



SHRA is an agency of the National Department of Human Settlements

ANNUAL REPORT 2020/21

FOREWORD BY THE MINISTER

One of the most enduring legacies of apartheid spatial development is South Africa's hugely unequal and segregated cities. This legacy is worsened by the fast pace of urbanisation that our country is experiencing whilst faced with the triple challenges unemployment, poverty and inequality. Our country has also been on a low growth trajectory since the 2008 global economic crisis and our economic woes have now been aggravated by the devastating impact of the Covid-19 pandemic. This means that the rate of increase of the need for social housing will keep on rapidly growing so that our housing delivery systems need to be properly organised to equal this challenge.



Our government's policy on social housing is an important intervention towards integrating divided cities by delivering affordable rental housing for low- to middle-income groups, who mostly do not qualify for free Breaking New Ground (BNG) housing but also do not earn enough to qualify for bank financing to purchase a house. The SHRA's raison d'être is to fill the gap identified by Integrated Urban Development Framework in 2016 which made the observation that "many of the challenges are not a result of a vacuum in policy, but rather insufficient institutional capacity, a lack of strong instruments for implementation and a lack of coordination"

During the period under review, the SHRA has achieved performance of 71% as compared to 2018/19, where achievement was at 62% and 2019/20, where it was at 67% – showing slight improvement during the period under review. The 2019/20 financial year saw 4 816 units approved and 3 010 units completed, while the period under review saw the SHRA having 4 006 units approved and 1 856 units completed. The Covid-19 has had a very negative impact on the performance of the SHRA which places our government even further behind in our efforts to meet the social housing demand. Research has shown that the gap between

formal housing supply and demand has been filled by informal housing in freestanding shack settlements and in backyards. With rapid urbanisation, our falling behind on social housing delivery will be proportional to the emergence of new informal settlements.

I am encouraged to learn that through implementation of the new structure and operating framework, the SHRA has shifted to a more proactive approach to an increase in the pace and scale of delivery and assisting stakeholders in structuring projects. Ultimately, the SHRA has a responsibility to provide a dignified social housing environment in a well located area. This includes ensuring that there is gender mainstreaming in all the social housing programmes so that we can create a society in which women and girls are protected.

In this regard, during the period under review, the Sector Development and Transformation (SD&T) unit focused on building and formalising stakeholder partnerships, including in the context of the implementation of the incubation project and municipal support project. Training, best practice and awareness sessions also continued with gender

mainstreaming initiatives – including work on Gender-Based Violence (GBV) in social housing – established and to be implemented in the next financial year. Six institutions completed their participation in the incubation project for the year. Three of those already have projects in the pipeline, while work with others continuing to either potentially foster relationships with municipalities in our support programme or work with the Housing Development Agency (HDA) on making land available.

In the end, successful government interventions, through SHRA, are about devising impactful policies, strengthening the regulatory framework and delivering houses in areas with social and economic infrastructure.

I wish to convey my gratitude to the Council and the executives for continuing to steer the ship under this difficult conditions of the pandemic.



MT Kubayi, MP
Minister of Human Settlements

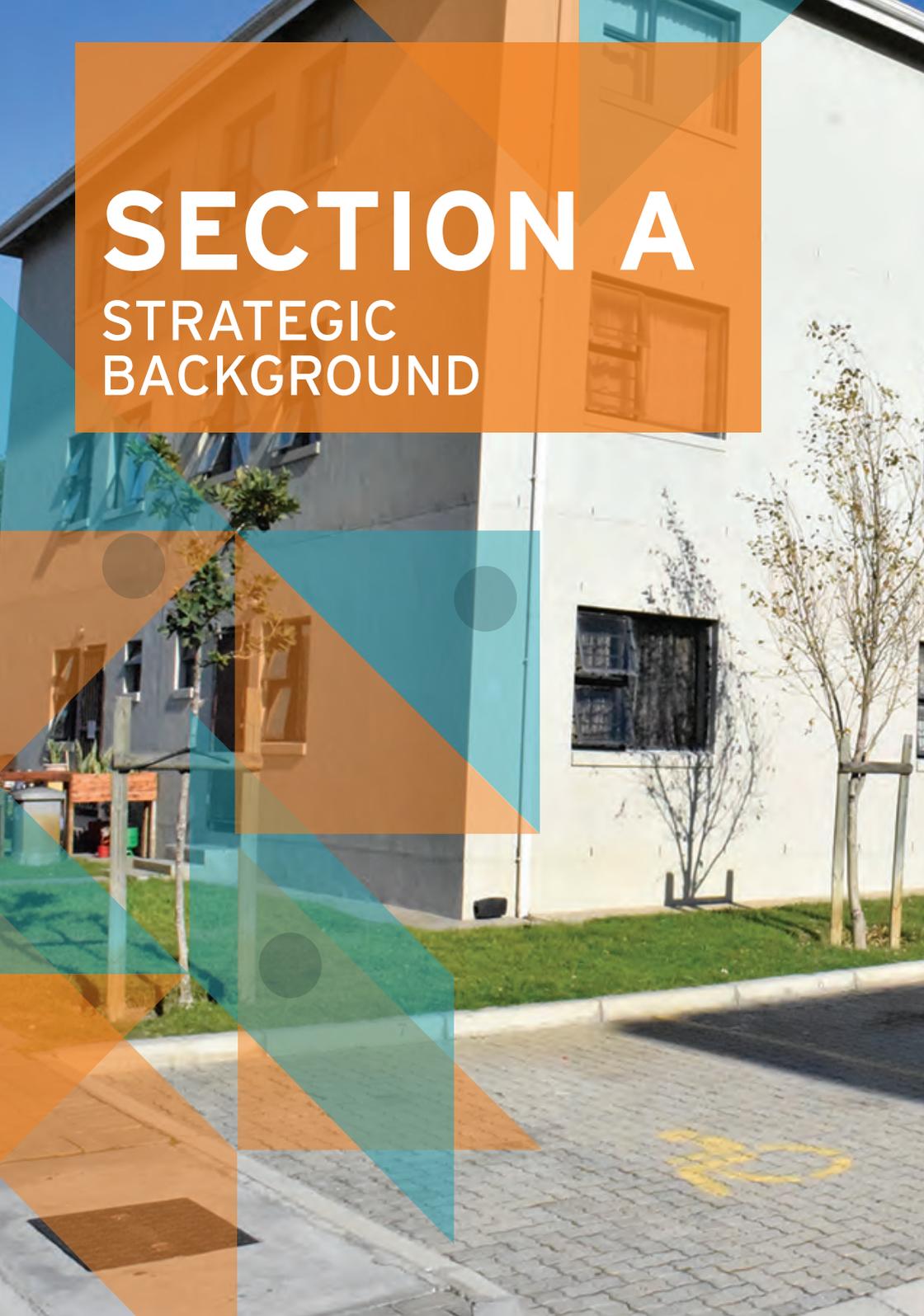
CONTENTS

Foreword by the Minister	i
Contents	2
Section A: Strategic background	4
1. Foreword by the Chairperson	6
2. Chief Executive Officer's overview	8
3. Strategic overview	10
3.1. Mandate	10
3.2. Vision	10
3.3. Mission	10
3.4. Values	10
3.5. SHRA's outcomes	11
3.6. Legislative and other mandates	12
3.7. The Social Housing Act, No 16 of 2008	12
3.8. Functions of the SHRA	14
3.9. Key policy developments and legislative changes	14
4. Structure of the entity	15
Section B: Performance	18
5. Performance of the entity	20
5.1. COVID-19 report	20
5.2. Organisational environment	20
5.3. Achievement against the strategic outcome-oriented goals	22
5.4. Performance information by programme	23
5.4.1. Administration Programme	23
5.4.2. Compliance, Accreditation and Regulation Programme	31
5.4.3. Sector Development and Transformation Programme	33
5.4.4. Project Development and Funding Programme	35
5.4.4.1. Units delivered (tenanted)	36
5.4.4.2. Units completed	36
Section C: Governance	38
6. Introduction	40
7. Assessment of corporate governance compliance	40
8. The roles and responsibilities of the Council	40
9. Composition of the Council	41
10. Council Members' remuneration	41
11. Company secretarial function	41
12. Stakeholder relations	42
13. King IV Report	42
14. Fraud and corruption	45

Section D: Human resources management	46
Section E: Annual Financial Statements	50
Annexure A - Performance against the programme's annual indicators (Revised Approved APP 2020/21)	118
Original APP 2020/21 (tabled in March 2020)	120
Annexure B - List of abbreviations and acronyms	140
Figure 1: SHRA's approved structure 2020/21	16
Figure 2: Number of staff over the period 2015/16-2020/21	21
Figure 3: Annual performance rate over period 2015/16-2020/21	21
Figure 4: Number of units approved and completed over the period (2015-2021)	22
Figure 5: Number of units under regulations over MTSF period (2015-2021)	23
Figure 6: Office of the CEO structure	24
Figure 7: Corporate services structure	28
Figure 8: Compliance, Accreditation and Regulations Programme	31
Figure 9: Accredited SHIs per province	33
Figure 10: Sector Development Programme structure	33
Figure 11: Project Development and Funding Programme structure	35
Figure 12: Tenanting trends	36
Figure 13: Unit completion 2020/21	36
Figure 14: Unit completion trends 2015-2021	37
Table 1: SHRA's values	11
Table 2: SHRA's Outcomes 2020-2025	11
Table 3: Employment equity actuals as at 31 March 2021	48
Table 4: Employment equity analysis	49
Table 5: Employment and resignation	49

SECTION A

STRATEGIC BACKGROUND





1. FOREWORD BY THE CHAIRPERSON

It gives me great pleasure to present the Social Housing Regulatory Authority's Annual Report for 2020/21.

Despite far-reaching efforts over the past 25 years, housing demand has continued to increase while household size has reduced and urbanisation has accelerated. With a demand estimated at 320 000 social housing units needing to be met, the SHRA must substantially improve on the delivery of 13 968 units delivered in the previous MTSF 2014-19 term.

MTSF Priority 5: Spatial Transformation, Human Settlements and Local Government focuses on three interrelated outcomes – spatial transformation through multi-programme integration in priority areas; adequate housing and improved quality of living environments; and security of tenure.

The SHRA is mandated to facilitate the delivery of quality, sustainable social housing units at scale to advance the needs of low and middle-income groups – in support of spatial, economic and social restructuring. In order to promote an enabling environment for the growth and



development of the social housing sector, essential policy amendments were made in were made in prior periods – including increases of the Consolidated Capital Grant Quantum and the income bands for qualifying households.

We affirm our commitment to providing strategic guidance that will develop the SHRA into a well-resourced entity which is optimally positioned for delivering on its

mandate of effectively growing and sustaining the social housing programme – and realise that this can only be achieved through total dedication to the achievement of the strategic intent by the entire SHRA team.

The entity's achievements in the period under review could not have been possible without the efforts of the staff and management and the Council would like to thank them for their zealously and commitment.

On behalf of the Council, I would like to extend our appreciation to the Minister of Human Settlements, Water and Sanitation, Lindiwe Sisulu, as well as the Portfolio Committee, whose leadership has enabled the entity to perform a turnaround.

We look forward to working with the new Minister of Human Settlements, Mmamoloko Kubayi, in this 'golden era of human settlements expansion'.



Ms B. O Dlamini
Chairperson

2. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The COVID-19 pandemic and the emergency responses to it have brought about a severe global recession, with real GDP in South Africa expected to plummet by 7.2 percent in 2020 – mainly due to restrictions on economic activity in containing the spread of the virus. While a new social compact and decisive economic policy reforms will be required for South Africa in a post-pandemic world, the immediate priority for the SHRA is to implement measures that (1) support social housing beneficiaries with rental relief grant funding, and (2) grow the sector in an economically recessionary and fiscally constrained environment.

The year under review ushered in a renewal of purpose and a collective commitment to re-ignite growth towards strengthening the economy for a more resilient and regulated Social Housing Sector.

The performance of the SHRA reached 71% in the period under review compared to 62% in the previous year. Expenditure of both the capital and institutional investment grants has steadily increased over the quarter but decreased on a year-on-year basis.



Expenditure on the Consolidated Capital Grant (CCG) was decreased to R587 227 628 by the SHRA in the period under review, seeing an 81% performance against budget.

The SHRA's vacancy rate at the end of the period under review was 22.66%, with recruitment of twelve positions currently underway.

Creation of a dignified social housing environment for South Africans is the vital responsibility of the SHRA as encapsulated in the

theme “creation of liveable neighbourhoods”. The constitutional mandate for the entity is to redress spatial inequities entrenched by apartheid, by providing low- and middle-income households with good quality and affordable rental housing opportunities in well-located areas of cities.

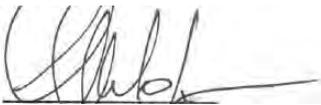
The baseline of 13 968 social housing units delivered in the previous MTSF term (2014-2019) needs to be substantially increased by the SHRA. As such, the target set by the 2019-2024 Medium Term Strategic Framework (MTSF) is for 30 000 social housing units to be delivered in strategically located areas, with the short-term target of the revised Annual Performance Plan (APP) over the 2020/21 financial year being 4 006 such unit deliveries.

There were 92 accredited institutions on the SHRA’s accreditation register, with eight institutions fully accredited, while 84 are conditionally accredited. The eight fully accredited institutions all had projects under management. Eighteen conditionally accredited institutions had projects under management. There were thus 26 entities reporting to the SHRA as at the financial year end with stock under management.

The number of units under regulation increased by 1 221 from 39 407 to 40 628 units during the period under review.

During the past financial year, the Sector Development and Transformation (SD&T) unit focused on building and formalising stakeholder partnerships. This was also done in the context of the implementation of the incubation project and the municipal support project. Training, best practice, and awareness sessions also continued, with gender mainstreaming initiatives – including work on Gender-Based Violence in social housing – prepared for implementation in the next financial year.

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



Ms M. Nkopane
Acting Chief Executive Officer

3. STRATEGIC OVERVIEW

3.1. Mandate

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

The SHRA's mandate is to invest in, as well as capacitate and regulate the social housing sector. There are two primary intentions of social housing: firstly, to deliver affordable rental housing for low- to middle-income groups – who mostly do not qualify for free Breaking New Ground (BNG) housing but also do not earn enough to qualify for bank financing to purchase a house – and secondly, to achieve spatial, economic and social integration of the urban environments in South Africa.

Social housing is government's primary housing product for achieving the desired densities to support spatial transformation. It is also a powerful instrument to address economic integration, social development, urban efficiency, urban inclusivity and good urban management.

The definite demand shift in cities towards rental accommodation – expected to grow given the rate of urbanisation – is also met by an increase in demand for the delivery of social housing.

3.2. Vision

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

3.3. Mission

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

3.4. Values

The SHRA's values are shown below:

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

Table 1: SHRA's values

3.5. Outcomes

SHRA'S OUTCOMES		
Outcome 1: Functional, efficient and integrated government	Outcome 2: Quality, affordable social housing delivered in strategically located areas	Outcome 3: Enhanced performance of delivery agents and projects
Outcome 4: Increased capacity of municipalities and provinces to deliver social housing	Outcome 5: An effectively regulated and sustainable social housing sector	Outcome 6: A transformed Social Housing Sector value chain

Table 2: SHRA's Outcomes 2020-2025

3.6. Legislative and other mandates

Legislation	<ul style="list-style-type: none">• Constitution of South Africa Act, No 108 of 1996• The Housing Act, No 107 of 1997, as amended• The Rental Housing Act, No 50 of 1999, as amended by the Rental Housing Amendment Act, No 35 of 2014• The Social Housing Act, No 16 of 2008 – the establishment mandate of the SHRA• Housing Consumer Protection Bill, 2019 <p>Full suite of governance legislation, including, among others:</p> <ul style="list-style-type: none">• The Public Finance Management Act, No 1 of 1998, as amended (PFMA)• The Intergovernmental Relations Framework Act, No 13 of 2005
Policies	<ul style="list-style-type: none">• National Development Plan, Vision 2030: Chapter 8• Sustainable Development Goals: Goal 11• Medium-Term Strategic Framework (MTSF 2019–2024): Outcome 8 <p>Breaking New Ground (BNG):</p> <ul style="list-style-type: none">• Social Housing Policy• National Housing Code• Municipal Integrated Development Plans

3.7. The Social Housing Act, No 16 of 2008

The purpose of the Social Housing Act is to:

- establish and promote a sustainable social housing environment;
- define the functions of national, provincial and local governments in respect of social housing;
- provide for the establishment of the SHRA in order to regulate all Social Housing Institutions (SHI) obtaining or having obtained public funds; and
- 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 Social Housing Act, No 16 of 2008 provides the regulatory foundation for the social housing sector and sets the framework through which social housing is currently implemented, funded and regulated.

This act provides for the following:

- 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.
- Statutory recognition and regulation of SHIs.
- Providing for the creation of restructuring zones.

The Social Housing 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.

3.8. Functions of the SHRA

The functions of the SHRA are as follows:

- Promote the development and awareness of social housing as well as 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, enabling them to develop institutional capacity, gain accreditation as social housing institutions and submit viable project applications.
- Accredite institutions meeting the criteria for social housing institutions and maintain a register of such institutions.
- Conduct compliance monitoring through regular inspections and enforce compliance where necessary.
- Intervene in the affairs of social housing institutions in cases of maladministration.
- Approve, administer and disburse institutional investment grants and capital grants.

3.9. 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 – R15 000 per month.
- 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 the 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, Water and Sanitation, 2017).

