21 YEARS

ASSURING QUALITY HOMES

ANNUAL REPORT

2021

Celebrating 21 Years

NATIONAL HOME BUILDERS
NHBRC
REGISTRATION COUNCIL

NATIONAL HOME BUILDERS

NHBRC

REGISTRATION COUNCIL

ABBREVIATION AND ACRONYMS

APP	Annual Performance Plan
ARCO	Audit and Risk Committee
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BMS	Business Management Solutions
CAE	Chief Audit Executive
CEO	Chief Executive Officer
CETA	Construction Education and Training Authority
CFO	Chief Financial Officer
CPD	Corporation for Public Deposits
CPI	Consumer Price Index
CRHI	Centre for Research and Housing Innovation
CRO	Chief Risk Officer
COO	Chief Operations Officer
DIY	Do-it-yourself
DoA	Delegation of Authority
ERM	Enterprise Resource Management
ERP	Enterprise Resource Planning
EXCO	Executive Committee
FAFC	Fund Advisory and Finance Committee
GDP	Gross Domestic Product
GIBS	Gordon Institute of Business Science
GIS	Geographical Information Systems
GRAP	Standards of Generally Recognised Accounting Practice
HCREMCO	Human Capital and Remuneration Committee
IA	Internal Audit
IAC	Industry Advisory Committee
ICT	Information and Communication Technology
IMC	Integrated Marketing and Communication
ISO	International Standards Organisation
IT	Information Technology
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NHBRC	National Home Builders Registration Council
NPA	National Prosecuting Authority
OHS	Occupational Health and Safety
PFMA	Public Finance Management Act
PoE	Portfolio of Evidence
RMSC	Risk Management Steering Committee
SARS	South African Revenue Service
SETC	Social Ethics and Transformation Committee
SHE	Safety, Health and Environment
SITA	State Information Technology Agency
Unisa	University of South Africa

THE NHBRC: AN OVERVIEW

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

OUR VISION

To be a champion of the housing consumer.

OUR MISSION

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

MOTTO

Assuring quality homes.

STRATEGY

- To ensure that housing consumers and home builders are educated on their rights and obligations
- To maintain a sustainable warranty fund
- 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

OUR VALUES

The values of the organisation are as follows:

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

STRATEGIC OBJECTIVES

The strategic objectives are aligned to the budget structure and are as follows:

ADMINISTRATION

- Functional, efficient and integrated government
- Improved accessibility and visibility of NHBRC products and services
- Financially sustainable organisation to promote economic inclusion and services

REGULATION

- Improved regulatory compliance
- Competent homebuilders and technical professionals

CONSUMER PROTECTION

- Improved regulatory compliance
- Greenhouse gas emission reduction

CONTENTS

TABLES

FIGURES

SECTION 1
LEADERSHIP OVERVIEW

SECTION 1
LEADERSHIP OVERVIEW

1.1 COUNCIL

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

The current Council was appointed by the Minister with effect from 1 August 2018 and its term of office will come to an end on 31 July 2021.

Table 1: Members of Council

No.	Council members	Position	Qualification(s)
1.	Dr Julieka Bayat	Chairperson	DLitt & DPhil: University of South Africa (Unisa) Master's in Town and Regional Planning (MTRP): University of Natal – Durban Bachelor of Arts: University of Durban-Westville International Education Program: Partnerships and Financing Strategies for Local Government: Harvard University, USA Extending Finance Down Market Corporate, Business Management Training: Wharton, USA and University of the Witwatersrand, Johannesburg: Finance for Non-Financial Managers Project Management: Bessie Global Management Practice
2.	Ms Mampe Kotsi	Deputy Chairperson (resigned 9 February 2021)	Advanced Diploma in Economics Policy: University of the Western Cape
3.	Mr Whitey Jacobs	Council member	Project Management: University of Cape Town Business School
4.	Ms Bongiwe Duba	Council member	Executive Leadership Development for Municipal Management: University of Pretoria Bachelor of Arts (Psychology): Unisa
5.	Mr Unathi Hoyana	Council member	BSc in Property Development: University of KwaZulu-Natal
6.	Mr Choeu Makabate	Council member	Master of Engineering in Engineering Management: University of Johannesburg
7.	Mr Roy Mnisi	Council member	LLB and Postgraduate Certificate in Compliance Management: University of Johannesburg (admitted attorney of the High Court)
8.	Ms Noluthando Molao	Council member	MSc Quantity Surveying (Honours) and Postgraduate Diploma in Property Development and Management: University of the Witwatersrand

No.	Council members	Position	Qualification(s)
9.	Mr Roseberry Sonto	Council member (resigned 9 February 2021)	Various developmental courses
10.	Ms Nthabiseng Tsenase	Council member	BCom (Marketing): University of Johannesburg
11.	Mr Zenzele Myeza	Council member (resigned 14 February 2021)	BCom: University of Zululand MBA: University of Durban-Westville
12.	Mr Goolam Manack	Council member	MSc (Public Policy and Management): University of London
13.	Mr Klaas Mokaba	From 20 October 2020	Bluris: University of the North Certificate in Labour Relations Management: Unisa Certificate in Advanced Management Development Programme: University of Pretoria Certificate in Legislative Drafting: University of Pretoria Diploma in Criminal Justice and Forensic Investigations: University of Johannesburg Postgraduate Certificate in Economic and Development Policy: University of the Witwatersrand Master of Management in Public Policy: Wits School of Governance, University of the Witwatersrand

1.2 CHAIRPERSON OF COUNCIL REPORT

DR JULIEKA BAYAT
Chairperson of the Council

CHAIRPERSON'S FOREWORD FOR THE ANNUAL REPORT 2020/21

On behalf of the Council of the National Home Builders Registration Council, it is my pleasure to present the annual report for the 2020/21 financial year to our Honourable Minister of Human Settlements, Ms Mmamoloko Kubayi (MP). This annual report is presented while the NHBRC family is still mourning the untimely passing of its CEO, Mr Mziwonke Dlabantu, who contributed immensely to what the NHBRC is today. May his soul rest in eternal peace.

In the financial year under review, our country, and the world at large, experienced declining growth patterns due to the COVID-19 pandemic. These declining growth patterns were also felt in the human settlements sector and, as a result, Council had to seek alternative methodologies to the current ways of doing business. Council also responded to the economic impacts and operational setbacks of COVID-19 with strong governance and oversight. Council authorised difficult, but necessary financial decisions to maintain operating profits and operating cash flows while preserving jobs and continuing to provide services to its customers and stakeholders. In this regard, measures, such as revising our procurement plan to reduce operational and capital expenditure, strengthened our financial position and allowed the NHBRC to respond positively as the construction sector steadily improved.

Regulatory efficacy

The NHBRC's regulatory efficacy was strengthened when Cabinet approved the Housing Consumer Protection Bill and its subsequent publication in the Government Gazette. The passing of this Bill is a significant step forward for our housing consumers. It will create an enabling environment for new entrants into the home building industry through, inter alia, the introduction of contractual provisions that will ensure their sustainability in the market. It will also allow for alterations and additions to existing homes that were never enrolled or are out of the five-year warranty cover to be enrolled with the NHBRC. The Bill will continue to enable housing consumers to enjoy the NHBRC's warranty cover and thereby be protected against unscrupulous home builders. The economic transformation of the industry is also addressed in the Bill. This is achieved by the introduction of new provision in terms of which the Warranty Fund surplus may be utilised towards human settlement development programmes. Final approval is awaited once the Bill has undergone the relevant Parliamentary processes.

Finance and Supply Chain

As a Council, we were heartened that the NHBRC heeded 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 taken into account during the budgeting process.

Notably, the NHBRC's operating loss for the period under review was less than its budget due to low revenues generated as a result of the COVID-19 pandemic, it is noteworthy that our operating loss was R87 million against a budgeted profit of R47.5 million. In so far as overall financial and supply chain aspects are concerned, the NHBRC spent 73% of its budget on black economic empowerment (BEE) suppliers and, on average, took 21 days to facilitate supplier payments.

