



ANNUAL REPORT 2017/2018



NATIONAL HOME BUILDERS

NHBRC

REGISTRATION COUNCIL

ANNUAL REPORT 2017/2018 FINANCIAL YEAR



NATIONAL HOME BUILDERS
REGISTRATION COUNCIL

DEFINITIONS

ARMCO	Audit and Risk Management Committee
BCM	Business Continuity Management
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CETA	Construction, Education Sector Training Authority
CIDB	Construction Industry Development Board
COC	Code of Conduct
CPI	Consumer Price Index
CRHI	Centre for Research and Housing Innovation
CSI	Corporate Social Investment
DoA	Delegation of Authority
ECPDHS	Eastern Cape Provincial Department of Human Settlements
EEA	Employment Equity Act
EHBT	Emerging Homebuilders Training
ERP	Enterprise Resource Planning
GDP	Gross Domestic Product
GIBS	Gordon Institute of Business Studies
GIS	Geographical Information Systems
HCPMA	Housing Consumers Protection Measures Act
HDA	Housing Development Agency
HomQAS	Home Quality Assurance System
HSTA	Human Settlement Training Academy
IHHWA	International Housing and Home Warranty Association
MTEF	Medium Term Expenditure Framework
MTSF	Medium term Strategic Framework
NDHS	National Department of Human Settlements

NEPAD	New Partnership for Africa Development
NHBRC	National Home Builders Registration Council
NURCHA	National Urban reconstruction and Housing Agency
NYC	National Youth Commission
OHS	Occupational Health Safety
PFMA	Public Finance Management Act
POE	Portfolio of Evidence
ROI	Return on Investment
SACPMP	South African Council for Project and Construction Management Professions
SDL	Skills Development Levy
SHE	Safety Health and Environment
VFP	Valuable Final Products
WEP	Women Empowerment Programme
YTP	Youth Training Programme



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 consumer and regulate the home building environment”

MOTTO

“Assuring Quality Homes”

STRATEGY OF THE NHBRC

- To ensure that housing consumers and homebuilders are educated on their rights and obligations
- To entrench a culture of compliance through fair and efficient enforcement mechanisms
- To research and introduce innovative products, methods and technologies within the homebuilding industry
- To maintain a sustainable warranty fund

VALUES OF THE NHBRC

The values of the organization are as follows:

VALUE	MEANING
Professional excellence	We will at all times use our technical competence and skills to provide the best service to our customers in a timely and responsive manner.
Integrity	We will at all times act with integrity and honesty in dealing with our customers and our stakeholder
Commitment	We will at all times ensure that we are loyal in the service that we offer to our customers.
Transparency	We will at all times act in a manner that promotes transparency and fairness in our transactions

STRATEGIC OBJECTIVES OF THE NHBRC

The Strategic Objectives are aligned to the budget structure and are as follows:

Programme	Strategic Objectives
Administration and Governance	To improve cost effectiveness and internal efficiencies of operations
Regulation and Protection	To ensure an effective regulatory compliance
Compliance and Enforcement	Entrench a culture of compliance and ensure efficient enforcement mechanisms.
Research and Development	To research and introduce innovative products methods and technologies within the homebuilding industry
Warranty Fund	To maintain a sustainable warranty fund



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 INHBRC and its objectives

2011

In partnership with the National Department of Human Settlements, hosted the 12th 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
Commemencement of testing materials at Eric Molobi Innovation Hub



2015

Launched the transformation charter
Employed a fully
insourced inspectorate
service for NH&RC

2016

Launch of the two
mobile offices to serve
as office units

2017

On-line technical
assessment for
homebuilders
Implementation of
transformation charter

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SECTION

1







LEADERSHIP
OVERVIEW

1.1 COUNCIL

The NHBRC 's Council performs its fiduciary duties and 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 term 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.

Table 1: Position and highest qualification of Council members

	Name	Highest Qualifications
	*Ms. Esther Euphane Aletta Watson	Bachelor of Arts(Social Work) (University of Western Cape)
	*Mr. Sphamandla Kumkani	LLM (University of Stellenbosch)
	Mr. Abbey Chikane	MSc (Economic Development)
	Ms. Julieka Bayat	Masters (Town and Regional Planning) (University of Durban Westville)
	Ms. Xoliswa Eunice Daku	LLM (University of Western Cape)
	Mr. Themba Thomas Dlamini	MA (Development Economics)

	Name	Highest Qualifications
	Ms. Hlaleleni Kathleen Dlepu	LLB (University of South Africa)
	Mr. Phillip Mziwonke Jacobs	Project Management (Eric and UCT Business School)
	Mr. Segogwane Samuel Kotane	MA (International Politics, Law and Organisation) (University of Denver Graduate School of International Studies)
	Mr. Phetola Nailana Solomon Makgathe	M.Sc (Industrial Relations and Personnel Management)
	Mr. Goolam Husein Manack	M. Sc (Public Policy and Management) (University of London)
	Ms. Busisiwe Nwabisa Nzo	B.Sc Quantity Surveying (Honours) (University of Port Elizabeth)
	Mr. Alvin Phumudzo Rapea	B. Com (University of the North)
	*Mr. Lulama Andisa Potwana	LLB (University of Transkei)

*Ms. Esther Euphane Aletta Watson was appointed in July 2017

*Mr.Sphamandla Kumkani was appointed in November 2017

*Mr. Lulama Andisa Potwana resigned as board member on 30 June 2017 .

Table 2: Position of new Council members

Name
Mr. Enoch Godongwana
Ms. Mampe Kotsi
Mr. Mziwonke Jacobs
Ms. Bongiwe Duba
Mr. Unathi Hoyana
Mr. Choeu Makabate
Mr. Roy Mnisi
Ms. Noluthando Molao
Mr. Roseberry Sonto
Ms. Nthabiseng Tsenase
Mr. Zenzele Myeza
Mr. David Mapikitle
Mr. Goolam Manack
Mr. Siphamandla Kumkani

*The new Council was appointed on the 30th July 2018.

MR.
ENOCH
GODONGWANA



1.2 CHAIRPERSON OF COUNCIL REPORT

It is my pleasure to present the Annual Report of the National Home Builders Registration Council for the 2017/2018 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 third year of service to the organisation. Council has continued in its commitment to provide strategic leadership and 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 has introduced the ten priorities of Council and implemented them and 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 subsidy and non-subsidy human settlement sectors.

Strategy and Performance

The Council of the NHBRC has prioritised the achievement of its strategic objectives with a focus on realising relevant Government priorities as outlined in the National Development Plan.

The NHBRC was able to increase its accessibility and visibility as outlined in the 10 (ten) priorities of Council by working tirelessly to ensure that the mobile offices go to the remote areas of each of the 9 provinces. The mobile offices are a direct replica of a normal office because homebuilders and housing consumers can access all the services that can be accessed in a normal provincial office.

Council monitored, very carefully, the attainment of targets as outlined in the approved Annual Performance Plan 2017/2018 and it is satisfied that an overall total of 64% was achieved in terms of performance for the 2017/2018 financial year.

The NHBRC's strategy is based on the following pillars: To ensure that housing consumers and home builders are educated on their rights and obligations, to entrench a culture of compliance through fair and efficient enforcement mechanisms, to research and introduce innovative products, methods and technologies within the home building industry and finally to maintain a sustainable warranty fund.

Finance and Investment

The NHBRC's 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 6.2 billion (2017: R5.6 billion). The fair value gain adjustment of R197 million (2017: R 51 million) is taken to the Statement of Financial Performance in terms of GRAP 104.

Audit and Risk

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 (Board) 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 this Committee, the Council has established a process for the identification, evaluation and management of all significant risks faced by the organisation.

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 most importantly, tracking of Auditor General's findings register to ensure resolution of AG findings. Council has been tracking implementation of audit findings as reflected in the Auditor General register of findings. The aim was to ensure that all audit findings are resolved by the end of the financial year.

Centre for Research and Housing Innovation

The Centre for Research and Housing Innovation endeavours to conduct research that brings about increased efficiency, improved quality of service, better project communication capabilities. 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, comply to the minimum set technical requirements in order to develop quality homes in the sector.

One of the Department of Human Settlements key priorities remains housing delivery to drive job creation for women and youth. To this end, the NHBRC has, through its Social Transformation and Empowerment programme, focused on training and building the capacity of women and youth. During the 2017/2018 financial year the NHBRC conducted training initiatives for home builders, youth, women, inspectors, artisans, people with disabilities and military veterans.

Stakeholders

Council maintained its focus 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.

In addition to utilizing the NHBRC mobile office units for visibility and accessibility, the NHBRC has forged strategic partnerships 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 all Members of Council and thank them for their valued and continued patronage. May I also extend my grateful thanks to the Management and staff of the NHBRC for their invaluable contributions towards the achievement of the NHBRC's mandate.

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



Mr. Enoch Godongwana
Chairperson of Council

MR.
MZWONKE
DLABANTU



1.3 CHIEF EXECUTIVE OFFICER'S REPORT

This Annual Report 2017/2018 is based on the Annual Performance Plan 2017/2018. In presenting it we provide highlights of the constantly changing environment in which this performance is premised.

The financial year 2017/18 kicked off within an economic context in which the country's Gross Domestic Product (GDP) growth remained weak, while the political landscape was one of rising uncertainty. During the period, Standard and Poors rating agency downgraded South Africa's foreign currency rating to sub investment grade, while Fitch rating agency followed by downgrading South Africa's local and foreign rating to sub investment grade. The effect of this was upward pressure on interest rates. At the same time, the low GDP growth had a negative impact on Governments ability to meet tax collection targets. This, together with the higher debt service costs as a result of credit rating downgrades resulted in Governments fiscal consolidation programme which saw a reduction in Provincial Departments of Human Settlements budgets. These macro economic dynamics have a significant impact on the business of the NHBRC, and its future outlook, as future demand for, and supply of new homes, is driven by developments with regard to the economy in general, but specifically by trends in respect of:

- 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;
- 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.

In spite of these challenges, It gives me great pleasure to report that the number of homes enrolled with the NHBRC showed a year on year growth of 8% from 2016/2017 to 2017/2018. This can be attributed to the growth experienced in Western cape province and Kwazulu Natal province for the multiuse projects in the middle income bracket.

Registration of home builders has declined by 15% while renewals of registered home builders showed an increase of 6% from the 2016/2017 financial year to 2017/2018 financial year. The decline of performance in registration of homebuilders could be attributed to homebuilders not accessing opportunities in the market and the increase of performance in renewals of homebuilders could be as a result of increased accessibility and visibility, where a mobile office has been used to reach those places where there is no NHBRC office. On average the number of 4,360 homebuilders were registered over a four year period whereas on average of 12,733 homebuilders were renewed over a four year period.

During this reporting period, the NHBRC suspended a total of 211 home builders within an average of 7 days and a total of 506 home builders were prosecuted within an average of 104 days. The NHBRC has established a social transformation and empowerment program that focuses on training women and youth. During the 2017/2018 financial year a total of 1880 women were trained against a target of 1800, a total of 2946 youth were trained against a target of 2000. The NHBRC will continue to empower women and youth to enable them to participate in the sector.

The 10 priorities of council were developed by council during the 2016/2017 financial year. The priorities are aligned to the objectives of council and other programmes and projects with NHBRC. Council has submitted a full document to the Ministry of the Department of Human Settlements, and has been reporting on a quarterly basis on progress made on the priorities.

The progress made on all 10 priorities of council is as follows: Visibility and accessibility has progressed in terms of media coverage, visibility of the mobile bus units, stakeholder engagement and digital media. Leader in knowledge creation indicates progress on the development of an enterprise GIS (Geographical Information System) (Phase 1), professionalization of building inspectors, development of a building inspector qualification, material testing project, training academy, rapid housing delivery strategy, partnership with green building council of south Africa, and the inspectorate model. Products and services shows that the foresight study requires research on the following new products and services, namely incomplete homes, misappropriation of housing consumer deposits, extension of the warranty scheme from 5 to 10 years, extension of the warranty scheme for workmanship from 3 months to 12 months, extension of roof leak warranty from 12 months to 24 months, additions and alterations (warranty for existing houses), review the enrolment fee, investigate a new health and safety (and environment) certificate for existing homes, and merge the NHBRC homebuilders register with the CIBD database. Review of the operating model indicates that there has been significant progress in finalising the organisational structure. Review of legislation shows progress on the housing consumer protection bill and amendments to exclusions and promulgation of owner builder format and regulations. SAP Implementation shows progress in terms of outstanding scope, defects and way forward. Investment strategy indicates the proposed and approved investment strategy by council, progress on the new housing development investment fund; key outcomes to be achieved are outlined with variables to be managed post approval. The new strategic allocation is also reported. Clean Audit, Social Transformation Strategy and Strategic capacitation of NHBRC have also registered progress in the 2017/2018 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.

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. A total of 75,176 homes were inspected by the NHBRC for the 2017/2018 financial year in the non-subsidy sector.

There was a decrease of 12% in terms of disciplinary matters that were constituted against homebuilders from the financial years 2014/2015 to 2015/2016 and there was an increase of 49% in terms of disciplinary matters that were constituted against homebuilders from the financial years 2015/2016 to 2016/2017. The number of homebuilders that went through disciplinary hearings increased by 14% from the financial year 2016/2017 to 2017/2018. Regulatory Compliance's performance attained a total of 85% in the 2017/2018 financial year.

The performance of Education, Training and Development Business Section is covered by the Emerging Homebuilder Training Programme; Technical professional Training Programme; and the Social Transformation and Empowerment Programme.

The following are the key programmes of the Education, Training and Development section :-Emerging Home Builder training; Technical Professional training ; Military Veterans training; Artisan Development training; Training of People with Disabilities; Youth Brigade training; and Training of Women in Human Settlements.

Sustainability Reporting

The National Home Builders Registration Council (NHBRC) remains financially sustainable and is able 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 takes place in the construction industry market. The residential building activities is 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 Housing Consumers Protection Measures Act, the Public Finance Management Act (PFMA), National Treasury regulations and principles related to integrated sustainability reporting as stipulated by the King IV 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 warranty 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 2018.

Financial Performance

Table 3: Financial performance summary 2014-2018

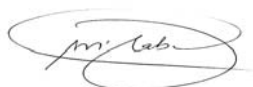
	2014/15	2015/16	2016/17	2017/18
Surplus for the year (Rm)	523	256	488	619
Return on equity	14%	6.2%	8.6%	12%
Total assets (Rm)	5 374	5 634	6 064	6 747
Total reserves (Rm)	3 818	4 068	4 556	5 175
Total technical liabilities (Rm)	1 361	1 367	1 356	1 429

The NHBRC delivered a surplus for the year of R619 million (2017: R488 million) of which R27 million (2017: R77 million) was generated from operating activities and R592 million (2017: R411 million) from investment income.

Insurance premium revenue (after actuarial adjustments) decreased by 10% to R718 million (2017: R798 million) due to increases in the actuarial provisions. However, insurance premiums written up (before actuarial adjustments) was consistent with the previous year at R788 million (2017: R787 million). Of this, R656 million (2017: R597 million) was from the non subsidy and represents a 10% year on year growth. This was largely due to better than expected enrolment of homes in multi-use projects within the Western Cape, Kwazulu Natal and Gauteng Provinces. At the same time, insurance premiums written (before actuarial adjustments) from subsidy projects and home enrolments declined by 23% to R159 million in 2017/18 from R205 million 2016/17. This was largely due to the reduced budgets allocated to Provincial Departments of Human Settlements during the period.

Net investment income of R593 million (2017: R411 million) amounted to average annual return of 10% (2017: 7%) and was largely from interest received of R391 million (2017: R359 million); and an unrealised profit on financial assets of R203 million (R43 million). The year on year growth of 10% on interest received is due to the reinvestment of surpluses and better interest rates than prior year, while the year on year growth of R160 million (2017: R121 million) in the unrealised profit was due to a recovery in bond values during the last quarter of 2017/18 as well a recovery in equity markets.

Total assets as at 31 March 2018 was R6,7 billion (2017: R6, billion) while total technical liabilities was R1,4 billion (2017: R1,3 billion). The Warranty Fund is financially solvent and is able to honour claims on the Warranty Fund by 3 times (2017:3 times).









Mr. Mziwonke Dlabantu
Chief Executive Officer

1.4 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 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
	Chief Executive Officer	Mr. Mziwonke Dlabantu	B.Com (University of Fort Hare)
	Chief Operations Officer	Ms. Thandiwe Ngqobe	Post Graduate Diploma in Management (Wits)
	Chief Financial Officer	Mr. Shafeeq Abrahams	Master of Business Leadership
	Executive Manager: Business Services	Ms. Thitinti Moshoeu	M.Sc (Business Studies) (Salford University, UK).
	Executive Manager: Corporate Services	Ms. Keolebogile Modise	Bachelor of Science (University of Witwatersrand)
	Executive Manager: Legal Compliance and Enforcement	Ms. Julia Motapola	LLM (Emory School of Law, USA)



SECTION 2

FINANCIAL HIGHLIGHTS

2.1 BACKGROUND OF DIVISION

The primary objective 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 2018.

2.2 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 becomes a necessity.

Year on year increase in operating expenses was 2%, being less than the inflation rate for the period of approximately 4.7%. 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.

2.3 FOUR YEAR FINANCIAL SUMMARY

2.3.1 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 will continue 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 the 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 trends in respect of:

- 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 subdued due to budget constraints within Government due to declining revenue collections and the introduction of other priorities like free higher education. At the same time demand for subsidy housing continues resulting in the increase in the existing housing backlog. Delivery in previous years housing opportunities has been less than optimal. It is anticipated that some level of recovery may realise in the year 2018/19, however the time lag of such recovery may only realise in the 2019/20 financial year.

Results for the Year

Revenue (R' million)

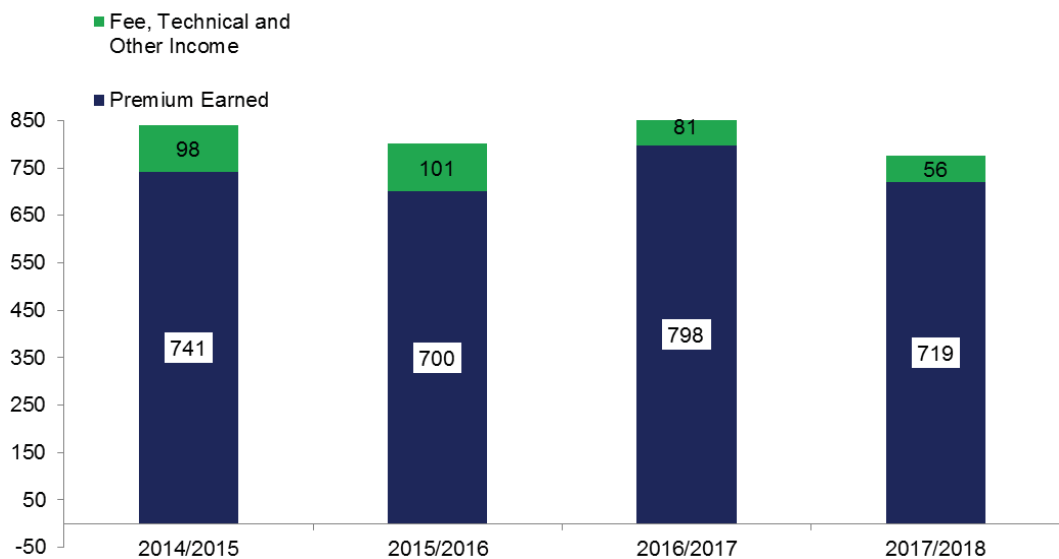


Figure1: Revenue

Revenue from enrolments (premiums written decreased by R 80 million to R 719 million whilst in 2017 the premiums written had increased by 98 million. The increase in the provision for unearned premium of R 133 million (2017: R 72 million) was reduced by the change in the unexpired risk provision amounting to R 64 million (2017: R 84 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 enrolment value increased by 10% while subsidy enrolment of homes also decreased by 30%. The decrease in subsidy home enrolments is primarily due to the Government's fiscal consolidation programme which resulted in Provincial Departments of Human Settlements enrolling less homes than originally planned, whilst the increase in non-subsidy premiums written is attributable to a higher than anticipated performance in both unit enrolments and a higher average enrolment fee.

Fee revenue increased from R 33 million to R 43 million (32%), which was mainly attributable to the increase in subsidy project enrolments by R11 million (2017: decrease by R11 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. The technical services revenue decreased from R 44 million to R 7 million due to a decrease in volumes of work allocated to the NHBRC by the Provincial Department of Human Settlements.

Income earned from investments amounts to R 406 million (2017: R 370 million) and represents a year on year increase of R 36 million.

Operating expenditure

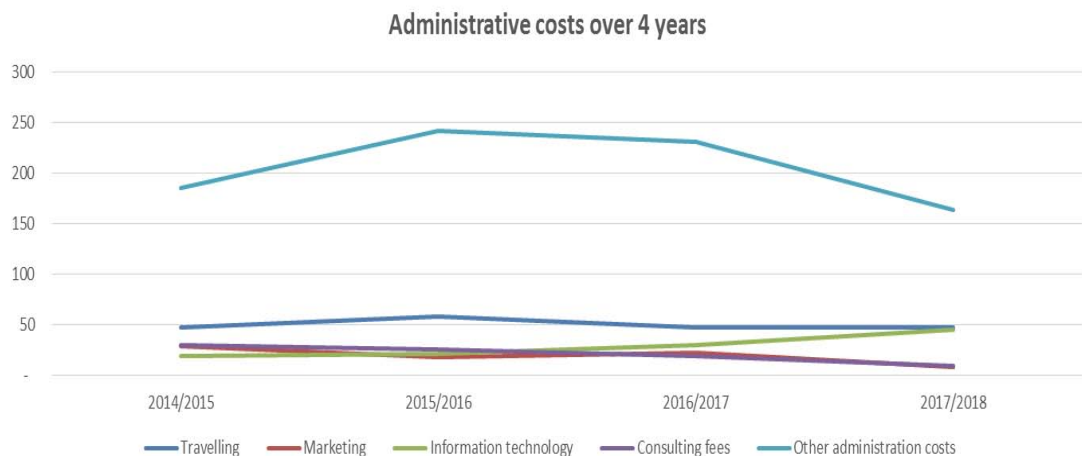


Figure 2: Operating Expenditure

Since the publication by National Treasury of Instruction Note 1 of 2015/16 on cost containment measures, the NHBRC has reviewed its operating costs structure, with a view to containing its operating costs.

With the high cost to income ratio Council has implored Management to continue to implement cost containment measures by reviewing the cost mix to ensure long term sustainability. The cost escalation has been contained at less than CPI, whilst ensuring efficiency in operations and financial sustainability. This will enable the NHBRC continues to deliver on its mandate in the 2018/19 financial year. Concern however remains on some of the expenditure items which have been identified as being excessive, with a view of curtailing them or even reducing them in the future years.

In the 2018/19 financial year the NHBRC will leverage on its Information Technology platform to modify costs in response to changing conditions using more automation, increased user self-service and much-improved management of information to help identify and address the causes of inefficiency.

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 R728 million (2017: R 715 million) represents a year on year increase of 2% which in nominal terms is below inflation, 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.

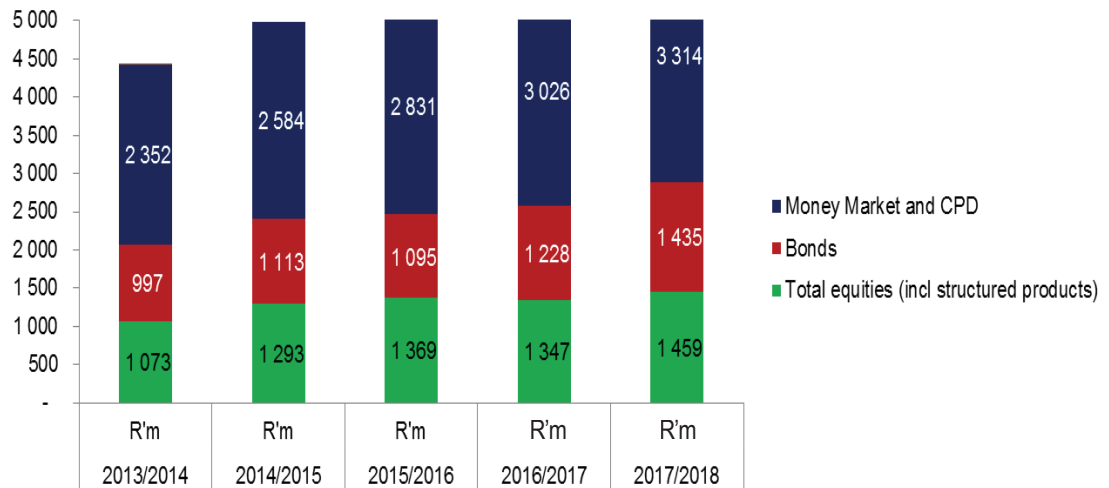


Figure 3: Investments

The NHBRC is regulated in terms of the Housing Consumers Protection Measures Act, 1998 (Act 1 of 1998) 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. The investment mandate concentrates on the preservation of capital so as to ensure that the NHBRC remains financially sound to meet housing consumer claims as they arise.

