

**ANNUAL
REPORT
2021/2022**

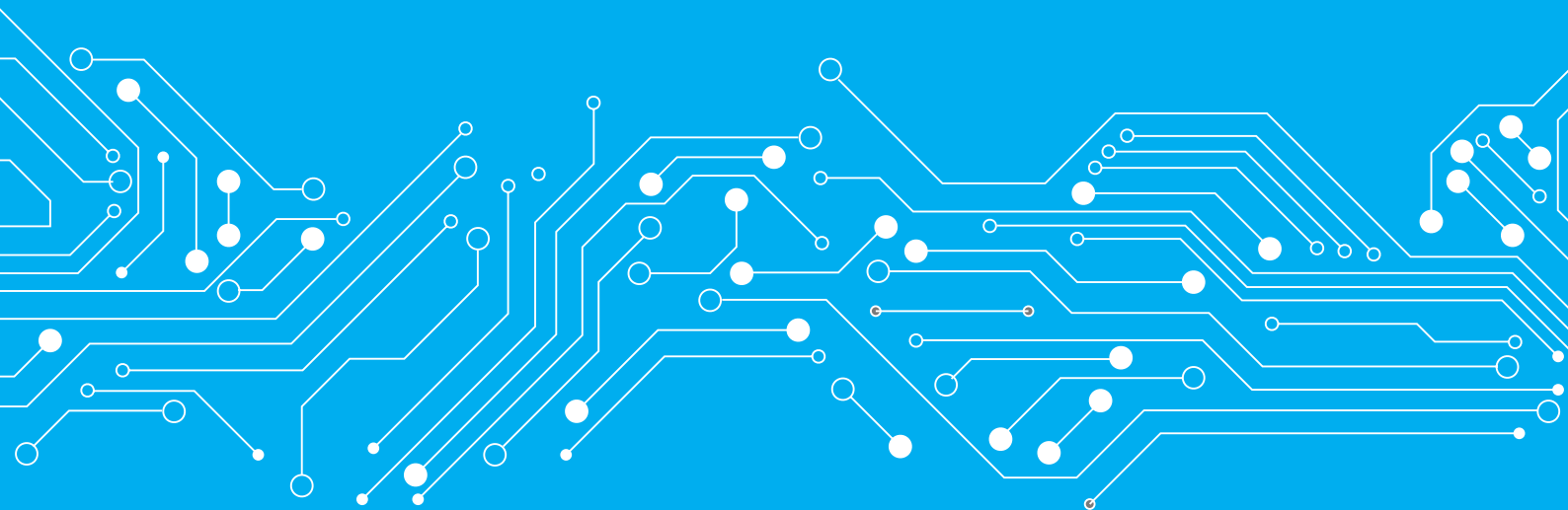


ASSURING QUALITY HOMES



ANNUAL REPORT 2021/2022

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PART A

GENERAL INFORMATION



PART A:

GENERAL INFORMATION

1.1 PUBLIC ENTITY'S GENERAL INFORMATION

Table 1: NHBRC General Information

Registered name of the public entity	NATIONAL HOME BUILDERS REGISTRATION COUNCIL
Registration Numbers	N/A
Registered Office address	27 Leeuwkop Road, Sandton, Sunninghill, Johannesburg, 2157
Postal Address	PO Box 461, Randburg, 2125
Contact telephone numbers	(011) 317 0000
Email address	thenhbrc@nhbrc.org.za
Website address	www.nhbrc.org.za
External Auditors Information – External Auditor's Name and Address	Auditor-General of South Africa 4 Davenry Street Lynnwood Bridge Office Park, Lynnwood Manor, Pretoria, 0081
Bankers Information – Name of Bank and Address of Bank	First National Bank - 4 First Place, 3rd floor BankCity, Johannesburg
Company Secretary	Mr. Andile Yabo



1.2 LIST OF ABBREVIATIONS/ACRONYMS

APP	Annual Performance Plan
ARCO	Audit and Risk Committee
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CPI	Consumer Price Index
ERM	Enterprise Resource Management
EXCO	Executive Committee
FAFC	Fund Advisory and Finance Committee
GDP	Gross Domestic Product
GRAP	Standards of Generally Recognised Accounting Practice
HCREMCO	Human Capital and Remuneration Committee
IA	Internal Audit
IAC	Industry Advisory Committee
MTEF	Medium-term Expenditure Framework
MTSF	Medium-term Strategic Framework
NHBRC	National Home Builders Registration Council
OHS	Occupational Health and Safety
PFMA	Public Finance Management Act
RMSC	Risk Management Steering Committee
SETC	Social Ethics and Transformation Committee
SHE	Safety, Health and Environment
MP	Member of Parliament



1.3 FOREWORD BY THE MINISTER

In its publication of the second quarter of 2022 gross domestic product, Statistics South Africa noted that six industries had not yet recovered, with construction being in the worst shape. The report further noted that the construction industry is 24% smaller than it was before the Covid-19 pandemic. The indications are that the construction sector will take a little longer to recover from the devastation of the Covid-19 pandemic.

However, it bodes well for the industry that 3 595 home-builders registered, and 14 395 home builders renewed their membership in the 2021/22 financial year. This is a remarkable increase of 28% and 4% respectively, and it is a good indication that the residential market was resilient in the midst of the general pedestrian economic performance and rising interest rates environment.

Since the current council's appointment towards the end of the financial year, there has been a noticeable difference in the manner in which the organisation operates. The recent appointment of the chief executive officer is a significant step towards the stabilization of the organisation at the executive level. I expect that the council will move with speed to fill the other vacancies so that functioning of the organisation can be maximized.

In an environment in which the construction is still battling to recover it is critical for Human Settlements entities to operate efficiently and effectively especially the NHBRC which derives a significant part of its income from the sector. It is a great achievement for the NHBRC to have heeded the National Treasury's call for State Entities to tighten their purses in response to the COVID-19 pandemic and to exercise prudence in managing public funds. Cost containment measures, as guided by National Treasury were implemented during the reporting period.

The launch of the online registration and renewal pilot project which enables new and existing homebuilders to access the NHBRC services from anywhere in the country through online platforms will go a long way in improving efficiencies within the organisation. Such efficiencies are also reflected in the fact that the NHBRC managed to approve all subsidy enrolments, project enrolments and non-subsidy enrolments that met the requirements. The overall performance of the organisation also shows great improvement with the entity achieving 93% of its performance targets which is 10 percentage points improvement from the prior year.

On transformation, NHBRC managed to spend 75% of its budget on black economic empowerment (BEE) suppliers and, on average, it took 21 days to facilitate supplier payments. The organisation has also been steadily increasing the enrolment into programmes aimed at empowering homebuilders, youth, women, people with disabilities and military veterans through training. Training offered by the NHBRC include among others bricklaying, plumbing, plastering, construction management, electrical.

Given all these developments I am confident that the NHBRC is on a path to become a centre of excellence for the built environment. This will be part of the broader effort by our government towards creating a capable state.

Let me thank the council for the effort they have put in steering the organisation in the right direction. Let me also thank the executives and the staff who have been working hard to keep the services to our people running at the NHBRC.

Mmamoloko Kubayi, MP
Minister of Human Settlements



1.4 FOREWORD BY THE CHAIRPERSON OF COUNCIL

Introduction

On behalf of the Council of the National Home Builders Registration Council (NHBRC), management and staff, it is my pleasure to present the Annual Report covering the financial year 2021/22 to our Honourable Minister of Human Settlements, Ms Mmamoloko Kubayi (MP).

This Annual Report is presented by a Council which was appointed and took office on 25 November 2021 and is therefore, on its first year of service to the organisation. During this reporting period Council continued to be driven by the vision of the organisation of assuring quality homes.

As the new NHBRC Council we have been entrusted by the Minister and the people of South Africa to ensure the NHBRC focuses on delivering on its mandate. During our tenure as Council, we commit 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.

Restoring Stability

The NHBRC was placed under administration from 01 September 2021 until the process to appoint a new Council was finalised. Upon its appointment, Council focused its attention on stabilising the NHBRC's operations by addressing problematic governance and operational matters. We inherited an organisation

that was undergoing changes through the review of its organisational structure. Due to the process of the review of the organisational structure there was a moratorium on filling of positions which resulted in vacancies at Executive and Senior management level. Council prioritised the completion of this review and this project was completed towards the end of the financial year. Council will be initiating the process of filling all vacant positions as we work towards stabilising the organisation.

Strategy and Performance

In the financial year under review, our country continued to experience declining growth patterns due to the aftermath of the COVID-19 pandemic and fiscal constraints. These declining growth patterns were also felt in the human settlements sector and, as a result, Council is looking at alternative methodologies to the current ways of doing business. Council authorised difficult but, necessary financial decisions to maintain operating profits and operating cash flows while preserving jobs and continuing to provide services to our customers and stakeholders.

The net surplus for the financial year of R 1.2 billion is exceptional for this financial year due to the reversal of one of the Technical Provisions, namely the Additional Unexpired Risk Provision of R 571 million which

contributed to the increased Net Surplus. This was a requirement of the Auditor General based on findings from their Actuarial Specialist.

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

To further enhance our delivery channels and quality service to our stakeholders and customers, the NHBRC introduced online services to reduce face to face interactions and walk-ins at our customer service centres. This process enables our homebuilders to complete the registration applications or renew their membership from the comfort of their homes or offices. To further improve our service offering, both new registration and membership renewal can be completed online, and this has ensured that our homebuilders no longer need to visit our service centres to obtain their certificates.

Cabinet also approved the Housing Consumer Protection Bill, for tabling in Parliament. When passed into law, the Bill will repeal the Housing Consumers Protection Measures Act 95 of 1998 in its entirety. The proposed amendments include expanding the protection afforded to housing consumers. Such protection measures include the provision of the warranty to cover home repairs, renovations, alternations, and additions to an existing home. The main purpose of the Bill is to strengthen the weak position of the housing consumer vis-à-vis the developer or home builder. The draft bill will go through all the required legislative processes to ensure compliance with the applicable laws.

In delivering on its Mandate, the Council of the NHBRC has prioritised the achievement of its strategic objectives with a focus on realising sector and Government

priorities as outlined in the National Development Plan. Council monitored very carefully the attainment of targets as outlined in the approved Annual Performance Plan 2021/22 and Council is satisfied that an overall performance of 93% was achieved in terms of the targets that were set for the financial year.

Strategic focus over the medium to long term

The strategic focus is on improving ease of doing business as we are aware of the impact of the high costs of running residential construction businesses on our builders. We have also gone live with some modules of our e-services project, the phased approach was adopted to ensure there is minimal disruptions to our operations with the project expected to be completed in the 2022/23 financial year.

The NHBRC will also be working closely with the Department of Human Settlements on how it can contribute to the Economic Reconstruction and Recovery Plan.

We have established a Project Management Office (PMO) which will assist the provincial departments with forensic engineering assessment for blocked projects and projects that have started construction without enrolment. The NHBRC, through its PMO, will continue providing support to the provincial department to conduct forensic engineering assessments.

Acknowledgements

I want to express my gratitude to our Minister of Human Settlements, Ms MN Kubayi (MP), the National Department of Human Settlements, the members of the Council of the NHBRC and the management team and staff members for their support and goodwill during this financial year.

The three-year term of the NHBRC previous Council ended on the 31st of August 2021. I would like to also extend my appreciation to the previous council

members, who recognised the importance of strong corporate governance and their responsibility in ensuring NHBC's long-term sustainability. I thank them for dedicating their time and energy to fulfil the important role of being prudent stewards of our organisation. I thank the Administrator who was appointed to steer the organisation as it transitioned from the term of the previous Council until the current Council was appointed.

Conclusion

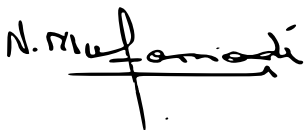
As the Regulator of the home building sector, our primary role is to ensure that home builders and housing consumers understand their rights and responsibilities in the sector in terms of the Act. As the Chairperson of the NHBC Council, I am mindful and encouraged by the efforts of the builders/contractors, developers and consumers in complying with legislation.

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.

Overall, I'm pleased to note that the NHBC achieved 93% of its performance targets in the 2021/22 financial year. This is an improvement of 10% in comparison with 2020/21 financial year.

In closing, I value how the NHBC's employees rise to meet every challenge and opportunity. May I thank them for taking that dedication to new heights during this past year as they adapted to the challenges caused by the global pandemic and delivered uninterrupted service to all our stakeholders.

Respectfully



Ms Nomusa Mufamadi
Chairperson of Council

31 May 2022



1.5 CHIEF EXECUTIVE OFFICER'S OVERVIEW

I am pleased to present the annual report 2021/22 documenting activities for the financial year. It is fitting firstly to applaud the individual and collective contributions of the NHBRC management and the entire staff for their agility, commitment and professional aptitude that made it possible to navigate a rather difficult year and deliver the obligations of the NHBRC.

We end the 2021/22 financial year with the hope that the fight against the pandemic is somewhat won, with the cabinet lifting the National State of Disaster after 750 days. Our primary focus throughout the past two financial years has been the safety and wellbeing of our employees, homebuilders, homeowners, and our stakeholders at large both within our premises and on site.

The term of office of the previous Council came to an end in August 2021, we are thankful and forever grateful for their leadership and support. During the transition period between September and November 2021 we were placed under administration. The term of the administrator ended when the Minister appointed the new Council. We welcomed the new Council in November 2021 under the leadership of Ms. N Mufamadi as we looked forward to delivering on the mandate of the NHBRC and making a significant impact within human settlements in South Africa.

In working towards stabilising the organisation, we are moving ahead with the implementation of the NHBRC's operating model and inspection model, this will improve our efficiencies and further strengthen our regulatory enforcement function. Part of what we have managed to achieve is the finalisation of the organisational structure which was approved and submitted to the Department of Human Settlements.

We reported in the previous year's annual report of our intention to improve our service offering by moving the new homebuilder registration and renewal of membership to an online platform in the 2021/22 financial year. We are pleased to report that both application processes were successfully implemented during the year and the next phase will be the introduction of enrolment process on digital platform. We are excited to take advantage of the efficiencies that e-services or online services will bring internally and to our customers.

Performance of the organisation

On the performance of the 2021/22 financial year, 3 595 home builders were registered, and 14 395 home builders renewed their membership. This represents an increase of 28% and 4% respectively, which shows that the residential market was resilient in the midst of economic uncertainty and rising interest rates.

The performance for the enrolment of homes was again measured on turnaround times as it is difficult to project the numbers in this volatile economy. The NHBRC managed to approve all subsidy enrolments, project enrolments and non-subsidy enrolments that met our requirements. The enrolment of homes in the non-subsidy sector increased to 48 875 during the financial year from 38 970 in the previous year. Late enrolments increased from 1 195 in 2019/20 to 1 227 in the current financial year. The enrolment of subsidy homes increased from 35 057 in the previous year to 36 976 in the current year.

On the annual performance plan, we continue to see an improvement in the number of output indicators achieved against the set target. This continuous improvement in performance gives us confidence that management and staff are working towards driving the organisation forward and achieving our motto of “assuring quality homes”.

Against this background and challenges faced during the year, we are pleased to report an improved annual performance of 93% against our targets which is an improvement from the performance of 83% in the previous year.

Financial Performance

As Management, we were heartened that the NHBRC heeded the National Treasury’s call for State Entities to tighten their purses in response to the COVID-19 pandemic and to exercise prudence in managing public funds. Cost containment measures, as guided by the cost containment measures issued by National Treasury were implemented during the reporting period. These measures contributed to extensive cost savings and will be considered during the budgeting process.

Notably, the NHBRC’s net surplus for the year was R 1.2 billion. This is largely as a result of the reversal of our Additional Unexpired Risk Provision of R 571 million which was a requirement of the Auditor General. This was questioned by the NHBRC but ultimately the Auditor General had concluded that this provision was not required. In so far as the overall financial and supply chain aspects are concerned, the NHBRC spent an average of 75% of its budget on BEE suppliers and, on average, took 21 days to facilitate supplier payments.

Table 2: Financial performance summary for 2017/18 to 2021/22

	2017/18	2018/19	2019/20	2020/21	2021/22
Surplus for the year (R'm/b)	619	585	137	738	1.284
Return on Equity (%)	12%	11%	2.3%	11%	16%
Total Assets (R'm)	6 747	7 372	7 608	8 382	9 151
Total Reserves (R'm)	5175	5 756	5 898	6 634	7 916
Total Technical liabilities (R'm)	1 429	1 476	1 567	1 597	922

Supply Chain Management

In ensuring compliance and governance within our Supply Chain Management we have developed and implemented a Supply Chain Management policy which has been aligned to the requirements as stipulated in the National Treasury Regulations and all applicable legislations relating to Supply Chain Management.

In the current financial year, we concluded and awarded 31 bids, these bids were advertised, evaluated, and adjudicated in line with our own SCM processes and National Treasury Regulations.

Training within the sector

We continue to empower homebuilders, youth, women, people with disabilities and military veterans through training. Training offered by the NHBRC include among others bricklaying, plumbing, plastering, construction management, electrical. To ensure that inspectors employed by the NHBRC remain updated with the changes in the construction industry, courses are also offered to our inspectors and those employed by the Provincial Departments and Municipalities to ensure alignment during inspection. In the year under review, there were 9 181 individuals trained which is a slight decrease from 9 554 in the previous financial year.

Disciplinary Committee turnaround

The NHBRC conducted 374 disciplinary hearings, which resulted in 44 home builders being suspended, for the year under review. The offences before the Disciplinary Committee generally related to failure by home builders to rectify major structural defects, failure to rectify workmanship-related defects, failure to enrol homes or violations of the code of conduct. Arising from the information obtained from disciplinary hearings, a database of defaulting home builders was compiled and circulated to all the provinces with the aim of ensuring that non-compliant home builders were prevented from practicing in the construction sector, until their suspensions were lifted.

Recoveries

Recoveries included amounts disbursed from the Warranty Fund for the rectification of defects which arose as a result of the failure by home builders to honour their obligations to rectify defects. The recovery of monies, as per the Housing Consumer Protection Measures Act, 1998 (Act No.95 of 1998), continued to improve. This was as a result of the verdicts handed down by the Disciplinary Committee and the payment of the penalties by the home builders - as they abided by the Disciplinary Committee's rulings.

The NHBRC recovered R727,600 during the 2021/22 financial year. This amount decreased by 77% compared to R3,25 million that was recovered for the 2020/21 financial year.

Inspection of homes

The inspection of home construction lies at the heart of the NHBRC's mandate, and the organisation views inspection as a mitigating factor from claims against the Warranty Fund. We therefore ensured that the Inspectorate Division was adequately capacitated to enable a speedy and quality inspection of homes for both the subsidised and the non-subsidised sectors. During the 2021/22 Financial Year, a total of 28,079 non-subsidized homes and a total of 23 631 subsidized homes were inspected by the NHBRC. These figures reflect our inspections of completed houses only.

Warranty Fund Sustainability

The NHBRC is a self-sustaining organisation that depends on the provisions of the Housing Consumers Protection Measures Act, 1998, (Act No 95 of 1998) and its ability to build up reserve funds. The main aim of the NHBRC as a warranty scheme is to ensure its ability to honour claims arising from the warranty cover period. The NHBRC's warranty fund which was valued on a run-off basis by independent actuaries was found to be both solvent and, in a sound financial position as at 31 March 2022.

Sustainability Reporting

The NHBRC remains financially stable and is able to carry out its statutory duties as stipulated in the Housing Consumers Protection Measures Act. The NHBRC is also governed by activities that takes place in the construction industry market. The residential building activity is expected to continue to reflect conditions regarding the economy, household finances, consumer confidence and other factors impacting the market for new and existing housing, which will show up in the demand for new housing.

The NHBRC adheres to the Public Finance Management Act (PFMA), National Treasury Regulations and principles related to integrated sustainability reporting as stipulated in the King IV Report when it implemented its strategies and operations in the financial year under review.

Anti-Fraud and Corruption

As the Chief Executive Officer, I am committed to ethical behaviour and respect for corporate governance structures. In this regard, I am very grateful for the support of the Council members in the drive for an anti-fraud and anti-corruption culture within the NHBRC. In line with this, and in support of the approved Risk Management Framework, the organisation has established an Anti-Fraud and Corruption Unit which reports to the Audit and Risk Committee.

