



INVEST REGULATE **PROMOTE**

ANNUAL REPORT 2018/19

SHRA is an agency of the National Department of Human Settlements



The SHRA has a new logo and corporate identity which symbolises a new era for the organisation. This identity includes a positive depiction of the SHRA's mandate and resonates more effectively with stakeholders.

The sun in the logo represents the growth of the organisation and social housing as a positive programme that can assist in urban restructuring.

The three houses represent the quality and affordable housing that the SHRA delivers and also stands for the three pillars of the SHRA: Invest, Regulate and Promote.

The colours represent an approachable organisation that is more accessible to its target market and stakeholders.

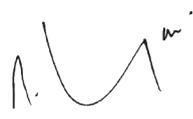
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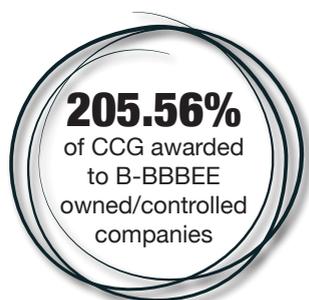
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Official sign-off

It is hereby certified that this Annual Report was developed by the Council and management of the Social Housing Regulatory Authority (SHRA) and indicates audited achievement against the performance targets as per the Annual Performance Plan 2018/19 approved by the Executive Authority.



R. Gallocher
Chief Executive Officer
 26 August 2019



SECTION A: STRATEGIC BACKGROUND

1. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Sustained growth of the economy is a key priority, and government is keen to drive this agenda through the implementation of the National Development Plan. The year under review ushered in a renewal of purpose and collective commitment to re-ignite growth to strengthen the economy for a more resilient and regulated Social Housing Sector.

The SHRA has continued to build itself and implement the primary intention of social housing of delivering affordable rental housing for low- to middle-income groups, most of whom do not qualify for free BNG housing but also do not earn enough to qualify for bank financing to purchase a house; and to achieve spatial, economic and social integration of the urban environments in South Africa.

The SHRA has moved beyond an entity that required stabilisation to one that has the strategy, plans, systems, policies, processes and skills in place, within an organisational environment conducive to allowing the entity to economically, efficiently and effectively deliver on its mandate.

SHRA performance has reached 62% in the period under review. Expenditure of both the capital and institutional investment grants has also increased steadily. SHRA increased expenditure on the Consolidated Capital Grant (CCG) to R778 273 327 in the period under review, which comprises a 105% performance against budget.

The SHRA's vacancy rate at the end of the period under review was 10%, with recruitment of four positions underway. The entity has invested in a wireless network / Wi-fi platform for the benefit of all staff and council members. A number of key studies were undertaken, namely: Cost Drivers of Social Housing Development; Socio-Economic and Spatial Restructuring Impact of Social Housing as

well as Cooperatives and Instalment Sale Projects. Key stakeholder engagements were held in various provinces throughout the country.



During the Medium- Term Strategic Framework (2014-2019) (MTSF) period, 13 968 units have been completed with a further 9 273 units under construction and 12 477 awarded capital grants but have not yet broken ground.

There are currently 102 fully and conditionally accredited institutions on the SHRA Accreditation Register, of which twelve (12) institutions are fully accredited and 90 are conditionally accredited.

There has been growth in the number of units under regulation over the MTSF period, 2017/18 was 32 046 and 2018/19 is 36 305 units under regulation. This shows significant improvement over the MTSF period which commenced with only 20 447 units under regulation.

The Sector Development and Transformation programme has spent 71% of its allocated budget. Extensive social housing training events were coordinated nationwide during the period under review. These focused on training the Social Housing Institutions (SHIs) as well as other stakeholders such as local authorities and black businesses.

Thank you to all our stakeholders for their continued support in the implementation of the Social Housing Programme.

A handwritten signature in black ink, appearing to read 'R. Gallocher'. The signature is stylized and written in a cursive-like font.

R. Gallocher
Chief Executive Officer



2. STRATEGIC OVERVIEW

2.1. Mandate

The Social Housing Regulatory Authority (SHRA) was established by the National Department of Human Settlements (NDoHS) as prescribed by the Social Housing Act, 2008 (Act No. 16 of 2008) (SHA). The SHRA is classified as a national public entity in terms of Schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) as amended.

The SHRA's mandate is to capacitate, invest in and regulate the social housing sector. The primary intention of social housing is twofold: firstly, to deliver affordable rental housing for low- to middle-income groups, most of whom do not qualify for free BNG housing but also do not earn enough to qualify for bank financing to purchase a house; secondly, to achieve spatial, economic and social integration of the urban environments in South Africa.

Social housing is a powerful instrument to address spatial restructuring, economic integration, social development, urban efficiency, urban inclusivity and good urban management.

Social housing, capable of achieving the desired densities to support spatial transformation, is government's primary housing product. The shift in demand in cities towards rental accommodation is expected to grow given the current and anticipated rate of urbanisation.

2.2. Vision

A thought-leader, stimulator and regulator of world-class self-sufficient social housing solutions.



The SHRA's vision is to see affordable rental homes in integrated urban environments through sustainable institutions. To achieve this:

- a) The SHRA will be a world-class organisation resourced by highly skilled, values-driven leaders in the industry;
- b) The SHRA will fund and facilitate funding for affordable, well designed, environmentally sustainable (energy efficient) social housing estates;
- c) The SHRA will ensure investment in communities that form new or regenerated cities, which in turn enhance social mobility and access to basic tenant needs for healthcare, education, transport and communication; and
- d) The SHRA will be a thought-leader, stimulator and regulator of appropriate policies and research to support programme development for an African model of managed rental and social housing and will create a self-sufficient social and rental housing environment.

2.3. Mission

Facilitate delivery of quality, sustainable social housing at scale to advance the needs of low- and middle-income groups in support of spatial, economic and social restructuring.

2.4. Values

The SHRA launched its new values in 2017/18:

2.4.1. Service/stewardship

We know that exceptional service is important, and we intend to go the extra mile to ensure that we meet the needs of our beneficiaries.

2.4.2. Zealousness

We approach every day with a positive attitude, a willingness to grow, a thirst for learning and challenging ourselves.

- 2.4.3. Connectedness/interconnectedness
We recognise that everything we do, comes about as a result of team effort and that by co-operation with one another, we achieve results collectively which enhances our efficiency and effectiveness.
- 2.4.4. Accountability
We understand that we serve the best interests of the citizens of our country, and as such we are serious about being held responsible and accountable for our words, actions and results.
- 2.4.5. Our employees are holistic human beings
Our employees are the heartbeat of our organisation. Each one of them matters, they are valued, their opinion matters, their contributions are worthy.



2.5. Strategic outcome-oriented goals

Table 1: Strategic outcome-oriented goals and goal statements

STRATEGIC OUTCOME-ORIENTED GOAL	GOAL STATEMENT
To establish a well skilled, resourced and led organisation	To restructure the entity and develop new systems, policies and procedures by 2019 to enhance the performance and reputation of the entity
To support policy and sectoral leadership within the social housing sector	To provide thought leadership to the social housing sector to ensure sustainability of the social housing programme
To establish functioning and well managed delivery agents/entities delivering units that meet a landlord's responsibilities to its tenants	To ensure sufficient capacity to develop projects and manage the 27 000 units expected to be delivered by 2019
To effectively regulate the social housing sector through a risk based, automated system	To revise the accreditation and compliance system to a risk-based automated system by 2019 that will allow for a more effective and streamlined regulatory system
To deliver social housing units that result in the restructuring of cities and integrated communities	To deliver 27 000 social housing units by 2019 that adhere to the principles of the social housing programme



2.6. Legislative and other mandates

The SHRA derives its mandate from the following key pieces of legislation and policy:

- The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) (the Constitution)
- The Social Housing Act, 2008 (Act No. 16 of 2008)
- The Housing Act, 1997 (Act No. 107 of 1997 as amended)
- The Rental Housing Act, 1999 (Act No. 50 of 1999 as amended)
- The Public Finance Management Act, 1999 (Act No. 1 of 1999)
- Comprehensive Plan for the Development of Sustainable Human Settlements: Breaking New Ground
- The Social Housing Policy, 2005
- The National Housing Code, 2009, and
- The National Development Plan 2030: Our Future – Make it Work

2.7. **The Social Housing Act, 2008 (Act No. 16 of 2008) (SHA)**

The purpose of the SHA is to:

1

Establish and promote a sustainable social housing environment;

2

Define the functions of national, provincial and local governments in respect of social housing;

3

Provide for the establishment of the SHRA in order to regulate all Social Housing Institutions (SHI) obtaining or having obtained public funds; and

4

Allow for the undertaking of approved projects by SHIs and other delivery agents with the benefit of public money to give statutory recognition to SHIs.

The Act provides the regulatory foundation for the social housing sector and sets the framework through which social housing is currently implemented, funded and regulated.

Its provisions include:

- The definition of functions of national, provincial and local governments in respect of social housing;
- The establishment of the SHRA to promote, regulate and guide the investment of public money in the social housing sector;
- Giving statutory recognition to, and regulating, SHIs; and
- Providing for the creation of restructuring zones.

The Act defines social housing as

“ a rental or co-operative housing option for low- to medium-income households at a level of scale and built form that requires institutionalised management and is provided by social housing institutions or other delivery agents in approved projects in designated restructuring zones with the benefit of public funding as contemplated in this Act”.

A social housing institution is defined as

“ an institution accredited or provisionally accredited under this Act which carries or intends to carry on the business of providing rental or co-operative housing options for low- to medium-income households (excluding immediate individual ownership and a contract as defined under the Alienation of Land Act, No 68 of 1981), on an affordable basis, ensuring quality and maximum benefits for residents and managing its housing stock over the long term”.

A restructuring zone is defined as

“ a geographic area that has been identified by the municipality, with the concurrence of the provincial government, for purposes of social housing; and that has been designated by the Minister in the Government Gazette for approved projects”.

The Social Housing Policy states that “the social housing programme has two primary objectives:

- ➔ Firstly, to contribute to the national priority of restructuring South African society in order to address structural, economic, social and spatial dysfunctionalities thereby contributing to Government’s vision of an economically empowered, non-racial and integrated society living in sustainable human settlements.
- ➔ Secondly, to improve and contribute to the overall functioning of the housing sector and in particular the rental sub-component thereof, especially insofar as social housing is able to contribute to widening the range of housing options available to the poor”.



2.8. The functions of the SHRA are to:

- Promote the development and awareness of social housing and promote an enabling environment for the growth and development of the sector;
- Provide advice and support to the Department of Human Settlements in its development of policy for the social housing sector and facilitate the National Social Housing Programme;
- Provide best practice information and research on the status of the social housing sector;
- Support provincial governments with approving project applications by social housing institutions and assist, where requested, in the designation of restructuring zones;
- Enter into agreements with provincial governments and the National Housing Finance Corporation to ensure that implementation by these entities is coordinated;
- Provide financial assistance to social housing institutions through grants to enable them to develop institutional capacity, gain accreditation as social housing institutions and submit viable project applications;
- Accredit institutions meeting accreditation criteria as social housing institutions;
- Conduct compliance monitoring through regular inspections and enforce compliance where necessary;
- Intervene in the affairs of social housing institutions in cases of maladministration; and
- Approve, administer and disburse institutional investment grants and capital grants.



2.9 Key policy developments and legislative changes

The Minister of Human Settlements, together with the provincial Members of the Executive Council (MECs) of Human Settlements, approved adjustments to the social housing programme in June 2017. These changes are as follows:

- Lower income bracket moves from R1 500 – R3 500 per month to R1 500 – R5 500 per month;
- Secondary income bracket moves from R3 500 – R7 500 per month to R5 500 to R15 000 per month; and
- The Restructuring Capital Grant quantum increases from R125 615 per unit to R155 000 per unit.

“These adjustments ensure that the social housing programme continues its focus on including the primary target market in well-located projects so that the poor are integrated into cities.

These adjustments also ensure that more young professionals, or gap market will now benefit from government rental subsidised housing and for developers it means they have more funds to provide spacious and decent rental stock,” said Minister Sisulu (Ministry of Human Settlements, 2017).

The SHRA has effected these changes for all projects approved from June 2017 forward, adhering to targets for capital grant to black-owned and controlled companies.

In addition to the amendments to the income band and grant quantum, the MINMEC of June 2017 also approved the transfer of the newbuild option, under the Community Residential Unit programme, to form part of the social housing programme.

3. STRUCTURE OF THE ENTITY

The Minister approved the SHRA's structure on 6 December 2016 and it was implemented in January 2017. Figure 1 represents the structure as at the end of March 2019.

During the period under review, the SHRA Council identified that, for the SHRA to have a meaningful impact on spatial, economic and social restructuring, it would need to adopt a precinct

development approach whereby formerly African townships, for example, would see investment around commercial and retail sites to densify and integrate these areas. The SHRA Council therefore resolved that the entity would investigate the prospect of creating a fifth executive position in the SHRA management structure to spearhead planning based on precincts and development led by social housing.

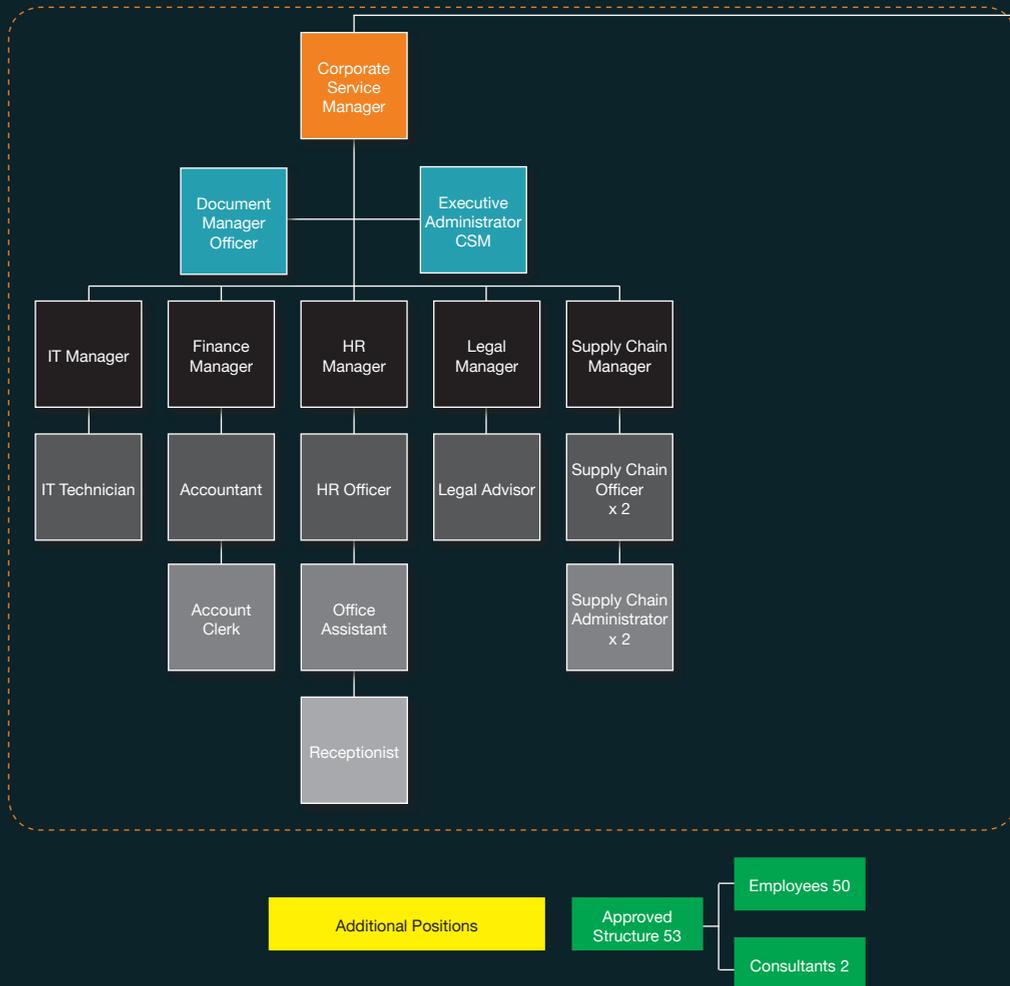


Figure 1: SHRA's approved structure 2018/19

PROJECT FEATURES



Project Ocean View

City: East London

Province: Eastern Cape

SHI: Hlalanathi

Number of units in this project: 603

Progress status: Under construction (40%)

Capital grant awarded to project (RCG):

R75 745 845.00



Project Milkwood

City: Port Elizabeth

Province: Eastern Cape

SHI: Own Haven

Number of units in this project: 630

Progress status: Under construction (72%)

with 111 units completed and tenanted

Capital grant awarded to project (RCG):

R113 274 000.00



Project Little Manhattan

City: Tshwane

Province: Gauteng

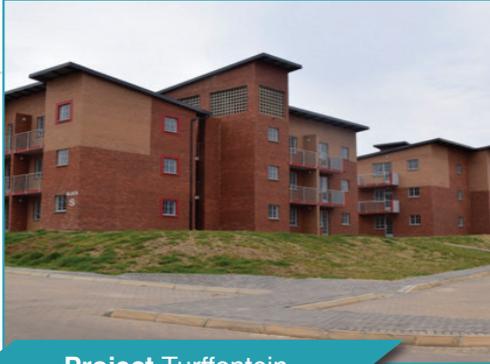
ODA: Instratin

Number of units in this project: 708

Progress status: Phase 1 complete, Phase 2 under construction (45%)

Capital grant awarded to project (RCG):

R193 579 236.00



Project Turffontein

City: Johannesburg

Province: Gauteng

SHI: Joshco

Number of units in this project: 504

Progress status: Construction complete and tenanted

Capital grant awarded to project (CCG):
R137 020 968.00



Project Mogale Junction

City: Mogale City

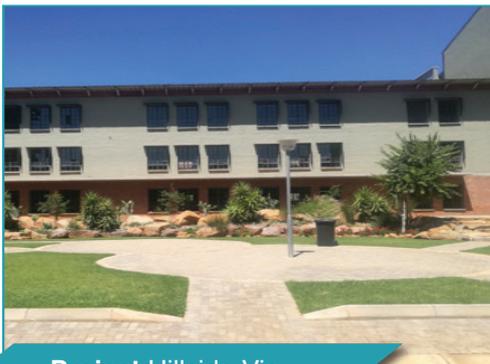
Province: Gauteng

ODA: Arrow Creek

Number of units in this project: 1 590

Progress status: Under construction (59%) with 770 units completed and currently being tenanted

Capital grant awarded to project (CCG):
R199 727 850.00



Project Hillside View

City: Bloemfontein

Province: Free State

ODA: Kenso

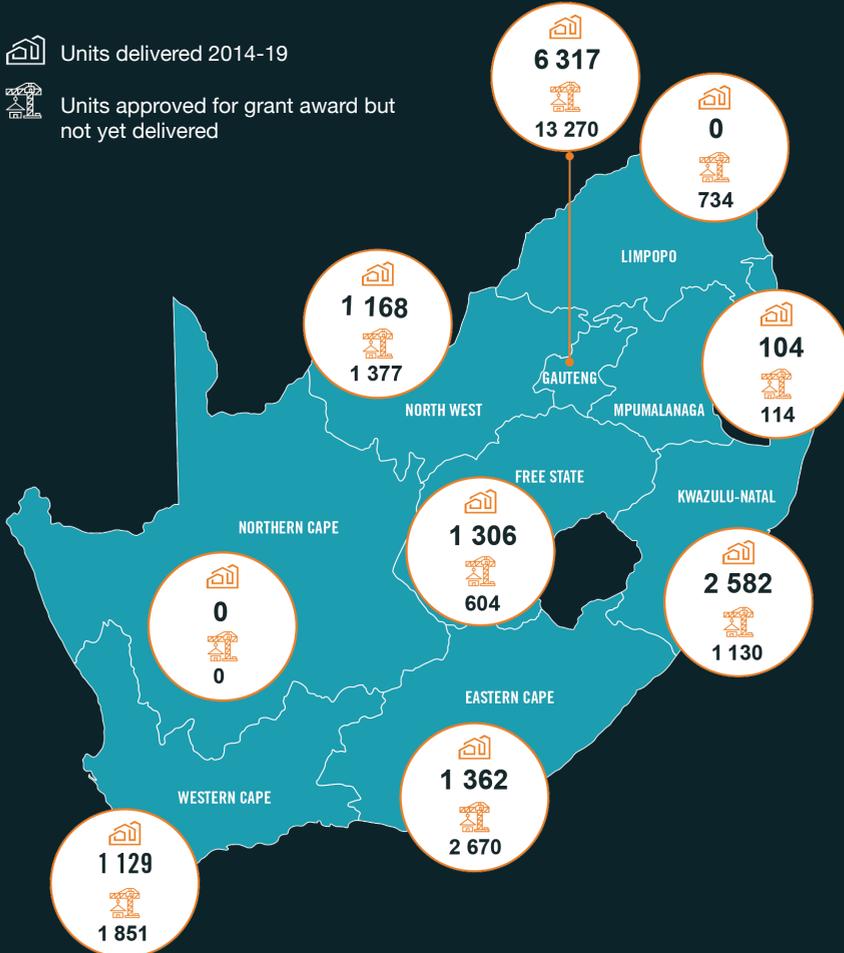
Number of units in this project: 839

Progress status: Phase 1: 95% complete, Phase 2: under construction (5%)

Capital grant awarded to project (CCG):
R178 528 839.00

OUR FOOTPRINT

Number of projects over the MTSF





SECTION B: PERFORMANCE

4. PERFORMANCE OF THE ENTITY

4.1. Organisational environment

Through implementation of the new structure and operating framework, the SHRA has shifted to a more proactive approach in order to increase the pace and scale of delivery and assist stakeholders to structure projects. The delivery process, the procedures to register a project on the pipeline and methods to support projects on the pipeline have also been revised so as to enable increased stakeholder participation in social housing delivery.