Disciplinary Committee turnaround

The NHBRC conducted 260 disciplinary hearings, which resulted in 44 home builders being suspended for the year under review. The offences before the Disciplinary Committee generally related to the failure by home builders to rectify major structural defects, their failure to rectify workmanship-related defects, their failure to enrol homes or violations of the code of conduct. Arising from the information of the 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 that 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 R3.25 million during the 2020/21 financial year. This amount increased by 25% compared to the R2.6 million that was recovered for the 2019/20 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 the speedy and quality inspection of homes for both the subsidised and the non-subsidised sectors. During the 2020/21 financial year, the NHBRC inspected 24 501 non-subsidised homes and 23 231 subsidised homes. These figures only reflect inspections of completed houses.

Training within the sector

The housing construction sector has the potential to create considerable employment opportunities. To this end, the NHBRC has, through its Social Transformation and Empowerment Programme, focused on training and building the capacity of women, youth, people with disabilities and military veterans. It also trained home builders, inspectors and artisans. A total of 9 154 individuals were trained on various skills for the 2020/21 financial year. It is important to note that 61% of the total number of individuals trained were women.

The Eric Molobi Centre of Excellence continued to be used as a base for coordinating training events. The NHBRC's strategy is to ensure that training is carried out where construction is in progress to give trainees the necessary exposure to both the theoretical and practical sides of training.

Stakeholder engagements

The NHBRC maximised its presence and intensified consumer education during the stakeholder engagements related to the Housing Consumer Protection Bill. These engagements afforded the NHBRC the opportunity to provide public information on the new Bill in seven languages. In order to achieve this, it partnered with the Department of Arts and Culture to translate the relevant documents.

Another important highlight for the year was the partnership with the Department of Human Settlements when public information sessions were hosted in all the provinces. These sessions were targeted at both housing consumers and potential home builders.

Anti-fraud and corruption

As Chairperson of Council, I am committed to ethical behaviour and respect for corporate governance structures. In this regard, I am very grateful for the support of the NHBRC's 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 and 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 on a monthly basis.

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

Long-term sustainability of the NHBRC

Council approved a new operating model for the NHBRC. The overall goal of the new operating model is to create shareholder value, improve customer-centricity and build operational excellence and sustainability while observing governance principles. The revised operational model will mitigate against business erosion and focus on the sustainability of the organisation going forward. In addition, Council approved an improved inspection model, which is aimed at streamlining its operations by establishing the right staffing requirements, as well as an efficient and a cost-effective paradigm for inspections.

Overall, I am pleased to note that the NHBRC achieved 83% of its performance targets in the 2020/21 financial year. This is an improvement of 2% in the achievement of its targets from the 2019/20 financial year.

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 NHBRC Council, I am mindful and encouraged by the efforts of builders, contractors, developers and consumers in complying with legislation.

The term of office of the current Council will terminate at the end of July 2021. Under the leadership of this Council, the NHBRC has achieved unqualified audit outcomes during the past two financial years. I wish to thank my fellow Council members for contributing their business expertise and industry knowledge to the NHBRC. In particular, I extend the Council's appreciation to the late Mr Mziwonke Dlabantu for his invaluable contributions and extensive guidance over the past three financial years.

Along with the members of our Council, I have always valued how the NHBRC'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 of a global pandemic and delivered uninterrupted service for all our stakeholders when they needed the NHBRC.

In closing, I wish to express my gratitude to our Minister of Human Settlements, Ms Mmamoloko Kubayi (MP), the Members of Council of the NHBRC, the National Department of Human Settlements, and the NHBRC's management team and staff members for their support and goodwill during this difficult year.

Respectfully

Julie Bayat

Dr Julieka Bayat

CHAIRPERSON OF COUNCIL

1.3 CHIEF EXECUTIVE OFFICER'S REPORT

Mr Songezo Booi
Acting Chief Executive Officer

"As an organisation, we continue to develop systems to respond to the new ways of doing business, to ensure that our home builders can deliver quality housing for our homeowners."

The outbreak of COVID-19 brought the home-building industry to a virtual halt from the end of March to June 2020, in which period the NHBRC, like most organisations, was unable to operate and offer services to home builders and housing consumers. The NHBRC was only allowed to return to operation during the risk-adjusted Level 3 and welcomed staff back on a rotation system, with staggered working hours and remote working arrangements to achieve social distancing and to limit congestion in the workplace.

As the management of the NHBRC, we had made it our priority to ensure the wellbeing of all employees, home builders, housing consumers and stakeholders. We shall continue to apply all precautionary measures and observe all COVID-19 protocols as guided by the National Coronavirus Command Council and the Department of Health until the situation is manageable.

As we were preparing to close the 2020/21 financial year, the NHBRC family received devastating news. It is with a profound sadness that we received the news that our Chief Executive Officer, Mr Mziwonke Dlabantu, had passed away untimely during March 2021 following ill health. It is also unfortunate to report that we lost three other employees due to the COVID-19 pandemic.

These were valued members of the NHBRC and contributed to the organisation in many ways. Our heartfelt thoughts are with their families and friends during this difficult period, and we wish to extend our deepest sympathies to them.

The NHBRC understands the impact that this period has had on its home builders, where some companies were unable to return to business due to financial difficulties and others will certainly take longer to make up lost revenue and continue to service the industry. It is difficult to predict the long-term impact of this pandemic on our economy, and we believe that this condition will remain a challenge for the foreseeable future. However, we remain committed to supporting our home builders and protecting housing consumers while maintaining quality standards.

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 in our customer service centres. This process enabled our home builders to complete their registration applications from the comfort of their homes or offices and our existing home builders to renew their memberships online. To further improve our service offering, both new registrations and the renewal of membership certificates will be made available online. This will ensure that our home builders will not need to visit our service centres to obtain their certificates.

For our housing consumers, we continue to push for the Housing Consumer Protection Bill to be passed so that alterations and additions to existing homes that were never enrolled or are out of the five-year warranty cover can be enrolled. This will enable housing consumers to enjoy the warranty cover and be protected against unscrupulous home builders.

On the performance of the 2020/21 financial year, the NHBRC – for the first time – had to revise its annual targets during the mid-year review due to the effects COVID-19 had on its operations. There were 2 802 home builders registered and 13 773 home builders that renewed their membership in the 2020/21 financial year. This represents a decline of 28% and 5%, respectively. Although our membership has declined, it is encouraging that home builders are still committed to register with the NHBRC and renew their membership, even during this difficult time in which construction projects are not guaranteed.

For the year under review, the performance for the enrolment of homes was measured on turnaround times as it would have been difficult to project the numbers in this volatile economy. We are pleased that, although we did not achieve our target to enrol all our projects within 15 days due to restrictions on the number of employees that could be at work during a certain time, we managed to finalise 71% of non-subsidy and 94% of subsidy enrolments within 15 days. The enrolment of homes in the non-subsidy sector decreased to 38 970 during the

financial year from 48 166 in the previous year. Late enrolments decreased from 1 697 in 2019/20 to 1 195 in the current financial year. The enrolment of subsidy homes also decreased from 69 761 in the previous year to 35 057 in the current year.

The NHBRC continues to empower home builders, youth, women, people with disabilities and military veterans through training. Training offered by the NHBRC includes, among others, bricklaying, plumbing, plastering, construction management and electrical work. To ensure that the 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, 9 154 individuals were trained, which is a slight decrease from 9 554 in the previous financial year.

Against this background and challenges faced during the year, we are pleased to report an improved annual performance of 83% against our targets, which is an improvement on the performance of 81% in the previous year.

In conclusion, the current term of office of the NHBCR Council comes to an end in July 2021. We are thankful and forever grateful for the leadership and support of our Council members. On behalf of the management and staff of the NHBRC, I would like to extend my appreciation to Council for its leadership and counsel in ensuring that we make decisions that are in the best interests of our stakeholders. I would also like to thank my executive management team, our extended management teams and our employees for their tireless dedication and drive under challenging COVID-19 conditions. To our shareholder, we remain grateful for your continued support and confidence in our ability to fulfil our mandate of protecting the interests of housing consumers. With our new approved operating model, we – as a management team – believe that the NHBRC is well positioned to continue to create value for all our stakeholders.