The NHBRC has a legal responsibility in terms of the Public Finance Management Act (Act No.1 of 1999) (PFMA), to take appropriate steps to prevent unauthorised, irregular, fruitless, wasteful expenditure, and losses as a result of criminal conduct. Aligned with this responsibility, the NHBRC established an independent whistleblowing solutions facility which administered and distributed reports monthly.

Based on these reports, fraudulent conduct was investigated by the Forensic Investigations Team and these reports were presented to Audit and Risk Committee on a quarterly basis.

People

We delivered on our mandate with a depleted staff complement, most positions at senior and management level have been filled on acting capacity. This was due to the project on the review of the NHBRC's organisational structure which was in progress. The review of the organisational structure has been finalised and filling of vacant positions will commence in the new financial year.

Conclusion

I am generally pleased to note that the NHBRC achieved 93% of its performance targets in the 2021/22 financial year. This is an improvement of 10% in the achievement of its targets from the 2020/21 Financial Year.

Whilst the pandemic has brought irreversible changes in the way we think and work, our employees have gone the extra mile in the provision of services to our customers.

Along with the members of our Council, I have always valued how our employees rise to meet every challenge and opportunity. May I thank them for taking that dedication to new heights during this past year as they adapted to the challenges of a global pandemic and delivered uninterrupted service for all our stakeholders when they needed the NHBRC.

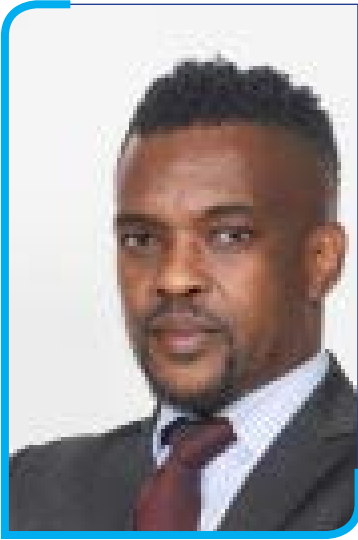
In closing, my special thanks go to the Council members, under the Leadership of Ms Nomusa Mufamadi for their patience, meticulous evaluation of our work, support, and guidance throughout the year. Gratitude also goes to the Portfolio Committee on Human Settlements for its support, commitment, oversight, and guidance, as well as the Minister and officials of the Department of Human Settlements.



Mr Songezo Boo

Chief Executive Officer

EXECUTIVE COMMITTEE



Mr Songezo Boo



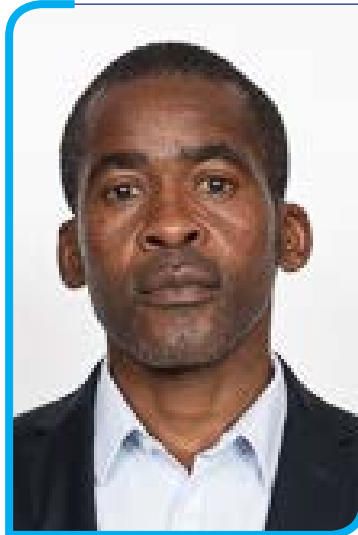
Mr Otsile Maseng



Ms Tamlyn Bouwer



Ms Nurse Chavalala



Mr Craig Makapela



Mr Andile Yabo

1.5.1 EXECUTIVE COMMITTEE

The NHBRC Executive Committee is a top management committee responsible for strategic and operational matters. The Committee is constituted by all executive managers, with the Chief Executive (CEO) as Chairperson of the Committee.

Table 3: Executive Committee

	Name	Position	Qualifications
1	Songezo Boo	Chief Executive Officer	<ul style="list-style-type: none"> National Diploma Accounting Bachelor of Commerce Bachelor of Commerce (Hons), CA(SA)
2	Otsile Maseng	Chief Operations Officer	<ul style="list-style-type: none"> B Juris Masters of Business Administration Programme in Development Plan
3	Tamlyn Bouwer	Acting Chief financial Officer	<ul style="list-style-type: none"> BCompt, Bachelor of Commerce (Hons), CA(SA)
4	Nurse Chavalala	Acting Executive Corporate Services	<ul style="list-style-type: none"> Bachelor of Administration Executive leadership Development
5	Craig Makapela	Acting Executive Business Services	<ul style="list-style-type: none"> Bachelor of Science in Civil Engineering Bachelor Engineering (Hons) (Geotech Eng) Master of Engineering (Systems Engineering Management) Pr. Eng, PrCPM
6	Andile Yabo	Acting Executive Legal, Enforcement and Compliance	<ul style="list-style-type: none"> B Proc LLB Certificate in Compliance Management Certificate in Advanced Corporate Law

1.6 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements to be audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) applicable to the public entity.


The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2022.

Yours faithfully



Ms Nomusa Mufamadi

Chairperson of Council

Date: 31 May 2022



Mr Songezo Booi

Chief Executive Officer

Date: 31 May 2022

1.7 STRATEGIC OVERVIEW

OUR VISION

To be a champion of the housing consumer.



OUR MISSION

To protect the housing consumer and regulate the home building environment.



OUR MOTTO

Assuring quality homes.



OUR VALUES

The values of the organisation are as follows:

Table 4: NHBRC values and meaning

Values	Meaning
Excellence and integrity	To be the best and deliver the best honestly.
Commitment and accessibility	To do work diligently and reach out to our stakeholders.
Transparency and accountability	To be fair and open in delivering our functions responsibly.

1.8 LEGISLATIVE AND OTHER MANDATES

The NHBRC was established in 1999 as a Council in terms of the Housing Consumers Protection Measures Act, (Act No.95 of 1998) as amended, to protect the interests of housing consumers and to regulate the home building industry. Since its establishment, the NHBRC delivers valuable services in co-operation with the National Department of Human Settlements (DHS) and key industry players. The NHBRC is a schedule 3 Public entity of the National Department of Human Settlement.

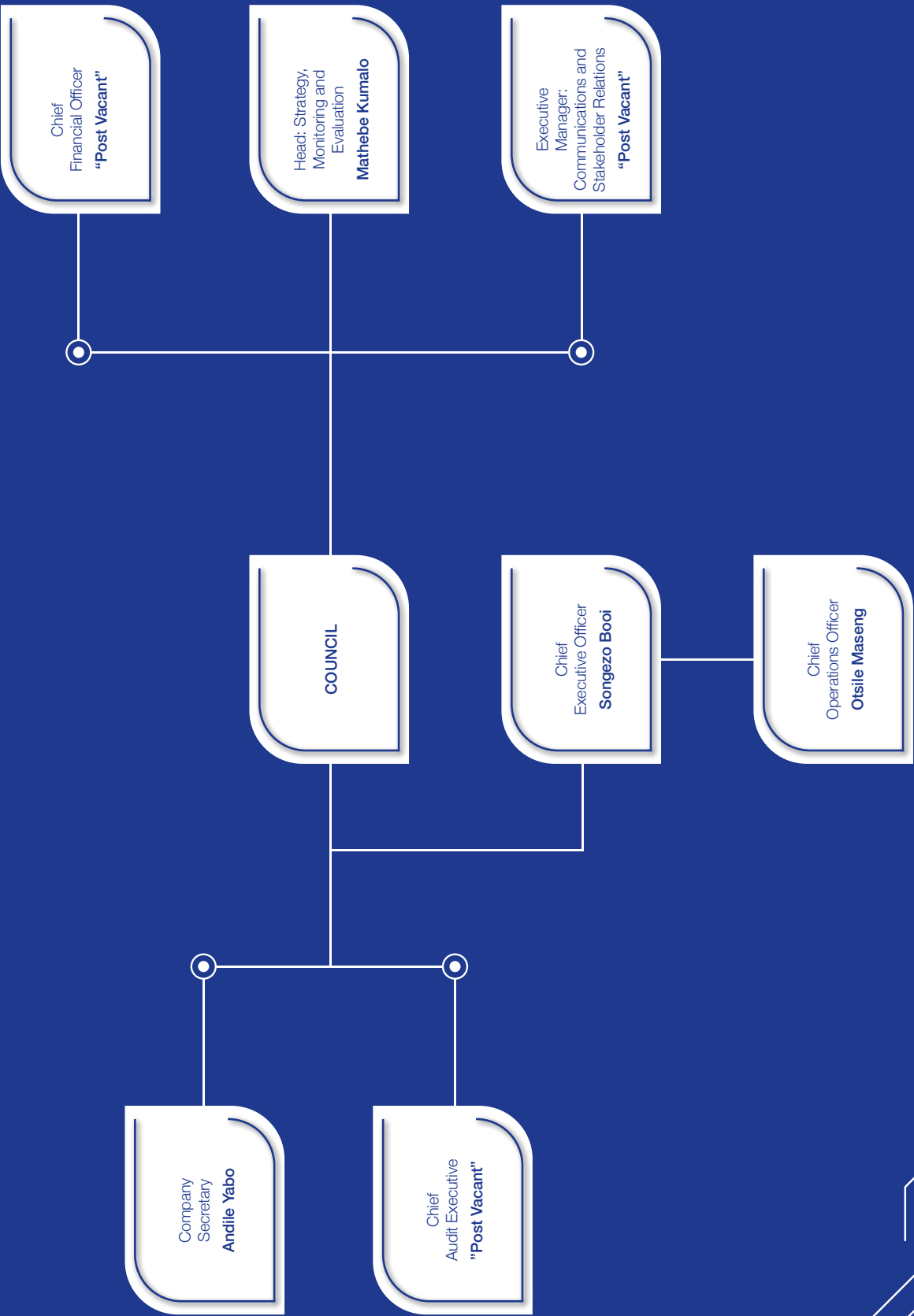
In a nutshell, we believe our role is to assure quality homes in the country through:

- Educating housing consumers and homebuilders on rights and responsibilities within home construction industry.
- Introducing innovative and environmentally friendly building technologies.
- Providing housing consumers with warranty cover for defined building structural defects.
- Training, assessing and regulating homebuilders to conform to approved standards.

ORGANISATIONAL STRUCTURE

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

Figure 1: NHBRC Organogram



- A revised structure for 2022/23 is awaiting approval



PART B

PERFORMANCE INFORMATION



PART B:

PERFORMANCE INFORMATION

2.1 AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the National Home Builders Registration Council set out on pages 72 to 125, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, the statement of changes in net assets, cash flow statement and the statement of comparison of budget actual information for the year then ended, as well as 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 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

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

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2022.

An uncertainty relating to the future outcome of exceptional litigations

8. As disclosed in note 26 to the financial statements, the public entity is a defendant in various legal claims. The public entity is opposing claims of R369 152 044 (2021: R369 434 513) as it believes it has reasonable grounds to defend each claim. The ultimate outcome of the matters could not be determined and no provision for any liability that may result was made in the financial statements.

Significant subsequent events that occurred between the date of the financial statements and the date of the auditor's report

9. I draw attention to note 28 in the financial statements, which deals with subsequent events and specifically the employee costs and contingent liabilities. My opinion is not modified in respect of these matters.

Other matter

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

Unaudited supplementary schedule

11. The supplementary information set out on page 125 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting authority for the financial statements

12. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the 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

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

Report on the audit of the annual performance report**Introduction and scope**

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2022.

Programme	Pages in the annual performance report
Programme 2: Regulation	34 - 36

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

Programme 2 – Regulation

% of prosecutable matters set down for hearing before the DC within 120 working days from date of approval to prosecute.

21. I was unable to obtain sufficient appropriate audit evidence for the achievement of 96% of prosecutable matter set down for hearing before the DC within 120 working days from date of approval to prosecute reported against target 80% of prosecutable matters set down for hearing before the DC within 120 working days from date of approval to prosecute in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

Percentage of disputes resolved

22. The achievement of 90% of dispute resolved was reported against target 90% of disputes resolved in the annual performance report. However, some supporting evidence provided materially differed from the reported achievement, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to further confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustment were required to the reported achievement.

Various indicators

23. The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicators listed below:

Indicator description	Reported achievement
% of homes inspected – subsidy	100% of homes inspected – subsidy
% of homes inspected – non - subsidy	100% of homes inspected – non - subsidy

Other matter

24. I draw attention to the matter below.

Achievement of planned targets

25. Refer to the annual performance report on pages 30 to 35 for information on the achievement of planned targets for the year and management's explanations provided for the under/ over achievement of targets. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraphs 31 to 33 of this report.

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 public entity's compliance 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 legislation are as follows:

Annual financial statements, performance and annual report

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 identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Revenue management

29. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Consequence management

30. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

31. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitful and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into fruitful and wasteful expenditure.

Other information

32. 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.
33. 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 on it.
34. 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.
35. 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

36. I considered internal controls 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 performance reporting and compliance with legislation included in this report.
- Leadership did not implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place as evidenced by the number of vacant executive management positions.
 - Leadership did not exercise oversight responsibility over the internal control of the entity and the review of the financial and performance report submitted for auditing as evidenced by the identified material misstatements.
 - Compliance with applicable laws and regulations is not regularly reviewed and monitored as evidenced by the findings on non-compliance. Adequate steps were also not taken to ensure that action plans are implemented.

Auditor-General

Pretoria
06 August 2022



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 relating to events or conditions that may cast significant doubt on the ability of 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 my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

2.2 OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

Service delivery environment

Over the past several months, the COVID-19 pandemic and emergency health response brought about a severe global economic downturn. Strengthening South Africa's competitiveness in a post-pandemic world will require a new social compact, decisive action to stabilise debt and narrow budget deficit as well as determined implementation of reforms to improve the structure of the economy. In combination, these measures will enable millions of South Africans to participate in building a more productive and prosperous society.

The recovery in real economic¹ activity from the impact of the coronavirus disease 2019 (COVID-19) resumed in the fourth quarter of 2021 after being interrupted in the third quarter by, among other factors, civil unrest and the cyberattack on Transnet in July. As such, South Africa's real gross domestic product (GDP) increased by 1.2% in the fourth quarter of 2021, following a revised contraction of 1.7% in the previous quarter. Although annual output increased by 4.9% in 2021 after the COVID-19-induced contraction of 6.4% in 2020, the level of real GDP was still below that of 2017.

The trade in construction materials has been affected by South Africa's prolonged economic stagnation and the ongoing weakness in the building and construction sectors.

Building materials are a key input for residential and commercial building, as well as large civil engineering projects. The construction materials trade, with sales nearing R200bn in 2021, employs over 45,000 people and has important linkages with downstream mining and manufacturing. Players face rising competition and an increasingly challenging trading environment due to low economic growth and the decline of the construction sector.

Building materials² retailers have described their operating environment as very challenging and their revenue growth, which averaged over 10% in 2019, has declined markedly in the past two years. Operating margins are under pressure and organic growth at existing stores has fallen due to reduced contractor demand, low building activity, and constrained consumer spending. With the recovery of the construction sector, the demand for building supplies is expected to increase so as competition amongst the material supplies companies.

Organisational environment

The COVID-19 pandemic adversely impacted the NHBRC in at least four ways:

1. Possibility and uncertainty of further lockdowns.
2. Planned inspections, training and enforcement programmes came to a standstill.
3. Unprecedented number of blocked/failed projects, which affects our revenue.
4. Declining revenues.

The NHBRC is focused on improving the ease of doing business and is aware of the impact of the high costs of running residential construction businesses on our builders. As such, in December 2021, we launched an online registration and renewal pilot project which enables new and existing homebuilders to access the NHBRC services from anywhere in the country. This project is being rolled-out in a phased approach to avoid business disruptions with the implementation of the first phase expected by the end of the first quarter of 2022/23 financial year.

In addition to these services, the NHBRC is working towards implementing a digital complaints registration platform. This system will simplify and speed up housing consumers' dispute registration.

¹ Reserve Bank Quarterly Bulletin – March 2022

² Selected building statistics – STATS SA – February 2022

2.3 PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

For this MTSF period, the NHBRC strategic outcomes are aligned to our three operational programmes, Administration, Regulation and Consumer Protection.

Table 5: Alignment of strategic outcomes to programmes

Programme	Strategic outcomes
Administration	Functional efficient and integrated government. Improved accessibility and visibility of NHBRC products and services. Financially sustainable organisation promoting economic inclusion.
Regulation	Improved regulatory compliance. Competent homebuilders and technical professionals.
Consumer Protection	Improved regulatory compliance. Greenhouse gas emission reduction.

The NHBRC impact statement for the MTSF is to ensure consumers and builders are informed of their rights and responsibilities, and a compliant industry. In this regard, we structured our budget into three programmes as explained above.

The first, Administration, was aligned with MTSF Priority 1: Economic transformation and job creation; Priority 2: Education, skills and health, and we intended three outcomes for this programme:

- **Functional efficient and integrated government**
 - Our plan was to maintain an unqualified audit opinion for the MTSF. From April 2019 to March 2022, we have maintained an unqualified audit opinion.
- **Improved accessibility and visibility of NHBRC products and services**
 - For this outcome, we ensure our housing consumers are aware of own rights and responsibilities. As at the end of 2024 financial year, we planned for NHBRC to implement its communication plan, which includes consumer awareness campaigns across the country to be implemented in its entirety. For the financial year ending March 2022, we completely implemented this plan at 100%.

- **Financially sustainable organisation promoting economic inclusion**

- For this outcome, we plan to maintain a BEE spend of an average of 65% on procurement to broaden access for previously disadvantaged companies. For the financial year ending March 2022, we spend on average, 75% of our procurement on BEE companies.

The second programme, Regulation, enforces compliance to residential building standards and aligns with MTSF Priority 4: Spatial integration, human settlements and local government and has two outcomes:

- **Improved regulatory compliance**
 - For this outcome, we planned to ensure builder registrations and home inspections. We planned to register 58310 homebuilders by end of the 2024 financial year. From 2019/20 to 2021/22 financial year, we have registered 10278 builders.
- **Competent homebuilders and technical professionals**
 - We planned to capacitate 32,000 homebuilders and technical professionals in this MTSF, however we have trained over 30,000 homebuilders and technical professionals in the MTSF.

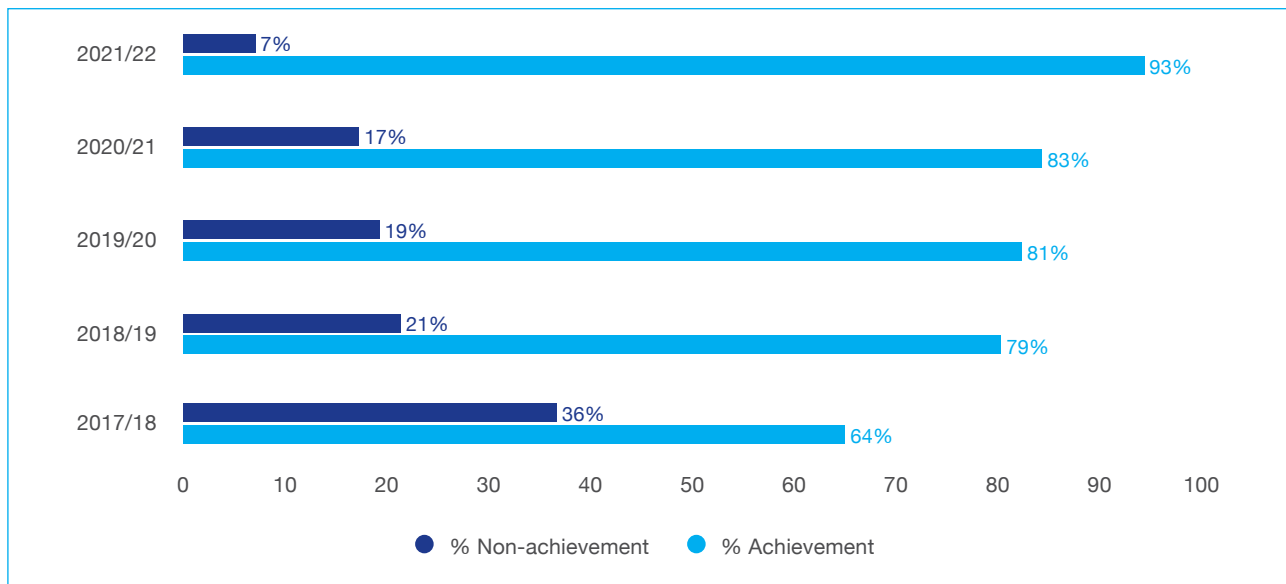
The last programme, Consumer Protection, also aligned with MTSF Priority 4: Spatial integration, human settlements and local government, and has two outcomes:

- **Improved regulatory compliance**
 - This outcome also enforces compliance through home enrolments. Our 5-year plan is to enrol all compliant homes within 15 working days. For the past 3 financial years, we have maintained enrolment of all homes with compliant documents within 15 working days.
- **Greenhouse gas emission reduction**
 - The NHBRC's 5-year plan is to promote greenhouse gas emission reduction. At the end of the MTSF, we plan to have built and evaluated performance of the green house against set criteria. We had planned to appoint a builder to construct the greenhouse at the end of the 2022 financial year, but because of National Treasury constraints we could not complete the appointment. We plan to resume the process of appointment in the first quarter of 2022/23.