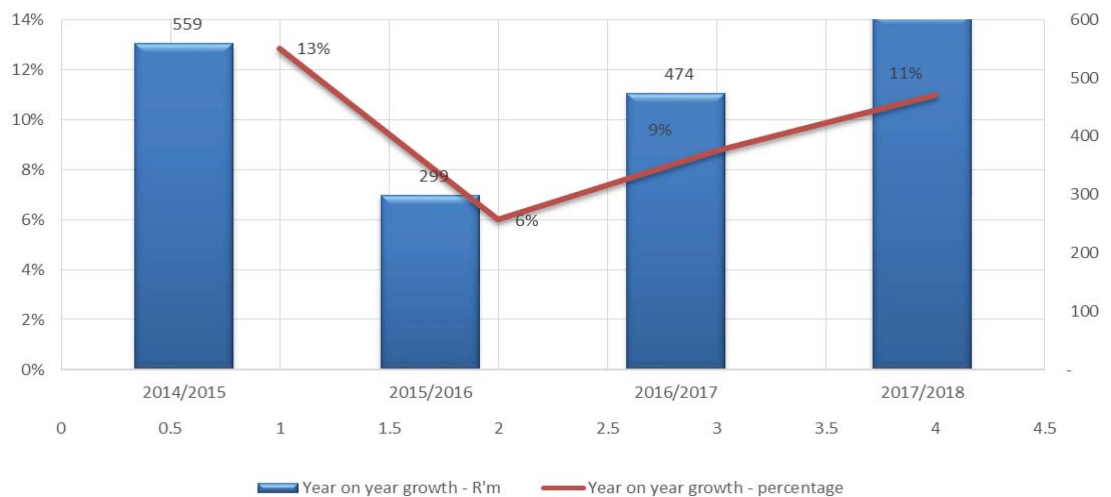


Figure 4: Net growth in investments

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 6.2 billion (2017: R5.6 billion). The fair value gain adjustment of R198 million (2017: R 51 million) is taken to the Statement of Financial Performance in terms of GRAP 104.

2.3.2 EMERGING CONTRACTOR RESERVE

The emerging contractor training reserve was established to develop programmes 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 R 8.5 million (2017: R 5.8 million) for home builder training in the current financial year.

Solvency of the Warranty Fund

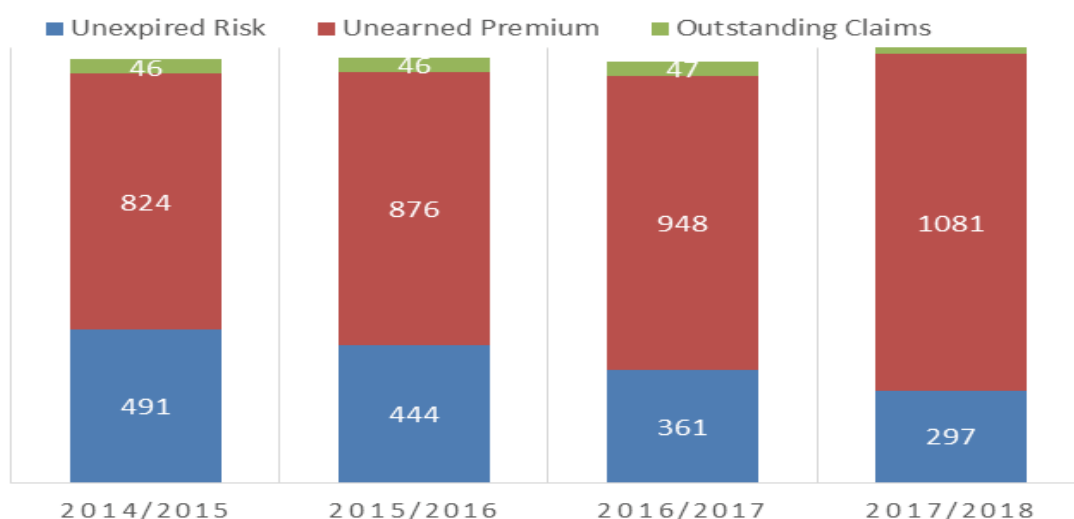


Figure 5: Technical Provisions

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 9.4 million (2017: R8.1 million). The outstanding claims provision increased by R 3.8 million (2017: increased by R 0.85 million).

RAND VALUE OF WARRANTY CLAIMS PAID

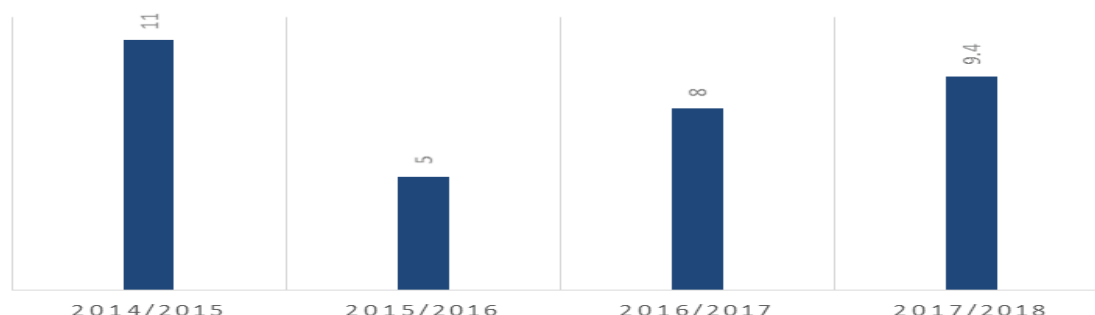


Figure 6: Claims against the Warranty Fund

2.3.3. 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, so as to ensure that this market is independently solvent. The provision decreased from R 361 million to R 297 million, thereby increasing insurance premium revenue earned for the year by R 64 million (2017: R 84 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 2018 when valued on a run-off basis. 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 increased from R 27 million to R 170 million in the current financial year.

The National Home Builders Registration Council (NHBRC) must remain sustainable in order to ensure that it continues 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. Residential building activities are expected to continue to reflect conditions in the economy, household finances, consumer confidence and factors impacting the market for new and existing housing. These factors will be reflected in the demand and supply of new housing. The NHBRC has endeavoured to adhere to the provisions of the Housing Consumer Protection Measures Act of 1998, the Public Finance Management Act of 1999 (PFMA) and the principles related to integrated sustainability reporting as stipulated by the King III Report when it implemented its strategies and operations in the period under review.

A woman wearing a red hard hat with a logo, sunglasses, and a khaki shirt is planting a small tree in a hole. She is surrounded by a crowd of people in the background. A dark blue semi-transparent box is overlaid on the left side of the image, containing the text 'SECTION 3' and 'CORPORATE GOVERNANCE'.

SECTION 3

CORPORATE
GOVERNANCE

THE NHBRC COUNCIL

3.1 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 appointed 14 Council members as listed under Table 4 below effective from the 01 August 2015, including the Acting Chairperson of Council, Ms. Julieka Bayat.

3.2 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

3.3 COUNCIL MEETINGS

In line with good governance principles as espoused in the Public Finance Management Act, 1999(Act No.1 of 1999) and the Council Charter, Council is required to submit at least four quarterly reports to the Executive Authority 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	Council Meetings														
	Capacity	26 Apr 2017	29 May 2017	4 Jul 2017	19 Jul 2017	31 Jul 2017	11 Aug 2017	29 Sep 2017	31 Oct 2017	14 Dec 2017	15 Jan 2018	30 Jan 2018	22 Feb 2018	23 Mar 2018	TOTAL
Ms. Julieka Bayat	Acting Chairperson		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mr. Abbey Chikane	Member	X	X	X	✓	✓	X	✓	✓	X	✓	X	✓	✓	7
Ms. Xoliswa Eunice Daku	Member	✓	✓	✓	X	✓	✓	✓	✓	✓	X	X	X	✓	9
Mr. Themba Thomas Dlamini	Member	X	X	X	X	X	✓	X	✓	✓	✓	✓	✓	✓	7
Ms. Hlaleleni Kathleen Dlepu	Member	✓	X	✓	✓	✓	✓	✓	✓	✓	X	✓	X	✓	10
Mr. Phillip Mziwonke Jacobs	Member	X	✓	X	X	X	✓	✓	✓	✓	✓	✓	✓	✓	9
Mr Segogwane Samuel Kotane	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓	12
Mr. Phetola Nailana Solomon Makgathe	Member	✓	✓	✓	✓	✓	X	✓	✓	✓	✓	✓	✓	✓	12
Mr. Goolam Husein Manack	Member	✓	✓	✓	✓	X	X	✓	X	✓	✓	X	✓	✓	9
*Ms. Esther Euphane Aletta Watson	Member			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
*Mr. Siphamandla Kumkani	Member									✓	✓	X	X	✓	3
Ms. Busisiwe Nwabisa Nzo	Member	✓	✓	✓	X	✓	✓	✓	✓	✓	✓	X	✓	✓	11
*Mr. Lulama Andisa Potwana	Member	✓	✓												2
Mr. Alvin Phumudzo Rapea	Member	✓	✓	X	X	✓	X	✓	X	✓	✓	X	✓	✓	8
14	Total members	9	9	8	7	9	8	11	10	12	11	7	9	13	

*Ms. Esther Euphane Aletta Watson was appointed in July 2017.

*Mr. Siphamandla Kumkani was appointed in November 2017.

*Mr. Lulama Andisa Potwana resigned as board member on 30 June 2017.

3.4 COUNCIL COMMITTEES

The NHBRC Council is supported by eleven (10) 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.

3.4.1 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:

Names	Position
Mr. Goolam Husein Manack	Chairperson and Council Member
Mr. Phetola Nailana Solomon Makgathe	Council member
Ms. Hlaleleni Kathleen Dlepu	Council member
Mr. Themba Thomas Dlamini	Council member
Mr. Abbey Chikane	Council Member
Ms. Esther Euphane Aletta Watson	Council Member
Vacant Chartered Accountant member	Non-Council member

3.4.2 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 home builders under the Act; monitoring the registration and deregistration of home builders, 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:

Names	Position
Mr. Themba Thomas Dlamini	Chairperson and Council Member
Mr. Segogwane Samuel Kotane	Council Member
Mr. Alvin Phumudzo Rapea	Council Member
Ms. Julieka Bayat	Council Member
*Mr. Lulama Andisa Potwana	Council Member
Ms. Esther Euphane Aletta Watson	Council Member
Mr. Abbey Chikane	Council Member

* Mr. Lulama Andisa Potwana was a board member from 01st August 2015 to 30 June 2017.

3.4.3 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. Younus Amod	Chairperson and Independent Non-Council Member
Mr. Goolam Husein Manack	Council Member
Mr. Phetola Nailana Solomon Makgathe	Council Member
Ms. Xoliswa Eunice Daku	Council Member
Ms. Esther Euphane Aletta Watson	Council Member
Mr. Abbey Chikane	Council Member
Vacant IT Specialist	Non-Council member

3.4.4 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:

Names	Position
Ms. Busisiwe Nwabisa Nzo	Chairperson and Council Member
Ms. Julieka Bayat	Council Member
Mr. Themba Thomas Dlamini	Council Member
Mr. Phillip Mziwonke Jacobs	Council Member
Mr. Abbey Chikane	Council Member
Mr. Phetola Nailana Solomon Makgathe	Council Member

3.4.5 DISCIPLINARY HEARINGS COMMITTEE (AD HOC SITTINGS)

This committee is responsible for presiding over cases of alleged contraventions of the Act by home builders, and imposing disciplinary sanctions where home builders 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.

3.4.6 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 such as employee

The Committee is constituted by the following members:

Names	Position
Mr. Alvin Phumudzo Rapea	Chairperson and Council Member
Mr. Phetola Nailana Solomon Makgathe	Council member
Mr. Segogwane Samuel Kotane	Council member
Ms. Xoliswa Eunice Daku	Council member
Ms. Esther Euphane Aletta Watson	Council Member
Ms. Julieka Bayat	Council member

3.4.7 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:

Names	Position
Ms. Julieka Bayat	Chairperson and Council Member
Mr. Phillip Mziwonke Jacobs	Council member
Mr. Segogwane Samuel Kotane	Council member
Ms. Busisiwe Nwabisa Nzo	Council member
*Mr. Lulama Andisa Potwana	Council Member

*Mr. Lulama Andisa Potwana was a board member from 01st August 2015 to 30 June 2017.

3.4.8 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, 000 (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:

Names	Position
Ms. Hlaleleni Kathleen Dlepu	Chairperson and Council Member
Ms. Xoliswa Eunice Daku	Council member
*Mr. Lulama Andisa Potwana	Council Member
Mr. Themba Thomas Dlamini	Council Member
Ms. Esther Euphane Aletta Watson	Council Member
Mr. Phillip Mziwonke Jacobs	Council member

*Mr. LA Potwana was a board member from 01st August 2015 to 30 June 2017

The Bid Adjudication Committee was disbanded as a Committee of Council on 18 February 2018 but was established as a management Committee thereafter.

3.4.9 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:

Names	Position
Mr. Segogwane Samuel Kotane	Chairperson and Council Member
Ms. Xoliswa Eunice Daku	Council member
Ms. Julieka Bayat	Council Member
Mr. Phetola Nailana Solomon Makgathe	Council Member
Mr. Themba Thomas Dlamini	Council Member
Ms. Hlaleleni Kathleen Dlepu	Council member
Mr. Phillip Mziwonke Jacobs	Council member

3.4.10 SOCIAL TRANSFORMATION COMMITTEE

The purpose of the Social Transformation Committee is to ensure that the National Home Builders Registration Council (NHBR), 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:

Names	Position
Ms. Xoliswa Eunice Daku	Chairperson and Council Member
*Mr. Lulama Andisa Potwana	Council Member
Ms. Esther Euphane Aletta Watson	Council Member
Mr. Themba Thomas Dlamini	Council Member
Ms. Busisiwe Nwabisa Nzo	Council member
Ms. Julieka Bayat	Council member
Ms. Hlaleleni Kathleen Dlepu	Council member

*Mr. Lulama Andisa Potwana was a board member from 01st August 2015 to 30 June 2017.

3.4.11 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:

Names	Position
Mr. Phillip Mziwonke Jacobs	Chairperson and Council Member
Ms. Busisiwe Nwabisa Nzo	Council member
Mr. Phetola Nailana Solomon Makgathe	Council member
Mr. Goolam Husein Manack	Council member
Mr. Abbey Chikane	Council member

Table 6: Attendance of Committees of Council by members of Council

Member Name	Council Meetings											
	Capacity	TRAC	IAC	Social & Ethics	ICT	STEP	HCREMCO	ARMCO	FAFC	BAC	Registration	Totals per member
Ms Julieka Bayat	Acting Chairperson	3	4	3		3	8				5	26
Mr Abbey Chikane	Member	2		2	4		1	3	2		2	16
Ms Xoliswa Eunice Daku	Member			1		3	2	3		5		14
Mr Themba Thomas Dlamini	Member	1	1	1					1		3	7
Ms Hlaleleni Kathleen Dlepu	Member			2		2			4	6		14
Mr Phillip Mziwonke Jacobs	Member	3	4	3	9					6		25
Mr Segogwane Samuel Kotane	Member		4	4			9				6	23
Mr Phetola Nailana Solomon Makgathe	Member	5		3	8		7	4	3			30
Mr Goolam Husein Manack	Member				3			5	4			12
Ms Esther Euphane Aletta Watson	Member			1		2	3	4	4	3	3	20
Mr Siphamandla Kumkani	Member		1	1	1							3
Ms Busisiwe Nwabisa Nzo	Member	5	4		5	2						16
Mr. Lulama Andisa Potwana	Member		1									1
Mr Alvin Phumudzo Rapea	Member						9				1	10



SECTION 4

ORGANIZATIONAL ARRANGEMENTS

4.1 ORGANOGRAM OF THE NHBRC

The Organizational arrangements of the National Home Builders registration Council are reflected in the Organogram as reflected below:

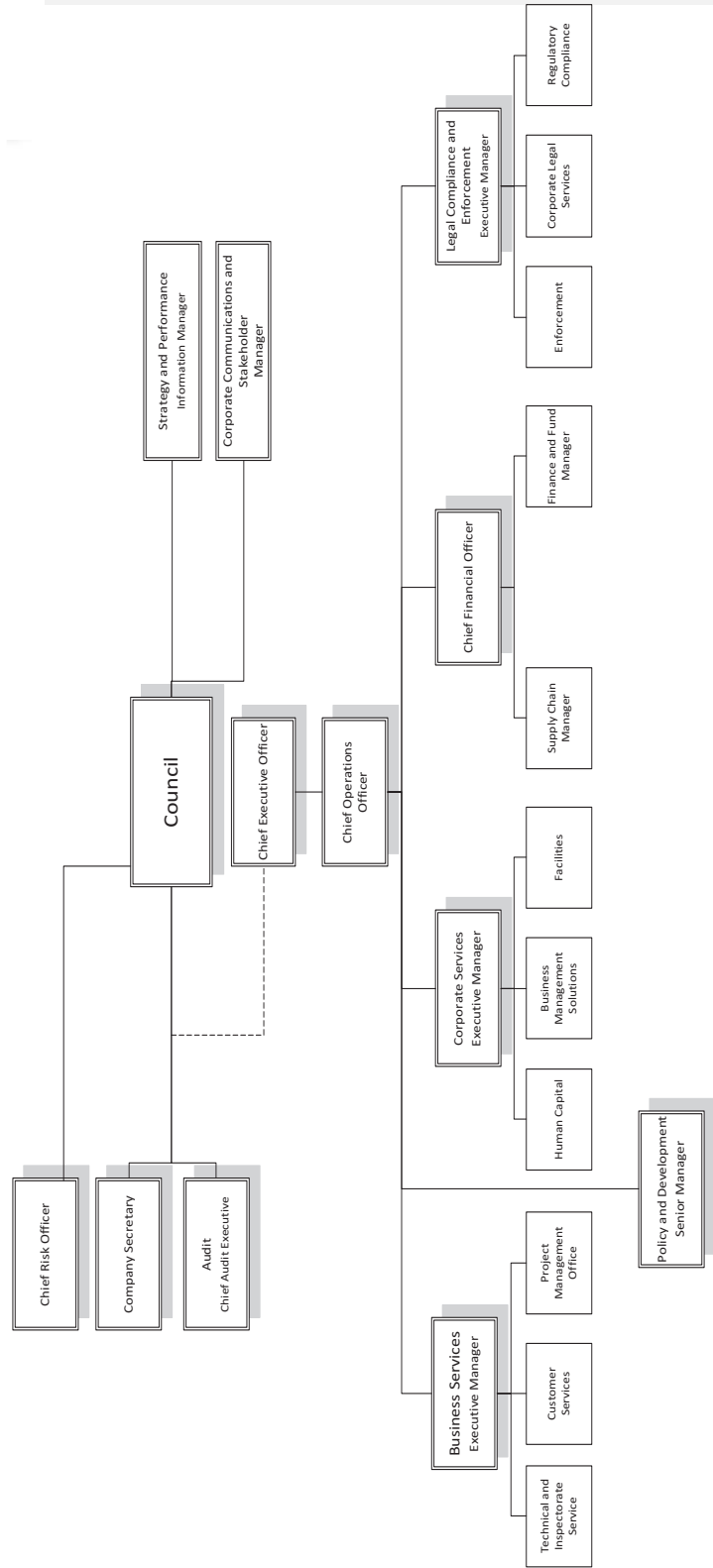


Figure 7: Organogram

4.2 THE OFFICE OF THE CHIEF EXECUTIVE OFFICER IS COMPRISED OF THE FOLLOWING:

- 4.2.1 Risk Management Section
- 4.2.2 Internal Audit Section
- 4.2.3 Corporate Communication and Marketing Section
- 4.2.4 Strategy and Performance Information Management Section
- 4.2.5 Centre for research and housing innovation Section and;
- 4.2.6 Chief Operating Officer division

4.2.1 RISK MANAGEMENT SECTION

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 and enhances Risk Management culture throughout the NHBRC. This includes promoting disciplined risk management in strategy development and execution thereof to ensure that the NHBRC delivers on its mandate in an efficient and sustainable manner.

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 leverage on technology to effectively embed the culture of risk management in all business activities conducted within the NHBRC. This has called for the need to manage strategic risks to a maturity level that is in line with the expectations of the key stakeholders. 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 management strategies and 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 (Board) 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.

In line with good practice, 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. Furthermore, 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 delivering and 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.

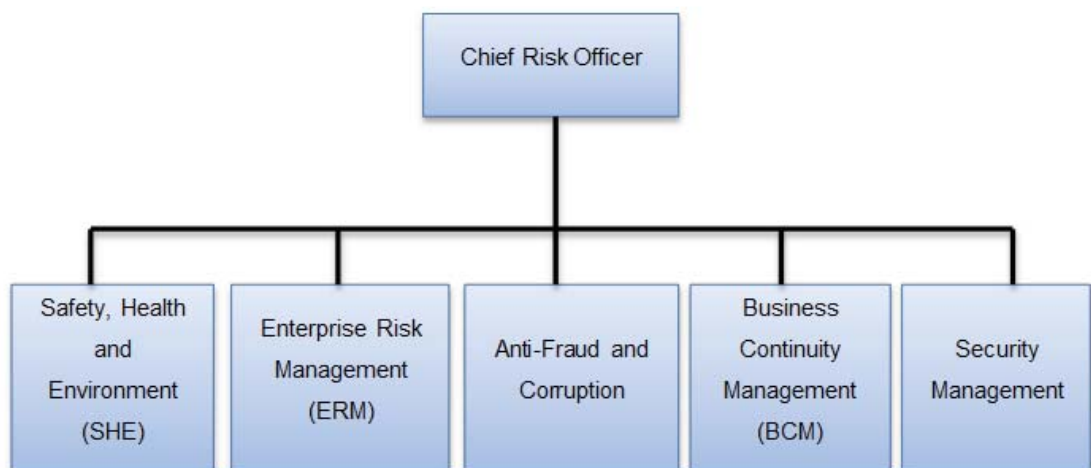


Figure 8: Structure of the Enterprise Risk Management (ERM) Section

Responsibilities of the different Enterprise Risk Management Units within NHBRC

The organisation's Enterprise Risk Management (ERM) function is 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 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 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 vital because embedding a workplace health and safety culture within the NHBRC is essential for the well-being of both employers and employees.

Security Risk Management

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 favour 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 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.

Critical strategic risks facing The NHBRC

In the 2017/18 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.

Table 7: Risks descriptions

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

Risk No.	Risk Description	Inherent Rating	Controls to Mitigate Risk	Residual Rating
4	Inefficient development & implementation of policies and procedures to achieve organisational objectives	12 - Medium	Review of the policies and procedures	3 - Low
			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	
5	Inadequate / ineffective leadership competencies	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	
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	

Risk No.	Risk Description	Inherent Rating	Controls to Mitigate Risk	Residual Rating
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	



Performance Information

Table 8: Performance of the section in relation to targets set in scorecards for 2017/2018

#	Key performance area	Target 2017/18	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%

Highlights and Achievements for 2017/2018

Enterprise Risk Management Unit:

- A risk appetite strategy has been developed ;
- Strategic risks management has been revamped;
- NHBRC is a corporate member of the Institute of Risk Management (SA);
- The risk management process is now part of an organizational wide combined assurance program.

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. 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.

4.2.2 INTERNAL AUDIT SECTION

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
- 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 to ensure that the identified gaps are being addressed by Executive Management. Internal Audit in turn provides assurance to Council accordingly.

Annual Performance

Table 9: IA performance achievement at a Strategic Level in the last financial year:

Strategic Internal Audit KPI	Target	2017/18	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	100%	97%	<p>NHBRC is undergoing significant changes and has resulted in:</p> <ul style="list-style-type: none">• Internal Audit being required to undertake increased special audit requests from both EXCO and Council committees.• In order to curb irregularities in tender processes Internal Audit has also allocated time and resources to observe and report on the bid specifications and evaluations processes and this has had the desired effect on the tender processes.• Staff/Executives unavailability due to other pressing business change initiatives thus negatively impacting on finalization and sign off of audit reports.

The Internal Audit under-went a Quality Assurance Review program undertaken by the Institute of Internal Auditors (SA) and achieved the GC rating , which is the highest rating accorded to internal audit activities globally.

Business Challenges

The Internal Audit has had to put the interventions outlined below with respect to the challenges that were experienced.

Table 10: Internal Audit Challenges and Interventions

Source of Challenges	Drivers of the Challenges	Interventions
Strategic Relevance	Misalignment to Business	<ul style="list-style-type: none"> • Incorporate Council and Ministerial priorities • Involve business in the development of the Annual Plan • Balance Assurance and Advisory work • Involve management participation in the audit process and get them in problem solving on identified key control deficiencies
Competencies	Skill deficiencies	<ul style="list-style-type: none"> • IA has an implemented a co-source arrangement • A learning and development plan to upskill the in-house team is in place
Internal Audit Delivery Process	IA process not responsive to Business	<ul style="list-style-type: none"> • Automated the IA delivery process • Data analytics tool has been acquired and in use by the team • IA will introduce Continuous Auditing in the 2018/19 cycle. • Combined Assurance Model driven by IA has been introduced and is being implemented.