The drive to increase the headcount of the organisation and fill the positions on the approved structure produced positive results as demonstrated in Figure 2.

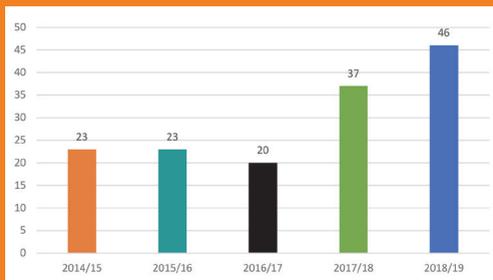


Figure 2: Number of staff over the MTSF period 2014-2019

4.1.1. Enhanced performance of the entity

The culmination of these and a number of other interventions such as the recruitment drive, inclusive employee engagement initiatives and the enhanced performance monitoring environment is that the SHRA's performance has been steadily improving over the MTSF period, as presented in Figures 2 and 3. The SHRA's performance has improved from 0% in the first year of the MTSF period to 62% in the period under review. Figure 3 also indicates that for the 2017/18 financial year the entity achieved a higher percentage of

78% as compared to the other financial years in the MTSF. The regress to 62% in the 2018/19 financial year was a result of the non-achievement of 13 out of 34 planned targets for the financial year. The improvement in SHRA's performance is due to increased staff capacity which has been taking place over the period as illustrated in Figure 2. In 2014/15 and 2015/16 SHRA had only 23 employees, while in 2018/19 the SHRA had 46 employees. The Entity's vacancy rate is at 10%, on par with the 10% benchmark target as set by the DPSA. In terms of Employment Equity (EE), females at Senior Management Services (SMS) level accounted for 1 (25%); and males 3 (75%). The overall Employment equity planning report indicates that 57.14% of SHRA employees are females and 42.86% are males as at 31 March 2019.

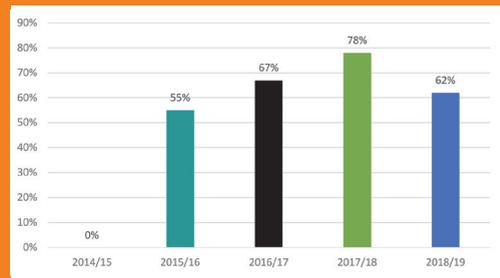


Figure 3: Annual performance rate over MTSF period

SHRA had 34 targets planned for the period under review, twenty-one (21) were achieved, thirteen (13) were not achieved. Programme 1 achieved four (4) out of ten (10) planned targets, Programme 2 achieved ten (10) out of twelve(12) planned targets, Programme 3 achieved two (2) out of four (4) planned targets and Programme 4 achieved five (5) out of its eight (8) planned targets.

Table 2: Performance per programme

Programmes	Planned	Achieved	Not achieved	% Achieved
Programme 1	10	4	6	40.00%
Programme 2	12	10	2	83.33%
Programme 3	4	2	2	50.00%
Programme 4	8	5	3	62.50%
SHRA total	34	21	13	62 %

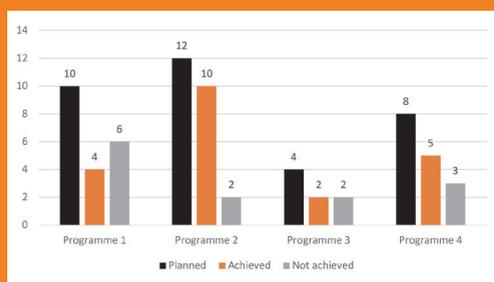


Figure 4: 2018/19 Performance per programme

Mainly the low achievement of targets was in the Administration Programme, with targets on staff performance management, Information, Communications and Technology as well as the research plan not achieved. The core programmes (2,3 and 4) managed to achieve more of their planned targets as indicated on figure 4.

4.2. Achievement against the strategic outcome-oriented goals

4.2.1. Stimulate social housing delivery

Figure 5 illustrates the number of units approved and completed over the period. In 2017/18 3 519 units were delivered and 2 284 units were completed in 2018/19. There is however progressive improvement on the number of units approved over the years with 7 656 units approved in 2018/19 which is an improvement compared to previous years.

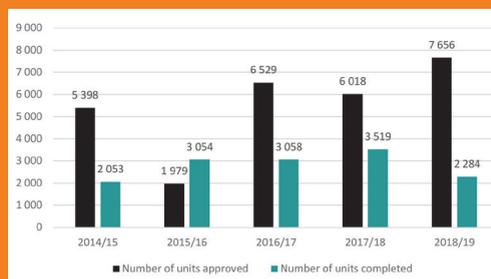


Figure 5: Number of units approved and completed over the MTSF period (2014-2019)

Figure 6 indicates the total number of social housing units that have been delivered over the Medium-Term Strategic Framework (MTSF) period. A total of 13 968 units have been delivered, a further 21 750 are in various stages of delivery with 9 273 of these already under construction and 12 477 have been awarded capital grants but are yet to break ground. As far as the accreditation of units is concerned, SHRA has exceeded the MTSF target of 27 003 by 8 715 units.



Figure 6: Achievement against MTSF target

Table 3 indicates the number of units completed in the MTSF period. At the end of the MTSF period, 13 968 units have been completed with a further 9 273 under construction and 12 477 awarded capital grants but have not yet broken ground. Should all projects under construction be completed by the end of the year, 23 241 units would have been completed. If all 12 477 units that are currently in planning were to have commenced construction before the end of the MSTF period, SHRA would have had 36 548 units under construction.

Table 3: Number of units completed in the MTSF period

Provinces	MTSF Target units to be delivered (2014 - 2019)	Actual number of units delivered (2014 - Q4 2017 - 2019)	Units approved for grant award but yet to be delivered	Of those approved for grant award how many currently under construction	Of those approved for grant award how many under planning or yet to deliver units	Total	Variance
Eastern Cape	1 960	1 362	2 670	1 248	1 422	4 032	(2 072)
Free State	1 935	1 306	604	167	437	1 910	25
Gauteng	9 905	6 317	13 270	6 527	6 743	19 587	(9 682)
KwaZulu-Natal	3 085	2 582	1 130	0	1 130	3 712	(627)
Limpopo	1 050	0	734	0	734	734	316
Mpumalanga	1 545	104	114	114	0	218	1 431
North West	2 850	1 168	1 377	801	576	2 545	305
Northern Cape	565	0	0	0	0	0	565
Western Cape	4 108	1 129	1 851	416	1 435	2 980	1 128
Total number of units	27 003	13 968	21 750	9 273	12 477	35 718	8 715



Table 4: Project Challenges and Solutions

EASTERN CAPE					
No.	Project	SHI/ODA	SHIP	Units	Comments & Dependencies
1	Ocean View	Hlalanathi	5A	603	The project is currently eight months behind schedule and construction is at an advanced stage. The delays were as a result of the NHBRC enrolment, Buffalo Metro issuance of water and electricity to start construction, capacity of the appointed contractor, contract dispute between Hlalanathi and the contractor, and non-payment of subcontractors. However, all the conflicts have been dealt with and 104 units were delivered in Q4 of 2018/19.
2	Walmer Cosmo	OHHA	7A	630	Project is on schedule and progressing well.
3	Belgravia	HAEI	7D	372	The project is currently 12 months behind schedule, has met conditions precedent (CP) but not yet met financial closure (FC). The delays are as result of HAEI's failure to procure debt funding towards financial closure. The NHFC has declined the debt funding application due to governance and compliance issues at an institutional level. HAEI has been assisted by PD&F unit to source debt funding from SA Homeloans. However, the risk that the outcome could be similar is high.
4	Sunnyside Ridge	MBLC	8D	853	The project has not met both CP & FC over the two year period since the CCG agreement was concluded. The delays are as a result of the project not meeting financial viability due to the land lease cost (R463m over 30 years) and the QSC does not reflect the correct project costing. The Province, MBLC and SHRA are to meet in April 2019 to resolve the PIS quantum approval, land lease cost and contractual non-compliance issues. MBLC is also yet to secure debt funding.
GAUTENG					
No.	Project	SHI/ODA	SHIP	Units	Comments and dependencies
1	Akasia Place	The Housing Hub	5A	400	The project is complete and the final occupation certificates have been issued with all units tenanted.
2	Devland	Instratin	5A	715	The project is nine months behind schedule. Construction is at an advanced stage with 270 units achieving practical completion certification up to the end of the reporting period. The delays are due to community strikes and work stoppages since the project started.
3	Townlands	HCT	7C	1200	The project is 12 months behind schedule, CP and FC have been met. The delays are as a result of the appointed contractor's failure to perform against the contract. As a result, the contract was terminated. The contract has now been broken down into two contracts (691 & 509 units) to share the risk and improve delivery. The first contractor is on site and the second contractor will be appointed in May 2019.
4	301 Marshall	Urban Scape	7D	42	The project is complete and CP has been met. FC is not yet met and the outstanding item is the debt funding, which is imminent.
5	Dobsonville	JOSHCO	4B	502	The project is complete with both CP and FC met. However, tenanting is yet to happen. The external works are being finalised.
6	Delville	EDC	6A	100	The project is complete and fully tenanted. However, town planning approvals are outstanding with a projected date of June 2019 to resolve them.

GAUTENG					
No.	Project	SHI/ODA	SHIP	Units	Comments and dependencies
7	Firestation	EDC	6A	150	The project is complete and fully tenanted. The final claim is being finalised for submission to the SHRA.
8	Germiston Ext 4	NOMDA	7D	201	The project has met CP but not yet met FC. The delays are due to secure debt funding, secure additional R3m required to settle land cost, building plans are not yet approved, PHRAG's heritage outcome is outstanding, SDP is not yet approved and NHBRC enrolment is still outstanding. Nomda has been put on contract termination notice until 26 April 2019.
9	Soweto City	TBGI	8B	507	A forensic investigation has been commissioned due to an alleged governance failure at TBGI including financial mismanagement. The project has not progressed since September 2018. TBGI has not been providing the SHRA with factual reporting on the status of project planning.
10	Carnival City	Instratin	8B	888	The project is on schedule and progressing well.
11	Ga Ranku-wa	Toro Ya Afrika	8D	1592	The project is nine months behind schedule. The delays emanate from statutory approvals such as township proclamation, SDP approval and rezoning. However, progress has since been made with only the building plan approval, NHBRC enrolment and debt funding outstanding. These are expected to be secured by the end of April 2019.
12	Mogale Junction	Arrow Creek	7D	1590	The project is progressing well with additional 60 units completed at end of the reporting period. The electrification is in place, an awaiting commissioning by Mogale Municipality. Tenancing of phase 1 is imminent and a tenant list is being finalised for verification.
13	City Deep Phase 3	JOSHCO	3B	328	The township has been proclaimed, the town planning restrictions have been removed, the servitudes have been registered and a Section 7(6) certificate has been issued. Sign-off of building plans by CoJ is imminent.
KZN					
No.	Project	SHI/ODA	SHIP	Units	Comments and dependencies
1	Aloe Ridge	Capital City Housing	3B	952	The illegal occupation of 261 units is still an issue creating dire financial threats to Capital City's sustainability. Capital City has been reported by the NHFC as one of the biggest defaulters in debt re-payment. A meeting has been set up in April 2019 between the SHRA, NHFC and Capital City board regarding the illegal occupation.
2	Hamptons	First Metro	3A	430	Tenancing has not happened due to the delays with the eThekweni Metro not issuing the occupation certificates, and the electrical cable has been stolen resulting in further delays. The SHRA is seeking the assistance of eThekweni social and rental housing unit to fast track the electrification and issuance of the occupation certificates.
LIMPOPO					
No.	Project	SHI/ODA	SHIP	Units	Comments and dependencies
1	Ga-rena Phase 2	Polokwane Housing Association	9E	494	The projects are still in the planning stage and working towards meeting CP. CP documents to have been submitted and are being reviewed. The CCG contract has been signed by all parties.
2	Polokwane Ext76	Polokwane Housing Association	9C	240	The projects are still in the planning stage and working towards meeting CP. CP documents to have been submitted and are being reviewed. The CCG contract has been signed by all parties.

FREE STATE					
No.	Project	SHI/ODA	SHIP	Units	Comments and dependencies
1	Brandwag Ph. 3	FRESHCO	5A	154	The SHRA is seeking an administration order against FRESHCO so that the SHRA can intervene in matters of maladministration that are hampering performance.
2	Hillside View	KENSO	8B	839	389 of the 402 units in phase 1 have been completed. The balance is expected to be completed in Q1 2019. However, Kenso is yet to source debt funding for phase 2 development/20. Kenso delayed fast tracking the development due to outstanding institutional arrangements between Kenso, Mangaung Municipality and Province in regard to post construction management arrangements, etc. The province has undertaken to assist resolve the issue.
WESTERN CAPE					
No.	Project	SHI/ODA	SHIP	Units	Comments and dependencies
1	Goodwood	DCI	8B	1 055	The project is 12 months behind schedule. The delays are as a result of the turn-around time it took to secure debt funding as a new SHI with a huge project, and the governance issues that were raised by the NHFC during debt funding application. Debt funding has since been secured, contractor has been appointed and the project is being enrolled with the NHBRC, which is expected to be achieved in April 2019.
2	Heideveld	DCI	8B	180	The project is 12 months behind schedule. The delays are as a result of the turn-around time it took to secure debt funding as a new SHI with a huge project, the governance issues that were raised by the NHFC during debt funding application. CP and FC have not been met. Debt funding is still outstanding amongst other FC requirements. SA Homeloans has shown an interest in this project and is currently reviewing the submission.
3	The Block	Urban Status Rentals	5A	512	The project is 30 months behind schedule. The delays were as a result of community objections during public participation, statutory approvals and financial viability issues. All these have been resolved and construction is at an advanced stage and a phased completion approach is being implemented with the first units expected to be completed in Q2 of 2019/20 FY. An additional 96 units have been accredited to bring the development to a yield of 512 units.
4	Povicom Villas	Povicom	8D	104	The project is 7 months behind schedule due to delays in securing debt funding. NHFC has concluded a debt contract with Povicom. Construction is underway although at a very slow pace. PD&F unit are meeting with Povicom and its appointed contractors to review the construction methodology and construction schedule.
MPUMALANGA					
No.	Project	SHI/ODA	SHIP	Units	Comments and dependencies
1	Hope City Phase 2	STHA	9C	114	CP and FC have been met. Construction is underway and at an advanced stage. Completion is projected to be September 2019.
NORTHERN CAPE					
No.	Project	SHI/ODA	SHIP	Units	Comments and dependencies

There were no projects under the period over review.

NORTH WEST					
No.	Project	SHI/ODA	SHIP	Units	Comments and dependencies
1	Flamwood	Instratin	5A	1 168	The project is complete, 704 of 1 168 units have been tenanted and it is projected that this process will be completed by end June 2019, which is a 12 month turn-around in a financially depressed mining town.
2	Gabonewe Housing Estate	Gabonewe	6A	801	The project is over 24 months behind schedule. The delays are as a result of the time to get statutory approvals from the municipality, lack of experience of the appointed professional team which has since been replaced and the financial constraints experienced by the mining house. Gabonewe has requested that the SHRA review the implementation of the project over a five year period in line with the ramping up of the mining process.

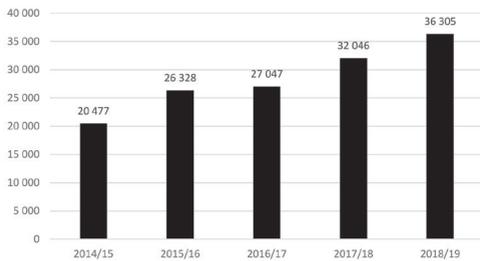


Figure 7: Number of units under regulations over MTSF period (2014-2019)

Figure 7 shows the growing number of units under regulation over the MTSF period. In 2014/15, 20 477 units were under regulation. The number of such units improved significantly over the MTSF period, in 2017/18 32 046 and in 2018/19, which is the end of term, 36 305 units were under regulation.

The improvement in non-financial performance is mirrored in the improvement of financial performance. Figures 8 and 9 illustrate the expenditure of the Restructuring Capital Grant (RCG)/ Consolidated Capital Grant (CCG) and the Institutional Investment Grant (IIG) over the MTSF.



Figure 8: Expenditure of the RCG/CCG over MTSF period

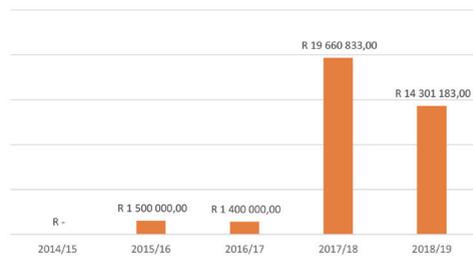


Figure 9: Expenditure against the Institutional Investment Grant over MTSF period

4.2.2. Effective, risk-based, automated regulatory system

The SHRA has invested in a wireless network / Wi-fi platform for the benefit of all staff and council members. The platform is running on a segregated network to ensure maximum security. An approved Wi-fi policy has been circulated to ensure that staff familiarise themselves with the usage policy. The organisation received a total of 0% virus threats during the month of March 2019. All threats were cleaned or deleted by I-sheriff. All computers are updated daily with the latest virus definition files. The SHRA internal firewall has been upgraded to a higher performing firewall as compared to the previous version. The newer version is more adaptable and 'intelligent' in the fight against cyber-crime.

Software Update Services (SUS), is a computer programme developed by Microsoft Corporation that enables ICT personnel to manage the distribution of updates and hotfixes released for Microsoft products to computers and servers. All servers have been patched as required. The SHRA has recently invested in a high-speed internet link. The internet link is stable with good performance.



Figure 10: Structure of the Office of the CEO

4.3. Performance information by programme

The performance tables in Annexure A reflect the targets and achievement against these targets.

4.3.1. Administration programme

This programme consists of two sub-programmes: Office of the CEO and Corporate Services.

The Administration programme achieved four (4) out of ten (10) planned targets and this resulted in an achievement of 40%. The targets that were not achieved are the implementation of employee performance management, Information, Communications and Technology Plan as well as the Research Plan. Carryover report has been developed for the targets that were not achieved and will be reported in the 2019/20 financial year.

4.3.1.1. Office of the CEO

The purpose of the Office of the CEO sub-programme is to provide strategic leadership and management of the entity and sector. The sub-programme undertakes research to develop best practice for the sector, to recommend policy changes to the Minister and Department and to support the growth and development of social housing. Its functions are:

- Strategic planning
- Performance information
- Performance information monitoring and evaluation
- Policy
- Research
- Public relations
- Stakeholder management
- Marketing and communication

4.3.1.1.1. Strategy, Research and Policy

A number of key studies were undertaken by the Strategy, Research and Policy unit which has led to a significant policy change being recommended to the department. The Unit planned to achieve 100% of the Research Plan, however it only achieved 94%. The variance of -6% was due to some procurement delays in appointing service providers to coordinate the research items. The research items that were affected are on the norms and standards and on intervening in hijacked buildings. Service providers were procured in the third and fourth quarter, and this work will be completed in 2019/20. The following key studies were completed during 2018/19:

- Cost drivers of social housing development;
- Socio-economic and spatial restructuring impact of social housing;
- Cooperatives and instalment sale projects.

4.3.1.1.2. Marketing and Communications

Key stakeholder engagements were held in various provinces throughout the country. An induction workshop with Black Business Council of the Built Environment (BBCBE) and South African Women in Construction (SAWIC) was held on 12 February 2019. The aim of the event was to educate the audience on social housing in order to increase participation in social housing, especially by women and young people.



Figure 11: Induction workshop with BBCBE and SAWIC

The Goodwood social housing project was launched on the 26th of February 2018, the project is going to yield 1 055 units.



Figure 12: Goodwood SOD turning

The Instratin Open Day, at Devland Social Housing Project, was held on 9-10 March 2019. The aim of the event was to expose the project to the community for them to consider applying for units.



Figure 13: Instratin open day, 9 and 10 March 2019

SHRA also coordinated a launch at the Hilltops, Hampshire and Hamptons social housing projects in Durban on 17 November 2018. The three projects will yield a total of 850 units. The project was launched by the former Minister of Human Settlements, Nomaindiya Mfeketo.



