

**ANNUAL
REPORT
2018-2019**



ASSURING
Quality
HOMES

Abbreviations and Accronyms

ARCO	Audit and Risk Committee
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BMS	Business Management Solutions
CEO	Chief Executive Officer
CETA	Construction and Education Training Authority
CIDB	Construction Industry Development Board
COC	Code of Conduct
CPI	Consumer Price Index
CRHI	Centre for Research and Housing Innovation
CSI	Corporate Social Investment
DoA	Delegation of Authority
ECPDHS	Eastern Cape Provincial Department of Human Settlements
EEA	Employment Equity Act
EHBT	Emerging Home builders Training
ERP	Enterprise Resource Planning
EA	Enterprise Architecture
EAF	Enterprise Architecture Framework
GDP	Gross Domestic Product
GIBS	Gordon Institute of Business Studies
GIS	Geographical Information Systems
HCPMA	Housing Consumers Protection Measures Act
HDA	Housing Development Agency
HBM	Home Building Manual
IBT	Innovative Building Systems
ICT	Information Communication Technology
HSTA	Human Settlement Training Academy
IHHWA	International Housing and Home Warranty Association
IHHWC	International Housing and Home Warranty Council

MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDHS	National Department of Human Settlements
NEPAD	New Partnership for Africa Development
NHBRC	National Home Builders Registration Council
NURCHA	National Urban Reconstruction and Housing Agency
NYC	National Youth Commission
OHS	Occupational Health Safety
PFMA	Public Finance Management Act
POE	Portfolio of Evidence
ROI	Return on Investment
SACPMMP	South African Council for Project and Construction Management Professions
SDL	Skills Development Levy
SHE	Safety Health and Environment
VFP	Valuable Final Products
WEP	Women Empowerment Programme
YTP	Youth Training Programme

THE NHBRC: AN OVERVIEW

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

Our vision

“To be a champion of the housing consumer”

Our mission

“To protect the housing consumer and regulate the home building environment”

Motto

“Assuring Quality Homes”

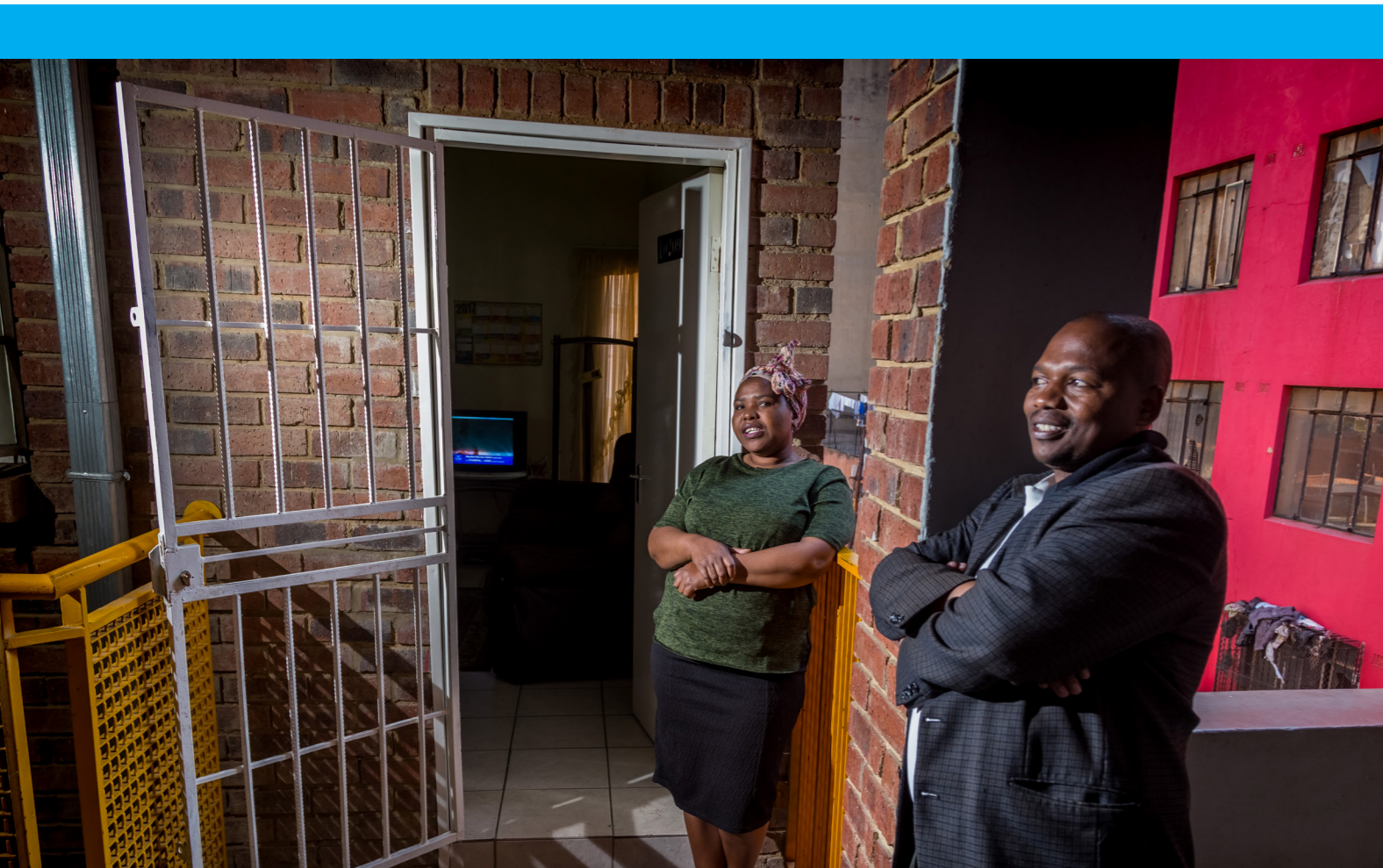
Strategy

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

Our values

The values of the organisation are as follows:

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



Strategic Objectives

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

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

KEY MOMENTS IN THE HISTORY OF THE NHBRC

Year	Highlight
2007	Launched the Eric Molobi Housing Innovation Hub in Soshanguve, Pretoria
2008	Development of integrated human settlements ("Breaking New Ground")
2009	Relocated Gauteng Provincial Customer Service Centre to Woodmead
2010	Open days held in the Eastern Cape, Gauteng, KwaZulu-Natal and the Western Cape to educate housing consumers and home builders about the NHBRC and its objectives
2011	In partnership with the National Department of Human Settlements, hosted the 12th International Housing and Home Warranty Conference (IHHWC), the first of its kind on African soil
2012	Representation on the board of International Housing and Home Warranty Association (IHHWA) as Deput Chairperson of the Association
2013	Commencement of testing materials at Eric Molobi Innovation Hub
2014	Launched the transformation charter Employed a fully insourced inspectorate service for NHBRC
2016	Launch of the two mobile offices to serve as office units
2017	On-line technical assessment for home builders Implementation of the transformation charter
2018	Construction of nine Innovative Building Technologies



CONTENTS

Section 1: Leadership Overview	12
The NHBRC Council	14
Chairperson of Council Report	16
Chief Executive Officer's Report	18
Executive Committee	21
Section 2: Financial Highlights	22
Overview	24
Results for the Year	25
Emerging Contractor Reserve	28
Section 3: Corporate Governance	29
Council Committees	31
Section 4: Organisational Arrangements	39
Risk Management	42
Internal Audit	44
Corporate Communication and Marketing	45
Strategy and Performance Information Management	46
Centre for Research and Housing Innovation	47
Chief Operating Officer	51
• Business Services Division	51
• Corporate Services Division	59
• Legal Compliance and Enforcement Division	63
Section 5: Performance Information	69
Section 6: Financial Statements	90

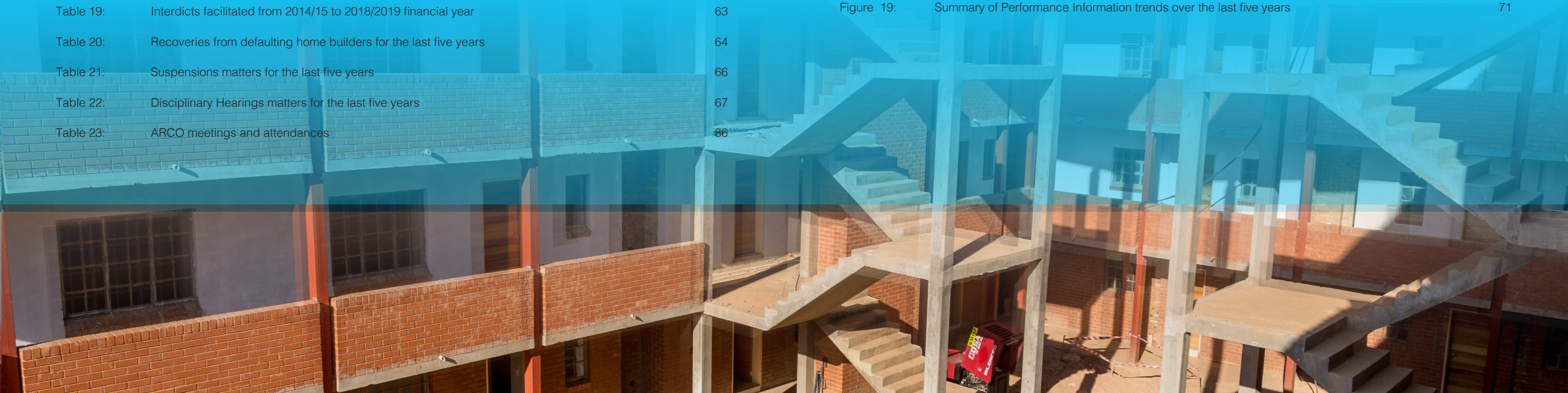
TABLES

Table 1:	Financial performance summary for 2015/16 – 2018/19	28
Table 2:	Council meetings and attendance in the year under review	31
Table 3:	Previous Council meetings and attendance in the year under review	32
Table 4:	Fund advisory and finance committee members	32
Table 5:	Registration committee members	33
Table 6:	Audit and risk committee members	34
Table 7:	Human Capital and Remuneration Committee members	35
Table 8:	Industry advisory committee members	35
Table 9:	Social ethics and transformation committee members	36
Table 10:	Attendance of Committees of Council meetings by member	37
Table 11:	Attendance of Committees of Council meetings by the previous Council members	38
Table 12:	List of beneficiaries and location of IBT	48
Table 13:	Summary of Training performance by category for 2018/19	50
Table 14:	Enrolments per Metro, Property value and Enrolment fee	53
Table 15:	Homes with Final Unit Report issued	57
Table 16:	Remedial Claims for the past five years	59
Table 17:	Workforce profile as at 31 March 2019	60
Table 18:	Human Capital Achievements vs Social Transformation Scorecard	61
Table 19:	Interdicts facilitated from 2014/15 to 2018/2019 financial year	63
Table 20:	Recoveries from defaulting home builders for the last five years	64
Table 21:	Suspensions matters for the last five years	66
Table 22:	Disciplinary Hearings matters for the last five years	67
Table 23:	ARCO meetings and attendances	86

FIGURES

Page No.

Figure 1:	Revenue (R'million)	25
Figure 2:	Operating expenditure	26
Figure 3:	Investments	27
Figure 4:	Growth In Investments	27
Figure 5:	Organogram	40
Figure 6:	Registrations and Renewal of Registrations	52
Figure 7:	Summary of units enrolled by higher performing metropolitan municipalities	53
Figure 8:	Non Subsidy Enrolment and Late Enrolment of Homes	54
Figure 9:	Subsidy Enrolments	55
Figure 10:	Gauteng Metropolitan Municipalities with most non-subsidy inspections	56
Figure 11:	Non-Subsidy and Subsidy homes inspected over 5 year period	56
Figure 12:	Summary of provinces with higher number of subsidy inspections	57
Figure 13:	Complaints lodged and closed	57
Figure 14:	Conciliations matters addressed by NHBRC	58
Figure 15:	Annual Performance Plan	65
Figure 16:	Suspension of Defaulting home builders	66
Figure 17:	Disciplinary matters	68
Figure 18:	Number of criminal cases registered over the last five years	68
Figure 19:	Summary of Performance Information trends over the last five years	71



SECTION 1:
LEADERSHIP
OVERVIEW



THE NHBRC COUNCIL

The Council is principally responsible for directing and controlling the business of the NHBRC and ensuring its long-term economic, social and environmental sustainability.

The Council leads the organisation in its achievement of strategic objectives by directing and approving the organisation's overall strategy and associated operational objectives. It monitors the organisation's performance against the targets outlined in the Shareholder's Compact and ensures that adequate processes are in place for budget planning and allocation to advance the NHBRC's mandate. This includes oversight of the organisation's socio-economic programmes.

The NHBRC is directed and controlled by the Council which is appointed by the Minister in terms of section 4 of the Act. The Council is appointed for a period determined by the Minister, but not exceeding three years at a time. The current Council was appointed by the Minister effective from the 01 August 2018 and its terms of office will come to an end on 31 July 2021.

The Council is accountable for leading the organisation ethically and effectively. The values of professional excellence, integrity, commitment and transparency are the footprint of the organisation's culture. The Council is committed to implementing the King IV Code on Corporate Governance and has a Charter in place setting out the Board's responsibilities.

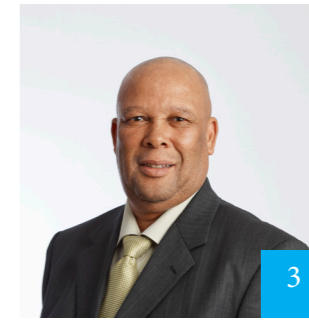
The NHBRC 's Council performs its fiduciary duties and is appointed by the Minister in terms of section 4 of the Act. The Council is appointed for a period determined by the Minister, but not exceeding three (3) years at a time. The current Council was appointed by the Minister effective from the 01 August 2018 and its term of office will come to an end on 31 July 2021.



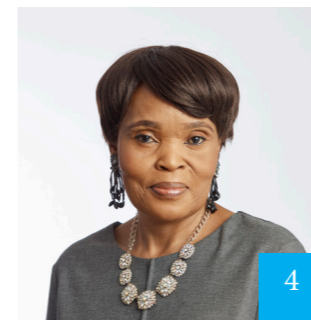
The strength of the team is each individual member. The strength of each member is the team."

- Phil Jackson

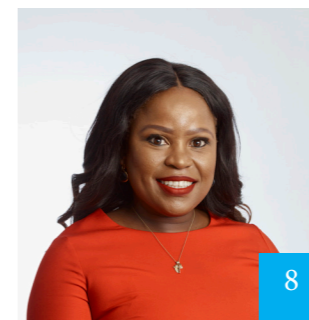
The NHBRC Council consist of the following experienced members with a good balance of skills.



- 1 **Mr. Enoch Godongwana**
Chairperson - MA (Finance & Economics, University of London)
- 2 **Ms. Mampe Kotsi**
Council member - Advanced Diploma in Economics Policy University of the Western Cape)
- 3 **Mr. Mziwonke Jacobs**
Council member -Project Management (Eric and University of Cape Town Business School)



- 4 **Ms. Bongwiwe Duba**
Council member - Executive Leadership Development for Municipal Management at the University of Pretoria and Bachelor of Arts in Psychology ;University of South Africa
- 5 **Mr. Unathi Hoyana**
Council member - Bsc in Property Development University of Kwa-Zulu Natal
- 6 **Mr. Choeru Makabate**
Council member - Master of Engineering in Engineering Management (UJ)



- 7 **Mr. Roy Mnisi**
Council member - LLB and Postgraduate certificate in Compliance Management (UJ) (Admitted Attorney of the High Court)
- 8 **Ms. Noluthando Molao**
Council member -MSc Quantity Surveying (Honours) and Postgraduate Diploma Property Development and Management (Wits).
- 9 **Mr. Roseberry Sonto**
Council member - Various Developmental Courses



- 10 **Ms. Nthabiseng Tsenase**
Council member - Degree in Marketing from the University of Johannesburg
- 11 **Mr. Zenzele Myeza**
Council member - Bcom (UNIZUL) and MBA (UDW)
- 12 **Mr. David Mapikitla**
Council member - MBA Potchefstroom Business School (PBS) of the (NWU).



- 13 **Mr. Goolam Manack**
Council member - M.Sc. (Public Policy and Management) University of London
- 14 **Mr. Kumkani Siphamandla**
Council member - MBA Potchefstroom Business School (PBS) of the (NWU).

CHAIRPERSON OF COUNCIL REPORT



Mr. Enoch Godongwana
Chairperson

It is with great pride that I, on behalf of the NHBRC Council, Management and staff, present the NHBRC 2018/19 Annual Report. This is the first annual Report that the NHBRC will be presenting to the Honourable Minister of Human Settlements, Water and Sanitation Ms Lindiwe Sisulu since her appointment in May 2019. The NHBRC Council welcomes the Honourable Minister in her new role and looks forward to her leadership and guidance and assures her of our unwavering support as the NHBRC Council.

As the NHBRC Council we have been entrusted by the Minister and the people of South Africa to ensure that the NHBRC focuses on delivering on its mandate. During our tenure as the Council, we are committed to refocus the organisation to its core objectives. However, as Council we are not naïve to the challenges facing the construction industry in the country today.

This 2018/2019 financial year performance is a reflection of the ever challenging and uncertain environment which NHBRC operates in. The country's economy grew by 0.8% in 2018, Vat increased from 14% to 15% and the increasing pressure to balance reduced government spending against service delivery. In light of this, the NHBRC had some positive developments. It received an unqualified audit in the financial year and grew its business.

In the year under review, a total of 3 600 new home builders were registered with the NHBRC and this representing a growth of 1, 8% compared to the last financial year.

There was an increase in the number of home builders who renewed their registration for the 2018/2019 financial year. This trend has been ongoing since 2014/15, with an average of 75% renewals in the last four years. This year a total of 14 117 homebuilders renewed their registration. Builders are required to renew their registration on an annual basis which is necessary where home builders have to do some remedial works so that they should be found to be active in the home-building industry.

We have seen also a decrease of about 9% with regards to the number of homes enrolled in the non-subsidy sector this year as compared to the last financial year. A total of 51 585 homes were enrolled in the non-subsidy sector against a target of 50 485 for the year under review.

Although in the subsidy sector, the enrolment target was not met, 2018/19 saw an increase of 15% compared to the last financial year. A total of 73 871 enrolments came from Kwa-Zulu-Natal, Gauteng, Limpopo, Western Cape, Mpumalanga and North West.

Through the Centre for Research and Housing Innovation, the NHBRC built nine homes for beneficiaries identified in partnership with provincial departments of human settlements, local municipalities and provincial social development using its innovative building technologies. These beneficiaries ranges from people living with disabilities and destitute.

In an effort to simplify the building process, the NHBRC launched the simplified home building manual during the year under review to assist emerging home builders participating within the home built industry. The aim is to simplify the content of the home building manual and ensure that it accurately reflects the technical requirements of the NHBRC, National Building Regulations, SANS 10400 and other relevant standards.

The Council regards the principles of sound corporate governance as imperative in obtaining and retaining the trust of stakeholders, and the overarching objectives of performance with integrity. These principles are vital in securing respect from key stakeholders including home owners, home builders, suppliers, government and employees.

During the period under review, the Council played its governance role as required by PFMA by ensuring that the organisation's internal control systems are in place and monitoring that they remain relevant, effective, efficient and transparent to deliver on the strategic objectives and to mitigate against the risks that threaten the sustainability of the organisation.

The Auditor General concluded the audit of the 2018/19 financial year and reported that the audit outcome for the NHBRC has improved from a qualified opinion with findings on compliance with laws and regulations and on predetermined objectives in prior year, to an unqualified opinion with findings on compliance with laws and regulations and predetermined objectives in the current year. This is an improvement from the outcome reported in the prior year. It is this Council's priority to ensure that the organisation maintain clean Governance for the foreseeable future.

On behalf of the Council, I would like to thank the Executive team, Management team and all NHBRC employees that were integral to the achievement of our objectives to attain an unqualified audit for the financial year 2018/19 and beyond.

Mr. Enoch Godongwana
Chairperson

CHIEF EXECUTIVE OFFICER'S REPORT



Mr. Mziwonke Dlabantu
Chief Executive Officer

This year, the National Home Builders Registration Council (NHBRC) entered a significant milestone since its inception through the Housing Consumers Protection Measures Act of 1998 ("the Act"). Twenty years ago, the Act was signed into law and this led to the establishment of the NHBRC. The Act sought to address issues of non-compliance to building standards and regulations in the home building industry.

In the past few years we have seen the evolution of the built environment which has necessitated that we review the legislation which governs us in order to realise our mission to be the champion for the rights of the consumers. The NHBRC is driven by a desire to stamp out shoddy workmanship and unscrupulous builder behaviour in order to erect high quality structures on the ground.

As a regulator, what gives us the most headaches is making sure that builders understand their role and that they understand what is required of them by complying with the regulations and standards, not just because they have to, but because this benefits the home building industry and the consumers in the long term.

It is therefore encouraging to see that builders / contractors and developers on the ground are starting to take steps to inculcate a culture of compliance.

We were further heartened by the highest courts in the country who cemented our existence following the conclusion of two matters in the Constitutional Court and the Supreme Court of Appeal. On the 7th of November 2018 the Constitutional Court dismissed, with costs, an application for leave to appeal by a home builder - William George Granville Eliot – against a NHBRC ruling declining to enrol a house four years after construction and occupation. The NHBRC welcomed this decision and hopes that the ruling will act as a deterrent to those developers and builders who don't adhere to building standards and the law.

On the 26th of March 2019, the Supreme Court of Appeal (SCA) made a ruling in the matter between the NHBRC and Mike's Trust /SCA made a ruling in NHBRC vs Mike's Trust wherein the SCA declared that Trusts and/or trustee/s involved in the business of constructing homes are indeed home builders.

This 2018/2019 Annual Report is a reflection of the

performance of the organisation in line with the 2018/2019 Annual Performance Plan as well as the 2014-2018 Strategic Plan. In presenting it we provide highlights of the constantly changing environment on which this performance is based. In the year under review, a total of 3 600 new home builders were registered with the NHBRC and this represents a growth of 1, 8% compared to the last financial year.

When one looks at the trends for builder registration over the years one would conclude that in most cases home builders are motivated by an increase of activities in the market to register with the regulator. For example, we see that when government advertises human settlements construction tenders, more home builders register with the NHBRC such that, they are ready to participate in activities related to these tenders. The NHBRC has been conducting workshops geared towards showing home builders the benefits of being a registered home builder. The NHBRC has conducted a forecast for the 2019/2020 financial year and based on the economic activities currently prevailing, the NHBRC projects to register a total of 2,885 home builders. The management of the NHBRC is well aware that there is a performance gap as forecasts for the 2019/20 financial year are based on the reasonably foreseeable performance of the 2018/2019 financial year.

On the other hand, the NHBRC has also witnessed an increase in the number of home builders who renewed their registration for the 2018/2019 financial year. This has been the trend since 2014/15, with an average of 75% renewals in the last four years. The NHBRC has on average a total of 17 717 active home builders in its database. This year a total of 14 117 home builders renewed their registration. Home builders are required to renew their registration on an annual basis so that they should be found to be active in the home building industry in the event that they have to do some remedial work.

We have also seen a decrease of about 9% with regards to the number of homes enrolled in the non-subsidy sector this year as compared to the last financial year. A total of 51 585 homes were enrolled in the non-subsidy sector against a target of 50 485. Properties in the major metros of eThekweni, City of Cape Town and City of Tshwane with an average property value of R1,1 million at the time of enrolment had the highest property values.

We have further enrolled 76 526 homes in the subsidy for the year under review which represent a 15% increase

compared to the last financial year. A total of 73 871 enrolments came from KwaZulu-Natal, Gauteng, Limpopo, Western Cape, Mpumalanga and North West. Although the target of 112 179 for the year was not achieved, the subsidy enrolment performance has improved.

The NHBRC has always discouraged home builders from the late enrolment of homes since this poses a risk to the warranty fund, and also denies the organisation of an opportunity to conduct timely inspections. The NHBRC has always insisted that home builders submit a financial guarantee in cases where they had started constructing homes with no prior enrollment. In an effort to discourage the late enrolment of homes, the NHBRC requires the bank financial guarantee which serves as security in the event of structural defects on such homes. This effort is anchored on the principle of ensuring that home builders fully comply with the Housing Consumers Protection Measures Act.

The NHBRC has adopted a zero tolerance approach towards non-compliance with the Housing Consumers Protection Measures Act. The NHBRC spent a total of R3 231 118 from its warranty fund to rectify structural defects in cases where the home builder was unable or unwilling to rectify.

Disciplinary Hearing Cases

A total of 606 disciplinary hearings were conducted by the NHBRC, which resulted in a total of 134 home builders being suspended for the year under review. These resulted from failing to attend to complaints from housing consumers; failing to adhere to norms and standards; and for failing to attend to major structural defects. It is upon this basis that the database of defaulting home builders is then circulated to all the provinces with the sole aim of ensuring that non-compliant home builders are prevented from practicing in the construction sector, until their suspension is lifted. The NHBRC has projected that 100% of home builder notice of non-compliance is actioned as received. It was also deemed important to conduct notice of non-compliance actioned within five working days from date of receipt of instructions by legal officers. Furthermore, 165 criminal cases were opened with the South African Police Services in respect of home builders who carry on the business of home building without having registered with the NHBRC.

Inspection of homes

The inspection of homes is the core business of the NHBRC, and the organisation views inspection as a mitigating factor

against the warranty fund. We have therefore ensured that the inspectorate has adequate capacity to ensure the speedy and quality inspection of homes for both the subsidy and the non-subsidy sector. For the financial year 2018/19, a total of 68 009 non-subsidy homes and a total of 85 263 subsidy homes were inspected.

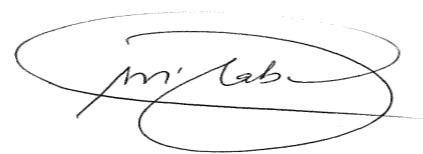
Training of women and youth

Housing delivery to drive job creation for women and youth in particular remains one of the National Department of Human Settlements' (NDHS) key priorities. To this end, the NHBRC has, through its Social Transformation and Empowerment programme, focused on training and building the capacity of women and youth. During this financial year, we undertook training initiatives for home builders, women, youth people with disabilities and military veterans. A total of 9 023 individuals were trained on various skills for the 2018/19 financial year against the target of 7 850. The Eric Molobi Centre of Excellence has been recommended by the NDHS to be used as a base for coordinating training events for women and youth. Our strategy is to ensure that training is carried out where construction is in progress to give trainees the necessary exposure to both the theoretical and practical side of the training.

We also continue to participate in international foras, notably the International Housing and Home Warranty Association (IHHWA). Recently, we entered into a Memorandum of Understanding with the Construction Industry Council of Swaziland.

There has been a significant change in the composition of our executives following new appointments made during the course of the year as we welcomed the new Chief Operations Officer, Chief Financial Officer and Chief Risk Officer.

Our success as an organisation is entirely due to our professional and dedicated employees. I therefore wish to thank management and staff for their hard work and commitment towards the achievement of the organisational objectives. I am also indebted to the Council and Minister and staff of Human Settlements for their support in helping the organisation to achieve its goals



Mr. Mziwonke Diabantu
Chief Executive Officer

EXECUTIVE COMMITTEE

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



1 Mr. Mziwonke Diabantu
Chief Executive Officer
B.Com (University of Fort Hare)



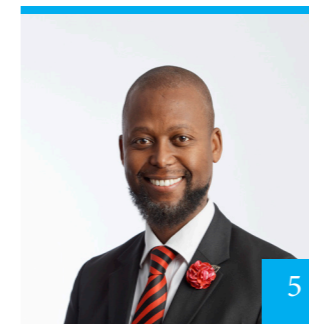
2 Mr. Otsile Maseng
Chief Operations Officer
B.Iuris (University of the North), MBA (Milpark Business School), PDP (University of Cape Town)



3 Mr. Songezo Boo
Chief Financial Officer
B.Com, B.Com (Hons), (University of Natal), CA(SA)



4 Ms. Thitinti Moshoeu
Executive Manager:
Business Services
B.Com, B.Com (Hons) (University of the North), M.Sc (Business Studies) (Salford University, UK).