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

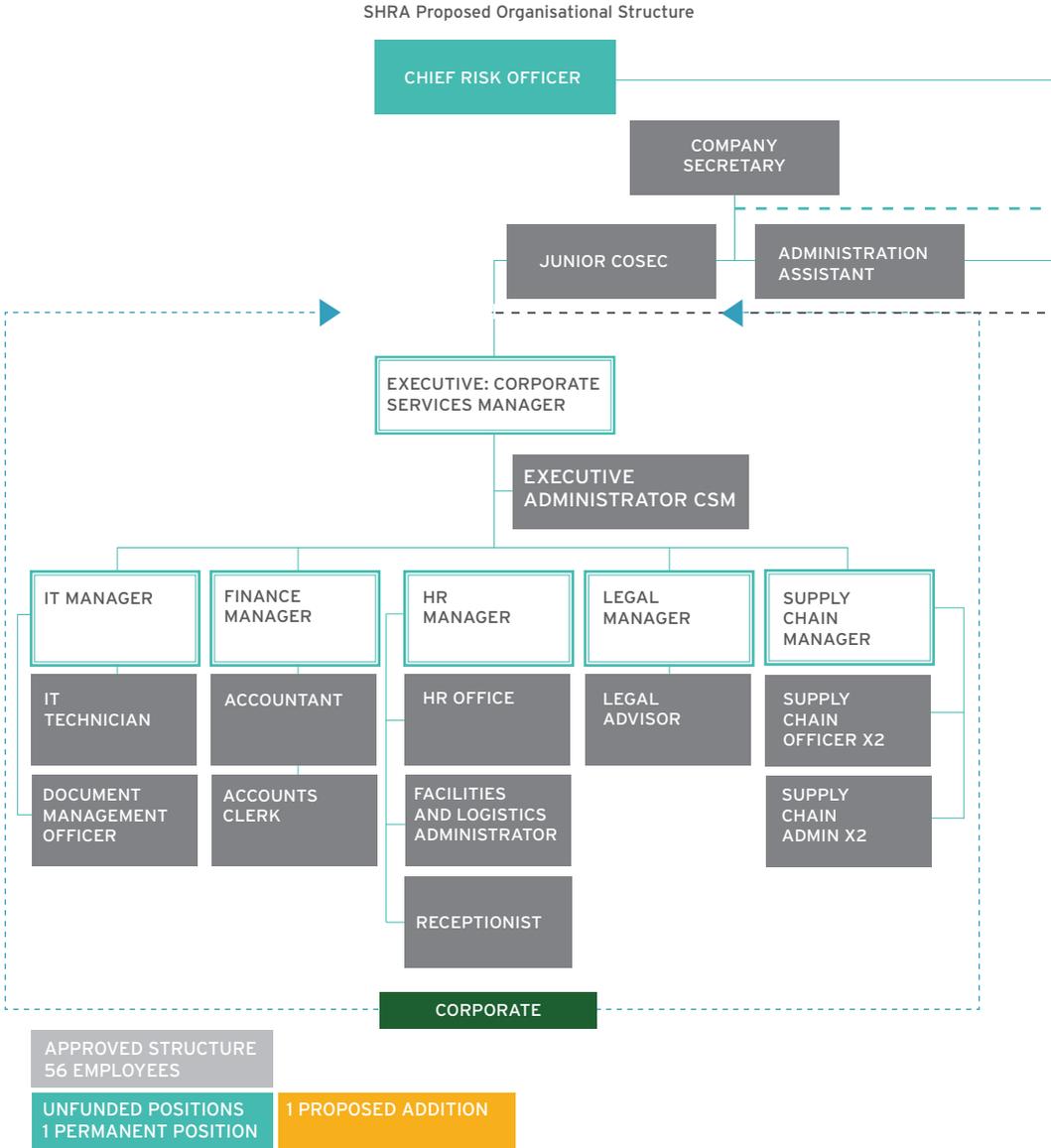
In addition to the amendments to the Income Band and Grant quantum, the Minister and Members of the Executive Councils (MINMEC) meeting of June 2017 also saw the approval of the transfer of the newbuild option, under the Community Residential Unit programme, to form part of the social housing programme.

4. Structure of the entity

The figure below (Figure 1) represents the structure as at the end of March 2021.

4. STRUCTURE OF THE ENTITY

Figure 1: SHRA's approved structure for 2020/21

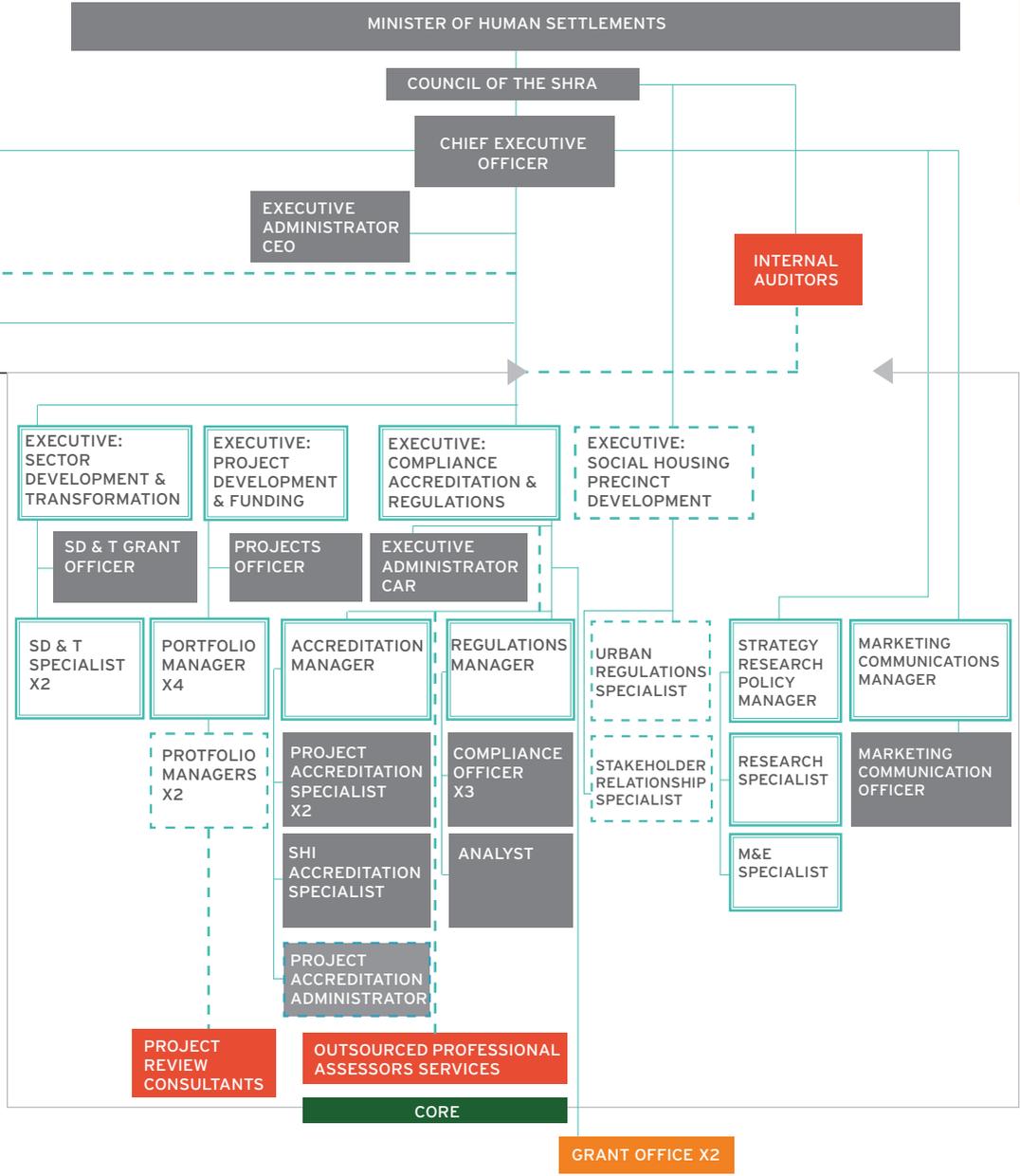


KEY

SHORT-TERM CONTRACT

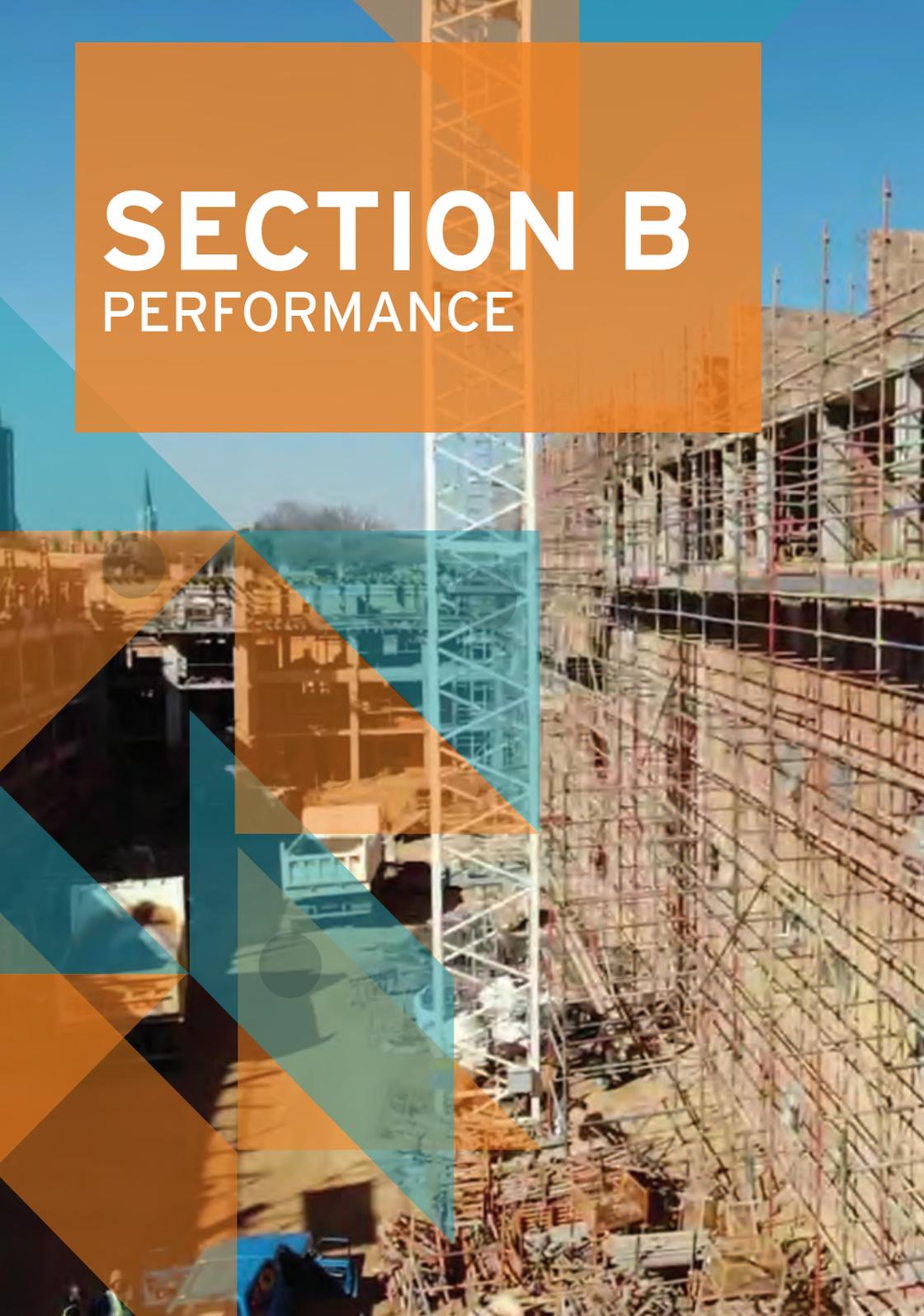
OUTSOURCED FUNCTION

PROPOSED ADDITION



SECTION B

PERFORMANCE





5. PERFORMANCE OF THE ENTITY

5.1. COVID-19 report

The global impact of the COVID-19 pandemic and the South African President's ensuing declaration of a state of disaster cannot be underestimated – across all spheres and programmes in the construction sector. Delivery objectives for the SHRA were directly compromised by this situation, with all active construction sites being shut down over approximately 10 weeks during the national lockdown, hindering the achievement of the planned targets for the 2020/21 financial year.

Going forward, the South African construction industry is predicted to experience similar difficulties to those observed during events in China in May 2020 and Europe in June 2020 – such as material supply chain disruption as well as low productivity due to a reduced labour force on site as per the regulations (as amended).

A decline in local economic activity and GDP that has already been noted, supports predictions of difficult times ahead.

5.2. Organisational environment

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

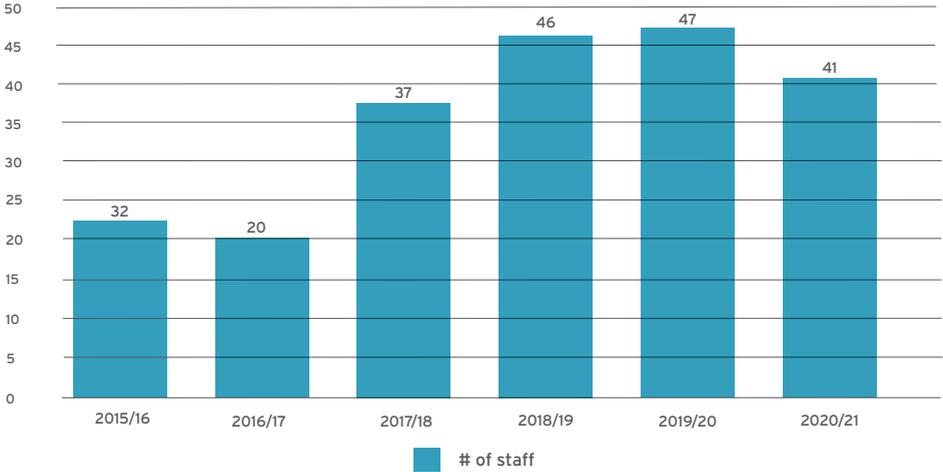


Figure 2: Number of staff over the period of 2015/16-2020/21

5.2.1. Enhanced performance of the entity

The figure above (Figure 2) illustrates the staff turnover from the period of 2015/16 to 2020/21 showing an improvement over the years. During the period under review, the SHRA had 41 permanent employees – showing a decline from the 2019/20, financial year.

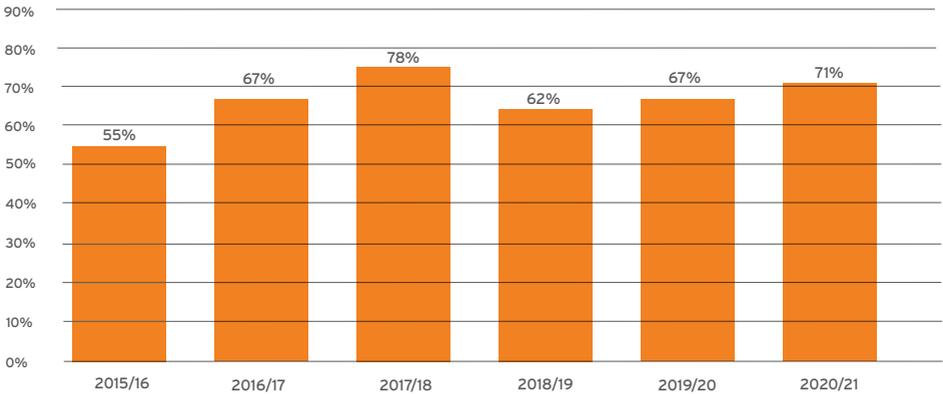


Figure 3: Annual performance rate over the period of 2015/16-2020/21

The figure above (Figure 3) illustrates the achievement over the years from 2015/16 to 2020/21. During the period under review, the SHRA has achieved performance of 71% as compared to 2018/19, where achievement was at 62% and 2019/20, where it was at 67% – showing slight improvement during the period under review.

5.3. Achievement against the strategic outcome-oriented goals

5.3.1. Stimulate social housing delivery

The figure below (Figure 4) illustrates the number of units approved and completed in recent years. The 2019/20 financial year saw 4 816 units approved and 3 010 units completed, while the period under review saw the SHRA having 4 006 units approved and 1 856 units completed.

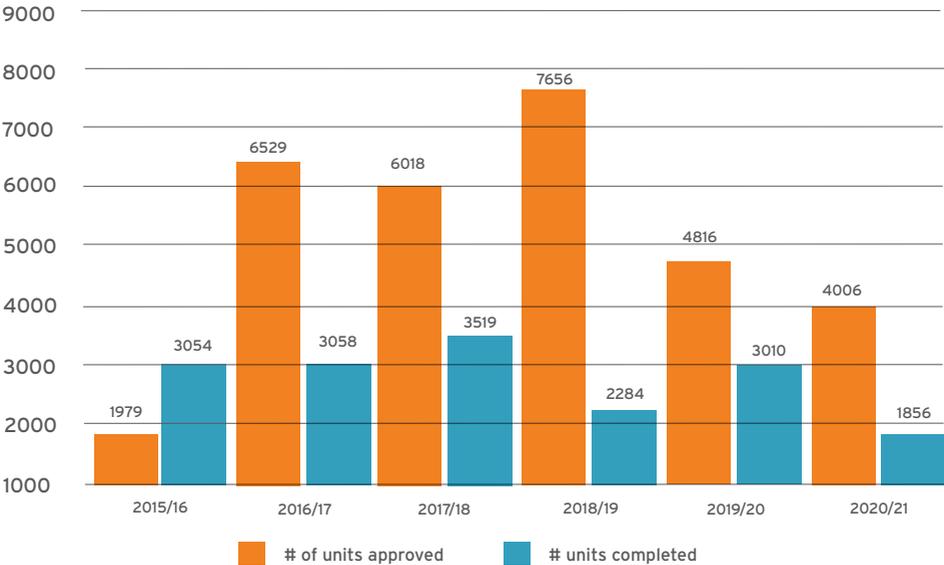


Figure 4: Number of units approved and completed over the period of 2015-2021

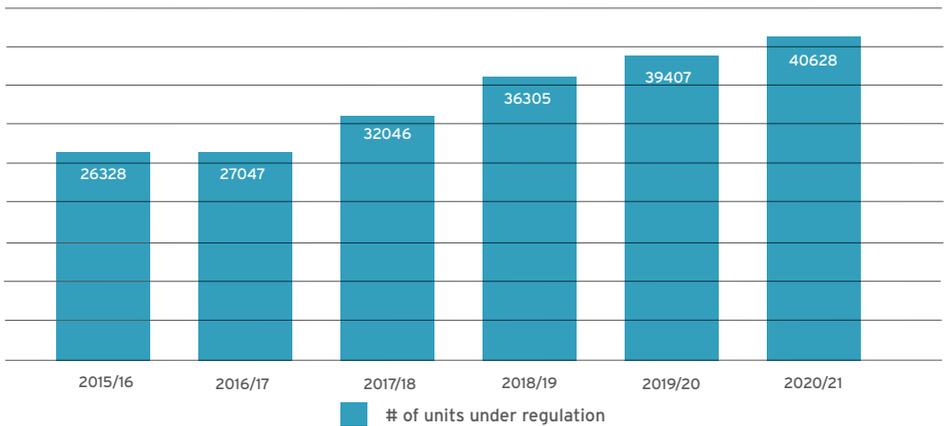


Figure 5: Number of units under regulation over the MTSF period (2015-2021)

The figure above (Figure 5) shows the growth trend in the number of units under regulation over the period of 2015-2021: 32 046 in 2017/18, 36 305 in 2018/19 and 39 407 in 2019/20. The 2020/21 period saw 40 628 in 2020/21, showing a year-on-year increase of 7.5% in the number of units under regulation. This is almost a double in the number of units over the 5-year period from 2015/16 to 2020/21.

