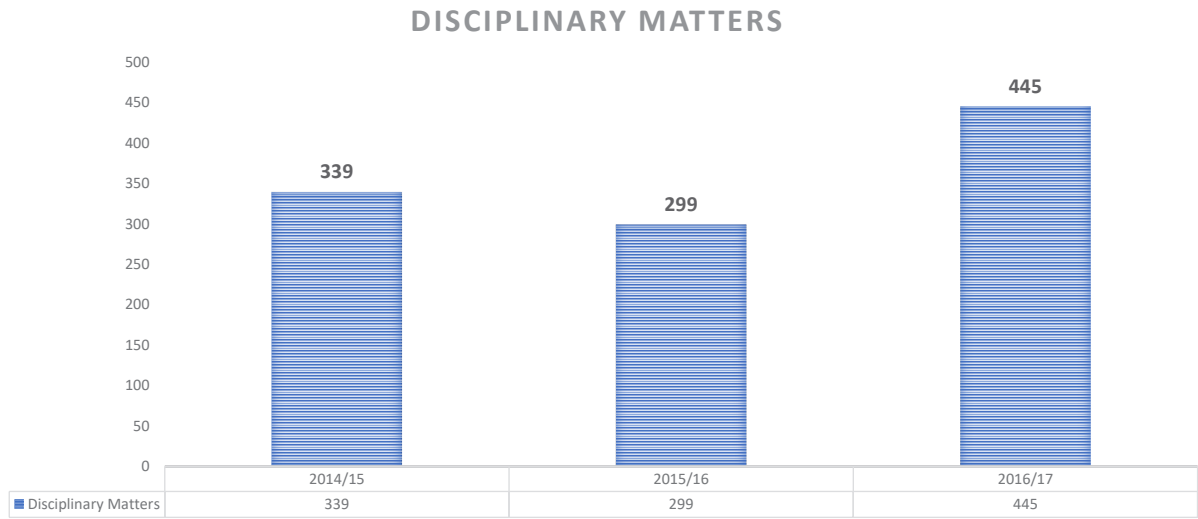


### DISCIPLINARY COMMITTEE TURNAROUND

The NHBRC approved Annual Performance Plan 2016/2017 demonstrates that 80% of prosecutable matters presented before the Disciplinary Committee are concluded within 160 days from date of suspension.

The table below shows that there was an increase by 12% in terms of disciplinary matters that were constituted against homebuilders from the financial years 2014/2015 to 2015/2016. Hence there was also an increase by 49% in terms of disciplinary matters that were constituted against homebuilders from the financial years 2015/2016 to 2016/2017.

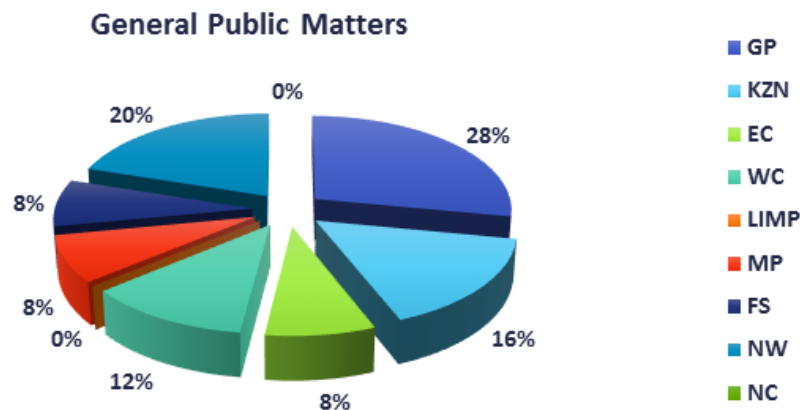
Figure16: Disciplinary matters for the past three years



### CODE OF CONDUCT MATTERS

A total of 146 Code of conduct related matters were attended to in the 2016/2017 financial year.

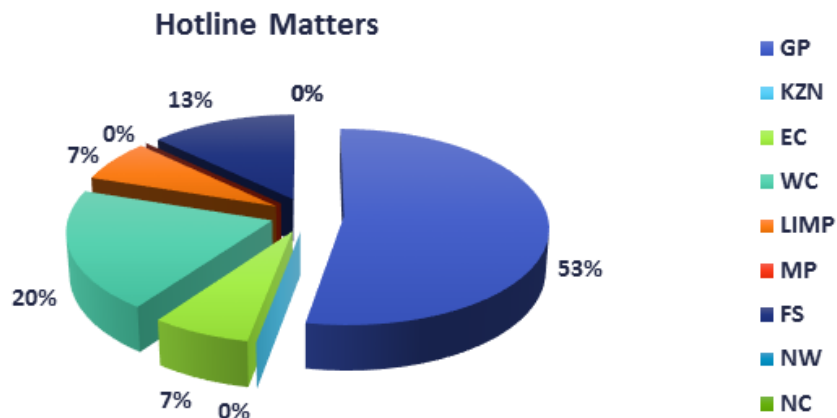
Figure 17: Chart of General Public matters per province



### Chart of Hotline matters

The NHBRC has attended to a total of three (3) hotline matters that were received in the financial year 2016/2017. The most matters were received from Gauteng and Western Cape provinces respectively with 53% and 20% respectively.

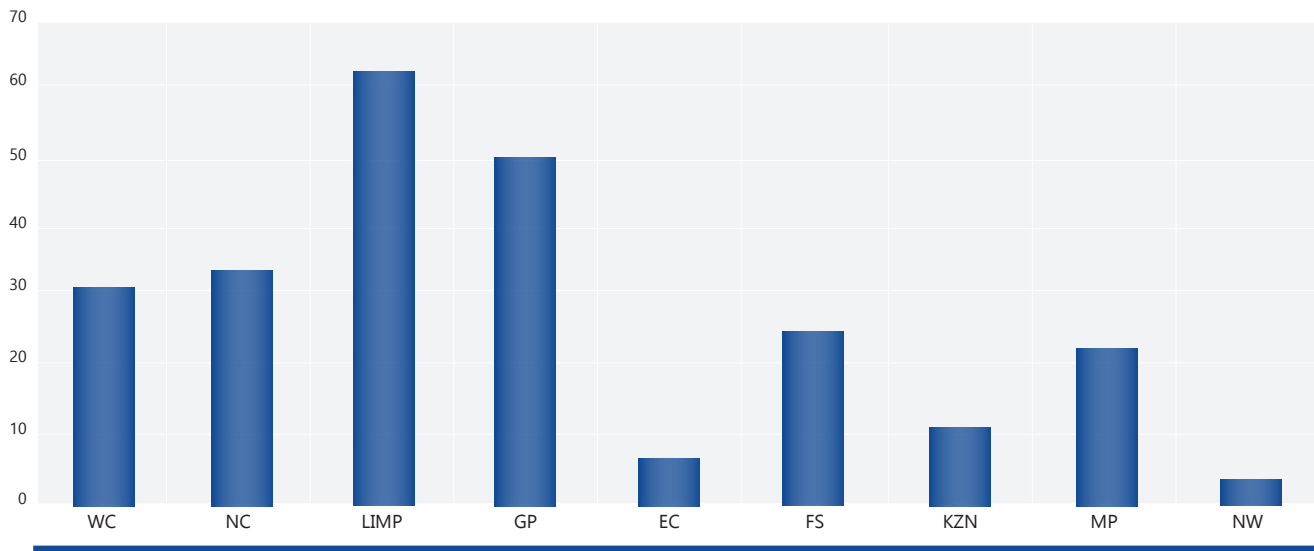
Figure18: Hotline Matters per province



### Criminal matters handled in the financial year

The table below depicts the number of criminal matters opened with the South African Police Services as required by section 21 of the Act. All these matters are in respect of homebuilders who carry on the business of home building without having registered as such in terms of section 10 of the Act. This year, the NHBRC, through the Office of the Civilian Secretariat for Police, managed to forge relations with the National Prosecuting Authority ("NPA") and the South African Police Service ("SAPS") by exploring various initiatives to ensure the required prosecution of these matters as prescribed by the law.

Figure 19: Table of Criminal matters per province



NHBRC has dealt with a total of 279 ( two hundred and seventy nine) criminal matters for the 2016/2017 financial year.

Table 27: Prevalent Disciplinary matters for the year under review

Type of matter	Total number	Percentage
Code of Conduct	19	4%
Late Enrolment	290	65%
Technical Non-Compliance	133	30%
Undeclared Late Enrolment	2	0.4%
S21 Offence	1	0.2%
	445	100%

The most prevalent Disciplinary Committee cases are for late enrolment of which it was at 65%.

Table 28: Comparisons between 2015/2016 and 2016/2017

Target	2016/17
Suspension of defaulting homebuilders within 14 days from date of receipt of file.	80%
Prosecution of defaulting home builders within 160 days from date of suspension	67%
100% implementation of the approved annual compliance plan	77%
Monies recovered as per the Act	R1,7m

As per table above, performance in respect of home builder suspensions of which 80% was attained during the financial year 2016/2017. This significant improvement was due to the active utilisation of interns to assist the enforcement team in the processing of matters within the expected timeframes.

The performance in relation to matters adjudicated upon by the Disciplinary Committee attained a 67% during the 2016/2017 financial year. The latter increase was as a result of the Disciplinary Committee being fully functional as compared to the previous year where the committee members only became functional during the last part of the second quarter of the year.

Regulatory Compliance's performance attained a total of 77% in the 2016/2017 financial year. Part of the key contributory factor in this regard was the appointment of the second Compliance Officer and the Compliance Champions who, together as a team, were able to undertake a number of functions as per the approved plan.

Recoveries of monies as per the Act continue to increase. This is as a result of the disciplinary committee imposing penalties as required by the Act and the homebuilders abiding by the committee's verdicts. In addition, outsourcing of these services to various Attorneys has proved valuable to the organisation and to that extent, the NHBRC will continue to outsource whenever there are prospects of success in this regard.

## 12. CENTRE FOR RESEARCH AND HOUSING INNOVATION

### PURPOSE

The Centre for Research and Housing Innovation division is comprised of three business sections, which are Education, Training and Development, Research and Material Testing Laboratory. The Laboratory and the Education, Training and Development sections are both located at the Eric Molobi Housing Innovation Hub (EMHIH).

### Purpose of Education Training and Development

The purpose of the Education, Training and Development business unit is to continuously train, develop and improve the competency level of home builders and inspectors in order to build and assure quality in homes.

### Purpose of Research

The purpose for the research business unit is to Research on Identified subjects of interest to the NHBRC with a view of establishing facts and reach new conclusions that benefit the organization.

### Purpose of Material Testing Laboratory

The purpose of the material testing laboratories is to confirm that the minimum requirements on soil class and building material are being adhered to.

### Performance of Education Training and Development

The performance of Education, Training and Development Business Section is covered in the issues below, which are the Emerging Homebuilder Training Programme; Technical professional (Inspectors and Engineers) Training Programme; and the Social Transformation and Empowerment Programme.

## Performance of Education, Training and Development

The performance of ETD for the year under review is contained in the table below (Summary of ETD performances).

Table 29: Summary of ETD performances

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

The performance of the NHBRC for Emerging home builders was at 1,739 against a target of 1,200 which shows that the target was exceeded by 45% for the year under review. The performance for Technical Professional was at 607 against a target of 400 which shows that the target was exceeded by 52% for year under review. The performance of the NHBRC for military veterans was at 503 against a target of 180 which shows that the target was exceeded by 179% for the year under review.

The performance of the NHBRC for artisans was at 764 against a target of 351 which shows that the target was exceeded by 118% for the year under review.

The performance of the NHBRC for people with disabilities was at 229 for the year under review. The target was to train all the people with disabilities that are available to be trained.

The performance of the NHBRC for youths was at 2,638 against a target of 2,000 which shows that the target was exceeded by 32%. The performance of the NHBRC for women was at 1,139 against a target of 900 which shows that the target was exceeded by 27% for the year under review.

The Youth Brigades were trained in the following modules:-

- Plastering Skills Course;
- Bricklaying Skills Course;
- Plumbing Skills Course;
- Roofing Skills Course;
- Carpentry Skills Course;
- Technical Skills Course;
- Construction Management;
- Health and Safety Skills Course; and
- Financial Management for Non-Financial Managers.

## Performance of Research

The performance of research for the year under review is covered in the table below:

No.	IBT projects		Objectives	Benefits
1.	Research based Projects	1.1.Condition assessment of “as built” IBT against theoretical expectations	<ul style="list-style-type: none"><li>• This research determines how IBTs built are degrading over time and whether they are performing to conditions of approval or not.</li></ul>	<p>Leading knowledge in “as built” IBTs in the subsidy sector</p> <ul style="list-style-type: none"><li>• Establishes problems and where to focus inspections</li><li>• Can reduce risks to the warranty fund</li></ul>
		1.2.Thermal comfort of “as built” IBTs	<ul style="list-style-type: none"><li>• This research determines how IBTs built contribute to energy efficiency/ thermal and test its integrated innovation to Agrément certification.</li></ul>	<ul style="list-style-type: none"><li>• Leading knowledge in “as built” IBTs in the subsidy sector.</li><li>• Establishes problems and where to improve on specifications, and can inform Agrément.</li><li>• Can improve quality and customer satisfaction.</li></ul>
2.	Support Projects	2.1.Guidelines for implementing IBTs	<ul style="list-style-type: none"><li>• Provides guidelines to the developers / Settlements Departments on the selection and procurement of IBT contractors.</li></ul>	<ul style="list-style-type: none"><li>• If implemented and maintenance plans introduced, can reduce risks of failure to constructing IBT subsidised houses.</li><li>• Can reduce the risks to NHBRC warranty fund</li></ul>
2.2.Dynamic IBT database of inspected homes		<ul style="list-style-type: none"><li>• Part of Guidelines and research on the condition of IBTs.. A dynamic data base of 18 approved IBT now established.</li></ul>	<ul style="list-style-type: none"><li>• To assist with better selection of IBTs</li><li>• NHBRC can monitor degradation of IBTs and identify where problems are.</li></ul>	
2.3.IBT Analyser – simplified guidelines		<ul style="list-style-type: none"><li>• Simplified guidelines to use the tool to analyse suitable IBT systems on the database</li></ul>	<ul style="list-style-type: none"><li>• To assist with better IBT selection for location and climate zones using multiple criteria.</li></ul>	
2.4.Simplified guidelines on IBT for beneficiaries		<ul style="list-style-type: none"><li>• Promotion of IBT to ordinary beneficiaries.</li></ul>	<ul style="list-style-type: none"><li>• This is to assist with changing negative perceptions on IBTs.</li></ul>	
2.5.Guidelines for designing affordable IBTs		<ul style="list-style-type: none"><li>• Required as typologies on IBT home.</li></ul>	<ul style="list-style-type: none"><li>• The booklet can provide stakeholders with examples on what one can do with IBTs.</li></ul>	
3	IBT performance per Climate zone			<ul style="list-style-type: none"><li>• Research report completed on how IBTs perform in different climate zones.</li><li>• Position paper completed on Bank financing for IBTs.</li><li>• RFP completed for reception revamping.</li><li>• First Completed Simplified Home Building Manual Terms of Reference and BSC meetings.</li></ul>
4.		Housing Index (completed)	<ul style="list-style-type: none"><li>• A way of measuring a certain part of the non-subsidy housing market.</li><li>• To measure (gauge) the relative (position of), extent, degree of (internal and external indicators) and determine the impact on Enrolment of Non-subsidy houses with the NHBRC.</li><li>• House price indices are certainly important for the industry in measuring patterns in the market.</li></ul>	<ul style="list-style-type: none"><li>• The Housing Index provides a baseline that NHBRC uses to measure performance of housing in the country and also the trends and patterns of the Non-subsidy sector.</li></ul>

## Performance of material testing laboratory

The performance of material testing laboratory is covered below:

- Compression testing of bricks and blocks;
- Compression testing water absorption of earth blocks;
- Drying shrinkage and expansion on re-wetting of cement bricks;
- Soundness on cement and burnt clay bricks;
- Irreversible moisture expansion on burnt clay bricks;
- Efflorescence tests on burnt clay bricks;
- Tensile testing of the rebar and brick force.
- Flexural testing on samples not exceeding the 500mm length;
- Dynamic testing for wind analysis and dynamic loading;
- Fatigue testing of the material;
- Shrinkage measurement of bricks;
- Core testing of hardened concrete;
- Cube strength on 150mm and 100mm concrete cubes;
- Hard body test; and

Sieve test and grading including organic impurities of soils.

The laboratory conducted tests on building materials from the following provinces which are North West, Mpumalanga, Gauteng and Limpopo.

Tests contributions from these provinces are as follows:

- North West comprises about 44%;
- Mpumalanga comprises about 23%;
- Gauteng comprises about 16%;
- Limpopo comprises about 5%;
- Witnessing repeatability and reproducibility tests contributed about 12%.