Figure 14: Launch of Hilltops, Hampshire and Hamptons 17 November 2018

4.3.1.2. Corporate Services

Corporate Services sub programme supports the activities and enhances the performance of the entity. This sub programme consists of the following functions:

- Finance
- Supply chain
- Legal
- Corporate services
- Risk management
- Human resource management
- Information technology and information management



Figure 15: Corporate services structure



4.3.1.2.1. Financial Management

At the end of the 2018/19 financial year the SHRA reported a surplus of R10 409 713 with the following significant income and expenditure classification:



4.3.1.2.2. Human Resource Management

The SHRA's vacancy rate at the end of the period under review was 10 per cent, with recruitment of four positions underway.

Four staff members have been allocated study assistance for 2018/19. Two are continuing from 2017 and one is a new application for 2018. The total amount provided for the four staff members amounts to R179 950. Eleven staff members went on training during the period under review at a cost of R104 019.



4.3.1.2.3. Information Communication Technology (ICT)

SHRA has invested in a wireless network / Wi-fi platform for the benefit of all staff and council members. The platform is running on a segregated network to ensure maximum security. An approved Wi-fi policy has been circulated to ensure that staff familiarise themselves with the usage policy. The SHRA internal firewall has been upgraded to a higher performing firewall compared to the previous version. The newer version is more adaptable and 'intelligent' in the fight against cyber-crime. Software Update Services (SUS), is a computer program developed by Microsoft that enables ICT personnel to manage the distribution of updates and hotfixes released for Microsoft products to computers and servers. All servers have been patched as required. The SHRA has recently invested in a high-speed internet link. The internet link is stable with good performance.



4.3.1.2.4. Supply Chain Management

The SHRA has a supply chain management team who are responsible for ensuring compliance with the National Treasury Supply Chain Management (SCM) regulations.

During the year, the supply chain management function was carried out in compliance with policy and was audited by the internal auditors. The current SCM policy that is implemented by the SHRA is aligned to the National Treasury prescripts.



4.3.1.2.5. Legal

With the enhancements made to the SHRA's legal capacity during 2017/18, the SHRA was better able to attend to legal matters that impacted on the national social housing programme. Table 5 provides an outline of some of the legal matters attended to during the course of the year under review:

Table 5: Legal matters where SHRA is involved

SUBJECT MATTER	STATUS	FURTHER ACTION
DOMUS	The Addendum to include HDA to the agreement and the Holding Agreement between the SHRA and HDA have been signed with the Liquidators and/or SHRA CEO and has been sent to HDA Administrator for final signature.	Payment to the attorneys of the liquidators and the transfer of the sites to the HDA.
CAMEL ROCK	Judgement was rendered in favour of the SHRA with a cost order against Camel Rock. The Bill has been taxed by the Master in the amount R542 803.38.	Execution of the taxed cost order/bill.
TAFELBERG (Two Cases)	The matter has been set down for hearing for the 9th and 10th September 2019 and Equal Education has been admitted as amicus curiae.	File heads of arguments by 29 July 2019.
EMALAHLENI HOUSING COMPANY	The Judge President has provided the directive for the filing of papers and the parties have already held the pre-trials in all the 3 cases and matters have now been enrolled as follows: Main Application: week of 13 May 2019 for 3 days. Review Application: week of 26 August 2019 for 3 days. Interdict matter: has been postponed to 26 April 2019. Following the intervention of the MECs Human Settlement and COCHTA, the municipality has been instructed to withdraw from the settlement and align with other government stakeholders. The SHRA have come up with a suggestion to have a Notarial Deed of Restriction on the properties so that the private developer and /or municipality may not sell the properties.	Finalise and file our intervening papers. Register the notarial deed of restriction with the deeds office.
TENANTS OF VUKUZAKHE FLATS	This is a Gauteng Tribunal matter initiated by tenants of social housing flats called Vukuzakhe Flats against Vukuzakhe Board for illegal evictions, failure to maintain the building and termination of basic services such as electricity, water and sanitation. The Vukuzakhe Flats were bought through an Institutional Subsidy as a rental social housing scheme but has not yet been accredited with the SHRA. The SHRA was subpoenaed in terms of section 13(3)(e) of the Rental Housing Act to appear before the tribunal on the 15th November 2017 and SHRA appeared again before the Tribunal on 7 February 2018 wherein the matter was postponed sine die to allow the SHRA time to intervene. The entity did not get accredited and is now being considered for other interventions by the SHRA.	Council Resolution on the request to place the entity under administration and based on the above, either request the tribunal to conclude the matter accordingly or set the matter down for arguments.
TROYEVILLE	No status from the legal point of view. However, there have been several developments that impact compliance and monitoring.	Conclusion of the administration.

SUBJECT MATTER	STATUS	FURTHER ACTION
EVEREST COURT	No status update.	Conclusion of the administration.
HELDERWYK EXT 8 / SALAMAX	The Directors of Salamax have approached the SHRA to settle the matter out of Court and discussions are promising. To that end, the SHRA has tentatively agreed on a meeting with our legal representatives to finalise the terms of settlement.	<p>Appointment of the auditor to investigate how the grant money advanced to Salamax was used.</p> <p>Request the Court to confirm the termination and order Nedbank to refund moneys sitting in the project operational account.</p>
HIGHPOINT/ WINGPROP	<p>The Constitutional case by tenants and consequently the leave to intervene by Wingprop were dismissed on 4 of February 2019.</p> <p>Tenants have now launched a new case in the High Court requesting the Court to give them ownership of units.</p>	<p>Participate in the settlement discussions between the province and Wingprop.</p> <p>If no settlement agreement is reached, have the High Court matter set down and possibly amend our papers to influence the outcome that will cause the Highpoint to be declared social housing stock.</p>
STEVE TSHWETE HOUSING ASSOCIATION	No status update.	<p>Decision on the leave to appeal.</p> <p>Organising the meeting with SHI, Municipality and Province to see if a settlement can be reached on the matter.</p>
FREE STATE SOCIAL HOUSING COMPANY (FRESHCO)	<p>i. The SHRA has settled with Calgro and the settlement agreement made a Court order with amongst others, the following key terms:</p> <ol style="list-style-type: none"> 1. Payment to CALGRO in the amount of R9 432 203.76 and 2. Discharging the Provisional Liquidation (Rule nisi) <p>ii. The discharge of the Rule nisi means that the control and management of FRESCO has reverted back to the management of FRESCO pending the SHRA obtaining the Administration Order.</p> <p>iii. To close the evident gap, the SHRA legal have advised and assisted CAR to issue a compliance notice to FRESCO management and the Board to the effect that the SHRA requires concurrence on the utilisation of FRESCO finances, reviewing and setting aside of decisions made by the provisional liquidator and implementation of any new Board resolution post 28 March 2019.</p> <p>iv. The SHRA intend to petition Court on a semi urgent basis for an Administration Order and thus anticipate that SHRA should have the judgement before 20 April 2019.</p>	Replying papers and hearing

4.3.2. Compliance, Accreditation and Regulation (CAR) programme

The purpose of this programme is to accredit SHIs and projects and ensure risk management of the sector for the purpose of attracting private investment and to ensure sustainability of the social housing programme. It is responsible for the regulation of social housing, accreditation of SHIs and project and compliance monitoring.

Should applicant SHIs meet the accreditation qualifying criteria then they would receive either conditional or full accreditation depending on the adherence to the criteria of their application and stock management. Conditional accreditation may be awarded for a period not exceeding two years and full accreditation may be awarded for a period not exceeding five years. However, annual business plans need to be approved by the SHRA.

The SHRA establishes performance benchmarks that relate to the operational and financial indicators of SHIs against which the health of the SHIs is assessed. SHIs with stock are required to submit comprehensive quarterly reports to the SHRA which indicate performance against these benchmarks. These reports are analysed and if performance concerns are raised, then intervention plans are formulated and implemented to ensure the compliance and sustainability of institutions.

The SHRA also undertakes periodic audits of tenants and social housing estates to ensure compliance with the Act and Regulations and ensure the satisfaction of tenants and sustainability of the stock.

The SHRA may intervene in the affairs of SHIs in cases of maladministration.

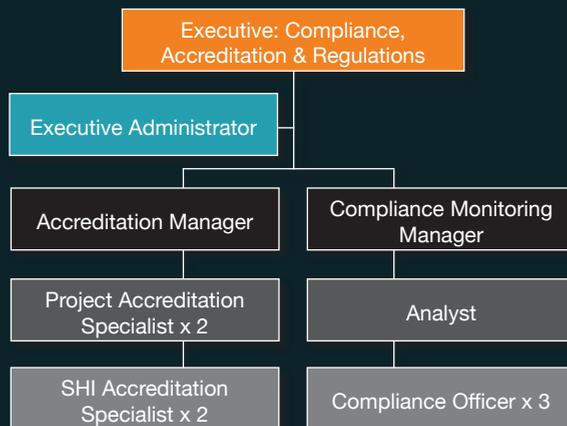


Figure 16: Compliance, Accreditation and Regulations programme

The CAR programme achieved ten (10) out of twelve (12) planned targets and this resulted in an achievement of 83%. The targets that were not achieved are Accreditation of units and full accreditation of Social Housing Institutions. The negative annual variance of units not accredited was due to projects not pro-actively facilitated and supported earlier in the financial year. The other negative variance of SHIs not being fully accredited is due to institutions being unable to address compliance matters or tenant projects to achieve full accreditation. A Carryover report has been developed for the targets that were not achieved and will be reported in the 2019/20 financial year.



**B-BBEE
OWNED AND
CONTROLLED SHIs**

Fully accredited:

63,6%

Conditionally accredited:

62,1%

4.3.2.1. Compliance

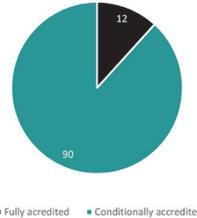
The compliance unit has appointed two compliance officers during 2018/19. This has contributed to compliance monitoring in the unit and has seen an increase in the number of units under regulation. Tenancy audits were also conducted and phase one is complete. Phase two will be done in 2019/20.

The SHRA has brought in some greenfields Community Residential Units (CRU) projects under regulation. This is a new area of work being overseen by the SHRA and it is pleasing for management to report that, not only was the very comprehensive CRU regulation report concluded by management during the third quarter, but progress was made in both Limpopo and Mpumalanga with discussions and agreements to bring certain greenfields CRU projects under regulation.

7 656
units
accredited

4.3.2.2. Accreditation

There are currently 102 fully and conditionally accredited institutions on the SHRA Accreditation Register, of which 12 are fully accredited and 90 are conditionally accredited.



Of the 90 institutions conditionally accredited, four received their conditional accreditation in the fourth quarter of 2018/19 ended 31 March 2019 and 70 of the conditionally accredited institutions need to apply for renewal of their accreditation status since the accreditation certificates expire between 1 April 2019 and 25 January 2020.

Twenty-seven of the conditionally accredited institutions have projects under management, under construction and/or in the project pipeline. It is therefore confirmed that a substantial number of institutions must still illustrate progress related to their first social housing project and would potentially require more assistance on this.

50 per cent of all fully and conditionally accredited SHIs must be classified as B-BBEE owned and controlled companies as defined in the B-BBEE Act.

90
conditionally
accredited
institutions

12
fully
accredited
institutions

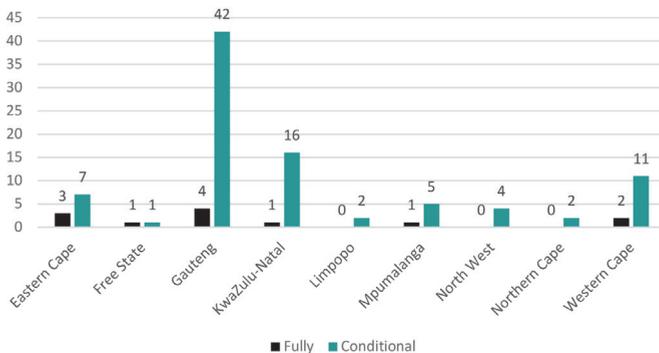


Figure 17: Fully and conditionally accredited SHIs

Fully and conditionally accredited SHIs are classified as B-BBEE owned and controlled, as defined in the B-BBEE Act. Of 102 accredited SHIs, data is available for 62 SHIs that are classified as B-BBEE. Of these, 62.1 per cent are conditionally accredited, and 63.6 per cent are fully accredited

Table 6: Conditionally accredited SHIs and fully accredited SHIs

NO	ENTITY	REGION	B-BBEE STATUS LEVEL	STOCK		EXPIRY DATE
1	Affordable Living Development	Gauteng	level 1	NO	Cond	28-Aug-19
2	Africa Lemuel Properties	Gauteng	Level 1	NO	Cond	10-Sep-19
3	Afrikhaya Housing Development Agency	Northern Cape	Level 1	NO	Cond	26-Jul-19
4	Agri Housing Settlements	Western Cape	Level 4	NO	Cond	16-Oct-19
5	Ahanang Housing Institution	Gauteng	Level 1	NO	Cond	10-Oct-19
6	Armoso Group	Gauteng	Level 1	NO	Cond	07-Jun-19
7	Bokone Social Housing	North West	Level 2	NO	Cond	05-Nov-19
8	Cardimanzi Property Development	Gauteng	Level 1	NO	Cond	28-Jan-20
9	Dangalaza Construction & Civils	KwaZulu-Natal	Level 1	NO	Cond	09-Jul-19
10	Dezzo Social Housing Agency	KwaZulu-Natal	Level 1	NO	Cond	23-Jan-20
11	Emalaheni Housing Company	Mpumalanga	Level 1	YES	Full	17-Apr-19
12	eThekweni Housing Association	KwaZulu-Natal	Level 1	NO	Cond	23-Apr-19
13	Golden West Social Housing	Gauteng	Level 1	YES	Cond	01-Oct-19
14	Govan Mbeki Housing Company	Mpumalanga	Level 1	YES	Cond	01-Mar-20
15	Hope Social Housing Project	Gauteng	Level 1	NO	Cond	24-Jan-20
16	Hlalanathi Housing Association	Eastern Cape	Level 1	NO	Cond	18-Feb-20
17	Imizi Housing Utility	Eastern Cape	Level 1	YES	Full	30-Sep-19
18	Johanesburg Housing Company	Gauteng	Level 8	YES	Full	10-Oct-19
19	Khanyisampela Housing Development	KwaZulu-Natal	Level 1	NO	Cond	29-Jan-20
20	KZN Social Housing Compacy (Moko)	KwaZulu-Natal	Level 1	YES	Cond	30-Jan-20
21	Let's Care South Africa	Gauteng	Level 1	NO	Cond	28-Jan-20
22	Madulammoho Housing Association	Gauteng	Level 1	YES	Full	04-Oct-19
23	Mazzaroth Projects	Gauteng	Level 1	NO	Cond	02-Oct-19
24	MBLC Social Housing	Gauteng	Level 1	NO	Cond	31-Oct-19
25	Motheo Social Housing	Gauteng	Level 1	NO	Cond	27-Aug-19
26	Mzansi Housing Company	Mpumalanga	Level 1	NO	Cond	09-May-19
27	Naldovision	KwaZulu-Natal	Level 2	NO	Cond	02-Oct-19
28	Own Haven Housing Association	Eastern Cape	Level 1	YES	Full	22-Oct-19
29	Phumelele Social Housing Management	Gauteng	Level 1	NO	Cond	26-Jan-20
30	Povicom	Western Cape	Level 1	NO	Cond	14-Jan-20
31	Realticon		Level 2	NO	Cond	29-Aug-19
32	Rehoboth Live Social Housing	North West	Level 1	NO	Cond	08-Aug-19
33	Siyakhela Imizi Institution	Gauteng	Level 1	NO	Cond	18-Feb-20

Performance of the entity (continued)

NO	ENTITY	REGION	B-BBEE STATUS LEVEL	STOCK		EXPIRY DATE
34	Seedep	KwaZulu-Natal	Level 1	NO	Cond	07-Sep-19
35	SCM Social Housing Institution	Gauteng	Level 1	NO	Cond	31-May-19
36	Social Housing Solutions Management	Free State	Level 1	NO	Cond	17-Aug-19
37	Sohco Amalinda Housing	KwaZulu-Natal	Level 1	YES	Cond	10-Oct-19
38	Sohco Property Investments	KwaZulu-Natal	Level 1	YES	Full	10-Oct-19
39	Steve Tshwete Housing Association	Mpumalanga	Level 1	YES	Cond	05-Feb-20
40	South African Swedish International Housing Company	Northern Cape	Level 1	YES	Cond	05-Sep-19
41	Toro Property Management	North West	Level 1	NO	Cond	26-Feb-19
42	Ubuntu Housing Association	KwaZulu-Natal	Level 1	NO	Cond	06-Feb-20
43	Urban Kraal Housing Foundation	Gauteng	Level 1	NO	Cond	23-Jan-20
44	Urban Living Housing Development	Gauteng	Level 1	NO	Cond	21-Dec-19
45	Urban Renewal Housing Development	Gauteng	Level 2	NO	Cond	25-Feb-20
46	Uluvo Social Housing Corporation	Western Cape	Level 1	NO	Cond	06-Mar-20
47	Urbanscape Development	Gauteng	Level 1	NO	Cond	21-Sep-19
48	Vascowiz Investments	KwaZulu-Natal	Level 1	NO	Cond	10-Jul-19
49	Zuberi	Gauteng	Level 2	NO	Cond	18-Mar-20
50	Gauteng Housing Secondary Co-operative	Gauteng	Level 2	NO	Cond	02-May-19
51	Phakamela Trading & Projects	Gauteng	Level 1	NO	Cond	29-Jan-20
52	DCI Community Housing Services	Western Cape	Level 1	NO	Cond	12-Mar-20
53	Yeast City Housing	Gauteng	Level 1	YES	Full	04-Mar-20
54	Qhama Social Housing Institute	Eastern Cape	Level 1	NO	Cond	26-Feb-20
55	Bayete Capital (Milestone SHI)	Gauteng	Level 2	NO	Cond	28-Feb-20
56	Manapendlo Social Housing Institution	Gauteng	Level 1	NO	Cond	27-Feb-20
57	Buhlebezwe Property	Gauteng	Level 1	NO	Cond	04-Mar-20
58	Housing Association East London	Eastern Cape	Level 1	YES	Full	28-Feb-20
59	Ikusasa Housing	Western Cape	Level 4	NO	Cond	26-Mar-20
60	Skyprop Social Housing Institution	Gauteng	Level 1	NO	Cond	01-Apr-20
61	Daheko Care Centre	Western Cape	Level 4	NO	Cond	08-Feb-19
62	Tobibex	Gauteng	Level 3	NO	Cond	27-Feb-20
	CLASSIFIED AS B-BBEE OWNED/ CONTROLLED	FULLY ACCREDITED	63,6%	FULL	7	
	CLASSIFIED AS B-BBEE OWNED/ CONTROLLED	CONDITIONALLY ACCREDITED	62.1%	COND	54	

4.3.3. Sector Development and Transformation Programme (SD&T)

The purpose of this programme is to support the growth and development of the social housing sector as well as administration of the Institutional Investment Grant. It is responsible for the growth and development of social housing institutions and ODAs, transformation and empowerment of the social housing sector, assessment of applications for Institutional Investment Grants and coordination and management of Institutional Investment Grants.

The SD&T Programme achieved two (2) out of four (4) planned targets and this resulted in an achievement of 50%. The targets that were not achieved are on projects that received an Institutional Investment Grant, of which the work is completed within the 2018/19 financial year, are recommended to the TEC for capital grant award. The negative variance was due to a project that was not recommended for approval, due to size of units and institutional subsidy awarded previously. Work on other projects was still in process and more projects are expected to serve at the TEC in future where support was given.

The other target not achieved was on expenditure of Institutional Investment Grant funding allocation and the negative variance was due to some procurement delays and delay in training roll out that only gained momentum in the fourth quarter with remaining budget to be spent in the new financial year. Carryover report has been developed for the targets that were not achieved and will be reported on in the 2019/20 financial year.

This programme also seeks to build relationships with other agencies that have capacity to support the sector, such as the Housing Development Agency (HDA) and Public Investment Corporation (PIC). The SHRA seeks to grow the social housing

programme and therefore it cannot be reliant on only one source of debt financing and equity financing; it needs to facilitate financing for the sector from other sources. It was in this context that the PIC was approached in the period under review.

The SHRA has initiated a Provincial Steering Committee (PSC) Chairperson's Forum which is a subcommittee of the National Rental Housing Task Team. All nine provinces are required to form and manage PSCs but the experience has been that different provinces' PSCs function at differing levels of effectiveness and therefore this new forum was created to share information and support programme performance.

Furthermore, the SHRA developed an annual stakeholder engagement matrix which identifies these agencies and includes an engagement plan that is implemented throughout the year.

While the SHRA has enjoyed a great deal of positive feedback regarding the value add contributed through the organisation's sector development and transformation programme which is focused on improving the capacity and the performance of the sector, management projected that, while the full budget for sector development will have been committed by year end, the full budget will not have been expended because expenditure has lagged behind projections with an 18 per cent variance against the expenditure target for the programme. The SD&T has spent 71 per cent of its allocated budget. Extensive social housing training events were coordinated nationwide during the period under review.