5.4. Performance information by programme

The performance tables in Annexure A reflect the targets of each programme and the level of achievement against them.

5.4.1. Administration Programme

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

5.4.1.1. 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. To achieve this, the sub-programme undertakes research to develop best practice for the sector, recommend policy changes to the Minister and Department, and support the growth and development of social housing.

The following roles fall under the Office of the CEO:

- Strategic Planning
- Performance Information
- Monitoring and Evaluation
- Policy

- Research
- Public Relations
- Stakeholder Management
- Marketing and Communication

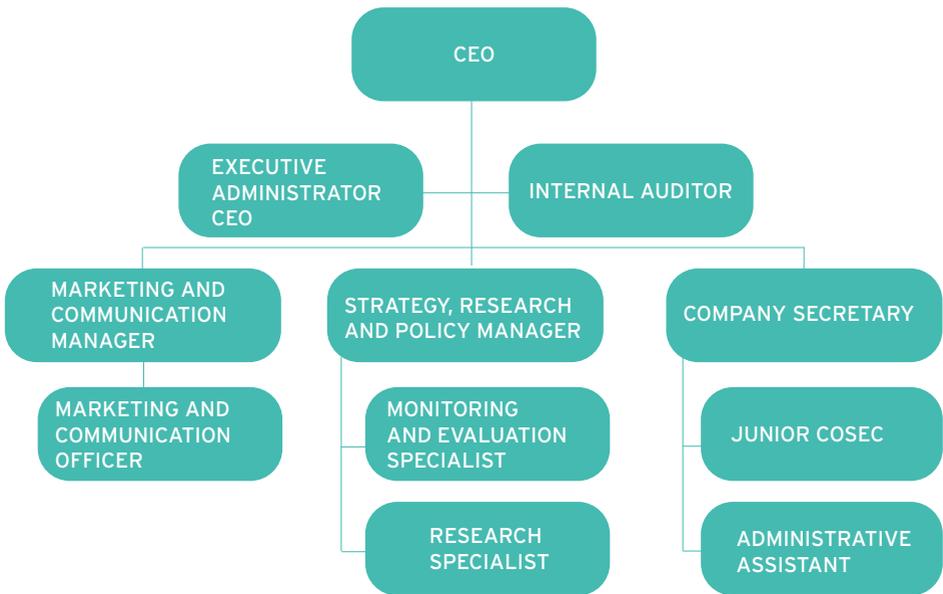


Figure 6: Office of the CEO structure

5.4.1.1.1. Strategy, research and policy

Revised APP 2020/21, final draft APP 2021/22 and operational plans

- The SHRA's revised APP for 2020/21 was tabled in parliament and approved in March 2021 following a review process that commenced in the prior year. This saw targets being reduced in terms of units completed and tenanted, as well as the number of tenancy audits and building condition audits being halved. Approval for the APP 2021/22 as well as the SHRA's operational plan was received before the end of March 2021.

State of the Sector 2020 report

- The State of the Sector 2020 report was approved by the SHRA Interim Council in March 2021 and has since been published on the SHRA website in March 2021.

Co-operatives and instalment sale projects

- The Co-operatives and instalment sale study was completed during the period under review and has been published on the SHRA website.

Rent Relief Fund

- In line with the announcement made in the medium-term budget the SHRA has – in partnership with the National Department – preparation for the implementation of the Rent Relief Fund. This included drafting the requisite Rent Relief Grant Disbursement Policy, Terms of Reference for the Approvals Committee Standard Operating Procedures and Business Plan, which was approved by the National Department of Human Settlements in the last quarter of the financial year.

Appointment of short-term resources to assist with the management of the Social Housing Residential Rent Relief Programme commenced towards the end of the financial year and the funds were transferred to the SHRA's account on 31 March 2021. The roll-out of the programme is therefore set to commence in the 2021/22 financial year.

5.4.1.1.2. Marketing and Communications

Kempton Village Project Launch

The SHRA and the Department of Human Settlements, Water and Sanitation handed over the newly completed Kempton Village project in Ekurhuleni on Sunday, 8 November 2020, with media and stakeholders in attendance. Esteemed guests included Ekurhuleni Executive Mayor, Mzwandile Masina; SHRA Chairperson, Bathabile Dlamini; Department of Human Settlements Director-General, Mbulelo Tshangana; National Assembly Chairperson of Portfolio Committee on Trade and Industry, Duma Nkosi; Acting MMC at the City of Ekurhuleni, Masele Madihlaba; SHRA CEO, Rory Gallocher; and the National Empowerment Fund CEO, Philisiwe Mthethwa, among others.

The project comprises 312 units and was completed in only 13 months, despite disruptions. Valued at R127 million, the project will cater for rentals for low- to middle-income earners who will be paying from R625 to R4 800 for rent, depending on their income brackets.





The Anchorage Project Launch

The Department of Human Settlements, Water and Sanitation, along with the Western Cape Department of Human Settlements and the SHRA, launched the Anchorage Social Housing Project in Glenhaven, in the Western Cape, on Tuesday, 9 March 2021. Minister of Human Settlements, Lindiwe Sisulu, and the Western Cape Minister of Human Settlements, Mr Tertuis Simmers, launched the project, which comprises 512 social housing units.

Construction for the Anchorage Social Housing project started in October 2018. The first phase of social housing is made up of 416 apartments arranged in four-storey walk-ups in five buildings. To date, 209 of the completed 416 units – as part of the first phase of the project – are occupied. The second phase consists of a single, four-storey building of 96 units.





5.4.1.2. Corporate Services

The purpose of the Corporate Services sub-programme is to support the activities of the entity as well as enhance its performance.

This sub-programme consists of the following functions:

- Finance
- Supply Chain
- Legal
- Corporate Governance
- Risk Management
- Human Resource Management
- Information Technology and Information Management

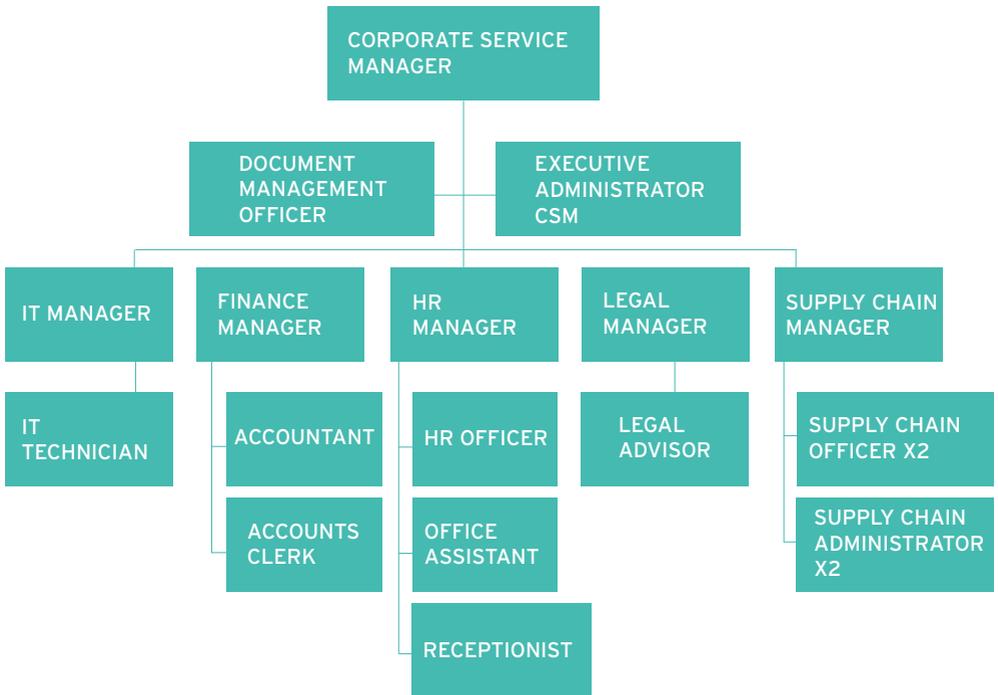


Figure 7: Corporate service structure

5.4.1.2.1. Financial Management

The SHRA's budget allocation from the National Department of Human Settlements for the year under review – amounting to R1 117 520 000 – has been received in full, and the approved allocation was as follows:

- Administration R38 528 658
- Institutional Investment Grant (IIG) R18 650 000
- Consolidated Capital Grant (CCG) R725 747 000
- Rent Relief Fund R300 000 000

5.4.1.2.2. Human Resource Management

The SHRA's approved staff complement for the current financial period ending 31 March 2021 was 53. As at 31 March 2021 the entity had 37 permanent staff members and four five-year fixed contract staff members in its employ, amounting to 41 total staff. As at the end of 31 March 2021, the vacancy rate stands at 22,64% – translating into 12 vacant positions. When considering only funded positions the vacancy rate reduced to 18%, as a result of nine vacant funded positions out of the total 50 funded positions.

5.4.1.2.3. Information Communication Technology (ICT)

During the period under review, a process of reviewing the ICT Strategy, the implementation thereof and the status of the MyShra project was commissioned and carried out by the SHRA's internal auditors. The review of the ICT strategy was finalised and in the main outcome recommends that the ICT strategy be enhanced – including ICT guiding frameworks – to ensure completeness and adherence to appropriate frameworks.

The ICT Governance Framework has been reviewed in order to align it with the current ICT landscape and prevailing best practices. Despite the absence of an IT Disaster Recovery Plan document, the SHRA has disaster recovery processes in place. SAGE VMWare has been deployed, as well as a separate, standalone laptop to assist with daily backups.

5.4.1.2.4. Supply Chain Management

The SHRA has a five-member supply chain management team that is responsible for ensuring compliance with the National Treasury's Supply Chain Management (SCM) Regulations. During the period under review, the SCM function was carried out in compliance with policy and was audited

by the internal auditors. The SHRA's currently implemented SCM policy is aligned with the National Treasury's prescripts.

5.4.1.2.5. Legal

Legal services continued to provide legal advice on regulatory matters – particularly on project accreditation and compliance issues – and has also provided legal opinions, including on the applicable housing codes and the application of the variation manual to Geotech and SCCCA variations. It also drafted Notarial Deeds of Restriction, Consolidated Capital Grant Agreements, addenda to Restructuring Capital Grant Agreements and Consolidated Capital Grant Agreements, and drafted/vetted agreements relating to meeting conditions precedent and financial closure for the release of funds to grant recipients.

There were 11 matters where legal proceedings were instituted during the period under review. The matters worth noting are discussed below.

FRESHCO

An application for a declaratory order to place FRESHCO under administration was served on FRESHCO and filed in court during the period under review. The purpose of making an application for a declaratory order was for the court to declare the appeals of FRESHCO moot, as FRESHCO have not taken any further steps in the appeals since having filed their notice to appeal. With the time for FRESHCO to file any further papers in their appeal having expired, the appeals have become moot and the SHRA has asked the court to make an order declaring them as such. The matter was set down for 18 March 2021 on the unopposed roll.

FRESHCO filed a notice to oppose and will be required to file the answering affidavit to the SHRA's founding affidavit. FRESHCO also filed an application in court for the court to make an order that ABSA bank unfreeze their bank account or allow the directors access to the bank account. The SHRA has filed a notice to oppose this application and is preparing its answering affidavit.

Lekwa

During the period under review, the SHRA filed its answering affidavit, to force SHRA to meet its alleged contractual obligation and raised the following point in limine: that in terms of the CCG, the matter needed to be referred to arbitration first and not directly to the High Court. Lekwa requested that the matter continue in the High Court as the process has already started in the High Court but have subsequently agreed for the matter to be heard through arbitration.

Communicare matters

Tenants of Communicare have filed two matters in court for two different projects, with the SHRA cited as a party to both proceedings as the tenants are requesting the court to make an order placing the projects under administration. Communicare have filed notice to oppose the two matters and have sought an order from the court to consolidate the two matters, as the tenants filing the matters do not want the two matters to be consolidated because the matters are based on the same set of facts. In light of this, the SHRA supports the consolidation and will prepare its submission, which it will place before the courts.

HAEL

HAEL's contract for the Belgravia Valley Phase 3 project was cancelled in April 2020 due to non-performance. Management has entered into discussions with the institution with the aim of recovering funds for the cancelled project and dealing with the matters of regulatory non-compliance.

5.4.2. Compliance, Accreditation and Regulation Programme

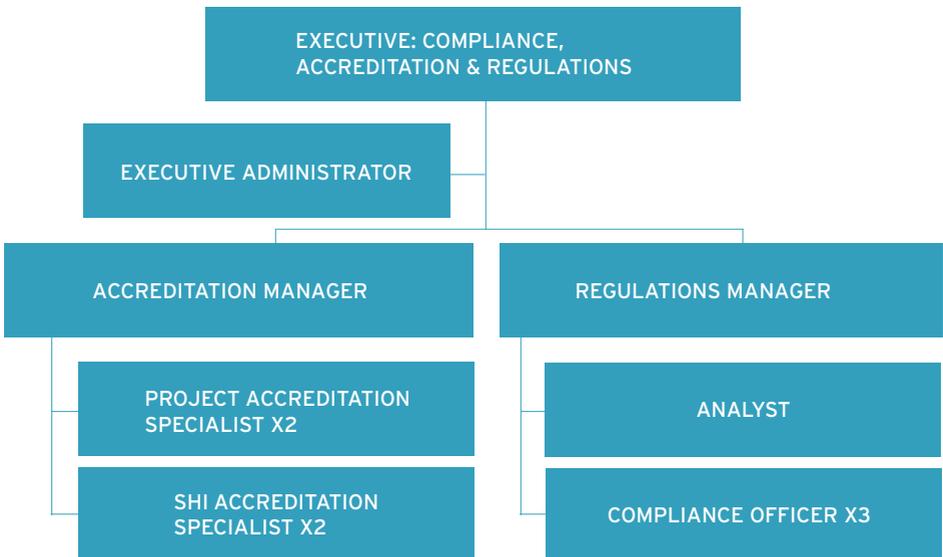


Figure 8: Compliance, Accreditation and Regulations Programme

During the period under review, nine projects in five different provinces have been accredited. These projects were submitted by five SHIs and four Other Delivery Agents (ODAs). There are currently 75 projects from various institutions in the pipeline. Four of these projects are from municipally owned entities (Tshwane Housing Company and JOSHCO). The pipeline as at year end reflected a potential yield of 32 396 units.

The majority of projects are from Gauteng Province (more than 50% of the pipeline) with more work required in Limpopo and the Free State so that projects may ultimately be supported by these provinces and recorded within the SHRA pipeline for support.

Two new institutions started reporting towards the end of the period under review, bringing the number of reporting institutions with units under management to 33. Of the institutions reporting, 26 are accredited SHIs, while six ODAs and one housing co-operative (Troyeville Housing Co-Operative) are also reporting.

The number of units under regulation increased from 40 317 to 40 628 during the period under review. Overall, 50% (15/30) of the reporting institutions met three or more of the five benchmarks that the SHRA uses to measure performance – resulting in a decrease of 3.7%. The benchmark and reporting framework were reviewed during the year, to have them align better with the required entity performance, and this will be implemented in the new financial year.

Accreditation

There are 92 accredited institutions in the SHRA's accreditation register, with eight of the institutions fully accredited – all of which have projects under management – while 84 are conditionally accredited. The policies and procedures related to accreditation have been reviewed to introduce a more proactive and supportive accreditation process going forward, to ensure that inclusive growth can be achieved while also creating a sustainable and transformed social housing sector for the future.

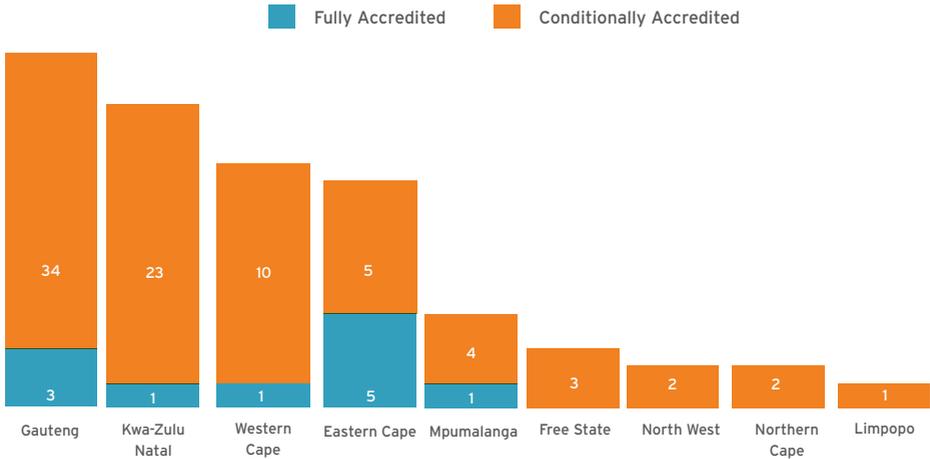


Figure 9: Accredited SHIs per province

Tenancy audits and building condition audits

According to Chapter 3, section 9 of the Social Housing Act, the SHRA should conduct tenancy audits and building condition audits. Tenancy and building condition audits for this financial year were delayed due to the lockdown regulations. However, in the period under review, the SHRA was able to complete tenancy audits in five projects – resulting in a total of 1 867 tenancy audits for the period under review. The SHRA was also able to complete 1 786 building condition audits across 30 projects.