2.4 INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

The NHBRC's 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 2021/22 shows that 93% of the set targets were achieved. This achievement represents a 10% improvement from the 83% achieved in 2020/21.

Figure 2: Summary of performance information trends over the last five years



2021/22 Annual Performance Information (APP)

Programme 1: Administration

The purpose of this programme is to provide functional and efficient support services to the organisation by ensuring financial sustainability and improved access and visibility of the NHBRC's products and services.

Table 6: Outcomes, Outputs, Output Indicators, Targets and Actual Achievements Table.

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reason for variation
Functional, efficient and integrated government	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings	Not applicable	Unqualified audit opinion	Unqualified audit opinion with no material findings	Unqualified audit opinion	None	
	Compliant statutory reports	% of compliance with statutory tabling and prescripts	Not applicable	100% compliance with statutory tabling and prescripts	100% compliance with statutory tabling and prescripts	92% compliance with statutory tabling and prescripts	-8%	Although all the compliance statutory reports were submitted to the relevant authority, there were reports that were submitted after the due date which resulted in non-compliance.
	Internal audit reports	% implementation of the approved internal audit plan	Not applicable	85% implementation of the approved internal audit plan	90% implementation of the approved internal audit plan	94% implementation of the approved internal audit plan achieved	4%	Internal Audit was able to focus on the audit annual plan since there were no usual ad-hoc requests from management which takes resources from the annual plan thus affecting execution of the plan
	Anti-fraud and corruption reports	% of approved anti-fraud and corruption implementation plan, implemented	Not applicable	90% implementation of the approved anti-fraud and corruption plan	90% implementation of the approved anti-fraud and corruption plan	100% implementation of the approved anti-fraud and corruption plan	11%	All planned activities for anti-fraud and corruption were implemented to ensure employees are trained and that there are preventative measures to minimise fraud and corruption

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reason for variation
Improved accessibility and visibility of NHBRC products and services.	Risk management report	% implementation of the approved risk management plan	Not applicable	90% implementation of the approved risk management plan	90% implementation of the approved risk management plan	96% implementation of the approved risk management plan	7%	Members of the Enterprise Risk Management (ERM) Unit have adjusted well to working from home which improved productivity
	Compliance report	% implementation of the approved compliance plan.	Not applicable	70% implementation of approved compliance plan.	80% implementation of approved compliance plan.	84% implementation of approved compliance plan.	5%	The target was exceeded due to ad hoc compliance monitoring activities that resulted in a higher achievement.
	Communication plan	% implementation of communication plan.	100% implementation of communication plan	100% implementation of Communication Plan.	100% implementation of Communication Plan.	100% implementation of the Communication Plan achieved.	0%	
Financially sustainable organisation promoting economic inclusion.	Social transformation	Number of social transformation programmes implemented.	Not applicable	2 Social transformation programmes implemented.	3 Social transformation programmes implemented.	3 social transformation programmes implemented.	0	
	BEE spending increased by >65%	BEE spend of %	Achieved BEE spend of 72.55%	Achieve BEE spend of >65%	Achieve BEE spend of >65%	BEE spend of 75%	15%	Prioritisation of BEE suppliers in procurement.

Performance highlights

Our programme 1, Administration, achieved all its targets except for one. Of note, is that we have maintained a BEE procurement spent of 75% and improved our communication plan implementation from 74% in the previous financial year to 100%.

Programme 2: Regulation

The purpose of this programme is to ensure registration of home builders, train home builders, regulate and enforce compliance to building standards.

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reason for variation
Improved regulatory compliance	Registered builders	Number of home builders registered	3 880 homebuilders registered	2 802 homebuilders registered	2,370 homebuilders registered	3 595 homebuilders registered	1 225	Even though the construction industry is sluggish, it is recovering slightly better than anticipated by our forecast.
	Renewed registrations	Number of registrations renewed	14 561 registrations renewed	13 773 registrations renewed	9,050 registrations renewed	14 395 registrations renewed	5 345	Even though the construction industry is sluggish, it is recovering slightly better than anticipated by our forecast.
	Inspected homes non-subsidy	% of homes inspected – non subsidy	22 418 homes inspected in the non-subsidy sector.	24 501 homes inspected in the non-subsidy sector.	100% of homes inspected– non subsidy	100% of homes inspected– non-subsidy	0	
	Inspected homes subsidy	% of homes inspected - subsidy	27 228 homes inspected in the subsidy sector.	23 231 homes inspected in the subsidy sector.	100% of homes inspected– subsidy	100% of homes inspected– subsidy	0	
	% of Suspensions within 10 working days	% of prosecutable matters suspended within 10 working days of receipt of instruction	95% of prosecutable matters suspended within 10 working days of receipt of instruction.	89% of prosecutable matters suspended within 10 working days of receipt of instruction.	80% of prosecutable matters suspended within 10 working days of receipt of instruction	93% of prosecutable matters suspended within 10 working days of receipt of instruction	13%	There is enough capacity within the NHBRC to handle suspensions.

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reason for variation
Competent home builders and technical professionals	% Disciplinary Committee set down within 120 working days of approval to prosecute	% of prosecutable matters set down for hearing before the DC within 120 working days from date of approval to prosecute	57% of prosecutable matters set down for hearing before the DC within 120 working days from date of approval to prosecute	99% of prosecutable matters set down for hearing before the Disciplinary Committee within 120 working days from the date of approval to prosecute.	80% of prosecutable matters set down for hearing before the DC within 120 working days from date of approval to prosecute	96% of prosecutable matters set down for hearing before the DC within 120 working days from date of approval to prosecute	16%	Management allocated resources to deal with Disciplinary Committee matters promptly. There were fewer matters in the current year due to lockdown restrictions.
	Disputes resolved	Percentage of disputes resolved	Not applicable	99% of disputes resolved within 90 working days.	90% disputes resolved within 90 days.	90% of disputes resolved within 90 days.	0%	Target met.
	Trained builders	Number of homebuilders trained	3 145 Homebuilders trained.	2 823 Homebuilders trained.	1,700 homebuilders trained	2 664 Homebuilders trained.	964	As a precautionary measure to ensure that performance is not affected in the event of COVID-19 restrictions, the NHBRC prioritised and executed additional training requests in order to achieve targets.
	Trained youth	Number of youth trained	2 214 youth trained.	2 281 youth trained	1,500 Youth trained	1 834 youth trained.	334	As a precautionary measure to ensure that performance is not affected in the event of COVID-19 restrictions, the NHBRC prioritised and executed additional training requests in order to achieve targets.
	Trained women	Number of women trained	2 021 women trained.	2 270 women trained.	1,400 Women trained	1 546 women trained.	146	As a precautionary measure to ensure that performance is not affected in the event of COVID-19 restrictions, the NHBRC prioritised and executed additional training requests in order to achieve targets.

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reason for variation
	Trained military veterans	Number of military veterans trained	385 military veterans trained.	171 of military veterans trained.	100 Military Veterans trained	115 military veterans trained.	15	As a precautionary measure to ensure that performance is not affected in the event of COVID-19 restrictions, the NHBRC prioritised and executed additional training requests in order to achieve targets
	Trained people with disabilities	Number of people with disabilities trained	384 people with disabilities trained.	314 people with disabilities trained.	200 people with disabilities trained	242 people with disabilities trained.	42	As a precautionary measure to ensure that performance is not affected in the event of COVID-19 restrictions, the NHBRC prioritised and executed additional training requests in order to achieve targets
	Trained technical professionals	Number of technical professionals trained	891 technical professionals trained.	733 technical professionals trained.	690 Technical professionals trained	801 technical professionals trained.	111	As a precautionary measure to ensure that performance is not affected in the event of COVID-19 restrictions, the NHBRC prioritised and executed additional training requests in order to achieve targets.
	Trained artisans	Number of artisans trained	514 artisans trained	600 artisans trained.	600 Artisans trained	781 artisans trained.	181	Based on historical data of dropouts in the programme, the NHBRC targeted more artisans in the current year.

Performance highlights

In Programme 2, Regulation, of note, is that our training progress is on target for the MTSF training targets; registrations and renewals progress considering performance in the past 3 financial years is slowing down and might not achieve MTSF targets.

Programme 3: Consumer Protection

The purpose of the programme is to improve regulatory compliance and reduce greenhouse gas emission.

Outcome	Output	Output indicator	Audited actual performance 2019/20	Audited actual performance 2020/21	Planned annual target 2021/22	Actual achievement 2021/22	Deviation from planned target to actual achievement 2021/22	Reason for variation
Improved regulatory compliance	Compliant enrolments subsidy	% of enrolment applications approved - Subsidy	69 761 homes enrolled in the subsidy sector	71% of compliant enrolment applications approved within 15 working days from date of receipt - subsidy	100% of enrolment applications approved - Subsidy.	100% of enrolment applications approved - Subsidy.	0%	
	Compliant enrolments subsidy	% of subsidy project enrolment applications approved.	N/A	N/A	100% subsidy project enrolment applications approved.	100% subsidy project enrolment applications approved.	0%	
	Compliant enrolments non-subsidy.	% of enrolment applications approved – non-subsidy.	48,166 homes enrolled in the non-subsidy sector	94% of compliant enrolment applications approved within 15 working days from date of receipt – non subsidy	100% of enrolment applications approved – non-subsidy.	100% of enrolment applications approved – non-subsidy.	0%	
Greenhouse gas emission reduction	Constructed Green First-Zero-energy model house.	Appointment of a contractor to construct the Green First-Zero-Energy model house Design.	Not applicable	Criteria that meets the Green First zero-energy model house adopted.	Appointment of a contractor to construct the Green First, Zero-Energy model house Design.	No contractor appointed to construct the Green First, Zero-Energy model house Designs.	No contractor appointed to construct the Green First, Zero-Energy model house Designs.	The appointment of a contractor could not be finalised in the fourth quarter due to the hold placed on procurement by National Treasury. The appointment of a contractor will be finalised in Quarter 1 of 2022/23.

Table 7: Linking performance with budgets

Programme/Activity/Objective	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	288 996	355 109	(66 114)	297 966	313 540	(15 574)
Regulation	281 003	295 303	(14 301)	340 565	289 363	51 202
Protection	191 273	190 424	849	217 249	179 157	38 092
Total	761 271	840 837	(79 566)	855 780	782 059	73 721

2.5 REVENUE COLLECTION

Revenue to fund the operations of the NHBRC is derived from various sources such as Fee Revenue, Insurance Premium Revenue and Technical Revenue.

Fee Revenue

Fee revenue comprises largely of the registration and annual fee payable to NHBRC by home builders as well as Subsidy Project Enrolments fees. Fee Revenue underperformed during the 2021/22 financial year due to the underperformance of Subsidy Project enrolment fees. Subsidy Project enrolment fees are payable by the provincial Departments of Human Settlements for project related work in relation to enrolments.

Insurance Premium Revenue

Insurance Premium Revenue constitutes roughly 95% of the revenue earned by NHBRC and comprises enrolment fees paid for the enrolment of homes in both the non-subsidy and subsidy sector. During the 2021/22, the preference of non-subsidy market contributed to over collection in revenue for financial year. This over collection was mainly due to the backlog of enrolments emanating from the prior year due to the COVID-19 pandemic. Revenue collection relating to the subsidy sector was lower than projected in the subsidy sector for the financial year.

Technical Revenue

Technical revenue largely comprises of forensic and geotechnical assessments conducted by the NHBRC driven by these requests received by the provincial Departments of Human Settlement as and when required. Due to less demand for these services in the current year, the Technical Revenue remained less than anticipated.

Table 8: Revenue collection before actuarial adjustments

Source of Revenue	2021/2022			2020/2021		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Fee Revenue	63 545	59 213	4 332	29 193	52 538	(23 344)
Insurance Premium Revenue	677 823	749 054	(71 231)	645 475	591 099	54 376
Technical Service Revenue	15 000	4 996	10 004	13 500	5 124	8 376
Other Income	3 000	8 861	(5 861)	2 800	28 970	(26 170)
Total	759 368	822 124	(62 756)	690 968	677 730	13 237

2.6 CAPITAL INVESTMENT

The NHBRC is projecting capital investment for the 2022/23 financial year, where we will be revamping some of our facilities as we work towards ensuring our premises are of good standard and quality for both our employees and our stakeholders.

We will be revamping the following facilities at our Head Office:

- Parking for employees and stakeholders
- Elevators

Reporting on the Institutional Response to the COVID-19 Pandemic

The NHBRC funded all operational costs throughout the COVID-19 pandemic and did not receive any relief funds from government.



PART C

GOVERNANCE



PART C: GOVERNANCE

3.1 INTRODUCTION

The statutory functions of the NHBRC Council and the Executive Authority are determined in terms of the Housing Consumers Protection Measures Act, the PFMA and all other applicable legislations. The NHBRC Council is committed to sound governance and ensures that the Entity has ethical and effective leadership. Sound corporate governance principles are embedded in the values, culture, processes, and systems of the entity. These are designed in accordance with best practice and incorporate the principles espoused in the King IV Report on Corporate Governance and contained in the governance requirements of the Housing Consumers Protection Measures Act and the PFMA.

3.2 PORTFOLIO COMMITTEES

Parliament, through the Portfolio Committee on Human Settlements exercises its oversight role over service delivery, performance of the entity through evaluating and interrogating the financial and non-financial performance reported in the quarterly and annual reports. The NHBRC attended three Portfolio Committee meetings in the year under review to discuss performance and other NHBRC related performance matters.

3.3 EXECUTIVE AUTHORITY

The NHBRC's Executive Authority vests with the Minister of Human Settlements. This is as prescribed by both the Housing Consumers Protection Measures Act and the PFMA. The Executive Authority has the power to appoint and dismiss the Council of the NHBRC. On 31 August 2021, the Executive Authority placed the NHBRC

under administration. The Minister appointed an administrator to take over the running of the affairs of the NHBRC until the new Council was appointed. The new Council was appointed on 25 November 2021.

The NHBRC submits strategic and annual performance plans to the Minister of Human Settlements.

In this financial year, we did not amend our strategic plan. Our Annual Performance Plan was submitted on 29 January 2021.

3.4 THE ACCOUNTING AUTHORITY/ THE BOARD

The Council is the Accounting Authority of the NHBRC and is appointed by the Minister of Human Settlements. The Council leads the organisation to achieve its strategic objectives by directing and approving the organisation's overall strategy and associated operational activities. It monitors the organisation's performance against the targets outlined in the annual performance plans and ensures that adequate processes are in place for budget planning and allocation to advance the NHBRC's mandate.

Responsibilities of Council

The statutory functions of the NHBRC's Council are determined in terms of the provisions of the Housing Consumers Measures Act and the PFMA. These include the following:

- To be the accounting authority
- To approve the corporate business plan, strategic plan and policies of the NHBRC
- To set performance targets for the organisation

The Council is responsible for, inter alia, the approval of the prepared annual financial statements that accurately reflect the NHBRC's financial position and results at the end of the financial year, which is set at 31 March each year. The Office of the Auditor-General is responsible for auditing the NHBRC's annual financial statements.

Board members' remuneration

Council members who are not government officials receive fees for the services they render to the NHBRC in accordance with the relevant tariffs determined by National Treasury and approved by the Minister of Human Settlements. Members of the Audit and Risk Committee are remunerated in accordance with an agreed tariff set by the NHBRC. Detailed information on fees, emoluments, bonuses, and subsistence and travel claims paid to Council members, Audit and Risk Committee members and executive members, as required by Treasury Regulation 28.1.1, are included in the notes to the annual financial statements.

Board members' interests in contracts

None of the Board members were involved in or had any interest in contracts entered into by the NHBRC in the year under review. Council members do declare their interests annually.

Public Finance Management Act

The NHBRC is fully committed to complying with the provisions of the PFMA. The internal and external auditors continue to provide the Council with assurance on the degree of compliance with the PFMA.

Materiality framework

In accordance with the PFMA and Treasury Regulation 28.1.5, the NHBRC has developed a framework of acceptable levels of materiality and significance. This framework is approved and reviewed annually during the process of submitting our annual performance plans.

Corporate governance

The Council is responsible for policy making and control, while the NHBRC's CEO has been delegated the responsibility for the day-to-day execution of the policies and objectives as directed by the Council.

The members of Council are appointed by the Minister of Human Settlements, for representing and advancing the interests of housing consumers, home builders, suppliers of housing goods and services and associated professionals. They are also appointed based on their expertise regarding structural defects in homes and their prevention, as well as their knowledge of financial management, law, and research and technology development. They represent the interests of the national departments responsible for Housing, Trade and Industry, Finance and Public works. Council members are appointed for a maximum of three years and are eligible for reappointment. None of the Council members holds an executive position in the NHBRC. The Council may obtain independent professional advice if deemed necessary.

Council meeting attendance

In line with good governance principles as adopted 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. Table 9 illustrates the meetings that were held in the year under review and each member's attendance of those meetings.