## SPECIAL PROJECTS

The ETD is tasked to develop and implement the Special projects, namely:

- The Automated Technical Assessment solution.
- The Human Settlement Training Academy.
- The professionalization of Inspector.
- Partnerships with Universities

## Automated Technical Assessment Solution.

The system has been developed as a solution to be utilized during the screening of new and existing registration application. Currently these assessments are conducted manually in all provincial offices and such questions and framework is not standardized.

### Benefits

- Home Builders can enroll and take tests on computer terminals (*increase efficiency*).
- Hard Copies of test can be printed out for individuals who are technically disadvantaged.
- Computerized marking system ensures accuracy of results.
- Home Builders' test progress can be tracked using their unique Identifiers.
- Randomization of tests allowing for decrease fraud and test rigging (*increased security*).
- Intuitive Reporting Module allows for tracking results. (*per province, homebuilder, and individuals*).
- Reporting module identifies areas of concern to inform future training initiatives.
- Overall improvement in the turnaround time and accuracy of reports for improved input into decision making efforts.
- The solution is compatible with ERP systems for integration.

## The Human Settlements Training Academy

NHBRC has established the Human Settlement Training Academy as a practical tool that will draw from over 20 years of Department of Human Settlement service delivery track record in transforming the South African society, including its social partners and industry stakeholders.

The Academy will draw significant continental experiences, align continental Human Settlements plans in order to maximise impact as a major leading role player in the area of Human Settlements skills training, development, empowerment, research, capacity building, creation and development of a new body of knowledge towards the professionalization of the human settlement and Built Environment sector as a whole.



### Achievements to date

- Setting of operational and strategic committees with stakeholders.
- Appointment of Nelson Mandela Metropolitan University Chair of Human Settlements as a Strategic Partner.
- Official Launch of the Human Settlements Training Academy at the Conference on 6<sup>th</sup> October 2016 by the National Minister of Human Settlements.
- Approval of the Business Case by NHBRC Governance structures.
- Introduction of short learning programmes and Recruitment of the first batch of students for the 2017 academic year.

### Partnerships with Universities

NHBRC endeavours to continuously improve the competency levels of inspectors in the Human Settlements sector by running targeted technical workshops. In essence the Technical Professional training is aimed at enhancing the participation and empowerment of Home Inspectors, Engineers, Architects Quantity Surveyors, Construction Managers and GIS professionals to this end the NHBRC has partnered with 18 Universities with the "Built Environment faculties.

The Partnership with Universities responds to critical and advance capacity development needs of Home Inspectors and Engineers.

### CONCLUSION

The Centre for research and Housing Innovation endeavours to conduct research that would bring about improvements and developments in the human settlements sector. The Centre has trained homebuilders and technical professionals on different modules that prepare them to deliver quality service in the sector. NHBRC has tested different building materials across all provinces in order to ensure that building materials used on site are of quality in order to produce quality homes in the sector.



## SECTION 6: PERFORMANCE INFORMATION 2016/2017

Strategic Objectives	KPA	KPI NO.	KPI	KEY ACTIVITY	YEARLY TARGET	Target met or Target not met	Actual Achievement	Reason for variation
<b>Programme 1 : Administration</b>								
Strengthen NHBRC operating processes, systems and procedures	Maintenance of ICT	1	% Maintenance of ICT systems	Maintenance of uptime	Achieve 99% uptime of ICT systems	Target met	Achieve 99% uptime of ICT systems	Implemented a monitoring system to measure the turnaround therefore any downtime is detected immediately and resolved
Grow, protect and sustain the warranty fund	Number of staff to be trained	2	Number of skilled workforce to be trained	Train staff	Train and develop 300 workforce	Target met	Train and develop 603 workforce	Concerted effort in meeting the training needs of both staff and the organisation.
Grow, protect and sustain the warranty fund	% of investment assets to exceed actuarial liabilities	3	Investment assets to exceed actuarial liabilities	Manage investment assets	Investment assets to exceed actuarial liabilities by 200%	Target met	320% of investment assets to exceed actuarial liabilities	Matching of investment assets to the actuarial liabilities.
Grow, protect and sustain the warranty fund	% discretionary spent on BBBEE suppliers	4	% discretionary spent on BBBEE suppliers	Revenue spent on BEE suppliers	BBBEE spend > 51%	Target Met	61% discretionary spent on BBBEE suppliers	More effort has been focused on empowering BEE Companies
Grow, protect and sustain the warranty fund	Planned net profit	5	Planned net profit	Profits from investments	R361m	Target not met	R145m	Cost containment measures implemented, recovery on the markets which affected the performance of the investment portfolios
Grow, protect and sustain the warranty fund	% of the Implementation of the approved audit plan.	6	% of the Implementation of the approved audit plan.	Implementation of audit plan	95% implementation of the approved internal audit plan	Target not met	90% the approved internal audit plan was achieved.	The moratorium on the filling of vacancies has resulted in the compliance function remaining under resourced, thereby unable to meet its target as per the approved plan.
Grow, protect and sustain the warranty fund	% of effective governance, risk management and control environment.	7	% of effective governance, risk management and control environment.	Implementation of compliance plan	100% implementation of the approved Annual compliance Plan	Target not met	77% the approved Annual compliance Plan was achieved.	To address the concern, a consultant will have to be appointed to ensure implementation of the plan.
Strengthen NHBRC operating processes, systems and procedures	% of approved risk management plan implemented	8	% of approved risk management plan implemented	Implementation of risk management plan	100% implementation of the approved risk management plan	Target not met	60% of the approved risk management plan was achieved	The section failed to adhere to the approved plan hence target was not met.

Strategic Objectives	KPA	KPI NO.	KPI	KEY ACTIVITY	YEARLY TARGET	Target met or Target not met	Actual Achievement	Reason for variation
<b>Programme 2: Regulation</b>								
Provide innovative quality products and services that delight the customer	Registration of homebuilders	9	Number of homebuilders to be registered	-Check credit worthiness	4,068 homebuilders to be registered.	Target met	4,879 homebuilders were registered	Various provinces held awareness campaign to encourage new registrations. Applicants normally register with the intention of getting contracts from government especially at the beginning of the financial year. These home builders don't necessarily register unless they have a contract to build homes.
Provide innovative quality products and services that delight the customer	Renewal of homebuilder registration	10	Number of homebuilders to renew their registration	-Check credit worthiness	13,034 to renew their registration	Target met	13,343 homebuilders renewed their registration	Various provinces held awareness campaign to encourage new registrations. Applicants normally register with the intention of getting contracts from government especially at the beginning of the financial year. These home builders don't necessarily renew unless they have a contract to build homes.
Provide innovative quality products and services that delight the customer	Inspection of homes	11	Number of homes to be inspected in the subsidy sector	Inspect homes	140 196	Target not met	94,528 homes were inspected in the subsidy sector.	There were few projects enrolled on the subsidy sector which affected the inspection of houses
Provide innovative quality products and services that delight the customer	Inspection of homes	12	Number of homes to be inspected in the non-subsidy sector	Inspect homes	53 994	Target met	113,379 homes were inspected in the non-subsidy sector.	These are work in progress carried over from homes enrolled during previous years. Basically there is no relationship between homes enrolled during the financial year and number of inspections conducted in that year.
Strengthen NHBRC operating processes, systems and procedures	Suspension of homebuilders	13	Number of days it takes to suspend a homebuilder on a prosecutable matter	Suspend homebuilders	80% of prosecutable matters suspended within 14 days of receipt of instructions by paralegal.	Target met	84% of prosecutable matters suspended within 14 days of receipt of instructions by paralegal.	The team takes all necessary measures to meet the target as per the agreed plan
Strengthen NHBRC operating processes, systems and procedures	Prosecution of homebuilders	14	Number of days it takes to prosecute defaulting homebuilders.	Prosecute homebuilders	80% of prosecutable matters presented before DC committee within 160 days from date of suspension	Target not met	49% of prosecutable matters presented before DC committee within 160 days from date of suspension	The section failed to adhere to the approved plan hence the target has not been met.
Provide innovative quality products and services that delight the customer	Women Training	15	Number of women to be trained on construction related courses	Conduct training	110	Target met	112 women were trained.	The NHBRC received more requests for training of women than initially targeted

Strategic Objectives	KPA	KPI NO.	KPI	KEY ACTIVITY	YEARLY TARGET	Target met or Target not met	Actual Achievement	Reason for variation
<b>Programme 3: Consumer Protection Sub Programme 1: (Non-subsidy)</b>								
To grow and protect the NHBRC warranty	subsidy enrolments	16	Number of homes enrolled as aligned with business plans of National Department of Human Settlements	Enrol subsidy projects	140,196 subsidy homes enrolled as aligned with business plans of NDHS	Target not met	74,149 subsidy homes were enrolled by the NHBRC	There were few projects submitted for enrolment on the subsidy sector
Strengthen NHBRC operating processes, systems and procedures	Late enrolments in non-subsidy sector	17	Number of late enrolments to be processed in the non-subsidy sector	Late enrolment of homes	1,349 late enrolments to be processed in the non-subsidy sector	Target met	1,287 late enrolments were processed.	Joint effort by Inspectors and Compliance department to ensure builders enrol project timeously.
Strengthen NHBRC operating processes, systems and procedures	Late enrolments in subsidy sector	18	Number of late enrolment processed in the subsidy sector	Late enrolment of homes	40,700 late enrolments to be processed in the subsidy sector	Target not met	1,954 late enrolment were processed in the subsidy sector.	There were no request for late enrolment of subsidy homes from the Department of Human Settlement
<b>Programme 3: Consumer Protection Sub Programme 2: (Non-subsidy)</b>								
Strengthen NHBRC operating processes, systems and procedures	Enrolment of non-subsidy homes	19	Number of enrolments to be processed in the non-subsidy sector	Enrolment of homes	53,994 enrolments processed in the non-subsidy sector	Target not met	51,990 enrolment processed in the non-subsidy sector.	The enrolment of non-subsidy homes is affected by the economic conditions and failure by housing consumer to qualify for mortgage
Strengthen NHBRC operating processes, systems and procedures	Resolution of consumer complaints	20	Number of consumer complaints resolved.	Resolve consumer complaints	70% of housing consumer complaints resolved or escalated to conciliation within 60 days of being captured	Target not met	46% of housing consumer complaints resolved or escalated to conciliation within 60 days of being captured	In terms of regulations homebuilders are to be given 30 days to respond to homebuilder complaints. NHBRC did not meet the target due to complaints that are still in progress.
Strengthen NHBRC operating processes, systems and procedures	Resolution of complaints escalated to conciliation	21	Number of conciliations resolved between a homebuilder and housing consumer	Resolve conciliation matters	70% of conciliations resolved or escalated to remedial works process within 30 days of being received	Target not met	21.5% of conciliations resolved or escalated to remedial works process within 30 days of being received	In terms of regulations homebuilders are to be given 30 days to respond to homebuilder complaints. NHBRC did not meet the target due to complaints that are still in progress.

Strategic Objectives	KPA	KPI NO.	KPI	KEY ACTIVITY	YEARLY TARGET	Target met or Target not met	Actual Achievement	Reason for variation
Strengthen NHBRC operating processes, systems and procedures	Implementation of communication strategy	22	% of approved communication strategy implemented		100% execution of plans against the strategy	Target not met	75% execution of plans against the strategy	The section failed to adhere to the approved plan hence the target has not been met.
Strengthen NHBRC operating processes, systems and procedures	Implementation of organisational reputational survey	23	% execution of organizational reputational survey		100% execution of organizational reputational survey	Target not met	63% execution of organizational reputational survey	The section failed to adhere to the approved plan hence the target has not been met.
Strengthen NHBRC operating processes, systems and procedures	Training	24	Number of home builders to be trained	Train home builders	1,200 homebuilders to be trained	Target met	1,739 homebuilders were trained	Various training programmes aimed at emerging homebuilders are in place and will be reported on a quarterly basis.
Strengthen NHBRC operating processes, systems and procedures	Training	25	Number of youths to be trained	Training of youth	2,000 youth to be trained	Target met	2,638 youths were trained	The ETD unit is targeting the training of youth brigades in this quarter and various training programmes are currently in implementing phase.
Strengthen NHBRC operating processes, systems and procedures	Training	26	Number of artisan to be trained.	Training of artisans	351 artisans to be trained	Target met	764 artisans were trained.	All scheduled training were conducted
Strengthen NHBRC operating processes, systems and procedures	Training	27	Number of home inspectors to be trained	Training of inspectors	400 inspectors to be trained	Target met	607 inspectors were trained	All scheduled training were conducted
Strengthen NHBRC operating processes, systems and procedures	Training	28	Number of women to be trained	Training of women.	900 women to be trained	Target met	1,139 women were trained	All scheduled training were conducted
Strengthen NHBRC operating processes, systems and procedures	Training	29	Number of military veterans to be trained	Training of military veterans	180 military veterans to be trained	Target met	503 military veterans were trained.	All scheduled training were conducted
Strengthen NHBRC operating processes, systems and procedures	Training	30	Number of people with disabilities to be trained	Training of people with disabilities	100% training of people with disabilities	Target met	A total of 100% or (229) people with disabilities were trained.	The ETD unit trained 100% of people with disabilities and the annual performance already exceeded the expected target for 2016/17
Strengthen NHBRC operating processes, systems and procedures	Research	31	Execute research as per the project plan in line with approved research agenda	Implement approved Research agenda	100% execution of Research as per the project plan	Target not met	63% execution of Research as per the project plan	The section failed to adhere to the approved plan hence the target has not been met.



## SECTION 7: FINANCIAL STATEMENTS

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL HOME BUILDERS REGISTRATION COUNCIL

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the National Home Builders Registration Council set out on pages 71 to 121 which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement 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 my opinion, the financial statements present fairly, in all material respects, the financial position of the National Home Builders Registration Council as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (Act No 1 of 1999) (PFMA).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### *Restatement of corresponding figures*

7. As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2017.

#### *Uncertainties relating to future outcomes of exceptional litigation*

8. With reference to note 26 to the financial statements relating to pending cases which have been disclosed as contingent liabilities, the ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

#### Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### *Unaudited supplementary schedule*

10. The supplementary schedule as set out in note 29 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

## Responsibilities of the accounting authority for the financial statements

11. The council, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.
12. In preparing the financial statements, the accounting authority is responsible for assessing the National Home Builders Registration Council'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 there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

## Auditor-general's responsibilities for the audit of the financial statements

13. My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

15. 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 I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did 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, my findings do not extend to these matters.
17. I 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 programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 2: Regulation	59
Programme 3: Consumer Protection	60 – 61

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I 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.
19. The material findings in respect of the reliability of the selected programmes are as follows:

### **Programme 3: Consumer protection**

#### *KPI: Subsidy enrolments*

20. The reported achievement for the target of *number of subsidy homes enrolled as aligned with the business plans of the National Department of Human Settlements* was misstated as the evidence provided indicated 74 149 enrolled and not 83 519 as reported.
21. The reported achievement for the target of *number of late enrolment processed in the subsidy sector* was misstated as the evidence provided indicated 1 954 late enrolments and not 2 900 as reported.
22. I did not identify any material findings on the usefulness and reliability of the reported performance information for *Programme 2: Regulation*.

#### **Other matter**

23. I draw attention to the matters below.

#### **Adjustment of material misstatements:**

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of *Programme 2: Regulation* and *Programme 3: Consumer Protection*. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance

information. Those that were not corrected are included in paragraphs 20 and 21 of this report

### **Achievement of planned targets**

25. Refer to the annual performance report on pages 58 to 61 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a number of targets. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraphs 20 and 21 of this report.

### **Report on audit of compliance with legislation**

#### **Introduction and scope**

26. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
27. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

#### *Procurement and contract management*

28. In some instances goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulation 16A6.1.

#### *Expenditure Management*

29. Effective steps were not taken to prevent irregular expenditure amounting to R6 180 773 as disclosed in note 23 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

#### **Other information**

30. The National Home Builders Registration Council's 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 thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

31. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
32. In connection with my audit, my 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 my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the performance report and the findings on compliance with legislation included in this report.

#### Leadership

- Senior management did not exercise adequate oversight responsibility over contract management resulting in instances where goods and services were procured without inviting competitive bids.

- Senior management did not exercise adequate oversight over performance reporting resulting in inaccurate reporting against the pre-determined targets.

#### Financial and performance management

- Management has not established adequate controls over performance reporting.

#### Other reports

34. I draw attention to the following engagement conducted by an external service provider that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
35. An investigation was conducted by an external service provider based on allegations of maladministration and irregular appointments. A draft report was made available to the Council and the recommendations contained in the report are presently under consideration.

*Auditor - General*

Pretoria  
31 July 2017



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council, which constitutes the accounting authority.
  - conclude on the appropriateness of the council, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Home Builders Registration Council's ability to continue as a going concern. If I conclude that a material

uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. I 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 I identify during my audit.
4. I also confirm to the accounting authority that I 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 my independence and where applicable, related safeguards.