5.4.3. Sector Development and Transformation Programme



Figure 10: Sector Development and Transformation Programme structure

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 co-ordination and management of Institutional Investment Grants.

During the period under review, the Sector Development and Transformation (SD&T) unit focused on building and formalising stakeholder partnerships, including in the context of the implementation of the incubation project and municipal support project. Training, best practice and awareness sessions also continued with gender mainstreaming initiatives – including work on Gender-Based Violence (GBV) in social housing – established and to be implemented in the next financial year.

Six institutions completed their participation in the incubation project for the year. Three of those already have projects in the pipeline, while work with others continuing to either potentially foster relationships with municipalities in our support programme or work with the Housing Development Agency (HDA) on making land available.

Seven municipalities from five provinces were included in the municipal support project, with a further four municipalities in two additional provinces identified for support. The intent is to achieve completion of new social housing projects within these municipalities, with land availability agreements for four projects in three municipalities having been achieved.

Training sessions presented by the SD&T unit within the year under review included best practice working sessions on our response to GBV, managing rental boycotts/project invasions, community development initiatives, rent collections/vacancy management, good governance, project packaging, and introduction of social housing to new and potential entrants.

The Training Programme saw 1 128 participants enlisted for the year, with our analysis showing that approximately 58% of attendees were female, 42% youth and 4% military veterans. Various awareness sessions were also held during the period under review, with a focus on designated groups to ensure more representation of these groups in future social housing development.

Further work was done with the Black Business Council in the Built Environment (BBCBE) and SA Women in Construction and Built Environment (SAWIC&BE) to facilitate continued working relationships in support of the designated groups participating in social housing. Engagements with the Health and

Welfare SETA and Gender Equality Commission were also initiated to create more opportunities for community development and gender mainstreaming.

A number of institutions continue to provide institutional and project support, such as where institutional investment grants were approved and where the support is provided through service providers appointed and managed by the SHRA.

5.4.4. Project Development and Funding Programme

This programme looks at the methods of ensuring the SHRA delivers on the MTSF target of 30 000 units, and is responsible for pipeline planning, capital grant contract management, grant contract management and forging partnerships with provinces, municipalities, other government departments, funders and the private sector to stimulate growth of the sector.

Partnerships and co-ordination of the sector stakeholders are imperatives in the development of social housing.

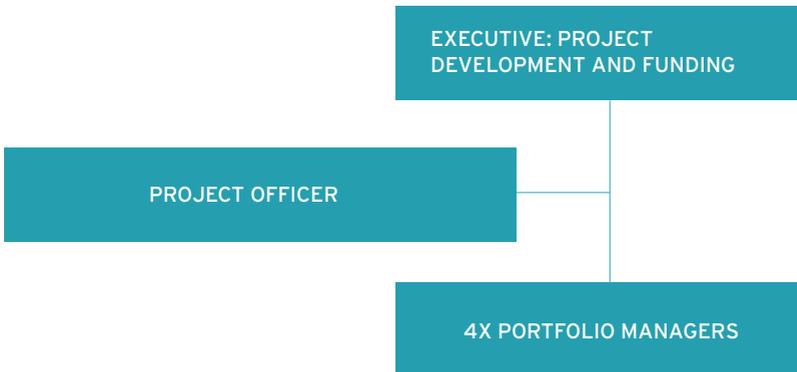


Figure 11: Project Development and Funding programme structure

5.4.4.1. Units delivered (tenanted)

The target for the 2020/21 financial year was 3 870 social housing units tenanted. The year-to-date tenanting for the 2020/21 financial year totalled 985, resulting in a year-to-date marginal negative variance of 2 885 social housing units tenanted.

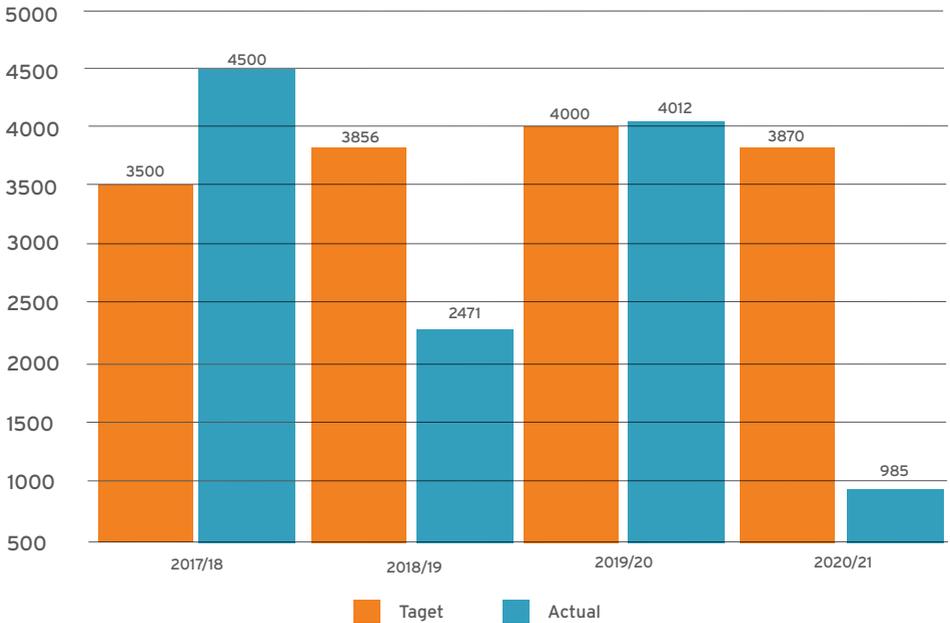


Figure 12: Tenanting trends

5.4.4.2. Unit completion

The target for the 2020/21 financial year is 4 006 social housing units completed. Practical completion as depicted in the figure below (Figure 13) shows completion of zero units in Q1, 377 units in Q2, 1 092 units in Q3 and 1 856 units in Q4 – which is 1 856 units completed for the period and an annual shortfall of 2 150 units completed.

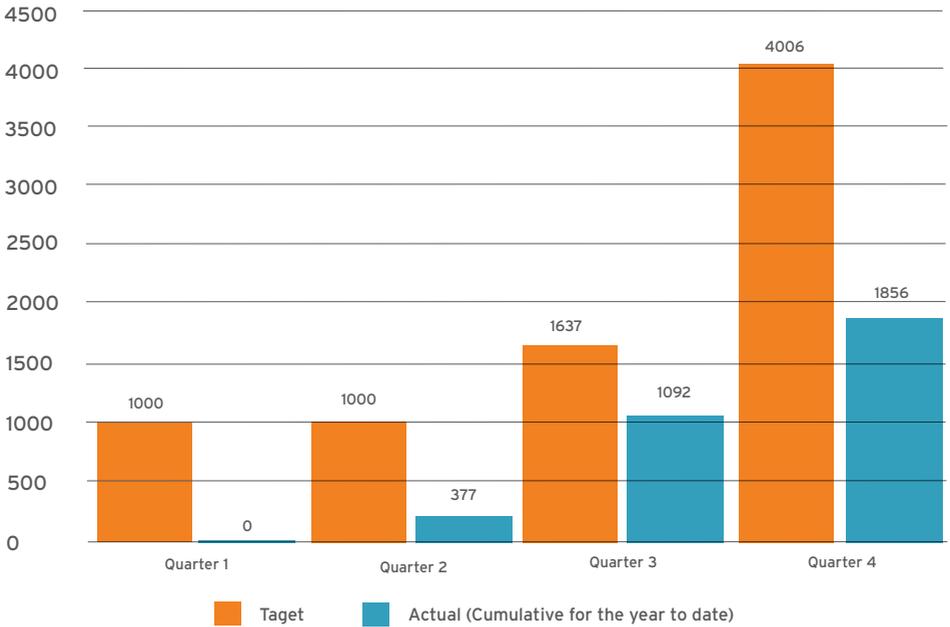


Figure 13: Unit completion 2020/21

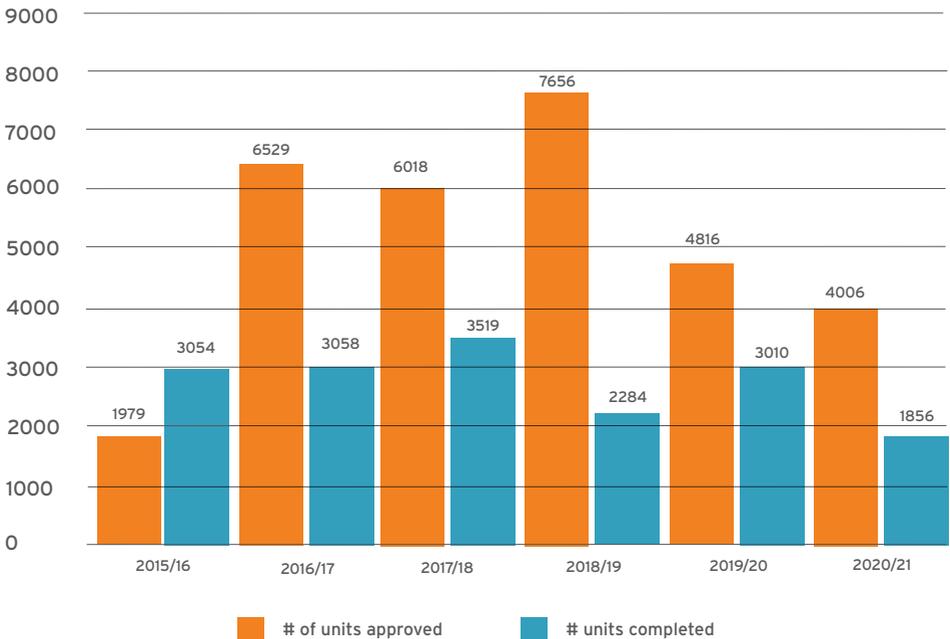


Figure 14: Unit completion trends 2015-2021



PART C

GOVERNANCE



6. 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, with the SHRA making all reasonable endeavours to implement the best processes and principles of good corporate governance to assist its Council in discharging their duties, which include the delivery of good services to all stakeholders.

7. ASSESSMENT OF CORPORATE GOVERNANCE COMPLIANCE

The Council of the SHRA undertakes assessments on a quarterly basis regarding application, implementation and adherence in terms of the Social Housing Act and its regulations, the PFMA and the King Principles. These assessments reveal that the SHRA's governance processes are well entrenched.

8. 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 so doing 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 includes, inter alia, the present and potential beneficiaries of the SHRA's services, clients, suppliers, lenders, employees and the wider community to achieve continuing prosperity.
- 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.
- 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.

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

10. COUNCIL REMUNERATION

Non-executive Members receive fees for their contribution to the Council and the committees on which they serve, with the Shareholder determining the rate. Non-executive Members are also reimbursed for out-of-pocket expenses incurred on the Entity's behalf. Further information on Council Members remuneration appears on pages 69 to 70.

11. COMPANY SECRETARIAL FUNCTION

Directors have unrestricted access to the advice and services of the Company Secretary as well as the Secretariat Department. The members are entitled to obtain independent professional advice at the SHRA's expense should they deem this necessary. The Company Secretary – in addition to performing other assurance functions – monitors the SHRA's compliance with the requirements of the PFMA, Companies Act and other relevant legislation.

12. STAKEHOLDER RELATIONS

In addition to the interests of the government as a shareholder, the SHRA recognises the legitimate interest of specific government departments, employees, consumers, suppliers, the media, policy and regulatory bodies, trade unions, non-governmental groups and local communities in its affairs. Communication and interaction with stakeholders are ongoing during the year and are addressed through various channels, depending on the different needs of the various stakeholders.

13. KING IV REPORT

The SHRA has applied King IV principles and practices, but as a state-owned entity, some of these cannot be applied. In other instances, the SHRA has adopted alternative practices to those recommended by King IV.

The table below reflects the application of the King IV principles and practices:

#	Principle	Details	Status
1	Leadership	The accounting authority should lead ethically and effectively.	Applied.
2	Organisational Ethics	The accounting authority should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Applied. Code of Conduct and Ethics Policy in place.
3	Responsible Corporate Citizen	The accounting authority should ensure that the organisation is and is seen to be a responsible corporate citizen.	Applied.
4	Strategy and Organisational Performance	The accounting authority should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Applied.

5	Reporting	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.	Applied. Consideration is being given to the preparation of the annual report.
6	Role and Responsibilities of the Governing Body	The accounting authority should serve as the focal point and custodian of corporate governance in the organisation.	Applied. Council committed to this by setting an unequivocal tone from the top that requires all Council members and employees to embrace transparency and accountability in the performance of their duties.
7	Composition of the Governing Body	The accounting authority should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively.	Applied. The Council has a mix of diverse skills, knowledge, and experience to objectively discharge their governance responsibilities. Consideration is being given to the skills identified as lacking at Council level.
8	Structure Committees	The accounting authority should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	Applied. The Council comprises different committees that attend and report on each other committee's duties.
9	Performance Evaluation	The accounting authority should ensure that the evaluations of its performance and that of its committees, its chair, and its members, support continued improvement in its performance and effectiveness.	Applied. The performance evaluation of the Council and its Committees will be considered in the upcoming financial year.
10	Appointment and Delegation of Management	The accounting authority should ensure that the appointment of – and delegation to – management contribute to role clarity and the effective exercise of authority and responsibilities.	Applied. Delegation of Authority (DOA) Framework is in place.

11	Risk Governance	The accounting authority should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Applied. Risk Management Policy and Framework are in place.
12	IT Governance	The accounting authority should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	Applied. IT Governance Framework in place.
13	Compliance Governance	The accounting authority should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Applied. Compliance Policy is in place. Quarterly Compliance Reporting is in Place. Policy Management Framework is in place. Conflict of Interest Management is in place.
14	Remuneration	The accounting authority should ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Applied. Remuneration Policy is in place.
15	Combined Assurance Model	The accounting authority should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external report.	Applied.
16	Stakeholders	In the execution of its governance roles and responsibilities, the accounting authority should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders with the best interests of the organisation over time.	Stakeholder Management and Communications Plan in place.

14. FRAUD AND CORRUPTION

Forensic Investigations

The Council is responsible for ensuring that an integrated fraud prevention plan is implemented to minimise opportunities for irregularities – particularly fraud. To support the strategic intent and business objectives of the SHRA, the Council or its Committees may at their discretion request a forensic audit where there is prima facie evidence that this is justified.

Minimising Conflict of Interest

Council members and staff are required to declare their interests before the commencement of each meeting and on an annual basis, whether or not there is a change in the status of their interests.

Code of Conduct

The SHRA has a Code of Conduct and Ethics in place, which aims to ensure that all of its employees share the same values and levels of accountability.

Attendance at Council meetings

Council meetings are scheduled annually, in advance. Special meetings are convened as necessary to address specific issues. Council Members or external committee members who, on an exceptional basis, cannot physically attend meetings may participate electronically. Meetings of the Council consist of special, adhoc and in-committee meetings which are attended by Non-Executive Council Members – with Executive Council Members attending on an invitation basis.

The record of attendance is provided for all Committee and Council meetings and is reflected in the Audited Annual Financial Statements on page 93.

PART D

HUMAN RESOURCES MANAGEMENT





The SHRA's approved staff complement for the current financial period ending 31 March 2021 is 53. As at 31 March 2021, the entity had 37 permanent staff members and four five-year fixed contract staff members – amounting to 41 total staff members – with the vacancy rate standing at 22.64%, which translates into 12 vacant positions. There were eight terminations and five new appointments during the period ended 31 March 2021.

OCCUPATIONAL LEVEL	MALE				FEMALE				FOREIGN NATIONALS		TOTAL
	A	C	I	W	A	C	I	W	M	F	
Executive/Council management					1						1
Senior management	1			1	1						3
Professional/qualified and experienced specialists and mid-management	3			1	6			1			11
Skilled/technical and academically-qualified workers, junior management, supervisors, foremen, and superintendents	5		1		10	2	3				21
Semi-skilled and discretionary decision making	2				3						5
Total permanent employees	11	0	1	2	21	2	3	1			41
Temporary employees				1							1
Grand total	11	0	1	3	21	2	3	1	0	0	42

Table 3: EE actuals as at 31 March 2021

Labour Relations

Disciplinary Actions

No formal disciplinary warnings were issued during the period under review.

Grievances

No grievances were received during the period under review.

Suspensions

There was one suspension during the period under review.

One employee has subsequently resigned in the first quarter of the new financial year.

Employment Equity

	African	Coloured	Indian	White
Target (for 31 March 2021)	73.58%	5.66%	13.21%	7.55%
Actual (as at 31 March 2021)	78.05%	4.88%	9.76%	7.32%
Variance	4.47%	-0.78%	-3.45%	-0.41%

Table 4: Employment equity analysis

Month	New appointments	Terminations/ Resignations
01 April 2020 - 31 March 2021	5	8

Table 5: Employment and resignation

PART E

ANNUAL FINANCIAL STATEMENTS





SOCIAL HOUSING REGULATORY AUTHORITY

Audited Annual Financial Statements for the year ended 31 March 2021

General Information

Country of incorporation and domicile	South Africa
Members	Ms BO Dlamini (Chairperson) Ms BN Nzo (Deputy Chairperson) Mr D Duma Ms Z Hill Mr O Mabena Ms R Matenche Mr TM Sukazi Mr PWW Ximiya Ms A Puoane (Corporate Services Manager) Ms M Nkopane (Acting Chief Executive Officer)
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 audited annual financial statements were independently compiled by: RAI ⁿ Chartered Accountants Incorporated Chartered Accountants (SA)
Reviewer	Mr. V Fakudze Financial Manager
Authorised by	Ms A Puoane Corporate Services Manager

Index

Report of the Council's Responsibilities and Approval	54
Audit and Risk Committee Report	56
Independent Auditor's Report	58
Council's Report	66 - 76
Statement of Financial Position	77
Statement of Financial Performance	78
Statement of Changes in Net Assets	79
Cash Flow Statement	80
Statement of Comparison of Budget and Actual Amounts	81
Accounting Policies	83 - 92
Notes to the audited Annual Financial Statements	93 - 116
Supplementary information: Detailed Income Statement to be included	117

REPORT OF THE COUNCIL'S RESPONSIBILITIES AND APPROVAL

The Council is required by the Public Finance Management Act (Act 1 of 1999) as amended, 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 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 will be engaged to express an independent opinion on the audited annual financial statements and 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 with the Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The Council has fulfilled its responsibilities in accordance with section 51 of the Public Finance Management Act. The Council acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Social Housing Regulatory Authority and all employees are required to maintain the highest ethical standards in ensuring the Social Housing Regulatory Authority's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Social Housing Regulatory Authority is on identifying, assessing, managing and monitoring all known forms of risk across the Social Housing Regulatory Authority. While operating risk cannot be

fully eliminated, the Social Housing Regulatory Authority 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 deficit.