COUNCIL MEMBERS



Ms Nomusa Mufamadi



Mr Francois Beukman



Ms Nontuthuko Chiluvane



Ms Lucia Ncalane-Ngcobo



Ms Morwesi Ramonyai



Ms Siphindile Memela



Ms Kedibone Tsiloane



Mr Kganki Matabane



Ms Renaire Huntley



Ms Mandy Jayakody



Mr Roy Mnisi



Mr Refilwe Lediga



Ms Sasa Subban



Ms Zodwa Matiwane

Table 9: Composition of the Board since November 2021 to current

Name & Surname	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board (List the entities)	Other Committees or Task Teams	No. of Meetings attended
Ms Nomusa Mufamadi	Chairperson	November 2021	Current	<ul style="list-style-type: none"> Bachelor of Accounting Science BCompt Diploma Industrial Relations Certificate in Human Resources and Change Management 	<ul style="list-style-type: none"> Finance and Risk Management Auditing Human Resources Industrial Relations Project Management 	<ul style="list-style-type: none"> Road Traffic Management Corporation (RTMC) 	-	7
Mr Francois Beukman	Deputy Chairperson	November 2021	Current	<ul style="list-style-type: none"> Bachelor of Law (LLB) Legal Practise Program B. Proc Master of Arts, Political Science (MA) Bachelor of Arts (BA) (Honours) Bachelor of Arts (BA), Political Science & Public Administration 	<ul style="list-style-type: none"> Law 	-	-	7
Ms Nontuthuko Chiluvane	Member	November 2021	Current	<ul style="list-style-type: none"> Bachelor of Science Quantity Surveying Bachelor of Science (Hons) Property Development Diploma Project Management Master of Science, Real Estate 	<ul style="list-style-type: none"> Quantity Surveying Property Development & Management Housing Development & Social Housing Public Sector Management 	-	<ul style="list-style-type: none"> Women's Property Network South African Facilities Management GNI Social Housing (Pty)Ltd Association of South African Quantity Surveyors 	7
Ms Lucia Ncalane-Ngcobo	Member	November 2021	Current	<ul style="list-style-type: none"> Bachelor of Science Property Development Bachelor of Science in Quantity Surveying (Honours) Post Graduate Diploma in General Management 	<ul style="list-style-type: none"> Quantity Surveying Project Management Skills Development Social Facilitation 	<ul style="list-style-type: none"> South African Council of Quantity Surveying Profession (SACQSP) 	-	7
Ms Morwesi Ramonyai	Member	November 2021	Current	<ul style="list-style-type: none"> Bachelor of Commerce High Diploma, Computer Auditing Executive MBA International Executive Development Programme Certificate Sustainability Leadership 	<ul style="list-style-type: none"> Audit & Risk 	-	-	7

Name & Surname	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board (List the entities)	Other Committees or Task Teams	No. of Meetings attended
Ms Siphindile Memela	Member	November 2021	Current	<ul style="list-style-type: none"> B. Housing Development Advanced Diploma Management & Project Management Post Graduate Diploma Property Development & Project Management 	<ul style="list-style-type: none"> Property Development 	-	-	7
Ms Kedibone Tsiloane	Member	November 2021	Current	<ul style="list-style-type: none"> Bachelor of Commerce: Internal Auditing Bachelor of Commerce (Hon): Internal Auditing Certified Internal Auditor Certification in Control Self-Assessment Post Graduate Diploma Business Administration 	<ul style="list-style-type: none"> Auditing 	-	-	7
Mr Kganki Matabane	Member	November 2021	Current	<ul style="list-style-type: none"> Master of Business Leadership Postgraduate Diploma Business Administration Bachelor of Cost and Management Accounting National Diploma Costs and Management Accounting 	<ul style="list-style-type: none"> Costs and Management Accounting 	-	-	6
Ms Renaire Huntley	Member	November 2021	Current	<ul style="list-style-type: none"> Master of Science: Environmental and Development BSc Certificate: Strategic Business Management Certificate: Research Methods 	<ul style="list-style-type: none"> Strategic Business Management Specialist Multi-Criteria Decision-Making Analyst & Facilitator Environment & Development Scientist 	-	-	7
Ms Mandy Jayakody	Member	November 2021	Current	<ul style="list-style-type: none"> Bachelor of Science Bachelor of Science Hons: Industrial Microbiology Graduate Diploma Engineering Master of Engineering: Civil Certificate in Impact Investing Green Star Accreditation (new buildings) 	<ul style="list-style-type: none"> Project Management ESG (Climate change & Sustainability) Impact Investing 	-	-	7

Name & Surname	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board (List the entities)	Other Committees or Task Teams	No. of Meetings attended
Mr Roy Mnisi	Member	November 2021	Current	<ul style="list-style-type: none"> Bachelor of Laws (LLB) Post Graduate Certificate in Compliance Management 	<ul style="list-style-type: none"> Legal Compliance 	<ul style="list-style-type: none"> MBSA JBCC CETA 	-	6
Mr Refilwe Lediga	Member	November 2021	Current	<ul style="list-style-type: none"> Bachelor of Engineering: Civil engineering Master of Engineering: Civil engineering 	<ul style="list-style-type: none"> Engineer 	-	-	7
Ms Sasa Subban	Member	November 2021	Current	<ul style="list-style-type: none"> Bachelor of Administration Diploma in Project Management and Project Leadership 	<ul style="list-style-type: none"> Project Management Infrastructure Planning 	-	-	7
Ms Zodwa Mawane	Member	November 2021	Current	<ul style="list-style-type: none"> Master of Business Leadership (MBL) Master of Law (LLM) Bachelor of Law (LLB) B Juris Degree Advanced Programme in Project Management 	<ul style="list-style-type: none"> Legal 	-	-	7

Table 10: Composition of the Board since August 2018 to August 2021

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board (List the entities)	Other Committees or Task Teams (e.g.: Audit Committee / Ministerial task team)	No. of Meetings attended
Dr Julieka Bayat	Member	August 2018	August 2021	<ul style="list-style-type: none"> DLitt & DPhil Master's in Town and Regional Planning (MTRP) Bachelor of Arts International Education Program: Partnerships and Financing Strategies for Local Government Extending Finance Down Market Corporate, Business Management Training Finance for Non-Financial Managers Project Management: Bessie Global Management Practice 	<ul style="list-style-type: none"> Strategy/ Monitoring and evaluation 			8

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g.: Audit Committee / Ministerial task team)	No. of Meetings attended
Ms Bongiwe Duba	Member	August 2018	August 2021	<ul style="list-style-type: none"> Executive Leadership Development for Municipal Management Bachelor of Arts (Psychology) 	<ul style="list-style-type: none"> Human Capital 			8
Mr Unathi Hoyana	Member	August 2018	August 2021	<ul style="list-style-type: none"> BSc in Property Development 	<ul style="list-style-type: none"> Property Development 			8
Mr Mziwonke Jacobs	Member	August 2018	August 2021	<ul style="list-style-type: none"> Project Management 	<ul style="list-style-type: none"> Project Management 			8
Mr Choeu Makabate	Member	August 2018	August 2021	<ul style="list-style-type: none"> Master of Engineering in Engineering Management 	<ul style="list-style-type: none"> Construction Engineering 			8
Mr Goolam Manack	Member	August 2018	August 2021	<ul style="list-style-type: none"> MSc (Public Policy and Management) 	<ul style="list-style-type: none"> Finance 			8
Mr Klaas Mokaba	Member	April 2021	August 2021	<ul style="list-style-type: none"> B Juris Certificate in Labour Relations Management Certificate in Advanced Management Development Programme Certificate in Legislative Drafting Diploma in Criminal Justice and Forensic Investigations Postgraduate Certificate in Economic and Development Policy Master of Management in Public Policy 	<ul style="list-style-type: none"> Legislation 			7
Ms Nolithando Molao	Member	August 2018	August 2021	<ul style="list-style-type: none"> MSc Quantity Surveying (Honours) Postgraduate Diploma in Property Development and Management 	<ul style="list-style-type: none"> Quantity Surveying 			8
Ms Nthabiseng Tsenase	Member	August 2018	August 2021	<ul style="list-style-type: none"> BCom (Marketing) 	<ul style="list-style-type: none"> Marketing 			8

Governance structures

In order to comply with these principles, the NHBRC has designed and implemented and continues to design and implement, appropriate governance structures across the organisation. The NHBRC acknowledges that, for it to set up an effective governance framework, robust governance structures need to be in place. The term of the Council that was appointed in August 2018 came to an end in July 2021 and was extended until August 2021. The new Council was appointed in November 2021. Both previous and present Council have constituted the following Committees of the Council which were approved with their respective terms of reference in the form of committee charters. Council delegates powers to its committees, of which committee members are specialists in their respective fields and areas of governance. Council has established seven committees to ensure effective corporate governance within the NHBRC.

Fund Advisory and Finance Committee

The Fund Advisory and Finance Committee (FAFC) is responsible for advising Council on the prudent management of its funds. The Committee makes recommendations to Council regarding the setting of fees, procedures, and policies for approval by 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 11: FAFC 1 April 2021 - August 2021

Committee	No. of meetings held	No. of members	Name of members
FAFC	3	4	Ms Noluthando Molao
FAFC			Mr Choeu Makabate
FAFC			Mr Unathi Hoyana
FAFC			Mr Goolam Manack

Table 12: FAFC 14 January 2022 - 31 March 2022

Committee	No. of meetings held	No. of members	Name of members
FAFC	2	5	Mr Kganki Matabane
FAFC			Ms Kedibone Tsiloane
FAFC			Ms Sasa Subban
FAFC			Mr Francois Beukman
FAFC			Ms Siphindile Memela

Registration Committee

The Registration Committee (REGCOM) is responsible for advising 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 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 for exemption from enrolment of their own homes in terms of the Act.

*Table 13: Registration Committee:
1 April 2021 - August 2021*

Committee	No. of meetings held	No. of members	Name of members
REGCOM:	3	4	Mr Whitey Jacobs
REGCOM:			Mr Roy Mnisi
REGCOM:			Ms Noluthando Molao
REGCOM:			Dr Julieka Bayat

*Table 14: Registration Committee:
14 January 22 - 31 March 2022*

Committee	No. of meetings held	No. of members	Name of members
REGCOM:	1	5	Ms Nonthutuko Chiluvane
REGCOM:			Ms Nomusa Mufamadi
REGCOM:			Ms Zodwa Matiwane
REGCOM:			Mr Francois Beukman
REGCOM:			Ms Lucia Ncelane-Ngcobo

Human Capital and Remuneration Committee

The Human Capital and Remuneration Committee (HCREMCO) advises Council on employees' remuneration policies and makes recommendations to Council in relation to employees' annual salary adjustments and performance bonus pay-outs. This committee also maintains a corporate overview of the Council's human capital policies.

Table 15: HCREMCO: 1 April 2021 - August 2021

Committee	No. of meetings held	No. of members	Name of members
HCREMCO	2	4	Ms Bongiwe Duba
HCREMCO			Dr Julieka Bayat
HCREMCO			Mr Klaas Mokaba
HCREMCO			Mr Whitey Jacobs

Table 16: HCREMCO: 14 January 22 - 31 March 2022

Committee	No. of meetings held	No. of members	Name of members
HCREMCO	5	5	Mr Francois Beukman
HCREMCO			Ms Nomusa Mufamadi
HCREMCO			Mr Kganki Matabane
HCREMCO			Ms Renaire Huntley
HCREMCO			Ms Morwesi Ramonyai

Industry Advisory Committee

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

Table 17: IAC 1 April 2021 - August 2021

Committee	No. of meetings held	No. of members	Name of members
IAC	2	5	Mr Choue Makabate
IAC			Mr Roy Mnisi
IAC			Mr Unathi Hoyana
IAC			Dr Julieka Bayat
IAC			Ms Nthabiseng Tsenase

Table 18: IAC 14 January 22 - 31 March 2022

Committee	No. of meetings held	No. of members	Name of members
IAC	2	5	Ms Lucia Ncelane-Ngcobo
IAC			Mr Roy Mnisi
IAC			Ms Sasa Subban
IAC			Mr Refilwe Lediga
IAC			Ms Nonhutuko Chiluvane

Social Ethics and Transformation Committee

The role of the Social Ethics and Transformation Committee (SETC) is to advocate for ethics throughout the NHBRC's operations by doing the following:

- 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 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.
- Providing guidance on the review and approval of the NHBRC's safety, health and environment policy and strategy.

Table 19: SETC: 1 April 2021 - 31 August 2021

Committee	No. of meetings held	No. of members	Name of members
SETC	2	4	Mr Unathi Hoyana
SETC			Mr Whitey Jacobs
SETC			Ms Bongiwe Duba
SETC			Ms Nthabiseng Tsenase

Table 20: SETC: 14 January 22 - 31 March 2022

Committee	No. of meetings held	No. of members	Name of members
SETC	2	5	Ms Renaire Huntley
SETC			Mr Roy Mnisi
SETC			Ms Zodwa Matiwane
SETC			Mr Refilwe Lediga
SETC			Ms Mandy Jayakody
SETC			

Disciplinary Hearings Committee (ad hoc sittings)

This committee is responsible for presiding over cases of alleged contraventions of the Housing Consumers Protection Measures 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 the 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.

Audit and Risk Committee

The function of the Audit and Risk Committee (ARCO) is to assist Council in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of financial reports and statements. These tasks are conducted in line with all applicable legal requirements and accounting standards as

prescribed in the PFMA. The Committee operates in terms of written terms of reference (the Audit and Risk Committee Charter), which provides clear guidelines with regard to its membership, authority and responsibilities. The Audit and Risk Committee Charter was reviewed and updated in the year under review.

Table 21: ARCO: 1 April 2021 - 31 August 2021

Committee	No. of meetings held	No. of members	Name of members
ARCO	3	5	Mr Sathie Gounden
ARCO			Mr Klaas Mokaba
ARCO			Mr Goolam Manack
ARCO			Mr Choeu Makabate
ARCO			Ms Bongiwe Duba

Table 22: ARCO: 14 January 22 - 31 March 2022

Committee	No. of meetings held	No. of members	Name of members
ARCO	1	5	Mr Sathie Gounden
ARCO			Ms Mandy Jayakody
ARCO			Ms Siphindile Memela
ARCO			Ms Kedibone Tsiloane
ARCO			Ms Morwesi Ramonyai

Table 23: Remuneration of board members

Name	Remuneration	Other allowance	Other re-imbursements	Total
Ms Nomusa Mufamadi (Chairperson)	R47 631	R1 600		R49 231
Mr Francois Beukman	R86 570	R2 400		R88 970
Mr Kganki Matabane	R42 681	R2 400		R45 081
Ms Nontuthuko Chiluvane	R34 824	R2 400		R37 224
Ms Mandy Jayakody	R31 428	R2 400		R33 828
Mr Refilwe Lediga	R34 047	R2 400		R36 447
Ms Siphindile Memela	R31 428	R2 400		R33 828
Ms Lucia Ncalane-Ngcobo	R37 443	R2 400		R39 843
Ms Kedibone Tsiloane	R31 428	R2 400		R33 828
Mr Roy Mnisi	R58 418	R4 800		R63 218
Ms Shelly Huntley	R51 485	R2 400		R53 885
*Mr Mphedziseni Radzilani	R839 642	R0		R839 642
Ms Julieka Bayat (Chairperson)	R220 887	R4 000		R224 887
Mr Mziwonke Jacobs	R127 266	R4 000		R131 266
Ms Bongiwe Duba	R161 537	R3 200		R164 737
Mr Unathi Hoyana	R127 000	R4 000		R131 000
Mr Choeu Makabate	R139 296	R4 000		R143 296
Ms Nthabiseng Tsenase	R57 618	R3 200		R60 818
Mr Goolam Manack	R0	R10 400		R10 400
Total	R2 160 630	R60 800		R2 221 430

*Appointed as administrator from 01 September 2021 to 30 November 2021

3.5 RISK MANAGEMENT

In terms of section 51(1)(a)(i) of the PFMA, the Accounting Authority of a public entity must ensure that the public entity has and maintains effective, efficient and transparent systems of financial management, risk management and internal controls. Further to that, in terms of Treasury Regulation 27.2.1, the Accounting Authority must ensure that risk assessments are conducted regularly to identify the emerging risks of the public entity.

The status of risk management within the NHBRC is as follows:

- The NHBRC has an approved risk management policy and risk management framework that are being implemented within the organisation.

- The NHBRC conducted a risk maturity assessment to determine the effectiveness of its risk management process and strategy and also identifies new risks and reports on emerging risks on ad-hoc basis on its strategic risk register.
- Council established the Audit and Risk Committee that reports to it on the overall system of risk management, especially the mitigation of unacceptable levels of risk. The Board has also established a Risk Management Steering Committee of EXCO to provide oversight on all operational risks of the organisation and to support the Audit and Risk Committee.
- Audit and Risk Committee of the NHBRC and the Risk Management Steering Committee advise the organisation on risk management on a quarterly basis and independently monitor the effectiveness of the system of risk management.

- The NHBRC sees progress in the risk management process in terms of influencing the achievement of strategic objectives for the NHBRC. Two risk management targets form part of the Level 1 performance scorecard of the organisation and are monitored on a monthly and reported on a quarterly basis to EXCO and Council. Both risk management targets were achieved successfully during the 2021/22 financial year.

3.6 INTERNAL CONTROLS

The Council oversees the system of internal controls at the NHBRC, whereas the implementation and functioning of the system of internal controls rests with the Executive Management team. The NHBRC has and continues to set internal controls to manage known and unknown risks. Internal controls are continuously reviewed and tested by internal audit through proactive planned audits.

The Audit and Risk Committee is regularly presented with a formal review of the effectiveness of the NHBRC's internal controls. Reports from management on specific areas, internal audit, external audit and other independent assurance providers are tabled from time to time.

3.7 INTERNAL AUDIT AND AUDIT COMMITTEES

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

- Investments;
- Financial audits;
- IT/Cyber Security;
- Quality housing (engineering)

The annual internal audit activities are informed and guided by an Audit and Risk Committee approved Internal Audit Charter, Annual Performance Plan and Strategic Corporate Plan. Internal Audit has adopted an agile audit delivery methodology in its annual audit planning; the audit plans and projects are assessed on a quarterly basis due to the ever-changing risk environment brought about largely by the Covid-19 pandemic.

The Internal Audit Section completed 33 out of the 35 audit engagements planned for the year under review, this represents a 94.2% achievement against a 90% target.

And through a sustained follow up process, Internal Audit also assists business in addressing significant governance, risk and control findings that emerge from, Risk Management, External Audit Report and the Internal Audit function itself. Further, Internal Audit effectively implemented the annual audit plan as approved by the Audit and Risk Management Committee.

Business Assurance Enhancement Projects

The NHBRC is under-going significant changes the largest being the Organisational Review project and the review of the Inspectorate Model, the Digitisation project is another significant project currently underway. These changes are a response to challenges brought about by the pandemic; they also aim to enhance the technological offering of the organisation.

The above-mentioned changes envisaged to streamline delivery of the organisations' mandate, modernize service delivery by providing remote access to stakeholders who wish to access the NHBRC's Valuable Final Products online.

To assist the organisation with successful implementation of the above; Internal Audit has assigned resources where possible to be part of the projects on an advisory basis. The approved annual audit plan also provides some level of assurance on the aforementioned projects.

Further to the above the Internal Audit Section is driving the implementation of Combined Assurance within the NHBRC, this is to ensure the integration of business, risk management, compliance and internal audit efforts in identifying, mitigating and reporting on significant business risks including business projects.

Combines Assurance Project

Combined Assurance is currently in the implementation stage. The following major milestones have been reached; (a) training of all lines of defence, (b) approval of the Combined Assurance Plan and Matrix by the Audit and Risk Committee. There is evident management buy-in which has assisted in success of the project thus far.

The project is co-driven by the Internal Audit, Risk Management and Compliance sections. The end-goal is to ensure that there is integrated assurance and reporting and broader assurance coverage; thus, providing Council with an enhanced desktop view of the organisation's assurance efforts.

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.

Data Analytics

Internal Audit has also started a process to develop and implement continuous auditing technology which will dramatically audit to access and utilize the huge data and information that resides within and outside the NHBRC to produce better audit assurance for Council.

These audits will greatly empower business and Council especially by providing frequent reports that will provide better insight and foresight and trends that traditional audits have not been able to provide because of failure to exploit data and information resources.



Table 24: Attendance of committees of Council meetings

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	No. of Meetings attended
Mr. Sathie Gounden (Chairperson)	<ul style="list-style-type: none"> BCompt Higher Diploma in Accounting (CTA) Chartered Accountant (S.A.) Chartered Director (SA) Certificate in Forensic Accounting & Fraud Examination Graduate of the Chartered Secretaries South Africa (CSSA) Executive Leadership Development Institute - Harvard Business School Accredited Mediator 	External	N/A	01 November 2018		3
*Ms. Bongwiwe Duba	<ul style="list-style-type: none"> Diploma: Teaching Bachelor of Arts Core-Conciliator Development Certificate Municipal Development Programme Certificate Programme in Management Development for Municipal Finance Cert. Community Facilitation Certificate Integrated Development Certificate Human Resource Certificate Outcome Based Assessment 	External	N/A	01 August 2018	31 August 2021	2
*Mr. Choeu Makabate	<ul style="list-style-type: none"> Bachelor of Technology: Management Services Master of Engineering: Engineering Management Doctor in Engineering Philosophy 	External	N/A	01 August 2018	31 August 2021	2
*Mr. Goolam Manack	<ul style="list-style-type: none"> Master of Science: Public Policy and Management Certificate Government IT Management Executive Programme: Financial Management 	External	N/A	01 August 2018	31 August 2021	2
*Mr. Klaas Mokaba	<ul style="list-style-type: none"> B Juris Certificate in Labour Relations Management Certificate in Advanced Management Development Programme Certificate in Legislative Drafting Diploma in Criminal Justice and Forensic Investigation Postgraduate Certificate in Economic and Development Policy with the University of the Witwatersrand Master of Management in Public Policy (MM-PP) Doctor of Philosophy (PhD) in Management Studies 	External	N/A	01 September 2020	31 August 2021	2

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned	No. of Meetings attended
**Ms. Mandy Jayakody	<ul style="list-style-type: none"> Bachelor of Science Bachelor of Science Hons: Industrial Microbiology Graduate Diploma Engineering Master of Engineering: Civil Certificate in Impact Investing Green Star Accreditation (new buildings) 	External	N/A	14 January 2022		1
**Ms. Kadibone Tsiloane	<ul style="list-style-type: none"> Bachelor of Commerce: Internal Auditing Bachelor of Commerce: (Hon): Internal Auditing Certified Internal Auditor Certification in Control Self-Assessment Post Graduate Diploma. Business Administration 	External	N/A	14 January 2022		1
**Ms. Sphindile Memela	<ul style="list-style-type: none"> B. Housing Development Advanced Diploma Management & Project Management Post Grad Diploma Property Development & Project Management 	External	N/A	14 January 2022		1
**Ms. Monwesi Ramonyai Tonga	<ul style="list-style-type: none"> Bachelor Commerce High Diploma Computer Auditing Executive MBA International Executive Development Programme Certificate Sustainability Leadership 	External	N/A	14 January 2022		1

3.8 COMPLIANCE WITH LAWS AND REGULATIONS

As a Public entity, the observation of laws that govern the NHBRC and its activities form the foundation for good corporate governance and demonstrates stewardship and responsibility to the shareholder and stakeholders. The effectiveness of the NHBRC's system of internal, financial, operational, and other regulatory controls is continuously reported to, and assessed by the Audit and Risk Committee.