Mr Songezo Booi

Acting Chief Executive Officer

1.4 EXECUTIVE COMMITTEE

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

Mr Songezo Booi
Acting Chief Executive Officer

Mr Otsile Maseng
Chief Operations Officer

Ms Tamlyn Bouwer
Acting Chief Financial Officer

Ms Nurse Chavalala
Acting Executive Manager: Corporate Services

Mr Craig Makapela
Acting Executive Manager: Business Services

Table 2: Position and highest qualification of Executive Committee members

	Position	Name	Qualifications
1.	Chief Executive Officer	Mr Mziwonke Dlabantu (from 16 November 2020 to 24 March 2021) – deceased	BCom: University of Fort Hare
	Acting Chief Executive Officer	Mr Otsile Maseng (from 12 August 2019 to 31 July 2020)	Bluris: University of the North MBA: Milpark Business School PDP: University of Cape Town
	Acting Chief Executive Officer	Mr Songezo Booi (from 1 August 2020 to 16 November 2020 and from 5 March 2021 to date)	BCom, BCom (Hons): University of Natal CA(SA)
2.	Chief Operations Officer	Mr Otsile Maseng	Bluris: University of the North MBA: Milpark Business School PDP: University of Cape Town
	Acting Chief Operations Officer	Ms Julia Motapola (from 19 August 2019 to contract end date 30 June 2020)	BProc: University of Venda LLB: University of Pretoria LLM: Emory School of Law, USA
3.	Executive Manager: Legal Compliance and Enforcement	Ms Julia Motapola (Contract ended 30 June 2020)	BProc: University of Venda LLB: University of Pretoria LLM: Emory School of Law, USA
	Acting Executive Manager: Legal Compliance and Enforcement	Mr Hulisani Mmbara (from 20 August 2019 to contract end date 30 September 2020)	Bluris: Unisa LLB: Unisa LLM: University of Johannesburg
	Acting Executive Manager: Legal Compliance and Enforcement	Mr Kabir Khan (from 22 October 2020 to date)	LLB: Rand Afrikaans University Diploma in Law (Compliance): University of Johannesburg
4.	Chief Financial Officer	Mr Songezo Booi	BCom, BCom (Hons): University of Natal CA(SA)
	Acting Chief Financial Officer	Ms T Bouwer (from 12 August 2020 to 16 November 2020 and from 5 March 2021 to date)	BCompt, Unisa BCom (Hons), University of KwaZulu-Natal, CA(SA)
5.	Acting Executive Manager: Business Services	Mr Craig Makapela (from 2 March 2020 to date)	BSc Civil Engineering: University of Cape Town) BEng (Hons)(Geotech Eng): University of Pretoria Pr. Eng, PrCPM
6.	Executive Manager: Corporate Services	Ms Gugu Mkhize (resigned 30 November 2020)	BA, BA (Hons): University of KwaZulu-Natal Diploma in Human Resources Management: Damelin College SAMBA: Regent Business School
	Acting Executive Manager: Corporate Services	Mr Nurse Chavalala (from 10 December 2020 to date)	BAdmin: University of Limpopo ELD (Unisa)

SECTION 2

FINANCIAL HIGHLIGHTS

SECTION 2
FINANCIAL HIGHLIGHTS

Overview

The housing outlook for the construction of new homes points to subdued growth in homes with a value greater than R5 million, while growth is anticipated in the segment for flats and townhouses with a value below R1 million.

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

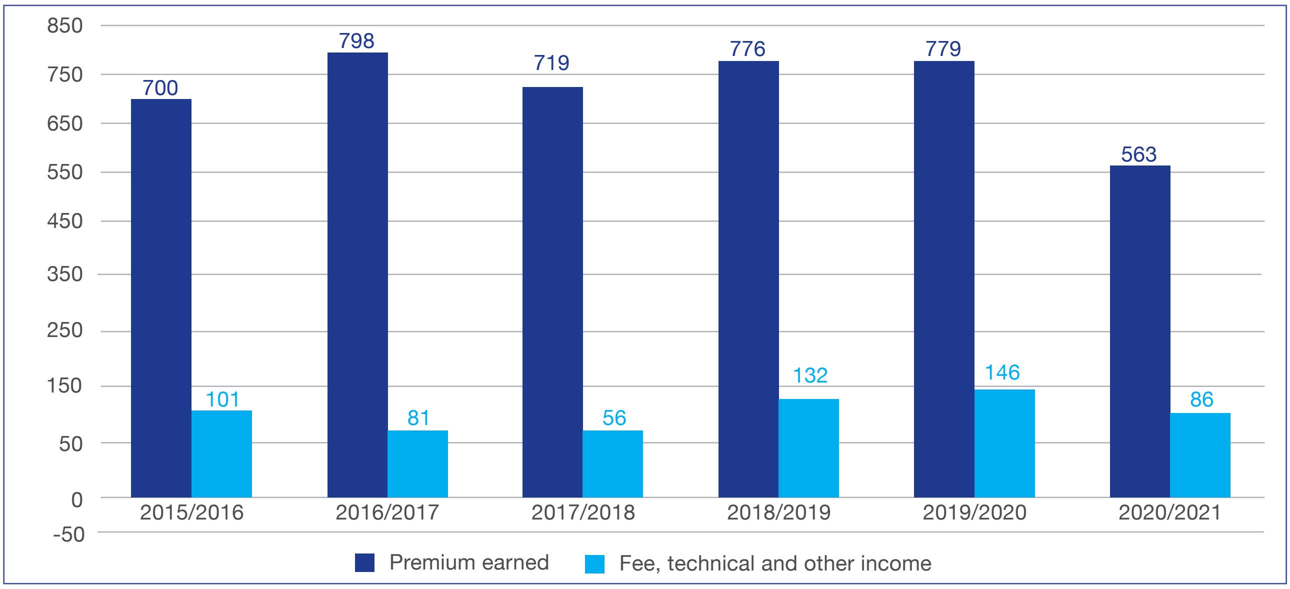
- Growth in real gross domestic product (GDP), which will impact levels of employment in the economy
- Average consumer price inflation affecting spending power
- Interest rate stability
- Effects of actual and potential downgrades on the sovereign credit rating
- Household debt management
- Consumer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

In the subsidy market, growth is subdued due to budget constraints within government due to declining revenue collections and the introduction of other priorities. At the same time, demand for subsidy housing continues, resulting in an increase in the existing housing backlog.

All the NHBRC's revenue streams were impacted by the effects of the COVID-19 pandemic, particularly its insurance premium revenue, which remained below the budgeted amount for 2020/21 by over R200 million. Due to effects of the pandemic on its revenue streams, the NHBRC stringently managed expenses to offset the loss in revenue.

RESULTS FOR THE YEAR

Figure 1: Revenue (R'million)

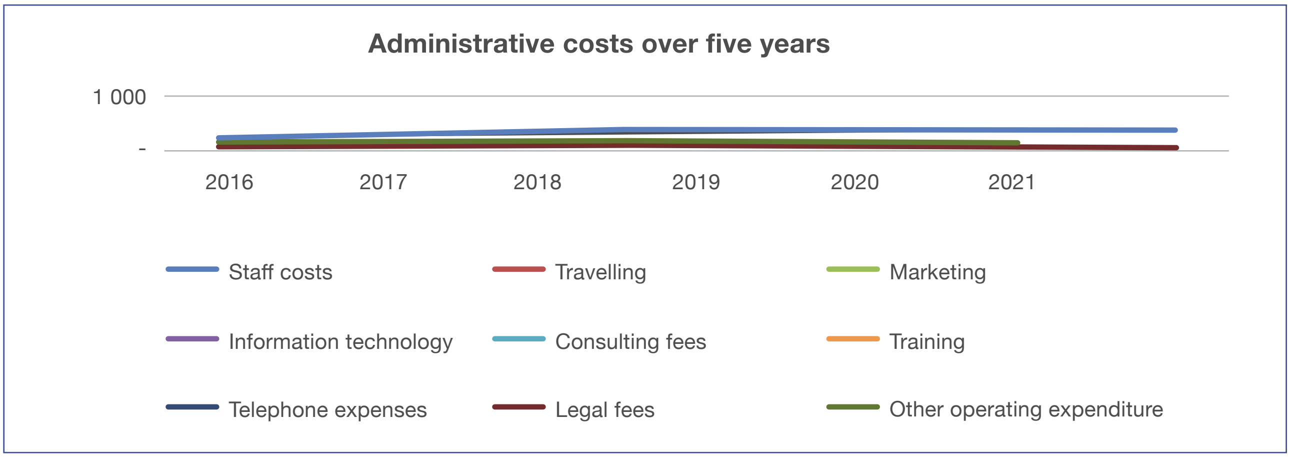


Revenue from enrolments (premiums written) decreased by R187 million to R551 million, while in 2020, the premiums written had decreased by R46 million. The decrease in the provision for unearned premium of R158 million (2020: R146 million decrease) was increased by the change in the unexpired risk provision, amounting to R189 million (2020 increase: R36 million). Insurance premiums are recognised over the period of the policy commensurate with the expected incidence of risk from the date of occupation of the home.