### Audit and Risk Management Committee (ARMCO) Report

The ARMCO is pleased to report that it is properly constituted as required by section 77 of the PFMA and has complied with its responsibilities arising from section 38(1) (a) of the PFMA and paragraph 3.1.13 of the Treasury Regulations. The ARMCO also reports that it has adopted appropriate formal terms of reference as its ARMCO Charter, and has managed and regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

As mandated, we hereby report on the functions of the ARMCO for the year ended 31 March 2017.

## ARMCO meetings and attendances

The ARMCO consists of the members listed below. The Committee meets at least four times per annum in line with its approved charter. Five (5) meetings were held during the year under review, four (4) were scheduled and one (1) was special. The attendance record of the members is detailed below:

Members	Qualification	Scheduled Meetings	Special Meetings	Total Meetings attended
<b>Mr. Y Amod Chairperson</b> Independent Non-Council Member	CA (SA); RA (SA); and CIA.	19 April 2016	26 May 2016	5
		22 July 2016		
		25 October 2016		
		27 January 2017		
<b>Ms. X Daku</b> Council Member	B.Proc; LLM; Diploma in Legal Practice; Diploma in Human Resources Management & Training	22 July 2016		3
		25 October 2016		
		27 January 2017		
<b>Mr G. Manack</b> Council Member	M.Sc. Public Policy and Management, Certificate in Government IT Management, Executive Programme in Financial Management	19 April 2016	26 May 2016	4
		22 July 2016		
		25 October 2016		
<b>Mr. P Makgathe*</b> Council Member	M.Sc. in Industrial Relations and Personnel Management; B. Admin in Industrial Sociology and Public Administration; Certificate in Management of Training, Housing Executive Programme	25 October 2016	26 May 2016	1
<b>Mr. O Molotsi*</b> Council Member	N Diploma in Architecture; B.Tech. Architectural Management; MDP; Fundamentals of Snr. Management; MBA	19 April 2016	26 May 2016	2

- \*Mr O Molotsi resigned as a Member of Council and of the Committee as he was no longer in the employ of the Department of Public Works.
- \*Mr P Makgathe, a Member of Council, was appointed by Council to the Committee to replace Mr. O Molotsi's resignation.

## Effectiveness of Internal Control

The review of the effectiveness of the system of internal controls by ARMCO is informed by reports submitted by external audit, internal audit, risk management, legal and compliance and management. The development and maintenance of an effective internal control system is the responsibility of management.

In carrying out its mandate as conferred to it by its Charter, and section 27.1.8 of the Treasury Regulations (March 2005), the Committee confirms that taking into consideration the reports by various assurance providers it has reviewed and assessed the following:

- The effectiveness of the internal control systems;
- The effectiveness of the internal audit and finance functions;
- The effectiveness of the risk management process;
- The scope of risk areas to be covered by internal and external audits;
- The adequacy, reliability and integrity of operational and financial information and reports used by management and governance overseers;
- The entity's compliance framework and implementation thereof;
- The reports on significant investigations and outcomes thereof; and
- The independence of the external auditors.

The following internal audit work (assurance) was performed during the year under review:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Performance Information	Performance Information	Performance Information	Performance Information
Auditor General findings Resolutions	Auditor General findings Resolutions	Auditor General findings Resolutions	Auditor General findings Resolutions
Management Accounting			Financial Reporting Readiness
SAP (IT) Security	Unenrolled (uninsured) houses	Employee Recruitment and Succession Planning	IT Network Assessment
Geotech Assessments	Housing Forensic Assessments	Supply Chain Management (Top 10 Contracts)	Technical Revenue
Innovative Building Technology	Data Integrity	SAP application Reviews	House Inspections: Mobile Devices
Builder Renewal Process	Employee Pension Fund	Customer Relations Management	Financial Guarantees
Builder Enforcement Process( Non Compliances)	Unapplied/Unaccounted for Revenue	Subsidy Sector House Enrolments	SAP Implementation Review

As per the above table it is noteworthy that ARMCO reviewed and monitored on a quarterly basis, performance around Performance Information reporting, Resolution of Auditor General and Internal Audit findings by Management. There was further audit work done under Advisory services, providing advice and consultancy work to Business, Council including Executive ad hoc requests as well as attending to all tender (supply chain management) processes from start up to award of each tender.

There has been steady improvement in the Organization's control environment however, the ARMCO is of the opinion that there is a need for more focused Management action in the following critical areas:

- IT governance and data integrity;
- Revenue accounting especially in the Technical revenue areas;
- Compliance across the business;
- Procurement;
- Ethical and Fraud prevention reviews;
- Business Continuity and Recovery processes; and
- Performance Information reporting.

The ARMCO noted with concern the continued reporting around Performance Information deficiencies, and delays in the condonation of Irregular Expenditure. Management have expressed their commitment to give these two areas the necessary urgency and attention they deserve to ensure a quick turnaround regarding the accounting, recording and reporting in these areas. Although the ARMCO is satisfied that the internal accounting controls area has improved, there is still more effort required to ensure that the controls are adequately designed and operated effectively to ensure completeness, accuracy and reliability of financial records for preparing the annual financial statements, and that accountability for assets and liabilities is maintained.

The NHBRC has continued to use a hybrid Internal Audit function that incorporated a core in-house team and had access to subject matter experts for complex business areas. The model has made a significant impact in the coverage and review of significant business areas and processes, but there is still room for improvement to get its focus to include areas such as asset and liability management and other activities associated with the short term insurance operations of the Business. The committee is overseeing the implementation of the Combined Assurance model to enhance the Organization's governance, risk management and compliance environment.

Once again, despite the noted improvements, the Committee continues to be concerned about the gravity of some of the matters raised in the External Auditor's reports to Management. The Committee also noted areas of lack of progress by Management in addressing reported internal control shortcomings. To this end, it has been found imperative that Management undertake a comprehensive risk and control maturity assessment to establish where the Organization is control-maturity wise, and to identify appropriate strategies to address gaps. The Committee will also engage the Council to consider various initiatives that will

see a radical positive change regarding implementation and maintenance of adequate and effective governance, risk and control processes in the NHBRC.

### Monthly and Quarterly Reporting

The NHBRC has reported monthly and quarterly to the Department of Human Settlements as required by the PFMA and its compact with the Department of Human Settlements.

### Evaluation of Financial Statements and Management Reports

In terms of section 3.1.13 of the Treasury Regulations (March 2005) the Committee has reviewed and evaluated the following:

- Effectiveness of Internal Controls;
- Quality of Management Reports; and
- The Annual Financial Statements.

### Management Reports

The ARMCO once again has noted that the information management system that produces management reports faced significant instability during the year, similar to previous financial years. The business still relies on manual systems for reporting, with the attendant risks (the reliability and integrity of data may be materially compromised). However, this did not impact on meeting the statutory reports submission deadlines as set in section 8(1) of the PFMA.

### Annual Financial Statements

The ARMCO has:

- Reviewed and discussed the audited annual financial statements to be included in the Annual Report with the Auditor General and the Chief Executive Officer. It has noted with concern the matters raised in the Auditor's General report.
- Reviewed the Auditor General's management letter and the substance of Management's response and action plans thereto;
- Reviewed changes in accounting policies and practices, where appropriate; and
- Reviewed significant adjustments resulting from the audit.

The ARMCO concurs with and accepts the Auditor General's conclusions on the annual financial statements, and recommends that the audited financial statements read together with the report of the Auditor General be accepted and approved by the Council for submission to the Shareholder and publication for NHBRC stakeholders.

### Appreciation

The ARMCO takes this opportunity of expressing its sincere appreciation to the Council. AGSA, Internal Audit, Risk Management, Legal and Compliance, and Management for their support and co-operation during the year under review.



Signature

Younus Ebrahim Amod - Chairperson of ARMCO

Date: 31 August 2017

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## STATEMENT OF RESPONSIBILITY

for the year ended 31 March 2017

The Council, which is the Accounting Authority of the National Home Builders Registration Council (NHBRC), is responsible for the preparation, integrity and fair presentation of the annual financial statements of the NHBRC.

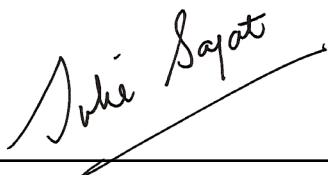
The annual financial statements for the year ended 31 March 2017 presented on pages **71 to 122** have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements and estimates. The going concern basis has been adopted in preparing the annual financial statements. The Council has no reason to believe that the NHBRC will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The Council is also responsible for the NHBRC's system of internal controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored throughout the NHBRC by management and employees, in an attempt to address the segregation of authority and duties with available resources. The Council continues to design and implement processes to monitor internal controls, to identify material breakdowns and implement timely corrective action.

The Council, and NHBRC management, treat corporate governance matters seriously, and whenever any instances of non compliance to regulations are uncovered or reported, appropriate disciplinary measures in terms of policy and legislation are instituted.

The annual financial statements were approved by the Council on 31 July 2017 and are signed on its behalf:



*Acting Chairperson of Council*

Ms. J. Bayat



*Acting Chief Executive Officer*

Ms. T. Moshoeu

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

	Notes	2017 R	Restated 2016 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	97 606 013	102 360 970
Intangible assets	3	101 952 148	117 058 064
Investments	4,25	2 429 512 303	2 246 659 452
		<b>2 629 070 464</b>	<b>2 466 078 486</b>
<b>Current assets</b>			
Investments	4,25	3 171 110 682	2 880 814 218
Inventories	5,25	13 180 138	13 880 638
Trade and other receivables	6,25	45 289 074	22 137 448
Cash and cash equivalents	7	204 920 558	251 859 273
		<b>3 434 500 451</b>	<b>3 168 691 578</b>
<b>TOTAL ASSETS</b>		<b>6 063 570 915</b>	<b>5 634 770 064</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Accumulated surplus		4 531 272 035	4 037 164 456
Emerging contractor reserve		25 193 022	31 007 301
		<b>4 556 465 057</b>	<b>4 068 171 757</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision for outstanding claims	9	33 626 510	33 006 085
Provision for unearned premium	9	538 697 750	508 080 229
Provision for unexpired risk	9	360 920 400	444 695 393
		<b>933 244 659</b>	<b>985 781 707</b>
<b>Current liabilities</b>			
Trade and other payables	10,25	126 049 737	196 569 305
Provisions	11	24 709 800	2 878 582
Provision for outstanding claims	9	13 692 174	13 448 548
Provision for unearned premium	9	409 409 489	367 920 165
		<b>573 861 199</b>	<b>580 816 600</b>
<b>Total equity and liabilities</b>		<b>6 063 570 915</b>	<b>5 634 770 064</b>

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2017

		2017	Restated
	Notes	R	R
Insurance premium revenue	12	798 497 991	700 272 893
Fee revenue	13	32 865 444	42 311 370
Technical services revenue	14:25	44 657 784	56 315 976
Other income	16	3 399 300	2 215 229
<b>Total income</b>		<b>879 420 519</b>	<b>801 115 468</b>
Insurance claims and loss adjustment expenses	17	9 024 807	5 309 754
Accreditation,builders manual and certificate cost	29.2:25	3 173 211	4 253 342
Technical services expenditure	29.3	50 831 942	55 807 461
Administration expenses	29.4:25	714 896 402	700 328 040
<b>Expenses</b>		<b>777 926 363</b>	<b>765 698 597</b>
<b>Profit from operating activities</b>		<b>101 494 156</b>	<b>35 416 871</b>
Provision for onerous contract	11	24 559 800	-
<b>Operating profit before investment income</b>		<b>76 934 356</b>	<b>35 416 871</b>
<b>Net Investment income</b>		<b>411 372 303</b>	<b>214 916 026</b>
Interest received and investment income	15:25	369 597 073	336 992 764
Unrealised profit/(loss) on financial assets	4	43 097 835	(79 865 588)
Realised profit/(loss) on financial assets	4	8 057 027	(34 471 697)
Asset management services		(9 379 631)	(7 739 453)
<b>Net profit before finance costs</b>	18	488 306 659	250 332 897
Finance costs	19	13 359	30 690
<b>Surplus for the year</b>		<b>488 293 300</b>	<b>250 302 207</b>

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2017

	Notes	Accumulated surplus	Emerging contractor reserve	Total
		R	R	R
<b>Balance at 31 March 2015</b>		<b>3 776 648 827</b>	<b>41 237 883</b>	<b>3 817 886 710</b>
Restated surplus	25	250 285 048	-	250 285 048
As previously reported		189 471 467		189 471 467
Restatement of prior year surplus		60 813 581	-	60 813 581
Reserve utilised (note 8)	8	10 230 582	(10 230 582)	-
<b>Balance at 31 March 2016 - restated</b>	<b>25</b>	<b>4 037 164 456</b>	<b>31 007 301</b>	<b>4 068 171 757</b>
Surplus for the year ended 31 March 2017		488 293 300	-	488 293 300
Reserve utilised (note 8)	8	5 814 279	(5 814 279)	-
<b>Balance at 31 March 2017</b>		<b>4 531 272 035</b>	<b>25 193 022</b>	<b>4 556 465 057</b>

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## CASH FLOW STATEMENT

for the year ended 31 March 2017

	Notes	2017 R	Restated 2016 R
<b>Cash flows from operating activities</b>			
Cash generated from operations	20.1	17 284 417	62 401 254
- Cash receipts from customers		852 869 593	801 716 473
- Cash paid to suppliers and employees		(835 585 176)	(739 315 219)
Interest paid	19	(13 359)	(30 690)
Interest received	15	9 400 281	8 724 345
<i>Net cash inflow from operating activities</i>		26 671 339	71 094 909
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3 664 629)	(8 133 185)
Purchase of intangible assets		(169 138)	(35 162 277)
Purchase of financial assets		(97 422 584)	(14 375 777)
Proceeds on sale of financial assets	20.2	35 807 054	71 198 154
<i>Net cash outflow from investing activities</i>		(65 449 297)	13 526 916
<b>Cash flows from financing activities</b>			
Claims paid		(8 160 757)	(4 481 925)
<i>Net cash outflow from financing activities</i>		(8 160 757)	(4 481 925)
<b>Net increase/(decrease) in cash and cash equivalents</b>		(46 938 715)	80 139 901
<b>Cash and cash equivalents at beginning of year</b>		251 859 273	171 719 372
<b>Cash and cash equivalents at the end of the year</b>	20.3	204 920 558	251 859 273

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## STATEMENT OF COMPARISON OF BUDGET INFORMATION WITH ACTUAL INFORMATION

for the year ended 31 March 2017

Description	Notes	2017	2017	Difference: Actual and Budget	Restated 2016	2016
		Actual	Budget		Actual	Budget
<b>Revenue</b>	<b>1</b>					
Fee income	1.1	32 865 444	118 512 833	(85 647 389)	42 311 370	49 055 934
Non-subsidy enrolments	1.2	596 753 265	550 391 339	46 361 926	548 866 735	452 338 733
Change in unearned premium provision	1.3	-72 106 845	-70 000 000	(2 106 845)	-52 020 978	-
Change in unexpired risk	1.3	83 774 993	-	83 774 993	46 513 261	-
Subsidy enrolments	1.4	190 076 577	235 709 450	(45 632 872)	156 913 875	239 519 118
Technical and other revenue		48 057 085	43 533 000	4 524 085	58 531 205	72 250 000
<b>Total Revenue</b>		<b>879 420 519</b>	<b>878 146 622</b>	<b>1 273 897</b>	<b>801 115 468</b>	<b>813 163 785</b>
<b>Expenses</b>	<b>2</b>					
Insurance claims and loss adjustment expenses		9 024 807	-	9 024 807	5 309 754	-
Accreditation,builders manual and certificate cost		3 173 211	24 802 525	(21 629 314)	4 253 342	5 146 633
Technical services expenditure		50 831 942	36 012 232	14 819 710	55 807 461	48 300 000
Council costs	2.3	5 675 123	3 905 300	1 769 823	3 839 224	4 580 000
Disciplinary committee costs		4 681 354	4 426 600	254 754	2 664 535	2 580 000
Employees cost	2.2	426 443 643	418 203 230	8 240 412	411 431 667	449 691 081
General and administration costs	2.1	258 599 826	314 591 521	(55 991 695)	270 391 538	302 737 565
<b>Total Expenses</b>		<b>758 429 908</b>	<b>801 941 409</b>	<b>(43 511 501)</b>	<b>753 697 522</b>	<b>813 035 281</b>
Onerous contract expense	3	24 559 800	-	24 559 800	-	-
<b>Surplus / (Deficit) before investment income</b>		<b>96 430 812</b>	<b>76 205 212</b>	<b>-20 225 599</b>	<b>47 417 946</b>	<b>128 504</b>
<b>Investment income</b>	<b>4</b>	<b>411 372 303</b>	<b>367 596 594</b>	<b>43 775 709</b>	<b>214 916 027</b>	<b>264 500 000</b>
Interest received		356 151 957	261 768 931	94 383 025	324 536 254	265 500 000
Dividend Income		13 445 116	10 000 000	3 445 116	12 456 510	9 500 000
Unrealised profit/ (loss) on financial assets		43 097 835	106 000 000	-62 902 165	-79 865 588	-
Realised profit/ (loss) on financial assets		8 057 027	-	8 057 027	-34 471 697	-
Asset management services		-9 379 631	-10 172 337	792 706	-7 739 453	-10 500 000
Interest paid		13 359	-	13 359	30 690	-
<b>Surplus / (Deficit) for the period</b>		<b>507 789 756</b>	<b>443 801 806</b>	<b>63 987 949</b>	<b>262 303 282</b>	<b>264 628 504</b>

## Note

**1. Revenue****1.1 Fee income**

Fee income includes registration fees, renewal fees as well as project enrolments. The negative variance against budget was due to the delays experienced in the rolling out of projects by Provincial Departments of Human Settlement resulting in fee revenue being less than budget.