5 Mr. Leslie Kwapeng
Acting Executive Manager:
Corporate Services-
B.Com (Vista University), Postgraduate Diploma in Management (PDM), (Wits Business School), MBA (Wits Business School)



6 Ms. Julia Motapola
Executive Manager:
Legal Compliance and Enforcement -
B.Proc (University of Venda), LLB (University of Pretoria), LLM (Emory School of Law, USA)

SECTION 2:
FINANCIAL
HIGHLIGHTS



Overview

Financial year 2018/19 saw the South African Reserve Bank (SARB) increase the interest rates by 0.25% to 6.75% in November 2018 against the backdrop of rising inflation expectations and an effort to strengthen the volatile rand. The impact of this increase will be felt by consumers who already have mortgage loans and credit cards as the lending rate by financial institutions also increase the prime lending rate from 10% to 10.25% in the same period. These consumers will now have less disposable income as they spend more on loan repayments and therefore consumer spending will reduce. The residential property market may be boosted by the financial institutions' willingness to give leeway to first time buyers due to favourable lending rates although consumers can be discouraged by the higher amount of repayments.

This has been a period of considerable political and economic uncertainty with the country coming out of recession in the third quarter of 2018. However, growth was subdued mostly due to policy and political uncertainty resulting in weakening investor confidence.

The Government's intervention strategy of improving the property market and addressing the access of households that fall within the gap market through mortgage insurance in the form of Finance Linked Individual Subsidy Programme (FLISP) will assist most housing consumers.

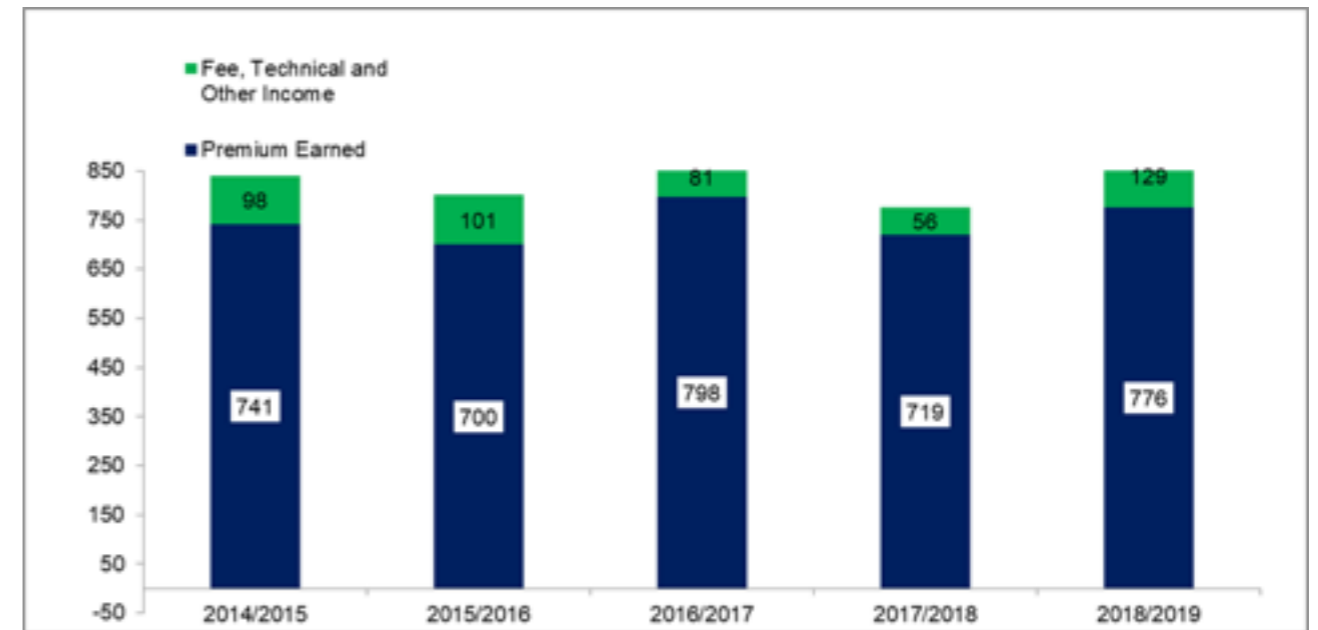
Future demand for and supply of new homes will be driven by developments with regard to the economy in general, but specifically by trends in respect of:

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



Results for the year

Figure 1: Revenue (R' Million)



Revenue from enrolments premiums written increased by R 57 million to R 776 million whilst in 2018 the premiums written had decreased by 80 million. The decrease in the provision for unearned premium of R 31 million (2018: increase R 133 million) was reduced by the change in the unexpired risk provision amounting to R 80 million (2018: R 64 million). Insurance premiums are recognized over the period of the policy commensurate with the expected incidence of risk from the date of occupation of the home.

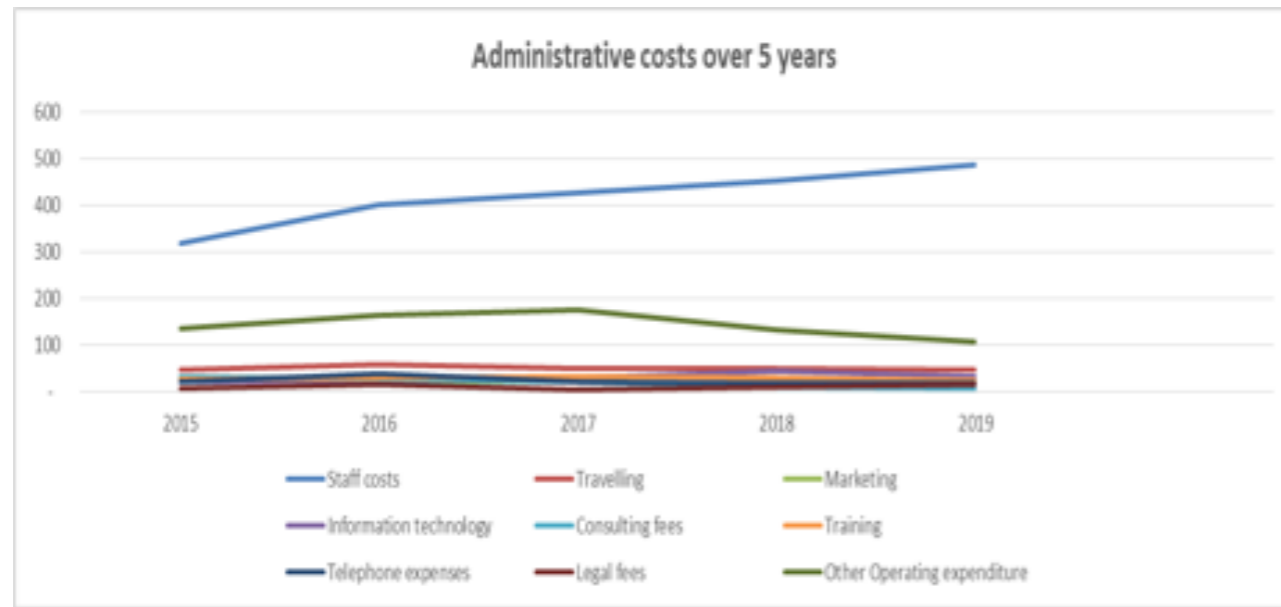
Non-subsidy enrolment value decreased by 10% while subsidy enrolment of homes also increased by 75%. The increase in subsidy home enrolments is primarily due to the rollover of projects approved in the prior year which are now entering the construction phase, whilst the increase in non-subsidy premiums written is attributable to a higher than anticipated performance in the home building industry as compared to the previous financial year.

Fee revenue increased from R 43 million to R 101 million (135%), which was mainly attributable to the increase in subsidy project enrolments by R56 million (2018: decrease by R11 million). Fee revenue includes annual registration fees, annual renewal fees, late enrolment fees, builder manual fees, subsidy project enrolments and document sales.

Technical services revenue represents rectification and forensic technical service fees earned in the subsidy market. The realisation of fees is primarily due to contracts rolled over from the previous financial year.

Income earned from investments amounts to R 451 million (2018: R 406 million) and represents a year on year increase of R 45 million.

Figure 2 : Operating expenditure



Since the National Treasury published Instruction Note 1 of 2013/14 on cost containment measures, the NHBRC has reviewed its operating costs structure, with a view to containing its operating costs.

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

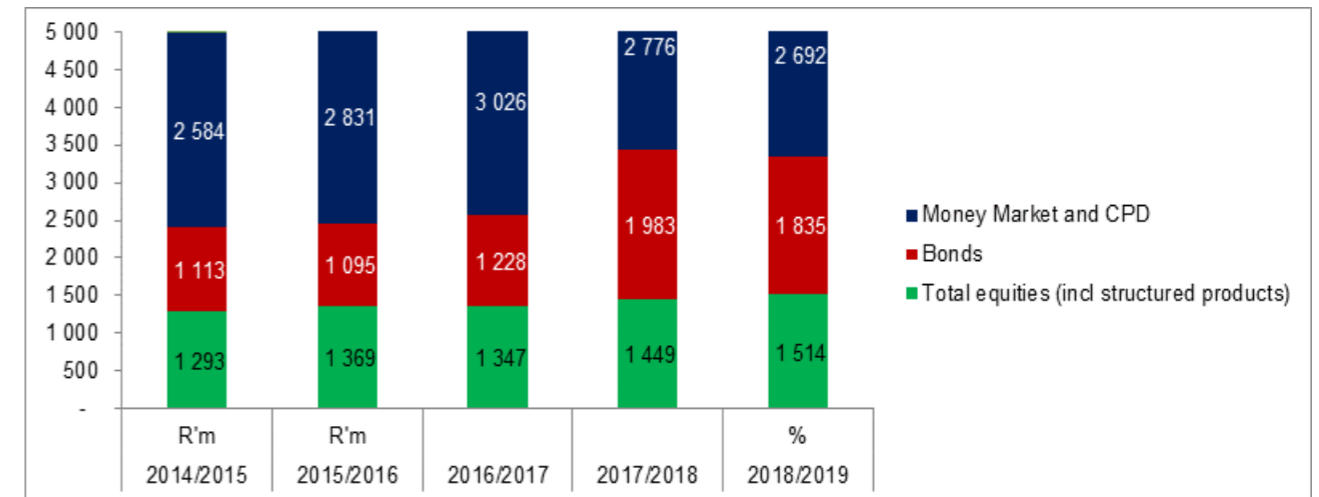
In the 2018/19 financial year the NHBRC will leverage on its Information Technology platform to modify costs in response to changing conditions using more automation, increased user self-service and much-improved management of information to help identify and address the causes of inefficiency.

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

Business support expenditure consists of fixed costs to maintain the NHBRC operations and services to its customers. Risk mitigation costs increased with the enhancement of the inspection model during the year under review with greater emphasis being placed on the employment of inspectors and quality assessors. The additional costs incurred by in-sourcing are evident in the increased employee costs incurred.

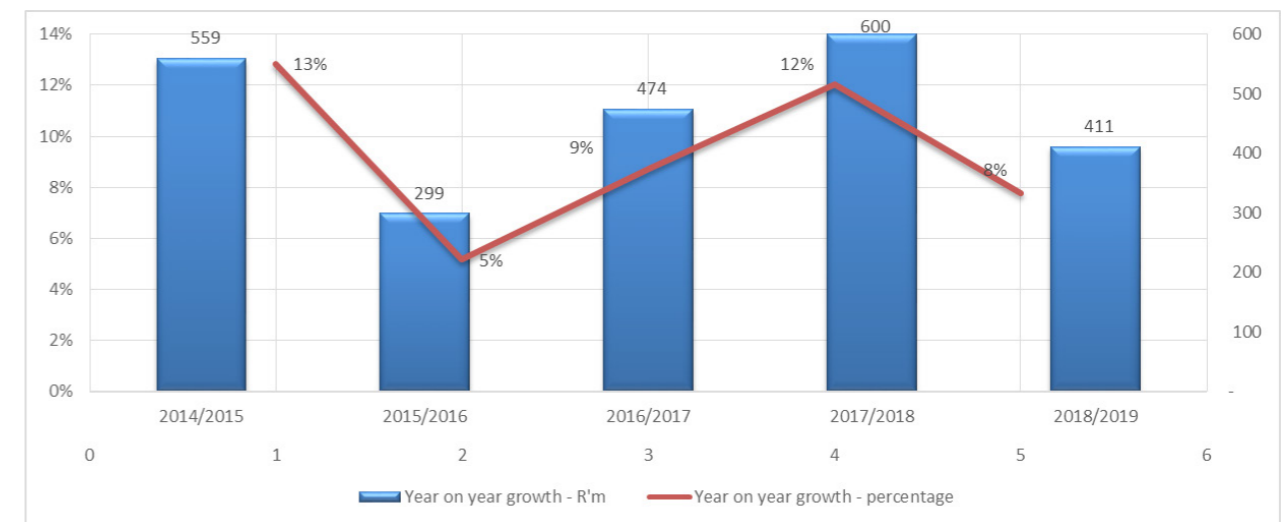
The business support expenditure of R743 million (2018: R 735 million) represents a year on year increase of 1.3% which is below inflation, and is attributable to the implementation of cost containment measures whilst ensuring that there is capacity required to sustain business growth and improve service delivery to all stakeholders

Figure 3 : Investments



The NHBRC is regulated in terms of the Housing Consumers Protection Measures Act to establish a fund for the purposes of providing assistance to housing consumers under circumstances where a home builder fails to meet their obligations under section 13(e)(b)(1) of the Act. The investment mandate concentrates on the preservation of capital so as to ensure that the NHBRC remains financially sound to meet housing consumer claims as they arise.

Figure 4 : Growth In Investments



Investments are held in Local Bonds, Local Equities, Money market instruments, structured equity linked notes and the Corporation for Public Deposits. These portfolios are managed on behalf of the NHBRC by external asset managers, with investment performances tracked against predetermined benchmarks. The market value of the investment portfolio decreased to R 6 billion (2018: R6.3 billion). The fair value gain adjustment of (R17 million) (2018: R 197 million) is taken to the Statement of Financial Performance in terms of GRAP 104.

Emerging Contractor Reserve

The emerging contractor training reserve was established to develop programmes to assist home builder, through training and inspection, to achieve and to maintain satisfactory technical standards of home building in terms of Section 3(h) of the Housing Consumers Protection Measures Act). The emerging contractor reserve has been established, with Ministerial approval, to develop programmes targeted at the empowerment of emerging home builders registered with the NHBRC, which will enable learners to start and manage their own construction contracting businesses. The Council utilised R 9.4 million (2018: R 8.5 million) for home builder training in the current financial year.

Table 1 : Financial performance summary for 2015/16 – 2018/19

	2015/16	2016/17	2017/18	2018/19
Surplus for the year (Rm)	256	488	614	584
Return on equity	6.2%	8.6%	12%	10%
Total assets (Rm)	5 634	6 064	6 748	7 367
Total reserves(Rm)	4 068	4 556	5171	5 748
Total technical liabilities(Rm)	1 367	1 356	1 429	1 487



SECTION 3: CORPORATE GOVERNANCE



The Council is principally responsible for directing and controlling the business of the NHBRC and ensuring its long-term economic, social and environmental sustainability.

The Council leads the organisation in its achievement of strategic objectives by directing and approving the organisation's overall strategy and associated operational objectives. It monitors the organisation's performance against the targets outlined in the Shareholder's Compact and ensures that adequate processes are in place for budget planning and allocation to advance the NHBRC's mandate. This includes oversight of the organisation's socio-economic programmes.

Council meeting attendance

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

Table 2 :Council meetings and attendance in the year under review

Member Name	Capacity	Council Meetings									Totals Per Member
		23-Aug-2018	30-Aug-2018	5-Oct-2018	31-Oct-2018	9-Nov-2018	15-Nov-2018	11-Dec-2018	31-Jan-2019	13-Mar-2019	
Mr Enock Godongwana	Chairperson	✓	✓	✓	x	✓	✓	✓	✓	✓	8
Ms Mampe Kotsi	Deputy Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Ms Bongwiwe Duba	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Mr Unathi Hoyana	Member	✓	✓	✓	✓	✓	x	✓	✓	✓	8
Mr Mziwonke Jacobs	Member	✓	✓	✓	✓	x	✓	✓	✓	✓	8
Mr Sphamandla Kumkani	Member	✓	✓	✓	x	✓	✓	✓	✓	✓	8
Mr Choue Makabate	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Mr Goolam Manack	Member	✓	✓	✓	✓	✓	✓	✓	x	x	7
Mr David Mapikitta	Member	x	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr Roy Mnisi	Member	✓	✓	✓	x	✓	✓	✓	✓	x	7
Ms Noluthando Molao	Member	✓	✓	✓	x	✓	✓	✓	✓	✓	8
Ms Zenzele Myeza	Member	✓	✓	✓	✓	✓	✓	✓	✓	x	8
Mr Roseberry Sonto	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Ms Nthabiseng Tsenase	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
14	Total Members	13	14	14	10	13	13	14	13	11	115

Table 3: Previous Council meetings and attendance in the year under review**Previous Council term ended 29th July 2018**

Member name	Capacity	Council Meetings		Total per member
		18 May 2018	30 May 2018	
Ms Julieka Bayat	Acting Chairperson	✓	✓	2
Mr Abbey Chikane	Member	✓	✓	2
Ms Xoliswa Daku	Member	✓	✓	2
Mr Themba Dlamini	Member	x	x	0
Ms Hlaleleni Dlepu	Member	✓	✓	2
Mr Whitey Jacobs	Member	✓	✓	2
Mr Samuel Kotane	Member	✓	✓	2
Mr Phethola Makgathe	Member	✓	✓	2
Mr Goolam Manack	Member	✓	✓	2
Ms Barbara Watson	Member	✓	✓	2
Mr Sphamandla Kumkani	Member	✓	✓	2
Ms Busisiwe Nzo	Member	✓	x	1
Mr Alvin Rapea	Member	✓	✓	2
13	Total Members	12	11	23

Committees of Council

Council delegates powers to its committees, of which committee members are specialists in their respective fields and areas of governance. The Council has established seven committees to ensure effective corporate governance.

Fund Advisory and Finance Committee

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

Table 4 : Fund advisory and finance committee members

Name	Position
Ms Noluthando Molao	Chairperson and Council member
Mr Choeu Makabate	Council member
Mr David Mapikitla	Council member
Mr Goolam Manack	Council member
Ms Mampe Kotsi	Council member

Key activities during the year

- In the performance of its duties, the Committee's activities included;
- Reviewing of Financial performance, policies and procedures;
- Review the performance of the investment portfolio; and
- Review the investment policy and strategy of the investment fund.

Registration Committee

The Registration Committee is responsible for advising the Council on all matters relating to the registration and renewal of registration, suspension and deregistration of home builders under the Act; monitoring the registration and deregistration of home builders, and also for recommending appropriate policies and procedures to Council for approval. The Committee also assesses owner-builder applications received under section 29 of the Act, and determines whether home builders qualify in terms of the Act for exemption from enrolment of their own homes.

Table 5 : Registration committee members:

Name	Position
Mr Mziwonke Jacobs	Chairperson and Council member
Ms Mampe Kotsi	Council member
Mr Roy Mnisi	Council member
Mr Roseberry Sonto	Council member
Ms Nthabiseng Tsenase	Council member

Key activities during the year

- In the performance of its duties, the Committee's activities included;
- Review and approval of Ownerbuilder applications;
- Review and recommendation of litigation matters;
- Track progress made to the Bill amendment; and
- Reviewing the quarterly Performance Information Report and making recommendations for Council Approval.

Audit and Risk Committee

The Audit and Risk Committee is responsible for assisting the Council by reviewing the effectiveness of its systems of internal controls and risk management mitigation strategies; reviewing its financial policies and procedures; reviewing financial information reported to its stakeholders; and assessing the effectiveness of the internal and external audit functions. The committee also ensures the maintenance and monitoring of the risk management framework. The committee further reviews the risk register and assessment reports to ensure efficiency and effectiveness of the risk management strategy and plans.

Table 6 : Audit and risk committee members:

Name	Position
Mr Sathie Gounden ¹	Chairperson and Independent Non-Council member
Mr Zenzele Myeza	Council member
Mr Goolam Manack	Council member
Mr Siphamandla Kumkani	Council member
Ms Bongwe Duba	Council member
Mr Younus Amod ²	Chairperson and Independent Non-Council member

Key activities during the year

In the performance of its duties, the Committee's activities included:

Reviewing the annual performance plan, strategic corporate plan, management accounts and annual report to ensure that the NHBRC follows good financial practice.

- Reviewing and monitoring the implementation of the internal audit plan;
- Tracking progress of the audit improvement plan to ensure that audit findings raised in the previous financial year are addressed;
- Reviewing the quarterly performance information report and making recommendations for Council approval;
- Overseeing progress made on investigations relating to fraud and corruption activities;
- Monitoring the performance of the business against the established risk appetites; and
- Initiated cyber security training for Council members.

Disciplinary Hearings Committee (ad hoc sittings)

This committee is responsible for presiding over cases of alleged contraventions of the Act by home builders, and imposing disciplinary sanctions where home builders are found guilty of contravening the Act. The Committee is constituted by a panel of legally qualified chairpersons and technical assessors who are all independent non-council members appointed by Council for the term of office of Council.

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

Key activities during the year

The committee handled 606 matters of home builders that were found to be in contravention of the Housing Consumers Measures Act. The cases consisted of the:

- Code of Conduct by home builders;
- Construction of homes without enrolment and/ registration certificate; and
- Home builders failing to respond to notice of non-compliances.

¹ Appointed 01 December 2018

² Term ended 31 October 2018

Human Capital and Remuneration Committee.

The Human Capital and Remuneration Committee advise Council on employees' remuneration policies and makes recommendations to the Council in relation to employees' annual salary adjustments and performance bonus pay out. This committee also maintains a corporate overview of the Council's human capital policies such as employees.

Table 7 : Human Capital and Remuneration Committee members:

Name	Positions
Ms Nthabiseng Tsenase	Chairperson and Council member
Mr Siphamandla Kumkani	Council member
Mr Roy Mnisi	Council member
Mr Roseberry Sonto	Council member

Key activities during the year

The Committee was effectively involved in reviewing and recommending the following policies for Council which were ultimately approved:

- Remuneration Policy;
- Job Profiling & Evaluation Policy; and
- Performance Management Policy.

Industry Advisory Committee

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

Table 8 : Industry advisory committee members:

Name	Positions
Mr Choueu Makabate	Chairperson and Council member
Mr Ntsikana Hoyana	Council member
Ms Noluthando Molao	Council member
Mr David Mapikitla	Council member

Key activities during the year

The committee was effectively involved in:

- The IAC lead a process embarking on a drive to establish an externally focused Research Agenda titled "The 2019-2025 Research Agenda".
- Review and simplification of technical standards.

Social Ethics and Transformation Committee

The Social Ethics and Transformation Committee's role is to advocate for ethics throughout the NHBRC's operations by:

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

Table 9 : Social ethics and transformation committee members:

Name	Position
Ms Bongwiwe Duba	Chairperson and Council member
Ms Mziwonke Jacobs	Council member
Mr Ntsikana Hoyana	Council member
Mr Zenzele Myeza	Council member

Key activities during the year

The committee was effectively involved in:

- Oversight and review of the Social Transformation and Empowerment Programme implementation progress reports and approval of 2019/20 Social Transformation Implementation Plan.
- Oversight and review of the Organisational Ethics progress report and approval of 2019/20 Organisational Ethics Implementation Plan.
- Oversight and review of Occupational Health and Safety reports and approval of the 2019/20 Occupational Health and Safety Strategic Implementation Plan.
- Oversight and review of organisational communication and stakeholder progress reports.

The Committee has an annual project plan and ensures that it meets all monitoring and reporting responsibilities within the annual cycle. The committee further considered the NHBRC Corporate Strategy Plan, Social Transformation Strategy, Social Transformation Charter, Organisational Ethics Plan and Business Empowerment Policy to guide the organisation and provide effective oversight.



Table 10: Attendance of committees of Council meetings by member

Member Name	Capacity	Committee meetings						Total per member
		SETC	IAC	HCREMCO	RegCom	FAFC	ARCO	
Mr Enoch Godongwana	Chairperson	1	1	1	1	1	1	6
Ms Mampe Kotsi	Deputy Chairperson	-	-	-	2	4	-	6
Mr Mziwonke Jacobs	Member	2	-	-	2	-	-	4
Ms Bongwiwe Duba	Member	2	-	-	-	-	4	6
Mr Ntsikana Hoyana	Member	2	2	-	-	-	-	4
Mr Choeu Makabate	Member	-	2	-	-	3	-	5
Mr Roy Mnisi	Member	-	-	3	1	-	-	4
Ms Noluthando Molao	Member	-	2	-	-	5	-	7
Mr Roseberry Sonto	Member	-	-	6	2	-	-	8
Ms Nthabiseng Tsenase	Member	-	-	6	2	-	-	8
Mr Zenzele Myeza	Member	2	-	-	-	-	5	7
Mr David Mapikitla	Member	-	2	-	-	5	-	7
Mr Goolam Manack	Member	-	-	-	-	4	1	5
Mr Sphamandla Kumkani	Member	-	-	3	-	-	3	6
Mr Younus Amod	ARCO Chairperson	-	-	-	-	-	1	1
Mr Sathie Gouden	ARCO Chairperson	-	-	-	-	-	4	4
Total attendance		9	9	19	10	22	19	88

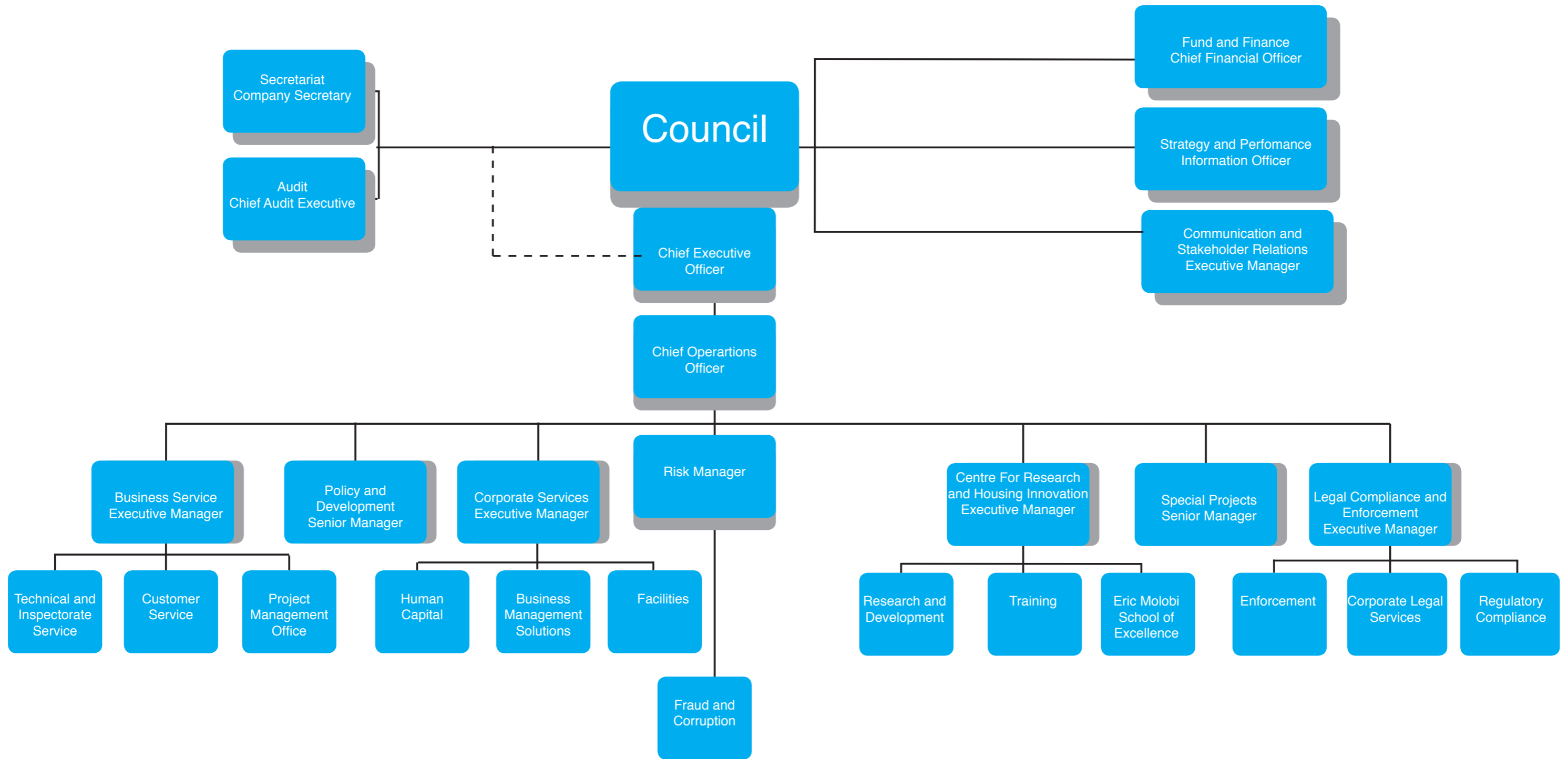
Table 11 : Attendance of committees of Council meetings by the previous Council members

Member Name	Capacity	Committee meetings											
		IAC	Social & Ethics	ICT	STEP	HCREMCO	ARMCO	FAFC	BAC	REGCOM	TOTALS PER MEMBER		
Ms Julieka Bayat	Acting Chairperson	1	1	-	2	3	-	-	-	-	-	8	
Mr Abbey Chikane	Member	-	-	1	-	-	-	3	-	2	-	6	
Ms Xoliswa Daku	Member	-	-	-	2	1	-	-	-	-	-	3	
Mr Themba Dlamini	Member	-	-	-	1	-	-	2	-	-	-	3	
Ms Hlaleleni Dlepu	Member	-	1	-	1	-	-	2	-	-	-	4	
Mr Whitey Jacobs	Member	1	3	1	-	-	-	-	-	-	-	6	
Mr Samuel Kotane	Member	-	3	-	-	4	-	-	-	2	-	10	
Mr Phethola Makgathe	Member	-	3	1	-	3	2	2	-	-	-	11	
Mr Goolam Manack	Member	-	-	1	-	-	1	-	-	-	-	2	
Ms Barbara Watson	Member	-	-	-	1	3	1	2	-	1	-	8	
Mr Sphamandla Kumkani	Member	-	-	-	-	-	-	-	-	-	-	0	
Ms Busisiwe Nzo	Member	1	-	1	-	-	-	-	-	-	-	2	
Mr Andisa Potwana	Member	-	-	-	-	-	-	-	-	-	-	0	
Mr Alvin Rapea	Member	-	-	-	-	-	-	-	-	-	-	0	
Mr Younus Amod	Member	-	-	-	-	-	2	-	-	-	-	2	
Total attendance		3	3	5	7	14	6	11	0	5	65		

SECTION 4: ORGANISATIONAL ARRANGEMENTS

The organisational arrangements of the NHBRC are reflected in the organogram below:

figure 5: Organogram



4.1 RISK MANAGEMENT

In terms of the Public Finance Management Act (PFMA) section 51 sub-section 41(a)(i), the Accounting Authority of a public entity must ensure that the public entity has and maintains effective, efficient and transparent systems of financial, risk management, and internal controls. Further to that, in terms of regulation 27.2.1 of the National Treasury, the Accounting Authority must ensure that a risk assessment is conducted regularly to identify the emerging risks of the public entity.