Figure 18: Sector Development Programme structure

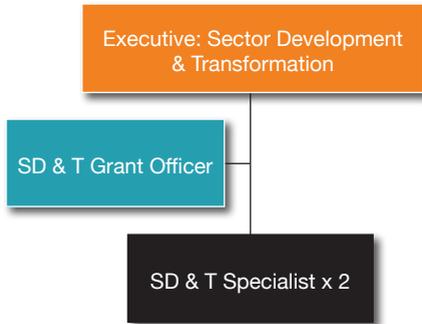
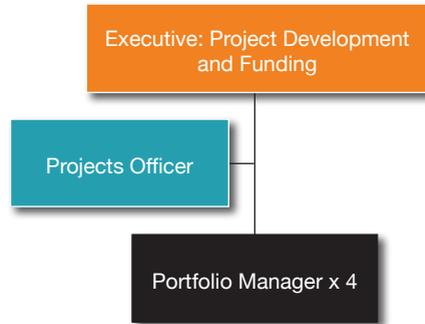


Figure 19: Project Development and Funding programme structure



4.3.4. Project Development and Funding (PD&F) programme

This programme looks at the methods of ensuring the SHRA delivers on the MTSF target of 27 000 units. Partnerships and coordination of the sector stakeholders in the development of social housing is imperative. It is responsible for pipeline planning, capital grant contract management, partnership with provinces and municipalities, partnerships with other government departments, partnerships with other funders to secure loan funding for social housing development and partnerships with the private sector.

The PD&F Programme achieved five (5) out of eight (8) planned targets and this resulted in an achievement of 62.5%. The targets that were not achieved are on the completion and delivery(tenanted) of social housing units as well as units located in the inner city assessed and recommended. The negative variance of units not tenanted was due to the effect of appointed contractors not meeting the expected levels of delivery either as a result of a negative cashflow, capacity, capability, the entrant ODAs and SHIs taking longer to source debt funding, amongst others. As a corrective measure, grant recipients will be required to submit a tenant shortlist at least 6 months prior to unit completion, allowing occupation almost immediately after the municipality issues occupation certificates.

This will be on the back of a construction methodology that meets Occupational Health and Safety (OH&S) requirements.

The reason for not achieving the target on social housing units completed (reached practical completion) was as a result of some of the large size contracts not having performed as expected due to a plethora of issues such as contractual disputes, negative cash flows during implementation, delays in statutory municipal approvals to unlock project implementation, etc.

The target of units located in the inner city assessed and recommended was also not achieved, however the increased promotion of the programme objectives at the Provincial Steering Committee (PSCs), additional PD&F resources and review of the brownfield’s application tools have enabled applicants to submit inner city projects. In addition to its efforts, PD&F has sourced an Expression of interest (Eoi) for the acquisition of inner-city buildings and a positive response has been received. The buildings will be further explored in 2019/20.



4.3.4.1. Units completed

The units completed in the year under review are indicated in Table 7. A total of 2 284 units were delivered in the period under review.

Table 7: Units completed during the period under review

SHI/ODA	PROJECT NAME	TOTAL NUMBER OF UNITS	ACTUAL NUMBER OF TOTAL UNITS COMPLETED IN Q1 (1200)	ACTUAL NUMBER OF TOTAL UNITS COMPLETED IN Q2 (1400)	ACTUAL NUMBER OF TOTAL UNITS COMPLETED IN Q3 (1000)	ACTUAL NUMBER OF TOTAL UNITS COMPLETED IN Q4 (1220)
JOSHCO	Dobsonville	502	74			
Housing Hub	Akasia Place	400				
Urban Scape	301 Marshalltown	42				
Arrow Creek	Mogale Junction	820				60
JOSHCO	Devland	444			91	
Instratin	Devland	715			180	90
Imizi	Fairview Link	144	72		0	
KENSO	Hillside View	839	127		60	
JOSHCO	Turffontein	504		420	84	
Let's Care	Sondela	246		246		
OHHA	Walmer Cosmo	630		145		65
Hlahlanathi	Ocean View	603				102
Qhama	Steve Biko	220		60	78	
JOSHCO	80 Plein Street	210				42
Instratin	Little Manhattan	708				288
TOTAL		7 027	273	871	493	647
SHORTFALL/SURPLUS			(927)	(529)	(507)	(573)

* During the third quarter there were units that were not reported, so as a result the annual variance includes the 91 social housing units for JOSHCO's Turffontein completed in the 3rd quarter but not reported due to an audit query, hence it being added to the annual actual. Thus the third quarter should have been reported as 493 total units completed. Freshco reported 127 units in the first quarter instead of 137 hence the additional ten were added in the third quarter. This brings the annual variance to 2 536.



SECTION C: GOVERNANCE

5. INTRODUCTION

The SHRA Council is committed to the highest standards of corporate governance, as defined in the PFMA and the King IV Report on Corporate Governance. The SHRA strives and makes all reasonable endeavours to implement the best processes and principles of good corporate governance to assist its Council in discharging its duties and responsibilities, which includes the delivery of good service to all stakeholders.

6. ASSESSMENT OF CORPORATE GOVERNANCE COMPLIANCE

The Council of the SHRA, on a quarterly basis, undertakes regular assessments on the application, implementation and adherence to the Social Housing Act and its regulations, the PFMA and King Principles. The outcome of these assessments reveals that the SHRA's governance processes are well entrenched.

7. THE ROLES AND RESPONSIBILITIES OF THE COUNCIL

The roles and responsibilities of the Council as stipulated in the Council Charter, include but are not limited to the following:

- Council shall assume ultimate accountability and responsibility for the performance and affairs of the SHRA and shall in doing so effectively represent and promote the legitimate interests of the organisation and its shareholder;
- Council shall, at all times, retain full and effective control over the organisation, give strategic direction, and monitor the performance of the business and affairs of the organisation;
- Council has a responsibility to the broader stakeholders which include, inter alia, the present and potential beneficiaries of the SHRA's services, clients, suppliers, lenders, employees and the wider community to achieve continuing prosperity for the organisation's mandate;
- Council members carry full fiduciary responsibility and owe a duty of care and skill to the SHRA;
- Council shall exercise leadership, integrity and judgement in directing the organisation's affairs to achieve continuing prosperity within the context of transparency and accountability;
- Council shall oversee, approve, monitor and review the organisation's strategy and business plans, major plans of action, policies, appropriate systems and annual budgets;
- Council shall establish performance objectives to enable it to measure management's performance and the progress of the organisation in attaining set goals, objectives and targets; and
- Council shall ensure that information technology governance and systems used in the organisation are appropriate for it to run the business properly and competitively through the efficient use of its resources.

8. COMPOSITION OF THE COUNCIL

The SHRA's Council is appointed in terms of section 9 of the Social Housing Act by the Minister of Human Settlements and acts as the Accounting Authority in terms of the PFMA.

The Council consists of at "least seven and not more than 12 fit and proper persons who have knowledge, experience or qualifications in the field of social and rental housing or other applicable competencies for the proper governance of the Regulatory Authority".

The Chief Executive Officer and the Corporate Services Manager serve as executive members of the Council.

The term of the previous Council that was appointed in March 2015 ended in March 2018. The following Council members were appointed effective from 18 March 2018:

1. Mr ZT Ngcakani (Chairperson)
2. Ms N Ntshongwana (Deputy Chairperson, Appointed 01 July 2018)
3. Mr S Ganda
4. Mr PWW Ximiya
5. Mr MR Moroka
6. Adv. M Mdludlu
7. Ms KE Kwinana
8. Mr IW Kotsoane
9. Mr MI Higgins
10. Mr MM Chikane (Passed on 17 October 2018)
11. Mr M Mxenge
12. Mr KS Sebata (Appointed 01 July 2018)

9. COUNCIL COMMITTEES

The Council is supported by the following committees:

- Project development and funding committee
- Compliance, accreditation and regulations committee
- Audit and risk committee
- Human resources and remunerations committee
- Transformation, social and ethics committee

These committees have been delegated responsibility to assist in matters as defined in their respective approved terms of reference. These committees report to the Council on a quarterly basis and provide quarterly reports to Council.

Council and committee attendance is indicated in the Annual Financial Statements.





SECTION D: ANNUAL FINANCIAL STATEMENTS

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

GENERAL INFORMATION

Country of incorporation and domicile	Republic of South Africa
Council Members	Mr ZT Ngcakani (Chairperson) Ms N Ntshongwana (Deputy Chairperson) (Appointed 1 July 2018) Mr R Gallocher (Chief Executive Officer) Ms A Puoane (Corporate Services Manager) Mr S Ganda Mr PWW Ximiya Mr MR Moroka Adv M Mdludlu Ms KE Kwinana Mr IW Kotsokane Mr MI Higgins Mr MM Chikane (Deceased 17 October 2018) Mr M Mxenge Mr KS Sebata (Appointed 1 July 2018)

The non-executive council membership was terminated on 26 July 2019

Registered office	3rd Floor, Sentinel House, Sunnyside Office Park 32 Princess of Wales Terrace Parktown, Johannesburg 2193
Postal address	Postnet Suite 240 Private Bag X 30500 Houghton 2041
Bankers	First National Bank Limited
Auditors	Nexia SAB&T Registered auditors
Preparer	The annual financial statements were compiled by: Excelerate Chartered Accountants Inc. Chartered Accountants (SA)
Reviewer	Ms A Puoane Corporate Services Manager

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SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

REPORT OF THE COUNCIL (AS ACCOUNTING AUTHORITY) RESPONSIBILITIES AND APPROVAL

The Council is required by the PFMA, (Act No. 1 of 1999) to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the audited annual financial statements fairly present in all material respects the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The external auditors are engaged to express an independent opinion on the audited annual financial statements and are given unrestricted access to all financial records and related data.

The audited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The audited annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable, prudent judgements and estimates.

The Council has fulfilled its responsibilities in accordance with the section 51 PFMA. The members acknowledge that they are ultimately responsible for the system of internal financial control established by the SHRA and placed considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework,

effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the SHRA and all employees are required to maintain the highest ethical standards in ensuring the SHRA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the SHRA is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the SHRA endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Council is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Council has reviewed the entity's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, is satisfied that the SHRA has access to adequate resources to continue in operational existence for the foreseeable future.

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

The audited annual financial statements set out on pages 42 to 108, which have been prepared on the going concern basis, were approved by the Executive members on 26 August 2019 and were signed on behalf of the Council by:



Mr R Gallocher
Chief Executive Officer
Executive Council Member



Ms A Puoane
Corporate Services Manager
Executive Council Member

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

COUNCIL'S REPORT

The members submit their report for the year ended 31 March 2019.

1. Review of activities

Main business and operations

The Social Housing Regulatory Authority was established in terms of Section 7 of Chapter 3 of the Social Housing Act, 2008 (Act No. 16 of 2008) and is also listed as a Schedule 3A public entity in terms of the Public Finance Management Act, 1999 (Act No.1 of 1999), as amended, (PFMA). The Council as appointed in terms of Section 9 of the Social Housing Act acts as the Accounting Authority in terms of the PFMA.

The entity is the sole regulatory authority in social housing countrywide, and is therefore an autonomous statutory organisation established to ensure the sustainability and growth of the social housing rental sector in line with government's objectives by investing in and regulating the social housing sector as well as providing guidance to the sector.

The operating results and state of affairs of the entity are fully set out in the attached audited annual financial statements and do not in our opinion require any further comment.

2. Going concern

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The SHRA is currently working closely with the national Department of Human Settlements to effectively align its mandate and delivery in line with the targets set out in the Medium- Term Strategic Framework 2019-2024. The continued operation of the entity as a going concern is therefore intact for the foreseeable future. In addition, there is no indication from the Department of Human Settlements to terminate the Medium-Term Expenditure Framework (MTEF) approved fund allocation.

3. Subsequent events

Termination of Council membership

On 26 July 2019 the Minister of Human Settlements' mandated representative, the Acting Director General of the national Department of Human Settlements, joined a sitting session of a Council meeting held on that day, to inform the Council of the termination of their membership as members of the SHRA's Council. At the time of the announcement there was an indication from the representative that the termination letters will be delivered at a later date.

Investigations

The following matters are in the process of being investigated and relevant disclosure will be made in a subsequent period should any losses or expenditure incurred prove to be irregular, fruitless and wasteful or due to criminal conduct:

During the year under review, the entity has undertaken and commissioned three forensic audits to address reported allegations of fraud and corruption. Two of the reports are in draft form at date of reporting and the other is still at inception stage. The recommendations of the forensic investigation reports are currently being

considered. Therefore, any further implications on the annual financial statements have not been finally determined (other than those disclosed in the annual report).

The Council is not aware of any other subsequent events after financial year-end that would affect the reporting period.

4. Council's interest in contracts

All Council members are required to sign a declaration of interest register at the commencement of each Council and Council committee meeting. None of the Council members have declared any interest in contracts with the entity during the current year.

5. Accounting policies

The audited annual financial statements for the year ended 31 March 2019 were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), the PFMA and its regulations, directives and interpretations issued by the Accounting Standards Board. No GRAP statements were applied prior to their commencement dates in the current year.

6. Non-current assets

There were no major changes in the nature of non-current assets of the entity during the year. There were no changes in the policy relating to the use of non-current assets during the year.

During the current year SHRA relocated offices and incurred significant costs relating to furniture and fittings and leasehold improvements. This also resulted in the disposal of previous furniture and fittings held which could not be utilised at the new offices (Refer to note 5 of the annual financial statements).

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

COUNCIL'S REPORT (continued)

7. Council members

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

Name	Nationality	Changes
Executive members		
Mr. R Gallocher (Chief Executive Officer)	South African	
Ms A Puoane (Corporate Services Manager)	South African	
Non-executive members		
Mr ZT Ngcakani (Chairperson)	South African	Resigned 28 April 2019
Ms N Ntshongwana (Deputy Chairperson)	South African	Appointed 1 July 2018
Mr S Ganda	South African	Appointed as Chairperson 4 May 2019
Mr PWW Ximiya	South African	
Mr MR Moroka	South African	Resigned 14 June 2019
Adv M Mdludlu	South African	
Ms KE Kwinana	South African	
Mr IW Kotsoane	South African	
Mr MI Higgins	South African	
Mr MM Chikane	South African	Deceased 17 October 2018
Mr M Mxenge	South African	
Mr KS Sebata	South African	Appointed 1 July 2018

8. Council members and executive managers remuneration council

Non-executive members	Meeting fees	Travel expenses	Council fees	Salary	Bonus	Other services	Total package 2019	Total package 2018
Chairperson:								
Mr ZT Ngcakani	104 940	4 113	-	-	-	105 350	214 403	170 783
Deputy Chairperson:								
Ms N Ntshongwana	89 414	-	-	-	-	67 500	156 914	-
Members:								
Ms N Mbiza	-	-	-	-	-	-	-	191 650
Ms M Lamola	-	-	-	-	-	-	-	94 600
Mr IW Kotsoane	158 944	-	-	-	-	87 300	246 244	178 200
Ms KE Kwinana	89 708	1 428	-	-	-	38 400	129 536	149 700
Adv M Mdludlu	140 534	-	-	-	-	70 200	210 734	156 656
Mr MR Moroka	137 210	30 117	-	-	-	97 000	264 327	103 865
Mr MI Higgins	107 826	1 397	-	-	-	88 800	198 023	136 407
Mr PWW Ximiya	141 384	-	-	-	-	81 500	222 884	135 457
Ms RS Molokoane	8 236	-	-	-	-	-	8 236	52 054
Mr SK Ganda	160 208	25 174	-	-	-	68 000	253 382	166 843
Ms ZZ Ntlangula	9 648	-	-	-	-	-	9 648	90 000
Mr M Mxenge	97 208	-	-	-	-	59 000	156 208	4 000
Mr MM Chikane	61 178	-	-	-	-	25 800	86 978	-
Mr KS Sebata	84 708	12 830	-	-	-	32 000	129 538	-
Non-members invited to meetings								
Prof L Weldon	16 000	2 753	-	-	-	-	18 753	9 000
Ms F Kobo	16 300	3 960	-	-	-	3 000	23 260	3 824
	1 423 446	81 772	-	-	-	823 850	2 329 068	1 643 039

Other services rendered resulted from SHRA Council participating and attending project visits, minister meetings, interviews and training events.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

COUNCIL'S REPORT (continued)

8. Council members and executive managers remuneration council (continued)

Executive members	Meeting fees	Travel expenses	Council fees	Salary	Bonus	Other services	Total package 2019	Total package 2018
Chief Executive Officer: Mr R Gallocher	-	-	-	2 586 060	321 262	-	2 907 322	2 586 335
Former Acting Corporate Services Manager: Mr N Mbengo	-	-	-	-	-	-	-	87 940
Corporate Services Manager: Ms A Puoane	-	-	-	1 958 482	132 563	-	2 091 045	1 012 453
	-	-	-	4 544 542	453 825	-	4 998 367	3 686 728

Executive managers	Meeting fees	Travel expenses	Council fees	Salary	Bonus	Other services	Total package 2019	Total package 2018
Compliance, Accreditation and Regulations Executive: Mr K Boqwana	-	-	-	1 669 121	-	-	1 669 121	1 593 654
Sector Development and Transformation Executive: Mr D Koekemoer	-	-	-	1 420 577	159 205	-	1 579 782	1 388 430
Project Development and Funding Executive: Mr L Letsoalo	-	-	-	1 547 285	97 714	-	1 644 999	575 613
	-	-	-	4 636 983	256 919	-	4 893 902	3 557 697
	1 423 446	81 772	-	9 181 525	710 744	823 850	12 221 337	8 887 464

9. Corporate governance general

The Council is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Council supports the highest standards of corporate governance and the ongoing development of best practice.

Council members

The Council:

- retains full control over the SHRA, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the SHRA;
- is of a unitary structure comprising:
 - non-executive members, all of whom are independent directors as defined in the Code; and
 - executive members;
- has established a Council continuity programme.

Chairperson and Chief Executive

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

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

Remuneration

The upper limits of the remuneration of the Chief Executive Officer and the Corporate Services Manager, who are the only two executive members of the entity, are determined by the Council.

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

Executive Committee meetings

The executive committee is scheduled to meet fortnightly during the financial year.

Non-executive Council members have access to all members of management of the entity.

Audit and Risk Committee

The committee met more than four times during the financial year to review matters necessary to fulfil its role.

Project Development and Funding Committee

The committee oversees the social housing investment plan, ensuring adherence and compliance to the capital investment plan and legislated investment criteria.

Compliance, Accreditation and Regulations Committee

The committee has strategic oversight of the social housing regulatory plan and ensuring compliance with that plan. Furthermore, ensuring that there is compliance monitoring of all the reporting entities.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

COUNCIL'S REPORT (continued)

Human Resources and Remuneration Committee

The committee has an oversight responsibility to inform and ensure that management is provided with guidance on the adequacy and efficiency of the human resources policies, procedures and practices applied by the SHRA.

Social and Ethics Committee

The committee oversees the SHRA's activities including those of regulated Social Housing Institutions, in sustainable ways which promote social and economic development.

Procurement Framework

The entity complies with the PFMA and Treasury Regulation 16A.

The entity operates within the Preferential Procurement Regulations of the Preferential Procurement Policy Framework of Act 5 of 2000. It follows the 80/20 principle of all procurement exceeding R30 000 and falling below R50 000 000 and 90/10 principle for all procurement exceeding R50 000 000.