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 section. 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 focused 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.

4.2.3 CORPORATE COMMUNICATION AND MARKETING SECTION

Purpose

The Corporate Communication and Marketing Unit is responsible for strategic communication and reputation management through internal and external communication, media and public relations, stakeholder engagement, events and brand positioning of the organisation.

Corporate Communication and Marketing 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.

The Marketing and Communication Unit supported the organisational goals and objectives by embarking on various activities through stakeholder engagements, exhibitions, sponsorships in order to garner positive publicity through media. The general public and targeted audiences were informed of the work of the NHBRC particularly supporting the social transformation agenda via a quarterly publication called Akani. The majority of our financial investment was focussed on advertising and awareness creation for the provincial mobile office unit roadshows, exhibitions at major cities as well as sponsorships in support of key stakeholder joint activities.

In addition to that, the two mobile offices units were activated as part of ensuring that we improve our visibility and accessibility, and to ensure we reach far flung rural areas where it is difficult for our stakeholders to reach our offices. The mobile units' aim was to assist and educate our housing consumers on the warranty scheme, the complaint process, renewals, new registration and enrolments. The mobile office units were deployed to the following provinces; Limpopo, North West, Western Cape, Eastern Cape, Free State and Northern Cape, Gauteng and KZN respectively. In addition to that, we visited hotspot areas in the Gauteng area post the Protea Glen storm in January to address communities about their concerns and handle complaints on perceived poor workmanship by home-builders. Following on complaints received in the media as well as our digital platform, the following affected areas of Savannah City, Soshanguve, Rosslyn Gardens, Cosmo City and Nellmapius assisting well over a 1000 stakeholders.

Public Relations 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 Protea Glen disaster, suspension of NHBRC executives, new improved certificates and the Women Empowerment Programme (WEP), a total of 21 media interviews with print and broadcasting journalists were conducted.

The majority of this year's media coverage was neutral barring the Protea Glen disaster. 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.

The third quarter proved to be a period where NHBRC received many mentions due to the Protea Glen disaster. The NHBRC was mentioned in 403 media items and garnered coverage in a number of major national media outlets including: Radio 702, ENCA TV Channel, SABC Morning Live, SABC News, New Age newspaper, Star newspaper, Power FM Radio, Kaya FM Radio, Mail & Guardian newspaper and Sunday Independent newspaper.

Primary drivers of the coverage around the disaster included: NHBRC site visit to Protea Glen, the Protea Glen residents, City of Johannesburg report on the disaster, remarks by and media conversations with Johannesburg Mayor, Ministerial Spokesperson from the National Department of Human Settlements, various NHBRC spokesperson; the then Acting Chief Executive Officer; Gauteng Provincial Manager and Regional Manager and media statements / responses from the NHBRC.

During the 2017/18 financial year NHBRC received media coverage with a combined PR Value generated/Advertising Value Equivalent (AVE) of R 65 599 165 which potentially reached 418 million stakeholders, this was derived through the number of public broadcasting station that reported on the NHBRC . We enjoyed a great deal coverage with 1,014 items, comprising of 515 print articles, 306 online articles and 193 broadcast features.

Achievements of the Section

Media Partnerships

To create awareness about the mobile units and to ensure we reach rural communities we partnered with both community radio stations and newspapers countrywide. The campaign also included live reads on Ukhozi FM and Ligwalagwala FM to mention a few. In addition to that we embarked on various consumer awareness initiatives highlighting our mandate which saw us featured on Ilungelo Lakho Show that airs on SABC 1(The show deals with rights of all consumers). We were also featured on both Morning & Weekend Live dealing with the shoddy workmanship.

We live in a world whereby technology dictates terms and in a bid to meet this key aspect we used our medium channels such as website and social media platforms to ensure maximum exposure of the NHBRC and real time assistance to our stakeholders. Though communications is evolving, there is still some traditional aspect that we still have follow as result we partnered with a number of shopping malls countrywide to create awareness and to educate about our mandate and we also partnered with local municipalities and provincial departments.

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 countrywide to highlight a few provincial top builder engagement sessions, sponsoring the Govan Mbeki Awards (where we won an award, Home Inspectors provincial workshops with municipalities, sponsoring the South African Construction Awards and the South African Women In Construction Convention and career expos. Internationally we were also part of the groundbreaking United Nation Habitat III conferences which were held in Pretoria and the city of Quito in Ecuador.

As part of social transformation agenda we championed and launched the Transformation charter which we believe heralds a new dawn in a bid to address the imbalances of the past.

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. During the year in review the team was able to implement the following the IBT Human Settlements Conference, provincial roadshows and expos and Govtech.

Mobile Office Units

During the year under review the mobile office units visited the following provinces; Limpopo, North West, Western Cape, Eastern Cape, Free State, Northern Cape, Gauteng and Kwazulu Natal respectively. As part of fulfilling our mandate we assisted Housing Consumers with the complaint process, educated housing consumers about their rights and obligations, took services closer to communities in remote areas, increased awareness about the NHBRC and lived up to our mantra as Champion for Housing Consumers

During our visits to all the above mentioned areas we discovered that the majority of queries were mainly on Complaints by Housing Consumers with a few request for information or the process of registering as a home builder. In the period we were visiting those areas we assisted a 1000 Stakeholders.

Measurement and Evaluation

To ensure effectiveness of our interventions the following measurement and evaluation tools will be used viz an annual stakeholder survey at the end of each financial year, frequent employee dipstick research, monthly media monitoring, reputation tracking, return on Investment (ROI) for campaigns and events as well as Google analytics for our digital platforms of Twitter and Facebook.

Internally, the tools that will be used is employees feedback session, audit findings and how we implement our policies and procedures.

Performance of the Section on Level 1 Scorecard

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

Table 11: Performance indicators

	Key performance area	Target 2017/18	Performance against target
1.	% of approved Communication Strategy implemented	100% execution of plans against the strategy	58% execution of the plans against the strategy
2.	% execution of Organizational reputational survey	100% execution of organizational reputational survey	67% execution of organizational reputational survey

4.2.4 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 the Portfolio of Evidence that supports the claimed performance is loaded in the correct way in the relevant portals. The 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.

The Delegation of Authority has delegated that the management of the Executive Committee and Management Committee are managed by the Strategy and Performance Information Section. The duties entail co-ordinating the calendar for the financial year and ensuring that minutes are captured and are signed off by the CEO.

Table 12: 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

The section has been conducting workshops in all the provincial offices of the NHBRC throughout the 2017/2018 financial year. 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.

4.2.5 CENTRE FOR RESEARCH AND HOUSING INNOVATION SECTION

Purpose

The Centre for Research and Housing Innovation section is comprised of three components, which are Education, Training and Development, Research and building material testing sections. The Building Material testing and the Education, Training and Development sections are both located at the Eric Molobi Housing Innovation Hub situated at Thorntree View in Soshanguve.

Purpose of Education, Training & Development Section

The purpose of the Education, Training & Development section is to continuously improve the technical competency levels of home builders and technical professionals which would add value in the delivery of quality houses.

Purpose of Research section

The purpose of the Research section is to conduct research on identified deficiencies or opportunities within the housing development value chain, to establish facts and recommend solutions to the organization and the broader home building sector.

Purpose of Building Material Testing Section

The purpose of the Building Material Testing section is to confirm compliance to the minimum technical performance requirements of building materials in the sector.

Performance of Education, Training & Development

The performance of Education, Training & Development Section is covered by the emerging homebuilder training programme; Technical Professional Training Programme; and the Social Transformation and Empowerment Programme.

Performance of Education, Training and Development

The performance of Education, Training and Development section for the year under review is contained in the table below.

Table 13: Comparison of performance between 2016/2017 and 2017/2018 financial year

	2016/2017 Performance	2017/2018 Performance	% Change
Emerging homebuilders	1739	2357	36
Technical professionals	607	587	(3)
Military Veterans	503	442	(12)
Artisans	764	766	0,3
People with disabilities	229	365	59
Youth	2638	2946	12
Women	1139	1880	65
Total	7619	9343	23

The table above indicates that there was an overall increase of 23% in terms of training conducted between the 2016/2017 financial year and 2017/2018 financial year. The most increase was experienced in training of women which experienced a 65% growth, people with disabilities which experienced a 59% increase and emerging homebuilders which experienced a 36% increase.

Performance of Education Training and Development

The performance of Education, Training and Development Business Section is covered by the Emerging Homebuilder Training Programme; Technical professional Training Programme; and the Social Transformation and Empowerment Programme.

Education, Training and Development

KEY PROGRAMMES

The following are the key programmes of the Education, Training and Development section :-

- Emerging Home Builder training, Technical Professional training, Military Veterans training, Artisan Development Training, Training of People with Disabilities, Youth Brigade training; and Training of Women in Human Settlements.

Table 14: Training programme per gender

Programmes	Males	Male %	Females	Female %	Total
Emerging Home Builders	1 477	(63%)	880	(37%)	2 357 (100%)
Technical Professionals	391	(66%)	196	(34%)	587 (100%)
Youth Brigades	1 303	(44%)	1 643	(56%)	2 946 (100%)
Military Veterans	368	(83%)	74	(17%)	442 (100%)
Artisan Development	319	(42%)	447	(58%)	766 (100%)
People with Disabilities	189	(52%)	176	(48%)	365(100%)
Women in Human Settlements	-	-	1 880	(100%)	1 880 (100%)
Total	4 047		5 296		9 343 (100%)
Programmes	Males	Male %	Females	Female %	Total

A total of 4,047 males (43%) were trained across all categories and a total of 5,296 females (57%) were trained across all categories.

4.2.5.1 EMERGING HOME BUILDERS TRAINING PROGRAMME (EHBT)

- 4.2.5.1.1 This programme is aimed at training NHBRC registered Home Builders. The training programme focuses on supporting builders with technical and management skills. The training is an accredited unit which is standard based in the qualification National Certificate, Building and Civil Construction.
- 4.2.5.1.2 2 357 Home Builders trained against a target of 2 000.
- 4.2.5.1.3 This shows an 18% positive variance for the financial year.
- 4.2.5.1.4 Of the 2 357 Home Builders trained, 37% are females, (880 female home builders). More efforts will be made to attract Females into the training programmes

EHBT Provincial Breakdown

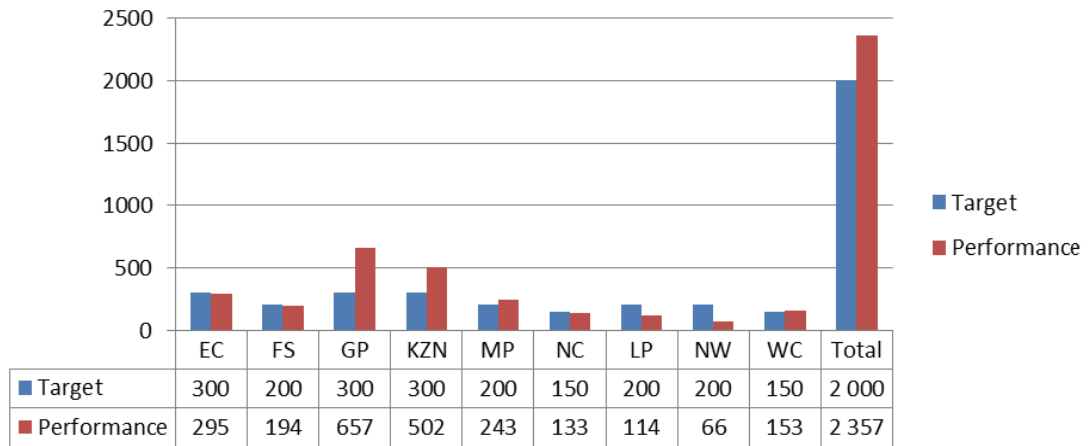


Figure 9: Emerging Home Builder Training- Provincial Breakdown.

4.2.5.2 TECHNICAL PROFESSIONAL TRAINING PROGRAMMES

- 4.2.5.2.1 The main objective of the technical professional training programme is to continually improve the competence level of the existing and new pool of Inspectors and Engineers employed by the NHBRC and other sector organisations within the Human Settlement environment.
- 4.2.5.2.2 A total of 587 inspectors were trained against target set at 500. This shows a 17% (87) better performance above the set target.
- 4.2.5.2.3 The Technical professionals were trained in the Homebuilding Skills Course, including Innovative Building Technology and Green Building Technologies facilitated by internal education training and development facilitators as well as the Green Building Council of South-Africa.

Technical Professional Provincial Gender Breakdown

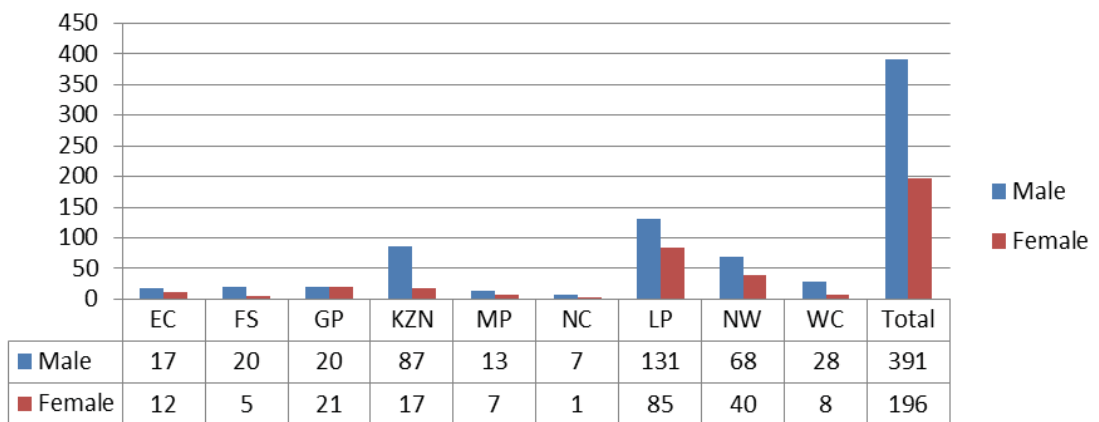


Figure 10: Male/ Female ratio for Technical Professional training.

4.3 SOCIAL TRANSFORMATION AND EMPOWERMENT PROGRAMMES

- 4.3.1 NHBRC has an MOU signed with the shareholder, Department of Human Settlements, where the Education, Training and Development unit is responsible for coordinating and project managing capacity development programmes for building contractors and their employees on behalf of the Department.
- 4.3.2 The different categories of beneficiaries in these programmes are as follows:-
- Youth Brigades;
 - Military Veterans;
 - Artisan Development Programme;
 - Women in Human Settlements; and
 - People with Disabilities Support Programme.

Social Transformation and Empowerment Programmes

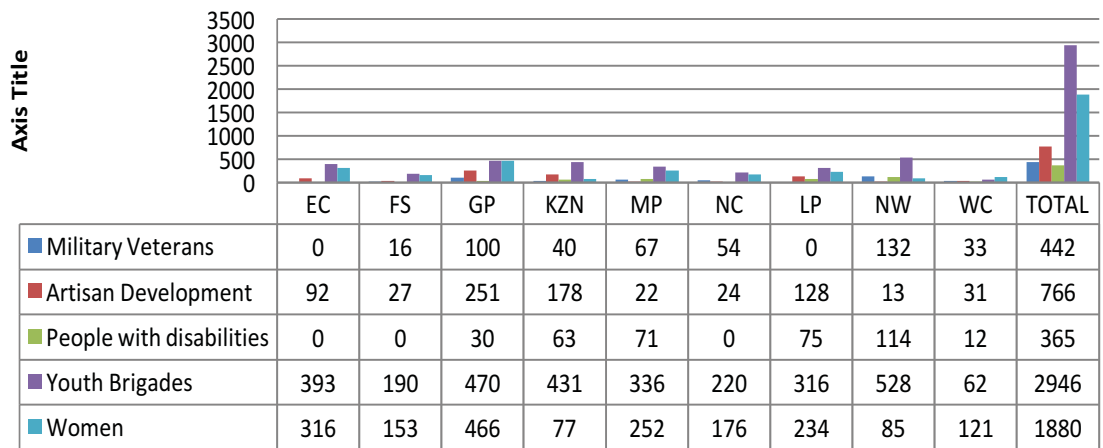


Figure 11: Provincial breakdown for Social Transformation Programme

4.3.3 RESEARCH PERFORMANCE

The performance of research for the year under review is covered in table 14 below:-

Table 15: Performance of research for the year under review

No.	IBT Projects		Objectives	Benefits
1.	Research based Projects	Development of guidelines for Rapid IBT- based housing for temporary accommodation	The NHBRC was requested to develop guidelines for emergency accommodation. The objective of the guidelines is to provide types and mechanism of how the human settlement sector, particularly Provincial departments of Human settlements and municipalities can source temporary/ accommodation in the event of an emergency where rapid response is required to provide accommodation.	Provide the types and mechanism on how the human settlement sector can source emergency accommodation
2.		Implementation of research agenda (Innovative Building	Investigate the impact and uptake of the use of innovative building technologies in Housing- House an IBT house based on Sanjo wall panel innovative technology constructed in Tembisa township, Ekurhuleni Metropolitan.	Promoting innovation Building Technology in Human Settlements

4.3.4 PERFORMANCE OF THE BUILDING MATERIAL TESTING LABORATORIES STRATEGIC CONTEXT

In 2005, the NHBRC established the Eric Molobi Housing Innovation Hub (EMHIH) building material testing laboratory. The laboratory is NHBRC's response to the mandatory continuous improvement of quality in housing through testing of building products to confirm compliance to technical standards; The laboratory's focus is to test all building material from subsurface to superstructure level, for both subsidy and non-subsidy housing projects. Currently testing is carried out on the following:

- masonry products i.e. concrete and burnt clay masonry,
- earth blocks (Compressed Earth Blocks & Compressed Stabilised Earth Blocks),
- hardened concrete slabs and foundations (core strength, cube strength & Schmidt hammer test),
- mortar, fresh concretes as well as fine aggregates and course aggregates.

The laboratory also able to conduct testing in the following areas:

- Building materials from completed and or occupied projects where the NHBRC is requested to conduct forensic engineering investigations;
- Research and development of building and construction material and remedial methods;
- New and Innovative Housing products; and
- Repeatability and reproducibility studies as per ISO 17025 requirements.
- Testing of building material at EMHIH laboratory takes into account client requirements as well as the requirements of ISO 17025, test products are tested to their applicable test methods.
- Testing of building material samples are collected or received from active building sites through co-ordination with the Provincial Inspection coordinators, home inspectors and Provincial Engineers;
- The samples are registered and stored in the laboratory building for subsequent testing to relevant standards.

Types of Tests at the EMHIH Laboratory.

The laboratory is equipped to conduct 15 different civil types of test namely :

- 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.

Tests contributions from these provinces are as follows:-

- North West comprises about 39%;
- Mpumalanga comprises about 42%;
- Gauteng comprises about 15%;
- Limpopo comprises about 4%;

5. SPECIAL PROJECTS

5.1. TECHNICAL PROFESSIONALS SUPPORT- DEVELOPMENT OF AN ACCREDITED QUALIFICATION FOR BUILDING INSPECTORS

5.1.1. BACKGROUND

NHBRC has identified the need to assist Inspectors to develop their capability to conduct inspections and for continuous uplifting of Competency levels so as to respond to Quantitative and Qualitative demands on their task. To this end the following initiatives are being undertaken:-

- Development of a National qualification for Building Inspectors, working with LGSETA (Local Government Sector Education Training Authority)/CETA (Construction Education and Training Authority)/QCTO (Quality Council for Trades and Occupations), the product will be an accredited qualification and part-qualifications that will award credits and CPD points to inspectors on completion of the programme.
- Development of a Competency based model for Inspectors, the purpose is to have a framework through which career progression of inspectors and their competency levels is registered. This will help in placing Inspectors according to different grades as per their level of education, continuous development, work experience and other attributes.
- NHBRC is working with SACPCMP (South African Council for Project and Construction Management Professionals) on establishing a regulatory framework based on the need for Building Inspectors to be recognised for courses and qualifications they have and attend, and also register (voluntarily) as construction mentors-all of this will give them CPD points which will upgrade them and be recognised as on this and ultimately there is professionalization of the sector through regulation.



5.2. ACHIEVEMENTS TO DATE

Table 16: Milestone identification – achievements to date

Milestone	Task/Phase	Date
Occupational Profiling	Occupational Profile developed	February 2017
Verification process	Occupational profile distributed to expert practitioners for comments/inputs	April 2017
Learning process design	Knowledge module specifications developed	May 2017
	Practical Skills module specifications developed	June 2017
	Workplace Experience module specifications developed	September 2017
Develop External Summative Assessment specifications	External summative assessment specifications developed	June 2017
Verification process	Curriculum document and External Summative Assessment specifications distributed to expert practitioners for comments/inputs	October 2017
Working Group Workshop	Comments/inputs received from the verification process considered by the working group and necessary	June 2017
Final Verification	Facilitate industry workshop for qualifications sign-off	January 2018
Finalisation of the documentation to be submitted to the QCTO	All documents prepared and submitted to the DQP(Degree Qualifications Profile) for further submission to the QCTO for registration	February 2018
Project Close-Out	Submit all relevant qualification documents for registration	March 2018

5.3. TECHNICAL PROFESSIONALS SUPPORT- REGISTRATION OF BUILDING INSPECTORS

Table 17: Milestone identification – registration of building inspectors

Item	Milestone Identification			Status in % (weight)	Completion Status
	Milestone	Task/Phase	Date		
1.	Occupational Profiling	Occupational Profile developed	February 2017	10%	100% Completed
2.	Verification process	Occupational profile distributed to expert practitioners for comments/inputs	DQP Distributes Documents to the broader stakeholders	5%	100% Completed
3.	Learning process design	Knowledge module specifications developed	May 2017	10%	100% Completed
		Practical Skills module specifications developed	June 2017	10%	100% Completed
		Workplace Experience module specifications developed	June 2017	10%	100% Completed
4.	Develop External Summative Assessment specifications	External summative assessment specifications developed	September 2017	10%	100% Completed
5.	Verification process	Curriculum document and External Summative Assessment specifications distributed to expert practitioners for comments/inputs	October 2017	10%	100% Completed
6.	Working Group Workshop	Comments/inputs received from the verification process considered by the working group and necessary changes effected	November 2017	5%	100% Completed
7.	Final Verification	Facilitate industry workshop for qualifications sign-off	January 2018	10%	100% Completed
8.	Finalisation of the documentation to be submitted to the QCTO	All documents prepared and submitted to the DQP for further submission to the QCTO for registration	February 2018	5%	100% Completed
9.	Project Close-Out		March 2018	10%	Pending approval

Item	Milestone Identification			Status in % (weight)	Completion Status
	Milestone	Task/Phase	Date		
APPROVALS					
10.	Appointment of the Assessment Quality Partner	QCTO appointed as AQP and SACAP as Technical support to the AQP	April 2018	-	100 % Completed
11.	Submission of Qualification for approval to OQC (Occupational Qualification Committee)	The QCTO submitted to the OQC (Occupational Qualification Committee) meeting for rectification and approval	April 2018	-	100% (Rejected)
12	Feedback from OQC	OQC didn't approve the qualification and sent back for rectification on the following; <ul style="list-style-type: none"> • Entry requirements • NQF level • Articulation 	April 2018	-	50%
13.	Rectification of Qualification after being sent back by QCTO	The CEP (Community of Experts Practitioners) sat with LGSETA and QCTO to discuss the issues to be rectified and it was concluded that a date will be set to finalize the qualification and send back for approval.	May 2018		30% Completed
14.	Approval by QCTO	The OQC will endorse and approve the qualification after presentation of the qualification to the Committee, once approved it will go for public comment (21 days), then it will be submitted to SAQA for registration.	June 2018	-	0%
13.	Registration of the Qualification by SAQA	The qualification will be registered at SAQA after the public comments.	October 2018	-	0%

Technical Professionals Support- Registration of Building Inspectors

Table 18: Milestone identification – registration of building inspectors

KPA	Key Activities	Performance Indicator And Expected Outcomes / Deliverables	Output	Status
Operationalization of Building Inspector Registration	Establishment of project Office	Provision of Office Space, Laptop and Email Facilities to Project Manager	Resourced Office-I coordinator	Completed
	Establishment of Project Task Team and terms of reference	Project mapping and execution plan	Stakeholder participation	Completed
	Development of Tender Terms of Reference & Scope of Services for Scoping Study	Appointment of Service Provider to Undertake Scoping Study services of	Building Inspector Scoping Study Report	Completed
	Conducting the Scoping Study	Research Study Scoping		
		Stakeholder engagement and Interviews		
		Development of Categories for Registration		
		Develop proposed Regulatory Framework		
	Tabling of First Interim Progress Report by Service Provider for Task Team Review / Approval	Approval of Interim Report	Draft Report	
	Tabling of Final Progress Report by Service Provider for Task Team Review / Approval	Approved Report	Final Report on Study of Regulatory Framework	
Development of a national register infrastructure and capacity building	Recruitment and capacity building for Staff members	Number of Staff trained and training sessions attended	8 Team members	Planned- August 2018
	Induction on Customised Assessment Categories for SACPCMP registration	Customised Assessment programme Development Number of Assessors appointed Pilot Number of candidates assessed	Dashboard on Registration	Planned- Aug/Sept 2019
	Development, maintenance and update of a back-end IT system for the SACPCMP	Develop a back-end system for Building Inspector to access all registered practitioners information		Planned for September 2019

KPA	Key Activities	Performance Indicator And Expected Outcomes / Deliverables	Output	Status
Develop and implement programme accreditation and CPD Framework	Accreditation and validation of CPD activities	Number of validated courses and programmes. Number of validated CPD activities	CPD validated process	Planned – Nov 2018
	Update and management of the CPD online system	Number of updated Professionals	Register for Professionals	Planned-
	Candidacy accreditation programmes and audits	Candidacy accreditation programmes.	Quality Management System for accreditation	Planned – March 2019
	Development of Skills Modules	Skills Modules for all registration categories	Professional Skills Modules for BIs	Planned to commence in June 2018
Public Participation and Promotion of the Professions	Gazetting of Draft Regulations for Public Comment	Drafting of Proposed registration criteria and escalation to Government Public input into registration criteria	Buy-in on BI Regulation	Planned for July 2018
	Implementation of National Roadshows and Implementation of Media Campaign	Public participation and information sharing in all 9 provinces	Buy-in on BI Regulation Publicity of BI Regulation	Planned for August-September 2018
	Gazetting of Final Regulations	Publish final Building Inspector Registration Regulations	Gazetted Building Inspector Regulations	Planned November 2018
	Publish Building Inspector Registration Booklet	Annual update and other communication and marketing materials	Publicity of BI Regulations	Planned for November 2018
Activate Registration of Professionals	Invitations to Professionals received and processed Commence with registration	Number of applicants	Candidate Accredited Professionals	Planned for January 2019

6. HUMAN SETTLEMENTS TRAINING ACADEMY (HSTA)

6.1 BACKGROUND

- NHBRC is establishing The Human Settlement Training Academy as a practical tool that will draw from over 23 years of Department of Human Settlement service delivery track record in transforming 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.
- The outcome of the HSTA is to develop a capacitated Human Settlements sector with interest in creating a continued pipeline of capacity to achieve deliverable of the human settlements value chain.
- The Training Academy will be able to provide the Industry with following skilled professionals through this programmes:
 - Inspectors and Construction Supervisors
 - Qualified Human Settlements Planners and Managers

7. 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 as well assisting the NHBRC on technical and or applied research that offers solutions to the home building sector needs.