3.9 FRAUD AND CORRUPTION

The NHBRC has an approved fraud prevention policy and internal fraud investigation manual currently being implemented to address incidences or allegations relating to declaration of interest. The NHBRC also has an independent whistleblowing platform for confidential reporting of all unethical and fraudulent allegations impacting on the organisation. Once incidences or allegations of fraud and corruption are identified within the organisation, they are referred to the Forensic Prevention Unit of the organisation for analysis and investigation. The organisation uses Certified Forensic Investigators to investigate the allegations in accordance with the fraud prevention legislation and standards, issue an investigation report which includes findings and recommendations. All forensic investigations reports are reported to the Audit and Risk Committee on a quarterly basis.

3.10 MINIMISING CONFLICT OF INTEREST

The NHBRC or heads of department, by virtue of their responsibility in terms of 7 (3) (b) of the public Service Act have the duty to ensure that the conduct of their employees conform to the basic rules and principles governing public administration and the norms and standards prescribed by the Act.

All permanent and temporary employees are required to declare and disclose any existing or potential conflict of interest on an annual basis and such information is reviewed and approved by management. In the event that a case of potential conflict of interest is identified within the organisation such matter will be referred to the internal Forensic Prevention Unit for analysis and investigation and appropriate action taken.

3.11 CODE OF CONDUCT

The NHBRC has an approved a code of conduct policy which is applicable to all NHBRC employees including temporary, interns and independent contractors. The objective of code of conduct policy is to establish and provide guidelines on the principles, values, standards and rules of behaviour that guide the decision, procedures and systems at the NHBRC. The effect of this policy is to protect the NHBRC's assets including reputation and goodwill.

Employees found to be in contravention with the procedures outlined in the code of conduct policy will be addressed by the human capital section, directly with line managers, with appropriate actions being taken in line with disciplinary policy of the NHBRC.

3.12 HEALTH, SAFETY AND ENVIRONMENT ISSUES

The NHBRC has prioritised the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993), 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 Safety, Health and Environment (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 a safety policy, procedures, guidelines and standards. This is vital because embedding a workplace health and safety culture within the NHBRC is essential for the wellbeing of both employers and employees.

The Safety, Health and Environment unit achieved a 100% performance on the approved annual Safety, Health and Environment plan for the 2021/22 financial year. A key part of this performance is the completion of the development, approval and implementation of the SHE policy and procedure of the NHBRC. These governance documents are critical to improving the current health and safety culture within the NHBRC whilst also ensuring that the organisation complies with the applicable provisions of the Occupational Health and Safety Act (OHSA) of 1993

3.13 COMPANY SECRETARY

The Company secretary has developed systems and processes that enable the NHBRC Council to discharge its functions effectively. His responsibilities include advising the Council on corporate governance, setting the annual working plan for Council in conjunction with the Chairperson. The company secretary also ensures that all Council and Committee charters are in place and monitors compliance with legislation.

3.14 SOCIAL RESPONSIBILITY

The NHBRC supports government in its initiatives of poverty alleviation, community upliftment and access to economic opportunities for previously disadvantaged individuals.

Through our Social Transformation and Empowerment Programme (STEP), that focuses on four interest groups namely; women, youth, persons with disabilities and military veterans, we have engaged in interventions to address the current challenges that are faced by our citizens.

The criteria and selection are guided by our Corporate Social Investment (CSI), Sponsorship and Donations policy that takes into account these challenges and guides the NHBRC in being a responsible corporate citizen.

Through this, we were able to reconstruct a house in Kwazakhele, Nelson Mandela Bay, for a female military veteran beneficiary.

We also remain proud of our flagship intervention; the Women Empowerment Programme (WEP), delivered in partnership with the Gordon Institute of Business Science (GIBS), which was launched in March for 2021/2022, after producing many graduates throughout the years. With an intake of 100 women, this 24-month programme demonstrates our investment in emerging female entrepreneurs in the construction industry by enabling them to attend the business development programme as part of our commitment to transformation in human settlements and built environment.

In response to the COVID-19 pandemic, 37 employment opportunities were also created through a youth internship programme for Administration Assistants to conduct screening and administration services at our provincial offices.

3.15 AUDIT COMMITTEE REPORT

The Audit and Risk Committee (ARCO) confirms that it has complied with its responsibilities arising from section 38(1) of the PFMA and Treasury Regulations.

ARCO has adopted the terms of reference as its Audit and Risk Committee Charter, regulated its activities in compliance with the Charter, and has discharged all its responsibilities as contained therein. In the conduct of its duties, ARCO has, inter alia, reviewed the following:

- i. The effectiveness of the internal control systems;
- ii. The operational risk areas covered in the scope of internal and external audits;
- iii. The adequacy, reliability and accuracy of financial information provided to Council and other users of such information; Any accounting and auditing concerns identified as a result of internal and external audits;
- iv. Compliance with legal, accounting, information technology and regulatory frameworks; and
- v. The activities of the Internal Audit including its annual audit plan and co-ordination with external auditors,
- vi. These tasks are conducted in line with all applicable legal requirements and accounting standards as prescribed in the Public Finance Management Act of 1999 (Act no. 1 of 1999) (the PFMA). The Audit and Risk Committee Charter provides clear guidelines regarding its membership, authority and responsibilities. The Audit and Risk Committee Charter is reviewed and updated annually. The membership of ARCO as at 31 March 2022 comprised of one (1) independent external member, who was serving as chairperson and four members of Council and their attendance is reflected in the table below:

Table 25: Attendance of committees of Council meetings

Member	Qualifications	ARCO Meeting (Q4 2020/21): 23 April 2021	ARCO Meeting (Q2 2021/22): 26 July 2021	ARCO Meeting (Q3 2021/22): 25 January 2022	Total Number of Meetings Attended
Mr. Sathie Gounden (Chairperson)	<ul style="list-style-type: none"> BCompt Higher Diploma in Accounting (CTA) Chartered Accountant (S.A.) Chartered Director (SA) Certificate in Forensic Accounting and Fraud Examination Graduate of the Chartered Secretaries South Africa (CSSA) Executive Leadership Development Institute - Harvard Business School Accredited Mediator 				3/3
*Ms. Bongwe Duba	<ul style="list-style-type: none"> Diploma: Teaching B.A Core-Conciliator Development Certificate Municipal Development Programme Certificate Programme in Management Development for Municipal Finance Cert. Community Facilitation Cert. Integrated Development Cert. HR Cert. Outcome Bases Assessment 			N/A	2/2
*Mr. Choeu Makabate	<ul style="list-style-type: none"> B. Tech: Management Services Master of Engineering: Engineering Management Doctor in Engineering Philosophy 			N/A	2/2
*Mr. Goolum Manack	<ul style="list-style-type: none"> MSc: Public Policy and Management Cert. Government IT Management Executive Programme: Financial Management 			N/A	2/2
*Mr. Klaas Mokaba	<ul style="list-style-type: none"> B. Juris Certificate in Labour Relations Management Certificate in Advanced Management Development Programme Certificate in Legislative Drafting Diploma in Criminal Justice and Forensic Investigation Postgraduate Certificate in Economic and Development Policy with the University of the Witwatersrand Master of Management in Public Policy (MM-PP) Doctor of Philosophy (PhD) in Management Studies 			N/A	2/2

Member	Qualifications	ARCO Meeting (Q4 2020/21): 23 April 2021	ARCO Meeting (Q2 2021/22): 26 July 2021	ARCO Meeting (Q3 2021/22): 25 January 2022	Total Number of Meetings Attended
**Ms. Mandy Jayakody	<ul style="list-style-type: none"> BSc: Construction Management MBA: Construction & Real Estate 	N/A	N/A		1/1
**Ms. Kedibone Tsiloane	<ul style="list-style-type: none"> BCom: Internal Auditing BCom (Hon): Internal Auditing Certified Internal Auditor Certification in Control Self-Assessment Post Graduate Dip. Business Administration 	N/A	N/A		1/1
**Ms. Siphindile Memela	<ul style="list-style-type: none"> B. Housing Development Advanced Dip. Management and Project Management Post Grad Dip. Property Development & Project Management 	N/A	N/A		1/1
**Ms. Morwesi Ramonyai Tonga	<ul style="list-style-type: none"> B. Commerce High Dip. Computer Auditing Executive MBA International Executive Development Programme Cert. Sustainability Leadership 	N/A	N/A		1/1

* Council term 2018/2021 - ** New Council term commenced November 2021

Invitees

The CEO, COO, CFO, Chief Audit Executive and the Chief Risk Officer have standing invitations to attend the meetings of ARCO. For the year under review, the Committee met three (3) times to discharge its mandate. These meetings were attended by all ARCO members. The Auditor General is invited to attend select ARCO meetings. The NHBRC Company Secretary acts as secretary of ARCO.

Functions

The functions discharged by ARCO, in accordance with its charter, included the following:

Oversight of:

- the financial and performance reporting process, the activities of the internal and external audit functions, and facilitation of a coordinated approach between these functions,
- the effectiveness of risk management, compliance and governance processes.

Review of:

- Quarterly and year-end financial statements to ensure that they are prepared in the manner required by the PFMA and GRAP,
- The external audit plan, budget, and reports on the Annual Financial Statements,
- The internal audit charter, annual audit plan and reports,
- The Internal Audit's three-year audit plan, and annual budgets,
- The risk management reports,
- The audited annual financial statements and the annual performance report.

Approval of:

- The internal audit charter, annual audit plan and three-year audit plan,
- Auditor-General's audit fees, engagement terms and audit strategy,
- Auditor-General's engagement team's independence.

Audit and Risk Committee responsibility

- ARCO reports that it has discharged its responsibilities arising from Section 51(1) (a) (ii) of the PFMA and Treasury Regulation 27.
- ARCO further reports that it has discharged all its responsibilities as contained in the ARCO Charter.

Internal Audit

- ARCO acknowledges that an effective internal audit function is central to proper operation of the Committee. The Internal Audit of the NHBRC compiled and presented its annual plan, internal audit strategy, internal audit charter, and three-year rolling audit plan for the review and approval of ARCO. The plan was approved by ARCO after being satisfied that it was in line with the requirements of the PFMA, Treasury Regulations and is risk-based, as required by Internal Auditing Standards.

- ARCO is satisfied that Internal Audit has discharged its functions objectively and with independence in compliance with its Charter.

Auditor-General

- ARCO reviewed the external audit plan, as prepared and presented by the Auditor-General in terms of the Public Audit Act for the year ended 31 March 2022. ARCO confirms that the plan was in line with Regulations and standards, and that the plan takes into consideration internal audit reports and NHBRC risk registered for the year under review.

Risk management and Internal Control

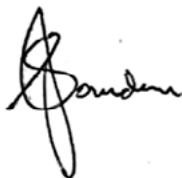
- ARCO continued to review and to report on NHBRC's risk management practices, internal policies, and procedures that they are effective and adequate to safeguard the NHBRC resources and promote the achievement of its objectives. ARCO is satisfied with the progress made in the risk management processes.
- Based on internal audits that were performed during the 2021/2022 financial period, the overall control environment of has improved from the previous year. ARCO is still concerned that the internal control environment is not totally effective. Management has undertaken to correct the deficiencies in the control environment.

Evaluation of the Audit & Risk Committee

- ARCO is required to have its adequacy and effectiveness evaluated annually. During the year under review ARCO members were inducted on the business of the NHBRC and their duties as it related to it. With the exception of the chairperson, all other ARCO members joined the committee in November 2021 when the term of the previous Council ended.

Evaluation of financial statements and annual performance report

- ARCO reviewed the annual financial statements and annual performance report of the NHBRC for the financial year ended 31 March 2022 and is satisfied that, in all material respects, the financial statements and annual performance report comply with the relevant provisions of the PFMA, GRAP including any interpretations, guidelines and directives issued by the Accounting Standards Board.
- ARCO reviewed and discussed the NHBRC's annual financial statements and annual performance report to be included in the Annual Report, with the Auditor- General, Chief Financial Officer and Accounting Officer of the NHBRC.



Mr. Sathie Gounden

Chairperson of the Audit and Risk Committee

National Home Builders Registration Council

Date: 31 May 2022





PART D

HUMAN RESOURCE MANAGEMENT



PART D:

HUMAN RESOURCE MANAGEMENT

4.1 INTRODUCTION

The Human Capital Management (HCM) section provides professional support to improve the human assets of the NHBRC and increase employee efficiency. This is achieved through talent management, employee relations and wellness, training and development, as well as payroll and benefits management. The underlying objective of the section is to support the NHBRC strategic goals through creating learning opportunities, empowerment, support and rewards whilst developing a culture of high performance through the application of processes, policies, best practise and skills across the NHBRC.

The management of employees is crucial in that they are value-adding assets that contribute greatly to the success of the organisation. The employees are the strategic assets of the organisation and it is important that the NHBRC has a workforce that positions it as the leader in the housing industry. The NHBRC invests in its human capital by ensuring that the competent skills demands are matched by the supply thereof. Therefore, the approach to managing employees should position the organisation to attract the best skills in the market, retain our critical talent pools, and continuously invest in the development of our employees across the organisation. The NHBRC will continuously invest in employee learning and development through study bursary and training offerings.

In ensuring that the employee well-being remain a top priority the NHBRC conduct regular health awareness campaigns and financial training for

its employees. Following the covid-19 and loss of employees through death in the recent years, management will be reviewing the bereavement and funeral policy to be aligned with Covid 19 regulation.

The highlights for the 2021/22 financial year would be the implementation of the salary agreement with the bargaining union which was put on hold as the organisation was assessing its financials after the impact of covid 19 pandemic. In boosting the staff moral and in line with the NHBRC policy to reward good performance, the employees were paid bonuses for achieving the 2019/20 targets.

Through the support of Council, we were able to develop and approve injury on duty and substance abuse policy, whereas code of conduct, training and development and bursary policies were reviewed.

In keeping with the ever-changing markets, the NHBRC is developing a work from home policy and reviewing the following policies selection and recruitment, remuneration, acting, long service award and performance management.

Our main challenge has been the lack of capacity at executive and management level following the expiry of fixed term contracts. These positions could not be filled due to the moratorium on filling of positions and were temporarily filled by acting personnel.

The main goal for human resource in the coming year would be to finalise the travel model for inspectors, implement document management system and conduct business process re-engineering upon approval of the proposed organisational structure.

4.2 HUMAN RESOURCE OVERSIGHT STATISTICS

Table 26: Personnel cost by sections and business units

Section/Business unit	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp (R'000)	No. of employees	Average personnel cost per employee (R'000)
Business Services		R 36 617	6,66%	36	R 1 017
Chief Executive Officer		R 71 416	12,98%	73	R 978
Chief Financial Officer		R 22 861	4,16%	27	R 847
Chief Operations Officer		R 26 172	4,76%	28	R 935
Corporate Services		R 41 321	7,51%	43	R 961
Eastern Cape Regional Office		R 39 094	7,11%	48	R 814
Free State Regional Office		R 24 288	4,42%	31	R 783
Gauteng Regional Office		R 73 056	13,28%	89	R 821
Kwa-Zulu Natal Regional Office		R 51 655	9,39%	60	R 861
Limpopo Regional Office		R 43 057	7,83%	49	R 879
Mpumalanga Regional Office		R 30 523	5,55%	35	R 872
North West Regional Office		R 33 594	6,11%	41	R 819
Northern Cape Regional Office		R 9 628	1,74%	12	R 802
Western Cape Regional Office		R 46 754	8,50%	55	R 850
TOTAL	R 830 570	R 550 036	100%	627	R 877

Table 27: Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	R 7 172	1,30%	5	R 1 434
Senior Management	R 15 041	2,73%	13	R 1 157
Professional qualified	R 120 902	21,98%	93	R 1 300
Skilled	R 176 990	32,18%	175	R 1 011
Semi-skilled	R 222 746	40,50%	313	R 712
Unskilled	R 7 190	1,31%	28	R 257
TOTAL	R 550 041	100,00%	627	R 877

Table 28: Performance rewards

Level	Performance Rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	R 96	R 7 172	1,34%
Senior Management	R 397	R 15 041	2,64%
Professional qualified	R 2 349	R 120 902	1,94%
Skilled	R 4 185	R 176 990	2,36%
Semi-skilled	R 6 381	R 222 746	2,86%
Unskilled	R 297	R 7 190	4,13%
TOTAL	R 13 705	R 550 041	24,90%

Table 29: Training costs

Training programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg. training cost per employee (R'000)
ACFE 14th Annual African Fraud Conference & Exhibition Virtual	R 550 041	R 15	0.003%	2	R 7
Advanced Course in Slope, Seepage and Foundation Analysis	R 550 041	R 3	0.001%	1	R 3
Advanced Certified Fraud Examination	R 550 041	R59	0.011%	1	R59
Business Analytics	R 550 041	R14	0.003%	1	R14
Call Logging	R 550 041	R0	0%	158	R0
Certificate Programme in Business Analysis	R 550 041	R33	0.006%	1	R33
Certified Information Systems Auditor	R 550 041	R12	0.002%	3	R4
Corporate Governance and Admin Course	R 550 041	R 29	0.005%	1	R 29
Digital Training	R 550 041	R0	0%	68	R0
Ethical Leadership Training	R 550 041	R36	0.007%	23	R1
Ethics Awareness	R 550 041	R0	0%	147	R0
Ethics Workshop	R 550 041	R0	0%	9	R0
EXCO Crisis Management Training	R 550 041	R 22	0.004%	10	R2
Fraud Awareness Training and Fraud Risk Assessment	R 550 041	R0	0%	35	R0
Human Capital Functional Training	R 550 041	R0	0%	12	R0
HRD EE Induction	R 550 041	R0	0%	14	R0
Introduction to Unsaturated Soil Mechanics	R 550 041	R10	0.002%	4	R 2
ISO45001:208	R 550 041	R 4	0.001%	1	R 4
Legal Liability	R 550 041	R 13	0.002%	1	R 13
Mentorship Guidelines	R 550 041	R0	0%	12	R0
Payroll Seminar	R 550 041	R 6	0.001%	2	R3
Performance Management Training	R 550 041	R0	0%	201	R0
Performance Improvement Session	R 550 041	R0	0%	11	R0
Post Graduate Diploma in Business Administration	R 550 041	R 97	0.018%	1	R 97
Practical Legal Training	R 550 041	R 17	0.003%	1	R 17
Registration & Renewal Training	R 550 041	R0	0%	20	R0
Webinar on Covid-19 Vaccine	R 550 041	R0	0%	18	R0

Table 30: Employment and vacancies

Level	2019/2020 No. of Employees	2021/2022 Approved Posts	2021/2022 No. of Employees	2021/2022 Vacancies	% of vacancies
Top Management	2 (at beginning of period)	6	2 (at end of the period)	4	66.67%
Senior Management	9	14	5	9	64.28%
Professional qualified	86	95	82	11	11.58%
Skilled	172	180	165	14	7.78%
Semi-skilled	312	312	305	8	2.56%
Unskilled	28	43	27	15	34.88%
TOTAL	609	650	588	61	100%

The Council of the NHBRC, at its meeting of 17 June 2020, resolved that the recruitment of all positions from Grades 1-17 will be put on hold. Vacancies have remained unfilled for a minimum period of 19 months because of the moratorium. Only the position of the CEO, as per Council resolution, has been filled.