10. Council

Ordinary Council meetings

	Number of ordinary meetings	Number of ordinary meetings attended	Apologies	Number of workshops attended
Mr ZT Ngcakani (Chairperson)	5	4	1	5
Mr MI Higgins	5	5	-	5
Mr IW Kotsoane	5	5	-	6
Adv M Mdludlu	5	5	-	5
Ms KE Kwinana	5	4	1	6
Mr SK Ganda	5	5	-	4
Mr PWW Ximiya	5	4	1	5
Mr MR Moroka	5	5	-	7
Mr M Mxenge	5	4	1	6
Mr MM Chikane	5	2	3	3
Ms F Kobo	5	2	3	-
Prof L Weldon	5	1	4	-
Ms N Ntshongwana	5	3	2	4
Mr KS Sebata	5	3	2	3

Special Council meetings

	Number of special meetings	Number of special meetings attended	Apologies	Number of workshops attended
Mr ZT Ngcakani (Chairperson)	7	7	-	5
Mr MI Higgins	7	5	2	5
Mr IW Kotsoane	7	7	-	6
Adv M Mdludlu	7	6	1	5
Ms KE Kwinana	7	4	3	6
Mr SK Ganda	7	5	2	4
Mr PWW Ximiya	7	7	-	5
Mr MR Moroka	7	7	-	7
Mr M Mxenge	7	6	1	6
Mr MM Chikane	7	5	2	3
Ms F Kobo	7	-	-	-
Prof L Weldon	7	-	-	-
Ms N Ntshongwana	7	6	1	4
Mr KS Sebata	7	4	3	3

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

COUNCIL'S REPORT (continued)

11. Human Resources and Remuneration Committee (HRRC)

Ordinary HRRC meetings

	Number of ordinary meetings	Number of ordinary meetings attended	Apologies	Number of workshops attended
Mr PWW Ximiya (Chairperson)	5	4	1	-
Ms KE Kwinana	5	2	3	-
Mr MI Higgins	5	4	1	-
Mr SK Ganda	5	3	2	-
Mr ZT Ngcakani	5	4	1	-
Adv M Mdludlu	5	5	-	-
Ms N Ntshongwana	5	2	3	-
Mr KS Sebata	5	2	3	-

Special HRRC meetings

	Number of special meetings	Number of special meetings attended	Apologies	Number of workshops attended
Mr PWW Ximiya (Chairperson)	3	3	-	-
Ms KE Kwinana	3	-	3	-
Mr MI Higgins	3	2	1	-
Mr SK Ganda	3	2	1	-
Mr ZT Ngcakani	3	1	2	-
Adv M Mdludlu	3	3	-	-
Ms N Ntshongwana	3	3	-	-
Mr KS Sebata	3	3	-	-

12. Compliance, Accreditation and Regulation Committee (CAR)

Ordinary CAR Committee meetings

	Number of ordinary meetings	Number of ordinary meetings attended	Apologies	Number of workshops attended
Mr MI Higgins (Chairperson)	4	4	-	-
Adv M Mdludlu	4	4	-	-
Mr M Mxenge	4	3	1	-
Mr KS Sebata	4	2	2	-

Special CAR Committee meetings

	Number of special meetings	Number of special meetings attended	Apologies	Number of workshops attended
Mr MI Higgins (Chairperson)	-	-	-	-
Adv M Mdludlu	-	-	-	-
Mr M Mxenge	-	-	-	-
Mr KS Sebata	-	-	-	-

13. Project Development and Funding Committee (PD&F)

Ordinary PD&F Committee meetings

	Number of ordinary meetings	Number of ordinary meetings attended	Apologies	Number of workshops attended
Mr IW Kotsoane (Chairperson)	6	6	-	-
Ms KE Kwinana	6	5	1	-
Mr PWW Ximiya	6	5	1	-
Mr MR Moroka	6	6	-	-
Mr SK Ganda	6	3	3	-
Ms N Ntshongwana	6	3	3	-

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

COUNCIL'S REPORT (continued)

13. PD&F Committee (continued)

Special investment committee meetings

	Number of special meetings	Number of special meetings attended	Apologies	Number of workshops attended
Mr IW Kotsoane (Chairperson)	2	2	-	-
Ms KE Kwinana	2	1	1	-
Mr PWW Ximiya	2	2	-	-
Mr MR Moroka	2	2	-	-
Mr SK Ganda	2	2	-	-
Ms N Ntshongwana	2	2	-	-

14. Transformation, Social and Ethics Committee

SEC meetings

	Number of ordinary meetings	Number of ordinary meetings attended	Apologies	Number of workshops attended
Mr MR Moroka (Chairperson)	1	1	-	-
Mr MI Higgins	1	1	-	-
Mr IW Kotsoane	1	1	-	-
Ms KE Kwinana	1	1	-	-
Adv M Mdludlu	1	1	-	-
Mr M Mxenge	1	1	-	-
Ms N Ntshongwana	1	-	-	-

15. Auditors

Nexia SAB&T continued in office as external auditors for the current financial year.

16. Fruitless and wasteful expenditure

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

17. Irregular expenditure

Irregular expenditure amounting to R26 724 812 is reported in note 18 of the annual financial statements.

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference.

	Number of ordinary meetings attended	Number of special meetings attended	Apologies
Mr SK Ganda (Chairperson)	4	2	1
Adv M Mdludlu	5	1	1
Mr MR Moroka	5	2	0
Mr IW Kotsoane	5	1	1
Prof L Weldon (Resigned)*	3	2	2
Ms F Kobo*	3	1	3
Mr KS Sebata	3	0	4
Mr M Mxenge	4	0	3

*Independent non-executive

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 55(1)(a) (ii) of the PFMA and Treasury Regulation 27.1.

The effectiveness of internal control

The system of internal controls applied by the SHRA over financial and risk management is effective, efficient and transparent. In line with the PFMA, internal audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management

process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the audit report on the audited annual financial statements, and the management report of the external auditors, there were no material deficiencies noted in the system of internal controls except as noted in the annual financial statements. Accordingly, we can report that the system of internal control over financial reporting for the year under review was efficient and effective.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

AUDIT AND RISK COMMITTEE REPORT (continued)

Evaluation of audited annual financial statements

As a result of the appointment of Mr SK Ganda, as a chairperson of Council, Ms F Kobo (an independent ARC member) acted as a chairperson of ARC at a meeting that considered the unaudited annual financial statements. At a meeting held on 23 August 2019, subsequent council membership termination, the independent ARC member:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the external auditors and the management;
- reviewed the entity's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The independent ARC member concurs with and accepts the external auditor's report of the audited annual financial statements, and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the external auditors.

Internal audit

During the course of the year, the audit and risk committee was satisfied that the internal audit function operated effectively and that it addressed the risks pertinent to the SHRA and its audits.

Investigation

The independent ARC member noted the changes in the annual financial statements are as a result of the forensic investigation outcome.



Ms F Kobo

Acting Chairperson of ARC
21 August 2019

INDEPENDENT AUDITOR'S REPORT

to Parliament on the Social Housing Regulatory Authority

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Social Housing Regulatory Authority set out on pages 68 to 107 which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Social Housing Regulatory Authority as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Standards (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of this auditor's report.

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

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

Emphasis of matter

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

Restatement of corresponding figures

As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2019.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of the Council for the financial statements

The Council, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA 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.

In preparing the financial statements, the accounting authority is responsible for assessing The Social Housing Regulatory Authority'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 appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other and regulatory requirements

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularities has been described below:

Allegations of fraud and/or corruption

During the course of the 31 March 2019 financial year, Social Housing Regulatory Authority was made aware of various allegations of bribery and corruption committed by officials employed by the entity. At the date of this report the forensic investigator has issued a draft report to SHRA and made determinations that the implicated officials had solicited and received bribes from Social Housing Institutions that were in the process of applying for project accreditation and grant funding from SHRA.

The implicated officials include persons responsible for management of SHRA and those charged with governance; i.e., members of the SHRA Council. The forensic investigator concluded that the implicated officials had contravened the Prevention and Combating of Corrupt Activities Act No. 12 of 2004. The alleged bribery and corruption may have resulted in the accreditation and awarding of capital grants to the implicated Social Housing Institutions to which disbursements were made. The matters pertaining to the reportable irregularities have been described in section 3 of the Council's Report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our 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, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2: Compliance, Accreditation and Regulations Programme	116-123
Programme 3: Sector Development Programme	124-127
Programme 4: Project Development and Funding Programme	128-133

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

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

Programme 4: Project Development and Funding

The planned targets for the indicators listed below were not specific in clearly identifying the nature of the required level of performance, were not measurable and did not specify the period for delivery.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

INDEPENDENT AUDITOR'S REPORT (continued)

Performance indicator description	Planned target	Reported achievement
9.1 Percentage of annual Consolidated Capital Grant allocation awarded to ODAs	20% of Consolidated Capital Grant allocation for 2018/19 financial year awarded to Other Delivery Agencies within the 2018/19 financial year	174% (R1,297,251,029) of the CCG has been awarded to ODA's in the 2018\19 FY
9.2 Percentage of annual Consolidated Capital Grant allocation awarded to B-BBEE Owned/Controlled Companies as defined in the B-BBEE Act	60% of Consolidated Capital Grant allocation for 2018/19 financial year awarded to B-BBEE Owned/Controlled Companies, as defined in the B-BBEE Act, within the 2018/19 financial year	431% of the CCG for 2018/19 FY have been awarded to BBBEE Owned/Controlled companies. R1,941,468,739 against an annual budget of R743,640,000

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:

Performance indicator description	Planned target	Reported achievement	Audited achievement
Corrected misstatements			
7.5 Percentage expenditure of Consolidated Capital Grant allocation for the financial year	At least 95% expenditure 2018/19 Consolidated Capital Grant allocation	R865,627,746 116%	R778,273,327 105%
9.1 Percentage of annual Consolidated Capital Grant allocation awarded to ODAs	20%	174% (R1,297,251,029) of the CCG has been awarded to ODA's in the 2018\19 FY	206% (R1,528,598,818) of the CCG has been awarded to ODAs in the 2018\19 FY
Uncorrected misstatements			
9.2 Percentage of annual Consolidated Capital Grant allocation awarded to B-BBEE Owned/Controlled Companies as defined in the B-BBEE Act	60% of Consolidated Capital Grant allocation for 2018/19 financial year awarded to B-BBEE Owned/Controlled Companies, as defined in the B-BBEE Act, within the 2018/19 financial year	431% of the CCG for 2018/19 FY have been awarded to BBBEE Owned/Controlled companies. R1,941,468,739 against an annual budget of R743,640,000	95.5% of the CCG for 2018/19 FY have been awarded to BBBEE Owned/Controlled companies. R1,941,468,739 against an annual CCG allocation of R2,032,777,878

We did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 2: Compliance, Accreditation and Regulations Programme
- Programme 3: Sector Development Programme

Other matters

We draw attention to the matter below. Our opinions are not modified in respect of these matters.

Achievement of planned targets

Refer to the annual performance report on pages 110 to 133 for information on the achievement of planned targets for the year and explanations provided for the under / over achievement of a number of targets.

Adjustment of material misstatements

We identified material misstatements in the annual performance report that was submitted for auditing. These material misstatements were on the reported performance information of programme 4: Project Development and Funding Program. As management subsequently corrected only certain of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

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

Annual financial statements, performance and annual report

The financial statements and annual performance report submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. There were material misstatements in the submitted financial statements regarding accuracy and completeness of revenue, expenditure, liabilities and commitments that were identified by the external auditors. The entity subsequently corrected the financial statements, resulting in an unqualified audit opinion being issued.

Project accreditation, grant disbursements and programme costs

Consolidated Capital Grants were awarded to Social Housing Institutions that did not meet all the requirements of Regulation 18 of the Social Housing Regulations established under section 19 Social Housing Act, 2008 (Act No.16 of 2008).

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

INDEPENDENT AUDITOR'S REPORT (continued)

Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R26 724 812, as disclosed in note 18 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. These incidents of irregular expenditure were identified during the external audit process and not detected by the monitoring processes of the entity.

Overspending

Effective and appropriate steps were not taken to ensure that expenditure for the year was in accordance with the approved budget as required by section 53(4) of the PFMA. As disclosed in the Statement of Comparison of Budget and Actual amounts in the annual financial statements, the entity spent R47 584 665 above budget.

Composition of the Regulatory Authority

The composition of the Regulatory Authority did not comply with the requirements of Section 8 (1)(a) of the Social Housing Act, 2008 (Act No.16 of 2008) as it did not include non-executive members of Council following their termination of membership as disclosed in section 3 of the Council Report.

OTHER INFORMATION

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.

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

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

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

Leadership

Executive management's oversight responsibility over financial reporting, compliance with legislation, as well as the related internal controls, were not always adequate and effective. Adequate measures were not implemented in a timely manner to prevent and detect; material misstatements in the submitted annual financial statements, as well as to prevent and detect non-compliance with legislation. These misstatements were as a result of error and not fraud.

Financial and performance management
Management did not implement adequate controls over daily and monthly processing and reconciling of transactions, which resulted in the material adjustment and a completeness qualification of irregular expenditure on the annual financial statements and the adjustment of material misstatements in the performance report.

Governance

Those charged with governance did not always ensure that the Audit and Risk Committee promoted the evaluation and the monitoring of responses to risks and provided oversight on the effectiveness of the internal controls environment, specifically relating to the identification and reporting of irregular expenditure, performance reporting and compliance with legislation pertaining to grant administration, therefore not promoting accountability and service delivery.

Those charged with governance did not always ensure that the Investment Committee promoted the evaluation and approval of projects and provided oversight on the effectiveness of the internal controls environment, specifically relating to compliance with legislation pertaining to grant administration, therefore not promoting accountability and service delivery.

OTHER REPORTS

We draw attention to the following engagements conducted by various parties that could have an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

Investigations

During the financial year under review, the Social Housing Regulatory Authority initiated investigations into alleged irregularities or potential fraud. At the reporting date, certain investigations are still ongoing. The material findings that were identified relating to those investigations completed during the year are as follows:

Allegations of fraud and/or corruption

During the year, the entity instituted a forensic investigation by an independent consultant into various allegations of fraud and/or corruption reported against officials of the Social Housing Regulatory Authority including certain members of those charged with governance, which covered the period April 2014 to March 2019. A draft investigation report, which was issued subsequent to year-end, is currently being assessed by management and those charged with governance to identify any possible non-compliance and to determine any further actions to be taken. The assessment of the investigation report was in progress at the date of the auditor's report.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

INDEPENDENT AUDITOR'S REPORT (continued)

Forensic financial audit of a Social Housing Institution

During the year, the entity instituted a forensic financial audit of a Social Housing Institution (SHI) into allegations of non-compliance and financial irregularities within the SHI, covering the period May 2017 to March 2018. A draft investigation report, which was issued subsequent to year-end, is currently being assessed by management and those charged with governance to identify any possible non-compliance and to determine any further actions to be taken. The assessment of the forensic financial audit report was in progress at the date of the auditor's report.

AUDITOR TENURE

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditors of the Social Housing Regulatory Authority for 2 years.

Nexia SAB&T

Nexia SAB&T

Per: Philemon Mawire

Director

Registered Auditor

Chartered Accountant (SA)

27 August 2019

ANNEXURE A – AUDITOR’S RESPONSIBILITY FOR THE AUDIT

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the entity’s compliance with respect to the selected subject matters.

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
- conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence

obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Social Housing Regulatory Authority’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

Communication with those charged with governance

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

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, related safeguards.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

		31 March 2019	31 March 2018
	Note(s)	R	*Restated R
Assets			
Current assets			
Receivables from non-exchange transactions	3	4 020	221 634
Receivables from exchange transactions	4	1 069 701	635 005
Cash and cash equivalents	5	1 115 272 694	1 087 854 006
		1 116 346 415	1 088 710 645
Non-current assets			
Property, plant and equipment	6	7 841 728	1 817 754
Intangible assets	7	2 000 511	249 522
		9 842 239	2 067 276
Total assets		1 126 188 654	1 090 777 921
Liabilities			
Current liabilities			
Operating lease liability	8	386 170	106 958
Payables from exchange transactions	9	43 826 025	14 597 630
Recalled grant funds	10	41 937 656	51 276 978
Provisions	11	62 902 583	58 069 848
		149 052 434	124 051 414
Total liabilities		149 052 434	124 051 414
Net assets		977 136 220	966 726 507
Accumulated surplus		977 136 220	966 726 507

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2019

		31 March 2019	31 March 2018
	Note(s)	R	*Restated R
Revenue	12	825 752 000	926 963 000
Operating expenses		(77 429 898)	(52 395 142)
Programme costs	13	(789 056 767)	(623 243 929)
Operating (deficit)/surplus	14	(40 734 665)	251 323 929
Interest income	15	51 144 378	44 031 299
Surplus for the year		10 409 713	295 335 228

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2019

	Accumulated surplus R	Total net assets R
Opening balance as previously stated	703 686 054	703 686 055
Adjustments		
Prior year adjustments (Refer to note 25)	(32 314 775)	(32 314 775)
Balance at 1 April 2017 as restated*	671 371 279	671 371 279
Changes in net assets		
Surplus for the year	295 355 228	295 355 228
Total changes	295 355 228	295 355 228
Balance at 1 April 2018 as restated*	966 726 507	966 726 507
Changes in net assets		
Surplus for the year	10 409 713	10 409 713
Total changes	10 409 713	10 409 713
Balance at 31 March 2019	977 136 220	977 136 220

CASH FLOW STATEMENT

for the year ended 31 March 2019

		31 March 2019	31 March 2018 *Restated
	Note(s)	R	R
Cash flows from operating activities			
Receipts			
Government grants		825 752 000	926 963 000
Interest income		56 995 284	43 556 442
		882 747 284	970 519 442
Payments			
Employee costs		(35 288 097)	(28 400 002)
Recalled grant funds (SHIP projects)		(2 490 421)	(6 345 837)
Programme costs		(764 196 607)	(662 667 551)
Other payments	16	(43 817 481)	(20 076 566)
		(845 792 606)	(717 489 956)
Net cash flows from operating activities	17	36 954 678	253 029 486
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(7 831 638)	(596 213)
Proceeds from sale of property, plant and equipment		241 511	-
Purchase of other intangible assets	7	(1 945 863)	(206 543)
Net cash flows from investing activities		(9 535 990)	(802 756)
Net increase in cash and cash equivalents		27 418 688	252 226 730
Cash and cash equivalents at the beginning of the year		1 087 854 006	835 627 276
Cash and cash equivalents at the end of the year	5	1 115 272 694	1 087 854 006

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2019

Budget on accrual basis					
	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
	R	R	R	R	R
Government grants	825 752 000	-	825 752 000	825 752 000	-
Interest received	-	6 850 000	6 850 000	51 144 378	(44 294 378)
Total revenue	825 752 000	6 850 000	832 602 000	876 896 378	(44 294 378)
Expenditure					
Compensation of employees	1 34 733 034	-	34 733 034	35 814 188	(1 081 154)
Council remuneration	2 1 500 000	-	1,500,000	2 329 068	(829 068)
Depreciation and amortisation	3 000 000	-	3,000,000	1 184 704	1 815 296
Operating expenses	28 478 966	(6 850 000)	21 628 966	38 101 938	(16 472 972)
Programme costs/ capacitation grants/ institutional grants	3 758 040 000	-	758 040 000	789 056 767	(31 016 767)
Total expenditure	825 752 000	(6 850 000)	818 902 000	866 486 665	(47 584 665)
Net surplus	-	-	-	10 409 713	-
Significant operating expenses					
Advertising	1 010 000	-	1 010 000	1 027 655	(17 655)
Agency, support/ outsourced services and professional fees	4 8 400 300	-	8 400 300	15 903 290	(7 502 990)
Audit fees	1 600 000	-	1 600 000	1 719 842	(119 842)
Lease payments	3 550 000	-	3 550 000	3 910 812	(360 812)
Legal fees	5 1 200 000	-	1 200 000	3 437 264	(2 237 264)
Travel and subsistence	2 279 000	1 400 000	3 679 000	3 920 990	(241 990)
Marketing	1 027 416	-	1 027 416	1 226 468	(199 052)

Comments:

- 1. Compensation of employees**
The provision for performance bonus for the year under review has increased significantly due to two changed variables: increased rate of pay and increase in staff complement. On the other hand, there were five vacant positions at year end.
- 2. Council remuneration**
The Council fees have increased significantly this year with about 55% due to: increased number of Council and committee meetings, as a result of MTSF target achievement pressures and other urgent operational matters.
- 3. Programme costs**
The capital grant expenditure has favourably increased due to better performance of projects and accreditation of ready projects. Another favourable impact of increased spending is a reduction of accumulated surplus.
- 4. Agency, support/outsourced services and professional fees** The professional fees have increased due to the following:

 - The commissioning of statutory tenancy audits for the first time since establishment of the entity;
 - Accreditation assessment fees which are incurred as the SHRA receives applications to be considered for accreditation.
- 5. Legal fees**
With the establishment of a functional legal unit within the SHRA, all legal fees are now centralised. In the past the budgeting was decentralised and reported under different programmes. During the year under review the major cost drivers were the prevention of a potential liquidation and placing a delivery agent under administration. The other matters were linked to labour relations, maladministration and legal opinions.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

ACCOUNTING POLICIES

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including interpretations, guidelines and directives issued by the Accounting Standards Board.

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These audited annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

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

Impairment testing for property, plant and equipment and intangible assets

The recoverable service amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions when determining the relevant fair value where no other information is available.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates of expected future cash flows for each of the assets are prepared.

Provisions

Provisions were raised and management determined the best estimate of the amount required to settle the present obligation. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

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

The SHRA's management determines the estimated useful lives and residual values of property and equipment and intangible assets. These assessments are made on an annual basis and use historical evidence and current economic factors to estimate the values.

Administrative IT equipment, office furniture and equipment, exhibits and motor vehicles are not componentised. These assets do not have significant parts that are considered to have an estimated useful life different to the estimated useful life of the asset as a whole.

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

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

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

ACCOUNTING POLICIES (continued)

1.3 Property, plant and equipment (continued)

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no or nominal cost, the cost shall be deemed to be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

For intangible assets amortisation is provided on a straight-line basis over their expected useful

lives. The estimated residual value, the expected useful life and amortisation method for intangible assets are reviewed at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of the intangible asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Amortisation commences on the date the asset is brought into use.