The NHBRC ensures improvement in the management of identified strategic risks through its risk monitoring activities. It is also committed to improving its risk performance on an ongoing basis, where high risk areas have been identified.

As a result, the NHBRC has adopted and implemented an integrated risk based approach which is underpinned by the following principles:

- A positive risk culture is the cornerstone of good governance;
- The decision making process takes into consideration both real and potential risks facing the organisation;
- The acceptance that risk management should be embedded in daily operations;
- Risk management must take into account the micro and macro environments;
- Acceptance that the accountability for risk management cannot be deferred or shifted; and
- Balance between risk and control is vitally important.

Responsibilities of the different Enterprise Risk Management Units within the NHBRC

The organisation's Enterprise Risk Management (ERM) function is managed under the leadership of the Chief Risk Officer (CRO). Her main responsibility is to provide specialist expertise to assist in embedding risk management into the NHBRC culture and to direct and enhance performance. One of the main responsibilities of the CRO is to assist management in developing the organisation's vision for risk management as well as the organisation's Risk Management framework.

Enterprise Risk Management (ERM)

Monitoring of the risk management function is done by the Council through the Audit and Risk Committee (ARCO). The ARCO monitors strategic risks of the NHBRC through the strategic register which is developed annually. Management therefore develops its operational risk register based on the strategic risk register. The ERM Unit, at an operational level is responsible for creating and maintaining a risk awareness culture.

Safety, Health and Environment (SHE)

The Occupational Health and Safety Act, 1993 (Act No.85 of 1993) (OHS Act) has been prioritised by the NHBRC to provide a safe workplace for employees, while staff members have a duty to work and behave in compliance with the safety directives of the organisation.

The SHE Unit has been charged with ensuring that the organisation provides a safe and healthy working environment for its employees, contractors, visitors and stakeholders by establishing safety policy, procedures, guidelines, and standards. This is vital because embedding a workplace health and safety culture within the NHBRC is essential for the well-being of both employers and employees.

Security Risk Management

The core responsibility of the Unit is to safeguard the NHBRC's assets and resources through implementing and enforcing the desired security risk culture, processes and structures that are focused on increasing the benefits of security in favour of organisational objectives.

Adopting a risk-based approach to security management allows the NHBRC to prioritise its business activities founded on the likelihood and consequence of a security related risk being realised. This is done to enhance positive business outcomes while reducing the occurrences or events that may have a negative effect on the desired outcomes.

Anti- Fraud and Corruption

In support of the approved Risk Management Framework, the organisation has established an Anti-Fraud and Corruption Unit. The NHBRC has a legal responsibility in terms of PFMA to take appropriate steps to prevent unauthorised, irregular, fruitless, wasteful expenditure and losses as a result of criminal conduct.

The NHBRC also has an independent Whistleblowing Solutions facility which is administered by Advance Call Reports are issued on a monthly basis and fraudulent conduct is investigated by a forensic investigation's team and these reports are presented to Audit and Risk on a quarterly basis. The Anti-Fraud and Corruption policy together with investigation manual are in place to address any fraudulent activities.

Business Continuity Management (BCM)

In accordance with the requirements of the International Standard Organisation (ISO) 22301 Business Continuity Management System Standard and good practice, the NHBRC has developed a business continuity plan devised to maintain business continuity in the event of any business disruption. This plan would be invoked should the NHBRC primary facility somehow be damaged or inaccessible. Through the programme, the organisation has identified activities and critically facilitated the consideration of threats and risks, resulting in the identification of strategies for risk reduction, recovery and management.

Ethics Office

The NHBRC is committed to upholding and maintaining high ethical standards in all its dealings with both internal and external stakeholders. The organisation takes into cognisance that ethical conduct forms the foundational pillars of good governance. Awareness sessions on ethics are conducted across the organisation and monthly ethics messages are sent to all staff through internal communication to promote an ethical culture.



4.2 INTERNAL AUDIT

The Internal Audit Section provides an independent view of the effectiveness of risk and control management while enhancing and protecting organisational value by providing risk-based and objective assurance, advice, and insight. The NHBRC has an in-house Internal Audit (IA) that utilises external subject matter expertise in key areas that cover, amongst others, the following:

- Investments;
- Financial audits ;
- IT/Cyber Security;
- Engineering/Technical; and
- Fraud Prevention.

The annual internal audit activities are informed and guided by the approved Internal Audit Charter, Annual Performance Plan and Strategic Corporate Plan. Internal Audit was instrumental in assisting business units to address the audit findings that emerged from the 2017/18 External Audit Report and has effectively implemented the internal audit plan as approved by the Audit and Risk Management Committee.

BUSINESS ASSURANCE ENHANCEMENT PROJECTS

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

Combined Assurance Project

This project has gained traction and it is co-driven by the Risk Management and the Compliance sections. The Combined Assurance Plan has been approved by the Audit and Risk Management Committee.

The end-goal is to ensure that there is integrated assurance and reporting by strengthening the governance, risk management and compliance processes within the NHBRC operations, systems and processes.

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

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

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

4.3 CORPORATE COMMUNICATION AND MARKETING

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

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

The Corporate Communication and Marketing section supported the organisational goals and objectives by embarking on various activities through stakeholder engagements and branding to garner publicity. The general public and targeted audiences were informed about the mandate of the NHBRC particularly supporting the social transformation agenda.

PUBLIC RELATIONS AND MEDIA STRATEGY

In the 2018/19 financial year the NHBRC implemented its media strategy which included partnering with the Department of Government Communication and Information System (GCIS). The partnership with the GCIS has unlocked other opportunities in communications, marketing, media, advertising, content production and communication research which aims to improve brand awareness activities and yield increased utility of the approved budget for the financial year.

In addition to that the NHBRC received coverage on major media platforms as the focus was on correcting any misunderstandings regarding the NHBRC mandate, which continues to be a challenge. Further inroads were made by engaging consumer journalists from different media houses to raise awareness on our mandate, products and services. Numerous media releases were also published in order to inform housing consumers of errant home builders that have undergone disciplinary processes and were found guilty of conduct unbecoming of a registered home builders.

DIGITAL MEDIA

There has been significant growth in social media engagements. These recorded increases can be attributed to fresh, exciting and engaging content posted daily and to using the digital platforms to assist stakeholders in real time on any queries relating to the NHBRC. Going forward the mobile office will continue to be promoted and the NHBRC FAQ podcasts, animated videos for Twitter, Facebook and YouTube campaigns aimed at informing all stakeholders about the NHBRC mandate will be launched. These campaigns will continue to put the organisation on a positive growth trajectory – thus gaining more social media followers and increasing the digital footprint. Currently there are 7 531 Facebook and 7 083 Twitter followers.

STAKEHOLDER ENGAGEMENTS

In the 2018/19 financial year the NHBRC took a number of initiatives to increase awareness. These include home builders renewal digital campaigns and the continuation of the CEO's roadshows and stakeholder sessions held in various provinces as well as the mobile office roadshows in remote areas throughout the country. The highlight for this financial year was the signing of a Memorandum of Understanding with the Construction Industry Council of Swaziland in Mbabane, Eswatini.

Other noteworthy highlights include the results of the Annual Stakeholder Satisfaction Survey. The feedback from internal stakeholders focused mainly on the need for improved communication of the NHBRC strategy while external stakeholders

focused on how services and responsiveness to customer inquiries can be improved.

The NHBRC held career exhibitions throughout the country which were aimed at empowering young people about career choices in the built environment. The organisation also presented vocational training opportunities. These events were held as part of the Social Transformation and Empowerment Programmes (STEP).

As part of the corporate citizen intervention the NHBRC rebuilt two houses that had been destroyed by fires in Orlando. A number of furniture items were also donated to beneficiaries of Innovative Building Technologies (IBTs) homes as part of the intervention.

The partnerships with provincial and local government continue to provide more opportunities to engage with and educate housing consumers. Through the use of the two Mobile Office Units, a number of these joint initiatives were activated throughout the country, leading to an increased number of housing consumers in the subsidy and non-subsidy markets being reached.

There were a number of awareness campaigns held targeting internal stakeholders. These campaigns include as the sexual harassment campaign, pledges for ethical behaviour, fraud and corruption prevention and the relaunching of fully functioning SAP ERP system. These campaigns were also aired on NHBRC TV screens across all its offices.

4.4 STRATEGY AND PERFORMANCE INFORMATION MANAGEMENT

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

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

The Section is responsible for co-ordinating the performance of the organisation and for ensuring the compilation of the quarterly performance information report which is then sent to the National Department of Human Settlements and the National Treasury at the end of each quarter after it has been approved by Council. The Section is responsible for ensuring that the portfolio of evidence (POE) that supports the claimed performance is loaded in the correct way in the relevant portals. The process has been designed in such a way that Internal Audit ensures that the report is audited before it is submitted to the Executive Authority.

The Section has conducted workshops across the organisation on Management of Portfolio of Evidence. The different sections are made aware that problems arise at the end of the quarter if POE are not managed on a daily basis.

The Section ensures that performance is co-ordinated and an Annual Report is produced and submitted to the Executive Authority and presented to the Portfolio Committee in a timely manner.

The Section is tasked with the management of the Promotion of Access to Information Act so that no individual releases information from the organisation to outside parties without it being signed off by the CEO.

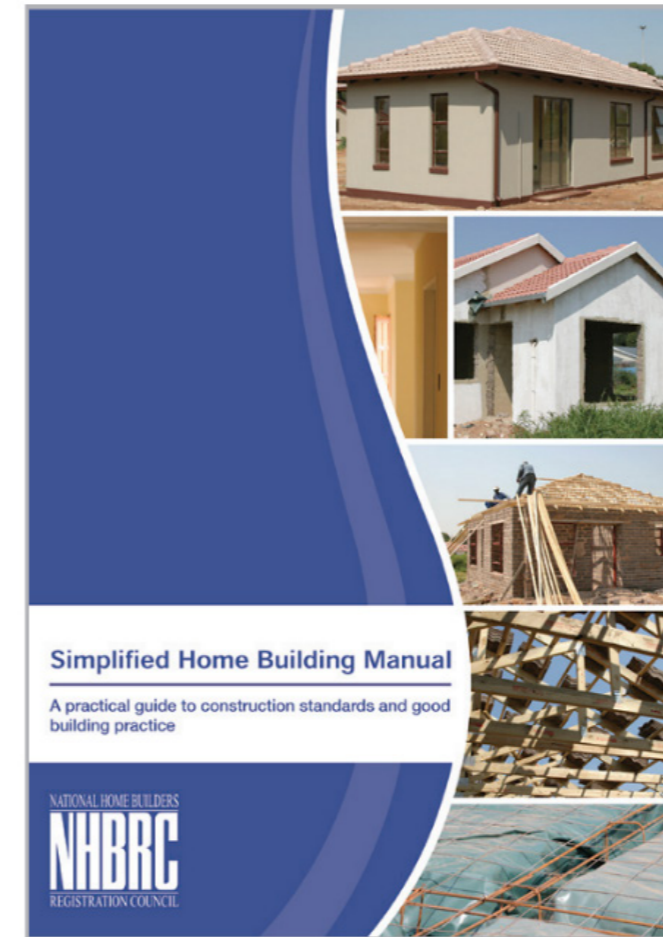
The Delegation of Authority has delegated that the management of the Executive Committee and Management Committee are managed by the Strategy and Performance Information Section. The duties entail co-ordinating the calendar for the financial year and ensuring that minutes are captured and are signed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

4.5 CENTRE FOR RESEARCH AND HOUSING INNOVATION

BACKGROUND AND CONTEXT

The Centre for Research and Housing Innovation (CRHI) has the objective is to generate, provide and test knowledge related to the home building sector. To be more specific this includes the application of research, technical training and material testing. In terms of this objective, there were a number of projects that the CRHI executed and below is an elaboration of some of the projects successfully completed during the year under review.

LIST OF SUCCESSFUL PROJECTS



In terms of the Housing Consumers Protection Measures Act, the Minister is required to prescribe technical requirements relating to the warranty scheme which ensures the protection of housing consumers from shoddy building workmanship. The Act further stipulates that the NHBRC must publish a Home Building Manual (HBM) which contains guidelines to satisfy the technical requirements. All home builders who are required to register with the NHBRC also need to comply with the NHBRC technical requirements and the provisions of the Home Building Manual. Home builders are required to rectify, at their own cost, major structural defects in a home caused by non-compliance with the warranty scheme requirements and which occur within a stipulated period.

On 25 February 2016, the NHBRC launched the new HBM to provide the deemed-to-satisfy design and construction rules of the country's performance-based regulatory system. Thus, making improvements to the new HBM by becoming aligned with the SANS. Upon launching and dissemination of the new HBM, the NHBRC obtained feedback from some of the Emerging Home Builders that the HBM was too complex for them and other less technical individuals. It is in this light that the Simplified Home Building Manual (SHBM) came to fruition and was completed on 30 June 2018. It simplifies the building process in practical terms. In addition, an E-Book and video based on the SHBM were published. The SHBM has been formally introduced to the industry and it has been received positively.

Important to note is that the SHBM does not substitute the current HBM but simplifies and clarifies certain sections. Considering that the SHBM is an optional document, a Home Builder would still be required to have at hand the compulsory HBM and related SANS Collection. The sole purpose of the SHBM is to simplify the contents of the new HBM ensuring that it accurately reflects the technical requirements of the NHBRC, National Building Regulations, SANS 10400 and other relevant Standards.

PROMOTING IBT's THROUGH RESEARCH AND CONSTRUCTION OF HOUSES IN VARIOUS PROVINCES

In extension of the innovative building technology research being conducted at the Eric Molobi Innovation Hub, the CRHI is researching and introducing new innovative products, methods and technologies within the homebuilding industry. Due to limited information on the performance of Innovative Building Systems, the NHBRC is researching structural performance of all registered (with the NHBRC) Innovative Building systems across the country, to determine if such systems meet the minimum NHBRC standards requirements on structural performance without a need to maintain the structural integrity of that system.

Thus far the following has been a national exercise for the Centre for Research and Housing Innovation Department within the NHBRC:

The beneficiaries were identified in partnership with the Provincial Departments of Human Settlements, Local Municipalities and Provincial Departments of Social Development and the criteria included destitute families, persons with disabilities and child headed families. In the table below is a list of the provinces, criteria and related beneficiaries

Table 12 : List of beneficiaries and location of IBT

NAME OF BENEFICIARY	PROVINCE	LAND IDENTIFIED	CRITERIA	BACKGROUND INFORMATION
Ms Nolala Eunithian Gantolo	Gauteng	Evaton Ward 19	Destitute	The lady is 69 years old.
Ms Manuku Alina Afrika	Free State	ERF 1908 Itumeleng Jagersfontein	Destitute	Seventy nine year old lady who lives with two grandsons in a dilapidated mud house in an old township
Ms MJ Osborne	Northern Cape	Plot allocated in Okiep.	Destitute	Seventy eight year old lady who is currently living in a dilapidated area/home in Okiep.
Mr Vivian Dreyer	Western Cape	Plot, ERF 6429 13 Otter Street Blue Downs	Disabled	He is 52 years old and has Peripheral Vascular Disorder
Ms Lisbeth Nyanisi Mdileni	Mpumalanga	1174 Digwale B, Leeuwfontein, Siyabuswa	Destitute	Seventy six year old lady who lives with her two grandchildren in a two roomed shack. She is diabetic, has high blood pressure and breast cancer. She lives on a pensioners' grant of R1700.00. The area she lives in has water and electricity but the distribution of water is problematic
Ms. Esther Thoko Bophela	North West	House Number 3741 Pharama Section Ledig, Moses Kotane Local Municipality	Destitute	Seventy year old lady - who is currently residing in Ledig, with her son. She has been on the housing waiting list for over 6 years now.

NAME OF BENEFICIARY	PROVINCE	LAND IDENTIFIED	CRITERIA	BACKGROUND INFORMATION
Mr Samson Makhuthe	Limpopo	Tshikuwi Village, Makhado	Child headed family and disabled sibling	Child headed family of three siblings. Parents passed away in March 2018. The first child was born in 1996, second 2001 and last in 2008. They are currently staying with two uncles one born in 1980, partially blind and the other born in 1995. They reside in a two roomed shack which caught fire leaving them with one room. The girl had to resort to moving to neighbours because she is an only girl in the house. There is electricity in the house however there are no ablution facilities and they have to buy 25 litres of water priced at R2.
Ms Koketso Machibuku	Mpumalanga	Moloto	Lung and heart condition	Eight year old girl living with her grandmother. She lives on an oxygen machine because of her condition.

House Koketso in Moloto, Mpumalanga Province.

The CRHI will continue to gather data on all innovative systems registered with the NHBRC and to periodically analyse data on Structural and Thermal performances and suitability of systems, at a regional level and advise the sector accordingly. Whilst it is socially fulfilling to donate to the needy, it is equally satisfying to partner with system owners and communities to seek solutions to solve real life challenges.

Empowerment of Home Builders, Inspectors and other Designated Groups

The NHBRC is required by the Law (Section 3(h) of the Act) to establish, build capacity and improve the technical competence level of home builders and inspectors. Subsequently the NHBRC established continual education and training programmes for home builders and inspectors. These programmes remain instrumental in improving home builders' and inspectors' knowledge, skills, understanding and motivation to deliver quality homes. Recently the NHBRC introduced the Social Transformation and Empowerment Programme. The aim of this programme is to address the past transformation imbalances in the homebuilding industry with specific focus on Women in Construction, Youth Brigades, People living with disabilities, Learnership and Military Veterans.

The Programme also assists emerging home builders to achieve individual organisational excellence statuses required for the implementation of the rapid and continual change of Innovate Building Technology and Technology Transfer.

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

Table 13 : Summary of Training performance by category for 2018/19

Training Programme	Males	Females	Total
Emerging home builders	1 616	925	2 541
Technical professionals building inspectors	361	241	602
Military Veterans	215	47	262
Artisans	173	268	441
Learnership	321	411	732
People Living with disabilities	87	132	219
Youth	919	1 265	2 184
Women	-	2 042	2 042
Total	3 692	5 331	9 023

During the financial year under review, the NHBRC trained more women than men. The home building sector is slowly transforming .

Job Creation and the Fight Against Carbon Emission

The NHBRC welcomes the challenge of protecting the right to adequate housing, especially when government has placed this high on the priority list. Through its research facilities based in Soshanguve, City of Tshwane, the NHBRC contributes in assisting government in promoting the uptake of Innovative Building Technologies (IBTs) within the Human Settlements sector.

This is part of government's response to and placing programmes to address the challenges of homelessness, unemployment, environmentally friendly and affordable housing. The NHBRC is most importantly, monitoring the application of Innovative Building Systems that meet the minimum technical requirements and at the same time help reduce carbon emission. In addition enabling government to create new technology-based jobs, tackle homelessness and at the same time offering solutions on thermal performance problems of the housing stock.

4.6 CHIEF OPERATIONS OFFICER

The Chief Operating Officer's area consists of the following divisions:

- Business Services division;
- Corporate Services division; and
- Legal Compliance and Enforcement division;

The performance for the areas for the 2018/19 financial year is as outlined below:

BUSINESS SERVICES DIVISION

The Business Services Strategy is centered on protecting the housing consumer, organisational efficiency and effectiveness, and contributing to broad macroeconomic objectives related to the sector. The division consists of three sections which are Customer Services, Technical and Inspections as well as the Project Management Office.

Customer Services Section

The Customer Services Section consists of nine Provincial Customer Service Centers across the country. These Centres serve as a central point of contact with housing consumers and stakeholders, where all service offerings such as registration of home builders and enrolment of homes are processed. In addition, the Provincial Customer Service Centers are supported by satellite offices and mobile office units to cater for customers and housing consumers who finds it difficult to access the services at the central point

Impacting lives

The objectives of the mobile office units are to increase visibility and accessibility, to take services to communities in remote areas of the country, and to facilitate collaboration between all entities and the National Department of Human Settlements.

The units are equipped with ultramodern technologies and are assigned a dedicated team of professionals who are appropriately skilled to provide the requisite services to the remote and unreached areas of the country.

The mobile office units are extensions of the office and they provide access and services to housing consumers and aspirant homebuilders in the rural parts of the country. The officials attend to consumer complaints, offer technical assistance where it is required, do home builders registrations and home enrolment, and offer services on training of home builders as well as consumer awareness and beneficiary education

Key Focus Areas

In line with the vision that we are "Champions of the Housing Consumer" the Business Services Division renders the timeous quality services for its stakeholders and housing consumers through the following service offerings:



Regulation and Protection

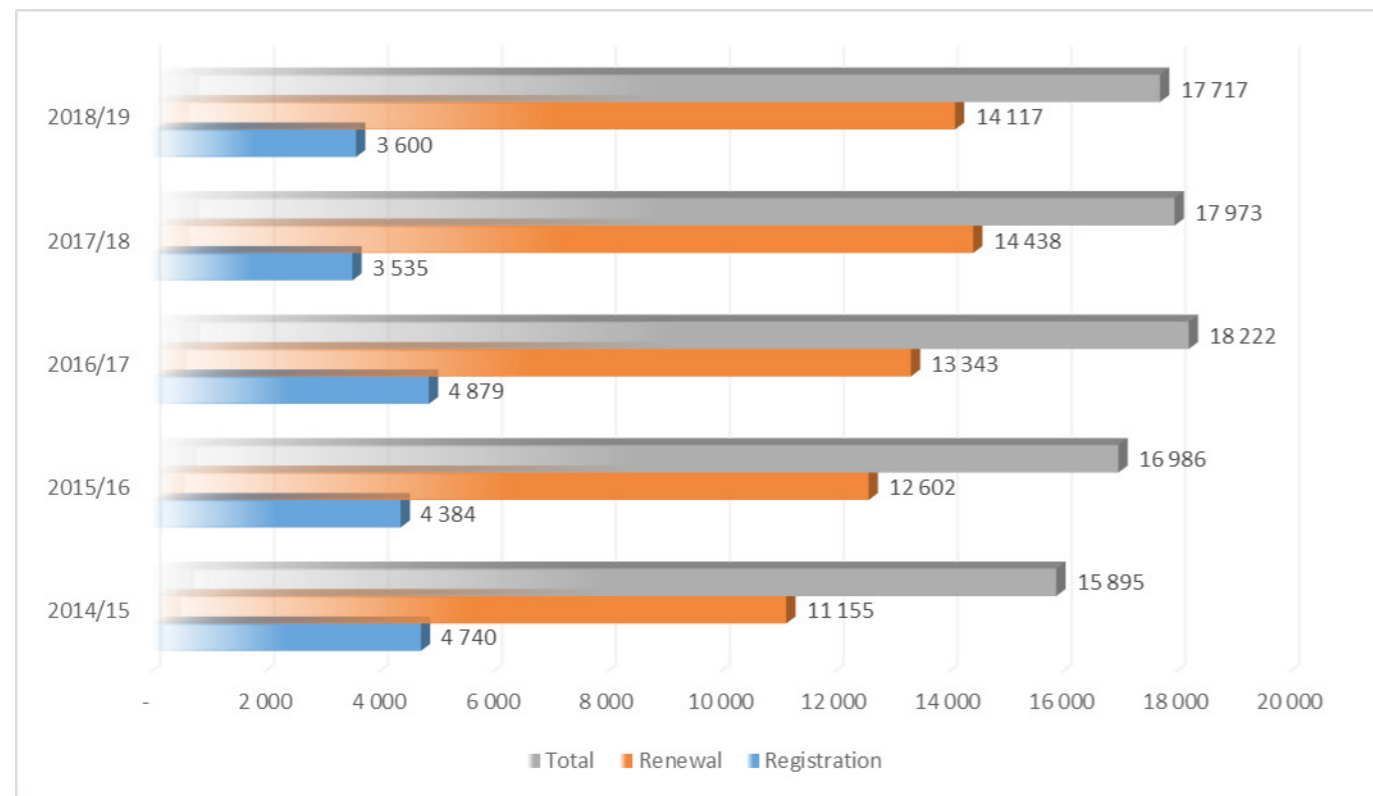
Any person who is in the business of home building is required to register with the NHBRC in terms of the Act. Registration refers to the process undertaken by the applicant to register with the NHBRC as a home builders. Renewal refers to the process undertaken by a home builders to renew their registration with the NHBRC.

The graph below highlights the number of new home builders who registered with the NHBRC over a five year period. A total of 3 600 new home builders registered with the NHBRC during the 2018/19 financial year. This represents a growth of 1.8% as compared to the performance of the last financial year.

At any given financial year, the NHBRC had on average 17 148 active home builders on its database. For the year under review 14 117 home builders renewed their registration with the NHBRC, which represents a decrease of 2.2% compared to the performance of the previous financial year.

New Registration of Home Builder and Renewal of Registrations

Figure 6 : Registrations and Renewal of Registrations



Enrolment of homes

Enrolment of a home refers to an application submitted by a home builder for a particular home to be entered into the records of the NHBRC. The Act prescribes that a home builder shall not commence the construction of a home unless the home builder has submitted the prescribed documents, information and prescribed enrolment fees to the NHBRC and the NHBRC has issued a certificate of proof of enrolment. This includes the construction or acquisition of a home which will be financed from the state housing subsidy.

Enrolment of homes in the non-subsidy sector:

The Chart below indicates that 51 585 homes were enrolled as normal and 1 894 homes were enrolled late which total 53 479 homes enrolled with the NHBRC during the financial year 2018/19. This represents a decrease of 7% when compared with the performance of the previous financial year which was 57 526 (56 596 normal enrolment and 1 020 late enrolments). Of the 53 479

a total of 38 828 (66%) of enrolled homes are from the Western Cape, Gauteng, Kwa-Zulu Natal and Eastern Cape provinces. The five year MTEF target was met and exceeded by 0.2%.

The average property value at the time of enrolment was R1,1 million with an average enrolment fee of R10 483. The eThekweni Metro and City of Cape Town Metro have the highest property values followed by City of Tshwane Metro as illustrated on the below figure.