**1.2 Non subsidy enrolments**

The positive increase of R46m is due to a better than expected performance in both unit enrolments and a higher than average enrolment value.

**1.3 Change in unearned premium and unexpired risk**

The budgeted unearned premium provision was based on past trends.Final actuarial provision adjustments are not materially different to that planned.

**1.4 Subsidy enrolments**

Subsidy home enrolment revenue decreased by R45.6 million compared to budget. This is due to delays in the process of enrolling homes by the Provincial Departments of Human settlement. The higher budget was based on the projected number that was communicated by the Department. This number has been revised down for the remaining years of the MTSF.

**2. Expenditure****2.1 General and administration expenses**

General and administration expenditure were stringently managed by the organisation.

**2.2 Employee Costs**

The over expenditure in permanent staff costs is due to temporary position that were filled for the stabilisation of the SAP system.

**2.3 Council costs**

The increase in the cost is due to increase in number of meeting held by the council in the rollout of strategic plan.

**3. Provision for Onerous contract.**

In 2008 NHBRC entered into a contract to rectify 222 house in the Eastern Cape. The project additional cost to complete the project is estimated at R 24,5million.

**4. Income from investments**

The objective of the investment strategy implemented by the entity included amongst others, the generation of returns on cash and bonds, when equity markets were declining.

**NATIONAL HOME BUILDERS REGISTRATION COUNCIL****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***for the year ended 31 March 2017***1. Summary of significant accounting policies**

The NHBRC is a statutory body incorporated in terms of the Housing Consumers Protection Measures Act, (Act No. 95 of 1998). Its principle business is the regulation of the home building industry and protection of housing consumers by the establishment of a warranty fund.

**1.1 Basis of preparation**

In terms of section 55(1) of the Public Finance Management Act (Act No.1 of 1999) (PFMA), the NHBRC is required to comply with the South African Statements of Generally Recognised Accounting Practice.

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

The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments measured at fair value;
- Financial instruments at fair value through profit or loss are measure at fair value;
- Technical liabilities are measure at actuarial values.

The methods used to measure fair value are detailed in note 1.13.

During the year, a number of standards of GRAP became effective for the current financial period. A brief description of these standards as well as an estimate of the impact is contained in Note 1.3. A full list of the GRAP Framework is contained in Directive 5. In the absence of a GRAP standard, the GRAP hierarchy in GRAP 3 - Accounting policies, changes in accounting estimates and errors are used to develop an appropriate accounting policy. In terms of GRAP 3, judgment must be used when developing an accounting policy. In applying judgement, GRAP 3 requires that management refers to and considers the applicability of the following sources in descending order:

- (a) the requirements and guidance in Standards of GRAP dealing with similar and related issues; and
- (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements.

**NATIONAL HOME BUILDERS REGISTRATION COUNCIL****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***for the year ended 31 March 2017***1. Summary of significant accounting policies (continued)****1.1 Basis of preparation (continued)**

These accounting policies are consistent with those of the prior financial year.

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value less point of sale costs, and incorporate the principal accounting policies set out below.

The NHBRC concluded that the annual financial statements present fairly the Council's financial position, financial performance and cash flow for the year ended in accordance with SA Standards of

GRAP and in the manner required by the PFMA and section 15 (6)(c) of the Housing Consumer Protection Measures Act (Act no.95 of 1998).

**1.2 Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is given in the following notes:

- Technical liabilities;
- Impairment of financial assets;
- Measurement of the recoverable amount from Provincial Departments.

**1.3 Application of new accounting standards**

*The following standards, amendments to standards and interpretations which are relevant to the Council, have been adopted in these financial statements:*

*GRAP 1: Presentation of Financial Statements*

Incorporates guidance on how entities as part of their accounting policies should disclose

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

**1. Summary of significant accounting policies** *(continued)*

**1.3 Application of new accounting standards** *(continued)*

the extent to which they have taken advantage of any transitional provisions in adopting the standards of GRAP and commentary should be added to explain where there has been a departure from a particular Standard of GRAP and that departure is material, entities cannot claim compliance with Standards of GRAP.

*GRAP 3: Changes in Accounting Estimates and Errors*

Provides clarity that changing an entity's basis of accounting is a change in an accounting policy, and that certain changes within a basis of accounting may also be a change in accounting policy.

*GRAP 9: Revenue from Exchange Transactions*

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

Clarifies that this standard only applies to revenue from exchange transactions. This standard will not have a material impact on the NHBRC.

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

**1. Summary of significant accounting policies** *(continued)*

**1.3 Application of new accounting standards** *(continued)*

*GRAP 12: Inventories*

The fair value measurement has been removed. Inventories are not measured at their fair value except if the entity is a commodity broker, which is not common in the public sector.

*GRAP 13: Leases*

Incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives. In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

*GRAP 14: Events after the reporting date*

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue. The impact of the standard is not material.

*GRAP 16: Investment Property*

This standard prescribes the accounting treatment for investment property and related disclosure requirements. The impact of the standard is not material.

*GRAP 17: Property, Plant and Equipment*

Does not require or prohibit the recognition of heritage assets, but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

#### 1. Summary of significant accounting policies (continued)

##### 1.3 Application of new accounting standards (continued)

Additional commentary has been included to clarify the recognition and measurement of exploration and evaluation assets in terms of GRAP 17.

Where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets held for Sale and Discontinued Operations does not apply. The sale of such assets is treated under GRAP 12 on inventories.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment that are retired from active use is encouraged rather than required.

The disclosure of the cost of property, plant and equipment measured at fair value is no longer required. The impact of the standard is not material but will result in additional disclosure.

#### *GRAP 19: Provisions, Contingent Liabilities and Contingent Assets*

Excludes from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered when assessing if a present obligation that arises from past events exists or not.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from re-measurement of the estimated future outflow of economic

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

**1. Summary of significant accounting policies (continued)**

**1.3 Application of new accounting standards (continued)**

benefits or service potential, or from settlement of the provisions without cost to the entity. The impact of the standard is not material.

*GRAP 104: Financial Instruments*

Financial Instruments should also be applied retrospectively, except where indicated otherwise. In previous reporting periods, entities would have applied IAS 39 or, they may have used GRAP 104 to formulate their accounting policies. The main difference between GRAP 104 and IAS 39 is the elimination of certain categories of financial assets in GRAP 104. As a result of these differences in categorisation, entities should analyse the financial assets recognised as at 31 March/30 June 2012 and categorise them using the requirements in GRAP 104. Entities should also take note of the carrying values and fair values of any instruments at that date as these will form the basis of either the fair value or carrying value going forward.

*The Impact of this standard is material and has been applied retrospectively with additional disclosure.*

*1.3.1 Standards, interpretations and amendments to published standards effective for reporting periods commencing on or after 1 April 2012 not adopted by the NHBRC.*

*GRAP 100: Discontinued operations*

The impact of the standard is not material but will result in additional disclosure.

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

#### 1. Summary of significant accounting policies (continued)

##### 1.4 Newly effective GRAP standards for the 2016/17 financial year

1.4.1 The following Standards of GRAP should be applied by public entities, constitutional institutions, Municipalities and municipal entities for the period beginning 1 January 2017:

- GRAP 18: Segment Reporting;
- GRAP 105: Transfer of Functions between Entities under Common Control;
- GRAP 106: Transfer of Control between Entities not Under Common Control;
- GRAP 107: Mergers;

1.4.2 Effective GRAP Standards affected by the improvements project

- GRAP 1: Presentation of Financial Statements;
- GRAP 2: Cash Flow Statements;
- GRAP 3: Accounting policies, Changes in Accounting Estimates and Errors;
- GRAP 7: Investments in Associates;
- GRAP 10: Financial Reporting in Hyperinflationary Economies;
- GRAP 11: Construction Contracts;
- GRAP 13: Leases;
- GRAP 17: Property Plant and Equipment;
- GRAP 19 : Provisions, Contingent Liabilities and Contingent Assets;
- GRAP 21: Impairment of Non-cash- generating units;
- GRAP 24: Presentation of Budget Information in Financial Statements;
- GRAP 25: Employee Benefits;
- GRAP 26: Impairment of cash-generating Assets;
- GRAP 31: Intangible Assets;
- GRAP 103 : Heritage Assets;
- GRAP 104: Financial Instruments.

1.4.3 Standard approved but not yet effective

- GRAP 20: Related party disclosure
- GRAP 32: Service concession arrangements
- GRAP 34: Separate financial statements
- GRAP 36: Investment in associate and joint ventures
- GRAP 37: Joint arrangement
- GRAP 38: Disclosure of interest in other entities
- GRAP 108: Statutory receivables
- GRAP 109: Accounting by principal and agents
- GRAP 110: Living and non-living resource

**NATIONAL HOME BUILDERS REGISTRATION COUNCIL****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***for the year ended 31 March 2017***1. Summary of significant accounting policies (continued)****1.5 Insurance technical result**

The technical result is determined on an annual basis whereby the incurred cost of insurance claims and related expenses, together with any change in other technical provisions is charged against the earned proportion of insurance premiums, as follows:

*Insurance premiums written*

Insurance premiums are defined as an enrolment fee in terms of Section 14 of the Housing Consumers Protection Measures Act. Insurance premiums written relate to business incepted during the year, together with any differences between booked insurance premiums for prior years and those previously accrued. They include the insurance premiums for the whole of the period of risk covered by the warranty regardless of whether or not these are wholly due for payment in the accounting period.

Insurance premiums written comprise the total insurance premiums payable by the insured to which the insurer is contractually entitled and are shown net of insurance premium refunds. Insurance premiums written exclude value added taxation.

*Unearned insurance premiums*

In terms of the Housing Consumers Protection Measures Act (Act no. 95 of 1998), the Council shall provide a warranty to housing consumers for a maximum period of five years from the date of occupation. Insurance premiums are earned over the period of the policy commensurate with the expected incidence of risk. In reaching its assessment of the pattern of risk the Council makes reference to past insurance claims experience. Unearned insurance premiums represent the proportion of insurance premiums written that is held to cover expenses, claims and profits attributable for future years of warranty cover.

In determining the unearned premium provision, initial expenses are deducted from the enrolment fee. The remaining portion of the enrolment fee is assumed to be earned over the life of the policy in accordance with the earnings curve. Initial expenses are earned uniformly over two quarters. The unearned premium provision includes an allowance for the future release of profits.

**NATIONAL HOME BUILDERS REGISTRATION COUNCIL****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***for the year ended 31 March 2017***1. Summary of significant accounting policies (continued)****1.5 Insurance technical result (continued)***Insurance claims incurred*

Insurance claims incurred, comprise insurance claims and related expenses paid in the year and changes in the outstanding claims provision, including provisions for insurance claims incurred but not reported and related expenses, together with any other adjustments to insurance claims from previous years. Insurance claims are typically reported relatively quickly after the insurance claims event and are therefore subject to significantly less uncertainty than future insurance claims events.

Insurance claims outstanding represent the cost of settling all insurance claims arising from events that have occurred up to the balance sheet date, including the provision for insurance claims incurred but not reported, less any amounts paid in respect of those insurance claims.

In estimating the cost of notified but not paid insurance claims, the Council has regard to the insurance claim circumstances as reported. Basic chain ladder techniques are applied to project outstanding remedial work payments for each complaint period. The difference between the ultimate claims and the claims paid to date produced a result which includes both the "Incurred But Not Reported" and "Notified Outstanding Claims" provisions.

*Unexpired risk provisions*

An unexpired risk provision is made where the estimated cost of insurance claims, related expenses and deferred acquisition costs exceed unearned insurance premiums, after taking account of future investment income. An assessment is made at the year-end for the estimated cost of insurance claims, which will arise during the unexpired terms of policies in force at the balance sheet date. The estimated cost of insurance claims includes expenses to be incurred in settling insurance claims.

The provisions are inevitably subject to inherent uncertainties because of the range of factors, which could give rise to potentially significant insurance claims over the five year period covered by the "unexpired risk provision". The time expected to elapse between the inceptions of policies, the manifestation of events giving rise to insurance claims, and the notification to and settlement by the Council of such insurance claims accentuate these uncertainties.

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

**1. Summary of significant accounting policies** *(continued)*

**1.5 Insurance technical result** *(continued)*

In calculating the estimated cost of future insurance claims, actuarial and statistical projections of the frequency and severity of future insurance claims events are used to project ultimate settlement costs.

Such projections are based on current facts and circumstances. Due to inherent uncertainties a significant degree of caution has been included in exercising the judgement required for setting the unexpired risk provision at a level such that the Council is confident that it is not understated.

Given the inherent uncertainty in estimating the cost of future insurance claims, it is likely that the final outcome will prove to be different from the estimate established at the balance sheet date. Any consequential adjustments to amounts previously reported will be reflected in the results of the year in which they are identified.

*Liability adequacy test*

The solvency of the warranty fund is tested annually by an independent actuarial service company. The assessment is to confirm the solvency of the organisation and its ability to meet its future obligations. The results of the actuarial valuation indicated that the NHBRC as a whole, including both subsidy and non-subsidy houses, is solvent and able to fund its liabilities on a run-off basis. The change in mix of business between subsidy and non-subsidy houses and enrolment fee structures will in future determine the solvency position of the NHBRC.

**1.6 Revenue recognition**

Revenue arising from registration, renewal, late enrolment, non-subsidy enrolments, and subsidy home enrolments are recognised on the accrual basis when cash and appropriate supporting documentation is obtained. Revenue arising from subsidy project enrolments fees and technical services are recognised on the accrual basis.

Revenue from the sale of goods and service are recognised when significant risks and rewards of ownership have been transferred to the buyer. Interest income is accrued on a time proportion basis, taking into account the principal outstanding amount and the effective interest rate over the period to maturity.

**NATIONAL HOME BUILDERS REGISTRATION COUNCIL****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***for the year ended 31 March 2017***1. Summary of significant accounting policies (continued)****1.7 Irregular, unauthorised, fruitless and wasteful expenditure**

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the PFMA, or any legislation providing for procurement procedures in Government.

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of Government or organ of state and expenditure in the form of a grant that is not permitted in terms of the PFMA.

Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised.

All irregular, unauthorised, fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

**1.8 Taxation**

No provision has been made for South African Normal Tax as the Council has been granted exemption in term of Section 10 (1) (cA) (i) of the Income Tax Act No 58 of 1962.

**1.9 Property, plant and equipment**

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

Items of property plant and equipment are initially recognised at cost, being the cash price equivalent at the recognition date. Expenditure on additions and improvements to property, plant and equipment including the cost of related interest is capitalised as the expenditure is incurred. Subsequent to initial recognition, items of property plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

1. **Summary of significant accounting policies** *(continued)*1.9 **Property, plant and equipment*****Change in useful lives***

Management re-assessed the useful lives of computer equipment and office furniture.

Depreciation is charged to surplus or deficit so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following rates are used for the depreciation of property, plant and equipment:

Computer equipment	25.0% p.a
Office furniture	6.7% p.a
Office Equipment	10% p.a
Motor vehicles	20.0% p.a
Buildings	5.0% p.a
Minor Assets	1 year

**Land is not depreciated**

The residual values, useful lives and economic consumption patterns for all items of property, plant and equipment are reviewed annually and, if necessary, the consequent depreciable amounts, rates and methods are adjusted at each balance sheet date. Any changes are accounted for as changes in accounting estimates and included in surplus or deficit for the current and future periods by adjusting the relevant future depreciation charges.

The gain or loss arising from the disposal or retirement of an asset is determined by deducting the carrying value from the proceeds on the date of disposal and are included in surplus or deficit.