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

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

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Amortisation is provided to write down the intangible assets, on a straight-line basis over their expected useful lives, to their estimated residual values as follows:

Item	Useful life
Computer software	2 years

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

1.5 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets measured at amortised cost
- Financial liabilities measured at amortised cost

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

Receivables from exchange transactions

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

ACCOUNTING POLICIES (continued)

1.5 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payables from exchange transactions

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash. These are initially measured at fair value and subsequently recorded at amortised cost.

1.6 Taxation

No provision has been made for taxation. The entity is exempt from taxation in terms of section 10 (1) cA of the Income Tax Act.

1.7 Leases

A lease is classified as a finance lease if it substantially transfers all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not substantially transfer all the risks and rewards incidental to ownership.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the

lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Impairment of non cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Noncash-generating assets are assets other than cash-generating assets.

As the entity is not profit orientated and it holds its assets to facilitate the pursuance of its mandate, its assets are non-cash generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation). Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and of its value in use.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a

cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

Future service potential is determined using depreciated replacement costs and/or restoration costs methods.

Recognition and measurement

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The entity assesses at each reporting date whether there is an indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased.

If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.9 Employee benefits

Employee benefits are all forms of consideration given by the SHRA in exchange for service rendered by its employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

ACCOUNTING POLICIES (continued)

1.9 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that

- excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

If an entity identifies a contract as onerous, the loss is recognised immediately in surplus or loss and the counter present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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

1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the entity, which represents an increase in net assets, other than increases relating to contributions from owners.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

ACCOUNTING POLICIES (continued)

1.11 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed on the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

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

Measurement

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

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

1.12 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that

the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular expenditure

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

- (a) this Act; or
- (b) the Treasury Regulations;
- (c) a National Treasury Instruction, issued in terms of section 76 of the PFMA;
- (d) a Provincial Treasury Instruction issued in terms of section 18(2)(a) of the PFMA; or
- (e) any other applicable legislation.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons for it must be provided in the notes.

Irregular expenditure must be removed from the balance of the irregular expenditure notes when it is either

- (a) condoned by the relevant authority if no official was found to be liable in law;
- (b) recovered from an official liable in law;
- (c) written-off if it is irrecoverable from an official liable in law; or
- (d) written-off if it is not condoned and not recoverable.

Irregular expenditure that was incurred and identified during the current financial period and which was condoned before year end and/or before finalisation of the financial statements is

recorded appropriately in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly.

If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

ACCOUNTING POLICIES (continued)

1.14 Segment information

A segment is an activity of an entity:

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

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

1.15 Budget information

An entity is subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by an entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/2018 to 31/03/2019.

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

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

Comparative information is not required.

1.16 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Only transactions with government related parties not at arm's length or not in the ordinary course of business are disclosed.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	1 April 2020	Not expected to impact results but may result in additional disclosure
• GRAP 38: Disclosure of Interests in Other Entities	1 April 2020	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	1 April 2019	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	1 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 18 (as amended 2016): Segment Reporting	1 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 20: Related parties	1 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 32: Service Concession Arrangements: Grantor	1 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	1 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	1 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	1 April 2019	Unlikely there will be a material impact

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

3. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2019 R	2018 Restated* R
Staff debtors (non-exchange transaction)	4 020	90 273
PAYE	-	131 361
	4 020	221 634

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2019 R	2018 Restated* R
Deposits (exchange transaction)	1 069 701	635 005
	1 069 701	635 005

Trade and other receivables pledged as security

No receivables were pledged as security.

Deposits

Deposits relate to rental deposit on the premises occupied by the entity and Telkom deposit.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired. At 31 March 2019, no balances were past due but not impaired.

Trade and other receivables impaired

As of 31 March 2019, trade and other receivables of Rnil (2018: Rnil) were impaired and provided for.

5. CASH AND CASH EQUIVALENTS

	2019 R	2018 Restated* R
Cash and cash equivalents consist of:		
Cash on hand	146	1 750
Current accounts	583 202 623	491 213 195
Call accounts	532 037 719	596 620 940
Debit cards	32 206	18 121
	1 115 272 694	1 087 854 006

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2019 R	2018 Restated* R
Credit rating		
BAA3	1 115 239 924	1 087 854 006

6. PROPERTY, PLANT AND EQUIPMENT

	2019			2018 Restated*		
	Cost / valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 666 332	(341 971)	2 324 361	1 605 285	(925 778)	679 507
Motor vehicles	357 719	(250 403)	107 316	357 719	(250 403)	107 316
Office equipment	641 233	(571 515)	69 718	641 233	(562 842)	78 391
IT equipment	3 024 523	(2 081 720)	942 803	2 831 641	(1 879 101)	952 540
Leasehold improvements	4 972 424	(574 894)	4 397 530	1 909 562	(1 909 562)	-
Total	11 662 231	(3 820 503)	7 841 728	7 345 440	(5 527 686)	1 817 754

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	679 507	2 666 332	(811 234)	(210 244)	2 324 361
Motor vehicles	107 316	-	-	-	107 316
Office equipment	78 391	-	-	(8 673)	69 718
IT equipment	952 540	192 882	-	(202 619)	942 803
Leasehold improvements	-	4 972 424	-	(574 894)	4 397 530
	1 817 754	7 831 638	(811 234)	(996 430)	7 841 728

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	591 676	211 085	-	(123 254)	679 507
Motor vehicles	148 889	-	-	(41 573)	107 316
Office equipment	98 905	-	-	(20 514)	78 391
IT equipment	779 185	385 128	-	(211 773)	952 540
	1 618 655	596 213	-	(397 114)	1 817 754

	2019 R	2018 Restated* R
Other information		
Property, plant and equipment fully depreciated and still in use (gross carrying amount)		
Leasehold Improvements	-	1 909 562

7. INTANGIBLE ASSETS

	2019			2018		
	Cost/ valuation	Accumulated amortisation and impairment	Carrying value	Cost/ valuation	Accumulated amortisation and impairment	Carrying value
Computer software - Other	3 267 374	(1 266 863)	2 000 511	1 321 511	(1 071 989)	249 522

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software - Other	249 522	1 945 863	(194 874)	2 000 511

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software - Other	221 779	206 543	(178 800)	249 522

8. OPERATING LEASE LIABILITY

	2019 R	2018 Restated* R
Current liabilities - premises	386 170	(106 958)

The operating lease liability relates to the rental of premises of the entity which have been negotiated for a period of five years with an annual increase of 8.5%.

9. PAYABLES FROM EXCHANGE TRANSACTIONS

	2019 R	2018 Restated* R
Trade payables (exchange transactions)	3 232 652	969 938
Accrued expenses (exchange transactions)	38 617 474	12 148 929
Accrued leave pay (exchange transactions)	1 972 859	1 346 254
Travel card (exchange transactions)	3 040	132 509
	43 826 025	14 597 630

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

9. PAYABLES FROM EXCHANGE TRANSACTIONS (continued)

Payables are settled on invoice or 30 day terms.

Accrued expenses comprise running and programme costs that had been incurred at year-end but not yet paid. Accrued leave pay was disclosed as Provision for leave in prior years, thus the restatement. Refer to note 25.

10. RECALLED GRANT FUNDS

			2019	2018
			R	Restated*
Province/Institution	Project	Programme*		R
Free State				
Free State Social Housing Company	Brandwag	SHIP 5A	-	9 339 322
Gauteng				
Johannesburg Social Housing Company	City Deep Phase 1	SHIP 3B	31 430 104	31 430 104
Johannesburg Social Housing Company	City Deep Phase 2	SHIP 3B	1 955 248	1 955 248
Johannesburg Social Housing Company	Thembelihle	SHIP 3B	1 244 336	1 244 336
Yeast City Housing	Salvokop	SHIP 2B	70 424	70 424
			34 700 112	34 700 112
<hr/>				
			2019	2018
			R	Restated*
Province/Institution	Project	Programme*		R
KwaZulu-Natal				
First Metro Housing Company	Hilltops	SHIP 3A	245 077	245 077
			245 077	245 077
Western Cape				
Social Housing Company (SOHCO Amalinda)	Steenberg	SHIP 3A	177 657	177 657
Western Cape	Institutional Investment	Institutional Investment	245 351	245 351
Domus Social Housing - liquidated	E-Junction Phase 1	SHIP 3B	6 569 459	6 569 459
			6 992 467	6 992 467
			41 937 656	51 276 978

10. RECALLED GRANT FUNDS (continued)

Recalled grant funds (SHIP* Projects) relate to amounts that were disbursed in prior years to qualifying grant recipients using a Social Housing Institution imprest account in the control and name of the Social Housing Institution. In an effort to mitigate the risks associated with lack of control and potential irregular expenditure, Social Housing Regulatory Authority abandoned the use of the Social Housing Institution imprest account. Unutilised funds that had been granted using the imprest account system were requested to be repatriated back to the Social Housing Regulatory Authority to be disbursed later according to actual project expenditure.

*SHIP - Social Housing Investment Programme

11. PROVISIONS

Reconciliation of provisions - 2019

	Opening balance	Additions	Utilised during the year	Total
Provision for bonuses	1 567 211	3 039 461	(1 567 211)	3 039 461
Provision - interest earned capitalisation	56 502 637	5 850 905	(2 490 420)	59 863 122
	58 069 848	8 890 366	(4 057 631)	62 902 583

Reconciliation of provisions - 2018

	Opening balance	Additions	Utilised during the year	Total
Provision for bonuses	-	1 567 211	-	1 567 211
Interest earned capitalisation	56 977 494	6 792 241	(7 267 098)	56 502 637
	56 977 494	8 359 452	(7 267 098)	58 069 848

The interest earned capitalisation constitutes interest earned on various project bank sub-accounts held by the SHRA over the years. In terms of the capital grant contracts and policies, the SHRA may at its discretion, approve use of interest on capital grants for project enhancements. Any utilised interest will be recognised as revenue in future, but the basic principle of this provision is to re-invest interest back into the social housing sector to improve quality and sustainability. Refer to note 25 for the prior year errors.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

12. REVENUE FROM NON-EXCHANGE TRANSACTIONS

	2019 R	2018 Restated* R
Consolidated Capital Grant	743 640 000	851 658 000
Operational Grant	51 980 000	46 815 000
Institutional Investment Grant	20 132 000	20 490 000
Regulations	10 000 000	8 000 000
	825 752 000	926 963 000

13. PROGRAMME COSTS

Consolidated Capital Grants

			2019 R	2018 Restated* R
Province/Institution	Project	Programme*		
Eastern Cape				
Hlalanathi Social Housing Association NPC	Ocean View	SHIP 5A	41 030 924	27 669 809
Imizi Housing Utility NPC	Fairview Link	SHIP 7C	9 156 672	37 620 545
Imizi Housing Utility NPC	Willowdene	SHIP 4B	2 512 300	4 584 948
Qhama Social Housing Institute NPC	Steve Biko Munford	SHIP 5A	11 365 920	33 967 995
Own Haven Housing Association NPC	Walmer Cosmos	SHIP 7A	136 022 432	29 672 093
Housing Association East London NPC	Belgravia	SHIP 7D	8 009 699	-
			208 097 947	133 515 390

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13. PROGRAMME COSTS (continued)

Consolidated Capital Grants

			2019	2018
			R	Restated* R
Province/Institution	Project	Programme*		
Free State				
Kenso (Pty) Ltd	Hillside View	SHIP 8B	9 671 653	44 685 276
			9 671 653	44 685 276
Gauteng				
Arrow Creek Investments 25 (Pty) Ltd	Mogale Junction	SHIP 7D	50 948 299	17 368 287
Johannesburg Social Housing Company SOC	Turffontein	SHIP 9C	123 318 872	-
Yeast City Housing NPC	Thembelihle	SHIP 3B	-	19 632 725
Toproot Property Management (Pty) Ltd	Pennyville	SHIP 4B	-	7 142 242
Johannesburg Social Housing Company SOC	80 Plein Street	SHIP 6A	9 397 857	-
LetsCare South Africa NPC	Sondela	SHIP 9C	13 375 856	-
YG Property (Pty) Ltd	Kempton Village	SHIP 9A	14 688 323	-
Johannesburg Social Housing Company SOC	City Deep	SHIP 3B	4 120 172	-
Housing Company Tshwane SOC	Townlands	SHIP 7C	-	23 777 000
Instratin Properties (Pty) Ltd	Devland Ext 36	SHIP 5A	55 394 841	56 984 639
Ekurhuleni Housing Company	Germiston Firestation	SHIP 6A	-	8 179 352
Golden West Social Housing Institution NPC	Westernoria Borwa	SHIP 7C	16 121 691	10 727 068
Instratin Properties (Pty) Ltd	Carnival City	SHIP 8B	49 037 865	39 607 025
The Housing Hub (Pty) Ltd	Mohlakeng	SHIP 9A	50 167 388	-
Nomda Housing NPC	Germiston Ext	SHIP 7D	6 230 977	-
Johannesburg Social Housing Company SOC	Dobsonville	SHIP 4B	-	50 446 984
Urban Scape Development (Pty) Ltd	301 Marshall	SHIP 7D	-	1 302 000
The Housing Hub (Pty) Ltd	Akasia	SHIP 5A	-	53 085 407
Toro Property Management NPC	GaRankuwa	SHIP 8D	84 671 191	-
TBGI Holdings (Pty) Ltd	Soweto City	SHIP 8B	-	26 724 812
			477 473 332	314 977 541

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Audited Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

13. PROGRAMME COSTS (continued)

Consolidated Capital Grants

			2019	2018
			R	Restated*
Province/Institution	Project	Programme*		R
Mpumalanga				
Steve Tshwete Housing Association NPC	Hope City	SHIP 9C	6 928 931	-
North West				
Instratin Properties (Pty) Ltd	Flamwood	SHIP 5A	22 231 801	13 345 399
Manapendlo SHI NPC	Eliaton	SHIP 4B	-	3 562 980
			22 231 801	16 908 379
KwaZulu-Natal				
Capital City Housing NPC	Westgate Grange	SHIP 3B	-	36 512 555
Msuduzi Housing Association (prior year error note 25)	Westgate Grange	SHIP 3B	-	2 669 669
First Metro Housing Company	Lakehaven Phase 2	SHIP 5A	-	2 192 289
First Metro Housing Company	Avoca Hills	SHIP 2A	-	11 676 436
First Metro Housing Company	Hampshire	SHIP 3A	-	4 524 983
First Metro Housing Company	Hamptons	SHIP 3A	-	5 125 000
First Metro Housing Company	Hilltops	SHIP 3A	4 922 414	1 773 000
			4 922 414	64 473 932
Western Cape				
Madulammoho Housing Association NPC	Belhar	SHIP 3B	2 070 601	8 193 095
Communicare NPC	Bothasig	SHIP 9E	6 187 114	-
Community Housing Services NPC	Goodwood	SHIP 8B	2 363 726	14 541 701
Community Housing Services NPC	Heideveld	SHIP 8B	53 100	2 815 012
Povicom NPC	Regent Villa	SHIP 8D	4 828 907	2 942 800
Urban Status Rentals NPC	The Block (Glenhaven)	SHIP 5A	33 443 801	-
			48 947 249	28 492 608

13. PROGRAMME COSTS (continued)

Consolidated Capital Grants

	2019 R	2018 Restated* R
Domus Social Housing - liquidated E-Junction Phase 1 SHIP 3B	-	1 445 000
Total Consolidated Capital Grants	778 273 327	604 498 126
Institutional Investment Grants		
General Capacitation Grant	8 081 096	11 730 396
Project Feasibility Grant	882 176	1 506 085
Pre-Accreditation Grant	585 137	4 701 122
Remedial Grant	435 512	750 000
Staff Gear-Up Grant	799 519	58 200
Total Institutional Investment Grants	10 783 440	18 745 803
Total Grants	789 056 767	623 243 929

Consolidated Capital Grants

These programme costs relate to capital grants disbursed to Social Housing Institutions in accordance with the relevant investment criteria. Refer to note 25 for prior year error on programme costs.

Institutional Investment Grants

These programme costs relate to the following:

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

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

14. OPERATING (DEFICIT) SURPLUS

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

		2019	2018
Note(s)	Note(s)	R	Restated* R
Operating lease charges			
Premises			
•	Straight lined amount	3 666 609	2 042 723
Equipment			
•	Contractual amounts	244 203	191 859
		3 910 812	2 234 582
Loss on sale of property, plant and equipment			
		569 723	-
Amortisation of intangible asset			
		194 874	178 800
External audit fee			
		1 014 860	1 454 880
Consultant expenses			
		7 988 915	5 637 795
Council members' remuneration			
		2 329 068	1 643 039
Internal audit fees			
		704 981	50 179
Depreciation on property, plant and equipment			
		996 430	397 114
Employee costs			
		33 403 913	24 895 743
Defined contribution funds			
		2 410 275	1 238 603
Research and development			
		56 521	472 903
Programme costs			
	12	789 056 767	623 243 929
Repairs and maintenance			
		68 037	63 710
15. INTEREST INCOME			
Interest revenue			
Operational Grant			
		26 284 944	14 042 545
Call Account - Capital Grants			
		24 859 434	29 988 754
		51 144 378	44 031 299

16. OTHER PAYMENTS

	2019 R	2018 Restated* R
Movement in payables and accruals	7 476 037	(1 661 939)
Movement in provisions	(4 832 735)	(1 902 354)
Movement in receivables from exchange transactions	217 082	221 634
Total expenses	77 429 898	52 395 142
Non cash items:		
Depreciation, amortisation and impairments	(1 184 704)	(575 915)
Separately disclosable items:		
Employee costs	(35 288 097)	(28 400 002)
	43 817 481	20 076 566
17. NET CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus	10 409 713	293 858 358
Adjustments for:		
Depreciation and amortisation	1 184 704	575 915
Loss on sale of assets	569 723	-
Movements in operating lease assets and accruals	279 212	(319 928)
Movements in provisions	4 832 735	1 092 354
Other non-cash items	6 599	-
Changes in working capital:		
Receivables from exchange transactions	(217 082)	(221 634)
Payables from exchange transactions	29 228 396	(42 876 841)
Recalled grant funds	(9 339 322)	921 262
	36 954 678	253 029 486
18. IRREGULAR EXPENDITURE		
Opening balance	26 724 812	-
Add: Irregular expenditure - programme costs	-	26 724 812
Less: amounts condoned	-	-
	26 724 812	26 724 812

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

18. IRREGULAR EXPENDITURE (continued)

Irregular expenditure incurred in respect of programme costs

The SHRA incurred irregular expenditure when a capital grant was awarded to a Social Housing Institution that did not fully comply with the SHRA's Regulation 19 (1)(a). Regulation 19 requires that land rights criteria be met at award as either owned land or leased land from public sector for a minimum period of 30 years.

During the financial year, the SHRA commissioned a forensic audit based on allegations of corruption and at reporting date, a final forensic audit report was not available for management to consider proposed recommendations. As soon as a final report is received, management will implement the recommendations as they address both internal and external stakeholders. In the immediate period, not depending on the forensic report, management will endeavor to secure land rights on this projects and improve on its internal accreditation process.

The irregular expenditure can thus only be considered for condonation during the new financial period ending 31 March 2020 by the Accounting Authority in line with Treasury Regulation 33 of the PFMA.

19. COMMITMENTS

	2019 R	2018 Restated* R
Authorised capital expenditure		
Already contracted for but not provided for		
• Consolidated Capital Grant	3 335 807 233	2 708 182 227
• Less: accrued amounts	(24 830 770)	(10 727 067)
• Provincial Institutional Grant	26 960 121	-
	3 337 936 584	2 697 455 160

19. COMMITMENTS (continued)

	2019 R	2018 Restated* R
Not yet contracted for but authorised		
• Consolidated Capital Grant	569 289 498	-
Total capital commitments		
Already contracted for but not provided for	3 337 936 584	2 697 455 160
Not yet contracted for but authorised	569 289 498	-
	3 907 226 082	2 697 455 160
Total operational commitments		
Already contracted for but not provided for	17 281 612	20 472 527

The committed expenditure relates to the contractual arrangement on items that meet project milestones in the investment programme related to social housing projects and will be funded by existing cash resources, retained surpluses and future MTEF budget allocations.

	2019 R	2018 Restated* R
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	3 185 811	2 986 623
- in second to fifth year inclusive	15 353 969	14 819 831
- later than five years	-	1 796 076
	18 539 780	19 602 530

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of five years and have an escalation of 9% per year (2018: 9%). No contingent rent is payable.