Figure 7 : Summary of units enrolled by higher performing metropolitan municipalities

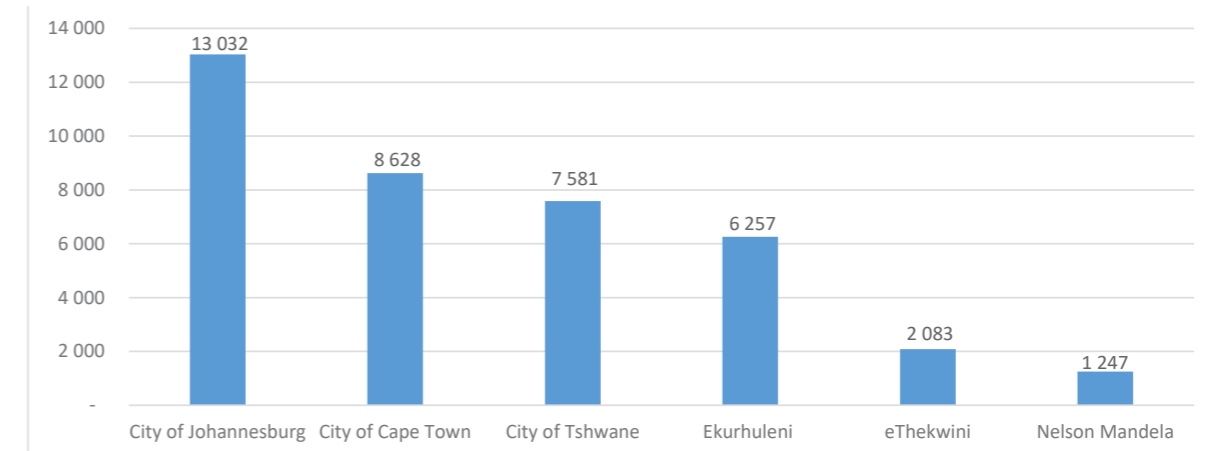
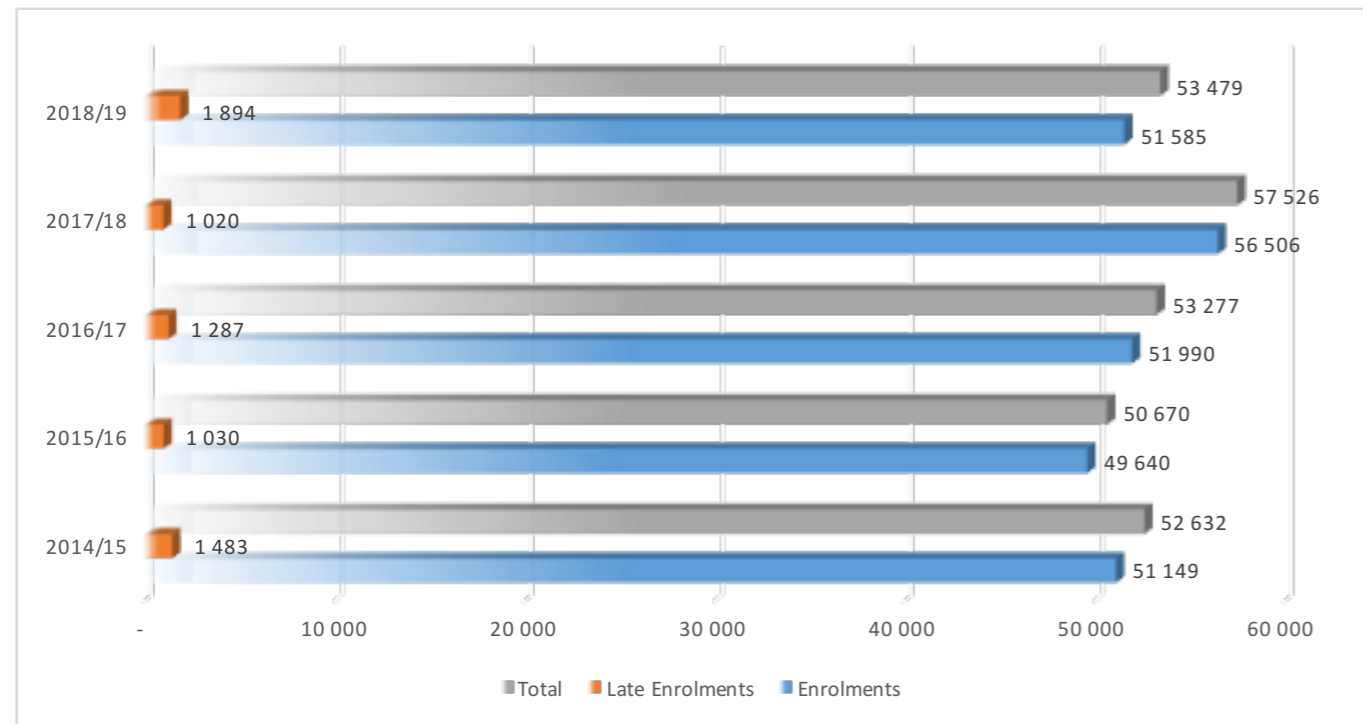


Table 14 : Enrolments per Metro, Property value and Enrolment fee

	Number of units enrolled per municipality per year	Estimated selling price at the time of enrolment	Value of enrolment fees	Average property value	Average enrolment fee
City of Johannesburg Metropolitan Municipality	13 032	R13 080 247 749	R116 190 046	R1 003 702	R8 916
City of Cape Town Metropolitan Municipality	8 628	R12 973 177 280	R105 322 724	R1 503 614	R12 207
City of Tshwane Metropolitan Municipality	7 581	R9 229 102 570	R88 919 937	R1 217 399	R11 729
Ekurhuleni Metropolitan Municipality	6 257	R5 326 137 316	R54 784 270	R851 229	R8 756
eThekweni Metropolitan Municipality	2 083	R3 280 511 864	R27 784 161	R1 574 898	R13 339
Nelson Mandela Bay Metropolitan Municipality	1 247	R960 937 117	R9 918 137	R770 599	R7 954
Grand Total	38 828	R44 850 113 896	R402 919 275	R1 153 573	R10 483

Figure 8 : Non Subsidy Enrolment and Late Enrolment of Homes



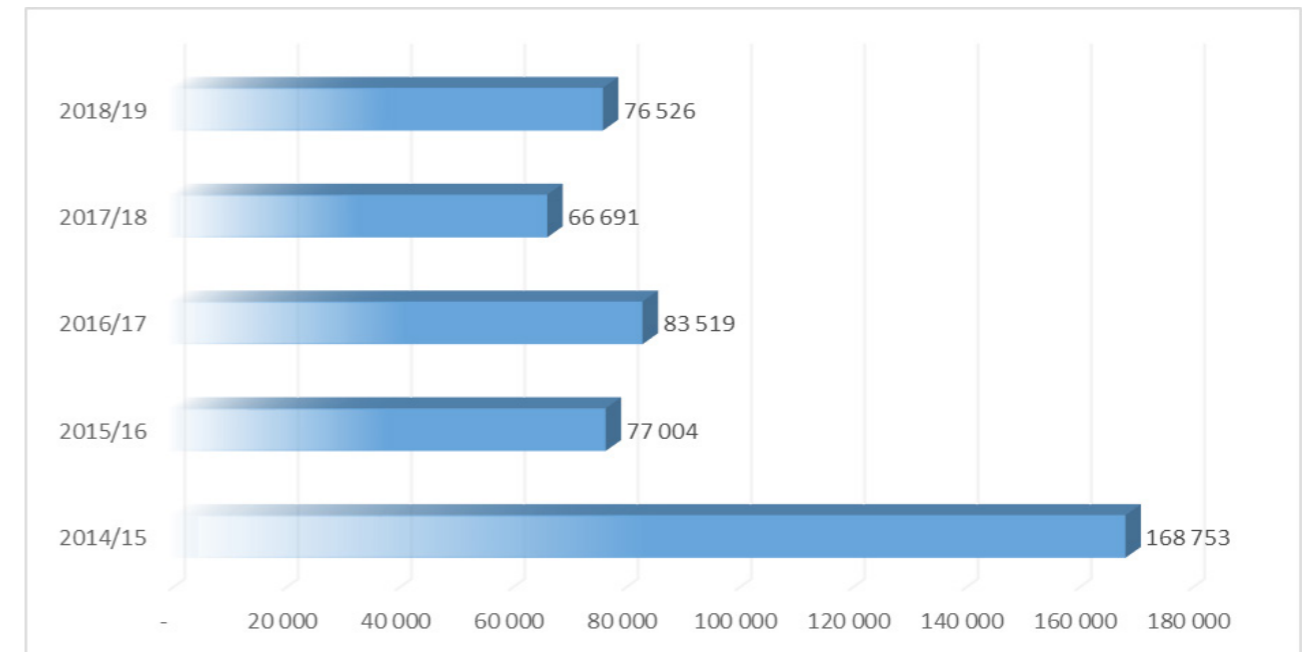
Enrolment of homes in the subsidy sector

During the financial year 2018/19, a total of 76 526 homes in the subsidy sector were enrolled with the NHBRC, as compared to 66 691 (12 811 home enrolments and 53 880 consolidation enrolments) enrolled in the previous financial year. This represents a 15% increase compared to the performance of previous financial year. A total of 73 871 enrolments came from six Provinces i.e; Kwa-Zulu Natal, Gauteng, Limpopo, Western Cape, Mpumalanga and North West Provinces, with Gauteng contributing 26,8% alone.

During this MTEF period The Provincial Departments of Human Settlements collectively aimed to deliver 1.5 million housing opportunities, of which 376 000 were earmarked for top structures. During the same MTEF period, the NHBRC enrolled a total of 472 493 homes which is 96 493 homes above the target set by the Department of Human Settlement.

The Chart below highlights the number of homes enrolled in the subsidy sector. The NHBRC managed to enrol a total of 76 526 homes in the subsidy sector for the 2018/19 financial year.

Figure : 9 Subsidy Enrolments



Inspection of homes

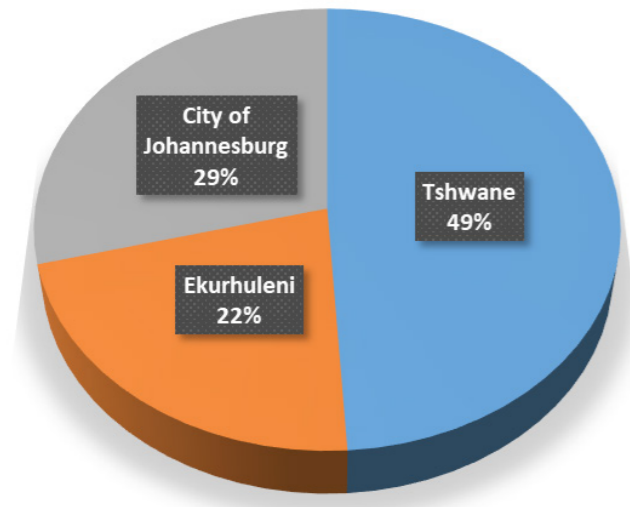
Section 5(4)(b) of the Act, mandates the NHBRC to enrol and inspect the categories of all new homes under construction to confirm quality and compliance in terms of workmanship and materials used for construction. In line with the NHBRC payoff line of "assuring quality homes" the NHBRC, through its inspection process ensures that homes are constructed in accordance with the Home Building Manual and other technical building standards and regulations. The NHBRC conducts a minimum of four and maximum of eight inspections for every new home enrolled and under construction.

Inspection of homes built in the non subsidy sector:

During 2018/19, a total of 68 009 enrolled homes under construction were inspected by the NHBRC. This implies that there were 10 691 more enrolled homes under construction in the 2018/19 financial year than there were in 2017/18. Gauteng, Kwa-Zulu Natal, Western Cape and Eastern Cape contributed 55 901 homes to this annual performance, representing 84% of the total enrolled homes under construction and inspected during 2018/19, with Gauteng and Western Cape contributing 43% and 28% respectively. Further analysis indicates that there has been more construction activity in the City of Tshwane than Ekurhuleni and the City of Johannesburg.

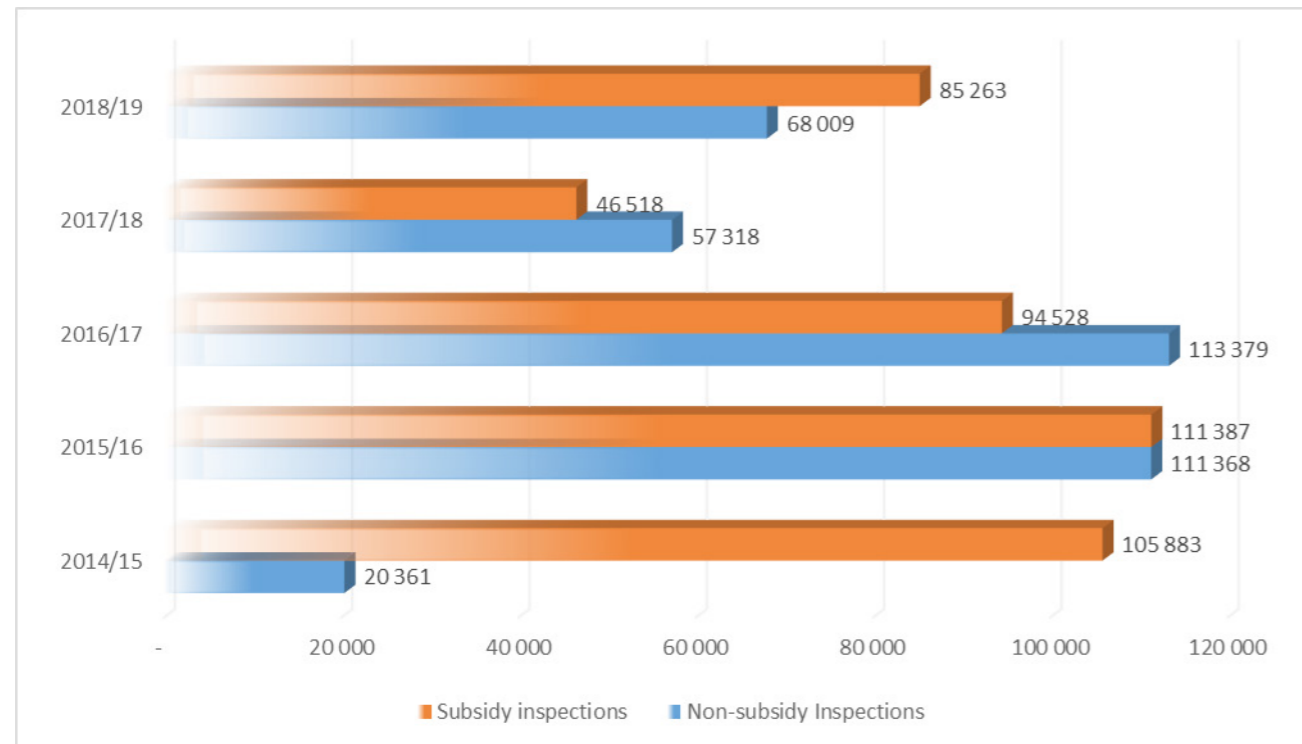


Figure 10 : Gauteng Metropolitan Municipalities with most non-subsidy inspections



The table below highlights the number of enrolled homes inspected over a five year period. A total of 302 426 enrolled homes were built and inspected in the non-subsidy sector.

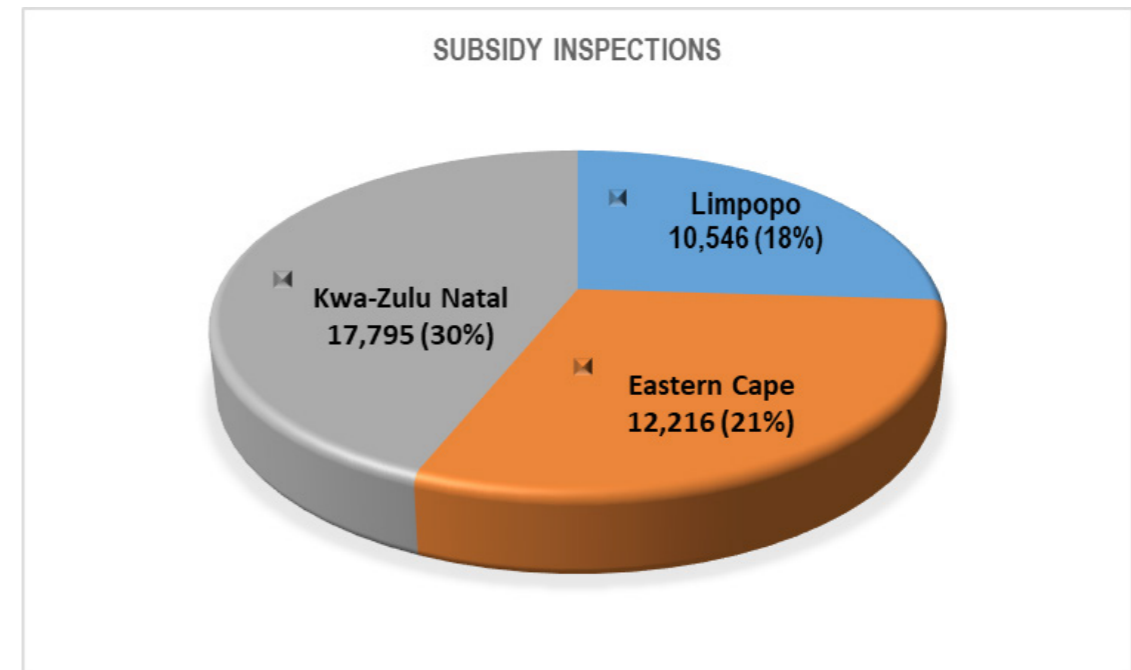
Figure 11 : Non-Subsidy and Subsidy homes inspected over 5 year period



Inspection of homes in the subsidy sector

The table below highlights the number of enrolled subsidy homes inspected during the 2018/19 financial year. A total of 85 263 enrolled homes were inspected during the year, as compared to 57 318 during 2017/18. This represents an increase of 27 945 enrolled homes under construction. Kwa-Zulu Natal, Limpopo and Eastern Cape were the major contributors, contributing 40 557 collectively as illustrated by the chart below

Figure 12 : Summary of provinces with a higher number of subsidy inspections

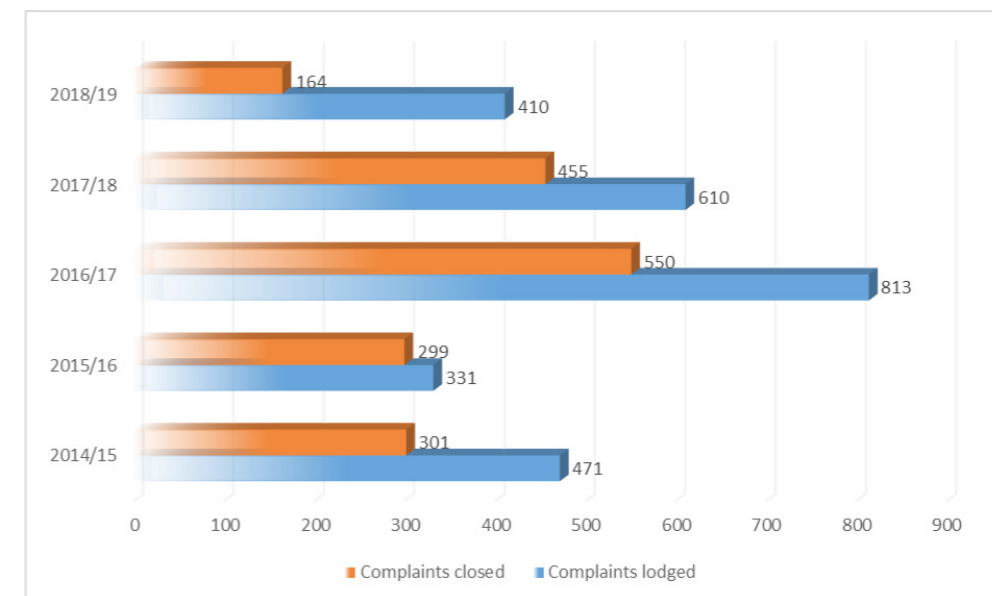


Off the total number of enrolled homes inspected during 2018/19, a total of 32 595 were given a Final Unit Report, and were ready to be occupied as indicated in the table below.

Table 15 : Homes with Final Unit Report issued

Province	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL
Final Unit Reports	5 008	2 500	1 217	7 847	5 784	3 200	3 300	580	3 159	32 595

Figure 13 : Complaints lodged and closed



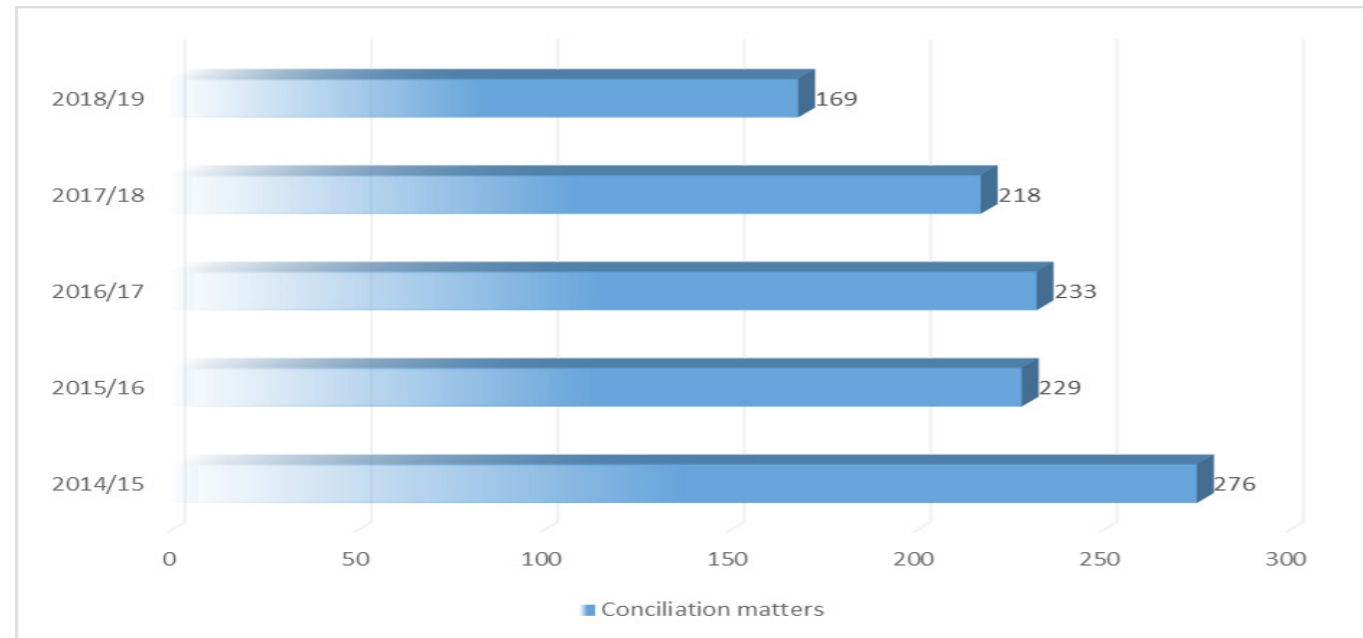
The NHBRC’s strategic intent is to ensure that home builders deliver sustainable quality homes without infringing on the rights of housing consumers. Housing consumers refer complaints to the NHBRC where the home builder has failed to respond within a specified timeframe, or fails to honour his/her obligation, or declines the liability. For the NHBRC to process the complaint, the home builder should be unwilling or unable to rectify defects.

The types of complaints are as follows:

- Complaints relating to three months non-compliance from the date of occupation, with or without deviation of terms, plans and specifications of the agreement or any deficiency related to design workmanship;
- Complaints relating to roof leaks which have emanated within the first 12 months of occupation; and
- Complaints relating to five year major structural defect from the date of occupation.

During the 2018/19 financial year, the NHBRC had 410 active complaints on its system. A total of 164 were closed successfully, whereas 207 were escalated to the conciliation process, leaving 36 still to be attended to. These are complaints in the non-subsidy sector only. The number of complaints registered represent a decrease of 200 as compared to the complaints received during the 2017/18 financial year.

Figure 14 : Conciliation matters addressed by NHBRC



The NHBRC had 169 matters escalated from the complaints stage to the conciliation stage. Conciliations include the process of engaging with the homeowner and initial home builder that enrolled the house to address the nature of defects reported by the homeowner.

Remedial Works

Where the home builder is unable or unwilling to rectify the reported defects, the NHBRC will utilise its warranty fund for the rectification. For the financial year 2018/19 the NHBRC spent a total of R3 231 118 from its warranty fund.

Table 16 : Remedial Claims for the past five years

Claims against the Fund	2014/15	2015/16	2016/17	2017/18	2018/19
Foundation	1 330 741	353 386	-	-	20 796
Substructure	2 995 222	1 605 413	1 198 581	321 724	25 336
Superstructure	2 892 690	896 915	634 128	69 899	482 962
Roof Structure	147 781	34 709	24 515	-	-
Professional fees	1 104 356	332 875	4 721	-	496 868
Settlement	2 011 880	1 015 589	6 277 572	7 759 509	2 058 487
Transport and Storage	143 298	4 059	-	-	-
Accommodation	477 592	238 980	25 000	25 000	146 668
Total claims against fund	11 103 559	4 481 925	8 164 518	8 176 132	3 231 118

CORPORATE SERVICES DIVISION

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

Human Capital

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

The main objective of the Human Capital Section is to ensure that the NHBRC attracts the best talent in the country to compete fairly with its peers in order to deliver quality services for the betterment of the NHBRC.

Headcount and Workforce Profiles

As at the end of the 2018/19 financial year there were 634 permanent staff members at the NHBRC. The NHBRC had a total staff compliment of 636 in the 2017/18 financial year.



Table 17 : Workforce profile as at 31 March 2019

	Male		Female		Foreign Nationals		Total
	A	C	I	W	Male	Female	
Top Executive Management/Executive(Grade 1-3)	3 60%	0	0	0	0	0	5
Senior Management (Grade 4-5)	6 66%	0	0	1 11%	2 22%	0	9
Professionally qualified and experienced specialists, and Mid-middle management(Grade 6-7)	44 45%	4 4%	3 3%	6 6%	35 36%	0	97
Skilled technical and academically qualified workers junior management, supervisors, foremen, and super intendents (grade 8-9)	79 43%	10 5%	3 1.6%	5 2.6%	78 43%	0	182
Semi- skilled and discretionary decision making (Grade 10-13)	101 32%	11 3.5%	1 0.3%	4 1.2%	174 55%	0	315
Defined Decision- Grade 14-17)	5 19%	0	0	0	20 77%	0	26
Total Permanent	238	25	7	16	311	0	634
Temporary Employees	25	0	0	1	16	0	43
Grand Total	263 38.8%	25 3.7%	7 1%	17 2.5%	327 48%	14 2%	677

A= African; C= Coloured; I = Indian and W=White

Transformation Dimension

The preliminary highlights of activities and achievements within the Human Capital Management unit for the current financial year with a specific focus on Social Transformation section. The highlights by Human Capital Management are as per the approved Social Transformation Charter, namely:

Table 18 :Human Capital Achievements vs Social Transformation Scorecard

Designated Groups	Indicator	Target	Actual Achieved
Women	Percentage of women employees	At least 50% of the workforce	54.9% of the workforce
	Women representation in senior management (1-3)	50% of executive and senior management	28.5% of senior management
	Women representation in middle management	At least 35 % of middle management	41.2% of middle management
Youth	Percentage of employee who are classified as youth	At least 30% of the workforce	36% of the workforce
People with disabilities	Number of employees living with disabilities	At least 2% of the workforce	0.73% of the workforce

Skills Development

To enable employees to maximize their potential and get the most out of their careers, the NHBRC promotes the continuous professional and personal development of its staff. Investment in skills and accelerating employees' professional and personal development are essential components of the NHBRC's people agenda. A total of 1 005 employees were trained in various professional development programmes and a 140 employees were awarded bursaries to further their studies.

Facilities Management

The organisation has in the 2018/19 financial year, seen a large number of leases coming up for renewal and new opportunities to enter into new leases. The process to renew these leases or enter into new ones was carried out within the provisions of the applicable Supply Chain Management legislation policies as well as applicable circulars and practice notes issued by the National Treasury. In addition, the organisation took all practical measures to ensure that the buildings it leases out are compliant to the National Building Regulations as well as all applicable SHE frameworks and the requirements stipulated in the NHBRC Transformation Charter (such as accessibility for people with disabilities).

Facilities Management concluded eight lease agreements for its offices in Tshwane; Bloemfontein; Kimberley; Witbank; Polokwane; Rustenburg; Mahikeng and Klerksdorp.