8. PARTNERSHIP WITH ACCREDITED BUILDING MATERIAL TESTING LABORATORIES

NHBRC aspires to contribute in technical knowledge creation for the home building industry. Fundamental to this aspiration is the need to gather technical data and turn it into useful information that will benefit technical decision making process and assure quality in homes. To this end, the NHBRC tests building materials in order to confirm that indeed the minimum technical requirements are being adhered to. The NHBRC randomly tests of building material collected from building/construction sites that enrolled with it and on request, test new building/construction materials recommended for the home building sector prior to being delivered to building sites

To the above, the NHBRC has partnered with 15 SANAS accredited building material testing Laboratories across the countries. This partnership is already reflecting positive results from NHBRC enrolled sites

9. DEVELOPMENT OF THE HOME QUALITY ASSURANCE SYSTEM (HOMQUAS- PHASED 1)

Throughout the housing development value chain, the NHBRC stands at centre of the housing development projects and has a broader overview of the construction progress, the details of the projects the builders involved and payment schedules. This drives a need for quality planning, quality control and quality assurance in order to achieve the desired mandate of assuring quality homes. The NHBRC is therefore in a position to leverage on information related to projects, including all activities happening on pre, during and post construction process.

To address the above, NHBRC embarked on a project to develop in phases the Home Quality Assurance Management System (HomQuas). It is the view of the NHBRC that Homquas will enable the NHBRC and its key stakeholder to manage and make better informed strategic decisions related to home construction throughout the value chain of development. Through Quality assurance management system, the Human Settlement sector should be in a better position to plan, organize housing development, analyze and pictorially view houses enrolled, gather inspection records, complaints, and dynamically interact with construction progress in “semi-real time” through smart phones, tablets and laptops.

The benefits of a full home quality assurance management system to the housing sector are therefore enormous, in that the sector will be able to account for all projects and houses during planning, execution and as well as completed and occupied houses. When Quality assurance management system is finally commissioned, the sector should save on project development costs, delivery time, increased efficiency, improved quality, better project communication, and reduced developmental errors and delays.

Phase 1 of HomQuas was successfully installed and the NHBRC is in the process of getting Phase 2, an enterprise, and multi-disciplinary, web-based construction management system powered by GIS into place.

10. CONCLUSION

The Centre for Research and Housing Innovation endeavours to conduct research that brings about increased efficiency, improved quality of service, better project communication capabilities. 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 compliant to the minimum set technical requirements in order to develop quality homes in the sector.

4.2.6 CHIEF OPERATING OFFICER

The chief Operating Officer's area consists of the following divisions, which are:

- 4.2.6.1 Business Services division
- 4.2.6.2 Corporate Services division
- 4.2.6.3 Legal Compliance and Enforcement division

The performance for the areas for the 2017/2018 financial year is as outlined below:

4.2.6.1 BUSINESS SERVICES DIVISION

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

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 and Inspectorate Section

The purpose of Technical and Inspectorate Section is to ensure that NHBRC delivers quality services for its stakeholder in order to realise the vision that we are "Champions of the Housing Consumer" and 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.

Purpose of Project Management Services

The purpose of Project Management Office is to ensure that projects within the organization are managed efficiently and effectively.

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

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 entities and National Department of Human Settlements.

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.

The Mobile Office Units are used to provide access and services to the housing consumers and aspirant homebuilders in the rural parts of the country. The officials will attend to consumer complaints, offer technical assistance where it is required, do homebuilder registrations and home enrolment and offer services on 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.

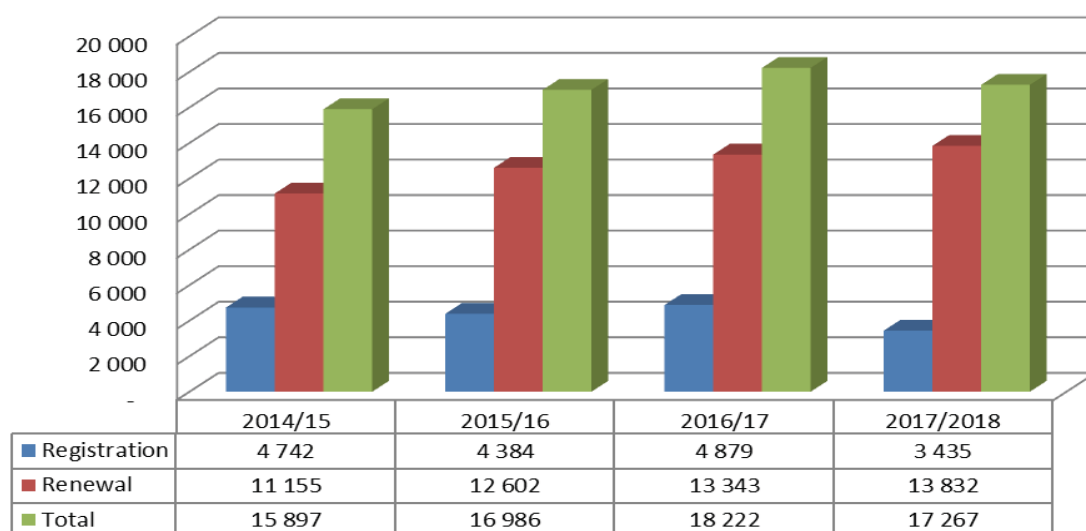


Figure 12: New Registration of Home Builders and Renewal of Registrations

The graph above highlights the number of home builders who registered with the NHBRC over a four-year period. A total of 3,435 new home builders were registered with the NHBRC for the 2017/2018 financial year.

An average number of 4,360 homebuilders were registered with the NHBRC over a four year period and an average of 12,733 homebuilders renewed their registrations with the NHBRC over a four year period.

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 13,832 home builders renewed their registrations in the 2017/2018 financial year. This implies that a total of 17,267 home builders were registered with the NHBRC during the 2017/2018 financial year.

The number of homebuilders who registered with the NHBRC declined by 5% due to homebuilders not envisaging opportunities to do business in the home building sector.

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.

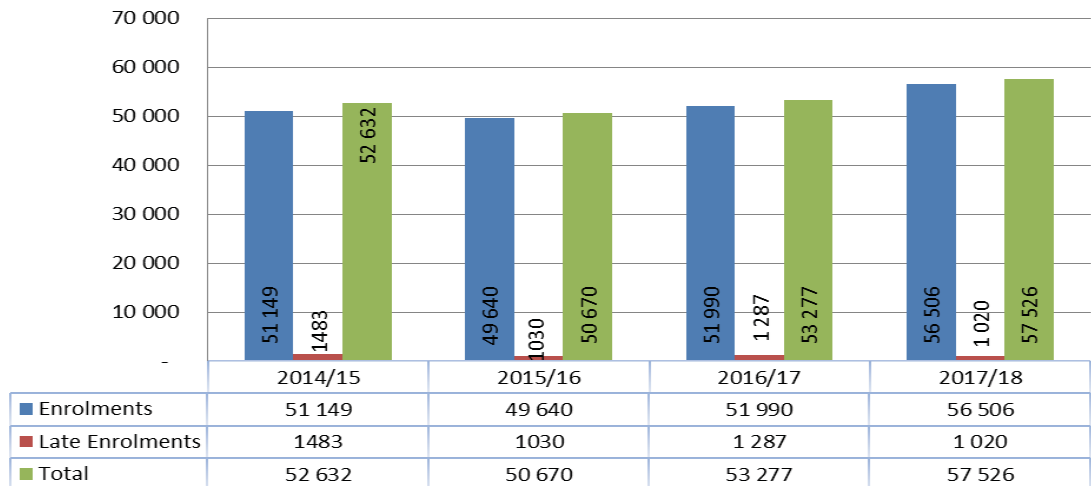


Figure 13: Non-Subsidy Enrolment and Late Enrolment of homes

The Chart above indicates that 56,506 non-subsidy homes were enrolled with NHBRC for 2017/2018 financial year. A total of 1,020 homes were recorded as late enrolment. The total enrolment in the non-subsidy sector for the 2017/2018 financial year is at 57,526. The total enrolment of homes in the non-subsidy sector increased by a total of 8% from the 2016/2017 financial year to 2017/2018 financial year.

Enrolment of Homes in the Subsidy Sector

Enrolment of homes refers to the submission by a home builder 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 176,000 homes in the 2017/2018 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.

Subsidy home & Consolidated Enrolments

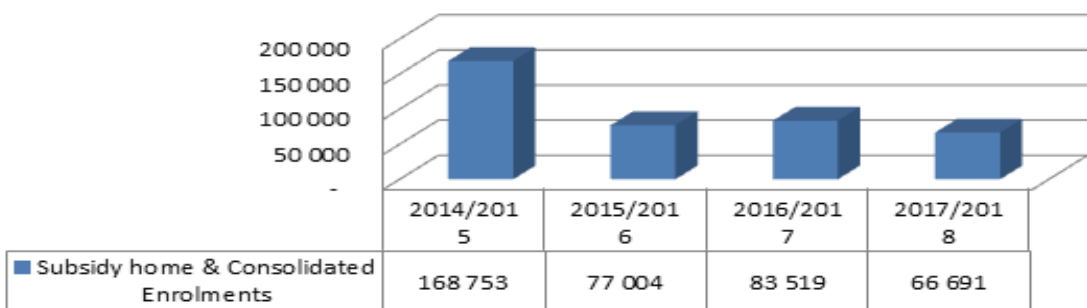


Figure 14: Number of homes enrolled and consolidated in Subsidy Sector

The Chart above highlights the number of homes enrolled and consolidated in the subsidy sector. The NHBRC managed to enrol and consolidate a total of 66,691 homes in the Subsidy sector for the 2017/2018 financial year. The performance for enrolment and consolidation of homes in the Subsidy sector decreased by 20% from the 2016/2017 financial year to 2017/2018 financial year.

The NHBRC has managed to enrol on average 98,991 homes in the subsidy sector over a four year period.

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.

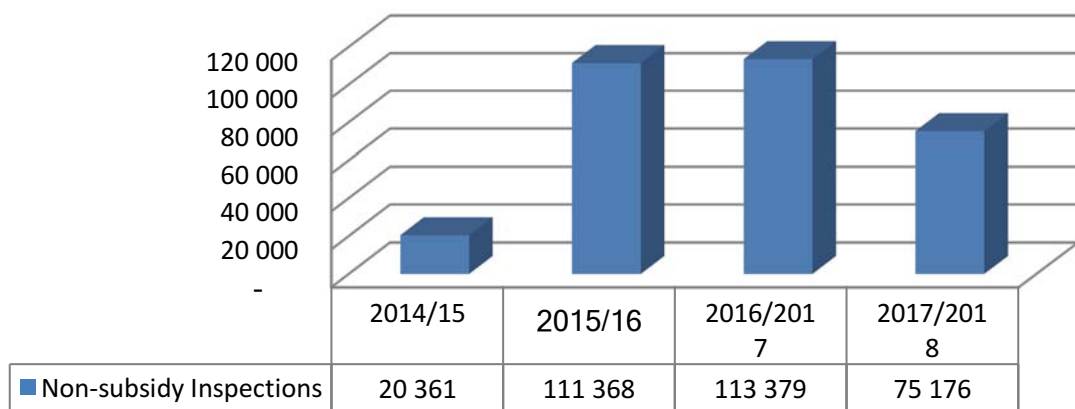


Figure 15: 4-Year Non-Subsidy Inspections of Homes

A total of 75,176 homes were inspected by the NHBRC for the 2017/2018 financial year in the non-subsidy sector. The NHBRC inspected a total of 113,379 homes in the non-subsidy sector for the 2016/2017 financial year and a total of 75,176 homes were inspected in the non-subsidy sector for the 2017/2018 financial year. This demonstrates that there was a decrease of 34% in terms of the homes inspected from the 2016/2017 financial year to the 2017/2018 financial year.

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 inspection stages per home and a maximum of eight inspection stages per home.

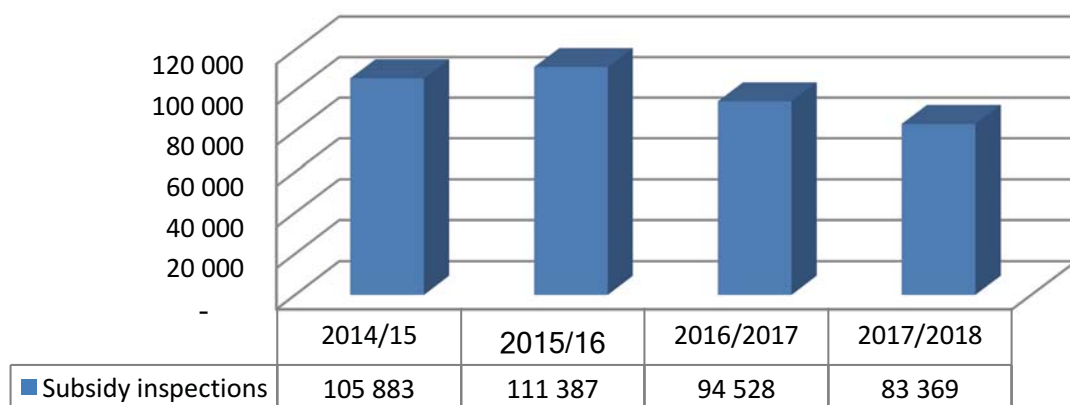


Figure 16: 4-Year Subsidy Inspections of Homes

The NHBRC inspected a total of 94,528 homes in the non-subsidy sector for the 2016/2017 financial year and a total of 83,369 homes were inspected in the non-subsidy sector for the 2017/2018 financial year. This demonstrates that there was a decline of 12% in terms of the homes inspected from the 2016/2017 financial year to the 2017/2018 financial year, the decline in the homes inspected could be attributed to the fewer homes that were constructed and completed in the financial year.

Complaints lodged and closed

NHBRC's strategic intent is to ensure that home builders 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

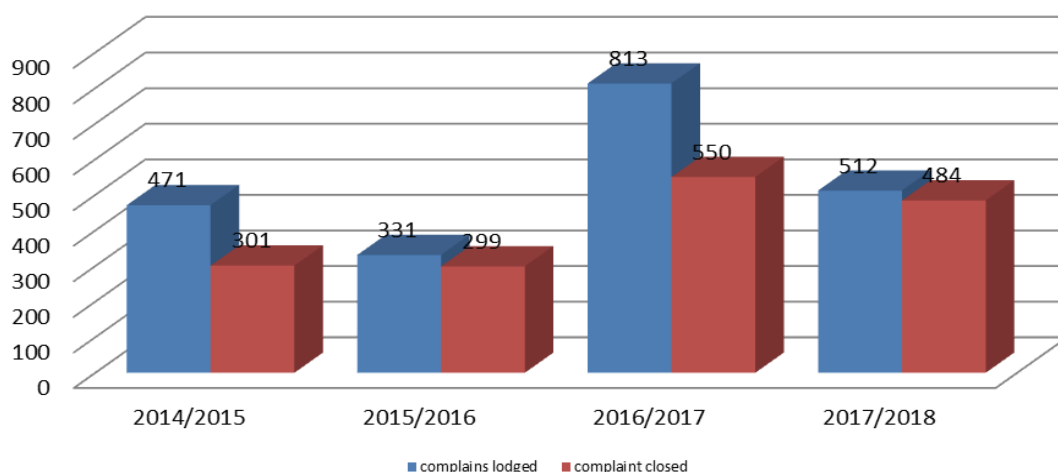


Figure 17: Complaints lodged and closed by NHBRC

NHBRC received a total of 512¹ complaints from consumers during the 2017/2018 financial year. A total of 484 complaints were closed during the same year. The chart above indicates that there was a decline of 12% in terms of complaints closed.

Conciliations Received and Closed

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

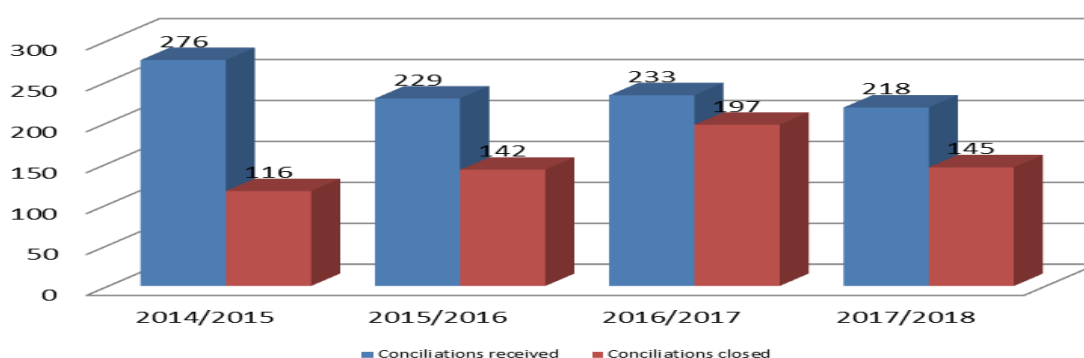


Figure 18: Conciliations received and closed by NHBRC

NHBRC received a total of 218² conciliations in the 2017/2018 financial year. A total of 145 conciliations were closed in the year.

1 Note: All the 512 complaints were recorded manually, due to the unavailability of complaints module within the SAP system

2 Note: All the 218 conciliations were recorded manually, due to the unavailability of conciliation module within the SAP system

Role of NHBRC in Nelson Mandela Bay Metro

The NHBRC was part of the Human Settlements intervention team in the Nelson Mandela Bay Metro. The resolution of Cabinet required that a national intervention be set-up at the Nelson Mandela Bay Metro in order to assist the Metro in implementing the Human Settlements Programmes by delivering housing stock and empowering local contractors.

The NHBRC through its mandate of protecting the housing consumers and regulating the home building environment is a support partner in the intervention through its regulatory, quality assurance and capacity building role.

The NHBRC is part of this intervention support programme with other role players like Housing Development Agency, National Urban Reconstruction and Housing Agency and the Eastern Cape Provincial Department of Human Settlements.

The NHBRC's programmes in the Nelson Mandela Bay Municipality are to train registered homebuilders in the construction skills programme, on-site training support for contractors of which a total of 389 contractors were trained on either bricklaying, plastering, roofing, home building skills course and construction management in order to assist contractors to meet HDA functionally which is linked to NHBRC requirement for status allocation, training of youth the National Youth Brigades and Women in Human Settlements Programmes, inspector training workshops for Nelson Mandela bay building inspectors, assistance for contractors in registration and renewals, subsidy project enrolments and inspections of homes.

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 sequestrated or unable to fix the house the NHBRC will settle and then start the process of recoveries through our legal section. The maximum amount paid for remedials undertaken by the NHBRC in 2017/2018 financial year is R9.4 million.

Table 19: Remedial Claims done for the past four years

Claims Against the Fund	2014/2015	2015/2016	2016/2017	2017/2018
Foundation	1 330 741	353 386	-	-
Substructure	2 995 222	1 605 413	1 198 581	181 409
Superstructure	2 892 690	896 915	634 128	213 539
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	8 966 763
Transport and Storage	143 298	4 059	-	-
Accommodation	477 592	238 980	25 000	75 000
Total claims against fund	11 103 559	4 481 925	8 160 757	9 436 711

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.

4.2.6.2 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 Corporate Services division consists of three sections, namely:-

- Human Capital Section
- Business Management Solutions Section
- Facilities Management Section

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 Human Capital 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

The purpose of the Business Management Solutions section is provide an effective and efficient ICT platform and services to support and enhance business functions and operations.

Purpose of Facilities Management Section

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.



4.2.6.2.1 HUMAN CAPITAL SECTION

Introduction

The Human Capital sections 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 the Human Capital Section within the organization is to ensure that NHBRC attracts the best talent within the Country which would be able to compete fairly with its peers in order to deliver quality service for the betterment of the NHBRC.

The NHBRC has a total permanent staff compliment of 636 (six hundred and thirty six) for the 2017/2018 financial year. The NHBRC had a total staff compliment of 626 (six hundred and twenty six) for the 2016/2017 financial year. The NHBRC had an increase of 2% for the staff compliment from the 2016/2017 financial year to the 2017/2018 financial year.

The Human Capital section manages a very successful employee wellness programme with significant wellness interventions throughout the year. This includes disability awareness programs and health programs.



Headcount and Workforce Profiles

The number of employees in the payroll of the NHBRC is six hundred and thirty six (636) permanent staff as at the 31st of March 2018.

Table 20: Workforce profile as at 31 March 2018

Occupational Levels	A	A%	C	C%	I	I%	W	W%	A	A%	C	C%	Male				Female				Foreign Nationals		Total
																				Male	Female		
Top Management (Grade 1-2)	1	50%	0	0%	0	0%	0	0%	1	50%	0	0%	0	0%	0	0%	0	0%	0	0	0	18	
Senior Management (Grade 3-4)	1	20%	1	20%	0	0%	0	0%	3	60%	0	0%	0	0%	0	0%	0	0%	0	0	0	5	
Professionally qualified and experienced specialists and Mid-management (Grade 5-6)	17	47%	2	5%	2	5%	3	8%	9	24%	0	0%	1	3%	2	5%	0	0-	0	0	0	36-	
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (Grade 7-12)	214	38%	22	4%	5	1%	12	2%	271	49%	16	3%	6	1%	11	2%	0	0	0	0	0	557	
Semi-skilled and discretionary decision making (Grade 13-15)	7	44%	0	0%	0	0%	0	0%	9	56%	0	0%	0	0%	0	0%	0	0-	0	0	0	16	
Unskilled and defined decision- (Grade16-17)	1	5%	0	0%	0	0%	0	0%	18	90%	0	0%	0	0%	1	5%	0	0	0	0	0	20	
TOTAL PERMANENT	241	38%	25	4%	7	1%	15	2%	311	49%	16	3%	7	1%	14	2%	0	0	0	0	0	636	

A= African, C=Coloured, i= Indian and W =White.

Employment Equity by Gender

There are two hundred and eighty eight (288) males which constitutes a total of (45%) and three hundred and forty eight females (348) females which constitutes a total of (55%) employed by the NHBRC.

A clear separation has been done between males employee and female employee. The constitution of males employees indicates that 38% are africans, 4% are coloured, 1% are indian and 2% are white. The female employee shows that 49% are africans, 3% are coloured, 1% are indian and 2% are white.