Fee revenue decreased from R80 million to R52 million (35%), which could mainly be attributed to the decrease in subsidy project enrolments by R25 million (2020: decrease by R21 million). Fee revenue includes annual registration fees, annual renewal fees, late enrolment fees, builder manual fees, subsidy project enrolments and document sales.

Income earned from investments amounts to R398 million (2020: R475 million) and represents a year-on-year decrease of R23 million.

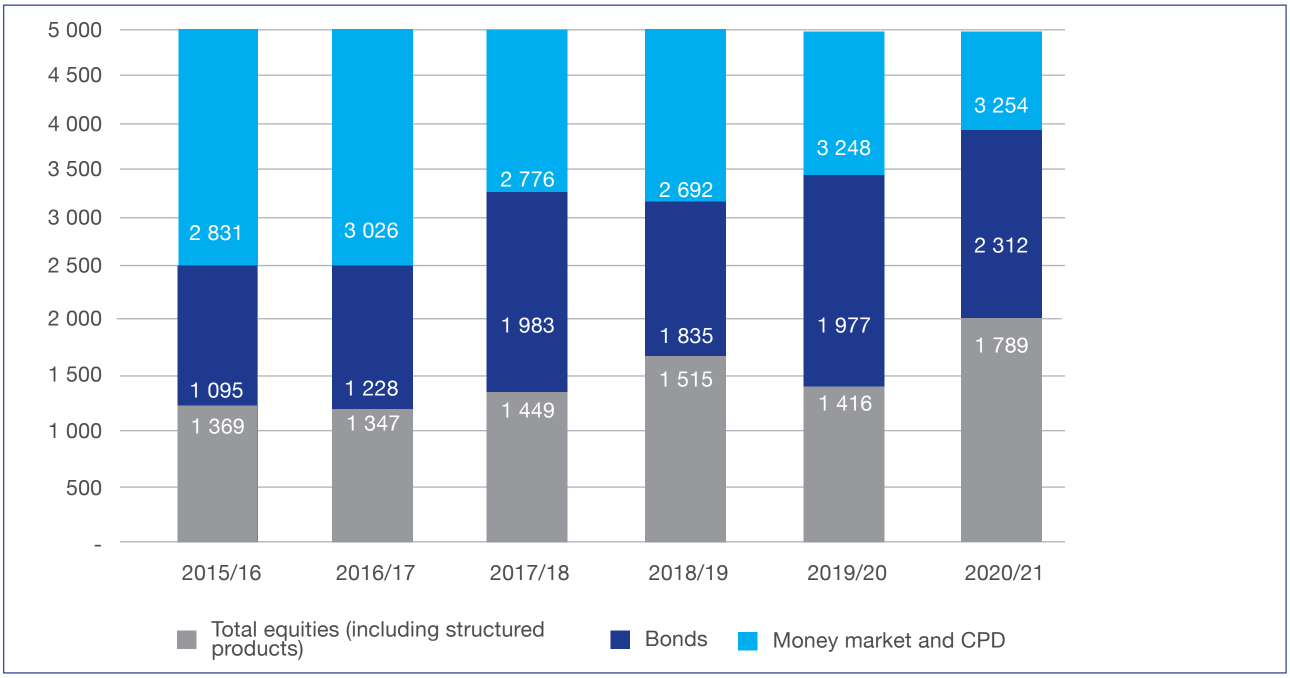
Figure 2: Operating expenditure



With the high cost-to-income ratio, Council implored management to continue to implement cost-containment measures by reviewing the cost mix to ensure long-term sustainability. The cost escalation has been contained at less than the Consumer Price Index (CPI), while ensuring efficiency in operations and financial sustainability. This will enable the NHBRC to continue to deliver on its mandate in the coming years. Concern, however, remains on some of the expenditure items that have been identified as being excessive, with a view to reducing them in the coming years.

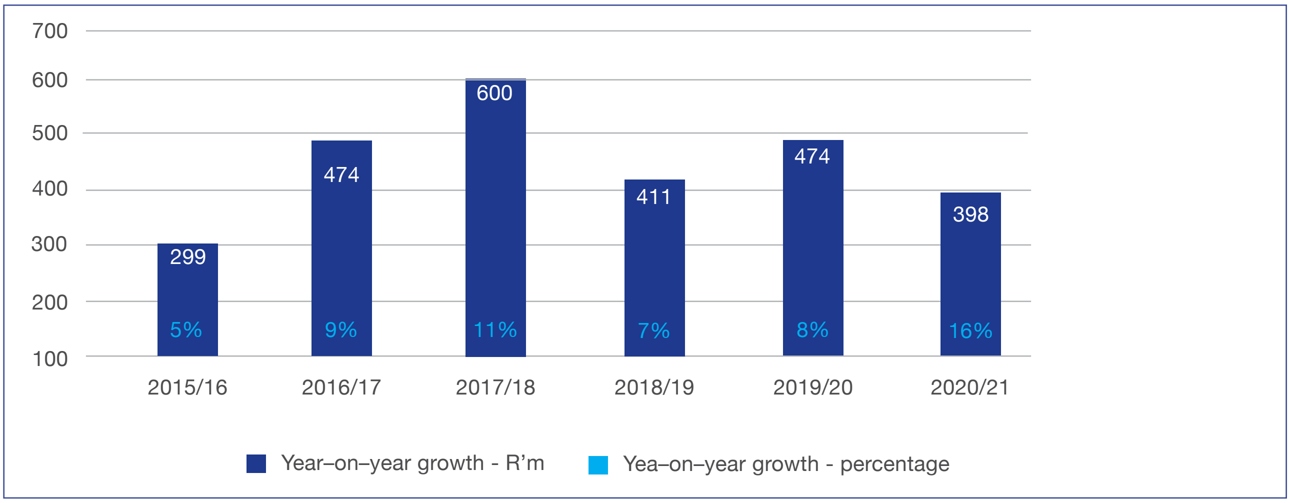
Expenditure is categorised into risk mitigation (operating expenditure) and business support (administrative expenditure). Risk expenditure is incurred to mitigate any risk to the Warranty Fund by enforcing legislated building regulations. Risk expenditure comprises inspection fees incurred during the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

Figure 3: Investments



The NHBRC is regulated in terms of the Housing Consumers Protection Measures Act, 1998 (Act No. 1 of 1998), to establish a fund for the purposes of providing assistance to housing consumers under circumstances where a home builder fails to meet their obligations under section 13(e)(b)(1) of the Act. The investment mandate concentrates on the preservation of capital so as to ensure that the NHBRC remains financially sound to meet housing consumers' claims as they arise.