BUSINESS MANAGEMENT SOLUTIONS

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

The main focus for BMS during the 2018/19 financial year has been in two areas; implementation of the fundamental components of the Governance of ICT Roadmap; and the stabilisation of the SAP platform.

As part of the ICT Governance Roadmap, the Enterprise Architecture Framework (EAF) was concluded and approved by the EXCO. The Enterprise Architecture (EA) framework is a vehicle through which the NHBRC can ensure optimal usage of ICT as a strategic business partner as well as ensure that investments in ICTs are geared to yield the required business objectives.

The main outputs of the EA process were:

1. Establishment of the Business Capability and Process Committee (BCPC) which is responsible of the NHBRC Business Model and underlying Business Processes;
2. Establishment of the ICT Architecture Committee which is responsible for all NHBRC Technology decisions; and
3. Implementation of the ICT Engagement Model which outlines interphases between BMS/IT and business as well as between BMS/IT and external stakeholders.

The stabilisation of the SAP platform involved the conclusion of the outstanding SAP project scope as well as resolution of system defects.

As part of the outstanding scope the following major deliverables were achieved:

1. Development and deployment of the Subsidy Solution;
2. Migration of Data from Legacy Systems; and
3. Implementation of SAP Solution Manager.

As part of defects resolution the following systems were enhanced:

- (a) Customer Relationship Management;
- (b) Procurement;
- (c) Human Capital Management;
- (d) Travel Management;
- (e) Finance;
- (f) e-Recruitment; and
- (g) Environment, Health & Safety.

The focus for the next financial year will be on implementing some of the enhancements (change requests) that have been identified by business.

CHANGE MANAGEMENT

The organisational Culture Change programme is based on the new organisational values and is driven under the slogan "The NHBRC Way". This programme will intensify into the new financial year as the organisation continues to re-invent itself.

The following programmes were carried out in implementing the culture change programme:

- Establishment of Change Network (Change Agents);

- Team Effectiveness sessions;
- Employees Mindset Coaching;and
- Leadership alignment, Coaching & Development.

LEGAL COMPLIANCE AND ENFORCEMENT DIVISION

The Division is divided into three sections with the following key strategic objectives:

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

Corporate Legal Services Section

Interdicts

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

- Carry on the business of a home builders without being registered in terms of section 10 of the Housing Consumers Protection Measures Act
- Commence with construction of a home without enrolment with the NHBRC in terms of section 14 of the Act; and
- Prevents officials or agents of the NHBRC from carrying out their functions in terms of the Act.

Table 19 : Interdicts facilitated from 2014/15 to 2018/2019 financial year

Financial Year	Orders Granted by the courts	% Orders granted by the courts	Builder Complied: Internal Intervention	% Builder Complied: Internal Intervention
2014/15	13	10%	46	19%
2015/16	14	11%	30	12%
2016/17	14	11%	54	22%
2017/18	35	28%	39	16%
2018/19	49	39%	73	30%
Total	125	100%	242	100%

The above table shows a consistent increase in respect of court orders granted in favour of the NHBRC as well as initiatives to ensure compliance with the Act by home builders without having to resort to court. It further shows that a total of 35 and 49 orders were granted by the courts in favour of the NHBRC for the periods 2017/18 and 2018/19 financial years, respectively. There was an increase of 40% for the two financial years.

In respect of instances where there was intervention from the NHBRC prior to resorting to the courts, a total of 39 and 73 builders complied during the periods 2017/18 and 2018/19 financial years, respectively. This represents an increase of 87% for the two financial years.

Recoveries

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

- a. Amounts disbursed out of the warranty fund for rectification of defects in accordance with section 17(1) of the Housing Consumers Protection Measures Act, from the defaulting home builders, developers and/or any person who caused or contributed to the failure of the home builder in respect of his or her obligations to rectify structural defects;
- b. Fines imposed by the Disciplinary Committee against home builders for failing to comply with the Act and other legislations thereto; and
- c. Legal costs in instances where the NHBRC was awarded costs in terms of a court judgment or arbitration.

As per the table below, the NHBRC recovered R1,7 million during the financial year 2018/19. This amount has increased by 6% compared to R1.6 million for the financial year 2017/18. Recovery of monies as per the Act continues to improve. This is as a result of the Disciplinary Committee imposing penalties as required by the Act and the home builders abiding by the committee's verdicts. In addition, outsourcing of these services to various attorneys has proved valuable to the organisation and to that extent, the NHBRC will continue to outsource whenever there are prospects of success in this regard.

Table 20 : Recoveries from defaulting home builders for the last five years

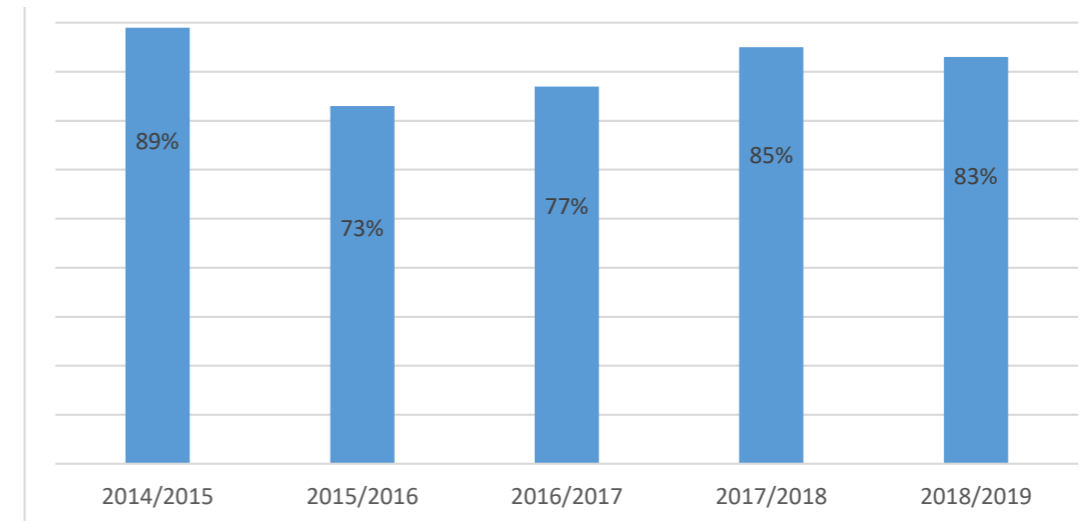
Financial Year	Recovery Amount
2014/15	R1.9
2015/16	R1.5m
2016/17	R1.6m
2017/18	R1.6m
2018/19	R1.7m

Regulatory Compliance Section

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

- a. review the regulatory universe in respect of laws affecting the NHBRC;
- b. compilation of the compliance risk management plans as planned for the year;
- c. monitoring of compliance risks in various sections of the NHBRC;
- d. provision of practical training (on the job) to compliance champions in order to empower them to conduct efficient monitoring and reporting on compliance risks in their respective sections or provincial offices. To this end various visits to provincial offices were made by the compliance officers; and
- e. reporting to the Executive Committee, Committees of Council, specifically, the Audit and Risk Management Committee and Council on progress relating to the approved plans.

Figure 15 : Annual Performance Plan



The table above demonstrates that the division achieved a compliance of 89% for the 2014/15 financial year which declined to 73% in the 2015/16 financial year. However, the compliance improved to 77% in 2016/17 and 85% in the 2017/18 financial year due to a more focused planning process and implementation of the approved plan. The compliance for 2018/19 showed a decline of 2% due to the inability to complete awareness and monitoring in respect of some of the medium risk pieces of legislation as the focus was more on high priority legislation for the period. These have however, been incorporated into the 2019/20 Regulatory Compliance Plan.

Enforcement Section

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

During the 2018/19 financial year, 134 home builders were suspended for failure to comply with specific provisions of the Act and 506 matters were adjudicated upon by the Disciplinary Committee.

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

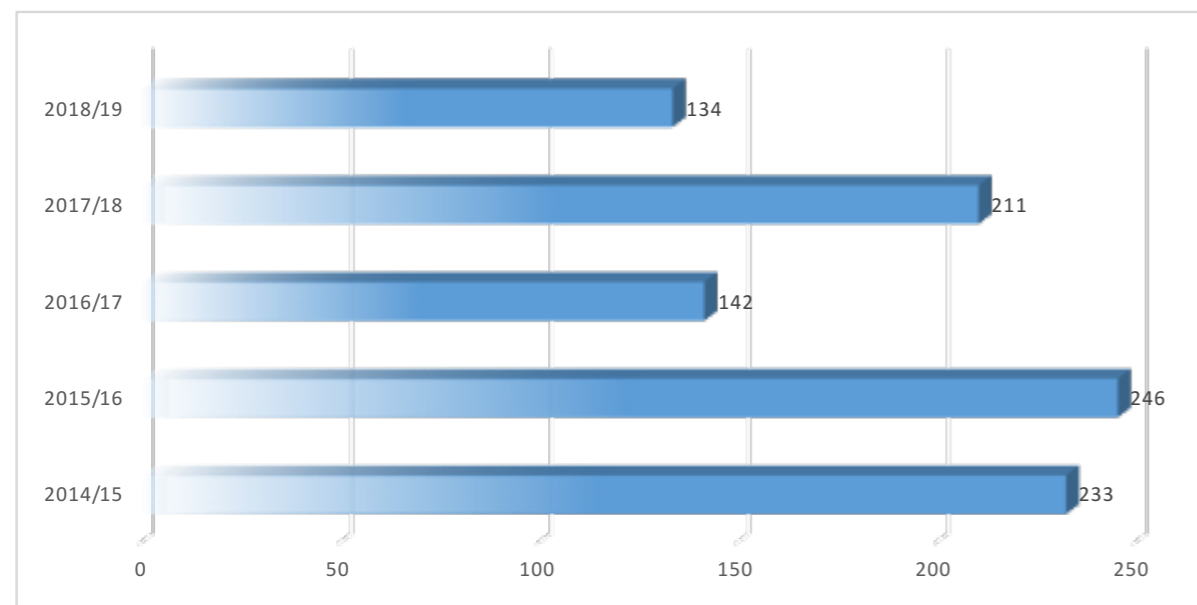
Suspensions Turnaround Times

The NHBRC approved Annual Performance Plan 2018/19 prescribes that home builders will be suspended within 10 days from the date of receipt of letter of intend by a paralegal and that home builders were suspended within a period of seven days. This was a huge improvement from the previous financial years wherein the turnaround time was 14 days from the date of receipt of instructions.



Table 21 : Suspensions matters for the last five years

Prov- ince	2014/15		2015/16		2016/17		2017/18		2018/19	
	Suspen- sions	%	Suspen- sions	%	Suspen- sions	%	Suspen- sions	%	Suspen- sions	%
EC	8	3%	10	4%	0	0%	3	1%	0	0%
FS	3	1%	2	1%	5	4%	3	1%	1	0.7%
GP	28	12%	13	5%	55	39%	70	33%	48	36%
KZN	16	7%	44	18%	19	13%	29	14%	1	0.7%
LP	79	34%	69	28%	17	12%	16	8%	39	29%
MP	19	8%	35	14%	15	11%	16	8%	11	8%
NC	0	0%	6	2%	1	1%	3	1%	0	0%
NW	9	4%	22	9%	9	6%	5	2%	1	0.7%
WC	71	30%	45	18%	21	15%	66	31%	33	25%
Total	233	100%	246	100%	142	100%	211	100%	134	100%

Figure 16: Suspension of defaulting home builders

The above table and chart indicate that a total of 211 home builders were suspended in the 2017/2018 financial year compared to 134 home builders who were suspended in the 2018/19 financial year. This represents a decrease of 32% for the latter financial year. The table and chart further show an increase of 6% for home builders suspended from 2014/2015 to 2015/2016 financial years, but a decline of 42% from 2015/2016 to 2016/2017 financial years. Numerous training and awareness programmes that are undertaken with various stakeholders (both internal and external) on the legislative framework are part of the key reason for the said decline. These are part of the organisation's initiatives not only to ensure visibility in the industry, but also to ensure compliance with the Act.

Further, most suspensions were executed in Gauteng Province with 36% and Limpopo Province with 29% for the 2018/19 financial year respectively. This is based on the fact that majority of home builders are situated within the said provinces.

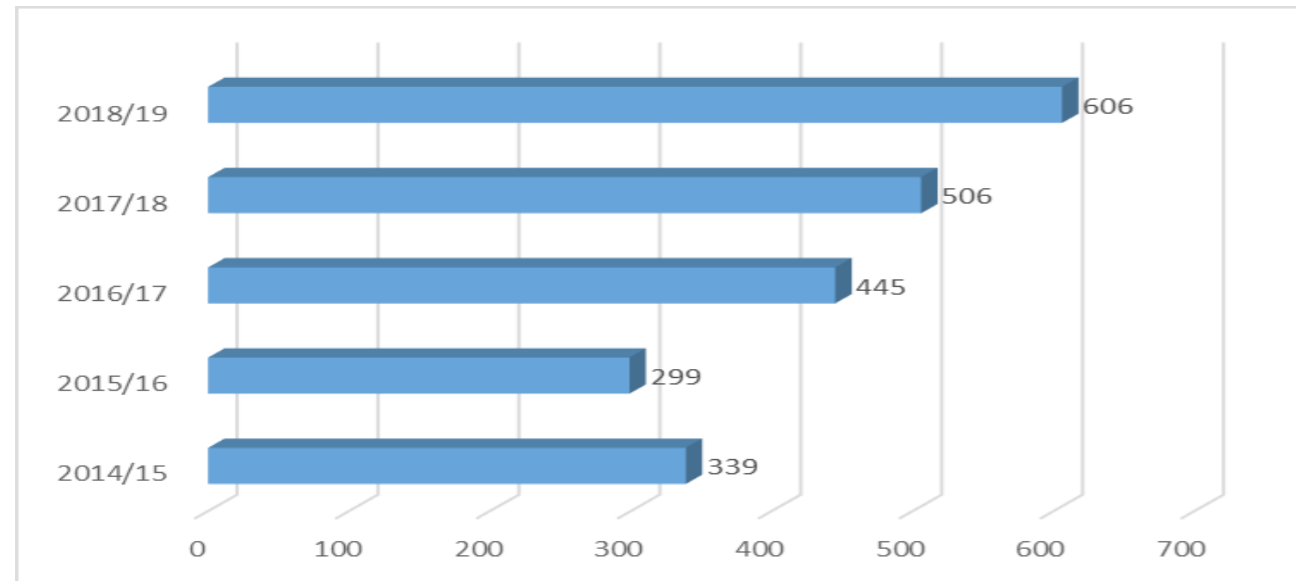
Disciplinary Committee Turnaround Times

The NHBRC approved Annual Performance Plan 2018/19 demonstrates defaulting home builders must be prosecuted within 120 days from the date of suspension and the target for the 2018/19 financial year was met and exceeded because the NHBRC ensured that home builders were prosecuted within a period of 90 days on average.

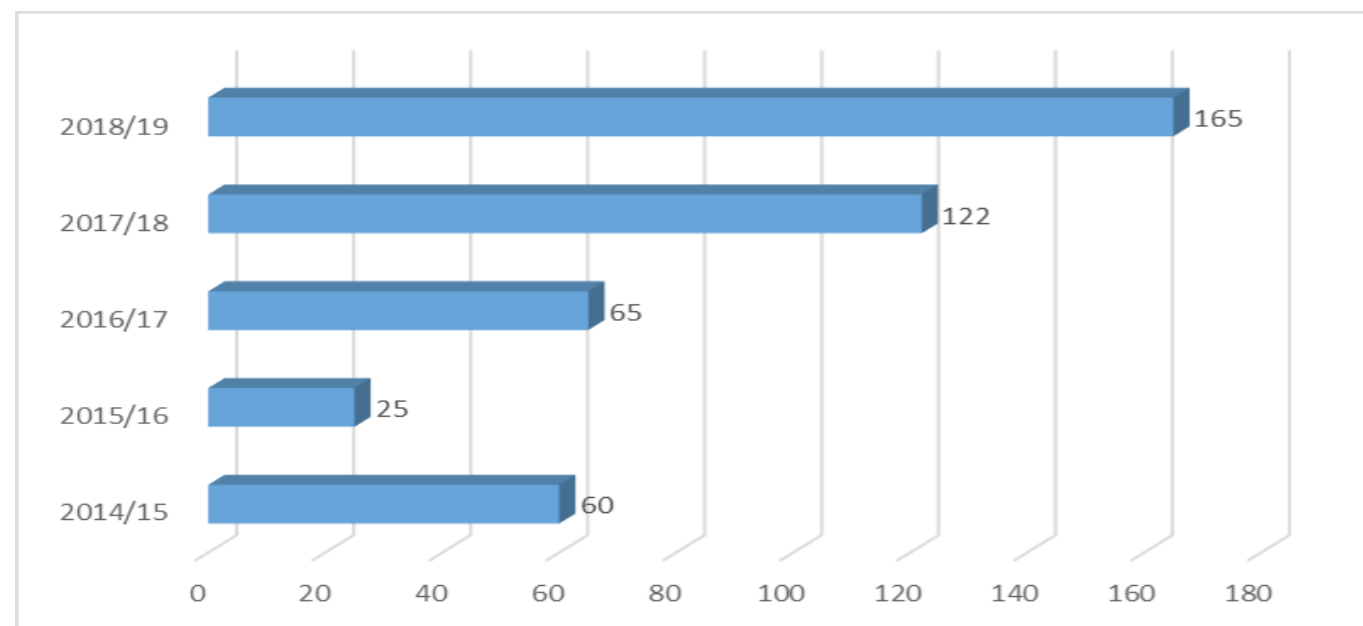
There has a consistent increase in the number of matters adjudicated upon by the Committee with the 2015/16 to 2016/17 financial year showing 49% increase, 14% increase for the period 2016/17 to 2017/18 and 18% increase for the period 2017/18 to 2018/19 financial years.

Table 22 : Disciplinary hearings matters for the last five years

Prov- ince	2014/15		2015/16		2016/17		2017/18		2018/19	
	DC Hear- ings	%	DC Hear- ings	%	DC Hear- ings	%	DC Hear- ings	%	DC Hear- ings	%
EC	23	7%	20	7%	8	2%	28	6%	30	5%
FS	14	4%	12	4%	11	2%	26	5%	25	4%
GP	56	17%	96	32%	101	23%	106	21%	166	27%
KZN	38	11%	54	18%	71	16%	141	28%	134	22%
LP	80	24%	19	6%	72	16%	44	9%	38	6%
MP	20	6%	18	6%	71	16%	39	8%	47	8%
NC	4	1%	12	4%	4	1%	3	1%	12	2%
NW	25	7%	29	10%	42	9%	35	7%	54	9%
WC	79	23%	39	13%	65	15%	84	17%	100	17%
Total	339	100%	299	100%	445	100%	506	100%	606	100%

Figure 17: Disciplinary matters**Criminal matters handled in the past financial year**

The Chart below depicts the number of criminal matters opened with the South African Police Services (SAPS) as required by section 21 of the Housing Consumers Protection Measures Act. All these matters are in respect of home builders who carry on the business of building homes without having registered as such in terms of section 10 of the Act. The NHBRC, continues to forge relations with a number of key stakeholders such as the National Prosecuting Authority (NPA) and the SAPS by exploring various initiatives to ensure compliance with the Act and where there is none, to ensure that the defaulters are held accountable as prescribed by the law. These initiatives have resulted in a constant increase of criminal cases registered by NHBRC investigators since 2015/16. The 2018/19 financial year registered the highest number of cases (165) and it is anticipated that the number of prosecutions will increase in the upcoming years as housing consumers become more aware of their rights against unscrupulous home builders. The involvement of the NPA and SAPS also contributed to the success rate of prosecutions matters as all parties understand the mandate and the role of the NHBRC.

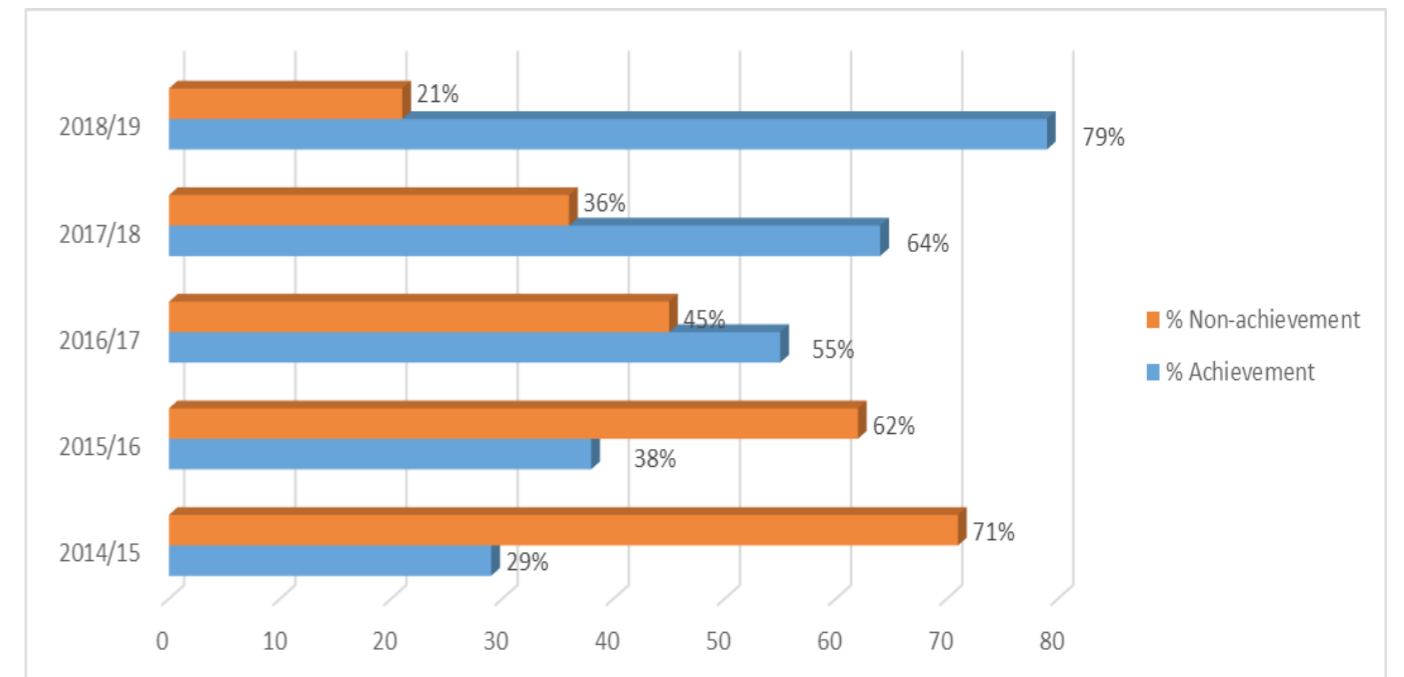
Figure 18: Number of criminal cases registered over the last five years

SECTION 5: PERFORMANCE INFORMATION 2018/19



The NHBRC performance achievement is measured based on the number of key performance indicators where targets were achieved against the total number of key performance indicators as outlined in the annual plan. The performance for the 2018/19 financial year shows that 26 targets were achieved against the set target of 33 key performance indicators and this represents an achievement of 79% and 21% non-achievements. The 2018/19 performance of 79% is the highest performance achievement of the NHBRC over the last five financial years. The lowest performance was realised in the financial year 2014/15 where only 14 targets were achieved against the set target of 48 key performance indicators representing 29% achievement. Management is pleased with the continued improvement in the performance of the organisation over the last five years.

Figure 19: Summary of performance Information trends over the last five years



Programme 1: Administration and Governance

Strategic Objective	#	KPI	YEARLY TARGET	Target met or Target not met	Actual Achievement	Reason for variation
To improve cost effectiveness and internal efficiencies of operations.	1	% uptime for Business-critical ICT systems (SAP, network and exchange (email))	Achieved 99% uptime of ICT infrastructure (SAP, network and exchange (email))	Target met	99.23% uptime of ICT infrastructure (SAP, network and exchange (email)) achieved	Target achieved as planned
	2	% stabilisation and enhancement of the core business system (SAP)	100% stabilisation and enhancement of the core business system (SAP)	Target not met	90% implementation of Subsidy Solution, Solution Manager and implementation of enhancements	Subsidy solution was completed in the fourth quarter and only Solution Manager and defects are outstanding.
	3	% Implementation of human resource strategy in line with the implementation plan	100% Implementation of human capital strategy in line with implementation plan	Target met	100% implementation of human capital strategy	Target achieved as per the human capital plan
	4	Number of days it takes to recruit employees	Employees recruited within 90 days	Target met	76 days taken to recruit employees	Recruitment conducted within the set time frames
	5	% achievement of clean audit	100% achievement of clean audit	Target not met	67% of AG findings were resolved	Unresolved AG findings will be verified during the 2018-19 audit period.
	6	Number of housing consumer stakeholder sessions held at provinces	9 housing consumer stakeholder sessions held at provinces	Target met	155 housing consumer stakeholder sessions held at provinces	Consumer stakeholder sessions can either be organized by the NHBRC internal marketing team, planned in partnership with the Provincial or National Department of Human Settlements or other stakeholders within the built environment. The NHBRC uses the opportunity to educate housing consumers when invited to participate in other forums over and above the planned session although the target of 9 was too low for the organization as it represented one (1) session per province.
	7	Number of home builders stakeholder sessions held at provinces	9 home builders stakeholder sessions held at provinces	Target met	225 home builders stakeholder sessions held at provinces	The target was set too low considering that the organisation participates in multiple forums facilitated by role players within the industry. For 2019/20 the KPI will not only focus on the number of sessions held but on the implementation of the communication plan as a whole.
	8	% implementation of Social transformation strategy	100% implementation of social transformation strategy	Target met	100% of social transformation strategy implemented	Target achieved as planned

Programme 2: Regulation and Protection

Strategic Objective	#	KPI	YEARLY TARGET	Target met or Target not met	Actual Achievement	Reason for variation
To ensure effective regulatory compliance	9	Number of home builders to be registered	3,518 home builders to be registered	Target met	3600 home builders registered	Target achieved as planned
	10	Number of home builders to renew their registration	12919 home builders to renew their registration	Target met	14117 home builders renewed their registrations	The NHBRC issues notifications to home builders on the expiry of annual membership and home builders found to be in construction with expired certificates are issued with notice of non-compliance.
	11	Number of homes to be inspected in the subsidy sector	112,179 homes to be inspected in subsidy sector	Target not met	85,263 homes inspected in the subsidy sector	The target was based on the projected number of subsidy houses by the Department however fewer houses were submitted to the NHBRC for enrolment which had an impact on inspections on the ground. The NHBRC inspected houses that were under construction during the year for which other were enrolled in the prior financial year.
	12	Number of homes to be inspected in the non-subsidy sector	50,485 of homes to be inspected in the non-subsidy sector	Target met	68,009 homes inspected in the non-subsidy sector	The inspection of non-subsidy homes is bolstered by the homes started in the previous financial year but completed in the current year and homes enrolled in the previous years but were never constructed.
	13	Number of home enrolment in the subsidy sector	A total of 112,179 units for home enrolment	Target not met	76,526 homes enrolled in the subsidy sector	The target was based on the projected number of new subsidy houses planned to be enrolled and constructed in the current year by the Department however fewer houses were submitted to the NHBRC for enrolment.
	14	Number of home enrolment in the non-subsidy sector	50,485 non-subsidy enrolments of homes	Target met	51,585 homes enrolled in the non-subsidy sector	Target achieved as planned.
	15	% of late enrolment of homes in the subsidy sector issued with administrative non-compliance	100% of late enrolment of homes in the subsidy sector issued with administrative non-compliance	Target met	100% of late enrolment of homes in the subsidy sector were issued with administrative non-compliance	Target achieved as planned
	16	% development of the home builders Card System	100% home builders Card Systems (Phase 1) Completed as per project plan	Target not met	0% development of the home builders Card System was achieved	The project is dependent on SAP completion and Data migration from legacy system to SAP. The data migration was completed at the end of the year.