Measures are taken to successfully attract and retain staff; Attract and hire the best candidates by showing how the NHBRC culture and learning programs connect employees to their deepest professional aspirations. Give employees the opportunities they seek, accelerate their growth, and transform their careers.

Table 31: Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	1	0	2
Senior Management	9	0	4	5
Professional qualified	86	0	4	82
Skilled	172	0	7	165
Semi-skilled	312	0	5	307
Unskilled	28	0	2	27
TOTAL	609	1	22	588

Table 32: Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	4	18%
Resignation	8	36%
Dismissal	1	5%
Retirement	5	23%
Ill health	0	0%
Expiry of contract	4	18%
Other	0	0%
TOTAL	22	100%

Reasons for staff turnover is due to end of contracts and recruitment processes being put on hold because of the moratorium. The NHBRC does not have a high turnover rate and thus talent retention is one of the critical prerequisites of the organisation to ensure its sustainability. The skills supply for the NHBRC may not be a challenge but rather the organisational fit for technical and support skills

Table 33: Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	4
Final Written warning	3
Dismissal	1

Table 34: Equity Target and Employment Equity Status - Male

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	1	0	0	0	0	0	0
Senior Management	2	1	0	0	0	0	0	1
Professional qualified	40	23	3	3	2	2	4	3
Skilled	71	108	9	11	2	4	5	8
Semi-skilled	98	103	10	11	1	2	3	4
Unskilled	6	5	0	0	0	0	0	2
TOTAL	219	241	22	25	5	8	12	8

Table 35: Equity Target and Employment Equity Status - Female

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	0	0	0	0
Senior Management	2	2	0	1	0	0	1	0
Professional qualified	30	23	2	3	1	2	0	2
Skilled	72	102	2	5	3	4	1	2
Semi-skilled	171	176	13	11	2	2	9	10
Unskilled	20	21	0	1	0	1	1	1
TOTAL	295	325	17	21	6	9	12	15

Table 36: Disabled Staff

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	1	0
Professional qualified	2	1	0	0
Skilled	1	3	0	1
Semi-skilled	0	1	2	1
Unskilled	0	0	0	0
TOTAL	3	5	3	2

There is currently a recruitment moratorium within the NHBRC, hence there is a variance between target and current. The targets will be achieved following the upliftment of the moratorium.





PART E

FINANCIAL INFORMATION



The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999) to maintain adequate accounting records and is responsible for the content, integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority that the annual financial statements must fairly present the financial state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the year ended.

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

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority acknowledges ultimate responsibility for the system of internal financial controls established by the entity and the considerable importance placed on maintaining a strong control environment. To enable these responsibilities, the Accounting Authority set standards for internal controls aimed at reducing the risk of error or deficit in a cost-effective manner. These standards included the delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls should be monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the entity should be on identifying, assessing, managing, and monitoring all known forms of risk across the entity. While operating risks cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Accounting Authority has reviewed the entity's cashflow for the year ended 31 March 2023, and in the light of this review and the current financial position, it is satisfied that the entity has access to adequate resources to continue operational functions in the immediate future.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements will be examined by the entity's external auditors and their report will be presented at the conclusion of their audit.

The annual financial statements set out on pages 71 to 122 were prepared and approved by 28 July 2022 and signed off for inclusion in this report.



Ms Nomusa Mufamadi
Chairperson of Council



Mr Songezo Boo
Chief Executive Officer

5.1 ANNUAL FINANCIAL STATEMENTS

NATIONAL HOME BUILDERS REGISTRATION COUNCIL STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Notes	2022 R	Restated 2021 R
ASSETS			
Non-current assets			
Property, plant and equipment	2	82 435 895	88 027 966
Intangible assets	3	30 785 223	40 744 794
Investments	4	4 469 198 012	4 101 083 969
Other receivables	6	306 660	521 751
		<u>4 582 725 790</u>	<u>4 230 378 479</u>
Current assets			
Investments	4	3 481 336 730	3 254 377 704
Inventories	5	7 838 978	9 543 984
Trade and other receivables	6	36 523 832	30 843 717
Cash and cash equivalents	7	1 043 443 392	857 141 519
		<u>4 569 142 933</u>	<u>4 151 906 925</u>
TOTAL ASSETS		<u>9 151 868 723</u>	<u>8 382 285 404</u>
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		7 912 998 301	6 628 920 749
Emerging contractor reserve	8	3 665 039	3 665 039
		<u>7 916 663 340</u>	<u>6 632 585 787</u>
LIABILITIES			
Non-current liabilities			
Provision for outstanding claims	9	21 357 342	21 188 592
Provision for unearned premium	9	579 432 501	601 063 486
Provision for unexpired risk	9	-	527 446 086
Deposits for Guarantees	11	37 112 375	25 265 980
		<u>637 902 218</u>	<u>1 174 964 144</u>
Current liabilities			
Trade and other payables	10	188 516 671	102 986 918
Deposits for Guarantees	11	17 186 781	24 479 621
Provision for outstanding claims	9	10 135 532	9 931 870
Provision for unearned premium	9	381 464 182	437 337 064
		<u>597 303 166</u>	<u>574 735 473</u>
Total equity and liabilities		<u>9 151 868 723</u>	<u>8 382 285 404</u>

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2022

	Notes	2022 R	Restated 2021 R
Revenue			
Revenue from exchange transactions			
Insurance premium revenue	12	1 354 003 995	562 570 109
Fee revenue	13	59 212 811	52 537 569
Technical services revenue	14	4 996 300	5 123 826
Other revenue	15	4 895 575	11 648 241
Interest received and investment income	16	422 994 455	398 149 938
Realised gain on financial assets	4	159 808 110	-
Unrealised gain on financial assets	4	363 419 475	471 447 393
Total revenue from exchange transactions		2 369 330 721	1 501 477 077
Revenue from non-exchange transactions			
Other Income	15	3 965 296	17 321 969
Total revenue		2 373 296 017	1 518 799 046
Expenditure			
Insurance claims and loss adjustment expenses	17	(9 618 531)	(9 898 086)
Accreditation, builders manual and certificate cost	31.2	(1 722 708)	(936 292)
Technical services expenditure	31.3	(4 061 070)	(4 147 434)
Depreciation and amortisation	31.4	(22 225 697)	(21 979 592)
Employee cost	31.5	(556 865 891)	(483 713 493)
Repairs and maintenance	31.6	(2 048 562)	(1 845 570)
Administration expenses	31.7,25	(231 304 504)	(215 232 265)
Asset management service fees	4	(12 990 391)	(11 544 275)
Realised loss on financial assets	4	(48 739 459)	(32 742 999)
Unrealised loss on financial assets	4	(199 641 651)	-
Total expenditure		(1 089 218 465)	(782 040 007)
Surplus for the year	25	1 284 077 552	736 759 040

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2022

	Notes	Accumulated surplus R	Emerging contractor reserve R	Total R
Balance at 31 March 2020 Restated		5 890 951 107	4 875 642	5 895 826 750
Restated surplus	25	736 759 038		736 759 038
As previously reported		737 855 835	-	737 855 835
Restatement of prior year surplus		(1 096 796)	-	(1 096 796)
Reserve utilised	8	1 210 604	(1 210 604)	-
Balance at 31 March 2021 Restated	25	6 628 920 749	3 665 039	6 632 585 787
Surplus for the year ended 31 March 2022		1 284 077 552	-	1 284 077 552
Balance at 31 March 2022		7 912 998 301	3 665 039	7 916 663 340

CASH FLOW STATEMENT

for the year ended 31 March 2022

	Notes	2022 R	Restated 2021 R
Cash flows from operating activities			
Receipt		857 217 531	709 741 810
Cash receipts from customers		829 567 981	692 737 442
Interest received	16	27 649 550	17 004 368
Payment		(725 175 819)	(705 183 561)
Cash paid to suppliers and employees		(715 929 700)	(697 214 537)
Claims paid	17	(9 246 119)	(7 969 024)
<i>Net cash inflow from operating activities</i>	20.1	132 041 712	4 558 249
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(1 750 645)	(7 928 911)
Purchase of intangible assets	3	(5 354 256)	-
Purchase of additions investment	4	(1 365 824 889)	(1 247 828 158)
Withdrawal of investment	4	1 363 222 081	1 244 865 959
Net Proceeds on sale of financial assets	20.2	63 967 871	96 604 239
<i>Net cash inflow from investing activities</i>		54 260 162	85 713 129
Net increase/(decrease) in cash and cash equivalents		186 301 874	90 271 377
Cash and cash equivalents at beginning of year	7	857 141 519	766 870 142
Cash and cash equivalents at the end of the year	20.3	1 043 443 392	857 141 519

NATIONAL HOME BUILDERS REGISTRATION COUNCIL **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION**

for the year ended 31 March 2022

Description	Notes	2022 Actual	2022 Budget	Difference: Actual and Budget	2021 Actual	2021 Initial Budget	2021 Revised Budget
Revenue	1						
Insurance premium revenue							
Fee revenue	1.1	59 212 811	63 545 031	(4 332 219)	52 537 569	34 180 256	29 193 332
Non-subsidy enrolments	1.2	641 588 531	552 477 697	89 110 834	479 189 200	670 098 398	505 853 569
Actuarial Adjustments	1.3	604 949 953	-	604 949 953	(28 528 728)	-	-
Subsidy enrolments	1.4	107 465 511	125 345 459	(17 879 948)	111 909 637	165 128 492	139 621 017
Technical service revenue	1.5	4 996 300	15 000 000	(10 003 700)	5 123 826	20 000 000	13 500 000
Other revenue	1.6	4 895 575	3 000 000	1 895 575	11 648 241	-	-
Other Income	1.6	3 965 296	-	3 965 296	17 321 970	2 800 000	2 800 000
Interest received and investment income	3	422 994 455	436 789 000	(13 794 545)	398 149 939	461 536 000	421 716 334
Unrealised gain on financial assets	3	159 808 110	-	159 808 110	-	-	-
Realised gain on financial assets	3	363 419 475	52 689 507	310 729 968	471 447 393	51 154 861	21 314 525
Total revenue		2 373 296 017	1 248 846 693	1 124 449 324	1 518 799 046	1 404 898 007	1 133 998 778
Expenses	2						
Insurance claims and loss adjustment expenses		(9 618 531)	-	(9 618 531)	(9 898 086)	(9 000 000)	-
Accreditation,builders manual and certificate cost		(1 722 708)	(1 502 940)	(219 768)	(936 292)	(2 084 824)	(1 340 235)
Technical services expenditure	2.1	(4 061 070)	(8 800 000)	4 738 930	(4 147 434)	(12 000 000)	(8 000 000)
Depreciation and amortisation		(22 225 697)	(22 200 420)	(25 277)	(21 979 592)	(27 443 920)	(23 989 711)
Council costs	2.2	(2 623 926)	(4 710 038)	2 086 112	(1 826 013)	(5 382 900)	(4 710 038)
Employee cost	2.3	(556 865 891)	(502 690 509)	(54 175 382)	(483 713 493)	(522 047 638)	(520 830 937)
Asset management services		(12 990 391)	(12 360 000)	(630 391)	(11 544 275)	(12 000 000)	(9 500 000)
Repairs and maintenance		(2 048 562)	(2 764 563)	716 001	(1 845 570)	(3 566 500)	(3 566 500)
Administration expenses	2.4	(228 680 578)	(206 242 878)	(22 437 700)	(213 406 251)	(262 253 873)	(216 839 936)
Unrealised loss on financial assets		(199 641 651)	-	-	-	-	-
Realised loss on financial assets	3	(48 739 459)	-	48 739 459)	(32 742 999)	-	-
Total expenditure		(1 089 218 465)	(761 271 348)	(128 305 465)	(782 040 007)	(855 779 655)	(788 777 357)
Surplus for the period		1 284 077 552	487 575 345	1 601 093 812	736 759 040	549 118 352	345 221 421

Note

1. Revenue

1.1 Fee income

Fee income includes registration fees, renewal fees and project enrollments. The negative variance is due to project enrollments being lower than planned.

1.2 Non subsidy enrollments

The increase of R89m is due to a higher number of enrollments in current year due to prior year backlog.

1.3 Change in unearned premium and unexpired risk

The budgeted unearned premium provision was based on past trends. Due to decrease in premium revenue the unearned premium has decreased.

1.4 Subsidy enrollments

Subsidy home enrollment revenue decreased compared to budget, this is mainly due to the lower enrollment numbers from provincial Human Settlement Departments.

1.5 Technical revenue

Delay in roll out of projects from the Department of Human Settlement.

1.6 Other revenue

Other revenue is due to an increase in sundry income.

2. Expenditure

2.1 Technical service expenditure

This expenditure is in relation to technical service revenue which has also declined.

2.2 Council costs

The council cost decreased due to less council meetings in the financial year with less travel and accommodation costs.

2.3 Employee Costs

The increased expenditure in permanent staff cost is due to back payment matter relating to salaries of staff.

2.4 General and administration expenses

General and administration expenditure were stringently managed by the organisation.

3. Income from investments

Decrease in interest received and investments income is due to lower interest rates during the year. Realised gain is as of result of investment market performance during the current year.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2022

1. Presentation of Financial Statement

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999). These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand and rounded to the nearest Rand. A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

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

1.1.1 Trade receivables and other financial assets

The entity assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are determined based on the history of defaults by its debtors. Each debtor is allocated a loss ratio based on indicators prevailing at reporting date. The loss ratio is applied to balances owed to estimate the estimated future cash flows receivable from the debtor.

1.1.2 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 1.9.

1.1.3 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption will change which may then affect our estimations and may then require a material adjustment to the carrying value of tangible assets and intangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable or may have changed from previous estimates. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)***for the year ended 31 March 2022*

expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including entity specific variables together with economic factors such as inflation and interest rates.

1.1.4 Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for its depreciable assets. These estimates are based on management's experience, knowledge and current expectations for the use of the depreciable assets. The annual depreciation charge will be adjusted for any changes in these estimates.

1.2 Property, plant and equipment

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Items	Depreciation Method	Average Useful life
Computer equipment	Straight line	12 years
Office furniture	Straight line	30 years
Office Equipment	Straight line	20 years
Motor vehicles	Straight line	13 years
Buildings	Straight line	20 years
Minor Assets	Straight line	1 year

Land is not depreciated

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 depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 2).

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)***for the year ended 31 March 2022***1.3 Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset arising from the development phase of an internal project is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits or service potential.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)***for the year ended 31 March 2022*

The amortisation period and the amortisation method for intangible assets reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as an indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Items	Depreciation Method	Average Useful life
Computer software	Straight line	8 years

Subsequent expenditure is capitalised only when it creates the future economic benefits embodied in the specific asset to which it relates.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)***for the year ended 31 March 2022*

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset can be exchanged, reliably settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- Cash.
- A residual interest of another entity; or
- A contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is 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 currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- Equity instruments or similar forms of unitised capital.
- A formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as
 - forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- A formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- The entity designates at fair value at initial recognition; or are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- Derivatives.
- combined instruments that are designated at fair value.
- Instruments held for trading. A financial instrument is held for trading if:
 - It is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
 - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition;
 - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial assets	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at fair value
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)***for the year ended 31 March 2022*

participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

1.5 Prepayments

Prepayments are payments that the entity has made at the reporting date for economic benefits or service potential to be received in future periods. Prepayments are made in accordance with contracts between the entity and third parties.

The entity recognises as an asset the extent to which payments made exceed the value of economic benefits or service potential received.

The entity measures prepayments at the fair value of the consideration paid, to the extent that it exceeds the value of goods or services received. As the entity receives the related goods or services, it shall reduce the carrying number of prepayments made by the fair value of those goods or services received. Any related asset or expense will be recognised in accordance with the applicable GRAP standard.

1.6 Leases

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

1.7 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the Cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Useful life is either:

- The period of time over which an asset is expected to be used by the entity; or
- The number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash- generating assets, are as follows:

- Whether assets are acquired to earn a commercial return
- Whether assets are acquired to deliver services for which the entity is mandated other than those, which generate an economic return

1.8 Going concern assumption

The annual financial statements have been prepared based on the expectation that the economic will continue to operate as a going concern in the foreseeable future.

1.9 Provisions and contingencies

A provision is a liability of uncertain timing or amount. Provisions are recognised when:

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

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

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

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)***for the year ended 31 March 2022*

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

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

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

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

An onerous contract is a contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.

Contingent assets and contingent liabilities are not recognised.

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

A present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

1.10 Commitments

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

A commitment is an agreement or a pledge to assume a financial obligation at a future date. The company has the following type of commitment:

- Those for the receipt of goods or services from supplier

A commitment arises out of a contractual agreement between the company and another party which entitles the company or the third party to enforce the delivery of the agreed upon goods or services at an agreed amount.

Contractual commitments are not recognised but are disclosed in the notes to the financial statements.

Disclosures are required in respect of unrecognised contractual commitments.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. 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.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is post-poned until the significant act is executed.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)***for the year ended 31 March 2022*

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably. Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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

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

1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue arising from DC fine and legal recoveries are recognised on the cash basis.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fine are measured at the best estimate of the inflow of resources to the entity.

1.13 Insurance technical result

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.

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.

Insurance claims incurred

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

Liability adequacy test

An independent actuarial service company tests the solvency of the warranty fund annually. 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, 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.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to GRAP 3.

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

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

- a. This Act; or
- b. The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- c. Any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)***for the year ended 31 March 2022*

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury, or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.17 Budget information

The approved budget is prepared on a comparable basis to the Annual Financial Statements and is presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from 2021/04/01 to 2022/03/31.

Comparative information is not required.

The company presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate additional financial statement in accordance with Standards of GRAP. The entity discloses an explanation of material differences between the budgets for which the entity is held publicly accountable and actual amounts.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control over those policies.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

Management are those persons responsible for planning, directing, and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate, where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements

1.20 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.

1.21 Inventories

Inventories are initially measured at cost and subsequently written down to the lower of cost and estimated net realisable value. Any write-down is recognised in surplus or deficit. Cost is calculated using the first-in-first-out method and comprises direct purchase costs.

Estimated net realisable value is the estimated selling price in the ordinary course of business, less any costs to be incurred in distribution.

1.22 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.

1.23 Events after the reporting period

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken based on the financial statements

1.24 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses when applicable, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

2. New Standards and Interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 104 (amended) Financial Instrument

Following the global financial crisis, several concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS

Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect: financial guarantee contracts issued, loan commitments issued, classification of financial assets, amortised cost of financial assets, impairment of financial assets and disclosures.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

GRAP 25 Employee Benefits

2.2 Standards and interpretations not effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2021 or later periods but are not relevant to its operations:

GRAP 104: Financial instrument	Not set	Unlikely there will be a material impact
GRAP 25: Employee Benefits	Not set	Unlikely there will be a material impact

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

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 2022						
Opening net book amount	16 608 182	9 991 457	963 309	17 751 947	42 713 071	88 027 966
Additions	608 210	1 142 435	-	-	-	1 750 645
Disposals	(1 552 856)	(315 714)	-	-	-	(1 868 570)
Depreciation on disposal	1 141 567	291 521	-	-	-	1 433 087
Depreciation charge	(2 149 625)	(859 509)	(112 711)	-	(3 785 388)	(6 907 233)
Closing net book amount	14 655 477	10 250 189	850 598	17 751 947	38 927 683	82 435 894
At 31 March 2022						
Cost	26 305 824	26 511 678	1 565 239	17 751 947	75 707 782	147 842 470
Accumulated depreciation	(11 650 347)	(16 261 489)	(714 641)	-	(36 780 098)	(65 406 575)
Net book amount	14 655 477	10 250 189	850 598	17 751 947	38 927 683	82 435 895
Year ended 31 March 2021						
Opening net book amount	10 601 617	10 890 025	1 076 019	17 751 947	46 498 458	86 818 067
Additions	7 748 455	180 457	-	-	-	7 928 911
Disposals	(1 481 889)	(158 455)	-	-	-	(1 640 345)
Depreciation on disposal	1 474 810	156 916	-	-	-	1 631 726
Depreciation charge	(1 734 810)	(1 077 485)	(112 711)	-	(3 785 388)	(6 710 394)
Reclassification	-	-	-	-	-	-
Closing net book amount	16 608 182	9 991 457	963 309	17 751 947	42 713 071	88 027 966
At 31 March 2021						
Cost	27 250 471	25 684 958	1 565 239	17 751 947	75 707 782	147 960 397
Accumulated depreciation	(10 642 289)	(15 693 500)	(601 930)	-	(32 994 711)	(59 932 430)
Net book amount	16 608 182	9 991 457	963 309	17 751 947	42 713 071	88 027 966

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 1.1 Significant judgements and sources of estimation uncertainty policies.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)***for the year ended 31 March 2022***3. INTANGIBLE ASSETS**

	Computer software	Total
	R	R
Year ended 31 March 2022		
Opening net book amount	40 744 794	40 744 794
Additions	5 354 256	5 354 256
Amortisation on disposals	4 637	4 637
Amortisation charge	(15 318 464)	(15 318 464)
Closing net book amount	30 785 223	30 785 223
At 31 March 2022		
Cost	127 522 843	127 522 843
Accumulated amortisation	(96 737 620)	(96 737 620)
Net book amount	30 785 223	30 785 223
Year ended 31 March 2021		
Opening net book amount	56 013 992	56 013 992
Amortisation charge	(15 269 198)	(15 269 198)
Closing net book amount	40 744 794	40 744 794
At 31 March 2021		
Cost	122 168 587	122 168 587
Accumulated amortisation	(81 423 793)	(81 423 793)
Net book amount	40 744 794	40 744 794

Intangible assets comprises of computer software namely SAP, Digital services and other minor software.