Employment Equity by Race

Of the 636 (six hundred and thirty six) employees of the NHBRC, a total of 87% are African, a total of 7% are coloured, a total of 2% are Indian and a total of 4% are white. The NHBRC is oversubscribed in certain areas and undersubscribed in certain categories. This will be corrected through our targeted recruitment processes.

People with Disabilities

There are currently (4) four people with disabilities who are currently within the employ of the NHBRC.

Skills Development

The table 20 above shows that the majority of NHBRC employees are skilled people with qualification and experience. Five hundred and fifty seven fall under this category, which includes Engineers, Quantity Surveyors, Accountants and Lawyers. To enable employees to maximize their potential and get the most out of their career, NHBRC promotes the continuous professional and personal development of its staff. Investment in skills and accelerating employees' professional and personal development are essential components of the NHBRC's people agenda. A total of 527 employees were trained in various professional development programmes and a total of 129 employees were awarded bursaries to further their qualifications. Preference is given, but not limited to, the built environment with a special focus on All fields of Engineering, Quantity Surveying, Actuarial Science, B.Compt and B.Com (up to Honours level or equivalent), Construction Management and Building Science. The NHBRC is further committed to strengthening the capability of managers and holding them accountable to enable employees to thrive and meet their full potential. A skills audit of all managers was completed and focused interventions are planned for the next financial year.

4.2.6.2.2 BUSINESS MANAGEMENT SOLUTIONS SECTION

Purpose

The purpose of the Business Management Solutions 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 the completion of two major projects which were SAP stabilisation and the rollout of Unified Communications.

In the ICT Governance space, the ICT Governance framework and the ICT Strategy were developed and are approved by the relevant committees. The implementation of both the ICT Governance framework and the ICT Strategy will be the focus in the upcoming year to further strengthen ICT Governance within NHBRC.

The implementation of the Unified Communications project was completed with the (2) two NHBRC sites that were outstanding from the previous year also completed.

The SAP stabilisation of the implemented solution components remains a challenge. The SAP implementation contract with the service provider was subsequently terminated during December 2017 due to consistent poor performance and delay in the implementation of the outstanding work. However, the process has been initiated to secure the services of the external service provider to provide SAP support services to ensure that the outstanding issues are resolved and the SAP system is stabilised in the upcoming financial year.

Table 21: Performance for 2017/2018

	Key Performance Area	Target for 2017/2018	Performance against Target
1	Maintenance of ICT	Achieve 99% uptime of ICT systems	99% uptime of ICT systems

Table 22: Comparison between 2016/2017 and 2017/2018

	Key Performance Area	Performance for 2016/2017
1	Maintenance of ICT	99% uptime of ICT systems

4.2.6.3 LEGAL COMPLIANCE AND ENFORCEMENT DIVISION

The Legal Compliance and Enforcement Division is divided into the following 3 sections:

- Legal Services Section;
- Regulatory Compliance Function; and
- Enforcement Section.

The Division's key strategic objectives are to:

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

4.2.6.3.1 LEGAL SERVICES SECTION

Interdicts

The Legal Services Section is tasked with, amongst others, the responsibility to facilitate the interdict processes against home builders who:

- a. 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");
- b. Commence with construction of a home without enrolment with the NHBRC in terms of section 14 of the Act; and
- c. Prevents officials or agents of the NHBRC from carrying out their functions in terms of the Act.

Table 23: Interdicts facilitated from 2014/15 to 2017/2018 financial year

Financial Year	Orders Granted by the courts	% Orders granted by the courts	Builder Complied: Internal Intervention	% Builder Complied: Internal Intervention
2014/2015	13	17%	46	27%
2015/2016	14	18%	30	18%
2016/2017	14	18%	54	32%
2017/2018	35	46%	39	23%
Total	76	100%	169	100%

The above table shows a consistent increase in respect of court orders granted in favour of the NHBRC as well as initiatives to ensure compliance with the Act by home builders without having to resort to court. It further shows that a total of 14 and 35 orders were granted by the courts in favour of the NHBRC for the periods 2016/17 and 2017/18 financial years, respectively. There was an increase of 150% for the two financial years. The increase is attributed to training and awareness programmes as undertaken by the organization as part of its visibility initiatives.

In instances where there was intervention from the NHBRC prior to resorting to the courts, a total of 54 and 39 builders complied during the periods 2016/17 and 2017/18 financial years, respectively. This represents a decline of 27% for the two financial years. The decline is wholly dependent on how the builders respond to the NHBRC's intervention.

Recoveries

The Corporate Legal Services Section is tasked with the responsibility to recover the following:

- a) amounts disbursed out of the warranty fund for rectification of defects in accordance with section 17(1) of the Housing Consumers Protection Measures Act, 1998 (Act No. 95 of 1998), 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;
- b) fines imposed by the Disciplinary Committee against home builders for failing to comply with the Act and other legislations thereto; and
- c) legal costs in instances where the NHBRC was awarded costs in terms of a court judgment or arbitration.

As per the table below, the NHBRC recovered R1,6 million during the financial year 2017/2018. This amount is equivalent to the amount recovered in the financial year 2016/2017 as compared to R1.5 million for the financial year 2015/16.

Recoveries of monies as per the Act continue to improve . This is as a result of the Disciplinary Committee imposing penalties as required by the Act and the home builders 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.

Table 24: Recoveries from defaulting homebuilders for the last three years.

Financial Year	Recovery amount
2014/2015	R1.9
2015/2016	R1.5m
2016/2017	R1.6m
2017/2018	R1.6m

4.2.6.3.2 REGULATORY COMPLIANCE SECTION

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

- a. review the regulatory universe in respect of laws affecting the NHBRC;
- b. compilation of the compliance risk management plans as planned for the year;
- c. monitoring of compliance risks in various sections of the NHBRC;
- d. 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
- e. reporting to Executive Committee, Committees of Council, specifically, the Audit and Risk Management Committee and Council on progress relating to the approved plans.

Annual Compliance Plan

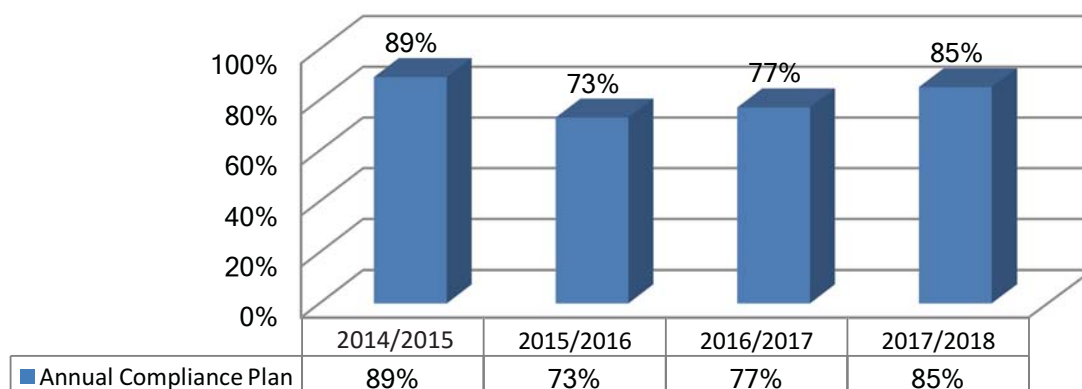


Figure 19: Implementation of the Annual Compliance Plan

The table above demonstrates that the division achieved a performance of 89% for the 2014/2015 financial year which declined to 73% in the 2015/2016 financial year. However, the performance has improved to 77% in 2016/2017 and 85% in the 2017/2018 financial year due to a more focused planning process and implementation of the approved plan.

4.2.6.3.3 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.

During 2017/18 financial year, 211 homebuilders were suspended for failure to comply with specific provisions of the Act and 506 matters were adjudicated upon by the Disciplinary Committee.

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

Table 25: Suspension matters for the last four years

	2014/2015		2015/2016		2016/2017		2017/2018	
Province	Suspensions	%	Suspensions	%	Suspensions	%	Suspensions	%
EC	8	3%	10	4%	0	0%	3	1%
FS	3	1%	2	1%	5	4%	3	1%
GP	28	12%	13	5%	55	39%	70	33%
KZN	16	7%	44	18%	19	13%	29	14%
LP	79	34%	69	28%	17	12%	16	8%
MP	19	8%	35	14%	15	11%	16	8%
NC	0	0%	6	2%	1	1%	3	1%
NW	9	4%	22	9%	9	6%	5	2%
WC	71	30%	45	18%	21	15%	66	31%
Total	233	100%	246	100%	142	100%	211	100%

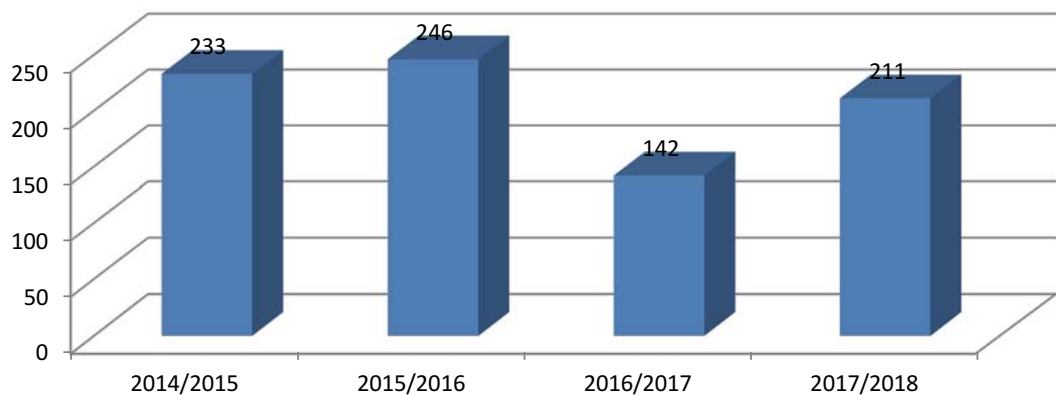


Figure 20: Suspensions for the past four years

The above table and chart indicate that a total of 142 homebuilders were suspended in the 2016/2017 financial year as compared to 211 homebuilders who were suspended in the 2017/18 financial year. This represents an increase of 49% for the latter financial year. The table and chart further show an increase of 6% for homebuilders suspended from 2014/2015 to 2015/2016 financial years, but a decline of 42% from 2015/2016 to 2016/2017 financial years. Numerous training and awareness programmes have been undertaken with various stakeholders (both internal and external) as part of the organisation's initiative to ensure visibility in the industry and ensure compliance with the Act.

Further, the table shows that the most suspensions were experienced in Gauteng Province with 33% and Western Cape Province with 31% for the 2017/2018 financial year respectively. This is based on the fact that majority of homebuilders are situated within the said provinces.

Suspensions Turnaround Times

The NHBRC approved Annual Performance Plan 2017/2018 demonstrates that home builders will be suspended within 10 days from the date of receipt by paralegals and home builders were suspended within a period of 7 days. This was a huge improvement from the previous financial years wherein the turnaround times was 14 days from the date of receipt of instructions.

Disciplinary Committee Turnaround

The NHBRC approved Annual Performance Plan 2017/2018 demonstrates defaulting home builders must be prosecuted within 120 days from the date of suspension and the target for the 2017/2018 financial year was met and exceeded because NHBRC ensured that home builders were prosecuted within a period of 95 days. Further, to ensure strengthened enforcement of the Act, it was deemed appropriate to also report on matters which were adjudicated upon by the Disciplinary Committee without the home builders having gone through the suspension process. As a result, the below total of 506 matters for the period 2017/18 consist of 185 matters prosecuted within 120 days from date of suspension as per the Annual Performance Plan and 321 matters being matters prosecuted within 120 days from date of receipt of a request to prosecute.

The table below shows that there was a decrease of 12% in terms of disciplinary matters that were adjudicated upon against home builders for the financial years 2014/2015 to 2015/2016 due to the delayed appointment of the Disciplinary Committee. However, there has since been a consistent increase in the number of matters adjudicated upon by the Committee as depicted on the table below showing 49% increase during the period 2015/2016 to 2016/2017 and 14% increase for the period 2016/17 to 2017/18 financial years.

Table 26: Disciplinary hearings matters for the last four years

	2014/2015		2015/2016		2016/2017		2017/2018	
Province	DC Hearings	%	DC Hearings	%	DC Hearings	%	DC Hearings	%
EC	23	7%	20	7%	8	2%	28	6%
FS	14	4%	12	4%	11	2%	26	5%
GP	56	17%	96	32%	101	23%	106	21%
KZN	38	11%	54	18%	71	16%	141	28%
LP	80	24%	19	6%	72	16%	44	9%
MP	20	6%	18	6%	71	16%	39	8%
NC	4	1%	12	4%	4	1%	3	1%
NW	25	7%	29	10%	42	9%	35	7%
WC	79	23%	39	13%	65	15%	84	17%
Total	339	100%	299	100%	445	100%	506	100%

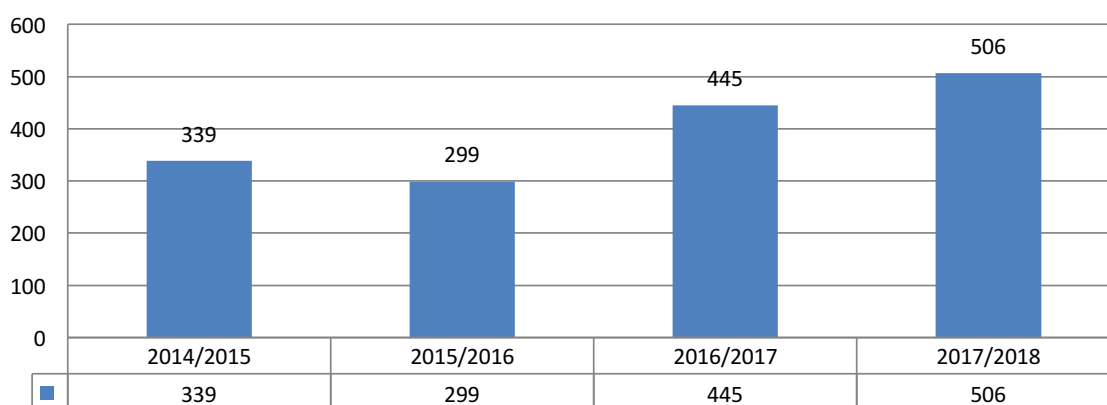


Figure 21: Disciplinary matters for the past four years

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 Housing Consumers Protection Measures Act, 1998 (Act No.95 of 1998). All these matters are in respect of home builders 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 and the South African Police Services by exploring various initiatives to ensure the required prosecution of these matters as prescribed by the law.

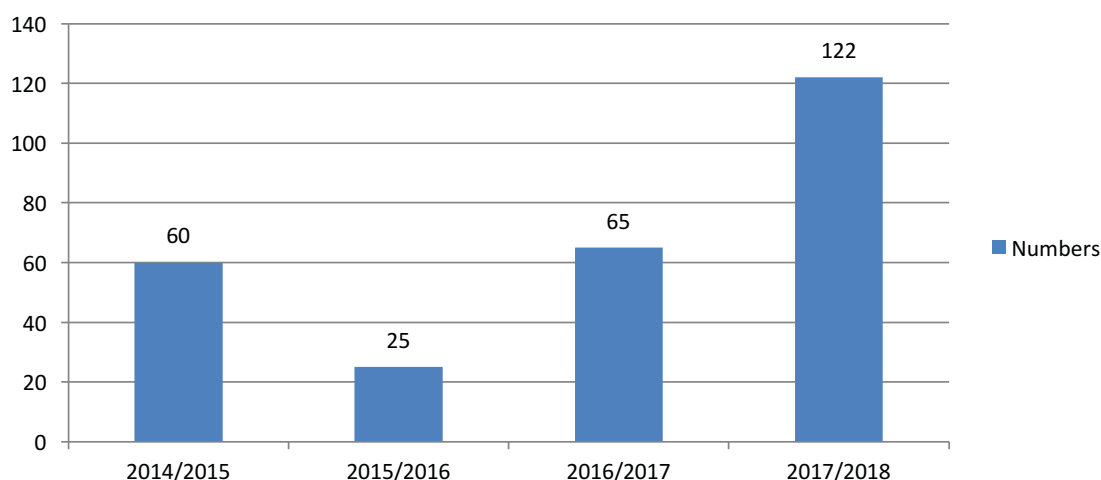


Figure 22: Table of Criminal cases

The number of criminal cases opened by the NHBRC investigators with the South African Police Services in line with section 21 of the Act was 60 for the period 2014/15; 25 for the period 2015/16; 65 for the period 2016/17 and 122 for the period 2017/18 financial years. It is anticipated that the number of prosecutions will increase in the upcoming years as a result of the dedicated initiatives between the NHBRC and the above mentioned stakeholders.

The table above indicates that criminal case declined by 58% from the 2014/2015 to 2015/2016 financial year, whereas the number of criminal cases increased by 160% from the 2015/16 to 2016/17 financial year and the number of criminal cases increased by 188% from the 2016/17 to 2017/18 financial year.

SECTION 5

PERFORMANCE
INFORMATION
2017/2018



Programme 1: Administration and Governance

#	Strategic Objectives	KPA	KPI No.	KPI	Yearly Target	Yearly Achievement	Target Met or Target Not Met	Reason for Variation
1.1	To improve cost effectiveness and internal efficiencies of operations	Achieve 99% uptime of ICT systems	1	Achieve 99% uptime of ICT systems	Achieve 99% uptime of ICT systems.	99.81% uptime of business critical ICT systems achieved.	Target met	The programme was executed as planned.
1.2	To improve cost effectiveness and internal efficiencies of operations	100% implementation of SAP	2	100% implementation of SAP	100% implementation of SAP	70% implementation of SAP	Target not met	The SAP implementation contract with the service provider was terminated in December 2017 due to poor performance by the service provider.
1.3	To improve cost effectiveness and internal efficiencies of operations	30 policies to be reviewed and implemented	3	30 policies to be reviewed and implemented	30 policies to be reviewed and implemented	26 Policies Approved and implemented	Target not met	The three policies (Ethics, Employment equity and incapacity: poor work performances) have gone through all sub-committees of Council and will be tabled at Council meeting of April 2018.
1.4	To improve cost effectiveness and internal efficiencies of operations	90 days taken recruit employees	4	90 days taken recruit employees	90 days taken recruit employees	51 days taken recruit employees	Target met	The programme was executed as planned.
1.5	To improve cost effectiveness and internal efficiencies of operations	100% implementation of Human resources strategy	5	100% implementation of Human resources strategy	100% implementation of Human resources strategy	100% Implementation of human resource strategy	Target met	The programme was executed as planned.

Programme 2: Regulation and Protection

#	Strategic Objectives	KPA	KPI No.	KPI	Yearly Target	Yearly Achievement	Target Met or Target Not Met	Reason for Variation
2.1	To ensure an effective regulatory compliance	Number of homebuilders to be registered	6	Number of homebuilders to be registered	A total number of 4,035 homebuilders to be registered	A total of 3,435 homebuilders were registered	Target not met	New builder registrations are dependent on the number of anticipated tenders issued by Provincial departments. The general decline in Provincial housing delivery largely due to budget cuts, as well as multi-year contracts where such tenders have been issued, has contributed to a decline in the number new entrants into the market.
2.2	To ensure an effective regulatory compliance	Number of homebuilders to renew their registration	7	Number of homebuilders to renew their registration	12,130 to renew their registration	A total of 13,832 homebuilders renewed their registration.	Target met	Renewal of membership is a commitment by homebuilders to remain active in the Industry. NHBRC conduct road shows to create awareness for homebuilders.
2.3	To ensure an effective regulatory compliance	Number of homes to be inspected in the Subsidy Sector	8	Number of homes to be inspected in the Subsidy Sector	693,752 homes to be inspected in Subsidy sector	83,369 homes to were inspected in subsidy sector	Target not met	NHBRC only inspected homes that were constructed in the financial year.
2.4	To ensure an effective regulatory compliance	Number of homes to be inspected in the non-subsidy sector	9	Number of homes to be inspected in the non-subsidy sector	A total of 50,660 of homes to be inspected in the non-subsidy sector	75,176 homes were inspected in non-subsidy sector	Target met	The achievement is in line with the total number of homes under construction. The performance takes into account the number of houses which have been in construction from the previous years.
2.5	To ensure an effective regulatory compliance	% of Effective governance, risk management, compliance management and control environment	10	% of Effective governance, risk management, compliance management and control environment	100% implementation of approved Annual risk Plan	91% implementation of Annual risk plan	Target not met	ERM framework have been submitted to PDC during the month of February 2018 and will be presented at EXCO in April 2018
2.6	To ensure an effective regulatory compliance	% of Effective governance, risk management, compliance management and control environment	11	% of Effective governance, risk management, compliance management and control environment	100% implementation of approved internal audit plan	97% implementation of approved internal audit plan	Target not met	The programme was not executed as planned.

#	Strategic Objectives	KPA	KPI No.	KPI	Yearly Target	Yearly Achievement	Target Met or Target Not Met	Reason for Variation
2.7	To ensure an effective regulatory compliance	Number of project Enrolment in the subsidy sector	12	Number of project Enrolment in the subsidy sector	A total of 17,947 units for project enrolment	21,671 project enrolments to be approved	Target met	The programme was executed as planned.
2.8	To ensure an effective regulatory compliance	Number of units for Home Enrolments	13	Number of units for Home Enrolments	A total of 68,402 units for home enrolment	12,811 subsidy home enrolments were enrolled	Target not met	The target is dependant on the number of projects received for assessments, all projects received were assessed.
2.9	To ensure an effective regulatory compliance	Number of units for Consolidation of homes in the subsidy	14	Number of units for Consolidation of homes in the subsidy	A total of 107,598 units for Consolidation of homes	A total of 53,880 units for Consolidations of homes were processed	Target not met	The target is dependant on the number of projects received for assessments, all projects received were assessed.
2.10	To ensure an effective regulatory compliance	Number of late enrolments in the Subsidy sector	15	Number of late enrolments in the Subsidy sector	A total number of 4,000 late enrolments in the subsidy sector to be processed	0(zero) late enrolments subsidy (Home)	Target met	NHBRC did not receive any request for late enrolment in the subsidy sector
2.11	To ensure an effective regulatory compliance	% of key stakeholder satisfaction survey.	16	% of key stakeholder satisfaction survey.	100% of key stakeholder satisfaction survey conducted	67% of activities completed	Target not met	The programme was not executed as planned.
2.12	To ensure an effective regulatory compliance	Development of a Communication Plan	17	Development of a Communication Plan	100% development of a Communication Plan	58% of activities completed	Target not met	The programme was not executed as planned.
2.13	To ensure an effective regulatory compliance	Number of Home Enrolments Non-subsidy	18	Number of Home Enrolments Non-subsidy	A total of 50,660 of homes to be enrolled in the non-subsidy sector	A total of 56,506 homes were enrolled.	Target met	The highest spike was in the Western Cape and Kwa-Zulu Natal due to enrolment of multi-use projects in the middle income.
2.14	To ensure an effective regulatory compliance	% development and Implementation of Social transformation strategy	19	% development and Implementation of Social transformation strategy	100% development and implementation of Social Transformation Strategy	100% development and implementation of social transformation strategy.	Target met	The programme was executed as planned.

#	Strategic Objectives	KPA	KPI No.	KPI	Yearly Target	Yearly Achievement	Target Met or Target Not Met	Reason for Variation
2.15	To ensure an effective regulatory compliance	Number of days it takes to conduct forensic investigation	20	Number of days it takes to conduct forensic investigation	Conduct forensic investigation within 30 days from date of receipt of appointment letter	Forensics conducted within 19 days	Target met	The requests for forensic investigations received during the financial year were conducted within the required timeframe.
2.16	To ensure an effective regulatory compliance	Number of days it takes to conduct geotechnical investigation	21	Number of days it takes to conduct geotechnical investigation	Conduct Geotechnical investigation within 45 days from date of receipt of appointment letter	Geotechnical investigation conducted with 35 days	Target met	The requests for geotechnical investigations received during the financial year were finalised within the required timeframe.

Programme 3: Compliance and Enforcement Programme

#	Strategic Objectives	KPA	KPI No.	KPI	Yearly Target	Yearly Achievement	Target Met or Target Not Met	Reason for Variation
3.1	Entrench a culture of compliance and ensure efficient enforcement mechanisms	% of Effective governance, risk management, compliance management and control environment	22	% of Effective governance, risk management, compliance management and control environment	100% implementation of the approved annual compliance plan	85% of approved annual compliance plan implemented	Target not met	The focus was on monitoring, follow up and awareness activities on core legislation.
3.2	Entrench a culture of compliance and ensure efficient enforcement mechanisms	Number of days it takes to suspend a homebuilder on a prosecutable matter	23	Number of days it takes to suspend a homebuilder on a prosecutable matter	10 days to suspend a homebuilder on a prosecutable matter from date of receipt by paralegals	7 days taken to suspend defaulting homebuilders	Target met	The programme was executed as planned.
3.3	Entrench a culture of compliance and ensure efficient enforcement mechanisms	Number of days it takes to prosecute a defaulting homebuilder	24	Number of days it takes to prosecute a defaulting homebuilder	120 days taken to prosecute a defaulting homebuilder from date of suspension.	95 days taken to prosecute defaulting homebuilders	Target met	The programme was executed as planned.