Figure 4: Growth in investments

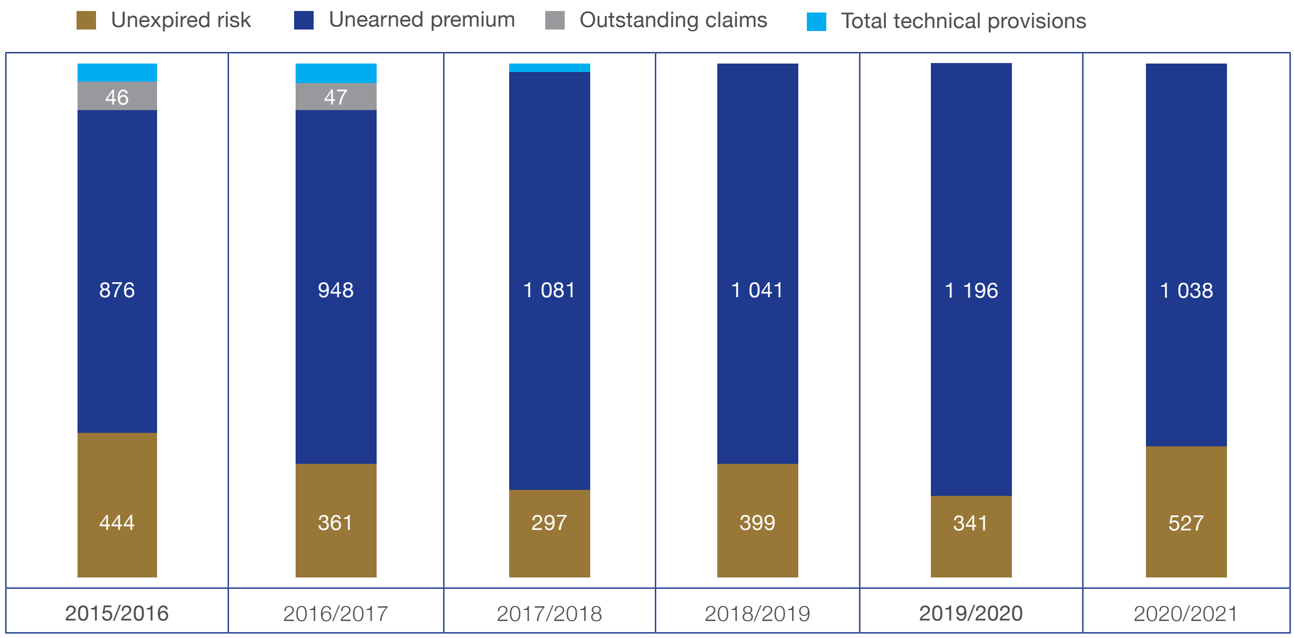


Investments are held in local bonds, local equities, money market instruments, structured equity-linked notes and the Corporation for Public Deposits (CPD). These portfolios are managed on behalf of the NHBRC by external asset managers, with investment performances tracked against predetermined benchmarks. The market value of the investment portfolio increased to R7.4 billion (2020: R6.6 billion). The fair value gain adjustment of R439 million (2020: R331 million loss) is taken to the Statement of Financial Performance in terms of the Standard of Generally Recognised Accounting Practice (GRAP) 104.

Emerging contractor reserve

The emerging contractor training reserve was established to develop programmes to assist home builders, through training and inspection, to achieve and 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 R1.2 million (2020: R2.4 million) for home builder training in the current financial year.

Figure 5: Technical provisions



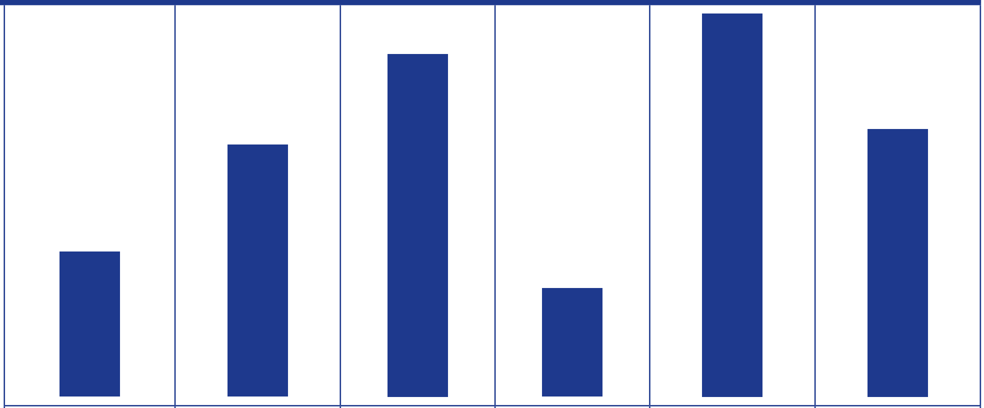
The technical liabilities of the NHBRC are actuarially determined annually as part of the solvency valuation of the Warranty Fund. The technical liabilities consist of the outstanding claims provision, unearned premium and unexpired risk provisions, which are defined below.

The outstanding claims provision consists of both the "notified outstanding claims provision" and the "incurred but not reported claims provision". The notified outstanding claims provision is the portion of outstanding claims provision that relates to the claims that were reported before the financial year-end, which were not settled at that date. The "incurred but not reported claims provision" relates to claims that were neither reported nor settled at the financial year-end.

During the current year, the NHBRC settled warranty claims amounting to R8 million (2020: R10.8 million). The outstanding claims provision increased by R2 million (2020: decreased by R9.6 million).

Figure 6: Claims against the Warranty Fund

RAND VALUE OF WARRANTY CLAIMS PAID



	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Rand value of warranty claims paid	5	8	9.9	3.2	10.8	7.97

UNEXPIRED RISK PROVISION

The unexpired risk provision estimates the cost of insurance claims, related expenses and deferred acquisition costs, which exceed the unearned insurance premiums after taking account of future investment income that will arise during the unexpired terms of policies in force at the balance sheet date.

In calculating the estimated cost of future insurance claims, actuarial and statistical projections of the frequency and severity of future insurance claim events are used to project ultimate settlement costs. The unexpired risk, which arises primarily in the subsidy housing market, ensures that this market is independently solvent. The provision increased from R341 million to R419 million, thereby decreasing insurance premium revenue earned for the year by R78 million (2020: R36 million).

The results of the independent actuarial valuation indicate that the NHBRC, as a whole, including both subsidy and non-subsidy houses, is solvent and in a sound financial position as at 31 March 2021 when valued on a run-off basis.

CASH FLOW

The cash flow inflow from operating activities decreased from R139 million to R12 million in the current financial year.

SUSTAINABILITY REPORTING

The NHBRC must remain sustainable in order to ensure that it continues to carry out its statutory duties as stipulated in the Housing Consumers Protection Measures Act, 1998 (Act No. 95 of 1998). The NHBRC is also governed by activities that take place in the construction industry market. Residential building activities are expected to continue to reflect conditions with regard to the economy, household finances, consumer confidence and factors impacting the market for new and existing housing, which will show up in the demand and supply of new housing. The NHBRC adhered to the Housing Consumer Protection Measures Act, the PFMA, Treasury Regulations and the principles related to integrated sustainability reporting as stipulated by the King III Report when it implemented its strategies and operations in the period under review.

ECONOMIC SUSTAINABILITY

The NHBRC is a self-sustaining organisation that depends on the provision of the Housing Consumers Protection Measures Act and its ability to build up reserve funds. The main aim of the NHBRC, as a warranty scheme, is to ensure its ability to honour claims arising from the warranty cover provided. The NHBRC'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 2021.

FINANCIAL PERFORMANCE

Table 3: Financial performance summary for 2016/17 to 2020/21

	2016/17	2017/18	2018/19	2019/20	2020/21
Surplus for the year (Rm)	488	619	585	137	738
Return on equity	8.6%	12%	11%	2.3%	11%
Total assets (Rm)	6 064	6 747	7 372	7 608	8 382
Total reserves (Rm)	4 556	5 175	5 756	5 898	6 634
Total technical liabilities (Rm)	1 356	1 429	1 476	1 567	1 597

The NHBRC continued with the implementation of stringent expenditure controls and review of contracts to ensure sustainable savings due to adverse trading conditions. One of its main focus areas for the 2020/21 financial year was to increase and improve organisational efficiency and effectiveness.