**NATIONAL HOME BUILDERS REGISTRATION COUNCIL****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***for the year ended 31 March 2017***1. Summary of significant accounting policies (continued)****1.10 Intangible assets**

The intangible assets are purchased and have a finite life. Amortisation is recorded by a charge to income computed on the straight line basis, after adjusting for residual value at the end of their useful life, so as to write off the cost of the assets over their expected useful lives. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year and adjusted if appropriate. The useful life of intangible assets was reviewed and the following rate is used for the amortisation of intangible assets:

<b>Computer software</b>	<b>14.29% p.a</b>
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Subsequent expenditure is capitalised only when it creates the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands is recognised in profit or loss when incurred.

**1.11 Impairment**

The carrying values of assets are reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their estimated recoverable amount.

Impairment losses are recognised as an expense in the statement of financial performance.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

**NATIONAL HOME BUILDERS REGISTRATION COUNCIL****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***for the year ended 31 March 2017***1. Summary of significant accounting policies (continued)****1.12 Inventories**

Inventories are initially measured at cost and subsequently written down to the lower of cost and estimated net realisable value. Any write-down is recognised in surplus or deficit. Cost is calculated using the first-in-first-out method and comprises direct purchase costs. Estimated net realisable value is the estimated selling price in the ordinary course of business, less any costs to be incurred in distribution.

**1.13 Financial instruments**

Significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed below:

**Financial assets**

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial instruments at fair value, financial instruments at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

***Financial instruments at fair value***

Unlisted shares and listed redeemable notes, traded in an active market are classified as financial instruments at fair value and are stated at fair value. Fair value is determined in the manner described in note 24. Gains arising from changes in fair value are recognised directly in the statement of comprehensive income, this is not consistent with prior years as a result of the adoption of GRAP 104 which has been applied retrospectively. Impairment losses are recognised directly in surplus or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised is included in surplus or deficit for the period.

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

**1.1 Summary of significant accounting policies** (continued)**1.13 Financial instruments** (continued) *Financial instruments at amortised cost*

Trade receivables, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial instruments at amortised cost. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. For unlisted shares classified as fair value financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including financial assets at amortised cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

With the exception of fair value derivative financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**NATIONAL HOME BUILDERS REGISTRATION COUNCIL****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***for the year ended 31 March 2017***1.1 Summary of significant accounting policies (continued)****1.13 Financial instruments (continued)***De-recognition of financial assets*

Financial assets are derecognised when the contractual rights to the cash flows from that asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Where the risks and rewards of ownership are not transferred or retained continue to control the transferred asset, the retained interest in the asset and the associated liabilities are recognised. Where risks and rewards of ownership are retained, the financial asset and a collateralised borrowing are recognised.

**Financial liabilities**

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

***De-recognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the obligations are discharged, cancelled or they have expired.

**1.14 Cash and cash equivalents**

For the purposes of the cash flow statement, cash includes cash on hand, call accounts and short term bank deposits.

**1.15 Leased assets**

Rentals payable under operating leases are charged to surplus or deficit on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

**1.15 Investments**

Investments are made in terms of an approved investment policy and investment strategy approved by the accounting authority in terms of Treasury regulation 31.3.1 and 31.3.2.

**1.16 Value Added Tax**

No provision has been made for Value Added Taxation as the Council was deregistered as a vat vendor on 01 April 2011 in terms of the Revenue Laws Amendment Acts Nos. 45 of 2003 and 32 of 2004 which came into operation on 01 April 2005.

**NATIONAL HOME BUILDERS REGISTRATION COUNCIL****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***for the year ended 31 March 2017***1.1 Summary of significant accounting policies** *(continued)***1.17 Financial Guarantees**

Financial guarantees are contracts that require a Bank to make specified enrolment payments to the NHBRC at the expiration of a certain period stated in the financial guarantee. Financial guarantees are initially recognised at their fair value and the initial value is amortised over the life of the financial guarantee. The guarantee liabilities are included in other current liabilities.

**1.18 Provisions**

Provisions are recognised if, as a result of a past event, the NHBRC has a present legal or constructive obligation that can be estimated reliably and is probable that an outflow of economic resources will be required to settle the provision.

Provisions are reviewed at the end of each financial year and are adjusted to reflect current best estimates.

**1.19 Events after the reporting period**

An event, which could be favourable or unfavourable, that occurs between the end of the reporting period and the date that the financial statements are authorised for issue.

Adjusting event: An event that after the reporting period provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate.

Non-adjusting event: An event after the reporting period that is indicative of a condition that arose after the reporting period.

**1.20 Related parties**

The NHBRC operates in an economic environment currently dominated by entities directly owned by the South African Government. As a result of the constitutional independence of all spheres of government (National, provincial and local) in South Africa, only parties within the national sphere of government will be considered to be related parties.

**NATIONAL HOME BUILDERS REGISTRATION COUNCIL****NOTES TO THE ANNUAL FINANCIAL STATEMENTS***for the year ended 31 March 2017***1.1 Summary of significant accounting policies** *(continued)***1.20 Related parties** *(continued)*

Key management is defined as being individuals with authority and responsibility for planning, directing and controlling the activities of the NHBRC. All individuals from Council to Executive management are key management individuals.

Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key management in their dealings with the NHBRC.

Other related party transactions are also disclosed in terms of the requirements of IAS 24. The objective of the standard and the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

**1.21 Critical accounting judgements and key sources of estimation uncertainty**

Certain critical accounting policies require the use of judgement in their application or require estimates of inherently uncertain matters. Listed below are those policies that the Council believe are critical and require the use of complex judgement in their application.

***Insurance technical result***

The accounting for the insurance technical result as disclosed in note 1.4 requires the Council to make certain assumptions that have a significant impact on the revenues, expenses and liabilities that are recorded for these insurance premiums. The expected impact as recorded in note 10 are based on historical performances, current and long-term outlooks and the actuarial statistics compiled and updated by the actuarial industry on an on-going basis.

***Plant and equipment***

Residual values and estimated useful lives are assessed on an annual basis. The residual values of vehicles are estimated on published second hand vehicle values as well as trading history. The residual values of all other assets are estimated to be zero.

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 2. Property, plant and equipment

	Computer equipment	Office furniture and equipment	Motor vehicles	Land	Buildings	Total
	R	R	R	R	R	R
<b>Year ended 31 March 2017</b>						
Opening net book amount	10 807 112	11 958 567	286 347	17 751 947	61 556 997	102 360 970
Additions	2 939 613	725 016	-	-	-	3 664 629
Depreciation charge	(3 356 740)	(1 237 315)	(38 214)	-	(3 787 314)	(8 419 583)
Closing net book amount	<b>10 389 985</b>	<b>11 446 268</b>	<b>248 132</b>	<b>17 751 947</b>	<b>57 769 683</b>	<b>97 606 013</b>
<b>At 31 March 2017</b>						
Cost	24 509 389	23 092 292	1 169 897	17 751 947	75 746 282	142 269 808
Accumulated depreciation	(14 119 404)	(11 646 026)	(921 765)	-	(17 976 599)	(44 663 794)
Net book amount	<b>10 389 985</b>	<b>11 446 268</b>	<b>248 132</b>	<b>17 751 947</b>	<b>57 769 683</b>	<b>97 606 013</b>
<b>Year ended 31 March 2016</b>						
Opening net book amount	7 356 480	13 356 247	307 617	17 751 947	65 054 816	103 827 107
Additions	7 110 327	645 988	70 001	-	306 869	8 133 185
Disposals	(117 122)	(558 763)	(37 000)	-	-	(712 885)
Depreciation on disposal	7 968	263 949	37 000	-	-	308 917
Depreciation charge	(3 550 541)	(1 748 854)	(91 271)	-	(3 804 688)	(9 195 354)
Closing net book amount	<b>10 807 112</b>	<b>11 958 567</b>	<b>286 347</b>	<b>17 751 947</b>	<b>61 556 997</b>	<b>102 360 970</b>
<b>At 31 March 2016</b>						
Cost	21 569 781	22 367 345	1 169 898	17 751 947	75 746 282	138 605 251
Accumulated depreciation	(10 762 669)	(10 408 778)	(883 550)	-	(14 189 285)	(36 244 281)
Net book amount	<b>10 807 112</b>	<b>11 958 567</b>	<b>286 347</b>	<b>17 751 947</b>	<b>61 556 997</b>	<b>102 360 970</b>
<b>Fully Depreciated Assets</b>						
<b>At 31 March 2016</b>						
	Computer equipment	Office furniture and equipment	Motor vehicles	Total		
Cost	1 933 770	5 176 575	243 792	7 354 137		
Accumulated Depreciation	(1 933 770)	(5 176 575)	(243 792)	(7 354 137)		
Net Book Value	-	-	-	-		

#### Land

Land comprises of ERF's 1085 & 1086 situated in Leeuwkop road Sunninghill, and Soshanguve A Township, Registration Division JR, Province of Gauteng; under General Plan No A9923/1996 and held by Certificate of Registered Title No. T4866/1997. The register of land is available at the Council's premises.

#### Buildings

Buildings comprise of Head Office located in Leeuwkop Road ,Sunninghill, show houses, a training centre and a conference centre at the Eric Molobi Housing Innovation Hub. The Hub was established towards the end of 2005 at Thormtree View, Soshanguve A, in the Tshwane Metropolitan Municipality in Gauteng.

#### Useful lives

The residual values and estimated useful lives are reflected under "Critical accounting judgements and key sources of estimation uncertainty" (note 1.9) in the summary of significant accounting policies and note 1.21 "Critical accounting judgements".

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 3. Intangible assets

	Computer software R	Total R
<b>Year ended 31 March 2017</b>		
Opening net book amount	117 058 064	117 058 064
Additions	169 138	169 138
Disposals	(325 090)	(325 090)
Amortisation charge	(14 949 964)	(14 949 964)
Closing net book amount	<b>101 952 148</b>	<b>101 952 148</b>
<b>At 31 March 2017</b>		
Cost	175 858 459	175 858 459
Accumulated amortisation	(73 906 311)	(73 906 311)
Net book amount	<b>101 952 148</b>	<b>101 952 148</b>
<b>Year ended 31 March 2016</b>		
Opening net book amount	87 814 430	87 814 430
Additions	35 162 277	35 162 277
Amortisation charge	(5 918 642)	(5 918 642)
Closing net book amount	<b>117 058 064</b>	<b>117 058 064</b>
<b>At 31 March 2016</b>		
Cost	176 014 411	176 014 411
Accumulated amortisation	(58 956 348)	(58 956 348)
Net book amount	<b>117 058 064</b>	<b>117 058 064</b>
<b>Fully Depreciated Intangible Asset</b>		
<b>At 31 March 2016</b>		
Cost	699 775	<b>699 775</b>
Accumulated amortisation	(699 775)	<b>(699 775)</b>
Net Book value	-	-

### 4. Investments

Investments represent investments in cash, listed bonds, securities and equities, which generate interest and dividend income and investment gains/losses.

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	2017 R	Restated 2016 R
<b>4. Investments (continued)</b>		
<i>Investments carried at fair value comprise the following:</i>		
Money Market investments	3 094 137 917	2 660 628 653
CPD Money Market	185 419 111	172 301 808
Listed bond securities and equity		
- Short-term < 7 years	894 697 751	907 482 548
- Medium-term 7 to 12 years	214 958 190	118 593 884
- Long-term > 12 years	737 623 037	796 340 053
	<b>5 126 836 006</b>	<b>4 655 346 946</b>
Derivative Financial Instruments at fair value	473 786 979	472 126 724
- As previously reported	-	5 079 589 913
- Structured product restatement (note 25)	-	47 883 757
	<b>5 600 622 985</b>	<b>5 127 473 670</b>
<i>Split between non-current and current</i>		
Non-Current portion	2 429 512 303	2 246 659 452
Current portion	3 171 110 682	2 880 814 218
Total	<b>5 600 622 985</b>	<b>5 127 473 670</b>
None of these financial assets are either past due or impaired		
<i>Reconciliation of opening and closing balance</i>		
Opening balance	5 127 473 670	4 990 487 121
Capital additions	106 984 346	1 993 021
Interest accrued	346 751 676	315 811 909
Dividend income	13 445 116	12 456 510
Disposals	(35 807 054)	(71 198 154)
Administration fee	(9 379 631)	(7 739 453)
Unrealised profit on financial assets	43 097 835	(79 865 588)
Realised profit on financial assets	8 057 027	(34 471 697)
	<b>5 600 622 985</b>	<b>5 127 473 670</b>

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

## 4. Investments (continued)

## 4.1 Credit quality of financial assets (continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

Financial Assets at Fair Value

(Bonds, Money Market, Equities and Structured Products)

	2017 R	Restated 2016 R
<b>Fitch</b>		
F1	-	161 137 164
F2	-	6 618 405
F1+	33 381 365	1 075 012 803
A	16 190 322	57 166 942
A-	-	5 586 629
A+	-	1 221 246 908
AA	52 379 646	778 972 832
AA-	54 013 341	121 128 339
AA+	47 924 260	96 018 434
AAA	269 921 512	610 939 372
B	-	20 726 365
B+	1 173 340	-
BBB-	-	177 924 435
CCC	-	50 138 669
	<b>474 983 785</b>	<b>4 382 617 297</b>
<b>Moody</b>		
A1	-	34 047 211
A2	-	17 784 043
AA	1 998 679	-
AAA	107 642 590	-
Aaa	304 083 441	7 820 055
Baa1	-	8 327 702
Baa2	-	227 012 184
Aa1	53 087 698	-
Aa2	956 280	-
P-1	289 176 473	-
F1	1 914 449	-
CCC	-	10 299 623
	<b>758 859 609</b>	<b>305 290 818</b>
<b>GCR</b>		
A	613 588	14 208 219
AA	146 089 426	-
AAA	8 262 581	-
AA-	15 135 200	-
AA+	137 942 191	-
A1	22 136 072	-
A2	10 177 071	-
F1	530 610	-
F2	4 000 105	-
F1+	582 668 319	-
BBB+	-	6 253 073
BBB	1 468 910	1 114 245
	<b>929 024 072</b>	<b>21 575 537</b>
<b>S&amp;P</b>		
A	559 368 822	-
AA	241 748 113	-
AAA	310 039 046	-
AA+	130 482 453	-
A-	10 451 109	-
A-1	599 080 669	-
AA-	33 702 434	49 104 682
A-2	39 832 094	-
F1+	3 953 090	-
B	10 365 012	-
BB	14 502 933	-
BB-	9 158 948	-
BBB+	-	2 168 735
	<b>1 962 684 724</b>	<b>51 273 417</b>
<b>Issuer Rated</b>		
AA	10 891 966	3 742 544
AA-	18 779 027	-
AAA	200 000	-
	<b>29 870 993</b>	<b>3 742 544</b>
<b>Equity Exposure</b>	1 445 199 801	362 974 057
	<b>5 600 622 985</b>	<b>5 127 473 670</b>

In 2017 Fitch, GCR, Moody, S&P and Issuer ratings were used where Fitch ratings was not available.

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

## 4. Investments (continued)

## 4.2 Fair value hierarchy for financial assets measured at fair value.

		Fair value measurement at end of the year using:		
			Level 1	Level 2
2017		R	R	R
Financial assets at fair value through profit or loss				
Equities		471 647 695	471 647 695	-
Government bonds		994 365 664	-	994 365 664
Corporate bonds		419 405 501	419 405 501	-
Money market instruments		2 839 629 172	-	2 839 629 172
Other investment(Structured Products)		875 574 953	875 574 953	-
		<b>5 600 622 985</b>	<b>1 766 628 149</b>	<b>3 833 994 835</b>

		Fair value measurement at end of the year using:		
			Level 1	Level 2
2016		R	R	R
Financial assets at fair value through profit or loss				
Equities		475 632 970	475 632 970	-
Government bonds		692 561 961	-	692 561 961
Corporate bonds		450 904 872	450 904 872	-
Money market instruments		2 662 584 411	-	2 662 584 411
Other investment (Structured Products)		845 789 456	845 789 456	-
		<b>5 127 473 670</b>	<b>1 772 327 298</b>	<b>3 355 146 372</b>

The fair value assets are classified using a fair value hierarchy that reflects the significance of the inputs used in determining the measurements.

The fair value hierarchy has the following levels:

**Level 1-** These are assets measured using quoted prices in an active market.

**Level 2-** These are assets measured using inputs other than quoted prices included within level 1, that are either directly or indirectly observable.

**Level 3-** These are assets measured using inputs that are not based on observable market data. The scheme does not have any assets falling under level 3.