SOCIAL HOUSING REGULATORY AUTHORITY

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

20. RELATED PARTIES

	2019 R	2018 Restated* R
Relationships		
Controlling body	National Department of Human Settlements	
Related party transactions		
Revenue received from related parties		
National Department of Human Settlements	825 752 000	926 963 000

Remuneration of management

Executive management remuneration

2019

Name	Bonuses and performance		Total
	Basic salary	related payments	
Chief Executive Officer: Mr R Gallocher	2 586 060	321 262	2 907 322
Corporate Services Manager: Ms A Puoane	1 958 482	132 563	2 091 045
	4 544 542	453 825	4 998 367

2018

Name	Bonuses and performance		Total
	Basic salary	related payments	
Chief Executive Officer: Mr R Gallocher	2 564 553	21 782	2 586 335
Acting Corporate Services Manager: Mr N Mbengo	87 940	-	87 940
Corporate Services Manager: Ms A Puoane	1 012 453	-	1 012 453
	3 664 946	21 782	3 686 728

20. RELATED PARTIES (continued)

Executive managers

2019

Name	Bonuses and performance		Total
	Basic salary	related payments	
Compliance, Accreditation and Regulation Executive: Mr K Boqwana	1 669 121	-	1 669 121
Sector Development and Transformation Executive: Mr D Koekemoer	1 420 577	159 205	1 579 782
Project Development and Funding Executive: L Letsoalo	1 547 285	97 714	1 644 999
	4 636 983	256 919	4 893 902

2018

Name	Bonuses and performance		Total
	Basic salary	related payments	
Compliance, Accreditation and Regulation Executive: Mr K Boqwana	1 434 072	159 582	1 593 654
Sector Development and Transformation Executive: Mr D Koekemoer	1 214 579	173 851	1 388 430
Project Development and Funding Executive: L Letsoalo	575 613	-	575 613
	3 224 264	333 433	3 557 697

21. OTHER FINANCIAL ASSETS

2019

Receivables from exchange transactions	1 069 701	1 069 701
Cash and cash equivalents	1 115 272 694	1 115 272 694
	1 116 342 395	1 116 342 395

2018

Receivables from exchange transactions	635 005	635 005
Cash and cash equivalents	1 087 854 006	1 087 854 006
	1 088 489 011	1 088 489 011

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

22. FINANCIAL LIABILITIES PER CATEGORY

2019

Financial liabilities	Financial liabilities at amortised cost	Total
Payables	43 826 024	43 826 024
	43 826 024	43 826 024

2018

	Financial liabilities at amortised cost	Total
Payables	14 597 630	14 597 630
	14 597 630	14 597 630

23. RISK MANAGEMENT FINANCIAL RISK MANAGEMENT

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

The entity's exposure to risk, its objectives, policies and processes for managing the risk arising from its financial instruments, and methods used to measure the entity's exposure to these risks have not changed significantly from the prior year.

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation. The entity manages liquidity risk through an ongoing review of future commitments and cash flows.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

23. RISK MANAGEMENT FINANCIAL RISK MANAGEMENT (continued)

	Less than 3 months	Between 4 and 6 months	Between 7 and 9 months	Between 10 and 12 months
At 31 March 2019				
Trade and other payables	43 826 024	-	-	-
At 31 March 2018				
Trade and other payables	14 597 630	-	-	-

Credit risk

Credit risk consists mainly of cash deposits and cash equivalents. There are minimal risks relating to receivables from exchange transactions as they mainly consist of prepayments and deposits. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

No credit limits were exceeded during the reporting period, and management does not expect any surplus (deficit) from non-performance by these counterparties.

Market risk

Interest rate risk

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

There is a risk that fair value or future cash flows from financial instruments will fluctuate as a result of changes in the market interest rates. Values in the financial instruments may change thus resulting in both potential gains and losses.

The entity managed the market interest rate risk by keeping the cash in the operating bank account at a minimum in order to maximise interest earned on cash deposits.

The entity has invested any surplus cash in a call account. The interest rate on this account fluctuates in line with movements in current market rates.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

24. CONTRIBUTIONS TO DEFINED CONTRIBUTION PLAN

	2019 R	2018 Restated* R
Pension	2 410 275	1 238 603

The entity entered into a defined contribution plan with Momentum Group Limited whereby the entity contributes to a pension fund for the employees on a one for one ratio with the employees.

25. SEGMENT INFORMATION GENERAL INFORMATION IDENTIFICATION OF SEGMENTS

The entity is organised and reports to management on the basis of four major functional areas: Consolidated Capital Grant, Operational Grant, Institutional Investment Grant and Regulations. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

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

25. SEGMENT INFORMATION GENERAL INFORMATION IDENTIFICATION OF SEGMENTS
(continued)

Segment surplus or deficit

2019

Revenue	Consolidated Capital Grant	Operational Grant	Institutional Investment Grant	Regulations	Total
Grants received	743 640 000	51 980 000	20 132 000	10 000 000	825 752 000
Interest income	-	51 144 378	-	-	51 144 378
Total segment revenue	743 640 000	103 124 378	20 132 000	10 000 000	876 896 378
Entity's revenue					876 896 378
Expenditure					
Advertising	-	1 027 655	-	-	1 027 655
Audit fees	-	1 719 842	-	-	1 719 842
Agency, support/ outsourced services and professional fees	-	4 174 565	1 660 241	10 068 483	15 903 289
Depreciation and amortisation	-	1 184 704	-	-	1 184 704
Employees costs	-	38 143 256	-	-	38 143 256
Programme costs	778 273 327	-	10 783 440	-	789 056 767
Lease rentals on operating lease	-	3 910 812	-	-	3 910 812
Legal expenses	-	3 229 796	-	207 468	3 437 264
Research and development	-	-	56 521	-	56 521
Training and workshops	-	553 131	1 420 818	43 769	2 017 718
Travel	-	3 259 314	283 222	378 454	3 920 990
Other expenses	-	5 897 464	126 330	84 053	6 107 847
Total segment expenditure	778 273 327	63 100 539	14 330 572	10 782 227	866 486 665
Total segmental surplus					10 409 713

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Audited Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

25. SEGMENT INFORMATION GENERAL INFORMATION IDENTIFICATION OF SEGMENTS (continued)

2018 - Restated

Revenue	Consolidated	Operational	Institutional	Regulations	Total
	Capital Grant	Grant	Investment Grant		
Grants received	851 658 000	46 815 000	20 490 000	8 000 000	926 963 000
Interest income	-	36 764 201	-	-	36 764 201
Total segment revenue	851 658 000	83 579 201	20 490 000	8 000 000	963 727 201
Entity's revenue					963 727 201
Expenditure					
Advertising	-	2 160 486	333 978	8 320	2 502 784
Audit fees	-	1 516 788	-	-	1 516 788
Agency, support/ outsourced services and professional fees	-	3 961 787	35 347	5 045 821	9 042 955
Depreciation	-	575 915	-	-	575 915
Employees costs	-	27 777 384	-	-	27 777 384
Programme costs	598 727 898	-	18 745 803	-	617 473 701
Lease rentals on operating lease	-	2 234 582	-	-	2 234 582
Legal expenses	-	1 246 210	-	730 799	1 977 009
Research and development	-	-	472 903	-	472 903
Training and workshops	-	870 863	-	14 378	885 241
Travel	-	2 156 697	102 822	361 561	2 621 080
Other expenses	-	2 788 501	-	-	2 788 501
Total segment expenditure	598 727 898	45 289 213	19,690,853	6 160 879	669 868 843
Total segmental surplus					293 858 358

26. PRIOR PERIOD ERRORS

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

	31 March 2019	31 March 2018
Note(s)	R	*Restated R
Statement of Financial Position		
Payables - accrued leave pay	-	(1 346 254)
Provisions - provision for leave	-	1 346 254
Provisions - interest earned capitalisation	-	(56 502 637)
Recalled grant funds	-	11 625 393
Statement of Changes in Net Assets		
Opening changes in net assets	-	32 314 775
Statement of Financial Performance		
Interest income	-	6 792 241
Programme costs	-	5 770 228

During the prior years the leave accrual was incorrectly classified under provisions in accordance with GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets. Management has identified the error and correctly classified it as a financial liability in accordance with GRAP 104 - Financial Instruments. The error was corrected retrospectively.

Certain previously approved Social Housing Institutions (“SHIs”) project grants were ring-fenced and placed in separate interest earning bank accounts. The interest accruing in these bank accounts could be used to improve the quality of the relevant projects at the discretion and approval by SHRA for the utilisation of the funds. Once the project is complete, the interest earned but not utilised can be retained by SHRA. In the prior years all interest accrued was recognised as interest income incorrectly. This error has been corrected retrospectively by recognising the relevant accrued interest as a provision.

SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS (continued)

DETAILED INCOME STATEMENT

		31 March 2019	31 March 2018
	Note(s)	R	*Restated R
Revenue			
Government grants	11	825 752 000	926 963 000
Other income			
Interest received	14	51 144 378	44 031 299
Operating expenses			
Advertising		(2 254 123)	(2 502 784)
Agency, support/outsourced services and professional fees		(15 903 289)	(9 042 955)
Audit fees - external and internal		(1 719 842)	(1 516 788)
Bank charges		(47 405)	(42 319)
Cleaning		(183 129)	(173 614)
Computer, IT and website hosting expenses		(1 121 855)	(553 110)
Depreciation and amortisation		(1 184 704)	(575 915)
Donations		(127 674)	(100 000)
Employee costs		(38 143 256)	(27 777 385)
Entertainment		(39 139)	(7 576)
Insurance		(109 413)	(185 339)
Lease rentals on operating lease		(3 910 812)	(2 234 582)
Legal expenses		(3 437 264)	(1 977 009)
Loss on disposal of assets		(569 723)	-
Motor vehicle expenses		(21 203)	(22 403)
Postage, printing and stationery		(76 756)	(85 560)
Printing and stationery		(730 061)	(283 837)
Programme cost		(789 056 767)	623 243 928
Repairs and maintenance		(68 037)	(63 710)
Research and development costs		(56 521)	(472 903)
Staff welfare		(447 434)	(342 988)
Subscriptions		(82 366)	(52 572)
Telephone and fax		(537 409)	(274 784)
Training and workshops		(2 017 718)	(885 241)
Travel		(3 920 990)	(2 621 080)
Utilities		(719 775)	(600 689)
		(866 486 665)	675 639 701
Surplus for the year		10 409 713	295 355 228

* See Note 25 - The supplementary information presented does not form part of the audited financial statements and is unaudited



ANNEXURES

Annexure A - Performance against the programme's annual indicators

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 1: Administration programme				
Strategic objective 1: To develop and implement a Human Resource plan that supports the implementation of the strategic plan				
1.1	Percentage adherence to the Strategic HR Plan's Action Plan. The Action Plan's format will include work to be undertaken, timeframes and responsibilities	Strategic HR Plan approved	80% of 2017/18 HR Plan's Action Plan implemented by the end of March 2018	100% of 2018/19 HR Plan's Action Plan implemented by the end of March 2019
1.2	Implementation of a comprehensive performance management process that includes performance targets and performance standards	Performance management process including performance targets and standards for all positions developed, approved and implemented	Performance management process including performance targets and standards for all positions implemented	Performance management process including performance targets and standards for all positions implemented
Strategic objective 2: To implement business processes and systems that enable and support the implementation of the strategic plan				
2.1	Obtain unqualified audit opinion on the audit report from the external auditors for the 2016/17, 2017/18 and 2018/19 financial years	Unqualified audit opinion obtained on the audit report from the External Auditors for the 2015/16 financial year	Unqualified audit opinion obtained on the audit report from the External Auditors for the 2016/17 financial year	Unqualified audit opinion obtained on the audit report from the External Auditors for the 2017/18 financial year
2.2	Percentage of Information Management Action Plan implemented	New indicator	80% of 2017/18 Information Management Action Plan implemented by the end of March 2018 Information Management Policy reviewed by Council	100% of 2018/19 Information Management Action Plan was implemented by the end of March 2019

Actual	Medium-term targets		
2018/19	2019/20	2020/21	Variance and comments
86% of 2018/19 HR Plan's Action Plan was implemented by the end of March 2019	100% of 2019/20 HR Plan's Action Plan implemented by the end of March 2020	100% of 2019/20 HR Plan's Action Plan implemented by the end of March 2021	-14% of HR Action Plan's was not achieved due to performance contracts not in place for all staff at the end of quarter 4 as well as challenges with the implementation of learnership programme. A service provider was appointed to assist with the development of performance contracts for 2019/20. A project team will be established in May to drive this in 2019/20.
Performance management process including performance targets and standards for some positions was implemented, however performance agreements for 4 staff members are outstanding	Performance management process including performance targets and standards for all positions implemented	Performance management process including performance targets and standards for all positions implemented	Performance agreements for 4 staff members were not in place at the end of quarter 4. A service provider was appointed to assist with the development of performance contracts for 2019/20. The job profiles, previous contracts as well as APP targets will be used to appraise performance.
Unqualified audit opinion obtained on the audit report from the External Auditors for the 2017/18 financial year	Unqualified audit opinion obtained on the audit report from the external auditors for the 2017/18 financial year	Unqualified audit opinion obtained on the audit report from the external auditors for the 2018/19 financial year	No variance
86.3% of 2018/19 Action Plan implemented by the end of March 2019	100% of 2019/20 Information Management Action Plan implemented by the end of March 2020	100% of 2020/21 Information Management Action Plan implemented by the end of March 2021	Variance of - 13.7%. This was due to first version of the scanning software supplied by the service provider was unreliable and operational intermittently. The initial target of 400 boxes was achieved with a total of 569 boxes being processed at the end of the financial year.

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 1: Administration programme				
Strategic objective 2: To implement business processes and systems that enable and support the implementation of the strategic plan				
2.3	Percentage of Information Communication Technology Action Plan implemented	New indicator	80% of 2017/18 Information Communication Technology Action Plan implemented by end of March 2018	100% of 2018/19 Information Communication Technology Action Plan implemented by March 2019
Strategic objective 3: To undertake research and on the basis of the findings make proposals to relevant stakeholders on policy amendments				
3.1	Annual development of the State of the Sector report which includes a research plan for the following year	State of the Sector report approved by Council and published by the SHRA	State of the Sector report, including a research plan for the following financial year, tabled at EXCO by the end of March 2018	1 State of the Sector report, including a research plan for the following financial year, tabled at EXCO by the end of March 2019
3.2	Percentage completion of annual research plan	New indicator	80% completion of the annual research plan achieved by the end of March 2018	100% completion of the annual research plan achieved by the end of March 2019
3.3	Development of social housing norms and standards	<i>New indicator</i>	Appointment of service provider	Social housing norms and standards approved by SHRA's Council

Actual	Medium-term targets		Variance and comments
2018/19	2019/20	2020/21	Variance and comments
76.7% of 2018/19 Information Communication Technology Action Plan was implemented by end of March 2019	100% of 2019/20 Information Communication Technology Action Plan action plan implemented by March 2020	100% of 2020/21 Information Communication Technology Action Plan action plan implemented by March 2021	Variance of -23.3%. The IT action plan could not be implemented at the older building since the SHRA was moving to newer premises. The identified technologies will be procured for the new building.
State of the Sector Report that includes a research plan was tabled at EXCO on the 25 March 2019.	1 State of the Sector report, including a research plan for the following financial year, tabled at EXCO by the end of March 2020	1 State of the Sector report, including a research plan for the following financial year, tabled at EXCO by the end of March 2021	No variance
94% completion of the annual research plan achieved by the end of March 2019	100% completion of the annual research plan achieved by the end of March 2020	100% completion of the annual research plan achieved by the end of March 2021	Variance of -6% due to some procurement delays in appointing service providers in time. The norms and standards went to the market twice and no service provider was appointed until the third quarter when a service provider was appointed. The other reasons for the non-achievement were delays in appointment of a service provider for a research piece on intervening on hijacked buildings. A provider was procured in the fourth quarter, and this work will be completed in 2019/20.
Draft norms and standards were developed.	Implementation of social housing norms and standards	Implementation of social housing norms and standards	The annual target of social housing norms and standards approved by SHRA council have not been met due to the service provider being appointed in the third quarter. The norms and standards will be developed in 2019/20.

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 1: Administration programme				
Strategic objective 4: To secure strategic partnerships with key stakeholders including NDoHS, HDA, NHFC, Provinces and Municipalities and to ensure that the SHRA is represented on all key inter-governmental platforms and forums				
4.1	Development and approval by Council of an annual Stakeholder Management Matrix that identifies SHRA's stakeholders and planned engagements	New indicator	Stakeholder Management Matrix for 2017/18 financial year approved by Council by the end of June 2017	Stakeholder Management Matrix for 2018/19 financial year approved by Council by the end of July 2018
4.2	Percentage of planned engagements held as identified on the SHRA's Stakeholder Management Matrix	New indicator	70% achievement against the Stakeholder Management Matrix by the end of March 2018	100% achievement against the Stakeholder Management Matrix by the end of March 2019

Actual	Medium-term targets		Variance and comments
2018/19	2019/20	2020/21	Variance and comments
Stakeholder Management Matrix for 2018/19 financial year was approved by Council by the end of July 2018	Stakeholder Management Matrix for 2019/20 financial year approved by Council by the end of July 2019	Stakeholder Management Matrix for 2019/20 financial year approved by Council by the end of July 2020	No variance
100% achievement against the Stakeholder Management Matrix by the end of March 2019 (73 engagements against a target of 50)	100% achievement against the Stakeholder Management Matrix by the end of March 2020	100% achievement against the Stakeholder Management Matrix by the end of March 2021	The annual variance is due to the increased stakeholder engagements in Q3 and Q4. The SD&T engagements with SHIs and potential SHIs, as well as the attendance of 7 PSC meetings by the PD&F unit in the 4th quarter had a significant impact on getting to a variance of 46%. Stakeholder engagements have been highlighted as key in ensuring that SHRA meets its goals.

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 2: Compliance, Accreditation and Regulations Programme				
Strategic objective 5: To develop and implement a risk-based compliance monitoring system that triggers intervention timeously				
5.1	Annual development and submission of the Social Housing Regulatory Plan (SHORP) as per the Social Housing Act	New indicator	Social Housing Regulatory Plan for 2018/19 developed and submitted in accordance with the Social Housing Act by the end of March 2018	Social Housing Regulatory Plan for 2019/20 developed and submitted in accordance with the Social Housing Act by the end of March 2019
5.2	Number of units under regulation	27 047 units under regulation	30 832 units under regulation	34 688 units under regulation
5.3	Percentage of accreditation applications received and processed (received an outcome letter from the SHRA) within a maximum of 90 days	New indicator	100% of accreditation applications received and processed (received an outcome letter from the SHRA) within a maximum of 90 days	100% of accreditation applications received and processed (received an outcome letter from the SHRA) within a maximum of 90 days
5.4	Percentage of completed (completed means that all required data fields have been filled in) quarterly reports (quarterly reporting tool template used) submitted by conditionally and fully accredited SHIs with stock to the SHRA	<i>New indicator</i>	90% of conditionally and fully accredited SHIs with stock submitted completed quarterly reports to the SHRA	95% of conditionally and fully accredited SHIs with stock submitted completed quarterly reports to the SHRA

Actual	Medium-term targets		Variance and comments
	2019/20	2020/21	
Final Social Housing Regulatory Plan for 2019/20 was submitted to the Department of Human Settlement on 30 January 2019 in accordance with the Social Housing Act	Social Housing Regulatory Plan for 2020/21 developed and submitted in accordance with the Social Housing Act by the end of March 2020	Social Housing Regulatory Plan for 2020/21 developed and submitted in accordance with the Social Housing Act by the end of March 2021	No variance
36305 Units under regulation	38 288 units under regulation	42 288 units under regulation	Positive variance of +1 617 units under regulation is due to the number of units occupied increasing at a higher rate than initially projected. Targets to be linked to units accredited with due consideration of different construction programmes
100% of accreditation applications were received and processed within an average of 59 days	100% of accreditation applications received and processed (received an outcome letter from the SHRA) within a maximum of 90 days	100% of accreditation applications received and processed (received an outcome letter from the SHRA) within a maximum of 90 days	No variance
96.4% of institutions submitted completed 3rd Quarter Report 2018/19	95% of conditionally and fully accredited SHIs with stock submitted completed quarterly reports to the SHRA	95% of conditionally and fully accredited SHIs with stock submitted completed quarterly reports to the SHRA	Positive variance of 1.4% due to follow-up with institutions to ensure that quarterly reports are submitted. Percentage determined to allow for small variance and performance to be maintained at current level of 95% without increasing the percentage

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 2: Compliance, Accreditation and Regulations Programme				
Strategic objective 5: To develop and implement a risk-based compliance monitoring system that triggers intervention timeously				
5.5	Average number of days from the tabling of the monthly Compliance Report at EXCO that an intervention action plan for non-compliant SHIs (limited to SHIs with stock, SHIs with a project in the pipeline and SHIs project in the pipeline and SHIs classified as B-BBEE Owned/ Controlled Companies as defined in the B-BBEE Act) is subsequently tabled at EXCO	<i>New indicator</i>	Average of 60 days to table an intervention action plan at EXCO for non-compliant SHIs (limited to SHIs with stock, SHIs with a project on the pipeline and SHIs project on the pipeline and SHIs classified as B-BBEE Owned/ Controlled Companies as defined in the B-BBEE Act) from the date of tabling the monthly Compliance Report at EXCO that identified the non-compliance of the same SHI	Average of 60 days to table an intervention action plan at EXCO for non-compliant SHIs (limited to SHIs with stock, SHIs with a project on the pipeline and SHIs project on the pipeline and SHIs classified as B-BBEE Owned/ Controlled Companies as defined in the B-BBEE Act) from the date of tabling the monthly Compliance Report at EXCO that identified the non-compliance of the same SHI
5.6	Percentage of conditionally accredited SHIs that are classified as B-BBEE Owned /Controlled companies as defined in the B-BBEE Act	<i>New indicator</i>	30% of the conditionally accredited SHIs classified as B-BBEE Owned / Controlled companies as defined in the B-BBEE Act	50% of the conditionally accredited SHIs classified as B-BBEE Owned / Controlled companies as defined in the B-BBEE Act
5.7	Percentage of fully accredited SHIs that are classified as B-BBEE Owned /Controlled companies as defined in the B-BBEE Act	<i>New indicator</i>	30% of the fully accredited SHIs classified as B-BBEE Owned / Controlled companies as defined in the B-BBEE Act	50% of the fully accredited SHIs classified as B-BBEE Owned / Controlled companies as defined in the B-BBEE Act

Actual	Medium-term targets		Variance and comments
2018/19	2019/20	2020/21	
The third Quarter compliance report approved by the CAR EXCO on 10 December 2018 recommended that SHRA must intervene and establish reasons on the high vacancy rate as opposed to the regulated benchmark of 2%. The intervention plan was tabled on the 28th January 2019 with an average of 49 days from the day of approval of the Third Quarter compliance report	Average of 60 days to table an intervention action plan at EXCO for non-compliant SHIs (limited to SHIs with stock, SHIs with a project on the pipeline and SHIs project on the pipeline and SHIs classified as B-BBEE Owned/ Controlled Companies as defined in the B-BBEE Act) from the date of tabling the monthly Compliance Report at EXCO that identified the non-compliance of the same SHI	Average of 60 days to table an intervention action plan at EXCO for non-compliant SHIs (limited to SHIs with stock, SHIs with a project on the pipeline and SHIs project on the pipeline and SHIs classified as B-BBEE Owned/ Controlled Companies as defined in the B-BBEE Act) from the date of tabling the monthly Compliance Report at EXCO that identified the non-compliance of the same SHI	Positive variance of 11 days achieved due to scheduling of executive committee meetings. Number determined to allow for changing schedules but as a maximum to be 60 calendar days and to be maintained as such.
62.1% of the conditionally accredited SHI's classified as B-BBEE owned/ controlled companies as defined in the B-BBEE Act as per reporting completed and submitted prior to final calculation when percentage increased to 66.7%	55% of the conditionally accredited SHIs classified as B-BBEE Owned / Controlled companies as defined in the B-BBEE Act	60% of the conditionally accredited SHIs classified as B-BBEE Owned / Controlled companies as defined in the B-BBEE Act	Positive variance of 12.1% (16.7%) as a result of constant engagement with SHIs and renewals of their B-BBEE certification.
63.6% of the fully accredited SHI's classified as B-BBEE owned/controlled companies as defined in the B-BBEE Act	55% of the fully accredited SHIs classified as B-BBEE Owned / Controlled companies as defined in the B-BBEE Act	60% of the fully accredited SHIs classified as B-BBEE Owned / Controlled companies as defined in the B-BBEE Act	Positive variance of 13.6% is a result of constant engagement with SHIs and renewals of their B-BBEE certification.