The Council has reviewed the entity's cash flow forecast for the year to 31 March 2022 and, in the light of this review and the current financial position, they are satisfied that the Social Housing Regulatory

Authority has access to adequate resources to continue in operational existence for the foreseeable future.

The Social Housing Regulatory Authority 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 the entity 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 77 - 117, which have been prepared on the going concern basis, were approved by the Council on 31 August 2021 and were signed on behalf of the Council by:



Ms BO Dlamini
Chairperson

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2021.

Audit committee members and attendance

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

Name of member	Number of meetings attended	Number of special meetings attended	Apologies
Ms F Kobo* (Chairperson)	8	6	2
Mr D Duma	8	5	3
Ms Z Hill	8	5	3
Ms R Matenche	8	5	3
Ms BN Nzo	8	6	2
Mr TM Sukazi	8	2	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 Social Housing Regulatory Authority 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 previously identified significant deficiencies were

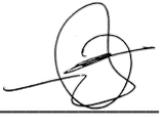
addressed by management. Except for those, we can report that the system of internal control over financial reporting for the year under review fairly efficient and effective.

Evaluation of audited annual financial statements

The audit committee has reviewed and discussed the audited annual financial statements and annual performance report to be included in the annual report, for submission to external auditors.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.



Ms. F Kobo
Chairperson of the Audit Committee
31 August 2021

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE SOCIAL HOUSING REGULATORY AUTHORITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. We have audited the financial statements of the Social Housing Regulatory Authority set out on pages 77 to 117, which comprise the statement of financial position as at 31 March 2021, 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.
2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Social Housing Regulatory Authority as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.
4. We are independent of the public entity in accordance with Independent Regulatory Board for Auditors' Code of Professional Conduct for Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards).

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

Emphasis of matter

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

Irregular expenditure

7. As disclosed in note 19 to the financial statements, there are further matters under assessment and investigation, which may involve irregular expenditure but the nature and extent of which have not been established at reporting date.

Other matter

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

Unaudited supplementary information

9. The supplementary information set out on pages 118 to 119 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and, accordingly, we do not express an opinion on it.

Responsibilities of Council for the financial statements

10. The Council, which constitutes the accounting authority, is responsible for the preparation

and fair presentation of the financial statements in accordance with the 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.

11. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

12. 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.

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

14. In accordance with the Public Audit Act of South Africa of 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

15. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity’s approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine

whether the actions taken by the public entity enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.

16. 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 public entity’s annual performance report for the year ended 30 March 2021:

17. We performed procedures to determine whether the reported

Programmes	Pages in the annual performance report
Programme 4: Project Development and Funding	136 - 139

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.

18. We did not identify any material findings on the usefulness and reliability of the reported performance information for the following programme:

- Programme 4: Project Development and Funding

Adjustment of material misstatements

19. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 4: Project Development and Funding. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, we have a

responsibility to report material findings on the public entity's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

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

Appointment of Council

22. The appointment of the Interim Council was not in accordance with the requirements of section 9 of the Social Housing Act, 2008 (Act No.16 of 2008). The Interim Council was appointed on 28 October 2019 and was in place during the financial year ended 31 March 2021.

Annual financial statements, performance and annual report

23. 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 commitments that were identified by the external auditors. The entity subsequently corrected the financial statements, resulting in an unqualified audit opinion being issued.

OTHER INFORMATION

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
25. Our opinion on the financial statements and our findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
26. 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 during the audit or otherwise appears to be materially misstated.
27. We did not receive the other information prior to the date of this auditor's report. If when we receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with

governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL, DEFICIENCIES

28. We considered internal control relevant to our audit of the financial Statements, 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 findings on the annual performance report and the findings on compliance with legislation included in this report.
29. Leadership did not implement effective controls to ensure accurate performance and financial reporting nor did they exercise adequate oversight responsibility over compliance with applicable legislation, which resulted in irregular expenditure and material adjustments made to the annual performance report and the annual financial statements.

OTHER REPORTS

30. We draw attention to the following

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

Investigations

31. During the previous year, the public entity instituted a forensic investigation into allegations of bribery and corruption. The investigations were completed during the period under audit. At the date of this report, consequence management, financial recovery and remediation processes were underway.
32. The public entity instituted a forensic audit into allegations of corrupt relationships and collusion between employees

and external parties. The investigations were not completed during the period under audit. At the date of this report, a final report had been presented to management and consequence management and remediation processes were underway.

AUDITOR TENURE

33. 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 4 years.



Nexia SAB&T
Philemon Mawire
Director
Registered Auditor

31 August 2021

119 Witch-Hazel Avenue, Highveld
Techno-park, Centurion

ANNEXURE - AUDITOR'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

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

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtained an understanding of internal control relevant to the audit in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council, which constitutes the accounting authority
- Assessed on the appropriateness of the Council, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also assess, 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 us at the date of this auditor's report. However, future events or conditions may cause a

public entity to cease continuing as a going concern.

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

Communication with those charged with governance

3. 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.

COUNCIL'S REPORT

The members submit their report for the year ended 31 March 2021.

1. Review of activities

Main business and operations

The Social Housing Regulatory Authority was established in terms of section 7 of Chapter 3 the Social Housing Act, 2008 and is also listed as a Schedule 3A public entity in terms of Public Finance Management Act, No. 1 of 1999 (PFMA), amended. The Public, as appointed in terms of section 9 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 accept deletion organisation established to ensure the sustainability and growth of the social housing rental sector in line with the government's objectives by investing in and regulating the social housing sector as well as providing guidance to the sector.

The operating results and state of affairs of the entity are fully set out in the attached 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 Social Housing Regulatory Authority is currently working closely with the National Department of Human Settlements to effectively align its mandate and delivery in line with the targets set out in the Medium-Term Strategic

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

3. Subsequent events

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

4. Council's interest in contracts

All Council members are required to sign a declaration of interest register at the commencement of each Council and Council Committee meeting. 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 2021 were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), the PFMA and its regulations, directives and interpretations issued by the Accounting Standards Board.

6. Non-current assets

There 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.

7. Council Members

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

Name	Nationality	Changes
Non-Executive Members		
Ms BO Dlamini (Chairperson)	South African	
Ms BN Nzo (Deputy Chairperson)	South African	
Mr D Duma	South African	
Ms Z Hill	South African	
Mr O Mabena	South African	
Ms R Matenche	South African	
Mr TM Sukazi	South African	
Mr PWW Ximiya	South African	
Executive Members		
Mr R Gallocher (Chief Executive Officer)	South African	Contract ended 31 January 2021
Ms M Nkopane (Acting Chief Executive Officer)	South African	Appointed 25 February 2021
Ms A Puoane (Corporate Services Manager)	South African	

Composition of the Council

The current interim Council was appointed on 28 October 2019. The Minister issued a re-advertisement call for nomination of non-executive members to serve on the Council of the Social Housing Regulatory Authority on 29 August 2021.

8. Council Members and Executive Managers Remuneration

Council Members					
	Meeting fees	Travel expenses	Other services	Total package 2021	Total package 2020
Non-executive Members					
Chairperson: Ms B Dlamini	77 071	-	31 800	108 871	77 031
Previous Chairperson: Mr ZT Ngcakani	-	-	-	-	55 861
Deputy chairperson: Ms BN Nzo	108 302	-	14 457	122 759	58 824
Previous Deputy Chairperson: Ms N Ntshongwana	-	-	-	-	124 920
	185 373	-	46 257	231 630	316 636

Non-executive Members					
Mr D Duma	71 886	-	4 720	76 606	57 701
Ms Z Hill	97 540	129	9 715	107 383	63 384
Mr O Mabena	85 356	-	11 960	97 316	60 074
Ms R Matenche	83 784	-	6 785	90 569	49 258
Mr TM Sukazi	44 629	2 525	970	48 124	54 233
Mr PWW Ximiya	89 354	-	18 556	107 910	198 000
Mr MM Chikane	-	-	-	-	15 178
Mr SK Ganda	-	-	-	-	194 450
Mr MI Higgins	-	-	-	-	102 605
Mr IW Kotsoane	-	-	-	-	158 046
Ms KE Kwinana	-	-	-	-	70 858
Adv M Mdludlu	-	-	-	-	141 514
Ms RS Molokoane	-	-	-	-	8 236
Mr MR Moroka	-	-	-	-	90 345
Mr M Mxenge	-	-	-	-	34 552
Ms ZZ Ntlangula	-	-	-	-	9 648
Mr KS Sebata	-	-	-	-	115 162

Non-Members Invited to Meetings					
Ms F Kobo	38 350	773	10 690	49 813	59 130
	510 899	3 427	63 396	577 721	1 482 374
	696 272	3 427	109 653	809 351	1 799 010

Council's Report

Council Members

	Travel expenses	Salary	Bonus	Other*	Total package 2021	Total package 2020
Executive Members						
Chief Executive Officer: Mr R Gallocher	5 074	2 479 376	355 710	450 987	3 291 147	3 063 020
Chief Executive Officer: Ms M Nkopane	-	13 796	-	13 796	-	-
Corporate Services Manager: Ms A Puoane	-	2 048 879	151 683	-	2 200 562	2 320 752
	5 074	4 542 051	507 393	450 987	5 505 505	5 383 772

Executive Managers

Compliance, Accreditation and Regulations Executive: Mr K Boqwana	-	-	-	-	-	916 723
Ms MM Nkopane	1 198	1 447 281	-	-	1 448 479	333 432
Mr D Koekemoer	-	11 445	-	-	11 445	94 698
Sector Development and Transformation Executive Mr D Koekemoer	-	1 429 553	141 686	-	1 571 239	1 594 380
Project Development and Funding Executive: Mr L Letsoalo	-	1 598 424	159 051	-	1 757 476	1 816 332
	1 198	4 486 703	300 737	-	4 788 639	4 755 565
	6 272	9 028 754	808 130	450 987	10 339 813	10 139 337

Mr D Koekemoer was appointed as Acting Compliance, Accreditation and Regulations Executive from 03 March 2021 until further notice.

* The other reflected represents an amount relating to an occupational detriment matter for the recovery of the legal costs incurred by the former Chief Executive Officer.

Chief Executive Officer position

The former Chief Executive Officer's fixed term employment contract lapsed on 31 January 2021 and was subsequently terminated on 25 February 2021. Ms M Nkopane was appointed as the Acting Chief Executive Officer with effect from 25 February 2021 until such time that a permanent appointment is made.

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 is defined by the following traits:

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

Chairperson and Chief Executive

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

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

Remuneration

The upper limits of the remuneration of the Chief Executive Officer, and the Corporate Services Manager, who are the only two executive members of the 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 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, along with ensuring that there is compliance monitoring of all the reporting entities.

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 Social Housing Regulatory Authority.

Social and Ethics Committee

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

Procurement framework

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

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

10. Council Members

Ordinary Council Meetings

	Total Number of Ordinary Meetings	Number of Attended Ordinary Meetings	Apologies	Number of Attended Workshops
Ms BO Dlamini (Chairperson)	4	4	-	7
Ms BN Nzo (Deputy Chairperson)	4	3	1	6
Mr D Duma	4	4	-	7
Ms Z Hill	4	4	-	2
Mr O Mabena	4	4	-	6
Ms R Matenche	4	3	1	4
Mr TM Sukazi	4	2	2	3
Mr PWW Ximiya	4	4	-	5
Ms F Kobo	4	1	3	3

Ordinary Human Resources and Remuneration Committee Meetings

	Total Number of Ordinary Meetings	Number of Attended Ordinary Meetings	Apologies	Number of Attended Workshops
Mr PWW Ximiya (Chairperson)	4	3	1	-
Mr O Mabena	4	4	-	-
Mr D Duma	4	4	-	-
Ms BN Nzo	4	4	-	-
Ms BO Dlamini	4	3	1	-

Compliance, Accreditation and Regulations Committee Meetings

	Total Number of Ordinary Meetings	Number of Attended Ordinary Meetings	Apologies	Number of Attended Workshops
Mr TM Sukuzi (Chairperson)	4	4	-	-
Mr O Mabena	4	4	-	-
Ms R Matenche	4	4	-	-
Ms M Nkopane	4	3	1	-

Project, Development and Funding Committee Meetings

	Total Number of Ordinary Meetings	Number of Attended Ordinary Meetings	Apologies	Number of Attended Workshops
Ms Z Hill (Chairperson)	4	4	-	-
Mr D Duma	4	3	1	-
Mr PWW Ximiya	4	3	1	-
Ms BN Nzo	4	4	-	-

Social and Ethics Committee Meetings

	Total Number of Ordinary Meetings	Number of Attended Ordinary Meetings	Apologies	Number of Attended Workshops
Ms R Matenche (Chairperson)	4	4	-	-
Ms Z Hill 4 4	-	-	-	-
Mr O Mabena	4	4	-	-
Mr T Sukazi	4	1	3	-
Ms BO Dlamini	4	2	2	-
Mr PWW Ximiya	4	3	1	-

The only special meetings held were for the Council, the Human Resources and Remuneration Committees and the Project, Development and Funding Committee.

Special Council Meetings

	Total Number of Ordinary Meetings	Number of Attended Special Meetings	Apologies	Number of Attended Workshops
MS BO Dlamini (Chairperson)	3	3	-	-
Ms D Duma	3	2	1	-
Ms Z Hill	3	3	-	-
Mr O Mabena	3	3	-	-
Ms R Matenche	3	2	1	-
Mr TM Sukazi	3	1	2	-
Mr PWW Ximiya	3	2	1	-
Ms F Kobo	3	2	1	-
Ms BN Nzo	3	3	-	-

Special Human Resources and Remuneration Committee Meetings

	Total Number of Ordinary Meetings	Number of Attended Special Meetings	Apologies	Number of Attended Workshops
Mr PWW Ximiya (Chairperson)	1	1	-	-
Mr D Duma	1	1	-	-
Ms BO Dlamini	1	1	-	-
Ms BN Nzo	1	1	-	-
Mr O Mabena	1	1	-	-

Special Project, Development and Funding Committee

	Total Number of Ordinary Meetings	Number of Attended Special Meetings	Apologies	Number of Attended Workshops
Mr PWW Ximiya	1	1	-	-
Ms BN Nzo	1	1	-	-
Ms Z Hill	1	1	-	-

11. Auditors

Nexia SAB&T will continue in office for as external auditors until the lapse of their contract.

12. Irregular expenditure

There is no irregular expenditure in the current financial year (2020: R225 663 337).

At the time of reporting for the 2020/21 financial year, there were matters under assessment in line with the Irregular Expenditure Framework as published by the National Treasury. These assessments may result in additional irregular expenditure but the nature and extent at reporting date have not been established. Refer to Note 19 of the Annual Financial Statements.

13. Fruitless and wasteful expenditure

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

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note(s)	2021 R	2020 R
Assets			
Current Assets			
Receivables from exchange transactions	3	22 082 144	62 690 719
Cash and cash equivalents	4	1 211 762 831	658 476 111
		1 233 844 975	721 166 830
Non-Current Assets			
Property, plant and equipment	5	5 966 783	7 467 849
Intangible assets	6	3 187 662	3 275 082
		9 154 445	10 742 931
Total Assets		1 242 999 420	731 909 761
Liabilities			
Current Liabilities			
Operating lease liability	7	1 036 347	870 817
Payables from exchange transactions	8	85 317 849	35 158 928
Recalled Grant Funds	9	41 912 791	33 411 984
Provisions	10	82 844 182	86 225 159
Residential Rent Relief Programme	11	300 000 000	-
		511 111 169	155 666 886
Total Liabilities		511 111 169	155 666 886
Net Assets		731 888 251	576 242 873
Accumulated surplus		731 888 251	576 242 873
Total Net Assets		731 888 251	576 242 873

STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 MARCH 2021

	Note(s)	2021 R	2020 R
Revenue from non-exchange transactions	12	817 520 000	810 726 000
Other income	13	45 995	54 948 156
Operating expenses		(79 052 035)	(83 211 664)
Programme costs	16	(595 450 088)	(1 216 743 174)
Operating surplus (deficit)	14	143 063 872	(434 280 682)
Interest income	15	12 581 506	20 891 846
Surplus (deficit) for the year		155 645 378	(413 388 836)

STATEMENT OF CHANGES IN NET ASSETS AS AT 31 MARCH 2021

	Accumulated Surplus R	Total Net Assets R
Balance at 01 April 2019	989 631 709	989 631 709
Changes in net assets		
Surplus for the year	(413 388 836)	(413 388 836)
Total changes	(413 388 836)	(413 388 836)
Balance at 01 April 2020	576 242 873	576 242 873
Changes in net assets		
Surplus for the year	155 645 387	155 687 953
Total changes	155 645 387	155 687 953
Balance at 31 March 2021	731 888 251	731 888 251

CASH FLOW STATEMENT AS AT 31 MARCH 2021

Cash flows from operating activities

	Note(s)	2021 R	2020 R
Cash flows from operating activities			
Receipts			
Government Grants		817 520 000	810 726 000
Interest income		19 223 670	47 604 098
Other income		45 995	-
		<u>836 789 665</u>	<u>858 330 098</u>
Payments			
Employee costs		(41 285 250)	(41 839 474)
Programme costs		(485 509 579)	(1 224 687 006)*
Other payment		(56 542 539)	(46 323 000)
		<u>(583 337 368)</u>	<u>(1 312 849 480)</u>
Net cash flows from operating activities	17	253 452 297	(454 519 382)
Cash flows from investing activities			
Purchase of property, plants and equipment	5	(217 718)	(928 467)
Proceeds from sale of property, plants and equipment	5	110 000	-
Purchase of other intangible assets	6	(60 087)	(1 348 734)
Net cash flows from investing activities		<u>(167 805)</u>	<u>(2 277 201)</u>
Cash flows from financing activities			
Proceeds from residential rent relief programme		300 000 000	-
Other cash item		2 228	-
Net cash flows from financing activities		<u>300 002 228</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		553 286 720	(456 796 583)
Cash and cash equivalents at the beginning of the year		658 476 111	1 115 272 694
Cash and cash equivalents at the end of the year	4	<u>1 211 762 831</u>	<u>658 476 111</u>

* The programme cost where funded from both the 2020 government grants and the rolled over cash equivalent of R1 115 272 694.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 31 MARCH 2021

Budget on Accrual Basis

	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Government Grants	817 553 000	(33 000)	817 520 000	817 520 000	-	1
Interest received	-	-	-	12 581 506	12 581 506	
Refunds	-	-	-	45,995	45 995	
	817 553 000	(33 000)	817 520 000	830 147 501	12 627 501	
Expenses						
Compensation of employees	45 508 000	-	45 508 000	41 366 632	(4 141 368)	
Depreciation and amortisation	1 777 000	-	1 777 000	1 741 625	(35 375)	
Operating expenses	22 093 000	-	22 093 000	35 943 776	13 850 776	
Programme costs	748 175 000	-	748 175 000	595 450 090	(152 724 910)	
Total expenditure	817 553 000	-	817 553 000	674 502 123	(143 050 877)	
Surplus for the year	-	(33 000)	(33 000)	155 645 378	155 612 378	

Significant operating expenses

Advertising	2 642 000	-	2 642 000	2 305 155	(366 239)	
Audit fees	2 081 000	-	2 081 000	1 570 538	(505 462)	
Lease payments	3 769 000	-	3 769 000	4 439 729	669 808	
Legal fees	2 107 000	-	2 107 000	3 605 879	1 498 879	2
Preservation costs	-	-	-	2 381 729	2 381 729	3
Professional fees	5 452 000	-	5 452 000	14 692 876	8 900 418	4
Travel and subsistence	1 900 000	-	1 900 000	265 827	(1 662 676)	
	17 951 000	-	17 951 000	29 261 733	10 916 457	

Retention of Surpluses

The National Treasury has approved the retention of the surpluses for the 2019 financial year.