Programme 3: Legal Compliance and Enforcement

Strategic Objective	#	KPI	YEARLY TARGET	Target met or Target not met	Actual Achievement	Reason for variation
To entrench a culture of compliance and ensure effective regulatory compliance	17	% of home builders Non-Compliance reviewed for decision making	100% of home builders Non-Compliance reviewed for decision making	Target met	100% of home builders Non-Compliance reviewed for decision making	All escalated matters were reviewed for decision making
	18	% of defaulting home builders suspended on prosecutable matters	80% of home builders suspended on prosecutable matters	Target met	100% of home builders with prosecutable matters were suspended	All matters for suspension were resolved.
	19	% of prosecutable matters set down for hearing before the Disciplinary Committee (DC)	100% of prosecutable matters set down for hearing before the DC	Target met	100%	All prosecutable matters were set down for DC hearing
	20	% of instructions issued to attorneys to apply for an interdict where there are prospects of success	100% instructions issued to attorneys to apply for interdict where there are prospects of success	Target met	100%	All matters were instructed to the attorney

Programme 4: Research and Development

Strategic Objective	#	KPI	YEARLY TARGET	Target met or Target not met	Actual Achievement	Reason for variation
To promote research and innovation in housing through technical, transformational and intellectual leadership.	21	Number of home builders trained and developed in home construction & related fields	Train and develop 2000 home builders	Target met	2541 home builders trained	The NHBRC entered into an agreement with Government TVETs colleges to train home builders. Target achieved as planned
	22	Number of Youth trained & developed in home construction and related fields	Train and develop 2,000 youth	Target met	2184 Youth trained	The NHBRC works closely with the Department of Human Settlements on Youth Brigade Programme and this engagement allows the NHBRC to attract more youth.
	23	Number of Women trained & developed in home construction and related fields	Train and develop 1800 women	Target met	2042 women trained	The NHBRC received demand for training from Women Organisations such as SAWIC and the availability of TVETs Colleges has contributed by making training more accessible to many people as they can be trained close to where they reside.
	24	Number of artisans trained and developed in home construction and related fields	Train and develop 400 artisans	Target met	441 artisans trained	Due to the number of Home builders/home builders and youth trained, trainees that completed their modules were registered with institutions of higher learning to acquire higher certification
	25	Number of people living with disabilities trained and developed in home construction and related fields	Train and develop 300 people living with disabilities	Target not met	219 people living with disabilities trained	There was a limited number of training modules available to train people living with disabilities and therefore the NHBRC will be establishing the Disability Advisory Council with disability organisations to develop strategies for Economic Opportunities, Equity and Skills Development.
	26	Number of learners registered in the learnership programme	400 learners registered in learnership programme	Target met	732 learners registered in the learnership programme	The NHBRC entered into an agreement with CETA and learners are now placed at different government institutions to acquire the required skills.
	27	Number of military veterans trained and developed in home construction and related fields	Train and develop 450 military veterans	Target not met	262 military veterans trained	The majority military veterans have been trained on NHBRC modules over the last five years and the NHBRC must obtain the database on those military veterans that are interested and not yet trained in order to set realistic targets. Not all military veterans have an interest in construction related training as some opt for training in other fields offered by other government agencies.
	28	Number of technical professionals trained and developed in home construction and related fields	Train and develop 500 technical professionals	Target met	602 Technical professionals trained	The training of technical professionals was extended to inspectors within municipalities and this resulted in more demand for training.
	29	Implementation of the Research Agenda (IBT)	Implementation of 9 IBT based houses	Target met	9 IBT based house built	Target achieved as planned
	30	Number of research outcomes recommended for implementation	Implementation of 8 research products/services on innovative products and services	Target met	12 research products/services on Innovative Products & Service implemented	Target achieved as planned

To ensure that the organisation grows and sustains the warranty fund.	31	Operating profit > Budget	Operating profit > Budget	Target met	Actual: R155.8million get: R10million	Bud- get: R10million	There were payments received from Provincial Departments of Human Settlement relating to enrolments completed in the previous financial years but only paid in the current year. This was through consistent engagements with the HOD and CFO of the Department in order to reduce the debt owed to the NHBRC.
	32	BEE spend	BEE Spend (51%)	Target met	70% BEE spend achieved	70% BEE spend achieved	BEE supplier prioritised on awarding of tenders
	33	Number of days within which suppliers are paid	Number of days within which suppliers are paid	Target met	9 days taken to pay suppliers	9 days taken to pay suppliers	Supplier were paid within an average of 30 days period in compliance to the National Treasury regulation that requires state organisations to pay suppliers within 30 days.

Report of the Auditor-General to Parliament on National Home Builders Registration Council

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the National Home Builders Registration Council set out on pages 90 to 146, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Home Builders Registration Council as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants and parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA codes), as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2019.

Uncertainties relating to future outcomes of exceptional litigation

8. With reference to note 27 to the financial statements, the public entity has outstanding claims pending in the courts in relation to disputes with other parties. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Other matter

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

Unaudited supplementary schedule

10. The supplementary information set out on page 144, note 31, does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting authority for the financial statements

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

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

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.



Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 1: administration and governance	72
Programme 2: regulation and protection	73
Programme 3: compliance and enforcement	74

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 1 – administration and governance

Percentage stabilisation and enhancement of the core business system (SAP)

20. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of target of 100%. This was due to inadequate technical indicator descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 100% as reported in the annual performance report.

Various indicators

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

Indicator description	Reported achievement	Audited value
Number of housing consumer stakeholder sessions held in provinces	97	155
Number of homebuilder stakeholder sessions held in provinces	141	225

Programme 2 – regulation and protection

Number of homes to be inspected in the subsidy sector

22. The source information and method of calculation for achieving the planned indicator were not clearly defined.

Number of homes to be inspected in the non-subsidy sector

23. The source information and method of calculation for achieving the planned indicator were not clearly defined.

Percentage of late enrolment of homes in the subsidy sector issued with administrative non-compliance

24. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of 100%. This was due to inadequate technical indicator descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 100% as reported in the annual performance report.
25. I did not raise any material findings on the usefulness and reliability of the reported performance information for programme 3 – compliance and enforcement.



Report on the audit of compliance with legislation

Introduction and scope

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

Annual financial statements

28. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets, liabilities, and expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified opinion.

Procurement and contract management

29. Quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3.

Expenditure management

30. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R6 400 588 as disclosed in note 24.3 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the irregular expenditure disclosed in the financial statements was caused by non-compliance with treasury regulations 3.9.3 and 16A3.1.
31. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 210 469, as disclosed in note 24.1 to the annual financial statements, in contravention of section 51(1)(b)(ii) of the PFMA. Most of the fruitless and wasteful expenditure was caused by interest charged on late payments to creditors.

Strategic planning

32. The strategic plan for 2018-19 was not prepared and submitted for approval by the executive authority, as required by treasury regulation 30.1.1.

Consequence management

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

37. I was unable to obtain sufficient appropriate audit evidence that allegations of fraud which exceeded R100 000 were reported to the SAPS, as required by section 34(1) of the Prevention and Combating of Corrupt Activities Act.

Other information

38. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
39. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
40. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
41. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

42. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
43. Senior management did not have adequate financial reporting processes in place to ensure that all errors in the financial statements are prevented and/or detected, thereby ensuring that no material misstatements are identified in the financial statements submitted for audit.
44. Senior management did not exercise adequate oversight of supply chain management, resulting in significant irregular and fruitless and wasteful expenditure being reported.
45. Senior management did not provide effective leadership and did not exercise oversight of compliance with legislation and related internal controls by taking appropriate action to avoid recurrence of non-compliance with legislation despite recommendations being made.
46. Senior management did not provide effective consequence management to ensure timely action is taken against those affected by outcomes of investigations, resulting in senior management not acting in terms of their statutory responsibilities.
47. Even though management has implemented some policies and procedures, compliance with legislation should remain a focus area for management with regard to irregular and fruitless expenditure incurred. Additional irregular and fruitless and wasteful expenditure was noted in the current year, with some irregular and fruitless and wasteful expenditure being carried over from prior years waiting to be condoned.
48. Those charged with governance did not keep accurate, complete and timely records of minutes and resolutions made on behalf of the public entity.
49. Adequate conflict of interest declarations were not made by those charged with governance regarding the interests of their spouses, partners and close family members in relation to the matters for discussion.
50. Charters or terms of reference relating to the minimum number of meetings held by council and council subcommittees were not always adhered to.

Other reports

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

Concluded

The following is a summary of investigations concluded during the current financial year:

- Investigation report on the supply and installation of water tanks – commissioned by council, started in February 2017. Investigation is complete as at 31 July 2019. Period covered – February 2011 to June 2015. Issued October 2018
- Investigation report on irregularities in the builder test process – commissioned by council, started in February 2017. Investigation is complete as at 31 July 2019. Period covered – April 2014 to March 2017. Issued in October 2018
- Investigation report on allegations of fraudulent settlement and remedial claims being made – commissioned by council, started in February 2017. Investigation is complete as at 31 July 2019. Period covered – April 2014 to March 2017. Issued in October 2018.
- Investigation report on the rectification of the 222 defective houses in in Illinge, Oviston, Burgersdorp and Venterstad in Eastern Cape – commissioned by council, started in April 2016, investigation completed as at 31 July 2019. Period covered – August 2017 to July 2018. Issued to management throughout.
- Internal investigation report on allegations of builder certificate sharing. Investigation is complete as at 31 July 2019. Period covered – October 2018. Issued in January 2019.
- Internal investigation report on allegations of undeclared late enrolments. Investigation is complete as at 31 July 2019. Period covered – October to November 2017. Issued to management in April 2018.
- Internal investigation reports on allegations of fraudulent builder registrations. Commissioned by management and complete as at 31 July 2019. Period covered – April 2018. Issued to management in June 2018.
- Internal investigation reports into alleged fraudulent builder technical assessments. Commissioned by management and complete as at 31 July 2019. Period covered – January 2019. Issued to management in April 2019.
- Internal investigation report into alleged quotation manipulation. Commissioned by management and complete as at 31 July 2019. Period covered – September to October 2016. Issued to management in February 2018
- Internal investigation report into alleged fraudulent behaviour by builders towards homeowners. Commissioned by management and complete as at 31 July 2019. Period covered – April 2016 to April 2017. Issued to management in December 2018.
- Internal investigation into the alleged misappropriation of ICT assets. Commissioned by management and complete as at 31 July 2019. Period covered – November 2017 to April 2018. Issued to management in November 2018.
- External investigation report on irregularities in the appointment of builder training service providers – commissioned by council, started in October 2018. Investigation is complete as at 31 July 2019. Period covered – April 2016 to March 2018. Issued to management in May 2019
- External investigation on allegations of an engineer fraudulently reducing late enrolment guarantees to zero. Commissioned by management and complete as at 31 July 2019. Period covered – April 2015 to March 2017. Issued to management in May 2019

- Internal investigation on allegations of the irregular appointment of an actuarial service provider. Commissioned by management and complete as at 31 July 2019. Period covered – April to October 2018. Issued to management in April 2019

Ongoing

The following is a summary of investigations ongoing as at 31 March 2019:

- An investigation into allegations made by a whistle-blower of corruption in return for bribes. Commissioned by management in March 2019 and is ongoing as at 31 July 2019.
- Investigation report on irregularities in the appointment of a service provider relating to the procurement of the Sunninghill head office building – commissioned by council, started in June 2018. Investigation is ongoing as at 31 July 2019.

Auditor-General

Pretoria
31 July 2019



Annexure – Auditor-General’s responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
 - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Home Builders Registration Council’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause the public entity to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

AUDIT AND RISK COMMITTEE (ARCO) ANNUAL REPORT ON THE NHBRC

Audit and Risk Committee (ARCO) Report

The ARCO is pleased to report that it is properly constituted as required by section 77 of the PFMA and has complied with its responsibilities arising from paragraph 3.1.13 of the Treasury Regulations. The ARCO also reports that it has adopted appropriate formal terms of reference as its ARCO Charter, and has managed and regulated its affairs in compliance with this charter. As mandated, we hereby report on the functions of the ARCO for the year ended 31 March 2019.

ARCO meetings and attendances

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

Table 23 :ARCO meetings and attendances

Members	Qualification	Scheduled Meetings	Meet-ings	Special Meet-ings	Total Meetings attended
1. *Mr. Younus Amod	CA (SA)	14 May 2018 25 July 2018 25 October 2018		27 August 2018	4
2. Mr. Phetola Makgathe (until 29 July 2018)	M.Sc (Industrial Relations and Personnel Management)	25 July 2018			1
3. Ms Esther Euphane Aletta Watson (until 29 July 2018)	Bachelor of Arts(Social Work)	25 July 2018 14 May 2018			2
4. Mr. Goolam Manack	M.Sc. (Public Policy and Management) University of London	25 July 2018 14 May 2018		27 February 2019	3
5. Mr. Abbey Chikane (until 29 July 2018)	MSc (Economic Development)				
6. Mr. Sphamandla Kumkani	Master's Degree in International Trade Law)University of Stellenbosch)	25 October 2018		27 August 2018 27 February 2019	3
7. *Mr. Sathie Gounden	B. Compt. (S.A.) (CSSA)	25 January 2019		27 February 2019	2
8. #Ms Bongwiwe Duba	Executive Leadership Development for Municipal Management at the University of Pretoria and BA Psychology (UNISA)	25 October 2018 25 January 2019		27 August 2018 27 February 2019	4
9. #Mr. Zenzele Myeza	Bcom (UNIZUL) and MBA (UDW)	25 October 2018 25 January 2019		27 August 2018 27 February 2019	4

* Mr. Amod was replaced as Chairperson by Mr Gounden from 1 December 2018.

#appointed as new members of Council with effect from 01 August 2018.

Effectiveness of Internal Control

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

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

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

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

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

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

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

Once again, the Committee continues to be concerned about the gravity of some of the matters raised in the External Auditor's reports to Management. The Committee also noted areas with little or no progress from Management in addressing reported internal control shortcomings. To this end, it has been found imperative that Management accountability be enforced going forward. The Committee will also engage the Council to consider various initiatives that will see a radical positive change regarding implementation and maintenance of adequate and effective governance, risk and control processes in the NHBRC.

Evaluation of the Quality of the In-Year Management Report

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

Evaluation of Annual Financial Statements and Management Reports

In terms of section 3.1.13 of the Treasury Regulations the Committee has reviewed and evaluated the following:

- Effectiveness of Internal Controls;
- Quality of Management Reports;
- The Annual Financial Statements.
- The Annual Performance Report; and
- Compliance with Legislation

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

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

Risk Management

There was an acting Chief Risk Officer for a major portion of the year (10 months of the F/Y).

The Section has made great strides to assist Business in proactively addressing, among other areas , the following:

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

ARCO's overall assessment of Risk Management is satisfactory.

The entity's Internal Audit activity continues to deepen and broaden its presence and contribution in strengthening the governance, risk management and control processes within the NHBRC.

There was a heightened focus on risk management practices around Ethics and Fraud Prevention.

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

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

Forensic Investigations

- During the year the following investigations were concluded
- Water Tanks Installation project in KZN;
- Rectification of 222 defective houses in the Eastern Cape;
- Late Enrolments and Financial Guarantees; and
- Allegations of tender fraud and employee misconduct.

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

External Audit

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

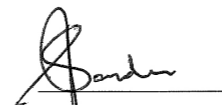
- Escalation of anonymous hotline reports.
- The large number of investigations that were under way;
- Weaknesses in the control environment and governance; and
- The process of condonation of Irregular Expenditure.

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

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

Conclusion

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



Mr. Sathie Gounden

Chairperson of ARCO

Date: 31 July 2019

SECTION 6:
FINANCIAL
STATEMENTS



NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF RESPONSIBILITY

for the year ended 31 March 2019

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

The annual financial statements for the year ended 31 March 2019 presented on pages 92 to 146 have been prepared in accordance with effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

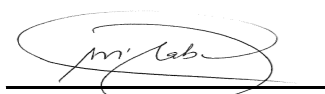
The Council is also responsible for the NHBRC's system of internal controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored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

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

The annual financial statements were approved by the Council on 30 July 2019 for submission to the Auditor General and are signed on its behalf:



Chairperson of Council



Chief Executive Officer

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

	Notes	2019 R	Restated 2018 R
ASSETS			
Non-current assets			
Property, plant and equipment	2	88 375 634	93 087 014
Intangible assets	3	71 291 392	86 215 158
Investments	4	3 350 168 302	4 027 016 056
Other receivables	6.26	566 466	34 401
		3 510 401 794	4 206 352 629
Current assets			
Investments	4	2 692 623 178	2 181 762 953
Inventories	5	11 940 689	13 158 232
Trade and other receivables	6.26	60 891 965	15 957 223
Cash and cash equivalents	7	1 096 606 232	331 050 094
		3 862 062 063	2 541 928 502
		7 372 463 857	6 748 281 131
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus	26	5 748 023 992	5 153 844 441
Emerging contractor reserve	8	7 325 576	16 693 397
		5 755 349 568	5 170 537 838
LIABILITIES			
Non-current liabilities			
Provision for outstanding claims	9	34 896 160	36 339 122
Provision for unearned premium	9	606 857 366	631 831 957
Provision for unexpired risk	9	376 934 263	296 852 830
Deposits for Guarantees	11.26	16 646 009	10 956 613
		1 035 333 799	975 980 523
Current liabilities			
Trade and other payables	10.26	99 458 981	107 597 745
Provisions	12	6 618 908	16 268 241
Deposits for Guarantees	11.26	17 775 071	13 445 954
Provision for outstanding claims	9	14 711 478	14 838 751
Provision for unearned premium	9	443 216 052	449 612 079
		581 780 490	601 762 770
		7 372 463 857	6 748 281 131
Total equity and liabilities			

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2019

	Notes	Restated	
		2019 R	2018 R
Insurance premium revenue	13	776 184 317	718 780 869
Fee revenue	14	101 043 788	43 458 923
Technical services revenue	15	675 000	7 145 505
Other revenue	17.26	30 412 510	7 298 213
Total revenue		908 315 615	776 683 510
Insurance claims and loss adjustment expenses	18	(1 660 884)	(13 295 901)
Accreditation, builders manual and certificate cost	31.2,26	(1 209 578)	(2 522 636)
Technical services expenditure	31.3,26	(892 824)	(4 974 341)
Operating expenses	31.4,26	(743 248 197)	(734 504 259)
Total expenses		(747 011 483)	(755 297 138)
Profit from operating activities	19	161 304 132	21 386 372
Net Investment income		423 538 888	592 698 386
Interest received and investment income	16	451 500 505	405 516 592
Unrealised profit on financial assets	4	12 646 639	203 132 857
Realised loss on financial assets	4	(29 996 934)	(5 583 644)
Asset management service fees		(10 611 322)	(10 367 419)
Net profit before finance costs	19	584 843 020	614 084 758
Finance costs	20	(31 289)	(11 978)
Surplus for the year	26	584 811 731	614 072 781

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2019

Notes	Accumulated surplus R	Emerging contractor reserve R	Total R
Balance at 31 March 2017	4 531 272 035	25 193 022	4 556 465 057
Restated surplus	614 072 781		614 072 781
As previously reported	619 361 904	-	619 361 904
Restatement of prior year surplus	(5 289 123)	-	(5 289 123)
Reserve utilised	8 499 625	(8 499 625)	-
Balance at 31 March 2018-restated	5 153 844 441	16 693 397	5 170 537 838
Surplus for the year ended 31 March 2019	584 811 731	-	584 811 731
Reserve utilised	9 367 821	(9 367 821)	-
Balance at 31 March 2019	5 748 023 992	7 325 576	5 755 349 568

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

CASH FLOW STATEMENT

for the year ended 31 March 2019

	Notes	2019 R	Restated 2018 R
Cash flows from operating activities			
Cash generated from operations	21.1	184 062 627	157 086 382
- Cash receipts from customers		840 129 620	799 540 882
- Cash paid to suppliers and employees		(656 066 993)	(642 454 500)
Interest paid	20	(31 289)	(11 978)
Interest received	16	23 905 549	12 970 552
<i>Net cash inflow from operating activities</i>		207 936 887	170 044 956
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(3 693 155)	(4 746 560)
Purchase of intangible assets	3	(352 499)	-
Purchase of financial assets	4	(2 366 876)	-
Proceeds on sale of financial assets	21.2	567 262 899	(29 732 149)
<i>Net cash outflow from investing activities</i>		560 850 369	(34 478 709)
Cash flows from financing activities			
Claims paid	18	(3 231 118)	(9 436 711)
<i>Net cash outflow from financing activities</i>		(3 231 118)	(9 436 711)
Net increase/(decrease) in cash and cash equivalents		765 556 138	126 129 536
Cash and cash equivalents at beginning of year	7	331 050 094	204 920 558
Cash and cash equivalents at the end of the year	21.3	1 096 606 232	331 050 094

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF COMPARISON OF BUDGET INFORMATION WITH ACTUAL INFORMATION

for the year ended 31 March 2019

Description	Notes	2019 Actual	2019 Budget	Difference: Actual and Budget	Restated 2018 Actual	2018 Budget
Revenue						
Fee income	1.1	101 043 788	21 050 969	79 992 819	43 458 923	34 999 788
Non-subsidy enrolments	1.2	592 533 678	547 818 089	44 715 589	655 563 716	516 463 127
Change in unearned premium provision	1.3	31 370 618	(34 980 000)	66 350 618	(133 336 797)	(33 000 000)
Change in unexpired risk	1.3	(80 081 433)	-	(80 081 433)	64 067 570	-
Subsidy enrolments	1.4	232 361 454	244 870 212	(12 508 758)	132 486 380	301 612 549
Technical and other revenue		31 087 510	25 000 000	6 087 510	14 443 718	43 100 000
Total revenue		908 315 615	803 759 270	104 556 344	776 683 510	863 175 464
Expenses						
Insurance claims and loss adjustment expenses	2	1 660 884	7 950 000	(6 289 116)	13 295 901	17 500 000
Accreditation,builders manual and certificate cost		1 209 578	1 873 193	(663 614)	2 522 636	3 415 326
Technical services expenditure		892 824	8 800 000	(7 907 176)	4 974 341	30 760 000
Council costs	2.1	5 367 871	4 736 400	631 471	5 259 004	5 799 100
Disciplinary committee costs		4 442 927	4 493 000	(50 073)	3 810 187	5 786 600
Employees cost	2.2	485 737 251	482 433 317	3 303 934	453 805 821	471 724 554
General and administration costs	2.3	247 762 726	283 440 802	(35 678 076)	271 629 247	298 091 804
Total expenses		747 074 060	793 726 711	(46 652 650)	755 297 137	833 077 384
Surplus before investment income		161 241 555	10 032 559	(151 208 996)	21 386 373	30 098 080
Investment income						
Interest received	3	435 025 136	294 123 571	140 901 565	391 750 016	277 475 067
Dividend Income		16 475 368	11 236 000	5 239 368	13 766 576	10 600 000
Unrealised profit on financial assets		12 646 639	119 101 600	(106 454 961)	203 132 857	112 360 000
Realised (loss)/ profit on financial assets		(29 996 934)	-	(29 996 934)	(5 583 644)	-
Asset management services		(10 611 322)	(11 429 632)	818 310	(10 367 419)	(10 782 677)
Interest paid		(31 289)	-	(31 289)	(11 978)	-
Surplus for the period		584 811 731	423 064 098	161 747 633	614 072 781	419 750 470

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

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

1.2 Non subsidy enrolments

The positive increase of R44,7m is due to a better than expected performance in both number of units and a higher average enrolment value.

1.3 Change in unearned premium and unexpired risk

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

1.4 Subsidy enrolments

Subsidy home enrolment revenue decreased by R12,5 million compared to budget. This is due to Government's fiscal consolidation programme which resulted in provincial Departments of Human Settlements enrolling less homes than originally planned.

2. Expenditure**2.1 Council costs**

The council cost includes the council remuneration of R2 753 825 and the balance of R2 614 046 relates to council travel and accommodation, catering and conferences.

2.2 Employee Costs

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

2.3 General and administration expenses

General and administration expenditure were stringently managed by the organisation.

3. Income from investments**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2019

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

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

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

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

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

1. Summary of significant accounting policies (continued)

1.1 Basis of preparation (continued)

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

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

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

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

1.2 Use of estimates and judgements

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

Technical actuarial liabilities (provision for outstanding claims, unearned premium provision and unexpired risk provision;

- Derivatives and Bonds;
- Depreciation of property plant and equipment;
- Amortisation of intangible assets;
- Impairment of financial assets;
- Measurement of the recoverable amount owing by the Provincial Departments of Human Settlements;
- Condoning of irregular expenditure;
- Structured Products; and
- Provision for doubtful debts

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

1. Summary of significant accounting policies (continued)

1.3 Newly effective GRAP standards for the 2018/19 financial year

1.3.1 The following Standards of GRAP should be applied by public entities, constitutional institutions,

Municipalities and municipal entities for the period beginning 1 April 2019/20, if applicable:

Guideline accounting for arrangements undertaken in terms of the national housing programme

Reference	Topic
GRAP 20	Related-party disclosures
GRAP 32	Service concession arrangements: grantor
GRAP 34	Separate financial statements
GRAP 35	Consolidated financial statements
GRAP 36	Investments in associates and joint ventures Joint arrangements
GRAP 37	Disclosure of interests in other entities
GRAP 38	Statutory receivables
GRAP 108	Accounting by principals and agents
GRAP 109	Living and non-living resources
GRAP 110	
IGRAP 1	Applying the probability test on initial recognition revenue (amendments)
IGRAP 17	Service concession arrangements where a grantor controls a significant residual interest in an asset
IGRAP 18	Recognition and de-recognition of land
IGRAP 19	Liabilities to pay levies
IGRAP 20	Accounting for adjustments to revenue

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.3.2 Standards and Interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for accounting periods beginning on or after 01 April 2019/2020 or later as some of these are not applicable to the NHBRC:

(a) Effective for all public entities

GRAP 20 on Related Party Transactions

GRAP 32 on Service Concession Arrangements: Grantor

GRAP 108 on Statutory Receivables

GRAP 109 on Accounting by Principals and Agents

b) Effective for Parliament, provincial legislatures and trading entities

GRAP 18 on Segment Reporting

GRAP 105 on Transfer of Functions Between Entities Under Common Control

GRAP 106 on Transfer of Functions Between Entities Not Under Common Control

GRAP 107 on Mergers

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

1. Summary of significant accounting policies (continued)

1.3.3 Interpretations of the Standards of GRAP and Guidelines effective for periods commencing on or after 1 April 2019

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2019

1. Summary of significant accounting policies (continued)**1.4 Insurance technical result**

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

Insurance premiums written

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

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

Unearned insurance premiums

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

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

Insurance claims incurred

Insurance claims incurred, comprise insurance claims and related expenses paid in the year and changes in the outstanding claims provision, including provisions for insurance claims incurred but not reported and related expenses, together with any other adjustments to insurance claims from previous years.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2019

1. Summary of significant accounting policies (continued)**1.4 Insurance technical result (continued)**

Insurance claims are typically reported relatively quickly after the insurance claims event and are therefore subject to significantly less uncertainty than future insurance claims events.

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

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

Unexpired risk provisions

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

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

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2019

1. Summary of significant accounting policies (continued)**1.4 Insurance technical result (continued)**

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

Liability adequacy test

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

1.5 Revenue recognition

Revenue arising from registration, renewal, late enrolment, non-subsidy enrolments, and subsidy home enrolments are recognised on the cash basis.

Revenue arising from subsidy project enrolments fees and technical services are recognised on the accrual basis.

Revenue from the sale of goods and services are recognised when significant risks and rewards of ownership have been transferred to the buyer.

Interest income is accrued on a time proportion basis, taking into account the principal outstanding amount and the effective interest rate over the period to maturity.

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

1.6 Cash received in advance

Cash received in advance relate to money received from builders for enrolment to be processed in future, which at the reporting date could not be allocated.

1.7 Irregular, unauthorised, fruitless and wasteful expenditure

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2019

1. Summary of significant accounting policies (continued)**1.7 Irregular, unauthorised, fruitless and wasteful expenditure (continued)**

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

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

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

1.8 Taxation

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

1.9 Property, plant and equipment

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2019

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

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

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

Computer equipment	10 years
Office furniture	23 years
Office Equipment	15 years
Motor vehicles	13 years
Buildings	20 years
Minor Assets	1 year

Land is not depreciated

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

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2019

1 Summary of significant accounting policies (continued)**1.9 Property, plant and equipment (continued)**

The useful life of intangible assets was reviewed and the following rate is used for the amortisation of intangible assets:

Computer software	8 years
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Subsequent expenditure is capitalised only when it creates the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands is recognised in profit or loss when incurred.