Programme 4: Research and Development

#	Strategic Objectives	KPA	KPI No.	KPI	Yearly Target	Yearly Achievement	Target Met or Target Not Met	Reason for Variation
4.1	To research and introduce innovative products methods and technologies within the homebuilding industry	% completion of Home Quality Assurance System as per project plan	25	% completion of Home Quality Assurance System as per project plan	100% completion of Home Quality Assurance System as per project plan	100% completion of Home Quality Assurance System as per project plan	Target met	The programme was executed as planned.
4.2	To research and introduce innovative products methods and technologies within the homebuilding industry	Number of technical papers to be published.	26	Number of technical papers to be published.	6 technical papers to be published.	6 Technical papers presented.	Target met	The programme was executed as planned.
4.3	To research and introduce innovative products methods and technologies within the homebuilding industry	Number of Home Builders trained & developed in home construction & related fields	27	Number of Home Builders trained & developed in home construction & related fields	Train & develop 2,000 Home Builders	A total of 2,357 home builders to be trained	Target met	The programme was executed as planned.
4.4	To research and introduce innovative products methods and technologies within the homebuilding industry	Number of Youth trained & developed in home construction & related fields	28	Number of Youth trained & developed in home construction & related fields	Train & develop 2,000 Youth	A total of 2,946 youths were trained.	Target met	The programme was executed as planned.
4.5	To research and introduce innovative products methods and technologies within the homebuilding industry	Number of Women trained & developed in home construction & related fields	29	Number of Women trained & developed in home construction & related fields	Train & develop 1,800 Women	A total of 1,880 women were trained.	Target met	The programme was executed as planned.
4.6	To research and introduce innovative products methods and technologies within the homebuilding industry	Number of Artisans trained & developed in home construction & related fields	30	Number of Artisans trained & developed in home construction & related fields	Train & develop 400 Artisans	A total of 766 artisans were trained.	Target met	The programme was executed as planned.

#	Strategic Objectives	KPA	KPI No.	KPI	Yearly Target	Yearly Achievement	Target Met or Target Not Met	Reason for Variation
4.7	To research and introduce innovative products methods and technologies within the homebuilding industry	Number of People with Disabilities trained & developed in home construction & related fields	31	Number of People with Disabilities trained & developed in home construction & related fields	Train & develop 300 people with disabilities	A total of 365 people with disabilities	Target met	The programme was executed as planned.
4.8	To research and introduce innovative products methods and technologies within the homebuilding industry	Number of learners registered in the Learnerships program	32	Number of learners registered in the Learnerships program	Register 400 learners in the Learnerships program	A total 273 learners were trained in the quarter.	Target not met	The year to date target for Learnership was not met as the programme started in the third quarter but the NHBRC will continue to register learners in the 2018/2019 financial year.
4.9	To research and introduce innovative products methods and technologies within the homebuilding industry	Number of Military Veterans trained & developed in home construction & related fields	33	Number of Military Veterans trained & developed in home construction & related fields	Train & develop 450 military vets	A total of 442 Military Veterans were trained	Target not met	The NHBRC will conduct training for Military Veterans whenever building projects are identified. The target was not met due to a linkages to building projects.
4.10	To research and introduce innovative products methods and technologies within the homebuilding industry	Number of Technical Professionals trained & developed in home construction & related fields	34	Number of Technical Professionals trained & developed in home construction & related fields	Train & develop 500 technical professionals	A total of 587 technical professionals were trained	Target met	The programme was executed as planned.
4.11	To research and introduce innovative products methods and technologies within the homebuilding industry	% Implementation of Research Agenda (innovative Building Technology)	35	% Implementation of Research Agenda (innovative Building Technology)	100% of Research Agenda (Innovative Building Technology)	A total of 93% research agenda being implemented.	Target not met	The programme was not executed as planned.
4.12	To research and introduce innovative products methods and technologies within the homebuilding industry	Conduct research on new products and services	36	Conduct research on new products and services	Conduct research on new products and services	5%	Target not met	The programme was not executed as planned.

#	Strategic Objectives	KPA	KPI No.	KPI	Yearly Target	Yearly Achievement	Target Met or Target Not Met	Reason for Variation
4.13	To research and introduce innovative products methods and technologies within the homebuilding industry	100% Research and develop new inspectorate model	37	100% Research and develop new inspectorate model	100% Research and develop new inspectorate model	100% of project implemented by CRHI. Services	Target met	The programme was executed as planned.
4.14	To research and introduce innovative products methods and technologies within the homebuilding industry	% Research and develop a rapid housing delivery strategy document	38	% Research and develop a rapid housing delivery strategy document	100% Research and develop a rapid housing delivery strategy document	100% Research and develop a rapid housing delivery strategy document	Target met	The programme was executed as planned.
4.15	To research and introduce innovative products methods and technologies within the homebuilding industry	100% Research document on Unenrolled projects and rectification strategy	39	100% Research document on Unenrolled projects and rectification strategy	100% Research document on Unenrolled projects and rectification strategy	100% Research document on Unenrolled projects and rectification strategy	Target met	The programme was executed as planned.
4.16	To research and introduce innovative products methods and technologies within the homebuilding industry	Number of reviewed and developed new housing typologies	40	Number of reviewed and developed new housing typologies	Review and develop 9 new housing typologies	A total of 9 typologies developed	Target met	The programme was executed as planned.

Programme 5: Warranty Fund

#	Strategic Objectives	KPA	KPI No.	KPI	Yearly Target	Yearly Achievement	Target Met or Target Not Met	Reason for Variation
5.1	To maintain a sustainable warranty fund	Operating profit > Budget	41	Operating profit > Budget	Operating profit > Budget	Budget = R420m Actual = R619m	Target met	Cost savings were implemented to offset declining subsidy and technical revenues. The increase in investment returns was largely driven by an improvement in commodity markets and its impact on equities, while improved economic conditions contributed to an improvement in bond values.
5.2	To maintain a sustainable warranty fund	Asset cover ratio (>200%)	42	Asset cover ratio (>200%)	Asset cover ratio (>200%)	338%	Target met	Improved asset liability management, as well as better than expected returns generated.
5.3	To maintain a sustainable warranty fund	BEE Spend (51%)	43	BEE Spend (51%)	BEE Spend (51%)	65%	Target met	BEE supplier prioritised on awarding of tenders.
5.4	To maintain a sustainable warranty fund	Number of days within which suppliers will be paid	44	Suppliers paid within 30 days	Suppliers paid within 30 days	17 days	Target met	Improvement in the receipting of goods and services, to facilitate quicker processing of payments.
5.5	To maintain a sustainable warranty fund	100% resolution of audit findings	45	100% resolution of audit findings	100% resolution of audit findings	96%	Target not met	Audit findings that could not be resolved are dependent on the resolution of SAP defects. However manual interventions have been put in place to mitigate these SAP challenges.

The background of the page is a photograph of a residential area. In the foreground, there is a paved road and a dirt area. In the middle ground, there are several houses with bright, colorful facades in shades of green, orange, and blue. A concrete gate with two pillars and a wooden fence is visible. In the background, a silver car is parked. The sky is clear and blue.

SECTION 6

FINANCIAL STATEMENTS

Report of the auditor-general to Parliament on National Home Builders Registration Council

Report on the audit of the financial statements

Qualified Opinion

1. I have audited the financial statements of the National Home Builders Registration Council set out on pages 115 to 164, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effect of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the National Home Builders Registration Council as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA).

Basis for qualified opinion

Trade and other payables – deposits for guarantees

3. Included in trade and other payables, is an amount of R24 402 567 (2017: R19 936 231) for deposits for guarantees which have been received in cash. The public entity did not have adequate systems of internal controls for the recording of all late enrolments. I was unable to obtain sufficient appropriate audit evidence to substantiate that all deposits for guarantees disclosed in note 10 to the financial statements were recorded. I was unable to confirm deposits for guarantees by alternative means. Consequently, I was unable to determine whether any adjustments were required to the trade and other payables stated at R125 015 267 (2017: R126 049 737) in the financial statements.

Context for the opinion

4. 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 this auditor's report.
5. 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) and 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Uncertainties relating to future outcomes of exceptional litigation

8. With reference to note 26 to the financial statements, there are outstanding claims pending in the courts. The ultimate outcome of the matters cannot be determined and no provision for any liability that may result has been made in the financial statements.

Subsequent events

9. With reference to note 28 to the financial statements, the term of office for the members of Council of the National Home Builders Registration Council came to an end on the 30 July 2018 when a new Council was appointed.

Other matter

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

Unaudited supplementary schedule

11. The supplementary information set out on page 165, 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 on it.

Responsibilities of the accounting authority for the financial statements

12. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. 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 the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

14. 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 the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

16. 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.
17. 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.
18. 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 2018:

Programmes	Pages in the annual performance report
Programme 2 – Regulation and Protection	92 – 94
Programme 3 – Compliance and Enforcement	95
Programme 4 – Research and Development	96 – 98

19. 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.
20. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 2 - Regulation and Protection

Various indicators

21. The source information and/or evidence for achieving the following planned indicators was not clearly defined:

- Number of homes to be inspected in the subsidy sector
- Number of homes to be inspected in the non-subsidy sector
- Number of days it takes to conduct forensic investigation
- Number of days it takes to conduct geotechnical investigation

Various indicators

22. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Indicator description	Reported achievement	Audited value
Number of project enrolments in the subsidy sector	21 671	26 428
Number of units for home enrolments-subsidy	12 811	14 234
Number of units for consolidation of homes in subsidy sector	53 880	48 982

Number of days it takes to conduct forensic investigation

23. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of *conduct forensic investigation within 30 days from date of receipt of appointment letter*. This was due to unavailability of appointment letters. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 30 days as reported in the annual performance report

Number of days it takes to conduct geotechnical investigation

24. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of *conduct geotechnical investigation within 45 days from date of receipt of appointment letter*. This was due to unavailability of appointment letters. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 45 days as reported in the annual performance report

25. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programme:

- Programme 3 - Compliance and Enforcement.
- Programme 4 - Research and Development.

Other matter

26. I draw attention to the matter below.

Achievement of planned targets

27. Refer to the annual performance report on pages 91 to 99 for information on the achievement of planned targets for the year and explanations provided for the under and over achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 21 to 25 of this report.

Report on the audit of compliance with legislation

Introduction and scope

28. 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.

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

Annual financial statements and annual performance report

30. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified opinion.

Procurement and Contract Management

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

Expenditure Management

32. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R4 680 195 as disclosed in note 23.3 to the annual financial statements, as required by section 51 (b)(ii) of the PFMA. The majority of the irregular expenditure was caused by goods and services being procured not in compliance with SCM policies and procedures.

33. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R14 666 067, as disclosed in note 23.1 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by payments to suppliers in order to remediate a project.

Strategic planning and performance management

34. The strategic plan for 2017-18 was not prepared and submitted for approval by the executive authority, as required treasury regulation 30.1.1.

Other information

35. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
36. 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.
37. 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

38. 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 on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

39. Senior management did not have adequate reporting processes in place to ensure that all errors in the annual financial statements and the annual performance report are prevented and/or detected, thereby ensuring that no material misstatements are identified in financial statements and the annual performance report submitted for audit.
40. Senior management did not exercise adequate oversight responsibility over supply chain management, resulting in significant irregular and fruitless and wasteful expenditure being reported.

Financial and performance management

41. Senior management did not perform adequate reviews of the financial statements and the annual performance report prior to submitting them for auditing, as evidenced by the material misstatements identified in both the financial statements and annual performance report. The uncorrected material errors resulted in the public entity obtaining modified overall audit outcomes.

Governance

42. Those charged with governance did not keep accurate, complete and timely records of minutes and resolutions made on behalf of the public entity.
43. Adequate conflict of interest declarations were not made by those charged with governance regarding their spouses, partners and close family members interests in relation to the matters for discussion.

Other reports

44. I draw attention to the following engagements conducted by various parties 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. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
45. The reports referred to in the above paragraph are as follows:
- Investigation report on the supply and installation of water tanks – commissioned by council, started in February 2017, investigation still in progress as at 31 August 2018.
 - Investigation report on the rectification of the 222 defective houses in in Illinge, Oviston, Burgersdorp and Venterstad in Eastern Cape - commissioned by council, started in April 2016, investigation completed as at 31 August 2018.
 - Investigation on the alleged irregularities in the appointment of consultant and various work awarded to the consultant and their relations with other service providers within NHBRC database - commissioned by council, started in December 2016, investigation still in progress as at 31 August 2018.
 - Investigate allegations of alleged Tender Fraud and Employee Misconduct; A potential conflict of Interest in a tender Award, Builder Test Irregularity, Fictitious remedial claims submitted to NHBRC, Fraudulent NHBRC Home Enrolment / Builder Registration certificates - commissioned by council, started in February 2017, investigation still in progress as at 31 August 2018.
 - Investigation into allegations raised through whistle blowing – commissioned by council, started in November 2016, investigation completed as at July 2017.
 - Investigation into alleged maladministration. – commissioned by council, started in February 2016, investigation completed as at August 2017.
 - NHBRC council evaluation report – commissioned by council, started in January 2017, evaluation report completed as at October 2017.
 - Investigation into alleged quotation manipulation – commissioned by management, started in January 2018, investigation completed as at February 2018.
 - Investigation into alleged travel claim fraud – commissioned by management, started in March 2018, investigation still in progress as at 31 August 2018.

- Investigation into employee unethical behaviour – commissioned by management, started in February 2018, investigation completed as at December 2018.
- Various investigations into builders' misconduct – commissioned by management, started at various dates during the current year, investigation completed as at July 2017.
- Various investigations into fraudulent builders' certificates - commissioned by management, started at various dates during the current year, investigation completed as at November 2017.
- Various investigations into builders' registration fraud - commissioned by management, started at various dates during the current year, investigation completed as at June 2018.
- Procurement irregularities committed by SCM employees - commissioned by management, started in December 2016, investigation still in progress as at 31 August 2018.
- Various internal and external investigations conducted on the possible fraud in enrolment of non-subsidy housing regarding late enrolments processed as normal enrolment, and fraudulent enrolment - commissioned by management, started at various dates, investigation still in progress as at 31 August 2018.

Auditor-General

Pretoria

31 August 2018



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 this 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 accounting authority, which constitutes the accounting authority
 - Conclude on the appropriateness of the accounting authority, 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 this auditor’s report. However, future events or conditions may cause a public entity to cease continuing 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. As mandated, we hereby report on the functions of the ARMCO for the year ended 31 March 2018.

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
Mr. Y Amod – Chairperson -Independent Non-Council Member	CA(SA) CIA	12 April 2017 27 July 2017 25 October 2017 25 January 2018 13 February 2018	1) 29 November 2017	6
Ms. X Daku – Council Member	LLM (MA. In Law)	12 April 2017	1) 29 November 2017	2
Mr G. Manack - Council Member	MSc (Public Policy & Management)	27 July 2017 25 October 2017 25 January 2018 13 February 2018	-	4
Mr. P Makgathe – Council Member	MSc.(Industrial Relations & Personnel Management)	12 April 2017 25 October 2017 25 January 2018 13 February 2018	1) 29 November 2017	5
Ms B. Watson Council Member	BA (Social Science)	27 July 2017 25 October 2017 13 February 2018	1) 29 November 2017	4

Effectiveness of Internal Control

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 sources 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.

There has been a decline in the Organization's control environment. ARMCO is of the opinion that there is need for more focussed Management action in the following critical areas:

- Leadership stability
- IT governance and data integrity;
- Revenue accounting especially in the Enrolment areas and Financial guarantees;
- Compliance across the business;
- Procurement;
- Records management;
- Ethical and Fraud prevention reviews;
- Business Continuity and Recovery processes;
- Performance information reporting;
- Timely resolution of internal and external audit findings

The ARMCO noted with concern the continued reporting around Record Management, ERP data migration and performance, Performance Information deficiencies and Fruitless and Wasteful Expenditure. Management will be tasked to give these areas the necessary urgency and attention and ensure timely resolution thereof.

ARMCO is concerned that the internal control environment has regressed, more effort is required to ensure that the controls are adequately designed and operated effectively to ensure completeness, accuracy and reliability of financial and performance records

The committee is overseeing the implementation of the combined assurance model to enhance the Organization's governance, risk management and compliance environment.

Once again, 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 accountability be enforced going forward. 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.

Evaluation of the Quality of the In-Year Management Report

ARMCO has reviewed and evaluated the Quarterly Management Reports and notes the improvement in the quality thereof.

Evaluation of Annual 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;
- The Annual Financial Statements.
- The Annual Performance Report; and
- Compliance with Legislation

ARMCO has reviewed and discussed with the Auditor-General and the Management the following:

- The audited Annual Financial Statements;
- The audited information on predetermined objectives to be included in the Annual Report;
- The Entity's compliance with Legal and Regulatory Provisions
- The Auditor –General's Management Report and Management responses thereto; and
- Any significant adjustments resulting from the audit.

Risk Management

There was an acting Chief Risk Officer for a major portion of the year and stretched the resources and compromised the function of the activity'

The Section faces a challenge to assist Business in proactively addressing, among other areas, the following:

- Embedding risk management within the operations (Combined Assurance model);
- Assisting Management to anticipate and be proactive in identifying, assessing and addressing emerging and significant risk.

ARMCO's overall assessment of Risk Management is satisfactory.

Internal Audit

The Entity's Internal Audit activity underwent an external Quality Assurance Review and achieved the highest rating of "General Compliant".

The Internal Audit annual plan covered the high risks of the Entity.

ARMCO believes that the Internal Audit function was effective in the discharge of their responsibilities in terms of the approved Internal Audit Charter.

Forensic Investigations

During the year the following investigations were conducted

- Water Tanks Installation project in KZN;
- Rectification of 222 defective houses in Eastern Cape;
- Irregularities in appointment of consultants;
- Allegations of tender fraud and employee misconduct; and
- Possible fraud in the enrolment of late enrolments which are recorded as normal enrolments.

ARMCO ensures that there is an effective anonymous Hotline and all reported cases are investigated and reported to ARMCO quarterly for its oversight.

External Audit

The ARMCO has noted that the following had a significant impact in the nature, scope and timing of the External Audit which increased the engagement risk:

- Adverse media articles.
- Suspension and reinstatement of Executive members;
- The large number of investigations that were under way;
- Weaknesses in the control environment and governance; and
- The process of condonation of Irregular Expenditure.

Due to the above, the audit materiality figure was materially reduced (halved) and thus having an impact in the audit sample sizes and for additional resources which increased the budget for the audit fees.

Furthermore, the External Audit had to bring in more senior staff and specialists to conduct the audit.

Conclusion

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



Chairperson of ARMCO

Date: 31 August 2017

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF RESPONSIBILITY

for the year ended 31 March 2018

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 2018 presented on pages 115 - 165 have been prepared in accordance with 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.

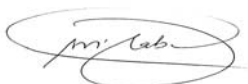
The Council is also responsible for the NHBRC's system of internal controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored 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 30 August 2018 and are signed on its behalf:



Chairperson of Council



Chief Executive Officer

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF FINANCIAL POSITION

as at 31 March 2018

	Notes	2018 R	2017 R
ASSETS			
Non-current assets			
Property, plant and equipment	2	93 087 014	97 606 013
Intangible assets	3	86 215 158	101 952 148
Investments	4	2 756 515 138	2 429 512 303
		2 935 817 310	2 629 070 464
Current assets			
Investments	4	3 452 263 871	3 171 110 682
Inventories	5	13 158 232	13 180 138
Trade and other receivables	6	14 295 701	45 289 074
Cash and cash equivalents	7	331 050 094	204 920 558
		3 810 767 898	3 434 500 451
TOTAL ASSETS		6 746 585 208	6 063 570 915
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		5 159 133 564	4 531 272 035
Emerging contractor reserve	8	16 693 397	25 193 022
		5 175 826 961	4 556 465 057
LIABILITIES			
Non-current liabilities			
Provision for outstanding claims	9	36 339 122	33 626 510
Provision for unearned premium	9	631 831 957	538 697 750
Provision for unexpired risk	9	296 852 830	360 920 400
		965 023 909	933 244 659
Current liabilities			
Trade and other payables	10	125 015 267	126 049 737
Provisions	11	16 268 241	24 709 800
Provision for outstanding claims	9	14 838 751	13 692 174
Provision for unearned premium	9	449 612 079	409 409 489
		605 734 338	573 861 199
Total equity and liabilities		6 746 585 208	6 063 570 915

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2018

	Notes	2018 R	2017 R
Insurance premium revenue	12	718 780 869	798 497 991
Fee revenue	13	43 458 923	32 865 444
Technical services revenue	14	7 145 505	44 657 784
Other revenue	16	5 602 290	3 399 300
Total revenue		774 987 587	879 420 519
Insurance claims and loss adjustment expenses	17	(13 295 901)	(9 024 807)
Accreditation, builders manual and certificate cost	29.2	(2 521 245)	(3 173 211)
Technical services expenditure	29.3	(4 832 327)	(50 831 942)
Operating expenses	29.4	(727 662 618)	(714 896 402)
Total expenses		(748 312 092)	(777 926 363)
Profit from operating activities		26 675 495	101 494 156
Provision for onerous contract		-	24 559 800
Operating profit before investment income		26 675 495	76 934 356
Net Investment income		592 698 386	411 372 303
Interest received and investment income	15	405 516 592	369 597 073
Unrealised profit on financial assets	4	203 132 857	43 097 835
Realised (loss)/ profit on financial assets	4	(5 583 644)	8 057 027
Asset management service fees	4	(10 367 419)	(9 379 631)
Net profit before finance costs	18	619 373 881	488 306 659
Finance costs	19	(11 978)	(13 359)
Surplus for the year		619 361 904	488 293 300

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2018

	Notes	Accumulated surplus R	Emerging contractor reserve R	Total R
Balance at 31 March 2016		4 037 164 456	31 007 301	4 068 171 757
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)	-
Balance at 31 March 2017		4 531 272 035	25 193 022	4 556 465 057
Surplus for the year ended 31 March 2018		619 361 904	-	619 361 904
Reserve utilised (note 8)	8	8 499 625	(8 499 625)	-
Balance at 31 March 2018		5 159 133 564	16 693 397	5 175 826 961

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

CASH FLOW STATEMENT

for the year ended 31 March 2018

	Notes	2018 R	2017 R
Cash flows from operating activities			
Cash generated from operations	20.1	157 062 426	17 257 699
- Cash receipts from customers		801 236 806	852 869 593
- Cash paid to suppliers and employees		(644 174 380)	(835 611 894)
Interest paid	19	11 978	13 359
Interest received	15	12 970 552	9 400 281
<i>Net cash inflow from operating activities</i>		<u>170 044 956</u>	<u>26 671 339</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(4 746 560)	(3 664 629)
Purchase of intangible assets		-	(169 138)
Purchase of financial assets			(97 422 584)
Proceeds on sale of financial assets	20.2	(29 732 149)	35 807 054
<i>Net cash outflow from investing activities</i>		<u>(34 478 709)</u>	<u>(65 449 297)</u>
Cash flows from financing activities			
Claims paid	17	(9 436 711)	(8 160 757)
<i>Net cash outflow from financing activities</i>		<u>(9 436 711)</u>	<u>(8 160 757)</u>
Net increase/(decrease) in cash and cash equivalents		126 129 536	(46 938 716)
Cash and cash equivalents at beginning of year		204 920 558	251 859 273
Cash and cash equivalents at the end of the year	20.3	<u>331 050 094</u>	<u>204 920 558</u>

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF COMPARISON OF BUDGET INFORMATION WITH ACTUAL INFORMATION

for the year ended 31 March 2018

Description	Notes	2018 Actual	2018 Budget	Difference: Actual and Budget	2017 Actual	2017 Budget
Revenue	1					
Fee income	1.1	43 458 923	34 999 788	8 459 135	32 865 444	118 512 833
Non-subsidy enrolments	1.2	655 563 715	516 463 127	139 100 588	596 753 265	550 391 339
Change in unearned premium provision	1.3	(133 336 797)	(33 000 000)	(100 336 797)	(72 106 845)	(70 000 000)
Change in unexpired risk	1.3	64 067 570	-	64 067 570	83 774 993	-
Subsidy enrolments	1.4	132 486 380	301 612 549	(169 126 169)	190 076 577	235 709 450
Technical and other revenue		12 747 795	43 100 000	(30 352 205)	48 057 085	43 533 000
Total revenue		774 987 587	863 175 464	(88 187 877)	879 420 519	878 146 622
Expenses	2					
Insurance claims and loss adjustment expenses		13 295 901	17 500 000	(4 204 099)	9 024 807	-
Accreditation,builders manual and certificate cost		2 521 245	3 415 326	(894 081)	3 173 211	24 802 525
Technical services expenditure		4 832 327	30 760 000	(25 927 673)	50 831 942	36 012 233
Council costs	2.1	5 259 004	5 799 100	(540 096)	5 675 123	3 905 300
Disciplinary committee costs		3 786 233	5 786 600	(2 000 367)	4 681 354	4 426 600
Employees cost	2.2	453 805 821	471 724 554	(17 918 733)	426 443 643	418 203 230
General and administration costs	2.3	264 811 560	298 091 804	(33 280 244)	278 096 282	314 591 521
Total expenses		748 312 092	833 077 384	(84 765 292)	777 926 363	801 941 409
Onerous contract expense			-	-	24 559 800	-
Surplus before investment income		26 675 495	30 098 080	3 422 585	76 934 356	76 205 213
Investment income	3	592 698 386	389 652 390	203 045 996	411 372 303	367 596 594
Interest received		391 750 017	277 475 067	114 274 949	356 151 957	261 768 931
Dividend Income		13 766 575	10 600 000	3 166 575	13 445 116	10 000 000
Unrealised profit on financial assets		203 132 857	112 360 000	90 772 857	43 097 835	106 000 000
Realised (loss)/ profit on financial assets		(5 583 644)	-	(5 583 644)	8 057 027	-
Asset management services		(10 367 419)	(10 782 677)	415 258	(9 379 631)	(10 172 337)
Interest paid		(11 978)	-	-11 978	(13 359)	-
Surplus for the period		619 361 904	419 750 470	199 611 434	488 293 300	443 801 806

Note

1. Revenue

1.1 Fee income

Fee income includes registration fees, renewal fees and project enrolments. The positive variance is due to project enrolments being better than planned and this was a recovery from the prior backlog year.