The amortisation has been assessed as reasonable. The recurring amortisation for SAP is one(1) years and digital service is eight(8) years respectively

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

2022	2021
R	R

4. INVESTMENTS

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

Investments carried at fair value comprise the following:

Money Market investments	2 994 466 107	2 785 518 645
CPD Money Market	486 870 623	468 859 059
Listed bond securities and equity		
- Short-term < 7 years	1 553 171 713	1 399 140 611
- Medium-term 7 to 12 years	261 962 023	221 742 944
- Long-term > 12 years	1 337 837 456	1 253 480 620
	6 634 307 923	6 128 741 879
Derivative financial instruments at fair value	1 316 226 820	1 226 719 794
	7 950 534 743	7 355 461 673

Split between non-current and current

Non-Current portion	4 469 198 012	4 101 083 969
Current portion	3 481 336 730	3 254 377 704
Total	7 950 534 743	7 355 461 673

None of these financial assets are either past due or impaired

Reconciliation of opening and closing balance

Opening balance	7 355 461 673	6 641 412 639
Cash and call Accounts prior year *	304 222 913	207 618 674
Cash and call call Accounts current year *	(368 190 784)	(304 222 913)
Capital additions	1 365 824 889	1 247 828 158
Withdrawal	(1 363 222 081)	(1 244 865 959)
Interest accrued	371 815 358	366 782 629
Dividend income	23 529 547	14 362 941
Transaction Costs	(762 856)	(614 614)
Asset management service fees	(12 990 391)	(11 544 275)
Unrealised profit on financial assets	363 419 475	471 447 393
Unrealised loss on financial assets	(199 641 651)	-
Realised profit on financial assets	159 808 110	-
Realised loss on financial assets	(48 739 459)	(32 742 999)
	7 950 534 743	7 355 461 673

* Call accounts relate to the cash component within the investment portfolio.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

4. INVESTMENTS (CONTINUED)

4.1 Credit quality of financial assets

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

Financial Assets at Fair Value

(Bonds, Money Market, Equities and Structured Products)

	2022 R	2021 R
Fitch		
AAA	20 723 518	17 482 699
AA+	12 846 706	37 882 751
A+	117 290 313	1 055
F1+	180 845 236	101 655 149
AA-	-	26 735 083
A-	-	2 207 168
AA	-	20 510 760
	331 705 773	206 474 665
Moody		
A+	18 310 663	251 558
F1+	941 144 933	936 846 429
AA+	303 310 366	87 370 443
AAA	934 330 841	823 177 481
AA	147 183 807	-
AA-	6 317 077	-
	2 350 597 686	1 847 645 912
GCR		
AA-	3 006 473	-
AA	180 346 331	622 727 230
AA+	-	190 606 786
AAA	-	231 040 654
F1+	-	31 284 261
	183 352 803	1 075 658 931
S&P		
AA-	8 544 119	62 210 409
AA+	326 211 924	320 695 565
A-	44 171 932	69 539 346
A+	59 725 927	24 029 545
F1+	153 752 374	144 614 120
F1	-	29 849 753
AA	1 107 637 719	332 704 733
AAA	1 112 992 733	1 109 692 544
A	5 081 793	46 359 399
B	14 983 803	11 842 720
	2 833 102 325	2 151 538 134
	5 698 758 587	5 281 317 641

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

4.1 Credit quality of financial assets (continued)

	2022 R	2021 R
Amount carried forward from prior page	5 698 758 587	5 281 317 641
Insured		
AA	17 892 432	-
AA-	4 734 816	-
AA+	22 056 343	-
AA-	3 715 197	-
AAA	66 100 003	-
	5 813 257 378	5 281 317 641
Equity Exposure	2 137 277 365	2 074 144 032
	7 950 534 743	7 355 461 673

The NHBRC has exposure to various issuers of debt instruments in South African Rands. To assess credit risk exposure, local currency ratings of the issuer are used.

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

Fair value measurement at end of the year using:

2022

Financial assets at fair value through profit or loss

Equities

Bonds

Money market instruments

Other investment(Structured Products)

R	Level 1 R	Level 2 R
633 304 570	633 304 570	-
2 519 666 622	2 519 666 622	-
3 481 336 730	-	3 481 336 730
1 316 226 820	1 316 226 820	-
7 950 534 743	4 469 198 012	3 481 336 730

Fair value measurement at end of the year using:

2021

Financial assets at fair value through profit or loss

Equities

Bonds

Money market instruments

Other investment (structured products)

R	Level 1 R	Level 2 R
562 278 234	562 278 234	-
2 312 085 941	2 312 085 941	-
3 254 377 704	-	3 254 377 704
1 226 719 794	1 226 719 794	-
7 355 461 673	4 101 083 969	3 254 377 704

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 2022	Valuation techniques	Observable Input
Financial assets at fair value through profit or loss:			
Unlisted:			
Debt securities	Reference to listed bonds	Risk free yield to maturity curve,risk free zero curve	
Money market securities	Discount cash flow valuation, black-scholes Model	Published exchange swap curve, published interest rate curve, published credit spread curve/implied credit spread curve, risk free curve/implied credit spread curve, risk free yield to maturity curve, risk free zero curve, swap yield to maturity curve, swap zero curve	
Other investments	Reference to listed benchmark bond	Risk free yield to maturity curve,risk free zero curve	

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

5. INVENTORIES

Builders manuals at cost

6. TRADE AND OTHER RECEIVABLES

Net trade receivables

- Trade receivables
- Less provision for impairment

Other receivables:

- Rental deposits
- Sundry debtors

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

Trade receivables

Rental deposits

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

At 1 April 2021

Decrease /(Increase) in provision

At 31 March 2022

2022 R	2021 R
7 838 978	9 543 984
3 758 119	12 740 237
44 516 625	52 310 735
(40 758 506)	(39 570 498)
2 783 678	2 718 542
30 288 695	15 906 689
36 830 492	31 365 468
44 516 625	52 310 735
2 783 678	2 718 542
47 300 303	55 029 277
(39 570 498)	(72 409 926)
(1 188 008)	32 839 428
(40 758 506)	(39 570 498)

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 Departments of Human Settlement.

6.1 Rental deposits

Split between non-current and current

Non-Current portion

Current portion

306 660	521 751
2 477 018	2 196 792
2 783 678	2 718 542

6.2 Trade and other receivables

Split between non-current and current

Non-Current portion

Current portion

306 660	521 751
36 523 832	30 843 717
36 830 492	31 365 468

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

44 516 625	52 310 735
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NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

7. CASH AND CASH EQUIVALENTS

Cash balances
Short-term bank deposits
Call accounts*

2022 R	2021 R
675 108 515	552 743 662
144 094	174 945
368 190 784	304 222 913
1 043 443 392	857 141 519

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.

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 R'0 (2021: R1 210 604) for home builder training in the current financial year. The remaining reserve to be utilised for future years is R 3 665 039 (2021:R3 665 039).

9. TECHNICAL ACTUARIAL LIABILITIES

	Outstanding claims R	Unearned premium R	Unexpired risk R	Total R
Balance at 31 March 2020	29 191 401	1 196 092 823	341 225 085	1 566 509 308
Increase during the year (note 31)	9 898 086	-	-	9 898 086
Utilised during the year (note 17)	(7 969 024)	-	-	(7 969 024)
Increase /(decrease) during the year (note 17)		(157 692 273)	186 221 001	28 528 728
Balance at 31 March 2021	31 120 462	1 038 400 550	527 446 086	1 596 967 098
Increase during the year (note 31)	9 618 531	-	-	9 618 531
Utilised during the year (note 17)	(9 246 119)	-	-	(9 246 119)
Increase /(decrease) during the year (note 17)		(77 503 867)	(527 446 086)	(604 949 953)
Balance at 31 March 2022	31 492 874	960 896 683	-	992 389 557
Balance at 31 March 2021				
Current	9 931 870	437 337 064	-	447 268 934
Non-current	21 188 592	601 063 486	527 446 086	1 149 698 164
	31 120 462	1 038 400 550	527 446 086	1 596 967 098
Balance at 31 March 2022				
Current	10 135 532	381 464 182	-	391 599 714
Non-current	21 357 342	579 432 501	-	600 789 843
	31 492 874	960 896 683	-	992 389 557

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

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 75% 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	2022		2021	
	Non-subsidy	Subsidy	Non-subsidy	Subsidy
Discount rate	4,00%	8,30%	3,30%	7,10%
General price inflation	2,70%	5,70%	1,80%	4,30%
Future building cost inflation	2,70%	5,70%	1,80%	4,30%
Historical building cost inflation	5,90%	4.1%	3,20%	4.1%
Ultimate complaint rate	1,00%	1,00%	1,00%	1,00%
BF complaints loss ratio	0,00%	N/A	0,00%	N/A
Remedial work rate	10,00%	10,00%	10,00%	10,00%
Average claim cost	R 264 008	R 54 714	R 242 156	R 54 714
Initial expense ratio	58%	-103%	60%	-59%
BF method loss ratio	2.25%	2.25%	2.25%	2.25%
BF method tail factor	2.5%	2.5%	2.5%	2.5%
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 2022

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 2021/22. The OCP is sensitive to the net real discount rates and the BF Tail Factor. The AURP is also sensitive to the net real discount rate in addition to the average remedial claim amount, the remedial work rate, the ultimate complaint rate, and to a lesser extent the development of complaints as suggested by the earnings curve.

10. TRADE AND OTHER PAYABLES

Trade payables and accrued expenses

Operating lease accrual

Income received in advance

Leave accrual

Cash received in advance

Retentions

	2022 R	Restated 2021 R
Trade payables and accrued expenses	125 339 034	31 085 059
Operating lease accrual	2 072 710	2 192 899
Income received in advance	6 071 188	4 750 748
Leave accrual	28 124 894	30 287 872
Cash received in advance	25 540 327	33 301 821
Retentions	1 368 518	1 368 518
	188 516 671	102 986 918

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

Deposits for Guarantees split between non-current and current

Non-Current portion

Current portion

Non-Current portion	37 112 375	25 265 980
Current portion	17 186 781	24 479 621
	54 299 156	49 745 601

NATIONAL HOME BUILDERS REGISTRATION COUNCIL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)***for the year ended 31 March 2022*

2022	2021
R	R

12. INSURANCE PREMIUM REVENUE

Non- Subsidy Enrolments	641 588 531	479 189 200
Subsidy Enrolments	107 465 511	111 909 637
Change in unearned premium provision (see note 9)	77 503 867	157 692 273
Change in unexpired risk provision (see note 9)	527 446 086	(186 221 001)
	1 354 003 995	562 570 109

The unearned premium provision is the portion of received enrolments that is held to meet future complaints and conciliation expenses, over heads and remedial work claims for unexpired years of cover.

The Ultimate future Liability from inforce business is calculated on a run off basis to evaluate the sufficiency of the unearned premium provision to meet future expenses and claims. If the Ultimate Future Liability exceeds the unearned premium provision and additional unexpired risk provision is set up.

13. FEE REVENUE

Annual registration fees	7 466 918	1 518 275
Annual renewal fees	5 047 409	9 821 658
Registration fees	2 828 599	2 329 992
Builder manual fees	1 237 425	1 106 831
Subsidy project enrolments fees	41 836 462	37 050 654
Late enrolment fees	357 638	409 220
Document sales	438 361	300 940
	59 212 811	52 537 569

14. TECHNICAL SERVICES REVENUE

Forensic engineering, Geotechnical and rectification work	4 996 300	5 123 826
	4 996 300	5 123 826

15. OTHER REVENUE

The amount included in the revenue arising from exchange of service are as follows:

Sundry Income	4 895 575	11 648 241
	4 895 575	11 648 241

The amount included in the revenue arising from non-exchange of service are as follows:

Other Income

Disciplinary hearing fines	3 877 410	2 792 500
Legal Recoveries	87 886	588 860
Other Income	-	13 940 610
	3 965 296	17 321 969
	8 860 870	28 970 211

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

16. INVESTMENT INCOME

	2022 R	Restated 2021 R
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Investment income earned on financial assets, analysed by category of asset, is as follows:

Interest received from investments	371 815 358	366 782 629
Dividend income	23 529 547	14 362 941
Interest received (cash and cash equivalents)	27 649 550	17 004 368
	422 994 455	398 149 938

17. INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

Current year warranty claims (see note 9)	(9 246 119)	(7 969 024,40)
(Decrease)/increase in the outstanding claims provision	18 864 650	17 867 110
	9 618 531	9 898 086

18. RESULTS FROM OPERATING ACTIVITIES

Results from operating activities is arrived at after taking into account the following:

Auditor's remuneration	8 464 350	6 301 866
Depreciation	6 907 233	6 710 394
Computer equipment	2 149 625	1 734 810
Office furniture and equipment	859 509	1 077 485
Motor vehicles	112 711	112 711
Buildings	3 785 388	3 785 388
Amortisation of intangible assets	15 318 464	15 269 198
Net loss on property, plant and Equipment.	430 846	3 618
Net loss on disposal of intangible assets	-	5 000
Rentals in respect of operating leases*	17 831 280	17 678 304

*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:	38 504 206	39 461 388
Not later than 1 year	17 421 251	15 541 467
Later than 2 years and not later than 5 years	21 082 955	23 919 920
Employee costs	556 865 891	483 713 493
- Permanent staff costs	552 327 398	478 238 548
- Temporary Staff cost	4 538 493	5 474 946
Executive management and Council remuneration	17 023 162	19 876 170
Executive Managers		
- For managerial services	14 801 732	18 065 335
Non-executive Council remuneration		
- For services as members of Council	2 221 430	1 810 835

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

19. FINANCE COSTS

Interest paid - late payments

2022 R	Restated 2021 R
-	-

20. NOTES TO THE CASH FLOW STATEMENT

20.1 Reconciliation of net cash flows from operating activities to surplus/(deficit)

Surplus for the year	1 284 077 552	736 759 040
Adjustments for:		
Depreciation	6 907 233	6 710 394
Amortisation	15 318 464	15 269 198
Annual leave	176 427	4 862 336
Claims paid	9 246 119	1 929 062
Transaction costs on investments	762 856	614 614
Administration fee	12 990 391	11 544 275
Write off of property, plant and Equipment.	430 846	8 618
Net loss on disposal of intangible assets	-	5 000
Realised loss on financial instruments	48 739 459	32 742 999
Realised profit on financial instruments	(159 808 110)	-
Unrealised loss on financial instruments	199 641 651	-
Unrealised profit on financial instruments	(363 419 475)	(471 447 393)
Movement in provisions	-	4 033 094
Increase in technical liabilities	(604 949 953)	28 528 728
Dividend received	(23 529 547)	(14 362 941)
Bad Debt	1 188 008	8 929 460
Sundry income	(5 904 709)	(11 648 241)
Other non Cash item	220 122	113 264
Interest paid	-	-
Interest received	(371 815 358)	(366 782 629)
Operating income before working capital changes	50 271 977	(12 191 121)
Decrease in inventories	1 705 006	929 064
Decrease /(Increase) in trade and other receivables	(5 465 024)	15 006 998
Decrease /(Increase) in trade and other payables	85 529 753	813 307
Net cash inflow from operating activities	132 041 712	4 558 249

20.2 Proceeds on sale of financial assets

Proceeds/(Disposal) of financial assets	(63 967 871)	96 604 239
	(63 967 871)	96 604 239

20.3 Cash and cash equivalents

Cash and cash equivalents consist of cash balances and short term bank deposits. Cash and cash equivalents included in the cash flow statement comprise the following amounts:

Cash on hand and balances with banks	1 043 443 392	857 141 519
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NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

Fees	Cell phone Allowance	Total 2022	Total 2021
R	R	R	R

21. REMUNERATION

21.1 Total cost - Non-executive council members

Ms Nomusa Mufamadi (Chairperson) ¹	47 631	1 600	49 231	-
Mr Francois Beukman(Deputy Chairperson) ¹	86 570	2 400	88 970	-
Mr Kganki Matabane ¹	42 681	2 400	45 081	-
Ms Nontuthuko Chiluvane ¹	34 824	2 400	37 224	-
Ms Mandy Jayakody ¹	31 428	2 400	33 828	-
Mr Refilwe Lediga ¹	34 047	2 400	36 447	-
Ms Siphindile Memela ¹	31 428	2 400	33 828	-
Ms Lucia Ncalane-Ngcobo ¹	37 443	2 400	39 843	-
Ms Kedibone Tsiloane ¹	31 428	2 400	33 828	-
Mr Roy Mnisi ¹	58 418	4 800	63 218	138 731
Ms Renaire Huntley ¹	51 485	2 400	53 885	-
Mr Mphedziseni Radzilani ²	839 642	-	839 642	-
Ms Julieka Bayat (Chairperson) ³	220 887	4 000	224 887	323 979
Mr Mziwonke Jacobs ³	127 266	4 000	131 266	160 149
Ms Bongilewe Duba ³	161 537	3 200	164 737	167 108
Mr Unathi Hoyana ³	127 000	4 000	131 000	124 836
Mr Choeu Makabate ³	139 296	4 000	143 296	170 625
Ms Nthabiseng Tsenase ³	57 618	3 200	60 818	128 255
Mr Goolam Manack ³	-	10 400	10 400	-
Ms Mampe Kotsi ³	-	-	-	169 942
Ms Noluthando Molao ³	-	-	-	128 934
Mr Roseberry Sonto	-	-	-	120 617
Mr Zenzele Myeza	-	-	-	177 659
	2 160 630	60 800	2 221 430	1 810 835

¹ Appointed on 26 November 2021

² Appointed as administrator from 01 September 2021 to 25 November 2021

³Term ended 31 August 2021

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

21. REMUNERATION (CONTINUED)

	Salaries	Cell phone Allowance	Subsistence and travel and Acting Allowance	2022	2021
	R	R	R	R	R
21.2 Total cost - Executive management					
S Booï (Chief Executive Officer) ¹	3 243 073	30 000	201 215	3 474 287	2 640 478
O Maseng (Chief Operating Officer)	3 086 435	30 000		3 116 435	3 236 470
T Bouwer (Acting Chief Financial Officer) ²	1 636 860	18 000	319 088	1 973 947	619 065
N Chavalala (Acting Executive Manager Corporate Services) ³	1 785 665	18 000	350 612	2 154 277	651 119
K Khan (Acting Executive Manager Legal Service) ⁴	413 348	6 000	83 293	502 641	686 937
C Makapela (Acting Executive Manager Business Service) ⁵	1 785 665	21 600	355 793	2 163 058	2 075 087
A Yabo (Acting Executive Manager Legal Service) ⁶	991 254	13 500	220 875	1 225 629	686 937
M Dlabantu (Chief Executive Officer)	-	-	-	-	3 594 553
J Motapola (Acting Chief Operations Officer)	-	-	-	-	1 148 956
G Mkhize (Executive Manager Corporate Services)	-	-	-	-	1 793 692
H Mmbara (Acting Executive Manager Legal Service)	-	-	-	-	932 039
	12 942 300	137 100	1 530 875	14 610 274	18 065 335

⁴ Acting CEO from 1 August 2020 to 16 November 2020 and from 05 March 2021. Appointed CEO from 01 August 2021

² Acting CFO from 1 August 2020 to 16 November 2020 and from 05 March 2021.