1.10 Impairment

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

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

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

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

1.11 Inventories

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2019

1. Summary of significant accounting policies (continued)**1.12 Financial instruments**

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

Financial assets

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

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

Effective interest method

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

Financial instruments at fair value

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2019

1 Summary of significant accounting policies (continued)**1.12 Financial instruments (continued)**

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

Financial instruments at amortised cost

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

Impairment of financial assets

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

significant financial difficulty of the issuer or counterparty; or

default or delinquency in interest or principal payments; or

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

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

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2019

1 Summary of significant accounting policies (continued)**1.12 Financial instruments (continued)**

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

De-recognition of financial assets

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

Financial liabilities

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

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2019

1 Summary of significant accounting policies (continued)**1.12 Financial instruments (continued)****De-recognition of financial liabilities**

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

1.13 Cash and cash equivalents

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

1.14 Leased assets

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

1.15 Investments

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

1.16 Value Added Tax

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

1.17 Financial Guarantees

Financial guarantees are contracts that require a Bank to make specified enrolment payments to the NHBRC at the expiration of a certain period stated in the financial guarantee. The guarantee liabilities are included in other current liabilities.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

1 Summary of significant accounting policies (continued)

1.18 Provisions

Provisions are recognised if, as a result of a past event, the NHBRC has a present legal or constructive obligation that can be estimated reliably and is probable that an outflow of economic resources will be required to settle the provision. Provisions are reviewed at the end of each financial year and are adjusted to reflect current best estimates.

1.19 Events after the reporting period

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

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

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

1.20 Related parties

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

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

1 Summary of significant accounting policies (continued)

1.20 Related parties (continued)

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

1.21 Critical accounting judgements and key sources of estimation uncertainty

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

Insurance technical result

The accounting for the insurance technical result as disclosed in note 1.4 requires the Council to make certain assumptions that have a significant impact on the revenues, expenses and liabilities that are recorded for these insurance premiums. The expected impact as recorded in note 9.3 are based on historical performances, current and long-term outlooks and the actuarial statistics compiled and updated by the actuarial industry on an on-going basis.

Plant and equipment

Residual values and estimated useful lives are assessed on an annual basis. The residual values of vehicles are estimated on published second hand vehicle values as well as trading history. The residual values of all other assets are have been revised and are as follows;

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

2. Property, plant and equipment

	Computer equipment	Office furniture and equipment	Motor vehicles	Land	Buildings	Total
	R	R	R	R	R	R
Year ended 31 March 2019						
Opening net book amount	8 742 812	11 382 654	1 227 232	17 751 947	53 982 369	93 087 014
Additions	2 075 355	1 617 800	-	-	-	3 693 155
Disposals	(1 427 157)	(538 837)	(355 652)	-	-	(2 321 646)
Depreciation on disposal	1 207 141	475 701	315 651	-	-	1 998 493
Depreciation charge	(2 017 655)	(2 384 188)	1 499	-	(3 681 040)	(8 081 384)
Reclassification	81 175	(63 692)	-	-	(17 483)	-
Closing net book amount	8 661 671	10 489 439	1 188 730	17 751 947	50 283 846	88 375 634
At 31 March 2019						
Cost	21 751 346	24 591 706	1 565 239	17 751 947	75 707 782	141 368 020
Accumulated depreciation	(13 089 674)	(14 102 267)	(376 509)	-	(25 423 936)	(52 992 386)
Net book amount	8 661 671	10 489 439	1 188 730	17 751 947	50 283 846	88 375 634
Year ended 31 March 2018						
Opening net book amount	10 389 985	11 446 267	248 132	17 751 947	57 769 682	97 606 013
Additions	1 729 517	1 928 103	1 088 940	-	-	4 746 560
Disposals	(5 465 021)	(1 216 917)	(337 945)	-	-	(7 019 883)
Depreciation on disposal	5 088 255	959 667	317 945	-	-	6 365 867
Depreciation charge	(2 999 924)	(1 734 466)	(89 840)	-	(3 787 314)	(8 611 544)
Closing net book amount	8 742 812	11 382 654	1 227 232	17 751 947	53 982 369	93 087 014
At 31 March 2018						
Cost	20 794 406	23 782 985	1 920 892	17 751 947	75 746 282	139 996 511
Accumulated depreciation	(12 051 593)	(12 400 330)	(693 660)	-	(21 763 913)	(46 909 496)
Net book amount	8 742 812	11 382 654	1 227 232	17 751 947	53 982 369	93 087 014

Land

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

Buildings

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

Useful lives

The residual values and estimated useful lives are reflected under "Critical accounting judgements and key sources of estimation uncertainty" in the summary of significant accounting policies and note 1.20 "Critical accounting judgements".

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

3. Intangible assets

	Computer software	Total
	R	R
Year ended 31 March 2019		
Opening net book amount	86 215 158	86 215 158
Additions	352 499	352 499
Amortisation charge	(15 276 266)	(15 276 266)
Closing net book amount	71 291 392	71 291 392
At 31 March 2019		
Cost	122 230 124	122 230 124
Accumulated amortisation	(50 938 732)	(50 938 732)
Net book amount	71 291 392	71 291 392
Year ended 31 March 2018		
Opening net book amount	101 952 148	101 952 148
Disposals	(53 951 688)	(53 951 688)
Amortisation on disposals	53 452 817	53 452 817
Amortisation charge	(15 238 120)	(15 238 120)
Closing net book amount	86 215 158	86 215 158
At 31 March 2018		
Cost	121 877 624	121 877 624
Accumulated amortisation	(35 662 467)	(35 662 467)
Net book amount	86 215 158	86 215 158

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

	2019 R	Restated 2018 R
4. Investments		
Investments represent investments in cash, listed bonds, securities and equities, which generate interest and dividend income and investment gains/losses.		
Investments carried at fair value comprise the following:		
Money Market investments (Note 26)	2 478 278 267	1 982 519 832
CPD Money Market	214 344 911	199 473 963
Listed bond securities and equity		
- Short-term < 7 years	1 235 730 034	1 979 486 617
- Medium-term 7 to 12 years	131 725 562	193 475 767
- Long-term > 12 years	961 151 702	899 945 824
	5 021 230 475	5 254 902 004
Derivative financial instruments at fair value	1 021 561 005	953 877 005
	6 042 791 480	6 208 779 009
Split between non-current and current (Note 26)		
Non-Current portion	3 350 168 302	4 027 016 056
Current portion	2 692 623 178	2 181 762 953
Total	6 042 791 480	6 208 779 009
None of these financial assets are either past due or impaired		
Reconciliation of opening and closing balance		
Opening balance	6 208 779 009	5 600 622 985
Cash and call Accounts prior year *	78 714 197	108 446 346
Cash and call call Accounts current year *	(645 977 096)	(78 714 197)
Capital additions	753 757 398	-
Withdrawal	(751 390 521)	-
Interest accrued	411 119 587	378 779 465
Dividend income	16 475 368	13 766 575
Transaction Costs	(724 845)	(1 303 958)
Asset management service fees	(10 611 322)	(10 367 419)
Unrealised profit on financial assets	12 646 639	203 132 857
Realised (loss)/ profit on financial assets	(29 996 934)	(5 583 644)
	6 042 791 480	6 208 779 009

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

4. Investments (continued)

4.1 Credit quality of financial assets (continued)

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

Financial Assets at Fair Value

(Bonds, Money Market, Equities and Structured Products)

	2019 R	2018 R
Fitch		
F1+	64 035 784	168 856 160
AA	266 095 298	207 448 442
AA-	14 588 112	128 903 791
AA+	73 103 787	34 756 197
AAA	95 107 086	340 701 377
A	-	5 118 636
A-	-	7 392 665
A+	-	5 282 115
BBB	-	3 081 291
	512 930 067	901 540 672
Moody		
A	17 849 607	-
A+	6 056 969	-
BBB-	21 914 312	-
F1+	489 929 348	-
AA-	30 231 168	732 259 729
AA+	197 871 172	75 418 093
AA	3 976 167	7 191 505
AAA	636 362 792	38 321 662
Aaa	-	58 109 325
Baa2	-	2 420 651
Aa1	-	87 825 468
Aa3	-	26 580 576
	1 404 191 535	1 028 127 009
GCR		
A+	29 166 571	-
AA	10 601 764	8 145 774
AAA	21 229 926	22 032 860
F1+	7 709 881	6 023 156
BBB+	165 772 057	15 223 978
A	-	615 748
A-	-	46 803 572
BBB	-	1 491 700
	234 480 198	100 336 788
S&P		
A	25 550 848	31 845 615
AA	710 759 062	719 526 892
AAA	419 329 769	333 198 753
AA+	156 839 141	102 277 261
AA-	9 614 992	410 022 838
A-	56 806 569	9 630 356
F1+	68 174 162	17 537 387
BB	-	13 365 330
BBB	-	18 141 510
	1 447 074 544	1 655 545 941
	3 598 676 344	3 685 550 410

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

4.1 Credit quality of financial assets (continued)	2019 R	2018 R
Amount carried forward from prior paç	3 598 676 344	3 685 550 410
Issuer Rated		
AA	41 626 351	10 880 506
AA-	-	185 021 504
AA+	509 630 744	236 983 140
AAA	150 608 385	486 014 643
	701 865 480	918 899 792
Equity Exposure	1 742 249 656	1 604 328 806
	6 042 791 480	6 208 779 009

In 2019 Fitch,GCR, Moody, S&P and Issuer ratings were used where ratings was not available.

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

2019	Fair value measurement at end of the year using:		
	R	Level 1 R	Level 2 R
Financial assets at fair value through profit or loss			
Equities	493 240 501	493 240 501	-
Bonds	1 835 366 797	1 835 366 797	-
Money market instruments	2 692 623 178	-	2 692 623 178
Other investment(Structured Products)	1 021 561 005	1 021 561 005	-
	6 042 791 480	3 350 168 302	2 692 623 178
2018	Fair value measurement at end of the year using:		
	R	Level 1 R	Level 2 R
Financial assets at fair value through profit or loss			
Equities	496 664 215	496 664 215	-
Bonds	1 983 766 315	1 983 766 315	-
Money market instruments	2 774 471 474	-	2 774 471 474
Other investment (structured products)	953 877 005	953 877 005	-
	6 208 779 009	3 434 307 536	2 774 471 474

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

The fair value hierarchy has the following levels:

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

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

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

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

Description	Fair as at 31 March 2019	
	Valuation techn	Observable Input
Financial assets at fair value through profit or loss:		
Unlisted:		
Debt securities	Reference to listed bonds	Risk free yield to maturity curve,risk free zero curve
Money market securities	Discount cash flow valuation, black-scholes Model	Published exchange swap curve, published interest rate curve, published credit spread curve/implied credit spread curve, risk freecurve/implied credit spread curve, risk free yield to maturity curve, risk free zero curve, swap yield to maturity curve,swap zero curve
Other investments	Reference to listed	Risk free yield to maturity curve,risk free zero curve

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

	2019 R	2018 R
5. Inventories		
Builders manuals at cost	11 940 689	13 158 232
6. Trade and other receivables(Note 26)		
Net trade receivables	37 371 677	2 853 193
- Trade receivables	98 378 790	75 263 119
- Less provision for impairment	(61 007 113)	(72 409 926)
Other receivables:		
- Rental deposits	2 455 331	1 696 439
- Sundry debtors	21 631 423	11 441 993
	61 458 431	15 991 624
The fair values of trade and other receivables are as follows:		
Trade receivables	98 378 790	75 263 119
Rental deposits	2 455 331	1 696 439
	100 834 121	76 959 558
Ageing of past due and impaired is as follows:		
Amounts in 60 to 120 days	5 208 765	190 697
Amounts in 120 days +	69 798 709	72 409 926
	75 007 474	72 600 623
Movements on the provision for impairment of trade receivables is as follows:		
At 1 April 2018	(72 409 926)	(54 500 031)
Decrease /(Increase) in provision	11 402 813	(17 909 896)
At 31 March 2019	(61 007 113)	(72 409 926)

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

6.1 Rental deposits (Note 26)

Split between non-current and current		
Non-Current portion	566 466	34 401
Current portion	1 888 865	1 662 038
	2 455 331	1 696 439

6.2 Trade and other receivables

Split between non-current and current		
Non-Current portion	566 466	34 401
Current portion	60 891 965	15 957 223
	61 458 431	15 991 624

6.3 Credit quality of financial Assets

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

Trade receivables

Counterparty with external credit rating (Fitch)

BB+		
Total trade receivables	98 378 790	75 263 119

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

	2019 R	2018 R
7. Cash and cash equivalents		
Cash balances	450 551 639	252 242 894
Short-term bank deposits	77 496	93 003
Call accounts*	645 977 096	78 714 197
	1 096 606 232	331 050 094

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

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

8. Emerging contractor reserve

The reserve was established to assist home builders, through training and inspection, to achieve and to maintain satisfactory technical standards of home building in terms of Section 3(h) of the Housing Consumers Protection Measures Act (Act no. 95 of 1998). The emerging contractor reserve has been established, with Ministerial approval, to develop programmes targeted at the empowerment of emerging home builders registered with the NHBRC, which will enable learners to be able to start and manage their own construction contracting businesses. The Council utilised R9 367 821 (2018: R8 499 625) for home builder training in the current financial year. The remaining reserve to be utilised for future years is R 7 325 576 (2018:R 16 693 397).

9. Technical actuarial liabilities

	Outstanding claims R	Unearned premium R	Unexpired risk R	Total R
Balance at 31 March 2016	46 454 633	876 000 394	444 695 393	1 367 150 420
Increase during the year	9 024 807	-	-	9 024 807
Utilised during the year	(8 160 757)	-	-	(8 160 757)
Increase /(decrease) during the year	-	72 106 845	(83 774 993)	(11 668 148)
Balance at 31 March 2017	47 318 683	948 107 239	360 920 400	1 356 346 322
Increase during the year	13 295 901	-	-	13 295 901
Utilised during the year	(9 436 711)	-	-	(9 436 711)
Increase /(decrease) during the year	-	133 336 797	(64 067 570)	69 269 227
Balance at 31 March 2018	51 177 873	1 081 444 036	296 852 830	1 429 474 739
Increase during the year	1 660 884	-	-	1 660 884
Utilised during the year (note 18)	(3 231 118)	-	-	(3 231 118)
Increase /(decrease) during the year (note 13)	-	(31 370 618)	80 081 433	48 710 815
Balance at 31 March 2019	49 607 639	1 050 073 418	376 934 263	1 476 615 320
Balance at 31 March 2018				
Current	14 838 751	449 612 079	-	464 450 830
Non-current	36 339 122	631 831 957	296 852 830	965 023 909
	51 177 873	1 081 444 036	296 852 830	1 429 474 739
Balance at 31 March 2019				
Current	14 711 478	443 216 052	-	457 927 530
Non-current	34 896 160	606 857 366	376 934 263	1 018 687 789
	49 607 639	1 050 073 418	376 934 263	1 476 615 320

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

9. Technical actuarial liabilities (continued)

9.1 Basis and methodology of valuation

Best practice actuarial techniques were applied to value the insurance liabilities of the NHBRC on a run-off basis, using best estimate assumptions. The valuation followed as best as it could the Advisory Practice Note 401 ("APN401") of the actuarial society to prepare required disclosures as required by IFRS4.

The Unearned Premium Provision ("UPP") has been estimated using the enrolment fee earnings curve, having deducted initial expenses which are assumed to be earned uniformly over the first two quarters following enrolment date (being the assumed period between enrolment and occupation dates).

The Outstanding Claims Provision ("OCP") has been estimated by applying chain ladder techniques to a run-off triangle of remedial work claims paid (Bornhuetter Ferguson method). It is determined at a 99.5% sufficiency level. Due to data limitations, the OCP is not split into Notified Outstanding Claims Provision and Incurred But Not Reported Claims Provision.

The methodology is consistent with that used in the previous financial year end actuarial solvency assessment.

9.2 Assumptions

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

Key assumption	2019		2018	
	Non-subsidy	Subsidy	Non-subsidy	Subsidy
Discount rate	7.16%	7.16%	7.08%	7.08%
General price inflation	4.12%	4.12%	5.23%	5.23%
Future building cost inflation	4.12%	4.12%	5.23%	5.23%
Historical building cost inflation	3.40%	3.40%	2.67%	N/A
Ultimate complaint rate	1.06%	1.06%	1.24%	1.24%
BF complaints loss ratio	1.22%	N/A	1.16%	N/A
Remedial work rate	3.64%	3.64%	3.72%	3.72%
Average claim cost	R 207 489	R 54 714	R 207 246	R 44 656
Initial expense ratio	55%	69%	51%	65%
BF method loss ratio	2.50%	2.50%	2.50%	2.50%
BF method tail factor	10%	10%	10%	10%
Spread of risk period	Emergence of complaints from FY 2006		Emergence of complaints from FY 2006	

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

9. Technical actuarial liabilities (continued)

9.3 Sensitivity analysis

The various components of the provisions are sensitive to various factors. The UPP is mostly driven by the initial expense ratio and the earnings curve. The UPP is sensitive to the earnings curve, even though the high level of initial expenses in non-subsidy and subsidy sector which results in only 47% and 33% of the enrolment fees being held as the UPP negates this sensitivity to some extent. The initial expense ratio affects the current component of the UPP held to meet inspection costs still ongoing. The requirement for AURP makes the total provisions insensitive to the initial expense ratio for 2018/19. The OCP is sensitive to the net real discount rates and the BF Tail Factor. The AURP is also sensitive to the net real discount rate in addition to the average remedial claim amount, the remedial work rate, the ultimate complaint rate, and to a lesser extent the development of complaints as suggested by the earnings curve.

	2019 R	Restated 2018 R
10. Trade and other payables (Note 26)		
Trade payables and accrued expenses	26 335 832	23 542 273
Operating lease accrual	500 383	490 095
Income received in advance	6 603 105	4 393 263
Leave accrual	22 537 063	24 291 534
Cash received in advance	42 114 080	53 512 062
Retentions	1 368 518	1 368 518
	99 458 981	107 597 745

The NHBRC has financial risk management policies to ensure that all payables are paid within the credit time frame. Due

to the short-term nature of the payables, management believes that the carrying amount approximates the fair value.

11. Deposits for Guarantees (Note 26)

Deposits for Guarantees split between non-current and current

Non-Current portion	16 646 009	10 956 613
Current portion	17 775 071	13 445 954
	34 421 080	24 402 567

12. Provisions

	Legal Fees	Onerous Contract	Total
Balance at 1 April 2018	1 305 979	14 962 262	16 268 241
- Utilised during the year	(932 754)	(12 589 017)	(13 521 771)
- Reversed during the year	-	(2 373 245)	(2 373 245)
- Raised during the year	6 245 683	-	6 245 683
Balance at 31 March 2019	6 618 908	-	6 618 908
Balance at 1 April 2017	150 000	24 559 800	24 709 800
- Utilised during the year	-	(9 597 538)	(9 597 538)
- Raised during the year	1 155 979	-	1 155 979
Balance at 31 March 2018	1 305 979	14 962 262	16 268 241

¹The "Onerous Contract" provisions consists of rectification payables settled in the current financial year.

In 2008 the NHBRC was appointed by the Eastern Cape Provincial Department of Human Settlements (ECPDoHS) to project manage a rectification pilot programme on its behalf. The project consisted of 5,145 housing units that were spread over three regions. Of this, 4,554 units needed to be demolished and rebuilt while 591 units received aesthetic improvements for example plastering, adding aprons or anchoring of the roofs and beam filling. In 2013 all units were handed back to the ECPDoHS. A total of 222 units out of 5145 have defects re-appearing which requires the NHBRC to remediate. The additional R24,559,800 required to honour this obligation was raised as a provision for onerous contract in line with GRAP standards. During the current year the NHBRC incurred R 12,589,017 (2018: R9 597 538) on this project.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

	2019 R	2018 R
13. Insurance premium revenue		
Premium received	824 895 132	788 050 096
Change in unearned premium provision (see note 9)	31 370 618	(133 336 797)
Change in unexpired risk provision (see note 9)	(80 081 433)	64 067 570
	776 184 317	718 780 869
14. Fee revenue		
Annual registration fees	2 380 974	1 294 554
Annual renewal fees	9 436 914	9 923 722
Registration fees	3 374 924	3 123 790
Builder manual fees	1 754 493	1 586 025
Subsidy project enrolments fees	82 945 375	26 620 567
Late enrolment fees	651 729	392 201
Document sales	499 379	518 064
	101 043 788	43 458 923
15. Technical services revenue		
Forensic engineering, Geotechnical and rectification work	675 000	7 145 505
	675 000	7 145 505
16. Investment income		
Investment income earned on financial assets, analysed by category of asset, is as follows:		
Interest received from investments	411 119 587	378 779 465
Dividend income	16 475 368	13 766 576
Interest received (cash and cash equivalents)	23 905 549	12 970 552
	451 500 505	405 516 592
17. Other Revenue (Note 26)		
Sundry Income	13 549 440	4 744 155
Reversal of Provision for doubtful debt	11 402 813	-
Disciplinary hearing fines	5 460 257	2 554 058
	30 412 510	7 298 213
18. Insurance claims and loss adjustment expenses		
Current year warranty claims (see note 9)	3 231 118	9 436 711
(Decrease)/increase in the outstanding claims provision	(1 570 234)	3 859 190
	1 660 884	13 295 901

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

	2019 R	2018 R
19. Results from operating activities		
Results from operating activities is arrived at after taking into account the following:		
Auditor's remuneration	6 213 646	5 475 634
Depreciation	8 081 384	8 611 544
Computer equipment	2 017 655	2 999 924
Office furniture and equipment	2 384 188	1 734 466
Motor vehicles	(1 499)	89 840
Buildings	3 681 040	3 787 314
Amortisation of intangible assets	15 276 266	15 238 120
Write off of property, plant and Equipment.	323 177	654 014
Net loss on disposal of intangible assets	-	498 871
Rentals in respect of operating leases*	14 728 281	12 132 563
*The council leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.		
The future minimum lease payments are as follows:	38 560 138	11 715 441
Not later than 1 year	9 317 532	9 259 589
Later than 2 years and not later than 5 years	29 242 606	2 455 851
Employee costs	485 737 251	453 805 821
- Permanent staff costs	469 956 538	438 347 217
- Temporary Staff cost	15 780 712	15 458 605
Executive management and Council remuneration	16 536 763	15 031 300
Executive Managers	13 782 938	13 166 173
- For managerial services		
Non-executive Council remuneration	2 753 825	1 865 127
- For services as members of Council		
20. Finance costs		
Interest paid - late payments	31 289	11 978

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

	2019 R	Restated 2018 R
21. Notes to the cash flow statement		
21.1 Cash generated from operations		
Surplus for the year	584 811 731	614 072 781
Adjustments for:		
Depreciation	8 081 384	8 611 544
Amortisation	15 276 266	15 238 120
Claims paid	3 231 118	9 436 711
Transaction costs on investments	724 844	1 303 958
Administration fee	10 611 322	10 367 419
Write off of property, plant and Equipment.	323 177	654 014
Net loss on disposal of intangible assets	-	498 871
Unrealised profit on financial instruments	(12 646 639)	(203 132 857)
Realised loss on financial instruments	29 996 934	5 583 644
(increase)/Decrease in provisions	(9 649 304)	(8 441 559)
Increase/(Decrease) in technical liabilities	47 140 581	73 128 417
Dividend received	(16 475 368)	(13 766 576)
Interest paid	31 289	11 978
Interest received	(435 025 136)	(391 750 015)
Operating income before working capital changes	226 432 198	121 816 450
Decrease in inventories	1 217 543	21 906
(Increase) /decrease in trade and other receivables (Note 26)	(45 466 807)	29 297 451
Increase in trade and other payables (Note 26)	(8 138 792)	(18 451 992)
Deposits for Guarantees (Note 26)	10 018 485	24 402 567
	184 062 627	157 086 382
21.2 Proceeds on sale of financial assets		
Disposal of financial assets	(567 262 899)	29 732 149
	(567 262 899)	29 732 149
21.3 Cash and cash equivalents		
Cash and cash equivalents consist of cash balances and short term bank deposits. Cash and cash equivalents included in the cash flow statement comprise the following amounts.		
Cash on hand and balances with banks	1 096 606 232	331 050 094

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

	Fees	Cell phone Allowance	Subsistence and travel	Total 2019	Total 2018
	R	R	R	R	R
22. Remuneration					
22.1 Total cost - Non-executive council members					
Mr Enoch Godongwana(Chairperson) ¹	239 553	6 400	-	245 953	-
Ms Mampe Kotsi ¹	157 972	4 800	54	162 826	-
Ms Bongwele Duba ¹	127 351	4 800	6 289	138 440	-
Mr Unathi Hoyana ¹	126 185	4 800	-	130 985	-
Mr Choeru Makabate ¹	194 001	6 400	5 487	205 888	-
Mr Roy Mnisi ¹	147 248	6 400	5 003	158 651	-
Ms Noluthando Molao ¹	198 043	6 400	1 401	205 844	-
Mr Roseberry Sonto ¹	209 877	6 400	-	216 277	-
Ms Nthabiseng Tsenase ¹	277 254	6 400	21 587	305 241	-
Mr Zenzele Myeza ¹	138 067	6 400	3 263	147 731	-
Mr David Mapikitla ¹	85 831	4 000	10 734	100 564	-
Mr Mziwonke Jacobs ¹	171 234	9 900	-	181 134	174 425
Ms Julieka Bayat (Acting Chairperson) ²	74 935	3 500	6 554	84 988	476 234
Mr Abbey Chikane ²	39 040	3 200	4 874	47 114	85 576
Ms Xoliswa Eunice Daku ²	35 277	3 500	-	38 777	105 236
Mr Themba Thomas Dlamini ²	11 644	3 500	-	15 144	38 765
Ms Hlaleleni Kathleen Dlepu ²	37 160	3 500	3 812	44 472	174 529
Mr Phetola Nailana Solomon Makgathe ²	54 574	3 500	30 271	88 345	358 621
Ms Busisiwe Nwabisa Nzo ²	31 045	3 500	-	34 545	129 360
Ms Esther Euphane Aetta Watson ²	101 123	3 200	-	104 323	176 252
Ambassador Segogwane Samuel Kotane ²	86 013	3 500	216	89 728	131 728
Ms Mankwana Mohale ²	-	-	-	-	4 800
Mr Alvin Phumudzo Rapea ²	-	3 500	3 356	6 856	9 600
	2 543 425	107 500	102 900	2 753 825	1 865 127

¹Appointed 01 August 2018

² Term ended on 30 July 2018

	Salaries	Cell phone Allowance	Subsistence and travel and Acting Allowance	Total 2019	Total 2018
	R	R	R	R	R
22.2 Total cost - Executive management					
M Dlabantu (Chief Executive Officer)	3 152 080	43 500	5 881	3 201 462	1 543 139
X.E Daku(Acting Chief Executive Officer)	-	-	-	-	215 086
T Ngqobe (Chief Operations Officer) ¹	2 171 548	15 200	14 190	2 200 938	2 725 494
O Maseng (Chief Operations Officer) ²	236 206	2 500	-	238 706	-
S Booi (Chief Financial Officer) ³	394 393	5 000	19 747	419 140	-
S Abrahams (Chief Financial Officer) ⁴	1 284 069	14 000	1 392	1 299 461	2 235 288
K Modise (Executive Manager Corporate Services) ⁵	1 908 152	12 500	-	1 920 652	2 116 092
T Moshoeu (Executive Manager Business Service)	2 195 871	31 500	6 988	2 234 360	2 180 020
J Motapola (Executive Manager Legal Service)	2 195 871	30 000	42 348	2 268 219	2 151 054
	13 538 191	154 200	90 547	13 782 938	13 166 173

¹Contract ended on 31 January 2019.

²Appointed from 01 March 2019.

³Appointed from 01 February 2019.

⁴ Resigned on 31 August 2018.

⁵ Resigned on 23 August 2018.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

	2019 R	2018 R
22. Remuneration (continued)		
22.3 Bonuses		
Executive Management		
T Ngqobe (Chief Operations Officer)	-	120 770
S Abrahams (Chief Financial Officer)	-	120 990
	-	241 760
23. Related Parties		
23.1 Transactions with the Department of Human Settlements:		
Subsidy project enrolment fee (note 13)	82 945 375	26 620 567
Insurance premium revenue	232 361 454	132 486 380
Technical service revenue (note 14)	675 000	7 145 505

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

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

Technical service revenue relates to:

Free State Department of Human Settlements

Balances with the Department of Human Settlements:

Trade receivable (note 6)	98 378 790	75 263 119
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The NHBRC provides a warranty for both non subsidy and government subsidised homes. The fee payable by government in the subsidy market comprises 1% project enrolment fee, 0.75 % home enrolment fee and 2.01% for consolidated projects. The subsidy income is funded by National Government through the Department of Human Settlements.