Comments:

1. Adjustments:

The budget adjustments are due to National Treasury budget allocation adjustments.

2. Legal fees:

When compared to the previous financial year, the legal fees have decreased substantially from R7 737 to R3 606 Million. This was a result of the conclusion of other cases - especially the labour court matter. The other expenses incurred are as a result, of the SHRA executing its regulatory duties such as placing its delivery agents under administration.

3. Preservation costs:

Preservation costs were incurred by the SHRA to safeguard assets or land and property held by the Housing Development Agency (HDA), on behalf of the SHRA that arose as a result of terminated Restructuring Capital Grant (RCG) / Consolidated Capital Grant (CCG) contracts. When compared to the previous year, the significant increase was a result of holding costs.

4. Professional fees:

The entity continues to incur high professional fees due to insufficient human resources leading to the absence of competencies to perform tenancy audits, building condition assessments of Social Housing Institute (SHI) accreditation, and project approvals.

ACCOUNTING POLICIES

1. Presentation of audited Annual Financial Statements

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

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

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

1.1 Going concern assumption

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

Other

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

Provisions

Provisions were raised and management determined an estimate based

on the information available. Additional disclosure of these estimates of provisions are included in note 10 – Provisions.

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

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

Administrative IT equipment, office furniture and equipment, 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 initially measured at cost.

Any subsequent expenditure on property, plants 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 through a non-exchange transaction, its cost is its fair value as at date of acquisition.

ACCOUNTING POLICIES

1.3 Property, plant and equipment (continued)

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

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

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 have changed since the previous reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Indicators of reassessment used by management include assets that are approaching the end of their useful life, planned replacement or refurbishment of assets, technology changes or change in use of assets.

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefit 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 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 previous estimate.

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

The amortisation charge for each period is recognised in surplus or deficit.

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

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

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

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

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

1.5 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.

1.6 Leases

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

1.7 Operating leases (lessee)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Employee benefits

Employee benefits are all forms of consideration given by the Social Housing Regulatory Authority in exchange for service rendered by 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.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 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 12 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 12 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 amount already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, 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 fund; and
- as an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

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

1.9 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognised.

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

1.10 Revenue from non-exchange transactions

Recognition

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

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

Measurement

Revenue from a non-exchange transaction is measured as 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, will be 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.

1.11 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.

1.12 Budget information

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

General purpose financial reporting by the 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 economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2020/04/01 to 2021/03/31.

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 therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

Comparative information is not required.

1.13 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.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2021 or later periods:

Standard/ Interpretation	Effective Date: Years Beginning on or After	Expected Impact
• Guideline: accounting for arrangements undertaken i.t.o the National Housing Programme	01 April 2021	Unlikely there will be a material impact
• GRAP 20: related parties	01 April 2021	Unlikely there will be a material impact
• IGRAP 17: service concession arrangements where a grantor controls a significant residual interest in an asset	01 April 2021	Unlikely there will be a material impact

3. Receivables from exchange transactions

	2021 R	2020 R
Consolidated Capital Grant recoveries	20 390 108	61 390 108
Prepayments	512 335	230 910
Deposits	1 069 701	1 069 701
Sundry receivables	110 000	-
	22 082 144	62 690 719

Trade and other receivables pledged as security

No receivables were pledged as security.

Deposits

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

Consolidated Capital Grant recoveries

	2021 R	2020 R
Social Housing Institutions		
Salamax 434 NPC – Helderwyk Ext 6 – SHIP7A	7 033 179	11 197 200
Less: Impairment Salamax 434 NPC – Helderwyk Ext 6 – SHIP7A	-	(4 164 021)
Kenso (Pty) Ltd – Hillside View – SHIP8B	13 356 929	54 356 929
Camel Rock – Connemara	-	542 803
Less: Impairment Camel Rock - Connemara	-	(542 803)
	20 390 108	61 390 108

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired will 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 3 months past due are not considered to be impaired. At 31 March 2021, Kenso (Pty) Ltd – Hillside View and Salamax 434 NPC – Helderwyk Ext 6 is past due more than three months, but will not be impaired in the current period.

Trade and other receivables impaired

As of 31 March 2021, trade and other receivables of R Nil (2020: R 4 706 824) were impaired and provided for.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 297	743
Bank balances	325 230 217	93 357 012
Call accounts	886 494 132	565 086 213
Debit cards	37 185	32 143
	1 211 762 831	658 476 111

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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

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

Credit rating

Ba1 - First National Bank (Moody's Rating)	1 211 761 534	658 476 111
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5. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 677 269	(794 156)	1 883 113	2 672 328	(568 591)	2 103 737
IT equipment	3 978 032	(2 593 949)	1 384 083	4 189 780	(2 401 545)	1 788 235
Leasehold improvements	5 121 907	(2 593 760)	2 528 147	4 972 424	(1 569 379)	3 403 045
Motor vehicles	357 719	(250 403)	107 316	357 719	(250 403)	107 316
Office equipment	641 233	(577 109)	64 124	641 233	(575 717)	65 516
Total	12 776 160	(6 809 377)	5 966 783	12 833 484	(5 365 635)	7 467 849

Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Furniture and fixtures	2 103 737	4 941	-	(225 565)	-	1 883 113
IT equipment	1 788 235	63 293	(120 479)	(342 779)	(4 187)	1 384 083
Leasehold improvements	3 403 045	149 484	-	(1 024 382)	-	2 528 147
Motor vehicles	107 316	-	-	-	-	107 316
Office equipment	65 516	-	-	(1 392)	-	64 124
	7 467 849	217 718	(120 479)	(1 594 118)	(4 187)	5 966 783

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2 324 361	5 996	-	(226 620)	2 103 737
IT equipment	1 285 797	922 471	(82 319)	(337 714)	1 788 235
Leasehold improvements	4 397 530	-	-	(994 485)	3 403 045
Motor vehicles	107 316	-	-	-	107 316
Office equipment	69 718	-	-	(4 202)	65 516
	8 184 722	928 467	(82 319)	(1 563 021)	7 467 849

Other information

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

Motor vehicles	107 316	107 316
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6. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 572 138	(1 342 024)	3 230 114	4 616 108	(1 341 026)	3 275 082
– Other						

Reconciliation of intangible assets – 2021

	Opening balance	Additions	Amortisation	Total
Computer software	3 275 082	60 087	(105 055)	3 230 114

Reconciliation of intangible assets ç 2020

	Opening balance	Additions	Amortisation	Total
Computer software	2 000 511	1 348 734	(74 163)	3 275 082

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R
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7. Operating lease liability

Current liabilities – Premises	1 036 347	870 817
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The operating lease liability relates to the rental of premises of the entity which have been negotiated for a 5 year period commencing 01 September 2018 with a yearly increase of 8.5%. The terms of the rental agreement do not include a renewal or purchase option.

8. Payables from exchange transactions

Trade payable	1 046 596	466 313
Accrued expenses	82 277 806	32 897 117
Accrued leave pay	1 986 908	1 793 468
Travel card	4 185	2 028
	85 315 495	35 158 926

Payables are settled on invoice or 30 day terms.

Accrued expenses comprise of operational costs and programme costs that had been incurred at year end but not yet paid.

9. Recalled Grant Funds

Province/Institution	Project	Programme*	2021 R	2020 R
Gauteng Province				
Johannesburg Social Housing Company	City Deep Phase 1	SHIP 3B	30 509 516	30 509 516
Gabonewe Housing Estate	Gabonewe	SHIP 6A	8 500 806	-
			39 010 322	30 509 516
Western Cape Province				
Western Cape Province	Institutional Investment	Institution Investment	245 351	245 351
Domus Social Housing - liquidated	E-Junction Phase 1	SHIP 3B	2 657 117	2 657 117
			2 902 468	2 902 468
			41 912 790	33 411 984

Recalled Grant Funds (Social Housing Investment Programme projects) relate to amounts that were disbursed in prior years to qualifying grant recipients using a Social Housing Institution imprest account under 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 discontinued 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.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

10. Provisions

Reconciliation of provisions – 2021

			2021 R	2020 R
	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	3 171 184	2 979 431	(3 171 184)	2 979 431
Interest earned capitalisation	83 053 975	7 987 294	(11 176 518)	79 864 751
	86 225 159	10 966 725	(14 347 702)	82 844 182

Reconciliation of provisions – 2020

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	3 039 461	3 171 184	(3 039 461)	3 171 184
Interest earned capitalisation	61 435 334	83 053 975	(61 435 334)	83 053 975
	64 474 795	86 225 159	(64 474 795)	86 225 159

The bonus is a short-term performance incentive determined according to the approved performance management policy. The payment of this incentive is considered subsequent to the annual audit processes in the month of September.

	2021 R	2020 R
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11. Residential Rent Relief Programme

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

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

An amount of R300 000 000 was received in the current year for this purpose.

12. Revenue from non-exchange transactions

Government grants	817 520 000	810 726 000
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13. Other income

Consolidated Capital Grant recoveries	-	54 899 732
Skills Development Levy Recoveries	-	48 424
SETA fund recoveries	45 995	-
	45 995 54	54 948 156

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

14. Operating surplus (deficit)

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

	2021 R	2020 R
Operating lease charges		
Premises		
• Straight lined amounts	4 238 971	3 925 899
Equipment		
• Contractual amounts	200 758	276 523
	4 439 729	4 202 422
Amortisation on intangible assets	146,509	74 164
Consultation expenses	-	9 609 684
Council remuneration	809 351	1 799 010
Depreciation on property, plant and equipment	1 594 116	1 563 021
Employee costs	41 366 632	39 894 393
External audit fee	1 570 538	965 267
Loss on sale of property, plant and equipment	10 479	82 319
Programme costs	595 450 090	1 216 473 174
Repairs and maintenance	73 202	28 385

15. Interest income

Operational Grant	2 507 649	1 608 649
Capital Grants – Call Account	10 073 857	19 283 197
	12 581 506	20 891 846

16. Programme costs

Province/Institution	Project	Programme	2021	2020
Eastern Cape Province				
Hlalanathi Social Housing Association NPC	Ocean View	SHIP 5A	-	13 509 716
Imizi Housing Utility NPC	John Str	SHIP 9D	76 932 195	42 980 784
Own Haven Housing Association NPC	Walmer Cosmos	SHIP 7A	7 108 920	54 675 059
Qhama Social Housing Institute NPC	Steve Biko Munford	SHIP 5A	1 507 380	-
			85 548 495	111 165 559
Limpopo Province				
Polokwane Housing Association	Annadale	SHIP 9E	47 975 429	72 896 639
Gauteng Province				
Arrow Creek Investments 25 (Pty) Ltd	Mogale Junction	SHIP 7D	23 699 057	141 703 055
Golden West Social Housing Institution NPC	Westernoria Borwa	SHIP 7C	21 508 482	53 533 806
Instratin Properties (Pty) Ltd	Carnival City	SHIP 8B	16 141 360	123 899 951
Instratin Properties (Pty) Ltd	Devland Ext 36	SHIP 5A	5 562 085	51 544 645
Instratin Properties (Pty) Ltd	Little Manhattan	SHIP 9E	10 880 727	187 067 908
Kertrade 24 (Pty) Ltd	Madison Loft	SHIP 9F	10 715 045	5 278 848
LetsCare South Africa NPC	Sondela Phase 1	SHIP 9C	5 715 845	46 815 497
The Housing Hub (Pty) Ltd	Mohlakeng	SHIP 9A	46 138 575	152 817 797
Toro Property Management NPC	GaRankuwa	SHIP 8D	50 780 624	59 910 438
Urban Scape Development (Pty) Ltd	301 Marshall	SHIP 7D	-	9 216 774
YG Property (Pty) Ltd	Kempton Village	SHIP A	18 028 854	56 642 791
Castle Crest Properties 80 (Pty) Ltd	Joes Place	SHIP 10A	11 676 688	-
Lets Care South Africa NPC	Sondela Phase 2	SHIP 10C	5 600 000	-
Ekurhuleni Housing Company (Pty) Ltd	Clayville	SHIP 9C	23 291 534	-
GNI Social Housing (Pty) Ltd	Unity House	SHIP 10B	4 724 894	-
YG Property (Pty) Ltd	Kempton Towers	SHIP 11B	6 570 271	-
JIDMAC Social Housing (Pty) Ltd	Fotchville	SHIP 10C	3 321 325	-
Housing Company Tshwane	Townlands	SHIP 7C	49 061 416	-
			313 416 782	888 431 510

Mpumalanga Province

Steve Tshwete Housing Association NPC	Hope City	SHP 9C	-	22 402 995
Govan Mbeki Housing Association NPC	Kwandokuhle	SHIP 10D	3 418 329	-
			3 418 329	22 402 995

Kwa-Zulu Natal Province

First Metro Housing Company	Lakehaven Phase 2	SHIP 5A	-	822 130
First Metro Housing Company	Hamptons	SHIP 3A	6 197 078	4 605 812
Instratin Properties (Pty) Ltd	Bridge City	SHIP 9F	3 334 292	43 213 864
			9 531 370	48 641 806

Western Cape Province

Communicare NPC	Bothasig	SHIP 9E	45 065 505	30 530 988
Community Housing Services NPC	Goodwood	SHIP 8B	-	3 372 216
Povicom NPC	Regent Villa	SHIP 8D	1 663 459	17 672 437
Povicom NPC	Regent Villa	SHIP 10D	1 060 311	-
Urban Status Rentals NPC	The Block (Glenhaven)	SHIP 5A	27 312 354	7 717 260
Own Haven Housing Association NPC	Conradie	SHIP 10C	47 791 191	-
			122 892 820	59 292 901

Northern Cape Province

South Africa Swedish International Housing Company	Hull Street	SHIP 10C	4 444 405	-
Total Consolidated Capital Grants			587 227 628	1 202 831 410

Institutional Investment Grants

General Capacitation Grant	7 078 947	11 924 212	
Project Feasibility Grant	227 738	990 364	
Staff Gear-Up Grant	915 775	727 188	
		8 222 460	13 641 764

Total Grants

595 450 088 **1 216 473 174**

Consolidated Capital Grants

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

Institutional Investment Grants

These programme costs relate to the following:

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

	2021 R	2020 R
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17. Cash generated from (used in) operations

Surplus (deficit)	155 687 953	(413 388 836)
Adjustments for: depreciation and amortisation	1 699 173	1 637 185
Loss on sale of asset	10 479	82 319
Impairment deficit	4 187	-
Movements in operating lease assets and accruals	165 530	484 647
Movements in provisions	(3 380 977)	21 750 364
Other non-cash items	-	2
Changes in working capital: receivables from exchange transactions	40 608 575	(54 583 819)
Payables from exchange transactions	50 156 569	(8 667 098)
Recalled Grant Funds	8 500 807	(1 834 145)
	253 452 296	(454 519 381)

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R
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18. Contingencies

Contingent assets

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

TBGI Holdings (Pty) Ltd – Soweto City – SHIP 8B

A total amount of R26 724 812 has been paid in terms of a Consolidated Capital Grant (CCG) agreement which was subsequently identified as irregular expenditure in the previous financial year. Legal proceedings have been instituted against TBGI Holdings (Pty) Ltd of which the outcome is uncertain. Inflow of economic benefits is probable.

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

A total amount of R9 755 865 has been paid in terms of a consolidated capital grant agreement. This amount was utilised by Toproot to pay its supplier, Valumax, who was both the developer and land owner in the project. Toproot instituted legal proceedings against Valumax to recover the amount as a result of breach of contract by Valumax which resulted in the collapse of the project. The recoverability of the amount by the Social Housing Regulatory Authority is dependent on the outcome of the court case between Toproot and Valumax. Inflow of economic benefits, is probable.

Housing “Authority” of East London (HAEL)

The contract belonging to the Housing Association of East London was cancelled in April 2020 due to non-performance. An amount of R8 009 699 was previously disbursed. There are currently discussions between the SHRA and the grant recipient. The recoverability is dependent on the outcome which may result in a litigation process. The inflow of economic benefits is probable.