³ Acting Appointment from 10 December 2020.

⁴ Acting Appointment from 22 October 2020 to 6 July 2021

⁵ Acting Appointment from 02 March 2020.

⁶ Acting Appointment from 07 July 2021.

21.3 Bonuses

Executive Management

	2022	2021
	R	R
S Booï (Chief Executive Officer)	34 879	-
T Bouwer (Acting Chief Financial Officer)	31 876	-
N Chavalala (Acting Executive Manager Corporate Services)	34 123	-
K Khan (Acting Executive Manager Legal Service)	29 824	-
C Makapela (Acting Executive Manager Business Service)	29 141	-
A Yabo (Acting Executive Manager Legal Service)	31 615	-
	191 458	-

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

22. RELATED PARTIES

22.1 Relationships:

Shareholder

Department of Human Settlements (DHS)

The NHBRC was established by the Department of Human Settlements in terms of the Housing Consumers Protection Measures Act no 95 of 1998

Member of Key Management

Mr S Booie
Mr O Maseng
Mr C Makapela
Ms T Bouwer
Ms N Chavalala
Mr A Yabo

Non-executive Council

Ms Nomusa Mufamadi (Chairperson)
Mr Francois Beukman (Deputy Chairperson)
Mr Kganki Matabane
Ms Nontuthuko Chiluvane
Ms Mandy Jayakody
Mr Refilwe Lediga
Ms Siphindile Memela
Ms Lucia Ncalane-Ngcobo
Ms Kedibone Tsiloane
Mr Roy Mnisi
Ms Renaire Huntley
Ms Morwesi Ramonyai
Ms Sasa Subban
Ms Zodwa Matiwane
Mr Mphedziseni Radzilani¹
Ms Julieka Bayat²
Mr Mziwonke Jacobs²
Ms Bongilewe Duba²
Mr Unathi Hoyana²
Mr Choeu Makabate²
Ms Nthabiseng Tsenase²
Mr Goolam Manack²
Ms Noluthando Molao²

22.2 Transactions with other related parties

¹ Appointed as administrator from 01 September 2021 to 25 November 2021

² Term ended 31 August 2021

No transactions, balances and commitments existed between the National Home Builders Registration Council and Department of Human Settlements in the current year.

The detail of the remuneration of the member of key management and Non-executive council is included in the note 21 to the financial statements.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

23. FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE

23.1 Reconciliation of fruitless and wasteful expenditure

Opening balance

Add: Fruitless and wasteful expenditure relating to current year

Fruitless and wasteful expenditure awaiting condonation

2022	2021
R	R
21 431 320	21 431 320
102 290	-
21 533 610	21 431 320

23.2 Analysis of Current year's fruitless and wasteful expenditure

Incident	Action taken	Amount	Amount
Fleet Rental car accident	Investigation completed waiting for DC hearing outcome	102 290	-
		-	-

23.3 Reconciliation of Irregular expenditure

Opening balance

Add: Irregular expenditure relating to prior year

Add: Irregular expenditure relating to current year

Less: Amounts Condoned

Irregular expenditure awaiting condonation

712 719 833	711 462 943
70 094	1 256 890
-	-
70 094	1 256 890
-	-
712 789 927	712 719 833

Analysis of awaiting condonation per age classification

Current year

Prior year

Total

70 094	1 256 890
712 719 833	711 462 943
712 789 927	712 719 833

23.3.1 Details of irregular expenditure

Incident	Action taken	Amount	Amount
Kaelo ¹	Irregular expenditure under investigation, upon finalisation consequence management will be undertaken.	70 094	-
Wenzile Phaphama Trading and Project ¹	Irregular expenditure under investigation, upon finalisation consequence management will be undertaken.	-	1 249 890
Candalog ²	Irregular expenditure under investigation, upon finalisation consequence management will be undertaken.	-	7 000
		70 094	1 256 890

23.3.2 Details of irregular expenditure

- [1] 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)
- [2] Goods & services with a transaction value of R2000 up to R10 000 were procured without inviting atleast 3 written quotations from prospective suppliers, Practice Note 8 of 2007/08(3.2)(a)

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

24. FINANCIAL INSTRUMENTS

24.1 Categories of financial instruments and maturity profile

	0-1 Year R	>1 Year R	Total R
2022			
FINANCIAL ASSETS			
Loans and receivables			
Trade and other receivables	36 830 492	-	36 830 492
Cash and cash equivalents	1 043 443 392	-	1 043 443 392
Financial assets at fair value			
Investments	3 481 336 730	3 152 971 192	6 634 307 923
Derivative Financial Instruments	-	1 316 226 820	1 316 226 820
Total financial assets	4 561 610 615	4 469 198 012	9 030 808 627

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

Trade and other payables	156 950 549	-	156 950 549
Deposits for Guarantees	17 186 781	37 112 375	54 299 156

2021

FINANCIAL ASSETS

Loans and receivables

Trade and other receivables	31 365 468	-	31 365 468
Cash and cash equivalents	857 141 519	-	857 141 519

Financial assets at fair value

Investments	3 254 377 704	2 874 364 175	6 128 741 879
Derivative Financial Instruments	-	1 226 719 794	1 226 719 794
Total financial assets	4 142 884 691	4 101 083 969	8 243 968 660

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

Trade and other payables (Note 25)	69 137 628	-	69 137 628
Deposits for Guarantees	24 479 621	25 265 980	49 745 601

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.2 Categories of financial instruments

31 March 2022	R Loans and Receivables	R Derivative Financial Instruments	R Fair value Investments	R Total
Derivative Financial Instruments	-	1 316 226 820	-	1 316 226 820
Fair value financial assets	-	-	6 634 307 923	6 634 307 923
Trade and other receivables	36 830 492	-	-	36 830 492
Cash and cash equivalents	1 043 443 392	-	-	1 043 443 392
Total	1 080 273 884	1 316 226 820	6 634 307 923	9 030 808 627

31 March 2021	R Loans and Receivables	R Derivative Financial Instruments	R Fair value Investments	R Total
Derivative Financial Instruments	-	1 226 719 793	-	1 226 719 793
Fair value financial assets	-	-	6 128 741 879	6 128 741 879
Trade and other receivables	31 365 468	-	-	31 365 468
Cash and cash equivalents	857 141 520	-	-	857 141 520
Total	888 506 988	1 226 719 793	6 128 741 879	8 243 968 660

31 March 2022	R Financial liabilities at amortised cost	R Total
Lease Liabilities	2 072 710	2 072 710
Trade and other payables	186 443 961	186 443 961
Total	188 516 671	188 516 671

31 March 2021	R Financial liabilities at amortised cost	R Total
Lease Liabilities (Note 25)	2 192 899	2 192 899
Trade and other payables	100 794 019	100 794 019
Total	102 986 918	102 986 918

24.3 Liquidity risk

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

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

Refer to note 24.10 for the maturity profile of financial instruments.

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

At 31 March 2022	Less than 3 Months	Between 3 months and 1 year	Total
Operating Lease Liability	518 178	1 554 532	2 072 710
Trade and other payables	125 339 034	61 104 928	186 443 961
	125 857 212	62 659 459	188 516 671
At 31 March 2021			
Operating Lease Liability (Note 25)	548 225	1 644 674	2 192 899
Trade and other payables	31 085 059	69 708 959	100 794 019
	31 633 284	71 353 633	102 986 918

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Fair value of financial instruments

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

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

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

24.5 Foreign currency risk

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

24.6 Capital risk

The NHBRC manages its capital to ensure that the NHBRC will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The NHBRC's overall strategy for managing capital risk remains unchanged in 2021/ 2022 financial year.

24.7 Credit risk

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

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.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.8 Management risk

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

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

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

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

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

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 non subsidy sector enrolment fee is expected to be sufficient by 3,9% if expenses, complaints and claims are as expected. The subsidy sector enrolment fee is insufficient. On a combined basis, the overall enrolment fee is marginal sufficient.

Enrolment Fee Adequacy						
Utilisation	All Houses		Non-Subsidy		Subsidy	
	Amount	%	Amount	%	Amount	%
Fixed Expenses	(2 177)	(23,0)	(3 165)	22,4	(850)	(29,2)
Enrolment & Inspections	(6 221)	(66,5)	(9 364)	(66,2)	(2 002)	(68,7)
Complaints conciliations	(481)	5,1	(680)	(4,8)	(214)	(7,3)
Remedial claims	(261)	(28,00)	(392)	2,80	(85)	(2,9)
average	(167)		(250)		(54)	
99.5% variation margin	(94)		(142)		(31)	
Total Expenses & Claims	(9 139)	(97,7)	(13 602)	(96,1)	(3 150)	(108,1)
Average fee per enrolment	(9 139)	100,0	14 153	100,0	2 913	100,0
Surplus / Deficit	215	2,3	551	3,9	(237)	8,1

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.9 Insurance risk

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

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 2022

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.9 Insurance risk (continued)

Underwriting strategy

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

Reinsurance strategy

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

Terms and conditions of Insurance contracts

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

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

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

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

Concentration of insurance risk

Insurance risk by geographical area

Gauteng and Western Cape make up 77.6% of exposure with 56.4% and 21.2% respectively

Insurance risk by developer

The risk per developer is ranked by units of exposure (enrolments after March 2015). Liquidation of the 10 largest developers constitute R 397 million of sum insured (comparison of 289 674 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 2022

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.10 Interest rate and price risk

Interest rate risk

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

Price risk

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

Sensitivity analysis

31-Mar-2022						
Carrying Amount at 31 March 2022	Interest rate risk					
	Rand amount exposed to risk	Reasonable Possible change				
		Rate Increase	Rand amount	Rate Decrease	Rand amount	
Financial Assets						
Money Market Investments	2 994 466 107	2 994 466 107	1%	29 944 661	-1%	(29 944 661)
CPD Money Market	486 870 623	486 870 623				
Listed bond securities						
- Short-term < 7 years	1 553 171 713	1 553 171 713	1%	15 531 717	-1%	(15 531 717)
- Medium-term 7 to 12 years	261 962 023	261 962 023	1%	2 619 620	-1%	(2 619 620)
- Long-term > 12 years	1 337 837 456	1 337 837 456	1%	13 378 375	-1%	(13 378 375)
	-	-		-		-
Derivative Financial Instruments	1 316 226 820	1 316 226 820	1%	13 162 268	-1%	(13 162 268)
Impact of financial assets on:						
Statement of changes in net assets						
Statement of financial performance				61 474 373		(61 474 373)
Impact on financial position	7 950 534 743	7 950 534 743		136 111 014		(136 111 014)

31-Mar-2022						
Carrying Amount at 31 March 2021	Interest rate risk					
	Rand amount exposed to risk	Reasonable Possible change				
		Rate Increase	Rand amount	Rate Decrease	Rand amount	
Financial Assets						
Money Market Investments	2 785 518 645	2 785 518 645	1%	27 855 186	-1%	(27 855 186)
CPD Money Market	468 859 059	468 859 059				
Listed bond securities						
- Short-term < 7 years	1 399 140 611	1 399 140 611	1%	13 991 406	-1%	(13 991 406)
- Medium-term 7 to 12 years	221 742 944	221 742 944	1%	2 217 429	-1%	(2 217 429)
- Long-term > 12 years	1 253 480 620	1 253 480 620	1%	12 534 806	-1%	(12 534 806)
	-	-		-		-
Derivative Financial Instruments	1 226 719 794	1 226 719 794	1%	12 267 198	-1%	(12 267 198)
Impact of financial assets on:						
Statement of changes in net assets						
Statement of financial performance				56 598 828		(56 598 828)
Impact on financial position	7 355 461 673	7 355 461 673		125 464 854		(125 464 854)

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

25. ERRORS AND RECLASSIFICATIONS

25.1 Errors and reclassifications

The errors and reclassifications relates to the understatement of expenses and trade and other payables 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		6 630 017 546	(1 096 796)	6 628 920 750
Accumulated Surplus at 31 March 2021		6 630 017 546	(1 096 796)	6 628 920 750
Statement of Financial Performance		737 855 835	(1 096 796)	736 759 038
Surplus at 31 March 2021		737 855 835	(1 096 796)	736 759 038
Administration Expense	Note 1	215 981 040	1 096 796	217 077 836
Statement of Financial Position		(101 850 851)	(1 096 796)	(102 947 648)
Trade and other payables (Note 10)	Note 1	(99 476 981)	(1 277 768)	(100 754 749)
Operating lease accrual		(2 373 871)	180 971	(2 192 899)

Notes

Note 1

In the prior year the expenses were not accrued for due to invoices not capture for payment resulting in understatement of expenses.

Cash flow statement

	Previously reported balance	Restatement	Restated balance
Changes in working Capital	(283 489)	1 096 796	813 307
Increase in trade and other payables	(283 489)	1 096 796	813 307
Financial Instruments (note 24.1)			
Financial Liabilities			
- Trade and other payables (Note 10)	(67 820 590)	(1 277 768)	(69 098 358)
- Operating lease accrual	(2 373 871)	180 971	(2 192 900)

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

26. CONTINGENT LIABILITIES

	2022 R	2021 R
Claims for damages and cost	351 946 960	357 353 950
Contractual Payments	12 070 016	6 945 495
Liability of the Warranty Fund	5 135 068	5 135 068
	369 152 044	369 434 513

There are outstanding claims pending in the Courts in relation to disputes between the NHBRC and other parties the outcome of which is unknown. The pending outstanding claims relate to various third parties for example, housing consumers, home builders or service providers, and a variety of legal claims.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

27. 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 R5 594 750 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 R23 170 083.

28. POST REPORTING DATE EVENTS

The following events occurred subsequent to 31 March 2022 but prior to reporting date:

- On 29 April 2022 Council resolved to approve a 7.5% salary increment for employees for the 2020/21 financial year in line with the 3-year wage agreement amounting to R30 502 207,46 for the 2020/21 financial year and R29 608 742,29 for the 2021/22 financial year.
- On 17 May 2022 the Council approved a 6% salary increment for employees for the 2021/22 financial year to finalise the 3-year wage agreement amounting to R25 463 518.
- Additionally on 17 May 2022 Council resolved to approve a 4.4% salary increment for management for the (Grade 1-6) for the 2020/21 and 2021/22 financial year amounting to R1 201 990,91 for 2020/21 financial year and R1 284 198,65 financial year.
- NHBRC was made aware of a new litigation claim amounting to R79 million during May 2022.

29. BROAD-BASED BLACK ECONOMIC EMPOWERMENT

BEE spend %

2022	2021
75,33%	73,72%

Prioritising the use of BEE suppliers through procurement of goods and services

30. DETAILED EXPENDITURE

30.1 Insurance claims and loss adjustment expenses

2022 R	2021 R
9 618 531	9 898 086

30.2 Accreditation, builders manual and certificate cost

- Direct costs of builder manuals

1 722 708	936 292
1 722 708	936 292

30.3 Technical services expenditure

- Forensic investigations and geotechnical service

4 061 070	4 147 434
4 061 070	4 147 434

15 402 309	14 981 812
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NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2022

30 DETAILED EXPENDITURE (CONTINUED)

Amount carried forward from prior page

30.4 Depreciation and amortisation

- Amortisation

- Depreciation

30.5 Employee cost

- Salaries and wages

- Performance Bonus

- Travel Allowance

- Medical aid

- Provident fund and disability

- Other staff costs: Allowance

- Temporary staff

30.6 Repairs and maintenance

- Property, plant and Equipment

- Vehicles

30.7 Administration expenses

- Audit fees

- Bad debts

- Bank charges

- Cleaning costs

- Conferences and seminars

- Consulting fees

- Courier and freight

- Information technology costs

- Insurance paid

- Legal fees

- Marketing fees

- Motor vehicle expenses

- Office equipment and furniture expenses

- Other expenses

- Other rentals costs

- Council

- Disciplinary committee costs

- Rentals

- Research & Development

- Security

- General office costs (Uniform,Grocery)

- Stationery

- Telephone expenditure

- Training

- Travelling expenditure

- Water and electricity

	2022 R	Restated 2021 R
Amount carried forward from prior page	15 402 309	14 981 812
30.4 Depreciation and amortisation	22 225 697	21 979 592
- Amortisation	15 318 464	15 269 198
- Depreciation	6 907 233	6 710 394
30.5 Employee cost	556 865 891	483 713 493
- Salaries and wages	451 526 645	383 321 667
- Performance Bonus	14 804 395	845 000
- Travel Allowance	4 685 088	5 844 519
- Medical aid	26 932 529	27 252 261
- Provident fund and disability	43 028 346	45 626 388
- Other staff costs: Allowance	11 350 395	15 348 712
- Temporary staff	4 538 493	5 474 946
30.6 Repairs and maintenance	2 048 562	1 845 570
- Property, plant and Equipment	2 047 132	1 845 570
- Vehicles	1 430	-
30.7 Administration expenses	231 304 504	215 232 265
- Audit fees	8 464 350	6 301 866
- Bad debts	1 188 008	8 929 460
- Bank charges	1 925 870	1 164 452
- Cleaning costs	1 453 316	4 793 776
- Conferences and seminars	777 168	418 073
- Consulting fees	14 512 602	15 257 150
- Courier and freight	382 639	400 656
- Information technology costs	35 082 844	38 878 281
- Insurance paid	1 294 411	1 221 068
- Legal fees	10 972 383	12 967 052
- Marketing fees	16 785 713	16 860 005
- Motor vehicle expenses	249 168	147 657
- Office equipment and furniture expenses	7 744 947	3 300 858
- Other expenses	3 052 979	1 995 257
- Other rentals costs	2 722 764	2 580 051
- Council	2 623 926	1 826 013
- Disciplinary committee costs	4 892 558	3 349 636
- Rentals	17 831 280	17 678 304
- Research & Development	3 797 915	3 348 040
- Security	6 089 425	3 659 669
- General office costs (Uniform,Grocery)	4 820 079	2 311 396
- Stationery	1 281 195	1 430 369
- Telephone expenditure	12 937 532	18 559 622
- Training	27 937 167	11 487 480
- Travelling expenditure	36 643 122	31 129 354
- Water and electricity	5 841 145	5 236 720
Total Expenditure before interest paid	827 846 964	737 752 732

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

SUPPLEMENTARY SCHEDULE

for the year ended 31 March 2022

31. INCOME STATEMENT

	Notes	2022 R	Restated 2021 R
Insurance premium revenue	12	1 354 003 995	562 570 109
Fee revenue	13	59 212 811	52 537 569
Technical services revenue	14	4 996 300	5 123 826
Other revenue	15	8 860 870	28 970 211
Total revenue		1 427 073 977	649 201 715
Insurance claims and loss adjustment expenses	17	(9 618 531)	(9 898 086)
Accreditation, builders manual and certificate cost	31.2	(1 722 708)	(936 292)
Technical services expenditure	31.3	(4 061 070)	(4 147 434)
Depreciation and amortisation	31.4	(22 225 697)	(21 979 592)
Employee cost	31.5	(556 865 891)	(483 713 493)
Repairs and maintenance	31.6	(2 048 562)	(1 845 570)
Administration expenses	31.7,25	(231 304 504)	(215 232 265)
Total expenditure		(827 846 964)	(737 752 732)
Surplus from operating activities	19	599 227 013	(88 551 017)
Net Investment income		684 850 539	825 310 057
Interest received and investment income	17	422 994 455	398 149 938
Realised gain on financial assets	4	111 068 651	(32 742 999)
Unrealised gain on financial assets	4	163 777 824	471 447 393
Asset management service fees		(12 990 391)	(11 544 275)
Net surplus before finance costs	18	1 284 077 552	736 759 040
Finance costs	19	-	-
Surplus for the year	25	1 284 077 552	736 759 040

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