The table below details the valuation techniques and observable inputs for assets falling under level 2:

Description	Fair as at 31 March 2017	Valuation techniques	Observable Input
Financial assets at fair value through profit or loss:			
Unlisted:			
Debt securities		Reference to listed bonds	Risk free yield to maturity curve, risk free zero curve
Money market securities		Discount cash flow valuation, black-scholes Model	Published exchange swap curve, published interest rate curve, published credit spread curve/implied credit spread curve, risk free yield to maturity curve, risk free zero curve, swap yield to maturity curve, swap zero curve
Other investments		Reference to listed benchmark bond	Risk free yield to maturity curve, risk free zero curve

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	2017 R	Restated 2016 R
<b>5. Inventories</b>		
Builders manuals at cost	13 180 138	13 880 638
- As previously reported	-	5 058 577
- Correction of of prior year error (note25)	-	8 822 061
<b>6. Trade and other receivables</b>		
	25 427 891	21 125 800
<b>Net trade receivables (Note 25)</b>	79 927 922	51 190 529
- Trade receivables	(54 500 031)	(30 064 729)
- Less provision for impairment		
Other receivables:		
- Deposits	1 639 802	1 011 648
- Sundry debtors	18 221 381	-
	<b>45 289 074</b>	<b>22 137 448</b>
The fair values of trade and other receivables are as follows:	79 927 922	51 190 529
Trade receivables	1 639 802	1 045 013
Staff loans	<b>81 567 724</b>	<b>52 235 542</b>
Ageing of past due but not impaired is as follows:	38 015 470	21 497 479
Amounts in 60 to 120 days	41 912 452	29 423 050
Amounts in 120 days +	<b>79 927 922</b>	<b>50 920 529</b>
<i>Movements on the provision for impairment of trade receivables is as follows:</i>		
At 1 April 2016	(30 064 729)	(29 362 470)
Increase in provision	(24 435 302)	(702 259)
At 31 March 2017	<b>(54 500 031)</b>	<b>(30 064 729)</b>

In determining the recoverability of trade receivables, the NHBRC considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is high due to the customer base being Provincial Human Settlement Departments.

**6.1 Credit quality of financial Assets**

The credit quality of financial assets that are neither past due nor impaired

**Trade receivables**

Counterparty with external credit rating (Fitch)

BB+

Total trade receivables

79 927 922	50 920 529
79 927 922	50 920 529

Note: The customer is the National and Provincial Department of Human Settlements

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	2017 R	Restated 2016 R
<b>7. Cash and cash equivalents</b>		
Cash balances	96 408 104	83 154 751
Short-term bank deposits	66 108	53 710
<sup>1</sup> Call accounts	108 446 346	168 650 813
	<b>204 920 558</b>	<b>251 859 273</b>

FNB uses the credit rating of FirstRand Bank Ltd which has a credit rating of Aaa.

Call accounts relate to the cash component within the investment portfolio, the reclassification was done in the current financial year, which resulted in the prior year figures being restated. <sup>1</sup>

### 8. Emerging contractor reserve

The reserve was established to assist home builders, through training and inspection, to achieve and to maintain satisfactory technical standards of home building in terms of Section 3(h) of the Housing Consumers Protection Measures Act (Act no. 95 of 1998). The emerging contractor reserve has been established, with Ministerial approval, to develop programmes targeted at the empowerment of emerging home builders registered with the NHBRC, which will enable learners to be able to start and manage their own construction contracting businesses. The Council utilised R5 814 279 (2016: R10 230 582) for home builder training in the current financial year.

### 9. Technical actuarial liabilities

	Outstanding claims R	Unearned premium R	Unexpired risk R	Total R
<b>Balance at 31 March 2015</b>	<b>45 626 804</b>	<b>823 979 416</b>	<b>491 208 654</b>	<b>1 360 814 874</b>
Increase during the year	5 309 754	-	-	5 309 754
Utilised during the year (note 17)	(4 481 925)	-	-	(4 481 925)
Increase during the year (note 12)	-	52 020 978	(46 513 261)	5 507 717
<b>Balance at 31 March 2016</b>	<b>46 454 633</b>	<b>876 000 394</b>	<b>444 695 393</b>	<b>1 367 150 420</b>
Increase during the year	9 024 807	-	-	9 024 807
Utilised during the year (note 17)	(8 160 757)	-	-	(8 160 757)
Increase (decrease) during the year (note 12)	-	72 106 845	(83 774 993)	(11 668 148)
<b>Balance at 31 March 2017</b>	<b>47 318 683</b>	<b>948 107 239</b>	<b>360 920 400</b>	<b>1 356 346 322</b>
<b>Balance at 31 March 2016</b>				
Current	13 448 548	367 920 165	-	381 368 713
Non-current	33 006 085	508 080 229	444 695 393	985 781 707
	<b>46 454 633</b>	<b>876 000 394</b>	<b>444 695 393</b>	<b>1 367 150 420</b>
<b>Balance at 31 March 2017</b>				
Current	13 692 174	409 409 489	-	423 101 662
Non-current	33 626 510	538 697 750	360 920 400	933 244 659
	<b>47 318 683</b>	<b>948 107 239</b>	<b>360 920 400</b>	<b>1 356 346 322</b>

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 9. Technical actuarial liabilities (continued)

#### 9.2 Basis and methodology of valuation

Best practice actuarial techniques were applied to value the insurance liabilities of the NHBRC on a run-off basis, using best estimate assumptions per general practice in the South African short-term insurance industry and IFRS 4. The valuation followed as best as it could the Advisory Practice Note 401 ("APN401") of the actuarial society.

The Outstanding Claims Provision (OCP) is determined at a 99.5% sufficiency level. This is consistent with the Financial Services Board's proposed Financial Condition Reporting requirements, which will require companies to hold liabilities at the 75% level, and capital at 99.5%.

The OCP has been estimated by applying chain ladder techniques to a run-off triangle of remedial work claims paid grouped by quarter of complaint. The Bornhuetter Ferguson (BFU) method was used to calculate the OCP, as this method was most suitable to the data. The methodology is consistent with that applied in the prior year. The OCP includes insurance claims incurred, changes in outstanding claims provision, and provision for insurance claims incurred but not yet reported.

The Unearned Premium Provision (UPP) has been estimated using the enrolment fee earnings curve, having deducted initial expenses which are assumed to be earned uniformly over the first two quarters following the enrolment date (being the estimated period between enrolment and occupation dates). This methodology is consistent with that used in the prior year.

The unexpired risk provision (URP) is the sum of all UPP's plus any additional unexpired risk provision (AURP) that may be required if the unearned premium is considered to be inadequate to pay for the unexpired risks.

#### 9.3 Assumptions

The basis of assumptions used are consistent with those used in the prior year valuation. The discount rate and inflation rates are consistent with the market. The ultimate complaint rate is dependent on a run-off triangle (historical and projected) of complaints. Actuarial judgement was applied on setting other assumptions supported by internal data.

Key assumption	2017		2016	
	Non-subsidy	Subsidy	Non-subsidy	Subsidy
Discount rate	7.64%	7.64%	8.25%	8.25%
General price inflation	5.80%	5.80%	6.70%	6.70%
Future building cost inflation	5.80%	5.80%	6.70%	6.70%
Historical building cost inflation	1.92%	N/A	0.00%	N/A
Ultimate complaint rate	2.45%	2.45%	2.45%	2.45%
BF complaints loss ratio	2.12%	N/A	2.19%	N/A
Remedial work rate	3.45%	3.40%	3.40%	3.40%
Average claim cost	R 200 104	R 44 656	R 200 853	R 44 656
Initial expense ratio	53.00%	70.00%	58.00%	87.00%
BF method loss ratio	2.50%	2.50%	2.50%	2.50%
BF method tail factor	10.00%	10.00%	10.00%	10.00%
Spread of risk period	Per earnings curve (of complaints)		Per earnings curve (of complaints)	

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 9. Technical actuarial liabilities (continued)

#### 9.4 Sensitivity analysis

The various components of the provisions are sensitive to various factors. The UPP is mostly driven by the initial expense ratio and the earnings curve. The UPP is sensitive to the earnings curve, even though the high level of initial expenses in non-subsidy and subsidy sector which results in only 47% and 30% of the enrolment fees being held as the UPP negates this sensitivity to some extent. The initial expense ratio affects the current component of the UPP held to meet inspection costs still ongoing. The requirement for AURP makes the total provisions insensitive to the initial expense ratio for 2016/17. The OCP is sensitive to the net real discount rates and the BF Tail Factor. The AURP is also sensitive to the net real discount rate in addition to the average remedial claim amount, the remedial work rate, the ultimate complaint rate, and to a lesser extent the development of complaints as suggested by the earnings curve.

	2017 R	Restated 2016 R
<b>10. Trade and other payables (Note 25)</b>		
Trade payables and accrued expenses	49 649 537	107 870 311
Operating lease accrual	790 453	529 816
Income received in advance	3 171 108	11 999 052
Leave accrual	18 403 412	20 509 746
Cash received in advance	52 297 709	53 921 362
Retentions	1 737 517	1 739 017
	<b>126 049 737</b>	<b>196 569 305</b>

The NHBRC has financial risk management policies to ensure that all payables are paid within the credit time frame. Due to the short-term nature of the payables, management believes that the carrying amount approximates the fair value.

### 11. Provisions

	Legal Fees	Onerous Contract	Total
Balance at 1 April 2016	2 878 582	-	2 878 582
- Utilised during the year	(2 878 582)	-	(2 878 582)
- Raised during the year	150 000	24 559 800	24 709 800
<b>Balance at 31 March 2017</b>	<b>150 000</b>	<b>24 559 800</b>	<b>24 709 800</b>
Balance at 1 April 2015	2 878 581	-	2 878 581
- Utilised during the year	(2 978 582)	-	(2 978 582)
- Raised during the year	2 978 582	-	2 978 582
<b>Balance at 31 March 2016</b>	<b>2 878 582</b>	<b>-</b>	<b>2 878 582</b>

The "Onerous Contract" provisions consists of rectification payables which will be settled in the new financial year. In 2008 the NHBRC was appointed by the Eastern Cape Provincial Department of Human Settlements (ECPDoHS) to project manage a rectification pilot programme on its behalf. The project consisted of 5,145 housing units that were spread over three regions. Of this, 4,554 units needed to be demolished and rebuilt while 591 units received aesthetic improvements for example plastering, adding aprons or anchoring of the roofs and beam filling. In 2013 all units were handed back to the ECPDoHS. A total of 222 units out of 5145 have defects re-appearing which requires the NHBRC to remediate. The additional R24,559,800 required to honour this obligation has been raised as a provision for onerous contract in line with GRAP standards.

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	2017 R	Restated 2016 R
<b>12. Insurance premium revenue</b>		
Premium received	786 829 843	705 780 610
Change in unearned premium provision (see note 9)	(72 106 845)	(52 020 978)
Change in unexpired risk provision (see note 9)	83 774 993	46 513 261
	<b>798 497 991</b>	<b>700 272 893</b>
<b>13. Fee revenue</b>		
Annual registration fees	2 263 130	2 834 407
Annual renewal fees	8 216 037	5 638 857
Registration fees	4 918 961	6 081 406
Builder manual fees	998 734	571 934
Subsidy project enrolments fees	15 606 399	26 218 471
Late enrolment fees	437 926	397 172
Document sales	424 258	569 122
	<b>32 865 444</b>	<b>42 311 370</b>
<b>14. Technical services revenue</b>		
Forensic engineering audit, Geo-tech and rectification work (note 25)	44 657 784	56 315 976
	<b>44 657 784</b>	<b>56 315 976</b>
<b>15. Investment income</b>		
Investment income earned on financial assets, analysed by category of asset, is as follows:		
Interest received from investments (note 25)	346 751 676	315 811 909
Dividend income	13 445 116	12 456 510
Interest received (cash and cash equivalents) (note 25)	9 400 281	8 724 345
	<b>369 597 073</b>	<b>336 992 764</b>
<b>16. Other Income</b>		
Sundry Income	1 418 964	961 229
Penalties	1 980 337	1 254 000
	<b>3 399 300</b>	<b>2 215 229</b>
<b>17. Insurance claims and loss adjustment expenses</b>		
Current year warranty claims	8 160 757	4 481 925
Increase/(decrease) in the outstanding claims provision	864 050	827 829
	<b>9 024 807</b>	<b>5 309 754</b>

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	2017 R	Restated 2016 R
<b>18. Results from operating activities</b>		
Results from operating activities is arrived at after taking into account the following:		
Auditor's remuneration	2 316 116	5 236 785
Depreciation	8 419 583	9 195 514
Computer equipment	3 356 740	3 550 541
Office furniture and equipment	1 237 315	1 749 014
Motor vehicles	38 214	91 271
Buildings	3 787 314	3 804 688
Amortisation of intangible assets	14 949 964	5 918 642
Net loss on disposal of intangible assets	325 090	332 355
Rentals in respect of operating leases ( <b>Note 25</b> )	13 538 420	13 902 699
The Council leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.		
The future minimum lease payments are as follows:	15 112 558	14 280 006
Not later than 1 year	9 171 390	5 808 929
Later than 2 years and not later than 5 years	5 941 167	8 471 077
Employee costs	426 443 643	411 431 667
- Permanent staff costs	406 947 188	399 413 432
- Temporary Staff cost	19 496 455	12 018 235
Directors' emoluments	16 016 343	18 222 539
Executive directors	14 168 411	15 456 779
- For managerial services		
Non-executive directors	1 847 932	2 765 760
- For services as directors		
<b>19. Finance costs</b>		
Interest paid - late payments	13 359	30 690

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	2017 R	Restated 2016 R
<b>20. Notes to the cash flow statement</b>		
<b>20.1 Cash generated from operations</b>		
Surplus for the year	488 293 300	250 302 207
Adjustments for:		
Depreciation	8 419 583	9 195 514
Amortisation	14 949 964	5 236 785
Administration fee	9 379 631	7 739 453
Net loss on intangible asset	325 090	332 355
Unrealised (profit)/ loss on financial instruments	(43 097 835)	79 865 588
Realised (profit)/loss on financial instruments	(8 057 027)	34 471 697
Decrease/(increase) in provisions	21 831 218	(100 001)
(Decrease)/Increase in technical liabilities	(10 804 099)	6 335 546
Dividend received (note 25)	(13 445 116)	(12 456 510)
Interest paid	13 359	30 690
Interest received (note 25)	(356 151 957)	(324 536 254)
<b>Operating income before working capital changes</b>	<b>111 656 112</b>	<b>56 417 069</b>
(increase)/Decrease in inventories (note 25)	(700 501)	13 004 489
Increase in trade and other receivables (note 25)	(23 151 626)	(2 816 234)
Decrease in trade and other payables (note 25)	(70 519 568)	(4 204 070)
	<b>17 284 417</b>	<b>62 401 254</b>
<b>20.2 Proceeds on sale of financial assets</b>		
Net book value	35 807 054	71 198 154
	<b>35 807 054</b>	<b>71 198 154</b>
<b>20.3 Cash and cash equivalents</b>		
Cash and cash equivalents consist of cash balances and short term bank deposits. Cash and cash equivalents included in the cash flow statement comprise the following amounts.		
Cash on hand and balances with banks	204 920 558	251 859 273

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	Fees	Cell phone Allowance	Subsistence and travel	Total 2017	Total 2016
	R		R	R	R
<b>21. Remuneration</b>					
<b>21.1 Total cost - Non-executive council members</b>					
J Bayat <sup>1</sup> (Acting Chairperson)	437 107	11 200	36 489	484 796	124 618
A Chikane (Chairperson)	49 144	2 500	-	51 644	1 049 927
XDaku	152 060	9 600	-	161 660	193 477
T Dlamini	190 113	9 600	-	199 713	116 695
KH Dlepu	194 253	9 600	23 200	227 053	184 198
P Jacobs	37 657	10 400	-	48 057	77 110
P Makgathe	240 022	9 600	50 664	300 287	185 402
M Mohale <sup>4</sup>	88 571	9 600	4 704	102 874	194 457
BN Nzo	97 928	9 600	-	107 528	178 246
S Kotane	135 866	9 600	2 320	147 786	116 525
A Rapea	-	-	16 534	16 534	55 348
SP Ngwenya	-	-	-	-	23 800
Z Vazi	-	-	-	-	26 842
S P Hlahane	-	-	-	-	67 598
S M Maja-Masilo	-	-	-	-	45 549
IW Kotsoane	-	-	-	-	32 504
B Madikizela	-	-	-	-	40 087
MC Markgraaf	-	-	-	-	53 377
	<b>1 622 721</b>	<b>91 300</b>	<b>133 911</b>	<b>1 847 932</b>	<b>2 765 760</b>

<sup>1</sup>Appointed 29 April 2016

<sup>3</sup>Public service employees do not receive non executive remuneration

<sup>4</sup>Resigned 31 August 2016

<sup>5</sup>Resigned 30 June 2016

	Salaries	Cell phone Allowance	Subsistence and travel and Acting Allowance	Total 2017	Total 2016
	R		R	R	R
<b>21.2 Total cost - Top management</b>					
A Chikane (Acting Chief Executive Officer) <sup>1</sup>	2 522 935	38 500	982	2 562 417	-
M Mnyani (Chief Executive Officer) <sup>2</sup>	-	-	-	-	2 838 787
T Ngqobe ( Chief Operations Officer) <sup>3</sup>	2 290 285	42 000	43 679	2 375 964	2 467 160
	<b>4 813 220</b>	<b>80 500</b>	<b>44 661</b>	<b>4 938 381</b>	<b>5 305 947</b>

<sup>1</sup>Appointed as Executive Chairman 01 April 2016 till 27 April 2016 and Acting CEO from 28 April 2016 till 26 February 2017.