SECTION 3

CORPORATE GOVERNANCE

SECTION 3
CORPORATE GOVERNANCE

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, inter alia, for 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.

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.

CORPORATE GOVERNANCE

In the governance of the NHBRC, 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 on the basis of their representation of the interests of housing consumers, home builders, suppliers of housing goods and services and associated professions. 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, 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 hold an executive position in the NHBRC. The Council may obtain independent professional advice if deemed necessary.

COUNCIL MEETING ATTENDANCE

In line with the 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 4 illustrates the meetings that were held in the year under review and each member's attendance of those meetings.

Table 4: Council meetings and attendance in the year under review

Member	Capacity	Council meetings													Totals per member
		29 April 2020	29 May 2020	17 June 2020	29 July 2020	31 July 2020	26 August 2020	29 September 2020	30 September 2020	29 October 2020	13 November 2020	15 December 2020	29 January 2021	30 March 2021	
Dr Julieka Bayat	Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Ms Mampe Kotsi	Deputy Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–	12
Ms Bongiwe Duba	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mr Unathi Hoyana	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
Mr Whitey Jacobs	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Ms Noluthando Molao	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mr Choeu Makabate	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mr Goolam Manack	Member	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	12
Mr Klaas Mokaba	Member	–	–	–	–	–	–	–	–	–	✓	✓	✓	✓	4
Mr Roy Mnisi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
Mr Zenzele Myeza	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–	12
Mr Roseberry Sonto	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–	12
Ms Ntabiseng Tsenase	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
	Total members	**12**	**12**	**12**	**12**	**11**	**12**	**12**	**11**	**12**	**12**	**13**	**13**	**10**	**154**

GOVERNANCE STRUCTURES

In order to comply with these principles, the NHBRC has 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 following Council committees have operated from 1 August 2018, together 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.

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 5: Fund Advisory and Finance Committee

Name	Position
Ms Noluthando Molao	Chairperson and Council member
Mr Choeu Makabate	Council member
Mr Unathi Hoyana	Council member
Mr Goolam Manack	Council member

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 6: Registration Committee

Name	Position
Mr Whitey Jacobs	Chairperson and Council member
Mr Roy Mnisi	Council member
Ms Noluthando Molao	Council member
Dr Julieka Bayat	Council member

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 Council's human capital policies, such as employees.

Table 7: Human Capital and Remuneration Committee

Name	Positions
Ms Bongiwe Duba	Chairperson and Council member
Dr Julieka Bayat	Council member
Mr Klaas Mokaba	Council member
Mr Whitey Jacobs	Council member

Industry Advisory Committee

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

Table 8: Industry Advisory Committee

Name	Positions
Mr Choue Makabate	Chairperson and Council member
Mr Roy Mnisi	Council member
Mr Unathi Hoyana	Council member
Dr Julieka Bayat	Council member
Ms Nthabiseng Tsenase	Council member

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 9: Social Ethics and Transformation Committee

Name	Position
Mr Unathi Hoyana	Chairperson and Council member
Mr Whitey Jacobs	Council member
Ms Bongiwe Duba	Council member
Ms Nthabiseng Tsenase	Council member

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 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 10: Audit and Risk Committee

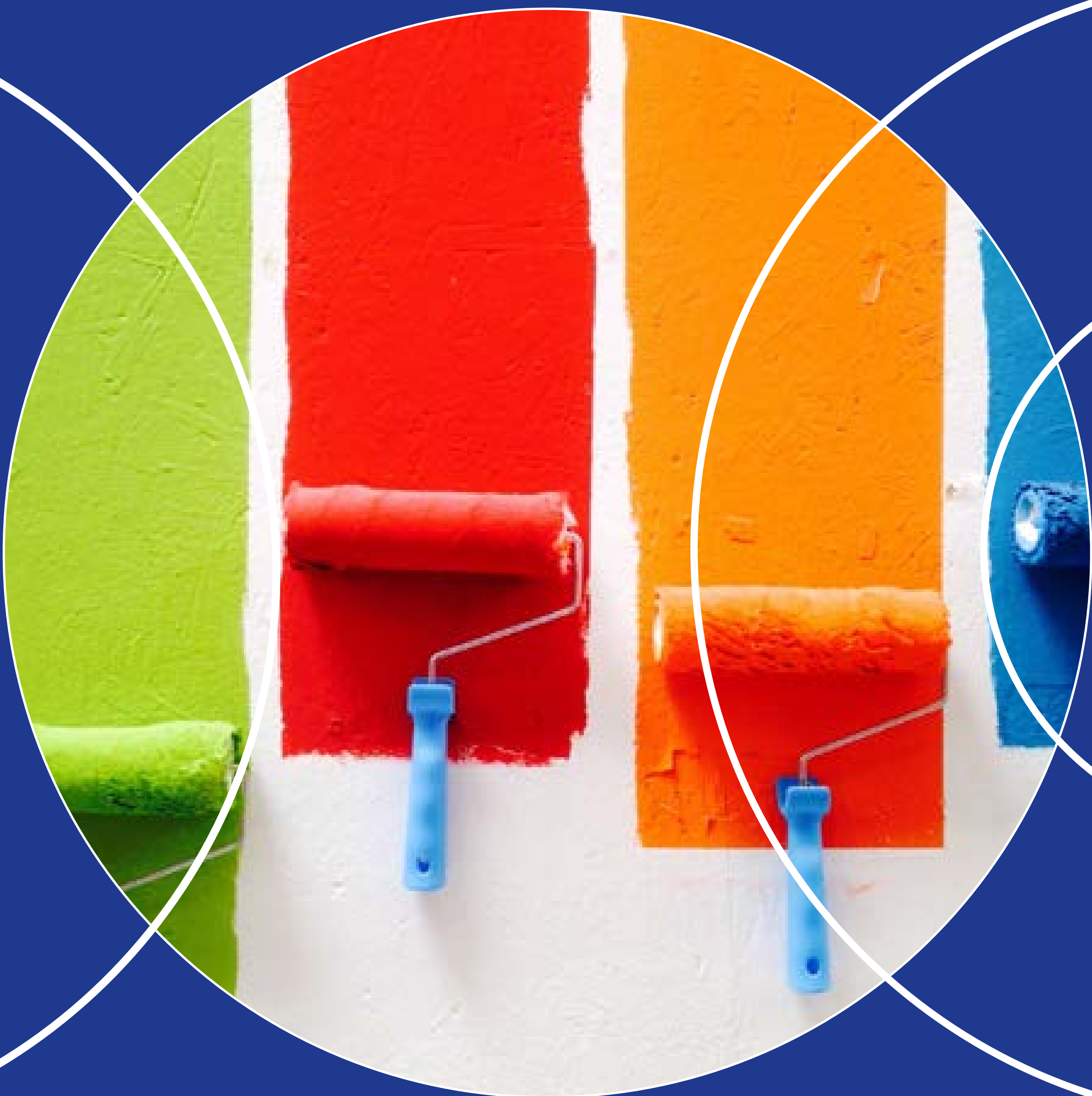
Name	Position
Mr Sathie Gounden	Chairperson and independent non-Council member
Mr Klaas Mokaba	Council member
Mr Goolam Manack	Council member
Mr Choeu Makabate	Council member
Ms Bongiwe Duba	Council member

Table 11: Attendance of committees of Council meetings

Member	Capacity	Committee meetings						Total per member
		FAFC	HCREMCO	SETC	IAC	REGCOM	ARC	
Dr Julieka Bayat	Chairperson	-	5	-	4	6	-	15
Ms Mampe Kotsi	Deputy Chairperson	6	-	1	-	5	-	12
Ms Bongiwe Duba	Member	-	5	4	-	-	5	14
Mr Unathi Hoyana	Member	-	-	4	4	-	-	8
Mr Whitey Jacobs	Member	-	-	4	-	6	-	10
Mr Klaas Mokaba	Member	2	1	-	-	-	1	4
Mr Choeu Makabate	Member	6	-	-	4	-	1	11
Mr Goolam Manack	Member	6	-	-	-	-	5	11
Mr Roy Mnisi	Member	-	5	-	1	6	-	12
Ms Noluthando Molao	Member	6	-	-	4	-	-	10
Mr Zenzele Myeza	Member	-	-	3	-	-	5	8
Mr Roseberry Sonto	Member	-	5	1	-	6	-	12
Ms Nthabiseng Tsenase	Member	-	5	1	-	5	-	11
Total attendance		**26**	**26**	**18**	**17**	**34**	**17**	**138**