1.2 Non subsidy enrolments

The positive increase of R139m is due to a better than expected performance in both unit enrolments and a higher average enrolment value.

1.3 Change in unearned premium and unexpired risk

The budgeted unearned premium provision was based on past trends. Due to an increase in the non subsidy enrolments as compared to prior year additional actuarial provisions were required.

1.4 Subsidy enrolments

Subsidy home enrolment revenue decreased by R169 million compared to budget. This is due to Government's fiscal consolidation programme which resulted in provincial Departments of Human Settlement enrolling less homes than originally planned.

2. Expenditure

2.1 Council costs

The council cost includes the council remuneration of R1 865 127 and the balance of R3 393 877 relate to council travel and accommodation, catering and conferences.

2.2 Employee Costs

In order to contain expenses appropriately, growth on employee costs was managed.

2.3 General and administration expenses

General and administration expenditure were stringently managed by the organisation.

3. Income from investments

Increase in investments was largely driven by an improvement in commodity markets and its impact on equities, while improved economic conditions contributed to an improvement in bond values.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

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 the protection of housing consumers through 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 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 are valued at fair value through the profit or loss; and
- Technical liabilities are measured at actuarial values.

The methods used to measure the fair values are detailed in note 1.11.

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 2018

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 has concluded that the annual financial statements fairly present 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;
- Derivatives and Bonds;
- Depreciation of property plant and equipment;
- Amortisation of intangible assets;
- Impairment of financial assets;
- Measurement of the recoverable amount owing by the Provincial Departments of Human Settlements; and
- Condonation of irregular expenditure

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

1. Summary of significant accounting policies (continued)

1.3 Newly effective GRAP standards for the 2017/18 financial year

1.3.1 The following new 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 20: Related Party Disclosure;
- GRAP 104: Financial Instruments;
- GRAP 105: Transfer of Functions between Entities under Common Control;
- GRAP 106: Transfer of Control between Entities not Under Common Control;
- GRAP 107: Mergers;

1.3.2 Effective GRAP Standards affected by the improvements project

- GRAP 12: Inventories;
- GRAP 16: Investment Property;
- GRAP 17: Property Plant and Equipment;
- GRAP 18: Segment Reporting;
- GRAP 21: Impairment of Non-Cash generating unit;
- GRAP 26: Impairment of cash generating units;
- GRAP 27: Agriculture;
- GRAP 31: Intangible Assets;
- GRAP 103 : Heritage Assets;
- GRAP 106: Transfer of functions between entities under common control;
- GRAP 110: Living and Non-living resources;

1.3.3 Standards and Interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for accounting periods beginning on or after 01 April 2017 or later as these are not applicable to the NHBRC;

Standard/ Interpretation	Effective Date	Expected Impact
Directive 12: The Selection of an Appropriate Reporting Framework by Public entities	1 April 2018	The entity is already applying GRAP as its accounting Framework.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

1. Summary of significant accounting policies (continued)

1.3.3 Standards and Interpretations issued, but not yet effective (*continued*)

Standard/ Interpretation	Effective Date	Expected Impact
GRAP 20: Related party disclosures	01 April 2019	
GRAP 21 (as amended 2015): Impairment of non-cash generating units	01 April 2018	The impact of the amendment is not material, but could result in additional disclosures where relevant impairments have been performed
GRAP 108: Statutory Receivables	01 April 2019	The impact of the amendment is not material, as the entity does not have any separate segment information to report.
GRAP 32: Service Concession Arrangements: Grantor	Still to be determined	The entity is not a grantor of concession arrangements and therefore the standard does not apply.
GRAP 34: Separate financial statements	Still to be determined	This Standard will not be applicable to the Entity.
GRAP 35: Consolidated financial statements	Still to be determined	This standard will not be applicable to the Entity.
GRAP 36: Investments in associates and joint ventures	Still to be determined	This standard will not be applicable to the Entity.
GRAP 37: Joint arrangements	Still to be determined	The impact of the amendment is not material, as the entity does not have any joint arrangements.
GRAP 38: Disclosures of interests in other entities	Still to be determined	The entity does not have any interests in other entities.
GRAP 109: Accounting by principals and agents	01 April 2019	The entity does not have any principal agents.
GRAP 110: Living and Non-Living Resources	01 April 2020	The entity does not account for any Living and Non Living Resources.
IGRAP 17 : Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an asset	Still to be determined	The entity is not a grantor of concession arrangements and therefore the standard does not apply.
IGRAP 18: Recognition and de-recognition of land	01 April 2019	This Standard will not be applicable to the Entity.
IGRAP 19: Liabilities to pay levies	01 April 2019	The impact will not be material.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

1. Summary of significant accounting policies (continued)

1.4 Insurance technical result

The insurance 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 generated during the year, together with any differences between booked insurance premiums for prior years. 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 to 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 warranty cover 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 2018

1. Summary of significant accounting policies (continued)

1.4 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 2018

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

1.4 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 is 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.

1.5 Revenue recognition

Revenue arising from registration, renewal, late enrolment, and premium received relates to revenue from exchange transactions in terms of GRAP 9 (Revenue from exchange transactions), which relates to services rendered by NHBRC to the consumer at it is measured based on the consideration received. Revenue arising from subsidy project enrolments fees and technical services are based on the consideration received.

Revenue from rendering services is recognised when the following requirements are met;

- amount of revenue can be measured reliably;
- It is probable that economic benefits or service e potential associated with the transaction will flow to the entity;

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

1.5 Revenue recognition (*continued*)

- The stage of completion of the transaction at reporting date can be measured reliably;
- Costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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.

Dividend income is recognised when the right to receive payment is established.

1.6 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.

1.7 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.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

1.8 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.

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 2018

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

1.6 Property, plant and equipment (*continued*)

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:

Computer software	14.29% p.a
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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.

1.9 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 2018

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

1.10 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.

1.11 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, derivatives at fair value and 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.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

1.11 Financial instruments (*continued*)

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.

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's becoming probable that the borrower will enter bankruptcy or financial re-organisation.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

1.11 Financial instruments (*continued*)

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.

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.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

1.1 Summary of significant accounting policies (*continued*)

1.11 Financial instruments (*continued*)

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.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

De-recognition of financial liabilities

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

1.12 Cash and cash equivalents

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

1.13 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.

1.14 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.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

1.1 Summary of significant accounting policies (*continued*)

1.15 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.

1.16 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.

1.17 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.

1.18 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.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

1.1 Summary of significant accounting policies (*continued*)

1.19 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.

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.

1.20 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.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

1.1 Summary of significant accounting policies (*continued*)

1.20 Critical accounting judgements and key sources of estimation uncertainty

The following also require critical judgements and estimation

- *Derivatives, where market values are derived based on the market conditions;*
- *Bonds, where market values are derived based on the market conditions;*
- *Condonement of irregular expenditure;*
- *Actuarial provisions,- unexpired risk provision, outstanding claims provision and additional unexpired risk provision*

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 have been revised and are as follows;

Asset class	Residual value
Office equipment	100
Office furniture	100
Computer equipment	500
Software	100 000
Motor vehicles	20 000
Minor assets	1

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

2. Property, plant and equipment

	Computer equipment	Office furniture and equipment	Motor vehicles	Land	Buildings	Total
	R	R	R	R	R	R
Year ended 31 March 2018						
Opening net book amount	10 389 985	11 446 267	248 132	17 751 947	57 769 682	97 606 013
Additions	1 729 517	1 928 103	1 088 940	-	-	4 746 560
Disposals	(5 465 021)	(1 216 917)	(337 945)	-	-	(7 019 882)
Depreciation on disposal	5 088 255	959 667	317 945	-	-	6 365 867
Depreciation charge	(2 999 924)	(1 734 466)	(89 840)	-	(3 787 314)	(8 611 544)
Closing net book amount	8 742 812	11 382 654	1 227 231	17 751 947	53 982 369	93 087 014
At 31 March 2018						
Cost	20 794 406	23 782 985	1 920 891	17 751 947	75 746 282	139 996 510
Accumulated depreciation	(12 051 593)	(12 400 330)	(693 660)	-	(21 763 913)	(46 909 496)
Net book amount	8 742 812	11 382 654	1 227 231	17 751 947	53 982 369	93 087 014
Year ended 31 March 2017						
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	10 389 985	11 446 267	248 132	17 751 947	57 769 682	97 606 013
At 31 March 2017						
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	10 389 985	11 446 267	248 132	17 751 947	57 769 682	97 606 013

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 Thorntree 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" in the summary of significant accounting policies and note 1.20 "Critical accounting judgements".

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

3. Intangible assets

	Computer software R	Total R
Year ended 31 March 2018		
Opening net book amount	101 952 148	101 952 148
Disposals	(53 951 688)	(53 951 688)
Amortisation on disposals	53 452 817	53 452 817
Amortisation charge	(15 238 120)	(15 238 120)
Closing net book amount	86 215 158	86 215 158
At 31 March 2018		
Cost	121 877 624	121 877 624
Accumulated amortisation	(35 662 467)	(35 662 467)
Net book amount	86 215 158	86 215 158
Included in disposal is the retirement of previous ERP system (Oracle) with cost of R52,958,976 and accumulated depreciation of R52,858,976.		
Year ended 31 March 2017		
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	101 952 148	101 952 148
At 31 March 2017		
Cost	175 858 459	175 858 459
Accumulated amortisation	(73 906 311)	(73 906 311)
Net book amount	101 952 148	101 952 148

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 2018

	2018 R	2017 R
4. Investments (continued)		
<i>Investments carried at fair value comprise the following:</i>		
Money Market investments	3 252 789 908	3 094 137 917
CPD Money Market	199 473 963	185 419 111
Listed bond securities and equity		
- Short-term < 7 years	1 148 049 320	894 697 751
- Medium-term 7 to 12 years	193 475 767	214 958 190
- Long-term > 12 years	899 945 824	737 623 037
	5 693 734 782	5 126 836 006
Derivative financial instruments at fair value	515 044 227	473 786 979
	6 208 779 009	5 600 622 985
<i>Split between non-current and current</i>		
Non-Current portion	2 756 515 138	2 429 512 303
Current portion	3 452 263 871	3 171 110 682
Total	6 208 779 009	5 600 622 985
None of these financial assets are either past due or impaired		
<i>Reconciliation of opening and closing balance</i>		
Opening balance	5 600 622 985	5 127 473 670
Cash and call Accounts prior year *	108 446 346	-
Cash and call call Accounts current year *	(78 714 197)	-
Capital additions	-	106 984 346
Interest accrued	378 779 465	346 751 676
Dividend income	13 766 575	13 445 116
Disposals	-	(35 807 054)
Transaction Costs	(1 303 958)	-
Asset management service fees	(10 367 419)	(9 379 631)
Unrealised profit on financial assets	203 132 857	43 097 835
Realised (loss)/ profit on financial assets	(5 583 644)	8 057 027
	6 208 779 009	5 600 622 985

* Call accounts relate to the cash component within the investment portfolio, the reclassification was done in the prior financial year.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

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)

	2018 R	2017 R
<u>Fitch</u>		
F1+	168 856 160	33 381 365
A	5 118 636	16 190 322
A-	7 392 665	-
A+	5 282 115	-
AA	207 448 442	52 379 646
AA-	128 903 791	54 013 341
AA+	34 756 197	47 924 260
AAA	340 701 377	269 921 512
B+	-	1 173 340
BBB	3 081 291	-
	901 540 672	474 983 785
<u>Moody</u>		
AA-	732 259 729	-
AA+	75 418 093	-
AA	7 191 505	1 998 679
AAA	38 321 662	107 642 590
Aaa	58 109 325	304 083 441
Baa2	2 420 651	-
Aa1	87 825 468	53 087 698
Aa3	26 580 576	-
Aa2	-	956 280
P-1	-	289 176 473
F1	-	1 914 449
	1 028 127 009	758 859 609
<u>GCR</u>		
A	615 748	613 588
AA	8 145 774	146 089 426
AAA	22 032 860	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+	6 023 156	582 668 319
A-	46 803 572	-
BBB+	15 223 978	-
BBB	1 491 700	1 468 910
	100 336 788	929 024 072
<u>S&P</u>		
A	31 845 615	559 368 822
AA	719 526 892	241 748 113
AAA	333 198 753	310 039 046
AA+	102 277 261	130 482 453
AA-	410 022 838	33 702 434
A-	9 630 356	10 451 109
A-1	-	599 080 669
A-2	-	39 832 094
F1+	17 537 387	3 953 090
B	-	10 365 012
BB	13 365 330	14 502 933
BB-	-	9 158 948
BBB	18 141 510	-
	1 655 545 941	1 962 684 724
<u>Issuer Rated</u>		
AA	10 880 506	10 891 966
AA-	185 021 504	18 779 027
AA+	236 983 140	-
AAA	486 014 643	200 000
	918 899 792	29 870 993
<u>Equity Exposure</u>	1 604 328 806	1 445 199 801
	6 208 779 009	5 600 622 985

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

4. Investments (continued)

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

		Fair value measurement at end of the year using:		
		R	Level 1 R	Level 2 R
2018				
Financial assets at fair value through profit or loss				
Equities	505 226 277	505 226 277	-	-
Bonds	1 432 549 805	1 432 549 805	-	-
Money market instruments	3 317 125 922	-	3 317 125 922	-
Other investment(Structured Products)	953 877 005	953 877 005	-	-
	6 208 779 009	2 891 653 087	3 317 125 922	
		Fair value measurement at end of the year using:		
		R	Level 1 R	Level 2 R
2017				
Financial assets at fair value through profit or loss				
Equities	471 647 695	471 647 695	-	-
Bonds	1 413 771 165	1 413 771 165	-	-
Money market instruments	2 839 629 172	-	2 839 629 172	-
Other investment (structured products)	875 574 953	875 574 953	-	-
	5 600 622 985	2 760 993 813	2 839 629 172	

hierarchy that reflects the significance of the input used

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

Level 3- These are assets measured using inputs that are not based on observable market data. The scheme

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

Description	Fair as at 31 March 2018	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 curverisk 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 freecurve/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 2018

5. Inventories

Builders manuals at cost

6. Trade and other receivables

Net trade receivables

- Trade receivables

- Less provision for impairment

Other receivables:

- Deposits

- Sundry debtors

The fair values of trade and other receivables are as follows:

Trade receivables

Deposits

Ageing of past due and impaired is as follows:

Amounts in 60 to 120 days

Amounts in 120 days +

Movements on the provision for impairment of trade receivables is as follows:

At 1 April 2017

Increase in provision

At 31 March 2018

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 can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

Trade receivables

Counterparty with external credit rating (Fitch)

BB+

Total trade receivables

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

	2018 R	2017 R
Builders manuals at cost	13 158 232	13 180 138
Net trade receivables	2 853 193	25 427 891
- Trade receivables	75 263 119	79 927 922
- Less provision for impairment	(72 409 926)	(54 500 031)
Other receivables:		
- Deposits	1 696 439	1 639 802
- Sundry debtors	9 746 070	18 221 381
	14 295 701	45 289 074
Trade receivables	75 263 119	79 927 922
Deposits	1 696 439	1 639 802
	76 959 558	81 567 724
Amounts in 60 to 120 days	190 697	38 015 470
Amounts in 120 days +	72 409 926	41 912 452
	72 600 623	79 927 922
At 1 April 2017		
Increase in provision	(54 500 031)	(30 064 729)
At 31 March 2018	(17 909 896)	(24 435 302)
	(72 409 926)	(54 500 031)
Total trade receivables	75 263 119	79 927 922
Note: The customer is the National and Provincial Department of Human Settlements	75 263 119	79 927 922

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

	2018 R	2017 R
7. Cash and cash equivalents		
Cash balances	252 242 894	96 408 103
Short-term bank deposits	93 003	66 108
Call accounts	78 714 197	108 446 346
	331 050 094	204 920 558

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

Call accounts relate to the cash component within the investment portfolio, the reclassification was done in the prior financial year.

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 R8 499 625 (2017: R5 814 279) for home builder training in the current financial year. The remaining reserve to be utilised for future years is R 16 693 397 (2017: R 25 193 022).

9. Technical actuarial liabilities

	Outstanding claims R	Unearned premium R	Unexpired risk R	Total R
Balance at 31 March 2016	46 454 633	876 000 394	444 695 393	1 367 150 420
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)
Balance at 31 March 2017	47 318 683	948 107 239	360 920 400	1 356 346 322
Increase during the year	13 295 901	-	-	13 295 901
Utilised during the year (note 17)	(9 436 711)	-	-	(9 436 711)
Increase /(decrease) during the year (note 12)	-	133 336 797	(64 067 570)	69 269 227
Balance at 31 March 2018	51 177 873	1 081 444 036	296 852 830	1 429 474 739
Balance at 31 March 2017				
Current	13 692 174	409 409 489	-	423 101 662
Non-current	33 626 510	538 697 750	360 920 400	933 244 659
	47 318 683	948 107 239	360 920 400	1 356 346 322
Balance at 31 March 2018				
Current	14 838 751	449 612 079	-	464 450 830
Non-current	36 339 122	631 831 957	296 852 830	965 023 909
	51 177 873	1 081 444 036	296 852 830	1 429 474 739

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

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	2018		2017	
	Non-subsidy	Subsidy	Non-subsidy	Subsidy
Discount rate	7.08%	7.08%	7.64%	7.64%
General price inflation	5.23%	5.23%	5.80%	5.80%
Future building cost inflation	5.23%	5.23%	5.80%	5.80%
Historical building cost inflation	2.67%	N/A	1.92%	N/A
Ultimate complaint rate	1.24%	1.24%	2.45%	2.45%
BF complaints loss ratio	1.16%	N/A	2.12%	N/A
Remedial work rate	3.72%	3.72%	3.45%	3.40%
Average claim cost	R 207 246	R 44 656	R 200 104	R 44 656
Initial expense ratio	51%	65%	53.00%	70.00%
BF method loss ratio	2.50%	2.50%	2.50%	2.50%
BF method tail factor	10%	10%	10.00%	10.00%
Spread of risk period	Emergence of complaints from FY 2006		Per earnings curve (of complaints)	

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

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 49% and 35% 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 2017/18. 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.

10. Trade and other payables

	2018 R	2017 R
Trade payables and accrued expenses	16 557 228	29 713 307
Deposits for Guarantees	24 402 567	19 936 231
Operating lease accrual	490 095	790 453
Income received in advance	4 393 263	3 171 108
Leave accrual	24 291 534	18 403 412
Cash received in advance	53 512 062	52 297 709
Retentions	1 368 518	1 737 517
	125 015 267	126 049 737

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 2017	150 000	24 559 800	24 709 800
- Utilised during the year	-	(9 597 538)	(9 597 538)
- Raised during the year	1 155 979	-	1 155 979
Balance at 31 March 2018	1 305 979	14 962 262	16 268 241
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
Balance at 31 March 2017	150 000	24 559 800	24 709 800

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. During the current year the NHBRC incurred R 9,597,538 on this project.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

	2018 R	2017 R
12. Insurance premium revenue		
Premium received	788 050 096	786 829 843
Change in unearned premium provision (see note 9)	(133 336 797)	(72 106 845)
Change in unexpired risk provision (see note 9)	64 067 570	83 774 993
	718 780 869	798 497 991
13. Fee revenue		
Annual registration fees	1 294 554	2 263 130
Annual renewal fees	9 923 722	8 216 037
Registration fees	3 123 790	4 918 961
Builder manual fees	1 586 025	998 734
Subsidy project enrolments fees	26 620 567	15 606 399
Late enrolment fees	392 201	437 926
Document sales	518 064	424 258
	43 458 923	32 865 444
14. Technical services revenue		
Forensic engineering, Geotechnical and rectification work	7 145 505	44 657 784
	7 145 505	44 657 784
15. Investment income		
Investment income earned on financial assets, analysed by category of asset, is as follows:		
Interest received from investments	378 779 465	346 751 676
Dividend income	13 766 575	13 445 116
Interest received (cash and cash equivalents)	12 970 552	9 400 281
	405 516 592	369 597 073
16. Other Income		
Sundry Income	4 744 155	1 418 963
Penalties	858 135	1 980 337
	5 602 290	3 399 300
17. Insurance claims and loss adjustment expenses		
Current year warranty claims (see note 9)	9 436 711	8 160 757
Increase in the outstanding claims provision	3 859 190	864 050
	13 295 901	9 024 807

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

	2018 R	2017 R
18. Results from operating activities		
Results from operating activities is arrived at after taking into account the following:		
Auditor's remuneration	5 475 634	2 316 116
Depreciation	8 611 544	8 419 583
Computer equipment	2 999 924	3 356 740
Office furniture and equipment	1 734 466	1 237 315
Motor vehicles	89 840	38 214
Buildings	3 787 314	3 787 314
Amortisation of intangible assets	15 238 120	14 949 964
Net loss on disposal of property, plant and equipment.	654 014	-
Net loss on disposal of intangible assets	498 871	325 090
Rentals in respect of operating leases*	12 132 563	13 538 420
*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:	11 715 441	15 112 558
Not later than 1 year	9 259 589	9 171 390
Later than 2 years and not later than 5 years	2 455 851	5 941 167
Employee costs	453 805 821	426 443 643
- Permanent staff costs	438 347 217	406 947 188
- Temporary Staff cost	15 458 605	19 496 455
Executive management and Council remuneration	15 031 300	16 016 343
Executive Managers		
- For managerial services	13 166 173	14 168 411
Non-executive Council remuneration		
- For services as members of Council	1 865 127	1 847 932
19. Finance costs		
Interest paid - late payments	11 978	13 359

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

	2018 R	2017 R
20. Notes to the cash flow statement		
20.1 Cash generated from operations		
Surplus for the year	619 361 904	488 293 300
Adjustments for:		
Depreciation	8 611 544	8 419 583
Amortisation	15 238 120	14 949 964
Claims paid	9 436 711	-
Transaction costs on investments	1 303 958	-
Administration fee	10 367 419	9 379 631
Net loss on disposal of property, plant and Equipment.	654 014	
Net loss on disposal of intangible assets	498 871	325 090
Unrealised profit on financial instruments	(203 132 857)	(43 097 835)
Realised loss/(profit) on financial instruments	5 583 644	(8 057 027)
(increase)/Decrease in provisions	(8 441 559)	21 831 218
Increase/(Decrease) in technical liabilities	73 128 417	(10 804 099)
Dividend received	(13 766 575)	(13 445 116)
Interest paid	(11 978)	(13 359)
Interest received	(391 750 017)	(356 151 957)
Operating income before working capital changes	127 081 617	111 629 394
Decrease/(Increase) in inventories	21 906	(700 501)
Decrease/(Increase) in trade and other receivables	30 993 373	(23 151 626)
Increase/(Decrease) in trade and other payables	(1 034 470)	(70 519 568)
	157 062 426	17 257 699
20.2 Proceeds on sale of financial assets		
(Purchase)/disposal of financial assets	(29 732 149)	35 807 054
	(29 732 149)	35 807 054
20.3 Cash and cash equivalents		
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	331 050 094	204 920 558

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

	Fees	Cell phone Allowance	Subsistence and travel	Total 2018	Total 2017
	R		R	R	R
21. Remuneration					
21.1 Total cost - Non-executive council members					
Ms Julieka Bayat (Acting Chairperson)	419 005	9 600	47 629	476 234	484 796
Mr Abbey Chikane	76 674	6 400	2 502	85 576	51 644
Ms Xoliswa Eunice Daku	96 436	8 800	-	105 236	161 660
Mr Themba Thomas Dlamini	29 165	9 600	-	38 765	199 713
Ms Hlaleleni Kathleen Dlepu	125 974	9 600	38 955	174 529	227 053
Mr Phillip Mziwonke Jacobs	164 825	9 600	-	174 425	48 057
Mr Phetola Nailana Solomon Makgathe	283 229	9 600	65 792	358 621	300 287
Ms Busisiwe Nwabisa Nzo	122 960	6 400	-	129 360	107 528
Ms Esther Euphane Aetta Watson ¹	165 966	5 600	4 686	176 252	
Ambassador Segogwane Samuel Kotane	122 128	9 600	-	131 728	147 786
Ms Mankwana Mohale ²	-	4 800	-	4 800	102 874
Mr Alvin Phumudzo Rapea ³	-	9 600	-	9 600	16 534
	1 606 363	99 200	159 564	1 865 127	1 847 932

¹Appointed 01 June 2017

²Resigned as the member of Council.