<sup>2</sup>Resigned 28 January 2016

<sup>3</sup>Appointed as acting CEO from 27 February 2017.

### 21.3 Total cost - Executive Managers

S Abrahams (Chief Financial Officer)	1 894 464	30 000	17 770	1 942 234	2 054 581
J Mahachi (Advisor: Special projects)	1 246 660	17 500	9 001	1 273 161	2 216 287
K Modise (Executive Manager Corporate Services)	1 971 585	30 000	3 225	2 004 810	1 936 901
T Moshoeu (Executive Manager Business Service)	1 986 083	30 000	6 729	2 022 812	1 974 209
J Motapola (Executive Manager: Legal Service) <sup>1</sup>	1 956 258	30 000	755	1 987 013	1 968 855
	<b>9 055 050</b>	<b>137 500</b>	<b>37 480</b>	<b>9 230 030</b>	<b>10 150 832</b>

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	2017 R	Restated 2016 R
<b>21. Remuneration (continued)</b>		
<b>21.4 Bonuses</b>		
<b>Executive Managers</b>		
T Ngqobe ( Chief Operations Officer)	-	177 278
S Abrahams (Chief Financial Officer)	-	74 000
K Modise (Executive Manager Corporate Services)	95 345	139 956
T Moshoeu (Executive Manager Business Service)	77 554	120 561
J Motapola (Executive Manager: Legal Service)	116 331	88 295
	<b>289 230</b>	<b>600 090</b>
<b>22. Related Parties</b>		
<b>22.1 Transactions with the Department of Human Settlements:</b>		
Subsidy project enrolment fee (note 13)	15 606 399	26 218 471
Insurance premium revenue	190 076 577	91 739 568
Technical service revenue (note 14)	44 657 784	56 315 976

Subsidy project enrolment fee and insurance premium revenue relates to transactions with the following Departments of Human Settlements:

KwaZulu Natal Department of Human Settlements, Eastern Cape Department of Human Settlements, Western Cape Department of Human Settlements, Gauteng Department of Human Settlements, Limpopo Department of Local Government and Housing, Mpumalanga Department of Human Settlements, Northwest Department of Human Settlements, Free State Department of Human Settlements and Northern Cape Department of Human Settlements.

Technical service revenue relates to:

KwaZulu Natal Department of Human Settlements  
Eastern Cape Department of Human Settlements

### Balances with the Department of Human Settlements:

Trade receivable (note 6)	79 927 922	51 190 529
Income received in advance (note 10)	(3 171 108)	(11 999 052)

Income received in advance relates to the KwaZulu Natal Department of Human Settlements and the Eastern Cape Department of Human Settlements.

The NHBRC provides a warranty for both non subsidy and government subsidised homes. The fee payable by government in the subsidy market comprises 1% project enrolment fee, 0.75 % home enrolment fee and 2.01% for consolidated projects. The subsidy income is funded by National Government through the Department of Human Settlements.

### 22.2 Transactions with other related parties

Key management are individuals who have authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly.

For remuneration of key management personnel refer to Note 21.

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 23. Fruitless, wasteful and irregular expenditure

#### 23.1 Reconciliation of fruitless and wasteful expenditure

	2017 R	2016 R
Opening balance	5 529 219	5 466 932
Add: Fruitless and wasteful expenditure relating to prior year	-	-
Add: Fruitless and wasteful expenditure relating to current year	20 601	62 286
Less: Amounts condoned	-	-
Fruitless and wasteful expenditure awaiting condonation	<b>5 549 820</b>	<b>5 529 219</b>

#### Analysis of awaiting condonation per economic classification

Current	20 601	62 286
Capital	-	-

#### 23.2 Analysis of Current year's fruitless and wasteful expenditure

Incident		
Freyja Holistic wellness and Day Spa	-	31 596
Interest paid to SARS	-	30 690
Later payment fee	1 542	
Interest paid to suppliers	13 359	
Cancellation fee	5 700	
	<b>20 601</b>	<b>62 286</b>

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	2017 R	2016 R
<b>23.3 Reconciliation of Irregular expenditure</b>		
Opening balance	706 529 846	692 928 463
	7 293 111	13 601 382
Add: Irregular expenditure relating to prior year	1 112 338	-
Add: Irregular expenditure relating to current year	6 180 773	13 601 382
Less: Amounts Condoned	-	-
<b>Irregular expenditure awaiting condonation</b>	<b>713 822 956</b>	<b>706 529 846</b>
<b>Analysis of irregular expenditure awaiting condonation per age classification</b>		
Current year	6 180 773	13 601 382
Prior year	707 642 184	692 928 463
Total	713 822 956	706 529 846

The additional irregular expenditure from prior year relates to transaction with a value from R 5 000 to R 500 000 which should have been procured by means of a three quotation system.

## 23.4 Details of irregular expenditure - current year

Incident	Action taken	2017 R Amount	2016 R Amount
Security contracts (Ulwazi Protection service) <sup>[1]</sup>	Condonement application before council	342 583	5 138 739
Security contracts (Mjayeli Security) <sup>[1]</sup>	Condonement application before council	343 437	611 604
Security contracts (ADT Security) <sup>[2]</sup>	Condonement application before council	5 681	12 732
Security contracts (Vimba Group Holdings) <sup>[1]</sup>	Condonement application before council	1 190 923	-
Security contracts (Atlass Security System) <sup>[2+5]</sup>	Condonement application before council	485	3 506
Security contracts (Chubb Security) <sup>[3]</sup>	Condonement application before council	30 887	21 104
Security contracts (Galven Security) <sup>[2]</sup>	Condonement application before council	3 891	4 145
Security contracts (Northern Security) <sup>[2]</sup>	Condonement application before council	-	4 000
Security contracts (Top Security systems) <sup>[2]</sup>	Condonement application before council	1 645	4 024
H2O Purfies cc <sup>2</sup>	Condonement application before council	-	3 205
Southbird Express <sup>3</sup>	Condonement application before council	26 590	357 345
JKJ Express cc <sup>2</sup>	Condonement application before council	4 189	75 062
Steiner <sup>4</sup>	Condonement application before council	558 751	882 925
Rentokil <sup>3</sup>	Condonement application before council	114 110	244 764
BBR Design SA (Pty) Ltd <sup>4</sup>	Futher investigation are being conducted	-	1 524 637
Praxis Computing (Pty) Ltd	Futher investigation to be conducted	463 643	-
<b>Amount carried over to next page</b>		<b>3 086 815</b>	<b>8 887 792</b>

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 23.4 Details of irregular expenditure - current year (continued)

Incident	Action taken	2017	2016
		R	R
<b>Amount carried forward from prior page</b>		3 086 815	8 887 792
S Pather <sup>3</sup>	Condonement application before council	-	465 381
Lexis Nexis <sup>3</sup>	Condonement application before council	-	113 767
Atlantis Corporate Travel <sup>[3]</sup>	Condonement application before council	-	261 147
Magic Travel <sup>[3]</sup>	Condonement application before council	-	54 714
Pureau Fresh water company <sup>2</sup>	Condonement application before council	6 349	3 305
Motswako Office Solution (Pty) Ltd <sup>4</sup>	Condonement application before council	1 127 772	-
Metro File <sup>3</sup>	Condonement application before council	59 932	94 237
PostNet <sup>3</sup>	Condonement application before council	405 612	1 174 354
Document Exchange <sup>[2-3]</sup>	Condonement application before council	1 884	11 585
Tidy Files <sup>3</sup>	Condonement application before council	378 724	212 515
ASP transport <sup>24 3</sup>	Condonement application before council	12 627	48 708
AON South Africa (Pty) Ltd <sup>[4+3]</sup>	Condonement application before council	10 686	1 555 378
P&F Business Enterprise <sup>3</sup>	Condonement application before council	-	180 500
Berco Indoor Gardens <sup>3</sup>	Condonement application before council	3 801	13 879
KRM Plastic <sup>3</sup>	Condonement application before council	28 280	-
Northern Spark <sup>5</sup>	Condonement application before council	1 760	-
Banike <sup>3</sup>	Condonement application before council	63 509	-
Flowa Media (Pty) Ltd <sup>3</sup>	Condonement application before council	184 680	-
SSP Multinconsult (Pty) Ltd <sup>3</sup>	Condonement application before council	62 400	-
Docufile <sup>5</sup>	Condonement application before council	1 505	-
Lebea Development and Projects <sup>8</sup>	Condonement application before council	-	315 515
KAS and MVR Trading <sup>8</sup>	Condonement application before council	163 257	208 606
Internet Solutions (Pty) Ltd	Futher investigation to be conducted	581 180	1 112 338
		<b>6 180 773</b>	<b>14 713 721</b>

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 23.4 Details of irregular expenditure - current year continued

- [1] Competitive bids were not advertised for a minimum period of 21 days before closure (NT reg. 16A6.3(c))
  
- [2] Goods & services with a transaction value of R2000 up to R10 000 were procured without inviting atleast 3 written quotations from prospective suppliers, Practice Note 8 of 2007/08( 3.2)(a)
  
- [3] Goods & services with a transaction value of between R10000 to R 500 000 were procured without three quotations( NT 16 A.6.1, Practice Note 8 of 2007/08 par 3.3)
  
- [4] The tender process for the procurement of services was not adhered to.(NT 16 A.6.1). Goods & services with a transaction value of R10000 up to R500 000 were procured without inviting atleast 3 written quotations from prospective suppliers ( Practice Note 8 of 2007/8 par. 3.3.)
  
- [5] Goods & services with a transaction value up to R2000 were procured not in compliance with SCM Policy and procedures, Practice Note 8 of 2007/08( 3.1)
  
- [6] The preference point system was not applied in the procurement of goods and services above R 30 000.
  
- [7] Tax Clearance certificates for the service providers could not be located, the issue is being investigated by management
  
- [8] Goods & services with a transaction more than R500 were not procured through a competitive bidding process .NT 16.A.6.1, Practice Note 8 of 2007/08( 3.1)

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 24. Financial instruments

#### 24.1 Categories of financial instruments and maturity profile

	0-1 Year R	>1 Year R	Total R
<b>2017</b>			
<b>FINANCIAL ASSETS</b>			
<i><b>Loans and receivables</b></i>			
Trade and other receivables	45 289 074	-	45 289 074
Cash and cash equivalents	204 920 558	-	204 920 558
<i><b>Financial assets at fair value</b></i>			
Investments	3 171 110 682	1 955 725 324	5 126 836 006
Derivative Financial Instruments	-	473 786 979	473 786 979
<b>Total financial assets</b>	<b>3 421 320 314</b>	<b>2 429 512 303</b>	<b>5 850 832 617</b>
<b>FINANCIAL LIABILITIES</b>			
<i><b>Financial liabilities at amortised cost</b></i>			
Trade and other payables	49 649 537	-	49 649 537
<b>2016</b>			
<b>FINANCIAL ASSETS</b>			
<i><b>Loans and receivables</b></i>			
Trade and other receivables (note 25)	22 137 448	-	22 137 448
Cash and cash equivalents (note 25)	251 859 273	-	251 859 273
<i><b>Financial assets at fair value</b></i> (note 25)			
Investments	2 880 814 218	1 774 532 728	4 655 346 946
Derivative Financial Instruments	-	472 126 724	472 126 724
<b>Total financial assets</b>	<b>3 154 810 940</b>	<b>2 246 659 452</b>	<b>5 401 470 392</b>
<b>FINANCIAL LIABILITIES</b>			
<i><b>Financial liabilities at amortised cost</b></i>			
Trade and other payables	107 870 311	-	107 870 311

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

## 24. Financial instruments

## 24.2 Categories of financial instruments

31 March 2017	Loans and Receivables	Derivative Financial Instruments	Fair value Investments	Total
Derivative Financial Instruments	-	473 786 979	-	473 786 979
Fair value financial assets	-	-	5 126 836 006	5 126 836 006
Trade and other receivables	45 289 074	-	-	45 289 074
Cash and cash equivalents	204 920 558	-	-	204 920 558
<b>Total</b>	<b>250 209 632</b>	<b>473 786 979</b>	<b>5 126 836 006</b>	<b>5 850 832 617</b>

31 March 2016	Loans and Receivables	Derivative Financial Instruments	Fair value Investments	Total
Derivative Financial Instruments	-	472 126 724	-	472 126 724
Fair value financial assets	-	-	4 655 346 946	4 655 346 946
Trade and other receivables	22 137 448	-	-	22 137 448
Cash and cash equivalents	251 859 274	-	-	251 859 274
<b>Total</b>	<b>273 996 722</b>	<b>472 126 724</b>	<b>3 444 798 301</b>	<b>5 401 470 392</b>

31 March 2017	Financial liabilities at amortised cost	Total
Lease Liabilities	790 453	790 453
Trade and Other Payables	125 259 283	125 259 283
<b>Total</b>	<b>126 049 737</b>	<b>126 049 737</b>

31 March 2016	Financial liabilities at amortised cost	Total
Lease Liabilities	529 816	529 816
Trade and Other Payables	196 039 489	196 039 489
<b>Total</b>	<b>196 569 305</b>	<b>196 569 305</b>

## 24.3 Liquidity risk

Liquidity risk is the risk that the NHBRC will not be able to meet its financial obligations as they fall due.

The NHBRC manages liquidity risk by maintaining adequate reserves, and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Refer to note 24.1 for the maturity profile of financial instruments.

The amounts disclosed in table below are contractual undiscounted cash flows:

	Less than 3 Months	Between 3 months and 1 year	Between 1 year and 2 years	Over 2 years
<b>At 31 March 2017</b>				
Operating Lease Liability	61 577	728 876	-	-
Trade and Other Payables	51 387 055	73 872 229	-	-
	<b>51 448 632</b>	<b>74 601 104</b>	-	-
<b>At 31 March 2016</b>				
Operating Lease Liability	240 092	131 111	-	-
Trade and Other Payables	109 609 329	65 920 414	-	-
	<b>109 849 421</b>	<b>66 051 525</b>	-	-

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 24. Financial instruments (continued)

#### 24.4 Fair value of financial instruments

The NHBRC considers that the carrying amounts of trade and other receivables, cash and cash equivalents and trade and other payables approximates their fair values due to the short term nature of these assets and liabilities.

The fair values of financial assets represent the market value of quoted instruments and other traded instruments. For non-listed investments and other non-traded financial assets fair value is calculated using discounted cash flows with market assumptions, unless the carrying amount is considered to approximate fair value.

The fair values of financial liabilities carried at amortised cost is calculated based on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### 24.5 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The NHBRC does not undertake transactions in foreign currencies and is thus not unduly exposed to foreign currency risk.

#### 24.6 Capital risk

The NHBRC manages its capital to ensure that the NHBRC will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The NHBRC's overall strategy remains unchanged in 2017/ 2018 financial year.

#### 24.7 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the NHBRC. Financial assets, which potentially subject the NHBRC to concentrations of credit risk, consists principally of cash and cash equivalents and trade and other receivables.

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 24. Financial instruments (continued)

#### 24.7 Credit risk (continued)

The NHBRC's cash and cash equivalents are placed with high credit quality financial institutions. Refer to note 6 for further information on the NHBRC's exposure to credit risk with regards to trade and other receivables.

If there is no independent rating, credit quality of the Customer is assessed taking into account the customer's financial position, past experience and other factors

There has been no significant change during the financial year, or since the end of the financial year, to the NHBRC's exposure to credit risk, the approach to the measurement or the objectives, policies and processes for managing this risk. The NHBRC does not grant credit limits to the National Department of Human Settlements and does not expect any losses from non-performance by the Human Settlement Department.

#### 24.8 Management risk

The underwriting risk of the NHBRC is governed by the Housing Consumers Protection Measures Act (Act no. 95 of 1998) and the risk of defaulting home builders.

The premiums on the non-subsidy sector are based on the selling price of the home to be constructed, and applied on a sliding scale limited to a maximum premium of R 34 000 and a maximum claim of R 500 000 per home.

The premiums for the subsidy sector are based on 0,75% and 2.01% for consolidated subsidy projects.

The risk to the NHBRC and housing consumers is managed primarily through the assessment and registration of home builders who have the appropriate financial, technical, construction and management capacity for their specific business.

Within the insurance process, concentration of risks may arise in the subsidy market where a particular event or series of events could impact the NHBRC's technical liabilities. Such concentrations may arise from a single contract or through a number of related contracts in concentrated housing developments.