Manapendlo Social Housing Institution NPC

The Council of the SHRA took a resolution to terminate the CCG contract on 07/07/2020. This termination included conditions like salvaging the project. The resolution to attempt to salvage the project is as a result of the performance of the North West province. Management engaged with Manapendlo up to June 2021 on the matter of salvaging but has since failed to do so. Therefore, the SHRA's legal unit has commenced with legal processes to recover the disbursed grant, on 07/07/2020.

19. Irregular expenditure

Opening balance as previously reported	225 663 370	26 724 812
Opening balance as restated	225 663 370	26 724 812
Add: irregular expenditure – current	-	59 910 438
Add: irregular expenditure – prior period	-	139 028 120
Closing balance	225 663 370	225 663 370

No irregular expenditure has been identified by management during the year under review.

Irregular expenditure relates to projects that do not meet the requirements of being located in a restructuring zone as defined in the Social Housing Act. A restructuring zone means “a geographical area which has been (a) identified by the municipality, with the concurrence of the provisional government, for purposes of social housing; and (b) designated by the Minister in the Gazette for approved projects.

The opening balance of irregular expenditure relates to the following contracts:

- Toro Property Management NPC – SHIP 8D GaRankuwa was cumulatively paid R144 581 629 (2021: R Nil), (2020: R59 910 438).
- Kenso (Pty) Ltd – SHIP 8B Hillside View was cumulatively paid R54 356 929 (2021: R Nil), (2020: R Nil).
- TBGI Holdings (Pty) Ltd – SHIP 8B Soweto City was cumulatively paid R26 724 812 (2021: R Nil).

Matters under assessment

At the time of reporting for the 2020/21 financial year, there were matters under assessment in line with the Irregular Expenditure Framework as published by the National Treasury. An assessment may result in additional irregular expenditure but the nature and extent at reporting date have not been established.

The first allegation of irregular expenditure extent of such results from the unresolved section 9 of the Social Housing Act, 2008 (Act No. 16 of 2008) for the second consecutive financial year with regards to the appointment process for the Interim Council. An assessment in this regard refers to tests as assigned by the Accounting Officer of the SHRA, to identify possible irregularities in transactions processed following resolutions of the Interim Council with regards to the CCG project approvals and ensuing disbursements and to confirm the allegations of irregular expenditure.

The second allegation of irregular expenditure results from the investment, by the SHRA in a CCG contract for a project that may have been approved without meeting the investment criteria as specified in the Social Housing Regulations, which is part of the financial year under review and a report was presented to management subsequent to year end. An assessment, in this regard refers tests as assigned by the Accounting Officer of the SHRA, to determine the effect of possible irregularities in the project approval process as identified by the forensic investigators and to confirm the allegations of irregular expenditure.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R
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20. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Consolidated Capital Grant	3 323 936 850	3 258 186 471
• Less: accrued amounts	(81 689 420)	(30 042 318)
• Provincial Institutional Grant	185 193 994	297 486 715
	3 427 441 424	3 525 630 868
Not yet contracted for and authorised by members		
• Consolidated Capital Grant	380 166 091	205 803 315
Total capital commitments		
Already contracted for but not provided for	3 427 441 424	3 525 630 868
Not yet contracted for and authorised by members	135 661 629	205 803 315
	3 807 607 515	3 731 434 183

Authorised operational expenditure

Already contracted for but not provided for		
• DRB Consulting	-	7 215
• ADA Group	402 760	-
• Africa International Advisors	261 700	504 128
• Alcari 126 CC	-	279 240
• Alcari Consulting	397 900	79 856
• AM PhakaMalele	-	378 017
• Andisa Chartered Accountants	-	73 680
• Archway Projects CC	-	402 760
• Bigen Africa Services (Pty) Ltd	281 136	281 136
• Deloitte and Touche	75 773	121 037
• Eloshiba Capital (Pty) Ltd	284 446	-
• Excel International (Pty) Ltd	23 100	-
• Galix Networking (Pty) Ltd	3 072	171 007
• Forensic Accounting	95 792	-
• Housing Matters	-	500 604
• Ilse Martin Projects	186 472	259 602

• Insite Settlements Network CC	-	2 625 168
• Insight2 FutureDotCom (Pty) Ltd	1 061 335	-
• JEC Technologies Group (Pty) Ltd	50 025	-
• Kuhle Solutions and Development Services CC	498 525	-
• LDM Facilities Management Services	675 114	456 880
• Lenakamo Projects (Pty) Ltd	-	147 087
• Nexia SAB&T	-	632 960
• nVisionIT (Pty) Ltd	3 813 840	4 355 141
• Peter Gross (Pty) Ltd	144 250	-
• Phunga Consulting Engineers	264 733	-
• Ramokgadi Trading (Pty) Ltd	296 043	415 031
• Sage Computer Technologies (Pty) Ltd	447 152	644 745
• Sizwe Ntsaluba Gobodo Grant Thornton Advisory Services	158 097	-
• Themolo Business Enterprise CC	122 293	-
• The Mineral Water Man Africa (Pty) Ltd	-	126 092
• Tuscan Blue Trading	-	390 234
• Tswella Engineering Projects	378 017	-
• Urban-Econ	41 446	-
• Vortex Training Systems CC	1 157 319	1 693 030
• Continuity SA (Pty) Ltd	175 087	-
• 21 Century Pay Solutions Group (Pty) Ltd	367 080	-

	11 662 507	14 544 650
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Total operational commitments

Already contracted for but not provided for	11 662 507	14 544 650
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This 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 existing cash resources, retained surpluses and future MTEF budget allocations.

Operating leases – as lessee (expense)

Minimum lease payments due

– within one year	4 419 684	4 073 441
– in second to fifth year inclusive	6 860 844	11 280 528

	11 280 528	15 353 969
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Operating lease payments, represent rentals payable by the entity for certainty of its office properties. Leases are negotiated for an average term of five years and have an escalation of 8.5% per year (2020: 8.5%). No contingent rent is payable.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2021
R

2020
R

21. Related parties

Relationships

Controlling entity

National Department of Human Settlements

Related party transactions

Revenue received from related parties

National Department of Human Settlements	817 520 000	810 726 000
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Remuneration of management

Executive Management Remuneration 2021

	Basic salary	Bonuses and performance related payments	Expense allowances	Other benefits received	Total
Name					
Chief Executive Officer: Mr R Gallocher	2 479 376	355 710	95 931	456 061	3 387 078
Corporate Services Manager: Ms A Puoane	2 048 879	151 683	18 000	123 821	2 342 383
Acting Chief Executive Officer: Ms MM Nkopane	13 796	-			13 796
	4 542 051	507 393	113 931	579 882	5 743 257

Executive Management Remuneration 2020

	Basic salary	Bonuses and performance related payments	Total
Name			
Chief Executive Officer: Mr R Gallocher	2 722 482	340 538	3 063 020
Corporate Services Manager: Ms A Puoane	2 127 135	193 617	2 320 752
	4 849 617	534 155	5 383 772

Executive managers 2021

	Basic salary	Bonuses and performance related payments	Total
Name			
Compliance, Accreditation and Regulation Executive: Ms MM Nkopane	1 447 281	-	1 447 281
Sector Development & Transformation Executive: Mr D Koekemoer	1 429 553	141 686	1 571 239
Project Development & Funding Executive: L Letsoalo	1 598 424	159 051	1 757 475
	4 475 258	300 737	4 775 995

Executive managers 2020

	Basic salary	Bonuses and performance related payments	Total
Name			
Compliance, Accreditation and Regulation Executive: Mr K Boqwana	916 723	-	916 723
Compliance, Accreditation and Regulation Executive: Ms MM Nkopane	333 432	-	333 432
Compliance, Accreditation and Regulation Executive: Mr D Koekemoer	94 698	-	94 698
Sector Development & Transformation Executive: Mr D Koekemoer	1 458 737	135 683 1	594 420
Project Development & Funding Executive: L Letsoalo	1 664 065	152 267	1 816 332
	4 467 655	287 950	4 755 605

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021 R	2020 R
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22. Financial instruments disclosure

Categories of financial instruments 2021

Financial assets		
	At amortised cost	Total
Receivables	22 082 144	22 082 144
Cash and cash equivalents	1 211 760 604	1 211 760 604
	1 233 842 748	1 233 842 748

Financial liabilities		
	At amortised cost	Total
Payables	85 313 653	85 313 653

2020

Financial assets		
	At amortised cost	Total
Receivables	62 690 719	62 690 719
Cash and cash equivalents	658 476 111	658 476 111
	721 166 830	721 166 830

Financial liabilities		
	At amortised cost	Total
Payables	35 158 928	35 158 928

23. Risk management

Financial risk management

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

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and abnormal reject deletion 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 according to relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2021	Less than 1 year	Total
Trade and other payables	85 313 653	85 313 653
At 31 March 2020	Less than 1 year	Total
Trade and other payables	35 826 024	35 826 024

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Credit risk

Credit risk consists mainly of cash deposits and cash equivalents. The entity only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

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.

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

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

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

24. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of five major functional areas: Consolidated Capital Grant, Operational Grant, Institutional Grant, Regulations and Rent Relief. The segments were organised around the type of service delivered and the target market. Management uses these

same segments for determining strategic objectives. All operations are centralised.

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

Segment surplus or deficit, assets and liabilities 2021					
Revenue	Consolidated Capital Grant	Operational Grant	Institutional Investment Grant	Regulations	Total
Grants received	754 829 000	58 204 000	2 428 000	11 141 000	817 520 000
Interest income	10 073 857	2 507 649	-	-	12 581 506
Other income	-	45 995	-	-	45 995
Total segment revenue	764 902 857	60 757 644	22 428 000	11 141 000	830 147 501
Entity's revenue					830 147 501
Expenditure					
Advertising	-	1 914 921	-	390 234	2 305 155
Audit fees	-	1 570 538	-	-	1 570 538
Professional fees	-	3 685 296	2 096 761	8 910 819	14 692 876
Depreciation and amortisation	-	1 741 625	-	-	1 741 625
Employee costs	-	41 366 632	-	-	41 366 632
Programme costs	597 227 628	-	8 222 460	-	595 450 088
Lease rentals on operating lease	-	4 439 729	-	-	4 439 729
Legal expenses	-	3 605 879	-	277 481	3 883 360
Training and workshops	-	1 647 891	16 860	14 140	1 678 891
Other expenses	-	7 119 033	202 641	51 555	7 373 229
Total segment expenditure	587 227 628	67 091 544	10 538 722	9 644 229	674 502 123
Total segmental surplus/ (deficit)					155 645 378

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods have been restated.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Segment surplus or deficit, assets and liabilities 2020					
Revenue	Consolidated Capital Grant	Operational Grant	Institutional Investment Grant	Regulations	Total
Grant received	723 706 464	55 201 000	21 259 000	10 560 000	810 722 464
Interest income	19 283 197	1 608 649	-	-	20 891 846
CCG Recoveries	54 899 732	-	-	-	54 899 732
Other income	-	48 424	-	-	48 424
Total segment revenue	797 885 393	56 858 073	21 259 000	10 560 000	886 562 466
Entity's revenue					886 566 466
Expenditure					
Advertising	-	2 140 406	-	143 050	2 283 456
Audit fees	-	965 267	-	-	965 267
Professional fees	-	10 135 547	-	2 278 633	12 414 180
Depreciation and amortisation	-	1 637 185	-	-	1 637 185
Employee costs	-	39 894 394	-	-	39 894 394
Council remuneration	-	1 799 010	-	-	1 799 010
Programme costs	1 202 831 410	-	13 641 764	-	1 216 473 174
Lease rentals on operating lease	-	4 202 422	-	-	4 202 422
Legal expenses	-	7 737 806	-	-	7 737 806
Training and workshops	-	2 990 223	737 595	50 947	3 778 765
Travel	-	3 009 809	511 516	377 815	3 899 140
Other expenses	-	441 165	997 454	3 427 884	4 866 503
Total segment expenditure	1 202 831 410	74 953 234	15 888 329	6 278 329	1 299 951 302
Total segmental surplus/ (deficit)					(413 384 836)

DETAILED INCOME STATEMENT

	Note(s)	2021 R	2020 R
Government grants	12	817 520 000	810 726 000
Other income			
Recoveries		-	54 948 156
Refunds		45 995	-
Interest received	15	12 581 506	20 891 846
		12 627 501	75 840 002
Operating expenses			
Accounting fees		(192 052)	-
Advertising		(2 305 155)	(2 283 456)
Auditors remuneration – external and internal		(1 570 538)	(965 267)
Bank charges		(46 590)	(48 670)
Cleaning		(255 061)	(171 296)
Computer, IT and website expenses		(995 322)	(576 573)
Consulting fees		(416 196)	-
Council remuneration		-	(1 799 011)
Debt Impairment		(4 187)	-
Depreciation, amortisation and impairments		(1 703 360)	(1 637 185)
Employee costs		(41 366 632)	(39 894 393)
Entertainment		826	(15 897)
Impairment		-	(542 803)
Insurance		(359 991)	(104 861)
Lease rentals on operating lease		(4 439 729)	(4 202 422)
Legal expenses		(3 605 879)	(7 737 806)
Loss on disposal of assets		(10 479)	(82 319)
Motor vehicle expenses		(54 897)	(30 779)
Postage, printing and stationery		(5 040)	(63 687)
Preservation costs		(2 381 729)	(372 600)
Printing and stationery		(386 931)	(496 671)
Professional fees		(14 692 876)	(12 414 180)
Programme costs	15	(595 450 088)	(1 216 473 174)
Repairs and maintenance		(73 202)	(28 385)
Staff welfare		(480 508)	(508 308)
Subscriptions		(250 025)	(201 282)
Telephone and fax		(420 870)	(457 097)
Training		(1 678 889)	(3 778 765)
Travel – local		(265 827)	(3 899 140)
Utilities		(1 052 631)	(1 168 811)
		(674 502 123)	(1 299 954 838)
Surplus (deficit) for the year		(155 645 378)	(413 388 836)

The supplementary information presented does not form part of the audited annual financial statements and is unaudited.



ANNEXURE A

PERFORMANCE AGAINST
THE PROGRAMME'S
ANNUAL INDICATORS



Original APP 2020/21 (Tabled in March 2020)

No	Performance Indicator	Audited/Actual performance		Annual Target
		2018/19	2019/20	2020/21

PROGRAMME 2: COMPLIANCE, ACCREDITATION AND REGULATION (CAR)

Outcome 5: An effectively regulated and sustainable social housing sector

5.1.2	Number of subsidised housing units' tenancy audits conducted	New indicator baseline = 3 200	3 406 subsidised housing units' tenancy audits conducted	3 300 subsidised housing units' tenancy audits conducted
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5.1.3	Number of subsidised housing units' building condition audits conducted	New indicator baseline = 0	3 083 subsidised housing units' building condition audits conducted	2 000 subsidised housing units' building condition audits conducted
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Outcome 6: A transformed social housing sector value chain

6.2.1	Percentage of projects in the pipeline that are from capital grant applicants that are black majority-owned or controlled	-	New indicator baseline = 68%	70% of projects in the pipeline that are from capital grant applicants that are black majority-owned or controlled
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	Actual Achievement	Medium-Term Targets		Variance and Comments
	2020/21	2021/22	2022/23	
0		3 300 subsidised housing units' tenancy audits conducted	3 300 subsidised housing units' tenancy audits conducted	There was no target in Q1, 2 and 3 as this target was revised after Q1 of 2020/21.
367 subsidised housing units' building condition audits were conducted	-	-	-	The building condition audits commence in Q3 with 367 completed and a negative variance of 1 633 for the year. This target was revised as lockdown will result in inspections not being possible because citizens are encouraged to adopt social distancing.
86% of projects in the pipeline are from capital grant applicants that are black majority-owned or controlled		80% of projects in the pipeline are from capital grant applicants that are black majority-owned or controlled	80% of projects in the pipeline are from capital grant applicants that are black majority-owned or controlled	Positive variance of 16% due to constant engagement with the delivery agents to submit valid B-BBEE certificates or affidavits is now evident. This target was revised to 80% in the revised APP 2020/21.

No	Performance Indicator	Audited/Actual performance		Annual Target	
		2018/19	2019/20	2020/21	

PROGRAMME 4: PROJECT DEVELOPMENT AND FUNDING

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

2.1.1	Number of social housing units completed	2 284 social housing units completed	3 010 social housing units completed	5 800 social housing units completed	
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2.1.2	Number of social housing units delivered	2 471 social housing units delivered	4 012 social housing units delivered	6 000 social housing units delivered	
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Actual Achievement	Medium-Term Targets		Variance and Comments
2020/21	2021/22	2022/23	
1 092 social housing units completed	6 700 social housing units completed	8 000 social housing units completed	<p>Negative variance of 4 708 units due to the COVID-19 lockdown and the regulations preventing any construction activity between level 5 and 4. There were no construction activities from 27 March until level 3 lockdown was proclaimed. The PDF projections for the remaining 3 quarters is 4 000 units completed.</p>
658 social housing units delivered (tenanted)	8 032 Social housing units delivered	8 500 Social housing units delivered	<p>Negative variance of 5 342 units due to the COVID-19 lockdown and the regulations preventing movement into units and preventing tenancy of vacant units being claimed. This target was however revised in Q2 of the 2020/21 financial year.</p>

Annexure A: Performance Against the Programme's Annual Indicators (Revised Approved APP 2020/21)

No	Performance Indicator	Audited/Actual performance		Annual Target
		2018/19	2019/20	2020/21
PROGRAMME 1: ADMINISTRATION				
Outcome 1: Functional, efficient and integrated government				
1.1.1	Percentage of implementation of the approved Internal Audit Plan	-	New indicator	100% implementation of the approved Internal Audit Plan
1.2.1	Statutory tabling and reporting requirements	-	New indicator	100% compliance with statutory reporting requirements and prescripts
1.3.1	Percentage of adherence to the Anti-Fraud and Corruption Policy	-	New indicator	100% adherence to the Anti-Fraud and Corruption Policy
1.4.1	Percentage implementation of the approved Risk Management Plan	-	New indicator	100% implementation of the approved Risk Management Plan
1.5.1	Percentage of implementation of the Annual Stakeholder Management Plan	-	Indicator reframed	80% implementation of the Annual Stakeholder Management Plan

	Actual Achievement	Medium-Term Targets		Variance and Comments
	2020/21	2021/22	2022/23	
	100% implementation of the approved Internal Audit Plan	100% implementation of the approved Internal Audit Plan	100% implementation of the approved Internal Audit Plan	No variance
	100% compliance with statutory reporting requirements and prescripts	100% compliance with statutory reporting requirements and prescripts	100% compliance with statutory reporting requirements and prescripts	No variance
	100% adherence to the Anti-Fraud and Corruption Policy	100% adherence to the Anti-Fraud and Corruption Policy	100% adherence to the Anti-Fraud and Corruption Policy	No variance
	100% implementation of the approved Risk Management Plan	100% implementation of the approved Risk Management Plan	100% implementation of the approved Risk Management Plan	No variance
	86.7% implementation of the Annual Stakeholder Management Plan	80% implementation of the Annual Stakeholder Management Plan	80% implementation of the Annual Stakeholder Management Plan	There is 6,7% positive variance due to the overachievement of the targets set out in Q4. Three beneficiary education sessions were held virtually in the quarter under review.