³Public Service employees do not received non executive remuneration

	Salaries	Cell phone Allowance	Subsistence and travel and Acting Allowance	Total 2018	Total 2017
	R		R	R	R
21.2 Total cost - Executive management					
Mr Abbey Chikane ¹	-	-	-	-	2 562 417
M Dlabantu (Chief Executive Officer) ²	1 519 075	21 000	3 064	1 543 139	-
X.E Daku(Acting Chief Executive Officer) ³	215 086	-	-	215 086	-
T Ngqobe (Chief Operations Officer)	2 636 719	42 000	46 775	2 725 494	2 375 964
S Abrahams (Chief Financial Officer)	2 201 262	30 000	4 026	2 235 288	1 942 234
J Mahachi (Advisor: Special projects)	-	-	-	-	1 273 161
K Modise (Executive Manager Corporate Services)	2 081 621	30 000	4 471	2 116 092	2 004 810
T Moshoeu (Executive Manager Business Service)	2 116 503	30 000	33 517	2 180 020	2 022 812
J Motapola (Executive Manager Legal Service)	2 116 503	30 000	4 551	2 151 054	1 987 013
	12 886 769	183 000	96 404	13 166 173	14 168 411

¹Appointed as Executive Chairman on 01 April 2016 till 27 April 2016 and as Acting CEO from 20 April 2016 till 16 March 2017

²Appointed CEO from 01 October 2017.

³Appointed by Council as Acting CEO from 01 July 2017 to 31 July 2017

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

	2018 R	2017 R
21. Remuneration (continued)		
21.3 Bonuses		
<i>Executive Management</i>		
T Ngqobe (Chief Operations Officer)	120 770	-
S Abrahams (Chief Financial Officer)	120 990	-
K Modise (Executive Manager Corporate Services)	-	95 345
T Moshoeu (Executive Manager Business Service)	-	77 554
J Motapola (Executive Manager Legal Service)	-	116 331
	241 760	289 230
22. Related Parties		
22.1 Transactions with the Department of Human Settlements:		
Subsidy project enrolment fee (note 13)	26 620 567	15 606 399
Insurance premium revenue	132 486 380	190 076 577
Technical service revenue (note 14)	7 145 505	44 657 784

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)	75 263 119	79 927 922
Income received in advance (note 10)	-	(3 171 108)

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 2018

	2018 R	2017 R	
23. Fruitless, wasteful and irregular expenditure			
23.1 Reconciliation of fruitless and wasteful expenditure			
Opening balance	5 549 820	5 529 219	
Add: Fruitless and wasteful expenditure relating to prior year	-	-	
Add: Fruitless and wasteful expenditure relating to current year	14 666 067	20 601	
Less: Amounts condoned	-	-	
Less :Amount transfered to debtors	-	-	
Fruitless and wasteful expenditure awaiting condonation	20 215 887	5 549 820	
Analysis of awaiting condonation per economic classification			
Current	14 666 067	20 601	
Capital	-	-	
23.2 Analysis of Current year's fruitless and wasteful expenditure			
Incident	Action taken	Amount	Amount
Late payment fee	Payment procedure has been communicated	10 248	1 542
Fleet car fines	Further investigation to be conducted	4 390	-
Interest paid to suppliers	Further investigation to be conducted	1 730	13 359
Cancellation fee	Process has been improved	-	5 700
BDO (Board Evaluation)	Further investigation to be conducted	95 000	-
Suspension of Executive	Further investigation to be conducted	4 957 161	-
222 East Cape projects. ¹	Legal proceedings in progress	9 597 538	-
		14 666 067	20 601

¹The "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. During the current year the NHBRC incurred R 9,597,538 on this project. This represents rework on the project and has been declared as wasteful expenditure accordingly. Legal proceeding are currently underway.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

	Notes	2018 R	2017 R
23.3 Reconciliation of Irregular expenditure			
Opening balance		713 822 957	706 529 846
	23.3.1	4 680 195	7 293 111
Add: Irregular expenditure relating to prior year		325 548	1 112 338
Add: Irregular expenditure relating to current year		4 354 647	6 180 773
Less: Amounts Condoned	23.3.2	(14 803 061)	-
Irregular expenditure awaiting condonation		703 700 091	713 822 957
Analysis of awaiting condonation per age classification			
Current year		4 354 647	6 180 773
Prior year		699 345 443	707 642 184
		703 700 091	713 822 957

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.

23.4.1 Details of irregular expenditure - current year

Incident	Action taken	2018 R Amount	2017 R Amount
Talas Properties ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	500 530	-
Comanage ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	23 393	-
Surego Investment ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	53 251	-
SKG Properties ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	1 046 387	-
Classic Diamond ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	109 212	-
Hapbesigheids Trust ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	357 392	-
Dfe Bruyn ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	321 663	-
ERF 2790 Bloemfontein Close ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	392 266	-
		2 804 094	-
Green Build ³	Further investigation are being conducted	347 700	-
Advance Training ⁴	Further investigation are being conducted	54 606	-
Zama Zama Training Centre ³	Further investigation are being conducted	214 252	-
Internet Solutions (Pty) Ltd ³	Disciplinary action in progress	325 548	1 693 518
Gazzlam Enterprise (Pty) Ltd	Further investigation are being conducted	1 600	-
Iketsetse Bataung Trading	Further investigation are being conducted	9 750	-
Isiseko Resources and All (Pty) Ltd	Further investigation are being conducted	1 600	-
Kukweko Protection and Cleaning Pro	Further investigation are being conducted	12 600	-
Kungawake Gneral and Projects (Pty) Ltd	Further investigation are being conducted	6 800	-
Senzo Madala Trading (Pty) Ltd	Further investigation are being conducted	3 840	-
Tushiya Multi Purpose (Pty) Ltd	Further investigation are being conducted	3 020	-
Ravuku Strategic Dispute resolution	Further investigation are being conducted	123 120	-
Security contracts (Ulwazi Protection service) ^[1]	Responsible employees have left the organisation. Awaiting condonation from National Treasury.	-	342 583
Security contracts (Vimba Group Holdings) ^[1]	Responsible employees have left the organisation. Awaiting condonation from National Treasury.	31 528	1 190 923
Security contracts (Mjayeli Security) ^[1]	Responsible employees left the organisation	152 640	343 437
		4 092 697	3 570 461

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

23.3.1 Details of irregular expenditure - current year (continued)

Incident	Action taken	2018	2017
		R	R
Amount carried forward from prior page		4 092 697	3 570 461
PostNet ³	Awaiting condonation from National Treasury	487 998	405 612
The National African Federation for the Building Industry (NAFBI) ³	Further investigation are being conducted	99 500	-
Security contracts (ADT Security) ^[2]	Responsible employees have left the organisation.	-	5 681
	Awaiting condonation from National Treasury.	-	-
Security contracts (Atlas Security System) ^[2+5]	Responsible employees have left the organisation.	-	485
	Awaiting condonation from National Treasury.	-	-
Security contracts (Chubb Security) ^[3]	Responsible employees have left the organisation.	-	30 887
	Awaiting condonation from National Treasury.	-	-
Security contracts (Galven Security) ^[2]	Responsible employees have left the organisation.	-	3 891
	Awaiting condonation from National Treasury.	-	-
Security contracts (Top Security systems) ^[2]	Responsible employees have left the organisation.	-	1 645
	Awaiting condonation from National Treasury.	-	-
Southbird Express ³	Responsible employees have left the organisation.	-	26 590
	Awaiting condonation from National Treasury.	-	-
JKJ Express cc ²	Responsible employees have left the organisation.	-	4 189
	Awaiting condonation from National Treasury.	-	-
Steiner ⁴	Responsible employees have left the organisation.	-	558 751
	Awaiting condonation from National Treasury.	-	-
Rentokil ³	Condonation application before Council	-	114 110
Praxis Computing (Pty) Ltd	Disciplinary action in progress	-	463 643
Pureau Fresh water company ²	Condonation application before Council	-	6 349
Motswako Office Solution (Pty) Ltd ⁴	Disciplinary action in progress	-	1 127 772
Metro File ³	Awaiting condonation from National Treasury	-	59 932
Document Exchange ^[2-3]	Awaiting condonation from National Treasury	-	1 884
Tidy Files ³	Awaiting condonation from National Treasury	-	378 724
ASP transport24 ³	Awaiting condonation from National Treasury	-	12 627
AON South Africa (Pty) Ltd ^[4+3]	Awaiting condonation from National Treasury	-	10 686
Berco Indoor Gardens ³	Awaiting condonation from National Treasury	-	3 801
KRM Plastic ³	Awaiting condonation from National Treasury	-	28 280
Northern Spark ⁵	Awaiting condonation from National Treasury	-	1 760
Banike ³	Awaiting condonation from National Treasury	-	63 509
Flowa Media (Pty) Ltd ³	Employee disciplined	-	184 680
SSP Multiconsult (Pty) Ltd ³	Awaiting condonation from National Treasury	-	62 400
Docufile ⁵	Awaiting condonation from National Treasury	-	1 505
KAS and MVR Trading ⁸	Awaiting condonation from National Treasury	-	163 257
		4 680 195	7 293 111

23.3.2 Details of irregular expenditure condoned - current year (continued)

Incident	Condoned	2018	2017
		R	R
ADT Security ⁽⁶⁾	Condonation approved by the Council	18 413	-
Atlas Security System ⁽⁶⁾	Condonation approved by the Council	3 991	-
Chubb security ⁽⁶⁾	Condonation approved by the Council	51 991	-
Galvern security ⁽⁶⁾	Condonation approved by the Council	8 036	-
Top Security systems ⁽⁶⁾	Condonation approved by the Council	5 669	-
Northern Security ⁽⁶⁾	Condonation approved by the Council	4 000	-
Metro File ⁽⁶⁾	Condonation approved by the Council	154 169	-
H2O ⁽⁶⁾	Condonation approved by the Council	3 205	-
Document Exchange ⁽⁶⁾	Condonation approved by the Council	13 469	-
Docufile ⁽⁶⁾	Condonation approved by the Council	1 505	-
		264 449	-

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

23.3.2 Details of irregular expenditure condoned - current year (continued)

Incident	Condoned	2018 R	2017 R
Amount carried forward from prior page		264 449	-
P&F Business Enterprise ⁽⁶⁾	Condonation approved by the Council	180 500	-
Berco Indoor Gardens ⁽⁶⁾	Condonation approved by the Council	17 680	-
Pureau Fresh Water ⁽⁶⁾	Condonation approved by the Council	9 654	-
JKJ ⁽⁶⁾	Condonation approved by the Council	207 466	-
Rentokil ⁽⁶⁾	Condonation approved by the Council	358 874	-
KRM Plastic ⁽⁶⁾	Condonation approved by the Council	28 280	-
Northern Spark ⁽⁶⁾	Condonation approved by the Council	1 760	-
Atlantis Corporate Travel ⁽⁶⁾	Condonation approved by the Council	261 147	-
KAS and MVR Trading ⁽⁶⁾	Condonation approved by the Council	371 863	-
Lexis Nexis ⁽⁶⁾	Condonation approved by the Council	113 767	-
Magic Travel ⁽⁶⁾	Condonation approved by the Council	54 714	-
Poswa ⁽⁶⁾	Condonation approved by the Council	40 177	-
Cozens ⁽⁶⁾	Condonation approved by the Council	53 300	-
Mkhabela ⁽⁶⁾	Condonation approved by the Council	242 050	-
R Charles ⁽⁶⁾	Condonation approved by the Council	491 716	-
Matabane Inc ⁽⁶⁾	Condonation approved by the Council	323 928	-
Knowles Hussain ⁽⁶⁾	Condonation approved by the Council	71 406	-
Nongongo ⁽⁶⁾	Condonation approved by the Council	173 972	-
Mbabane and Sokutu Inc ⁽⁶⁾	Condonation approved by the Council	154 072	-
Pukwana Attorneys ⁽⁶⁾	Condonation approved by the Council	143 518	-
ER Marivate t/a Marivate Attorneys ⁽⁶⁾	Condonation approved by the Council	90 112	-
NB Hewu t/a Hewu Attorneys ⁽⁶⁾	Condonation approved by the Council	144 675	-
Deneys Reitz Attorneys t/a Norton Ros ⁽⁶⁾	Condonation approved by the Council	487 472	-
Pule Incorporated ⁽⁶⁾	Condonation approved by the Council	46 829	-
Generator Boys CC ⁽⁶⁾	Condonation approved by the Council	233 510	-
Leps Training consultants and service provider ⁽⁶⁾	Condonation approved by the Council	432 117	-
ASP TRANSPORT ⁽⁶⁾	Condonation approved by the Council	61 335	-
North Rand Fire Services ⁽⁶⁾	Condonation approved by the Council	2 038	-
Indaba Hotel ⁽⁶⁾	Condonation approved by the Council	16 855	-
Shl Saville and Holdsworth Pty Ltd ⁽⁶⁾	Condonation approved by the Council	114 441	-
SA Truster ⁽⁶⁾	Condonation approved by the Council	130 318	-
Tokiso Dispute Settlements (Pty) Ltd ⁽⁶⁾	Condonation approved by the Council	176 198	-
Werksmans ⁽⁶⁾	Condonation approved by the Council	132 665	-
Flowa Media ⁽⁶⁾	Condonation approved by the Council	184 680	-
Expired Tax various contracts ⁽⁶⁾	Condonation approved by the Council	476 087	-
SSP multi Consult ⁽⁶⁾	Condonation approved by the Council	62 400	-
Regency Embroiderers SA Pty Ltd ⁽⁶⁾	Condonation approved by the Council	62 955	-
The Mortgage ⁽⁶⁾	Condonation approved by the Council	51 300	-
Clickware IT solution ⁽⁶⁾	Condonation approved by the Council	196 350	-
Miscellaneous expenditure as per the attached individual transactions. ⁽⁶⁾	Condonation approved by the Council	5 798 059	-
Izenzozonke Technology (Pty) Ltd ⁽⁶⁾	Condonation approved by the Council	377 501	-
Aande ⁽⁶⁾	Condonation approved by the Council	209 646	-
Affirmative Portfolio ⁽⁶⁾	Condonation approved by the Council	113 040	-
Ditshaba ⁽⁶⁾	Condonation approved by the Council	225 156	-
Drake ⁽⁶⁾	Condonation approved by the Council	101 412	-
Lethamo ⁽⁶⁾	Condonation approved by the Council	119 746	-
Murire and company (Pty) Ltd ⁽⁶⁾	Condonation approved by the Council	144 675	-
Sekgala Careers (Pty) Ltd ⁽⁶⁾	Condonation approved by the Council	115 196	-
Tita I.T. Solutions ⁽⁶⁾	Condonation approved by the Council	492 550	-
Motheo Construction ⁽⁶⁾	Condonation approved by the Council	339 444	-
LMR and Projects ⁽⁶⁾	Condonation approved by the Council	36 498	-
Banike ⁷	Condonation approved by the Council	63 509	-
Amount carried over to next page		14 803 061	-

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

23.3.2 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] BAC approved extension on lease without securing prior approval from National Treasury where contract variation were greater than 15%.

- [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] 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.)

- [7] The appointment of Banike did follow the procurement process. And the NHBRC"s Delegation of Authority.
(NHBRC's DoA effective November 2013, 25 May 2015 and 1 April 2016)
The official informed the supplier to execute the services without approval.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

24. Financial instruments

24.1 Categories of financial instruments and maturity profile

	0-1 Year R	>1 Year R	Total R
2018			
FINANCIAL ASSETS			
<i>Loans and receivables</i>			
Trade and other receivables	14 295 701	-	14 295 701
Cash and cash equivalents	331 050 094	-	331 050 094
<i>Financial assets at fair value</i>			
Investments	3 452 263 871	2 241 470 911	5 693 734 782
Derivative Financial Instruments	-	515 044 227	515 044 227
Total financial assets	3 797 609 666	2 756 515 138	6 554 124 804

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

Trade and other payables	16 557 228	-	16 557 228
Deposits for Guarantees	24 402 567		24 402 567

2017

FINANCIAL ASSETS

Loans and receivables

Trade and other receivables	45 289 074	-	45 289 074
Cash and cash equivalents	204 920 558	-	204 920 558

Financial assets at fair value

Investments	3 171 110 682	1 955 725 324	5 126 836 006
Derivative Financial Instruments	-	473 786 979	473 786 979

Total financial assets

3 421 320 314	2 429 512 303	5 850 832 616
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FINANCIAL LIABILITIES

Financial liabilities at amortised cost

Trade and other payables	29 713 307	-	29 713 307
Deposits for Guarantees	19 936 231		19 936 231

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

24. Financial instruments

24.2 Categories of financial instruments

31 March 2018	Loans and Receivables	Derivative Financial Instruments	Fair value Investments	Total
Derivative Financial Instruments	-	515 044 227	-	515 044 227
Fair value financial assets	-	-	5 693 734 782	5 693 734 782
Trade and other receivables	14 295 701	-	-	14 295 701
Cash and cash equivalents	331 050 094	-	-	331 050 094
Total	345 345 795	515 044 227	5 693 734 782	6 554 124 804

31 March 2017	Loans and Receivables	Derivative Financial Instruments	Fair value Investments	Total
Derivative Financial Instruments	-	473 786 978	-	473 786 978
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	204 920 559	-	-	204 920 559
Total	250 209 633	473 786 978	5 126 836 006	5 850 832 617

31 March 2018	Financial liabilities at amortised cost	Total
Lease Liabilities	490 095	490 095
Trade and other payables	100 122 605	100 122 605
Total	100 612 700	100 612 700

31 March 2017	Financial liabilities at amortised cost	Total
Lease Liabilities	790 453	790 453
Trade and other payables	125 259 284	125 259 284
Total	126 049 737	126 049 737

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
At 31 March 2018				
Operating Lease Liability	122 524	367 571	-	-
Trade and other payables	17 925 746	82 196 859	-	-
	18 048 270	82 564 430	-	-
At 31 March 2017				
Operating Lease Liability	61 577	728 876	-	-
Trade and other payables	51 387 055	73 872 229	-	-
	51 448 632	74 601 104	-	-

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

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 for managing capital risk remains unchanged in 2018/ 2019 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 2018

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 2018

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 2018 when valued on a run-off basis. The actuarial liabilities are 439% 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	3 518	51%	5 446	46%	1 854	74%
Complaints conciliations	308	4%	512	4%	132	5%
Remedial claims	161	2%	278	2%	60	2%
<i>average</i>	53		91		20	
<i>99.5% variation margin</i>	108		187		40	
Total Expenses & Claims	3 987	58%	6 236	52%	2 046	82%
Average fee per enrolment	6 858		11 908		2 501	
Surplus / (Deficit)	2 871	42%	5 672	48%	455	18%

Enrolment fee adequacy table. In aggregate, we expect an increase in the surplus of the NHBRC by 33% of enrolment fees written in 2018/19 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 2018

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 2018

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 74.18% of exposure with 55.29% and 18.90% respectively

Insurance risk by developer

The risk per developer is ranked by units of exposure (enrolments after Sep 2012). Liquidation of the 10 largest developers constitute R 337.7 million of sum insured (comparison of 288 662 home enrolments) which could potentially increase claims against the warranty fund.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

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-2018						
Carrying Amount at 31 March 2018	Interest rate risk					
	Rand amount exposed to risk	Reasonable Possible change				
		Rate Increase	Rand amount	Rate Decrease	Rand amount	
Financial Assets						
Money Market Investments	3 252 789 908	3 252 789 908	1%	32 527 899	-1%	(32 527 899)
CPD Money Market	199 473 963	199 473 963				
<i>Listed bond securities</i>						
- Short-term < 7 years	1 148 049 320	1 148 049 320	1%	11 480 493	-1%	(11 480 493)
- Medium-term 7 to 12 years	193 475 767	193 475 767	1%	1 934 758	-1%	(1 934 758)
- Long-term > 12 years	899 945 824	899 945 824	1%	8 999 458	-1%	(8 999 458)
	-	-		-		-
Derivative Financial Instruments	515 044 227	515 044 227	1%	5 150 442	-1%	(5 150 442)
Impact of financial assets on:						
Statement of changes in net assets						
Statement of financial performance				54 942 608		(54 942 608)
Impact on financial position	6 208 779 009	6 208 779 009		115 035 659		(115 035 659)

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	
Financial Assets						
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)
Impact of financial assets on:						
Statement of changes in net assets						
Statement of financial performance				49 414 169		(49 414 169)
Impact on financial position	5 600 622 985	5 600 622 985		103 566 208		(103 566 208)

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

25. Contingent liabilities

There are outstanding claims pending in the Courts in relation to disputes between the NHBRC and other parties amounting to R 352 911 248 the outcome of which is unknown.

26. Contingent Assets

In accordance with Section 14A of the Housing Consumers Protection Measures Act (Act 95 of 1998) the Council may require a financial guarantee in cases where homes are late enrolled. The NHBRC receives these financial guarantees in the form of paper, these paper guarantees are issued by financial institutions registered with the FSB. These are required to mitigate against possible claims on the NHBRC's warranty fund. At the reporting date the amount of the possible contingent asset cannot be quantified as it is impractical to do so due to the nature of the possible claims being unknown.

27. Post reporting date events

The NHBRC 's Council perform its fiduciary duties and 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.

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 2018 the NHBRC had the following commitments:

	2018 R	2017 R
Operational Expenditure		
Approved and contracted		
Outsourced contracts for Risk management Service	1 256 675	2 417 856
Outsourced contracts for Facilities Management	8 017 163	15 243 782
Outsourced contract for Testing Machines for Eric Molobi	62 816	558 102
Outsourced contract for Legislative review project	1 322 290	899 967
Outsourced contract for Social Transformation	231 539	653 235
Outsourced contract for Forensic Investigations	5 293 847	7 473 550
Outsourced contract for Information Technology Services	1 031 843	304 462
Outsourced contract for Media Services	3 464 931	-
Outsourced contract for the Human Capital Management service	246 240	291 749
Outsource contract for Telecommunication Services	30 877 773	64 743 396
Outsourced contract for the Remedial works	15 100 750	146 107
Outsourced contract for the Technical Service	4 607 139	10 369 959
	71 513 005	103 102 164

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

SUPPLEMENTARY SCHEDULE

for the year ended 31 March 2018

	2018 R	2017 R
29. Detailed Expenditure		
29.1 Insurance claims and loss adjustment expenses	13 295 901	9 024 807
29.2 Accreditation,builders manual and certificate cost	2 521 245	3 173 211
- Accreditation fees	661 252	1 353 548
- Direct costs of builder manuals	1 415 279	1 136 378
- Direct costs of certificates	444 714	683 285
29.3 Technical services expenditure	4 832 327	50 831 942
- Forensic investigations and geotechnical service	4 832 327	50 831 942
Operating Expenses	727 662 618	714 896 402
29.4		
- Amortisation	15 238 120	14 949 964
- Audit fees	5 475 634	2 316 116
- Bad debts provided for	17 909 896	24 435 302
- Bank charges	2 975 976	2 813 152
- Cleaning costs	1 834 182	1 667 551
- Conferences and seminars	4 333 570	4 313 255
- Consulting fees	9 821 295	19 132 764
- Courier and freight	495 206	575 445
- Depreciation	8 611 544	8 419 583
- Information technology costs	41 716 143	30 142 922
- Insurance paid	1 175 926	1 794 900
- Legal fees	9 582 773	3 234 742
- Marketing fees	8 043 047	23 176 817
- Motor vehicle expenses	354 176	360 565
- Office equipment and furniture expenses	6 248 284	4 654 640
- Mobile office expenses	4 719 600	923 400
- Other expenses	4 986 810	3 999 635
- Other rentals costs	2 868 037	1 682 851
- Council	5 259 004	5 675 123
- Disciplinary committee costs	3 810 187	4 681 354
- Salaries and related costs	453 805 821	426 443 643
- Rentals	12 132 563	13 538 420
- Research & Development	770 147	156 362
- Security	3 035 484	4 764 322
- General office costs	3 781 063	3 683 702
- Stationery	2 223 680	2 400 520
- Telephone expenditure	17 278 573	21 096 550
- Training	29 834 448	31 002 502
- Travelling expenditure	44 967 478	48 163 812
- Water and electricity	4 373 951	4 696 490
Total Expenditure before interest paid	748 312 092	777 926 363



NHRBC Head Office

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