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 24. Financial instruments (continued)

#### 24.8 Management risk (continued)

The NHBRC is invested predominantly in fixed interest investments and is exposed to interest rate risk. The investment strategy has moved closer, in the past 3 financial years, to the target of a return in excess of inflation as the NHBRC has inflation linked liabilities. Although the liabilities of the NHBRC are within five years, over 20% of assets are invested in fixed interest assets maturing beyond five years.

The results of the actuarial valuation indicate that the NHBRC as a whole, including both subsidy and non-subsidy houses, is solvent and in a sound financial position as at 31 March 2017 when valued on a run-off basis. The actuarial liabilities are 384% funded. However, for future business, the enrolment fees currently charged are adequate to cover expenses of the NHBRC and remedial claims for both subsidy and non-subsidy homes.

	Enrolment Fee Adequacy					
	All Houses		Non-Subsidy		Subsidy	
Utilisation	Amount	%	Amount	%	Amount	%
Enrolment & Inspections	3 461	58%	5 947	52%	1 642	65%
Complaints conciliations	420	7%	778	7%	157	6%
Remedial claims	294	5%	534	5%	119	5%
average	91		165		37	
99.5% variation margin	204		369		82	
Total Expenses & Claims	4 175	70%	7 259	63%	1 919	76%
Average fee per enrolment	5 952		11 464		2 522	
Surplus / (Deficit)	1 777	30%	4 205	37%	604	24%

Enrolment fee adequacy table. In aggregate, we expect an increase in the surplus of the NHBRC by 30% of enrolment fees written in 2017/18 over the five-year term of the structural warranty.

#### 24.9 Insurance risk

The primary insurance activity carried out by the NHBRC assumes that the risk to the warranty fund relates to the warranty cover as defined in the Act as amended. The insurance premiums are received in advance as a "home enrolment fee" and a portion of the insurance premium is invested in terms of the NHBRC investment policy to cover future rectification of homes paid out under the warranty scheme.

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 24. Financial instruments (continued)

#### 24.9 Insurance risk (continued)

The risks to the warranty fund are defined in section 3 of the Act "Objects of Council" which states:

The Council shall:

- represent the interests of housing consumers by providing a warranty protection against defects in new homes;
- regulate the home building industry;
- provide protection to housing consumers in respect of the failure of the home builders to comply with their obligations in terms of the Act;
- establish and promote ethical and technical standards in the home building industry;
- improve structural quality in the interests of housing consumers and the home building industry;
- promote housing consumer rights and provide housing consumer information;
- assist home builders, through training and inspection, to achieve and to maintain satisfactory technical standards of home building; and
- achieve the stated objects in the subsidy housing sector.

There is no risk categorisation in determining the enrolment fees charged. The enrolment fee structure is promulgated in the regulations to the Act. Enrolment fees are charged on the selling price of the home (including land value) so that equal value homes yield equal enrolment fees. The subsidy and non subsidy markets each have their own enrolment fee structure. The NHBRC is exposed to the uncertainty surrounding the timing and severity of claims under the warranty contract. The NHBRC also has exposure to market risk through its insurance and investment activities.

The NHBRC uses several methods to assess and monitor insurance risk exposures for the protection of housing consumers. A home builder can only be registered if he has the appropriate financial, technical, construction and management capacity for the specific business carried on by the home builder in order to protect housing consumers and the Council from being exposed to unacceptable risks. The Council may withdraw the registration of a home builder where the home builder has been found guilty by the disciplinary committee as prescribed in the Act. The insurance risk is further mitigated by the inspection of houses under construction, interdicts issued against home builders who do not comply with the provisions of the Act and in cases of a late enrolments, a financial guarantee is required from the home builder, calculated on a risk model which takes the stage of completion of the house at enrolment date into account. The financial guarantee is held for the full five year warranty period.

Risk to the warranty fund is further controlled by the inspection of homes during the construction phase, and rectifications are enforced when construction of the home does not comply with the provisions of the Act.

The NHBRC is an insurer of last resort, as claims, are only paid where a home builder fails to perform the necessary remedial work, due to liquidation or unavailability. The maximum claim per home is limited to the insured value up to a maximum claimable amount of R 500 000 per home.

The NHBRC has an internal audit function which regularly reviews the degree of compliance with Council procedures.

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 24. Financial instruments (continued)

#### 24.9 Insurance risk (continued)

##### *Underwriting strategy*

The registration of all home builders is prescribed in terms of section 10 of the Act. The NHBRC is obliged to register and insure all new homes constructed. The NHBRC may on the recommendation of the Council, on application made to it, in exceptional circumstances, exempt a person or home from any provision of the Act.

##### *Reinsurance strategy*

The NHBRC does not reinsure any portion of the risk it underwrites due to the current low claim rate experienced. Reinsurance of the exposure to losses has been identified as a medium term strategic objective.

##### *Terms and conditions of Insurance contracts*

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

The NHBRC's main business is highly specialised, and covers the rectification of:

- major structural defects in a home caused by non-compliance with the NHBRC technical requirements within a period of five years from the occupation date;
- non-compliance with or deviation from the terms, plans and specification or the agreement of any deficiency related to design, workmanship or material notified to the home builder by the housing consumer within three months from the occupation date; and
- repair roof leaks attributable to workmanship, design or materials occurring and notified to the home builder by the housing consumer within 12 months of the occupation date.

The event giving rise to a claim occurs with the insolvency, liquidation and protracted default of the home builder. The claim will be notified to the NHBRC in terms of the specific regulations to the Act. The business of the NHBRC can be classified as short to long term as the NHBRC may only be notified of a claim up to five years after occupation of the home in the instance of structural defects.

##### *Concentration of insurance risk*

##### *Insurance risk by geographical area*

Gauteng and Western Cape make up 72.35% of exposure with 54.96% and 17.39% respectively

##### *Insurance risk by developer*

The risk per developer is ranked by units of exposure (enrolments after Sep 2010). Liquidation of the 14 largest developers constitute R 300.5 million of sum insured (comparison of 273 478 home enrolments) which could potentially increase claims against the warranty fund.

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

## 24. Financial instruments (continued)

## 24.10 Interest rate and price risk

## Interest rate risk

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All cash surpluses are invested with investment fund managers in terms of the investment policy. The exposure to interest rate risk is determined by the maturity profile of investments (see note 4).

## Price risk

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or foreign currency risk. The NHBRC is exposed to equity price risk as it holds equity securities classified as at fair value. However, due to the investments in equities being immaterial, the exposure to equity risk is limited.

## Sensitivity analysis

31-Mar-2017						
Carrying Amount at 31 March 2017	Interest rate risk					
	Rand amount exposed to risk	Reasonable Possible change				
		Rate Increase	Rand amount	Rate Decrease	Rand amount	
<b>Financial Assets</b>						
Money Market Investments	3 094 137 917	3 094 137 917	1%	30 941 379	-1%	(30 941 379)
CPD Money Market	185 419 111	185 419 111				
<i>Listed bond securities</i>						
- Short-term < 7 years	894 697 751	894 697 751	1%	8 946 978	-1%	(8 946 978)
- Medium-term 7 to 12 years	214 958 190	214 958 190	1%	2 149 582	-1%	(2 149 582)
- Long-term > 12 years	737 623 037	737 623 037	1%	7 376 230	-1%	(7 376 230)
	-	-		-		-
Derivative Financial Instruments	473 786 979	473 786 979	1%	4 737 870	-1%	(4 737 870)
<b>Impact of financial assets on:</b>						
Statement of changes in net assets				49 414 169		(49 414 169)
Statement of financial performance						
Impact on financial position	<b>5 600 622 985</b>	<b>5 600 622 985</b>		<b>103 566 208</b>		<b>(103 566 208)</b>

31-Mar-2016						
Carrying Amount at 31 March 2016	Interest rate risk					
	Rand amount exposed to risk	Reasonable Possible change				
		Rate Increase	Rand amount	Rate Decrease	Rand amount	
<b>Financial Assets</b>						
Money Market Investments	2 660 628 653	2 829 279 466	1%	28 292 795	-1%	(28 292 795)
CPD Money Market	172 301 808	172 301 808				
<i>Listed bond securities</i>						
- Short-term < 7 years	907 482 548	907 482 548	1%	8 595 988	-1%	(8 595 988)
- Medium-term 7 to 12 years	118 593 884	118 593 884	1%	1 185 939	-1%	(1 185 939)
- Long-term > 12 years	796 340 053	796 340 053	1%	7 963 401	-1%	(7 963 401)
	-	-		-		-
Derivative Financial Instruments	472 126 724	472 126 724	1%	4 721 267	-1%	(4 721 267)
<b>Impact of financial assets on:</b>						
Statement of changes in net assets				46 038 122		(46 038 122)
Statement of financial performance						
Impact on financial position	<b>5 127 473 670</b>	<b>5 296 124 483</b>		<b>96 797 511</b>		<b>(96 797 511)</b>

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 25. Errors and reclassifications

The errors and reclassifications relates to the overstatement of expenses and understatement of investment and investment income in prior years. The figures have been restated. The impact on the Statement of financial performance and statement of financial position is shown below.

		Previously reported balance	Restatement	Restated balance
<b>Statement of changes in Net Assets</b>		<b>3 976 350 875</b>	<b>60 813 581</b>	<b>4 037 164 456</b>
Accumulated Surplus at 31 March 2016		3 976 350 875	60 813 581	4 037 164 456
<b>Statement of Financial Performance</b>		<b>189 471 467</b>	<b>60 813 581</b>	<b>250 285 048</b>
Surplus at 31 March 2016		189 471 467	60 813 581	250 285 048
Net Investment Income	Note 1	289 109 007	47 883 757	336 992 764
- Investment Income		-	47 000 000	
- Interest Received		-	883 757	
Technical services revenue	Note 2	56 045 976	270 000	56 315 976
Administration Expense	Note 3	714 323 262	(13 978 062)	700 328 040
Inspections and operating expenses	Note 4	2 935 103	1 318 239	4 253 342
<b>Statement of Financial Position</b>				
Investments	Note 1	5 248 240 726	(120 767 055)	5 127 473 670
- Non current		2 246 659 452	-	2 246 659 452
- Current		3 001 581 274	(120 767 055)	2 880 814 218
Inventories	Note 4	5 058 577	8 822 061	13 880 638
Trade and other receivables	Note 5	27 397 896	(5 260 448)	22 137 448
Cash and cash equivalents	Note 1	83 208 459	168 650 813	251 859 273
Trade and other payables	Note 3	205 937 515	(9 368 210)	196 569 305

### Notes

#### Note 1

During 2016 the NHBRC appointed new asset managers to assist in the management of its investment portfolio. During the transition to the new asset managers a structured product invested in the name of the NHBRC was erroneously omitted from the asset list of the previous asset manager. This investment matured in the current financial year. The R120,767,055 is the net movement between the restated investment of R47,883,581 and cash and cash equivalents R168,650,813.

#### Note 2

This relates to prior year technical services revenue which was accounted for in the 2016/17 financial year. This had an effect of understating prior year technical revenue.

#### Note 3

In the prior year the NHBRC implemented SAP. During this period a duplication of accruals took place resulting in an overstatement of expenses, which has been corrected.

#### Note 4

This misstatement relates to inventory accrued in the prior year but incorrectly accounted for in the 2016/17 financial year due to the late receipt of the invoice. R1,318,239 relates movement in stock levels incorrectly adjusted in the income statement.

#### Note 5

This prior year misstatement relates to an IAS 17 adjustment (lease smoothing calculation) which was calculated incorrectly. This resulted in the misstatement of trade and other receivables in the prior year.

## NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

## 25. Errors and reclassifications (continued)

The errors and reclassifications relates to the overstatement of expenses and understatement of investment and investment income. The prior year financial results have been restated.

Cash flow statement	Previously reported balance	Restatement	Restated balance
Interest received	(276 652 497)	(47 883 757)	(324 536 254)
Changes in working Capital	1 313 171	(12 929 824)	(11 616 653)
(Increase) in inventories	(4 182 427)	(8 822 061)	(13 004 489)
(Increase) in trade and other payables	13 572 280	(9 368 210)	4 204 070
Decrease in trade and other receivables	(8 076 682)	5 260 448	(2 816 234)
<b>Financial Instruments (note 24.1)</b>			
<b>Financial assets</b>			
- Total financial assets	5 352 304 985	49 165 407	5 401 470 392
- Investment	5 248 240 727	(120 767 055)	5 127 473 671
- Trade and other receivables	20 855 800	1 281 648	22 137 448
- Cash and cash equivalents	83 208 459	168 650 814	251 859 273
<b>Financial Liabilities</b>			
- Trade and other payables	117 397 135	(9 526 824)	107 870 311
<b>Financial Instruments</b>		<b>39 638 583</b>	

These errors resulted in the restatement of the statement of financial performance, statement of financial position, statement of changes in net assets, note 4, Note 6, Note 11 and Note 24 relating to disclosures of financial instruments.

## 26. Contingent liabilities

There are outstanding claims pending in the Courts in relation to disputes between the NHBRC and other parties amounting to R 328 825 482 the outcome of which is unknown.

## 27. Post reporting date events

No material facts or circumstances have arisen after the reporting date which affects the financial position of the NHBRC as reflected in the annual financial statements.

## 28. Contractual Commitments

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

At 31 March 2017 the NHBRC had the following commitments:

Operational Expenditure	2017 R	2016 R
Approved and contracted		
Outsourced contracts for Risk management Service	2 417 856	131 769
Outsourced contract for Actuarial Services	-	1 041 535
Outsourced contracts for Facilities Management	15 243 782	2 158 333
Outsourced contract for Testing Machines for Eric Molobi	558 102	558 102
Outsourced contract for Legislative review project	899 967	1 212 800
Outsourced contract for Social Transformation	653 235	-
Outsourced contract for Forensic Investigations	7 473 550	-
Outsourced contract for Information Technology Services	304 462	4 463 651
Outsourced contract for Media Services		3 453 847
Outsourced contract for the Human Capital Management service	291 749	303 550
Outsource contract for Telecommunication Services	64 743 396	93 899 699
Outsourced contract for the Remedial works	146 107	-
Outsourced contract for the Technical Service	10 369 959	14 431 491
	<b>103 102 164</b>	<b>121 654 777</b>

# NATIONAL HOME BUILDERS REGISTRATION COUNCIL

## SUPPLEMENTARY SCHEDULE

for the year ended 31 March 2017

	2017 R	Restated 2016 R
<b>29 Detailed Expenditure</b>		
<b>29.1 Insurance claims and loss adjustment expenses</b>	<b>9 024 807</b>	<b>5 309 754</b>
<b>29.2 Accreditation,builders manual and certificate cost</b>	<b>3 173 211</b>	<b>4 253 342</b>
- Inspection costs	-	(9 713)
- Accreditation fees	1 353 548	1 217 135
- Direct costs of Builder Manuals	1 136 378	3 045 919
- Direct costs of certificates	683 285	-
<b>29.3 Technical services expenditure</b>	<b>50 831 942</b>	<b>55 807 461</b>
- Forensic Investigations and Geotechnical service	50 831 942	54 812 539
- Rectification	-	994 922
<b>Administration Expenses</b>	<b>714 896 402</b>	<b>700 328 040</b>
<b>29.4</b>		
- Amortisation	14 949 964	5 918 642
- Audit fees	2 316 116	5 236 785
- Bad debts written off	24 435 302	1 382 472
- Bank charges	2 813 152	2 210 499
- Cleaning costs	1 667 551	1 467 153
- Conferences and seminars	4 313 255	2 003 118
- Consulting fees	19 132 764	26 159 354
- Courier and freight	575 445	1 065 257
- Depreciation	8 419 583	9 195 354
- Information technology costs	30 142 922	22 437 730
- Insurance paid	1 794 900	1 631 786
- Legal fees	3 203 848	14 819 419
- Marketing fees	23 207 711	17 769 921
- Motor vehicle expenses	360 565	318 408
- Office equipment and furniture expenses	5 578 040	10 278 886
- Other expenses	3 999 635	7 928 165
- Other rentals costs	1 682 851	2 524 566
- Council & non-council costs	5 675 123	3 839 224
- Disciplinary committee costs	4 681 354	2 664 535
- Salaries and related costs	426 443 643	411 431 667
- Rentals	13 538 420	13 902 699
- Research & Development	156 362	126 000
- Security	4 764 322	5 434 843
- General Office costs (Uniform, Grocery)	3 683 702	3 240 226
- Stationery	2 400 520	785 901
- Telephone expenditure	21 096 550	35 737 621
- Training	31 002 502	29 911 218
- Travelling expenditure	48 163 812	57 906 910
- Water and electricity	4 696 490	2 999 680
<b>Total Expenditure before interest paid</b>	<b>777 926 363</b>	<b>765 698 597</b>



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**NHBRC**  
REGISTRATION COUNCIL

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