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 2: Compliance, Accreditation and Regulations Programme				
Strategic objective 5: To develop and implement a risk-based compliance monitoring system that triggers intervention timeously				
5.8	Number of social housing units accredited (approved for capital grant funding)	6 529 social housing units approved for capital grant funding	12 000 social housing units approved for capital grant funding	9 000 social housing units accredited (approved for capital grant funding)
5.9	Number of social housing units located in an inner city accredited (approved for capital grant funding)	New indicator	New indicator	1 000 social housing units located in an inner city accredited (approved for capital grant funding)
5.10	Number of fully accredited Social Housing Institutions	13 fully accredited Social Housing Institutions	13 fully accredited Social Housing Institutions	15 fully accredited Social Housing Institutions

Actual	Medium-term targets		
2018/19	2019/20	2020/21	Variance and comments
7 656 units accredited (approved for capital grant funding)	6 106 social housing units accredited (approved for capital grant funding)	6 310 social housing units accredited (approved for capital grant funding)	Negative annual variance of -1 344 units due to projects not pro-actively facilitated and supported earlier in the financial year and work done towards the end of the financial year to increase the support and registration of projects on the social housing pipeline such that targets may be achieved going forward
1 795 units were accredited that are located within an inner city	2 000 social housing units located in an inner city accredited (approved for capital grant funding)	2 500 social housing units located in an inner city accredited (approved for capital grant funding)	Positive variance of +795 units (1 795 units accredited in an inner city) is due to six inner city projects that were accredited and represented more than the target. Target set at 1 000 units since inner cities are one component of the social housing programme
12 fully accredited social Housing Institutions	17 fully accredited Social Housing Institutions	19 fully accredited Social Housing Institutions	Negative variance of 3 fully accredited SHIs is due to institutions unable to address compliance matters or tenant projects to achieve full accreditation. Sector Development plans to incubate 10 conditionally accredited SHIs. The outcome of the incubation will ideally increase the number of fully accredited social housing institutions.

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 2: Compliance, Accreditation and Regulations Programme				
Strategic objective 5: To develop and implement a risk-based compliance monitoring system that triggers intervention timeously				
5.11	Regulation of stock funded through the Community Residential Unit programme	<i>New indicator</i>	<i>New indicator</i>	Management arrangements concluded for 4 CRU projects with an accredited SHI or ODA
5.12	Regulation of stock funded through the Institutional Subsidy programme	<i>New indicator</i>	<i>New indicator</i>	Management arrangements concluded for 4 Institutional Subsidy projects with an accredited SHI or ODA

Actual	Medium-term targets		
2018/19	2019/20	2020/21	Variance and comments
<p>Management arrangements concluded for 6 CRU projects, namely: Property Management Agreements were signed with Urban Scape Development for three (3) CRU projects in Limpopo Province (Talana Property, Pusela Project and Nkowankowa Ext B). A Memorandum of Understanding between Govan Mbeki Housing Company and Govan Mbeki Local Municipality confirming that the institution is managing 3 CRU stock projects.</p>	<p>Management arrangements concluded for 4 CRU projects with an accredited SHI or ODA</p>	<p>Management arrangements concluded for 4 CRU projects with an accredited SHI or ODA</p>	<p>Positive variance of 2 CRU projects due to more municipal projects to be regulated than originally anticipated</p>
<p>Property Management Agreements signed with Harrison Reef Housing Co-Operative, Philani Ma Africa (Pty) Ltd, Everest Court Housing Association and Troyeville Housing Co-Operative for 4 Institutional Subsidy projects</p>	<p>Management arrangements concluded for 4 Institutional Subsidy projects with an accredited SHI or ODA</p>	<p>Management arrangements concluded for 4 Institutional Subsidy projects with an accredited SHI or ODA</p>	<p>No variance</p>

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 3: Sector Development Programme				
Strategic objective 6: To implement a customised and structured capacitation programme tailored to SHIs' needs so as to improve absorption rates and tenant-focused management systems				
6.1	Annual development and submission of the Social Housing Sector Development Plan which is considered as the Institutional Investment Plan (SHSDP) as per the Social Housing Act	<i>New indicator</i>	Social Housing Sector Development Plan for 2018/19 developed and submitted in accordance with the Social Housing Act by the end of March 2018	Social Housing Sector Development Plan for 2019/20 developed and submitted in accordance with the Social Housing Act by the end of March 2019
6.2	Percentage of the SHIs that are identified by the Compliance, Accreditation and Regulations Programme, and approved by EXCO and the SHI, to be assisted through the award of an Institutional Investment Grant for a specific Intervention that upon completion of the work either maintains or improves their level of accreditation	<i>New indicator</i>	75% of SHIs who received an Institutional Investment Grant, of which the work is completed within the 2017/18 financial year, either maintained their level of accreditation or improved their level of accreditation from the date of grant approval at EXCO unless the SHIs lose their accreditation status or their accreditation status drops since the date of grant approval	80% of SHIs who received an Institutional Investment Grant, of which the work is completed within the 2018/19 financial year, either maintained their level of accreditation or improved their level of accreditation from the date of grant approval at EXCO unless the SHIs lose their accreditation status or their accreditation status drops since the date of grant approval
6.3	Percentage of projects identified by the Project Development and Funding Programme, and approved by EXCO and agreed to by the SHI or ODA, that are assisted through the award of an Institutional Investment Grant for a specific Intervention and upon completion of the work are later recommended to the TEC for capital grant award	<i>New indicator</i>	75% of the projects that received an Institutional Investment Grant, of which the work is completed within the 2017/18 financial year, are recommended to the TEC for capital grant award	75% of the projects that received an Institutional Investment Grant, of which the work is completed within the 2018/19 financial year, are recommended to the TEC for capital grant award

Actual	Medium-term targets		
2018/19	2019/20	2020/21	Variance and comments
Final Social Housing Sector Development Plan for 2019/20 was developed and submitted in accordance with the Social Housing Act	Social Housing Sector Development Plan for 2020/21 developed and submitted in accordance with the Social Housing Act by the end of March 2020	Social Housing Sector Development Plan for 2020/21 developed and submitted in accordance with the Social Housing Act by the end of March 2021	No variance
Work completed on Steve Tshwete Housing Association with others still in process. This institution maintained its conditional accreditation and therefore 100% achievement	80% of SHIs who received an Institutional Investment Grant, of which the work is completed within the 2019/20 financial year, either maintained their level of accreditation or improved their level of accreditation from the date of grant approval at EXCO unless the SHIs lose their accreditation status or their accreditation status drops since the date of grant approval	80% of SHIs who received an Institutional Investment Grant, of which the work is completed within the 2020/21 financial year, either maintained their level of accreditation or improved their level of accreditation from the date of grant approval at EXCO unless the SHIs lose their accreditation status or their accreditation status drops since the date of grant approval	Positive variance of 20% due to only one institution where work has been completed with others still in process. No institutions were downgraded in the current financial year.
One project where work was completed in the current financial year served at the TEC: Hofmeyr House of Yeast City Housing. The project was however not recommended for approval. Work on other projects still in process.	75% of the projects that received an Institutional Investment Grant, of which the work is completed within the 2019/20 financial year, are recommended to the TEC for capital grant award	75% of the projects that received an Institutional Investment Grant, of which the work is completed within the 2020/21 financial year, are recommended to the TEC for capital grant award	Negative variance of -75% where the project was not recommended for approval, due to size of units and institutional subsidy awarded previously. Work on other projects still in process and more projects expected to serve at the TEC in future where support was given

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 3: Sector Development Programme				
Strategic objective 6: To implement a customised and structured capacitation programme tailored to SHIs' needs so as to improve absorption rates and tenant-focused management systems				
6.4	Percentage expenditure of Institutional Investment grant within the financial year in which it has been allocated	95% expenditure of Institutional Investment grant within the 2016/17 financial year	At least 95% expenditure of Institutional Investment grant within the 2017/18 financial year	At least 95% expenditure of Institutional Investment grant within the 2018/19 financial year

Actual	Medium-term targets		
2018/19	2019/20	2020/21	Variance and comments
71% expenditure of Institutional Investment Grant funding allocation	At least 95% expenditure of Institutional Investment grant within the 2019/20 financial year	At least 95% expenditure of Institutional Investment grant within the 2020/21 financial year	Negative variance of -24% due to some procurement delays and delay in training roll out that only gained momentum in the fourth quarter with remaining budget to be spent in the new financial year.

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 4: Project Development and Funding Programme				
Strategic objective 7: To proactively establish a pipeline of prioritised projects that meet a holistic set of well researched criteria				
7.1	Number of social housing units delivered (tenanted)	<i>New indicator</i>	4 500 social housing units delivered (tenanted)	3 856 social housing units delivered (tenanted)
7.2	Number of units completed (reached practical completion)	3 058 social housing units reached practical completion	6 000 social housing units completed (reached practical completion)	4 820 social housing units completed (reached practical completion)

Actual	Medium-term targets		Variance and comments
2018/19	2019/20	2020/21	
2 471 social housing units were delivered (tenanted)	3 600 social housing units delivered (tenanted)	4 000 social housing units delivered (tenanted)	<p>Negative variance of -1 385 units tenanted for the 2018\19 FY.</p> <p>The effect of appointed contractors not meeting the expected levels of delivery either as a result of a negative cashflow, capacity, capability, the entrant ODAs and SHIs taking longer to source debt funding, amongst others, has impacted this target negatively.</p> <p>Going forward, grant recipients will be required to submit a tenant shortlist at least 6 months prior to unit completion, allowing occupation almost immediately after the municipality issues occupation certificates. This will be on the back of a construction methodology that meets OH&S requirements.</p>
2 284 social housing units were completed	4 500 social housing units completed (reached practical completion)	5 000 social housing units completed (reached practical completion)	<p>Negative variance of - 2 536 social housing units completed. This annual variance includes the 91 social housing units for JOSHCO's Turfontien completed in the 3rd quarter but not reported due to an audit query, hence its being added to the annual actual.</p> <p>The negative variance is as a result of some of the large size contracts not having performed as expected due to a plethora of issues such as contractual disputes, negative cash flow during implementation, delays in statutory municipal approvals to unlock project implementation, etc. With the increase in portfolio managers and the imminent appointment of PRCs, there will be more engagement and on-site presence going forward allowing PDF to upscale delivery. PDF has hosted its 1st Private Developers and Financiers meeting in March 2019 with a keen interest in participating in the delivery of social housing. This engagement will be taken forward and MoUs entered into to achieve the delivery targets for the next MTSF.</p>

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 4: Project Development and Funding Programme				
Strategic objective 7: To proactively establish a pipeline of prioritised projects that meet a holistic set of well researched criteria				
7.3	Number of units pre-assessed and recommended by the Project Development and Funding Programme for Project Accreditation to the Compliance, Accreditation and Regulation Programme	<i>New indicator</i>	<i>New indicator</i>	6 270 units
7.4	Number of units, located in inner cities, pre-assessed and recommended by the Project Development and Funding Programme for Project Accreditation to the Compliance, Accreditation and Regulation Programme	<i>New indicator</i>	<i>New indicator</i>	3 135 units
7.5	Percentage expenditure of Consolidated Capital Grant allocation for the financial year	76% expenditure of 2016/17 Restructuring Capital Grant allocation	At least 95% expenditure of 2017/18 Consolidated Capital Grant allocation	At least 95% expenditure of 2018/19 Consolidated Capital Grant allocation

Actual	Medium-term targets		Variance and comments
	2019/20	2020/21	
10 424 units were assessed and recommended to CAR for project accreditation	6 106 units	6 310 units	<p>Positive variance of +4 154 units assessed and recommended to CAR for project accreditation.</p> <p>The additional resources within PD&F has augmented the positive variance of this target.</p> <p>In addition, regular CAR/PDF Pipeline meetings are convened to discuss projects being assessed and its readiness for project accreditation. However, more improvements are required to ensure successful accreditation of assessed projects with short turnaround times to meeting CP and FC and breaking ground</p>
2 689 were units located in the inner city assessed and recommended to CAR for project accreditation	3 053 units	3 155 units	<p>Negative variance of 546 units located in the inner city assessed and recommended.</p> <p>Although the annual target was not achieved, the increased promotion of the programme objectives at the PSCs, additional PD&F resources and review of the brownfield's application tools have enabled applicants to submit inner city projects.</p> <p>In addition to its efforts PDF have sourced an EoI for the acquisition of inner city buildings and a positive response has been received. The buildings will be further explored in 2019/20.</p>
105% (R778 273 327) expenditure of 2018/19 Consolidated Capital Grant allocation	At least 95% expenditure of 2019/20 Consolidated Capital Grant allocation	At least 95% expenditure of 2020/21 Consolidated Capital Grant allocation	<p>Positive variance of 10% (R34 633 327) for 2018/19.</p> <p>Dormant projects due to debt funding have been unlocked via institutionalised arrangements between the SHRA and NHFC, and soliciting the SAHL to provide debt funding to projects.</p> <p>The positive variance can be attributed to the separation and provincial allocation of projects to PMs which has allowed focused pursuance of project monitoring and achievement of project milestones to allow drawdowns by grant recipients.</p>

No.	Performance indicator	Audited/actual performance		Target
		2016/17	2017/18	2018/19
Programme 4: Project Development and Funding Programme				
Strategic objective 8: To develop and implement an investment plan focused on achieving social, economic and spatial restructuring and community development that enables investment in social housing projects on the basis of well researched criteria				
8.1	Annual development and submission of the Social Housing Investment Plan as per the Social Housing Act	<i>New indicator</i>	Social Housing Investment Plan for 2018/19 developed and submitted in accordance with the Social Housing Act by the end of March 2018	Social Housing Investment Plan for 2019/20 developed and submitted in accordance with the Social Housing Act by the end of March 2019
Strategic objective 9: To develop and implement a model that enables private sector involvement in social housing				
9.1	Percentage of annual Consolidated Capital Grant allocation awarded to ODAs	<i>New indicator</i>	15% of Consolidated Capital Grant allocation for 2017/18 financial year awarded to Other Delivery Agencies within the 2017/18 financial year	20% of Consolidated Capital Grant allocation for 2018/19 financial year awarded to Other Delivery Agencies within the 2018/19 financial year
9.2	Percentage of annual Consolidated Capital Grant allocation awarded to B-BBEE Owned/Controlled Companies as defined in the B-BBEE Act	<i>New indicator</i>	50% of Consolidated Capital Grant allocation for 2017/18 financial year awarded to B-BBEE Owned/Controlled Companies, as defined in the B-BBEE Act, within the 2017/18 financial year	60% of Consolidated Capital Grant allocation for 2018/19 financial year awarded to B-BBEE Owned/Controlled Companies, as defined in the B-BBEE Act, within the 2018/19 financial year

Actual	Medium-term targets		
2018/19	2019/20	2020/21	Variance and comments
Final SHIP for 2019/20 was developed and submitted in accordance with the Social Housing Act	Social Housing Investment Plan for 2020/21 developed and submitted in accordance with the Social Housing Act by the end of March 2020	Social Housing Investment Plan for 2021/22 developed and submitted in accordance with the Social Housing Act by the end of March 2021	No variance
174% (R1 297 251 029.00) of the CCG has been awarded to ODA's in the 2018\19 FY	20% of Consolidated Capital Grant allocation for 2019/20 financial year awarded to Other Delivery Agencies within the 2019/20 financial year	20% of Consolidated Capital Grant allocation for 2019/20 financial year awarded to Other Delivery Agencies within the 2020/21 financial year	Positive variance of 154% is due to ODAs taking up the increased grant quantum and income bands far more aggressively. PDF anticipates an increase in ODA participation in the Social Housing Programme in the 2019\20 FY as a result of the engagement with Private Developers and Financiers.
205.56% of the CCG for 2018/19 FY have been awarded to BBBEE Owned/Controlled companies. R1 528 598 818.00 against an annual budget of R743 640 000.00	60% of Consolidated Capital Grant allocation for 2019/20 financial year awarded to B-BBEE Owned/ Controlled Companies, as defined in the B-BBEE Act, within the 2019/20 financial year	60% of Consolidated Capital Grant allocation for 2019/20 financial year awarded to B-BBEE Owned/ Controlled Companies, as defined in the B-BBEE Act, within the 2020/21 financial year.	A positive annual variance of 145.56% against the annual target of 60% of the CCG awarded to BBBEE owned\ controlled companies. The SHRA has been assisted by the construction industry's transformation charter and financial sector's transformation requirements to fund and work with transformed entities.

Annexure B - List of abbreviations and acronyms

AFS	Annual Financial Statements
APP	Annual Performance Plan
B-BBEE	Broad-Based Black Economic Empowerment
BNG	Breaking New Ground
CEO	Chief Executive Officer
CoJ	City of Johannesburg
CP	Conditions Precedent
CSOS	Community Schemes Ombud Service
CRU	Community Residential Unit
CSM	Corporate Services Manager
EXCO	Executive Committee
FC	Financial Closure
HDA	Housing Development Agency
HR	Human Resources
IDP	Integrated Development Plan
IRC	Independent Review Consultant
IS	Institutional Subsidy
ICT	Information Communication Technology
IT	Information Technology
JDA	Johannesburg Development Agency
JOSHCO	Johannesburg Social Housing Company
MinMec	Minister and Members of the Executive Council



MTEF	Medium- Term Expenditure Framework
MTSF	Medium- Term Strategic Framework
NASHO	National Association of Social Housing Organisations
NRHTT	National Rental Housing Task Team
NDoHS	National Department of Human Settlements
NDP	National Development Plan
NHFC	National Housing Finance Corporation
NRHTT	National Rental Housing Task Team
NSHP	National Social Housing Programme
OD	Organisation Development
ODA	Other Delivery Agents
PFMA	Public Finance Management Act, No. 1 of 1999
PSC	Provincial Steering Committee
RCG	Restructuring Capital Grant
SALGA	South African Local Government Association
SAQA	South African Qualifications Authority
SAWIC	South African Women in Construction
SDF	Spatial Development Framework
SHI	Social Housing Institution
SHIP	Social Housing Investment Programme
SHRA	Social Housing Regulatory Authority
TEC	Technical Evaluation Committee



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