SECTION 4

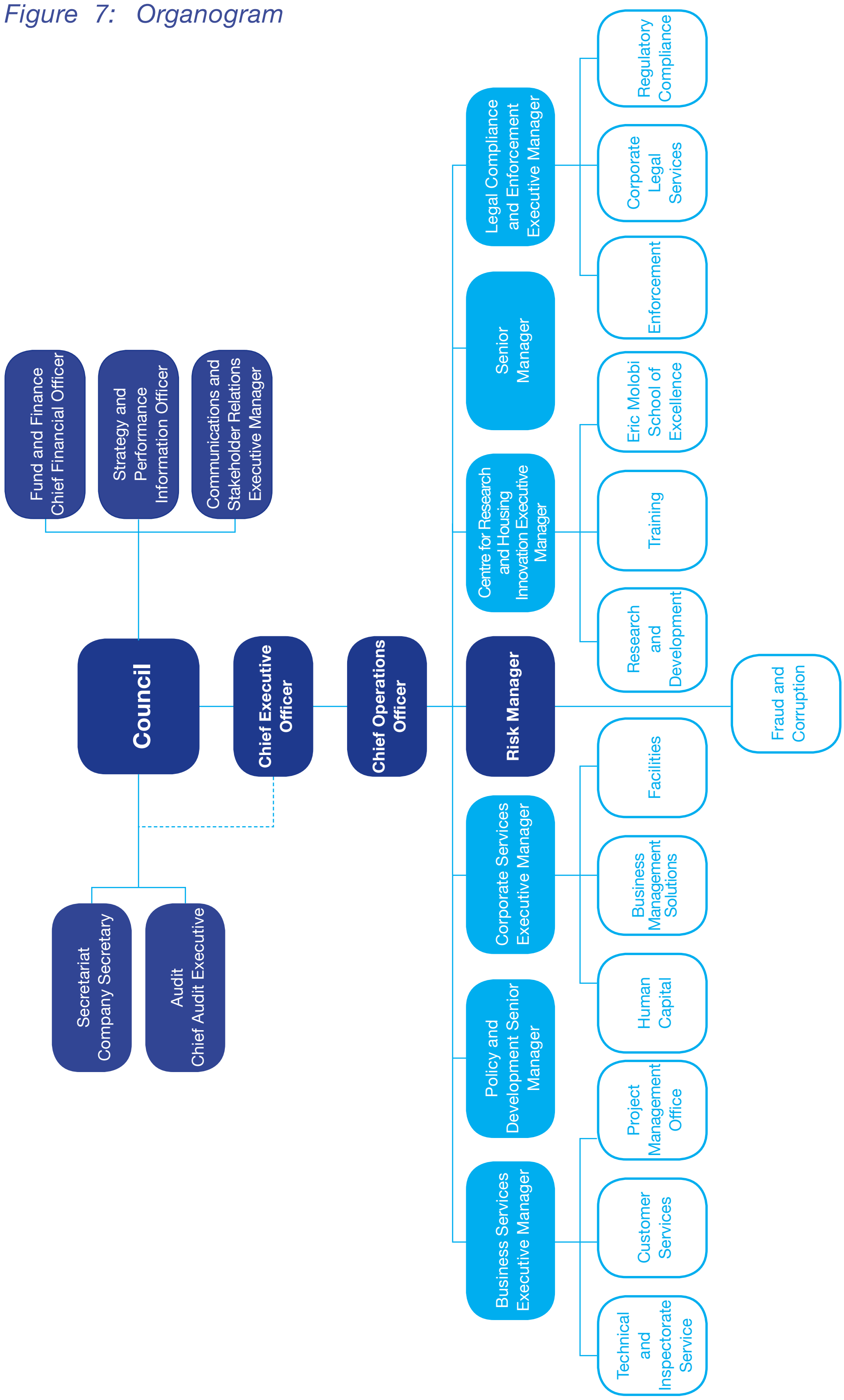
ORGANISATIONAL ARRANGEMENTS



SECTION 4
ORGANISATIONAL ARRANGEMENTS

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

Figure 7: Organogram



4.1 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 control. Further to that, in terms of Treasury Regulation 27.2.1, the Accounting Authority must ensure that risk assessment is conducted regularly to identify the emerging risks of the public entity.

The NHBRC ensures improvement in the management of identified strategic risks through its risk monitoring activities. It is also committed to improving its risk performance on an ongoing basis, where high–risk areas have been identified. As a result, the NHBRC has adopted and implemented an integrated risk-based approach, which is underpinned by the following principles:

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

Responsibilities of the different risk management units within the NHBRC

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

Enterprise risk management

Council monitors the risk management function through the Audit and Risk Committee. The ARCO monitors the NHBRC's strategic risks through the strategic register, which is developed annually. Management therefore develops its operational risk register based on the strategic risk register. The Risk Management Steering Committee (RMSC) monitors the operational risk register. This committee is an executive management committee of the CEO and is chaired by an independent external chairperson for added value. The operational support to the RMSC is offered through the NHBRC's Risk Champions Working Committee, which comprises all appointed business units risk champions across the entire organisation. It is chaired by the CRO. The ERM Unit, through the appointed risk champions at an operational level, is responsible for creating and maintaining a risk awareness culture across the organisation.

Safety, health and environment

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.

Security risk management

The core responsibility of the Security Risk Management Unit is to safeguard the NHBRC's assets and resources by implementing and enforcing the desired security risk culture, processes and structures that are focused on increasing the benefits of security in favour of organisational objectives. Adopting a risk-based approach to security management allows the NHBRC to prioritise its business activities, founded on the likelihood and consequence of a security-related risk being realised. This is done to enhance positive business outcomes, while reducing occurrences or events that may have a negative effect on the desired outcomes.

Anti-fraud and corruption

In support of the approved Risk Management Framework, the organisation has established an Anti-fraud and Corruption Unit. The NHBRC has a legal responsibility, in terms of the PFMA, to take appropriate steps to prevent unauthorised, irregular, fruitless and wasteful expenditure and losses as a result of criminal conduct. The NHBRC also has an independent Whistleblowing Solutions facility, which is administered by Advance Call. Through this facility, reports are issued on a monthly basis and fraudulent conduct is investigated by a forensic investigation team. These reports are presented to the ARCO on a quarterly basis. The anti-fraud and corruption policy, together with an investigation manual, are in place to address any potentially fraudulent activities reported or identified.

Business continuity management

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

Ethics Office

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

4.2 INTERNAL AUDIT

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

- Investments in financial markets
- Ethics and corporate governance
- Financial audits
- IT and cyber security
- Quality housing
- Business sustainability and continuity.

The annual internal audit activities are informed and guided by an approved Internal Audit Charter, Annual Internal Audit Plan and the Internal Audit Strategic Plan. Internal Audit has adopted an agile approach in its planning, execution and reporting of its audit engagements. The Annual Audit Plan is assessed on a quarterly basis for relevance due to the volatile, uncertain and complex environment in which the country and organisation operates.

Internal Audit is also instrumental in assisting business to remain focused on addressing significant governance, risk and control audit findings that emerge from its own activities, risk management and Auditor-General audit findings.

Business assurance enhancement projects

The entire organisation is undergoing significant changes, driven mainly by the increasingly challenging external environment, which is characterised by volatility, uncertainty and the "new normal", brought about by the COVID-19 pandemic. This has compelled Internal Audit to adapt and tailor its assurance and advisory services to continue to be effective in ensuring that the organisation has responsive governance, risk management and control processes in place for it to survive and thrive in the new normal.

In response to growing stakeholder demands for effective and visible governance, risk management and control, Internal Audit will continue to implement combined assurance within the organisation to ensure the integration of business, risk management, compliance and internal audit efforts in identifying, managing and reporting on significant business risks.