23.2 Transactions with other related parties

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

For remuneration of key management personnel refer to Note 21.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

	2019 R	2018 R	
24. Fruitless, wasteful and irregular expenditure			
24.1 Reconciliation of fruitless and wasteful expenditure			
Opening balance	20 215 887	5 549 820	
Add: Fruitless and wasteful expenditure relating to prior year	-	-	
Add: Fruitless and wasteful expenditure relating to current year	1 210 469	14 666 067	
Less: Amounts condoned	-	-	
Less :Amount transfered to debtors	-	-	
Fruitless and wasteful expenditure awaiting condonation	21 426 355	20 215 887	
Analysis of awaiting condonation per economic classification			
Current	1 210 469	14 666 067	
Capital	-	-	
24.2 Analysis of Current year's fruitless and wasteful expenditure			
Incident	Action taken	Amount	Amount
Late payment fee	Payment procedure has been communicated	1 179 180	10 248
Fleet car fines	Further investigation to be conducted	-	4 390
Interest paid to suppliers	Further investigation to be conducted	31 289	1 730
BDO (Board Evaluation)	Further investigation to be conducted	-	95 000
Suspension of Executive	Further investigation to be conducted	-	4 957 161
222 Eastern Cape projects. ¹	Legal proceedings in progress	-	9 597 538
		1 210 469	14 666 067

¹The "Onerous Contract" provisions consists of rectification payables settled in the current financial year.

In 2008 the NHBRC was appointed by the Eastern Cape Provincial Department of Human Settlements (ECPDoHS) to project manage a rectification pilot programme on its behalf. The project consisted of 5,145 housing units that were spread over three regions. Of this, 4,554 units needed to be demolished and rebuilt while 591 units received aesthetic improvements for example plastering, adding aprons or anchoring of the roofs and beam filling. In 2013 all units were handed back to the ECPDoHS. A total of 222 units out of 5145 have defects re-appearing which requires the NHBRC to remediate. The additional R24,559,800 required to honour this obligation was raised as a provision for onerous contract in line with GRAP standards. In the prior year the NHBRC incurred R 9,597,538 on this project. This represents rework on the project and has been declared as wasteful expenditure accordingly. Legal proceeding are currently underway.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

Notes	2019 R	2018 R
24.3 Reconciliation of Irregular expenditure		
Opening balance	703 700 091	713 822 957
23.3.1	6 400 588	4 680 195
	-	325 548
	6 400 588	4 354 647
23.3.2	-	(14 803 061)
Irregular expenditure awaiting condonation	710 100 679	703 700 091
Analysis of awaiting condonation per age classification		
Current year	6 400 588	4 354 647
Prior year	703 700 091	699 345 443
	710 100 679	703 700 091

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

24.3.1 Details of irregular expenditure - current year

Incident	Action taken	2019 R	2018 R
Talas Properties ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	1 152 921	500 530
Comanage ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	118 765	23 393
Surego Investment ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	152 871	53 251
SKG Properties ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	563 281	1 046 387
Classic Diamond ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	345 828	109 212
Hapbesigheids Trust ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	519 051	357 392
Dfe Bruyn ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	435 308	321 663
ERF 2790 Bloemfontein Close ⁴	National Treasury being engaged to clear out differences of interpretation on lease extensions.	613 383	392 266
		3 901 408	2 804 094
Atlego IT solution ⁶	Investigation has been concluded and the expenditure has been condoned	311 779	-
Enable solutions ⁶	Investigation has been concluded and the expenditure has been condoned	320 191	-
Introstat ⁶	Investigation has been concluded and the expenditure has been condoned	188 784	-
Konica Minolta ⁶	Investigation has been concluded and the expenditure has been condoned	88 963	-
Livity ⁶	Investigation has been concluded and the expenditure has been condoned	368 000	-
Nashua Kopano ⁶	Investigation has been concluded and the expenditure has been condoned	951 049	-
Shereno printer ⁶	Investigation has been concluded and the expenditure has been condoned	270 414	-
Green Build ³	Futher investigation are being conducted	-	347 700
Advance Training ⁴	Futher investigation are being conducted	-	54 606
Internet Solutions (Pty) Ltd ³	Disciplinary action in progress	-	325 548
Gazzlam Enterprise (Pty) Ltd	Futher investigation are being conducted	-	1 600
Iksetsetse Bataung Trading	Futher investigation are being conducted	-	9 750
Isiseko Resources and All (Pty) Ltd	Futher investigation are being conducted	-	1 600
Kukweko Protection and Cleaning Pro	Futher investigation are being conducted	-	12 600
Kungawake Gneral and Projects (Pty) Ltd	Futher investigation are being conducted	-	6 800
Senzo Madala Trading (Pty) Ltd	Futher investigation are being conducted	-	3 840
Tushiya Multi Purpose (Pty) Ltd	Futher investigation are being conducted	-	3 020
Security contracts (Vimba Group Holdings) ¹¹	Responsible employees have left the organisation. Awaiting condonation from National Treasury.	-	31 528
Zama Zama Training Centre ³	Futher investigation are being conducted	-	214 252
		6 400 588	3 816 937

6 400 588 **3 816 937**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

24.3.1 Details of irregular expenditure - current year (continued)

Incident	Action taken	2019	2018
		R	R
Amount carried forward from prior page		6 400 588	3 816 937
Ravuku Strategic Dispute resolution	Futher investigation are being conducted	-	123 120
Security contracts (Mjayeli Security) ^[1]	Responsible employees left the organisation	-	152 640
PostNet ³	Awaiting condonation from National Treasury	-	487 998
The National African Federation for the Building Industry (NAFBI) ³	Futher investigation are being conducted	-	99 500
		6 400 588	4 680 195

24.3.2 Details of irregular expenditure condoned - current year

Incident	Condoned	2019	2018
		R	R
ADT Security ⁽⁶⁾	Condonation approved by the Council	-	18 413
Atlas Security System ⁽⁶⁾	Condonation approved by the Council	-	3 991
Chubb security ⁽⁶⁾	Condonation approved by the Council	-	51 991
Galvern security ⁽⁶⁾	Condonation approved by the Council	-	8 036
Top Security systems ⁽⁶⁾	Condonation approved by the Council	-	5 669
Northern Security ⁽⁶⁾	Condonation approved by the Council	-	4 000
Metro File ⁽⁶⁾	Condonation approved by the Council	-	154 169
H20 ⁽⁶⁾	Condonation approved by the Council	-	3 205
Document Exchange ⁽⁶⁾	Condonation approved by the Council	-	13 469
P&F Business Enterprise24 ⁽⁶⁾	Condonation approved by the Council	-	180 500
Berco Indoor Gardens ⁽⁶⁾	Condonation approved by the Council	-	17 680
Pureau Fresh Water ⁽⁶⁾	Condonation approved by the Council	-	9 654
JKJ ⁽⁶⁾	Condonation approved by the Council	-	207 466
Rentokil ⁽⁶⁾	Condonation approved by the Council	-	358 874
KRM Plastic ⁽⁶⁾	Condonation approved by the Council	-	28 280
Northern Spark ⁽⁶⁾	Condonation approved by the Council	-	1 760
Atlantis Corporate Travel ⁽⁶⁾	Condonation approved by the Council	-	261 147
KAS and MVR Trading ⁽⁶⁾	Condonation approved by the Council	-	371 863
Lexis Nexis ⁽⁶⁾	Condonation approved by the Council	-	113 767
Magic Travel ⁽⁶⁾	Condonation approved by the Council	-	54 714
Poswa ⁽⁶⁾	Condonation approved by the Council	-	40 177
Cozens ⁽⁶⁾	Condonation approved by the Council	-	53 300
Mkhabela ⁽⁶⁾	Condonation approved by the Council	-	242 050
R Charles ⁽⁶⁾	Condonation approved by the Council	-	491 716
Matabane Inc ⁽⁶⁾	Condonation approved by the Council	-	323 928
Docufile ⁽⁶⁾	Condonation approved by the Council	-	1 505
		-	3 021 324

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

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

Incident	Condoned	2019	2018
		R	R
Amount carried forward from prior page		-	3 021 324
Knowles Hussain ⁽⁶⁾	Condonation approved by the Council	-	71 406
Nongongo ⁽⁶⁾	Condonation approved by the Council	-	173 972
Mbabane and Sokutu Inc ⁽⁶⁾	Condonation approved by the Council	-	154 072
Pukwana Attorneys ⁽⁶⁾	Condonation approved by the Council	-	143 518
ER Marivate t/a Marivate Attorneys ⁽⁶⁾	Condonation approved by the Council	-	90 112
NB Hewu t/a Hewu Attorneys ⁽⁶⁾	Condonation approved by the Council	-	144 675
Deneys Reitz Attorneys t/a Norton Ros ⁽⁶⁾	Condonation approved by the Council	-	487 472
Pule Incorporated ⁽⁶⁾	Condonation approved by the Council	-	46 829
Generator Boys CC ⁽⁶⁾	Condonation approved by the Council	-	233 510
Leps Training consultants and service provider ⁽⁶⁾	Condonation approved by the Council	-	432 117
ASP TRANSPORT ⁽⁶⁾	Condonation approved by the Council	-	61 335
North Rand Fire Services ⁽⁶⁾	Condonation approved by the Council	-	2 038
Indaba Hotel ⁽⁶⁾	Condonation approved by the Council	-	16 855
Shl Saville and Holdsworth Pty Ltd ⁽⁶⁾	Condonation approved by the Council	-	114 441
SA Truster ⁽⁶⁾	Condonation approved by the Council	-	130 318
Tokiso Dispute Settlements (Pty) Ltd ⁽⁶⁾	Condonation approved by the Council	-	176 198
Werksmans ⁽⁶⁾	Condonation approved by the Council	-	132 665
Flowa Media ⁽⁶⁾	Condonation approved by the Council	-	184 680
Expired Tax various contracts ⁽⁶⁾	Condonation approved by the Council	-	476 087
SSP multi Consult ⁽⁶⁾	Condonation approved by the Council	-	62 400
Regency Embroiderers SA Pty Ltd ⁽⁶⁾	Condonation approved by the Council	-	62 955
The Mortgage ⁽⁶⁾	Condonation approved by the Council	-	51 300
Clickware IT solution ⁽⁶⁾	Condonation approved by the Council	-	196 350
Miscellaneous expenditure as per the attached individual transactions. ⁽⁶⁾	Condonation approved by the Council	-	5 798 059
Izenzozonke Technology (Pty) Ltd ⁽⁶⁾	Condonation approved by the Council	-	377 501
Aande24 ⁽⁶⁾	Condonation approved by the Council	-	209 646
Affirmative Portfolio24 ⁽⁶⁾	Condonation approved by the Council	-	113 040
Ditshaba24 ⁽⁶⁾	Condonation approved by the Council	-	225 156
Drake24 ⁽⁶⁾	Condonation approved by the Council	-	101 412
Lethamo24 ⁽⁶⁾	Condonation approved by the Council	-	119 746
Murire and company (Pty) Ltd ⁽⁶⁾	Condonation approved by the Council	-	144 675
Sekgala Careers (Pty) Ltd ⁽⁶⁾	Condonation approved by the Council	-	115 196
Tita I.T. Solutions ⁽⁶⁾	Condonation approved by the Council	-	492 550
Motheo Construction ⁽⁶⁾	Condonation approved by the Council	-	339 444
LMR and Projects ⁽⁶⁾	Condonation approved by the Council	-	36 498
Banike ⁷	Condonation approved by the Council	-	63 509
		-	14 803 061

Amount carried over to next page

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

24.3.3 Details of irregular expenditure - current year continued

- [1] Competitive bids were not advertised for a minimum period of 21 days before closure (NT reg. 16A6.3(c))
- [2] Goods & services with a transaction value of R2 000 up to R10 000 were procured without inviting atleast 3 written quotations from prospective suppliers, Practice Note 8 of 2007/08(3.2)(a)
- [3] Goods & services with a transaction value of between R10 000 to R 500 000 were procured without three quotations(NT 16 A.6.1, Practice Note 8 of 2007/08 par 3.3)
- [4] BAC approved extention on leases without securing prior approval from National Treasury where contract variation were greater than 15%.
- [5] Goods & services with a transaction value up to R2 000 were procured not in compliance with SCM Policy and procedures, Practice Note 8 of 2007/08 (3.1)
- [6] Goods & services with a transaction value of R10 000 up to R500 000 were procured without inviting atleast 3 written quotations from prospective suppliers (Practice Note 8 of 2007/8 par. 3.3.)
- [7] The appointment of Banike did follow the procurement process. And the NHBRC's Delegation of Authority. (NHBRC's DoA effective November 2013, 25 May 2015 and 1 April 2016) The official informed the supplier to execute the services without approval.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

25. Financial instruments

25.1 Categories of financial instruments and maturity profile

	0-1 Year R	>1 Year R	Total R
2019			
FINANCIAL ASSETS			
<i>Loans and receivables</i>			
Trade and other receivables	61 458 431	-	61 458 431
Cash and cash equivalents	1 096 606 232	-	1 096 606 232
<i>Financial assets at fair value</i>			
Investments	2 692 623 178	2 328 607 297	5 021 230 475
Derivative Financial Instruments	-	1 021 561 005	1 021 561 005
Total financial assets	3 850 687 841	3 350 168 302	7 200 856 143
FINANCIAL LIABILITIES			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	75 053 017	-	75 053 017
Deposits for Guarantees	17 775 071	16 646 009	34 421 080
2018			
FINANCIAL ASSETS			
<i>Loans and receivables</i>			
Trade and other receivables (Note 26)	15 991 624	-	15 991 624
Cash and cash equivalents	331 050 094	-	331 050 094
<i>Financial assets at fair value</i>			
Investments	2 181 762 953	3 073 139 051	5 254 902 004
Derivative Financial Instruments	-	953 877 005	953 877 005
Total financial assets	2 528 804 671	4 027 016 056	6 555 820 727
FINANCIAL LIABILITIES			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables (Note 26)	81 447 598	-	81 447 598
Deposits for Guarantees (Note 26)	13 445 954	10 956 613	24 402 567

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

25. Financial instruments (continued)

25.2 Categories of financial instruments

	R	R	R	R
31 March 2019	Loans and Receivables	Derivative Financial Instruments	Fair value Investments	Total
Derivative Financial Instruments	-	1 021 561 005	-	1 021 561 005
Fair value financial assets	-	-	5 021 230 475	5 021 230 475
Trade and other receivables	61 458 431	-	-	61 458 431
Cash and cash equivalents	1 096 606 232	-	-	1 096 606 232
Total	1 158 064 663	1 021 561 005	5 021 230 475	7 200 856 143

	R	R	R	R
31 March 2018	Loans and Receivables	Derivative Financial Instruments	Fair value Investments	Total
Derivative Financial Instruments	-	953 877 005	-	953 877 005
Fair value financial assets	-	-	5 254 902 004	5 254 902 004
Trade and other receivables	15 991 624	-	-	15 991 624
Cash and cash equivalents	331 050 095	-	-	331 050 095
Total	347 041 719	953 877 005	5 254 902 004	6 555 820 728

	R	R
31 March 2019	Financial liabilities at amortised cost	Total
Lease Liabilities	500 383	500 383
Trade and other payables	98 958 598	98 958 598
Total	99 458 981	99 458 981

	R	R
31 March 2018	Financial liabilities at amortised cost	Total
Lease Liabilities	490 095	490 095
Trade and other payables	107 107 650	107 107 650
Total	107 597 745	107 597 745

25.3 Liquidity risk

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

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

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

	Less than 3 Months	Between 3 months and 1 year	Between 1 year and 2 years	Over 2 years
At 31 March 2019				
Operating Lease Liability	125 096	375 287	-	-
Trade and other payables	27 704 350	71 254 248	98 958 598	-
	27 829 445	71 629 535	98 958 598	-
At 31 March 2018				
Operating Lease Liability	122 524	367 571	-	-
Trade and other payables	24 910 792	82 196 859	107 107 650	-
	25 033 316	82 564 429	107 107 650	-

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

25. Financial instruments (continued)

25.4 Fair value of financial instruments

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

The fair values of financial assets represent the market value of quoted instruments and other traded instruments.

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

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

25.5 Foreign currency risk

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

25.6 Capital risk

The NHBRC manages its capital to ensure that the NHBRC will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The NHBRC's overall strategy for managing capital risk remains unchanged in 2018/ 2019 financial year.

25.7 Credit risk

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

25. Financial instruments (continued)

25.7 Credit risk (continued)

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

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

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

25.8 Management risk

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

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

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

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

25. Financial instruments (continued)

25.8 Management risk (continued)

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

The results of the actuarial valuation indicate that the NHBRC as a whole, including both subsidy and non-subsidy houses, is solvent and in a sound financial position as at 31 March 2019 when valued on a run-off basis. The actuarial liabilities are 453% funded. However, for future business, the enrolment fees currently charged are adequate to cover expenses of the NHBRC and remedial claims for both subsidy and non-subsidy homes.

Enrolment Fee Adequacy						
	All Houses		Non-Subsidy		Subsidy	
Utilisation	Amount	%	Amount	%	Amount	%
Enrolment & Inspections	3 524	55%	6 178	55%	1 669	54%
Complaints conciliations	319	5%	493	4%	197	6%
Remedial claims	155	2%	273	2%	72	2%
<i>average</i>	48		85		23	
<i>99.5% variation margin</i>	107		189		50	
Total Expenses & Claims	3 998	62%	6 945	62%	1 938	63%
Average fee per enrolment	6 444		11 281		3 064	
Surplus / Deficit	2 447	38%	4 336	38%	1 126	37%

Enrolment fee adequacy table. In aggregate, we expect an increase in the surplus of the NHBRC by 38% of enrolment fees written in 2019/20 over the five-year term of the structural warranty.

25.9 Insurance risk

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

25. Financial instruments (continued)

25.9 Insurance risk (continued)

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

The Council shall:

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

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

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

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

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

25. Financial instruments (continued)

25.9 Insurance risk (continued)

Underwriting strategy

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

Reinsurance strategy

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

Terms and conditions of insurance contracts

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

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

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

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

Concentration of insurance risk

Insurance risk by geographical area

Gauteng and Western Cape make up 76.41% of exposure with 56.03% and 20.37% respectively

Insurance risk by developer

The risk per developer is ranked by units of exposure (enrolments after Sep 2013). Liquidation of the 10 largest developers constitute R 354.9 million of sum insured (comparison of 295 410 home enrolments) which could potentially increase claims against the warranty fund.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

25. Financial instruments (continued)

25.10 Interest rate and price risk

Interest rate risk

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

Price risk

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

Sensitivity analysis

31-Mar-2019						
Carrying Amount at 31 March 2019	Rand amount exposed to risk	Interest rate risk				
		Reasonable Possible change				
		Rate Increase	Rand amount	Rate Decrease	Rand amount	
Financial Assets						
Money Market Investments	2 478 278 267	2 478 278 267	1%	24 782 783	-1%	(24 782 783)
CPD Money Market	214 344 911	214 344 911				
<i>Listed bond securities</i>						
- Short-term < 7 years	1 235 730 034	1 235 730 034	1%	12 357 300	-1%	(12 357 300)
- Medium-term 7 to 12 years	131 725 562	131 725 562	1%	1 317 256	-1%	(1 317 256)
- Long-term > 12 years	961 151 702	961 151 702	1%	9 611 517	-1%	(9 611 517)
-	-	-				
Derivative Financial Instruments	1 021 561 005	1 021 561 005	1%	10 215 610	-1%	(10 215 610)
Impact of financial assets on:						
Statement of changes in net assets				48 068 856		(48 068 856)
Statement of financial performance						
Impact on financial position	6 042 791 480	6 042 791 480		106 353 321		(106 353 321)

31-Mar-2018						
Carrying Amount at 31 March 2018	Rand amount exposed to risk	Interest rate risk				
		Reasonable Possible change				
		Rate Increase	Rand amount	Rate Decrease	Rand amount	
Financial Assets						
Money Market Investments	1 982 519 832	1 982 519 832	1%	19 825 198	-1%	(19 825 198)
CPD Money Market	199 473 963	199 473 963				
<i>Listed bond securities</i>						
- Short-term < 7 years	1 979 486 617	1 979 486 617	1%	19 794 866	-1%	(19 794 866)
- Medium-term 7 to 12 years	193 475 767	193 475 767	1%	1 934 758	-1%	(1 934 758)
- Long-term > 12 years	899 945 824	899 945 824	1%	8 999 458	-1%	(8 999 458)
-	-	-				
Derivative Financial Instruments	953 877 005	953 877 005	1%	9 538 770	-1%	(9 538 770)
Impact of financial assets on:						
Statement of changes in net assets				50 554 280		(50 554 280)
Statement of financial performance						
Impact on financial position	6 208 779 009	6 208 779 009		110 647 331		(110 647 331)

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

26. Errors and reclassifications

26.1 Errors and reclassifications

The errors and reclassifications relates to the understatement of expenses and other income ,trade and other payables/ receivables in prior years. The figures have been restated. The impact on the Statement of financial performance and statement of financial position is shown below.

	Previously reported balance	Restatement	Restated balance
Statement of changes in Net Assets	5 159 133 564	(5 289 123)	5 153 844 441
Accumulated Surplus at 31 March 2018	5 159 133 564	(5 289 123)	5 153 844 441
Statement of Financial Performance	619 361 904	(5 289 123)	614 072 781
Surplus at 31 March 2018	619 361 904	(5 289 123)	614 072 781
Other Income	Note 1 5 602 290	1 695 923	7 298 213
		(6 985 046)	
Administration Expense	Note 1 727 662 618	6 841 641	734 504 259
Inspections and operating expenses	Note 1 2 521 245	1 391	2 522 636
Technical services expenditure	Note 1 4 832 327	142 014	4 974 341
Statement of Financial Position	Note 2 -	1 695 923	1 695 923
Deposit (Note 6)	-	34 401	34 401
Trade and other receivables (Note 6)	14 295 701	1 661 522	15 957 223
	Note 3 -	6 985 046	6 985 046
Deposit for Guarantees (Note 11)		24 402 567	24 402 567
Trade and other payables (Note 10)	125 015 267	(17 417 521)	107 597 747

Notes

Note 1

In the prior year the expenses were not accrued due to invoice not receipted in time for payment resulting to understatement of expenses.

Note 2

In the prior year the rental deposits were disclosed as trade and other receivables resulting to overstatement of current assets which has been corrected.

Note 3

In the prior year the deposits for guarantees were disclosed as part of trade and other payables resulting to overstatement of current liabilities which has been corrected.

26.2 Reclassifications of Investment

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

	Note 4		
Statement of Financial Position			
Non- Current portion (Note 4)	2 756 515 138	1 270 500 918	4 027 016 056
Current portion (Note 4)	3 452 263 871	(1 270 500 918)	2 181 762 953

Note 4

In the prior year the investment classification error in how information has been disclosed in the investment note and what these amount are intened to represent as face value resulting to overstatement of current assets which has been corrected.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

26. Errors and reclassifications (continued)

26.2 Reclassifications of Investment (continued)

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

	Previously reported balance	Restatement	Restated
Investments carried at fair value comprise the following:			
Money Market investments (Note 4)	3 252 789 908	(1 270 270 076)	1 982 519 832
CPD Money Market	199 473 963	-	199 473 963
Listed bond securities and equity			
- Short-term < 7 years	1 148 049 320	831 437 297	1 979 486 617
- Medium-term 7 to 12 years	193 475 767	-	193 475 767
- Long-term > 12 years	899 945 824	-	899 945 824
	5 693 734 782	(438 832 778)	5 254 902 004
Derivative financial instruments at fair value	515 044 227	438 832 778	953 877 005
	6 208 779 009	-	6 208 779 009
Split between non-current and current			
Non- Current portion (Note 4)	2 756 515 138	1 270 500 918	4 027 016 056
Current portion (Note 4)	3 452 263 871	(1 270 500 918)	2 181 762 953
	Previously reported balance	Restatement	Restated balance
Cash flow statement	29 958 904	(1 695 923)	28 262 981
Changes in working Capital	30 993 373	(1 695 923)	29 297 451
Increase in trade and other receivables	(1 034 470)	-	(1 034 470)
Increase in trade and other payables			
Financial Instruments (note 25.1)			
Financial Assets			
- Trade and other receivables	14 295 701	1 695 923	15 991 624
Financial assets at fair value			
Investments	5 693 734 782	(438 832 778)	5 254 902 004
Derivative Financial Instruments	515 044 227	438 832 778	953 877 005
Financial Liabilities			
- Trade and other payables (Note 10)	16 557 228	64 890 370	81 447 598

These errors resulted in the restatement of the statement of financial performance, statement of financial position, statement of changes in net assets note 4,6,10,11 and 25 relating to disclosures of financial instruments.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

27. Contingent liabilities

There are outstanding claims pending in the Courts in relation to disputes between the NHBRC and other parties amounting to R 537 738 552 the outcome of which is unknown.

28. Contingent Assets

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

In addition, there are Disciplinary Committee fines amounting to R 3 022 500 that may be due to NHBRC, pending the outcome of suspended matters at year end.

In accordance with Section 8 of the Housing Consumers Protection Act (Act 95 of 1998) a home builder may make a phased payment of the enrolment fee by paying twenty percent of the enrolment fee upon submission of the enrolment form and a bank guarantee for the remaining eighty percent of the development. This can be called upon by the Council on beginning of construction of the sectional title development or six months from the date of payment of the remaining enrolment, whichever is earlier. At reporting date the amount of the possible contingent asset is R10 999 877.

29. Post reporting date events

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

30. Contractual Commitments

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

At 31 March 2019 the NHBRC had the following commitments:

	2019 R	2018 R
Operational Expenditure		
Approved and contracted		
Outsourced contracts for Risk management Service	2 270 192	1 256 675
Outsourced contract for Actuarial Services	2 524 825	-
Outsourced Contract for consulting service	821 957	-
Outsourced contracts for Facilities Management	5 538 196	8 017 163
Outsourced contract for Testing Machines for Eric Molobi	-	62 816
Outsourced contract for Legislative review project	836 180	1 322 290
Outsourced contract for Social Transformation	-	231 539
Outsourced contract for Forensic Investigations	2 447 773	5 293 847
Outsourced contract for Information Technology Services	37 245 094	1 031 843
Outsourced contract for Media Services	2 854 938	3 464 931
Outsourced contract for the Human Capital Management service	339 515	246 240
Outsourced contract for Telecommunication Services	12 414 750	30 877 773
Outsourced contract for the Remedial works	467 648	15 100 750
Outsourced contract for the Technical Service	1 644 000	4 607 139
Outsourced contract for the Research and Innovation (IBT)	1 619 772	-
	71 024 839	71 513 005

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

SUPPLEMENTARY SCHEDULE

for the year ended 31 March 2019

	2019 R	Restate 2018 R
31 Detailed Expenditure		
31.1 Insurance claims and loss adjustment expenses	1 660 884	13 295 901
31.2 Accreditation,builders manual and certificate cost	1 209 578	2 522 636
- Accreditation fees	(7 965)	662 643
- Direct costs of builder manuals	1 217 543	1 415 279
- Direct costs of certificates	-	444 714
31.3 Technical services expenditure	892 824	4 974 341
- Forensic investigations and geotechnical service	892 824	4 974 341
31.4 Operating Expenses	743 248 197	734 504 259
- Amortisation	15 276 266	15 238 120
- Audit fees	6 213 646	5 475 634
- Bad debts provided for	-	17 909 896
- Bank charges	2 660 680	2 975 976
- Cleaning costs	2 667 940	1 925 122
- Conferences and seminars	4 515 980	4 466 267
- Consulting fees	7 823 336	10 003 382
- Courier and freight	165 990	817 520
- Depreciation	8 081 384	8 611 544
- Information technology costs	31 466 760	41 845 932
- Insurance paid	2 528 270	1 175 926
- Legal fees	18 247 994	11 622 706
- Marketing fees	8 164 787	8 275 471
- Motor vehicle expenses	545 202	354 176
- Office equipment and furniture expenses	7 334 042	6 409 647
- Mobile office expenses	3 727 900	4 719 600
- Other expenses	6 949 471	5 100 805
- Other rentals costs	2 452 338	2 889 237
- Council	5 367 871	5 371 483
- Disciplinary committee costs	4 442 927	3 849 640
- Salaries and related costs	485 737 251	453 805 821
- Rentals	14 728 281	12 132 563
- Research & Development	1 739 484	770 147
- Security	3 980 577	3 313 192
- General office costs (Uniform,Grocery)	5 315 163	3 913 635
- Stationery	845 648	2 432 704
- Telephone expenditure	16 613 196	17 726 755
- Training	23 482 102	30 144 773
- Travelling expenditure	47 656 898	46 798 169
- Water and electricity	4 516 814	4 428 417
Total Expenditure before interest paid	747 011 483	755 297 138

NATIONAL HOME BUILDERS
NHBRC
REGISTRATION COUNCIL



human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA

An Agency of the Department of Human Settlements, Water and Sanitation.