No	Performance Indicator	Audited/Actual performance		Annual Target
		2018/19	2019/20	2020/21

Outcome 6: A transformed Social Housing Sector

6.1.1	Percentage of procurement spend to majority black-owned service providers	60% procurement spend to majority black-owned or controlled service providers	92.83% procurement spend to majority black-owned or controlled service providers	70% procurement spend to majority black-owned or controlled service providers
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6.1.2	Percentage of procurement spend on designated groups	New indicator	44.45% procurement spend on designated groups	30% procurement spend on designated groups
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Actual Achievement	Medium-Term Targets		Variance and Comments
2020/21	2021/22	2022/23	
88% procurement spend to majority black-owned service providers (>50% black)	75% procurement spend to majority black-owned service providers	80% procurement spend to majority black-owned service providers	The target was achieved with a positive variance of 18% due to the majority of the appointed service providers being black-owned. Going forward, SHRA will continue to appoint/attract level 1 B-BBEE contributors.
38% procurement spend on designated groups	40% procurement spend on designated groups	40% procurement spend on designated groups	Positive variance of 8% due to the fact that SHRA has aimed to appoint and spend on service providers that are B-BBEE level 1 and 2 contributors, some of whom are women- and youth-owned.

No	Performance Indicator	Audited/Actual performance		Annual Target
		2018/19	2019/20	2020/21

PROGRAMME 2: COMPLIANCE, ACCREDITATION AND REGULATION (CAR)

Outcome 5: An effectively regulated and sustainable social housing sector

5.1.1	Percentage of reporting SHIs and ODAs meeting 3 or more out of 5 of the primary performance benchmarks	New indicator	61.5% (16/28) of reporting SHIs and ODAs meeting 3 or more out of 5 of the primary performance benchmarks	71% (20/28) of reporting SHIs and ODAs meeting 3 or more out of 5 of the primary performance benchmarks
5.1.2	Number of subsidised housing units' tenancy audits conducted	New indicator baseline = 3 200	3 406 subsidised housing units' tenancy audits conducted	1 650 subsidised housing units' tenancy audits conducted
5.1.3	Number of subsidised housing units' building condition audits conducted	New indicator baseline = 0	3 083 subsidised housing units' building condition audits conducted	1 000 subsidised housing units' building condition audits conducted
5.2.1	Number of Institutional Housing Subsidy projects brought under regulation	4 Institutional Housing Subsidy projects brought under regulation	5 Institutional Housing Subsidy projects brought under regulation	4 Institutional Housing Subsidy projects brought under regulation

	Actual Achievement	Medium-Term Targets		Variance and Comments
	2020/21	2021/22	2022/23	
	50% (15/30) of reporting SHIs and ODAs meeting 3 or more out of 5 of the primary performance benchmarks	79% (22/28) of reporting SHIs and ODAs meeting 3 or more out of 5 of the primary performance benchmarks	86%% (24/28) of reporting SHIs and ODAs meeting 3 or more out of 5 of the primary performance benchmarks	Negative variance of 21% due to poor rent collections and vacancies, which are the primary contributors to this negative. Implementation of the rental relief programme will assist to some extent, while stronger regulation and support in cases with merit will also improve performance.
	1 867 subsidised housing units' tenancy audits conducted (cumulative year-to-date)	3 300 subsidised housing units' tenancy audits conducted	3 300 subsidised housing units' tenancy audits conducted	Positive variance of 217 units. Target was amended to provide for the impact of the pandemic and the positive variance is due to more audits provided for and completed than anticipated.
	1 786 subsidised housing units' building condition audits conducted	-	-	Positive variance of 786 units. Target was amended to provide for the impact of the pandemic and the positive variance is due to more audits provided for and completed than anticipated.
	0 Institutional Housing Subsidy projects brought under regulation	4 Institutional Housing Subsidy projects brought under regulation	4 Institutional Housing Subsidy projects brought under regulation	Negative variance of 4 projects. Although 4 projects were identified, the work required to be undertaken would need extensive consultation with project owners and tenants through engagements that were not possible to be undertaken safely during the pandemic. Work will continue in the next financial year.

No	Performance Indicator	Audited/Actual performance		Annual Target
		2018/19	2019/20	2020/21

Outcome 6: A transformed social housing sector value chain

6.2.1	Percentage of projects in the pipeline that are from capital grant applicants that are black majority- owned or controlled	-	New indicator baseline = 68%	80% of projects in the pipeline reject are from capital grant applicants that are black majority-owned or controlled
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Actual Achievement	Medium-Term Targets		Variance and Comments
2020/21	2021/22	2022/23	
89% of projects in the pipeline are from capital grant applicants that are black majority-owned or controlled	80% of projects in the pipeline are from capital grant applicants that are black majority-owned or controlled	80% of projects in the pipeline are from capital grant applicants that are black majority-owned or controlled	Positive variance of 9% due to constant engagement with the delivery agents to submit valid B-BBEE certificates or affidavits.

No	Performance Indicator	Audited/Actual performance		Annual Target
		2018/19	2019/20	2020/21

PROGRAMME 3: SECTOR DEVELOPMENT AND TRAINING (SD&T)

Outcome 3: Enhanced performance of delivery agents and projects

3.1.1	Percentage of preselected qualifying institutions supported through a customised incubation programme to have projects in the pipeline by the end of the financial year	New indicator (Pilot Incubation Programme with 10 x SHIs)	50% (5/10) of preselected qualifying institutions supported through a customised incubation programme to have projects in the pipeline by the end of the financial year	50% (3/6) of preselected qualifying institutions supported through a customised incubation programme to have projects in the pipeline by the end of the financial year
3.1.2	Percentage of identified SHIs that received an IIG, of which the intervention is completed within the current financial year (at minimum) maintained their level of accreditation	100% of identified SHIs that received an IIG, of which the intervention is completed within the current financial year (at minimum) maintained their level of accreditation	82.5% of identified SHIs that received an IIG, of which the intervention is completed within the current financial year (at minimum) maintained their level of accreditation	75% of identified SHIs that received an IIG, of which the intervention is completed within the current financial year (at minimum) maintained their level of accreditation
3.1.3	Percentage of identified projects that received an IIG, of which the work is completed within the current financial year, are recommended for the capital grant award	75% of identified projects that received an IIG, of which the work is completed within the current financial year, are recommended for the capital grant award	100% (4/4) of identified projects that received an IIG, of which the work is completed within the current financial year, are recommended for the capital grant award	75% of identified projects that received an IIG, of which the work is completed within the current financial year, are recommended for the capital grant award

Actual Achievement	Medium-Term Targets		Variance and Comments
2020/21	2021/22	2022/23	
50% (3/6) of preselected qualifying institutions supported through a customised incubation programme to have projects in the pipeline by the end of the financial year	50% (3/6) of preselected qualifying institutions supported through a customised incubation programme to have projects in the pipeline by the end of the financial year	50% (3/6) of preselected qualifying institutions supported through a customised incubation programme to have projects in the pipeline by the end of the financial year	No variance
100% of identified SHIs that received an IIG, of which the intervention is completed within the current financial year (at minimum) maintained their level of accreditation	75% of identified SHIs that received an IIG, of which the intervention is completed within the current financial year (at minimum) maintained their level of accreditation	75% of identified SHIs that received an IIG, of which the intervention is completed within the current financial year (at minimum) maintained their level of accreditation	Positive variance of 25% due to SHIs maintaining their accreditation status after intervention was completed, with compliance assessed and to be assessed on a quarterly basis to determine whether the accreditation status is maintained or improved.
100% of identified projects that received an IIG, of which the work is completed within the current financial year, are recommended for the capital grant award	75% of identified projects that received an IIG, of which the work is completed within the current financial year, are recommended for the capital grant award	75% of identified projects that received an IIG, of which the work is completed within the current financial year, are recommended for the capital grant award	Positive variance of 25% where one IIG awarded was completed within the financial year and was recommended for the capital grant, with others where IIG was awarded still in process and to be completed in the next financial year.

No	Performance Indicator	Audited/Actual performance		Annual Target	
		2018/19	2019/20	2020/21	

Outcome 4: Increased capacity of municipalities and provinces to deliver social housing

4.1.1	Number of provinces that achieve at least 80% of the criteria for supporting a functional Social Housing Programme	-	New indicator	7 provinces that achieve at least 80% of the criteria for supporting a functional Social Housing Programme	
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4.1.2	Number of social housing projects with land availability agreements approved	-	New indicator	3 social housing projects with land availability agreements approved	
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Outcome 6: A transformed social housing sector value chain

6.3.1	Percentage of IIG recipients that are majority black-owned or controlled	New indicator	72% (21/30) of IIG recipients are majority black-owned or controlled	70% of IIG recipients are majority black-owned or controlled	
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Actual Achievement	Medium-Term Targets		Variance and Comments
2020/21	2021/22	2022/23	
4 provinces achieve at least 80% of the criteria for supporting a functional Social Housing Programme	7 provinces achieve at least 80% of the criteria for supporting a functional Social Housing Programme	7 provinces achieve at least 80% of the criteria for supporting a functional Social Housing Programme	<p>Negative variance of 3 due to Limpopo PSC not being confirmed as well as Mpumalanga, Free State, Eastern Cape and Northern Cape not meeting at least twice in 2020/2021 and not at least recommending 2 projects for approval (due to not all provinces being geared to conduct online meetings during the pandemic), insufficient administrative support at PSC level and insufficient projects for consideration. PSC support to be provided through the PSC Chairpersons. Forum to improve performance.</p>
4 social housing projects with land availability agreements approved	5 social housing projects with land availability agreements approved	3 social housing projects with land availability agreements approved	<p>Positive variance of 1 social housing project where land availability was previously confirmed for an SHI with an approved project in Newcastle, while others are approved by other municipalities for project approval and implementation going forward.</p>
76% of IIG recipients reject deletion are majority black -owned or controlled	75% of IIG recipients reject deletion are majority black-owned or controlled	80% of IIG recipients reject deletion are majority black-owned or controlled	<p>Positive variance of 6% due to constant following up with grant recipients to obtain valid affidavits.</p>

No	Performance Indicator	Audited/Actual performance		Annual Target	
		2018/19	2019/20	2020/21	

PROGRAMME 4: PROJECT DEVELOPMENT AND FUNDING

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

2.1.1	Number of social housing units completed	2 284 social housing units completed	3 010 social housing units completed	4 006 social housing units completed	
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2.1.2	Number of social housing units delivered	2 471 social housing units delivered	4 012 social housing units delivered	3 870 social housing units delivered	
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2.2.1	Percentage of expenditure of the approved annual CCG cash flow projection	-	Indicator reframed	95% expenditure of the approved annual CCG cash flow projection	
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2.3.1	Timeline for the submission of a 5-year development plan for delivery of 30 000 social housing units	-	New indicator	5-year development plan for delivery of 30 000 social housing units submitted by end of Q2 2020/21	
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	Actual Achievement	Medium-Term Targets		Variance and Comments
	2020/21	2021/22	2022/23	
as				
	1 856 social housing units completed	6 700 social housing units completed	8 000 social housing units completed	A negative variance of 2 150 social housing units completed for the financial year. The momentum built in the second half of the year will be carried through into the next financial year to improve performance on projects – including unlocking non-performing contracts.
	985 Social housing units delivered	8032 Social housing units delivered	8 500 Social housing units delivered	A negative variance of 2885 social housing units tenanted for the Financial Year. With the economy picking up, more social housing tenants will meet the income level for paying deposits and monthly rentals.
	81% (R587 227 628 of R723 706 000) expenditure of the approved annual CCG cash flow projection	95% expenditure of the approved annual CCG cash flow projection	95% expenditure of the approved annual CCG cash flow projection	Negative variance of 14% expenditure of the approved annual CCG cash flow projection. The expenditure follows the unit completion trend and the low unit production rate. The momentum built in the second half of the year will be carried through into the next financial year to improve performance on projects.
	5-year development plan for delivery of 30 000 social housing units was submitted by end of Q2 2020/21	Annual review of the 5-year development plan	Annual review of the 5-year development plan	No variance

No	Performance Indicator	Audited/Actual performance		Annual Target
		2018/19	2019/20	2020/21

Outcome 6: A transformed social housing sector value chain

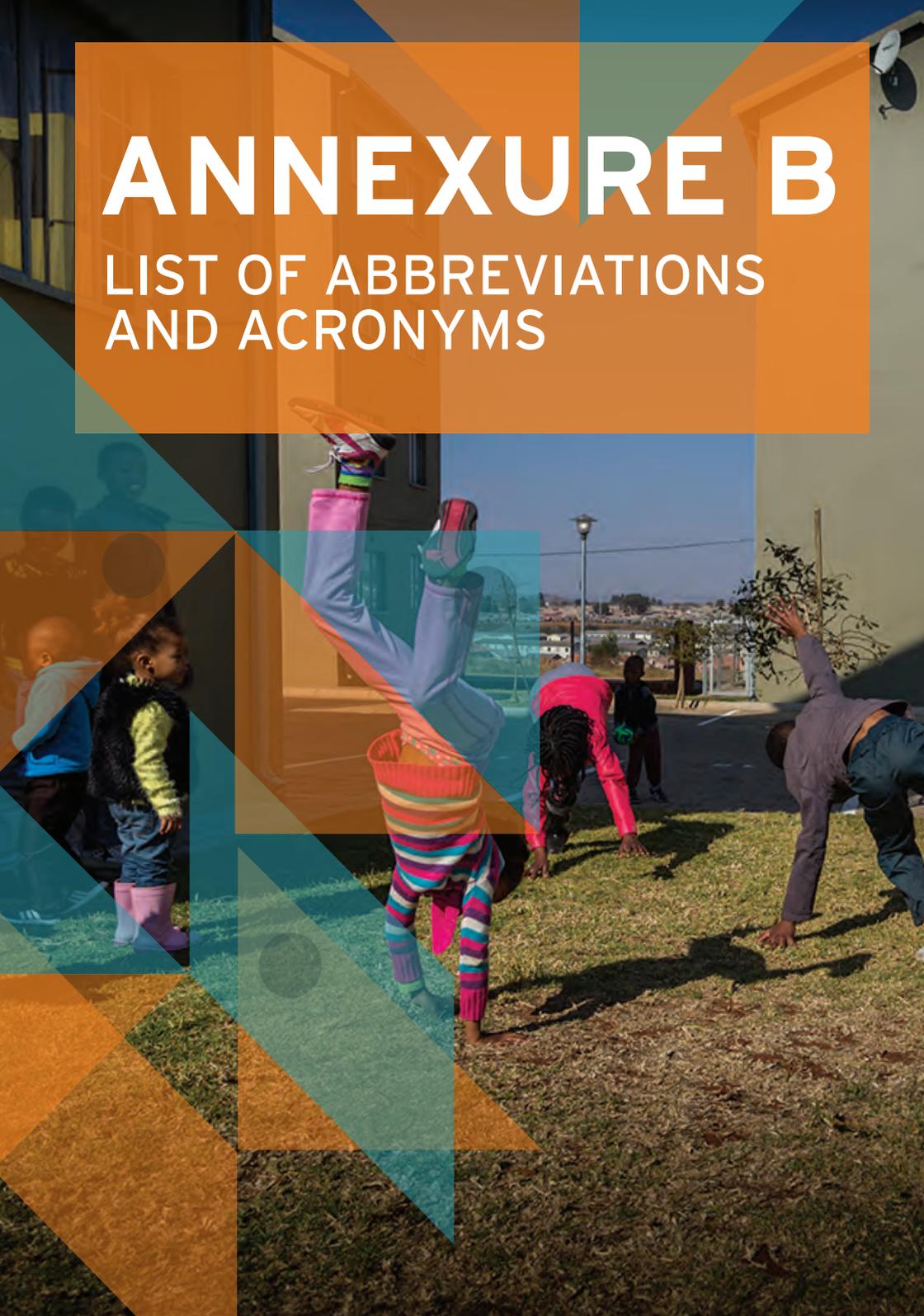
6.4.1	Percentage of CCG awarded to black majority-owned or controlled enterprises	70% of CCG awarded to black majority-owned or controlled enterprises	95.45% of CCG awarded to black majority-owned or controlled enterprises	70% of CCG awarded to black majority-owned or controlled enterprises
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6.4.2	Percentage of CCG allocation awarded to the designated groups	New indicator	40.26% of CCG allocation awarded to the designated groups	30% of CCG allocation awarded to the designated groups
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	Actual Achievement	Medium-Term Targets		Variance and Comments
	2020/21	2021/22	2022/23	
	54% of the CCG awarded to black majority-owned enterprises	75% of CCG awarded to black majority-owned or controlled enterprises	80% of CCG awarded to black majority-owned or controlled enterprises	A negative variance of 16% of the CCG awarded to black majority-owned enterprises. Projects that were anticipated for Q4 accreditation failed due to non-compliance on current stock under management. Going forward, the approach is to resolve the non-compliance issues and QSA matters prior to project recommendation to Council.
	59% of CCG allocation awarded to the designated groups	32% of CCG allocation awarded to the designated groups	35% of CCG allocation awarded to the designated groups	A positive 29% variance of the CCG allocation awarded to the designated groups. This notable positive variance is as a result of PD&F not only pursuing projects that met this criterion but also ensuring that grant recipients meet the SHRA transformation requirements by the time a project is accredited.

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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