Combined Assurance Project

This project has gained traction and 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 by strengthening the working relationship between the aforementioned sections. This includes sharing annual plans, reports and periodic meetings. The project entails leveraging on technology to achieve the integrated goal.

The automation of the combined assurance process will enable management to access and address internal audit, risk management and compliance deficiencies in their area of responsibility, and, in turn, significantly enhance Council's oversight role.

Data analytics

Internal Audit has reignited the process to procure and implement continuous auditing technology after the initial effort was thwarted by the advent of the pandemic. This technology will prove critical and fitting in providing real-time quality assurance, especially in the era of working remotely and minimal human interaction in the workplace. It will allow auditors to perform the bulk of their audit work remotely. It will also enable Internal Audit to do more with less.

Continuous auditing will optimally utilise the data that resides within the NHBRC's Information technology (IT) environment. Audit automation will greatly empower business and Council by providing near-real-time and accurate reporting as a result of automated data analytics. This will provide better insight and foresight that traditional audits have not been able to produce due to the limitations of manual audit interventions.

4.3 CORPORATE COMMUNICATION AND MARKETING

The Marketing, Communication and Stakeholder Relations Unit is responsible for managing the positioning of the NHBRC's brand through internal and external communication, media and public relations, stakeholder engagements, strategic events and offering marketing counsel to the organisation.

During the 2020/21 financial year, the Marketing, Communication and Stakeholder Relations Unit continued to support the organisational strategy and goals through the implementation of the integrated marketing and communication (IMC) strategy, which seeks to do the following:

- Create awareness of the NHBRC's positioning, mandate, services, values and benefits to create relevance

- Educate stakeholders about their rights and responsibilities in order to produce property-savvy consumers
- Promote access using digital and other innovative channels to improve interaction and communication with all stakeholders
- Engage in relationship building to develop win-win relations with all key stakeholders internally and externally.

These objectives are delivered through programmes and activities that are focused on public relations and media engagement, digital media, stakeholder engagements, branding and internal engagement.

Public relations and media engagement

The NHBRC implemented a do-it-yourself (DIY) campaign called #KukwamiLa for 10 weeks on radio, online and social or digital media platforms, which took the COVID-19 restrictions into consideration, which required people to stay at home and engage in social distancing. This campaign had the following objectives:

- To encourage people to maintain their homes
- To create awareness about the NHBRC's products and services
- To educate consumers about their rights and responsibilities
- To promote the use of registered home builders when planning a building project

The campaign hinged on participants (housing consumers) participating in a competition, where they were able to redeem DIY vouchers to the value of R100 000 at Builders Warehouse stores around the country. The prizes were broken down into different denominations to spread the number of winners for the duration of the competition, while encouraging housing consumers to fix and maintain their homes. The campaign ran on the NHBRC's Facebook page, and was supported by generic radio adverts and live reads on national and regional stations (with a high listenership) and paid digital media ads.

In celebration of the NHBRC's 21st anniversary, radio partnerships were secured with African language stations and regional stations to profile the organisation. The objective of this campaign was to educate, inform and create awareness about the NHBRC, highlight the importance of having an NHBRC-certified builder, showcase achievements of the past 21 years and educate consumers about their rights and responsibilities. Through these partnerships, the NHBRC also managed to grow its traditional media presence among rural radio stations with a larger audience that was not well exposed to the work of the NHBRC.

The campaign was implemented in a phased approach, and included generic adverts and interviews on Capricorn FM, You FM, Ikwekwezi FM, Ligwalagwala FM, Umhlobo Wenene FM, Munghana Lonene FM, Lesedi FM, Phalaphala FM, Thobela FM, Motsweding FM, Algoa FM, OFM and Rise FM.

Furthermore, a new NHBRC brand campaign targeting home builders and housing consumers was finalised. This campaign will be implemented in the new financial year.

In terms of media engagement, the NHBRC issued 10 media statements, conducted 22 media interviews and provided responses to a number of issues, ranging from the state of the construction industry, unscrupulous home builders, consumer complaints, the role of the NHBRC and consumer rights and responsibilities.

In light of the COVID-19 pandemic, the NHBRC took a decision to limit interpersonal interactions such as walk-ins, visits and meetings with its various stakeholders, especially clients such as home builders, developers, contractors and consumers, at all its offices. Engagement with clients was moved online and telephonically using the website, the NHBRC's social media platforms, bulk SMSs and targeted emails as interactive channels. The NHBRC's services, such as registrations, renewals, enrolments, complaints and the collection of certificates, were also made available through an email response handling list, which has been centralised and linked to provincial customer service units.

Digital media

The NHBRC continues to make significant strides in all social media platforms. This can be attributed to monthly focused campaigns (i.e. using gifs/ COVID-19 campaign and NHBRC tips) with fresh and engaging content posted daily. By the end of the financial year, the NHBRC had 8 928 Twitter followers and 14 547 Facebook followers.

The highlight for this area was the implementation of a paid digital marketing campaign linked to the NHBRC's valuable final products (i.e. home-builder registration, home-builder renewal, enrolment of new homes, consumer complaints and training), which involved the placing of amp stories, adverts, banners, display ads and animated ads on Google, Facebook, LinkedIn and Twitter.

Website revamp project

During the period under review, a website review and revamp exercise was undertaken. A new website was launched in October 2020 to ensure that the platform becomes a strategic communication channel to promote strategic digital and targeted campaigns. As part of the digital service programme, an online services launch page was finalised in preparation for the go-live date. The launch of the first phase of online services will help ensure that the website fulfils the NHBRC's objective of promoting access using digital and other innovative channels to improve interaction and communication with its stakeholders.

Branding

In its efforts to improve visibility and accessibility throughout the provinces, the NHBRC put up signage at enrolled subsidy projects. These signs include the name of the inspector allocated, as well as the responsible provincial manager's contact details. There has been an increase in the branding of provincial housing projects under construction, and the NHBRC is actively assuring the quality of these developments. During this period, it appointed service providers for the production and installation of signage in KwaZulu-Natal and the Eastern Cape. It also finalised the installation of 23 project signs in and around Mpumalanga.

The NHBRC is implementing a digital services programme in partnership with the State Information Technology Agency (SITA), which aims to improve customer convenience, turnaround times and operational efficiencies. The branding and messaging, which articulates how the online services launch campaign (Phambil-e) will be communicated to internal and external stakeholders, were finalised.

Stakeholder engagements

Stakeholder activities scheduled for the 2020/21 financial year were heavily impacted by the COVID-19 regulations, which limited gatherings to conduct interpersonal engagements and awareness sessions. This led to a heavy reliance on stakeholder communication on various owned and shared platforms to articulate the NHBRC's commitment to servicing and supporting its customers during these times of uncertainty using structured and deliberate communications for stakeholder groups. Following the opening of customer care offices across the country, the messaging framework for stakeholder groups was centred around the safety and assurance of the NHBRC's commitment to assist its customers.

The NHBRC holds information-sharing sessions targeted at home builders and housing consumers in order to empower and educate them about the various products and services of the NHBRC through face-to-face engagements in the form of activations, exhibitions, presentations and workshops. Furthermore, its partnerships with industry associations, and provincial and local government continue to provide further opportunities to engage with and educate housing consumers.

In the 2020/21 financial year, it engaged with 9 359 housing consumers and 1 678 home builders.

To further enhance accessibility during this financial year, the NHBRC renewed its membership on Hellopeter.com, a platform that connects South African consumers and businesses. It believes that this platform has created further engagement with stakeholder groups to share their experiences and act as another conduit for stakeholder satisfaction.

The NHBRC continues to support the four designated groups (youth, women, disabled people and military veterans) through its Social Corporate Investment Programme. During this period, as part of its corporate citizenship intervention, it assisted with the rebuilding of two houses: one in partnership with Tshitshirisang Contruction and Projects to the Phalatse family in Kgabalatsane, North West, and the other to the Mpongoshe family in Kwazakhele, Eastern Cape.

Internal engagement

The communications channels used to engage with employees were expanded to include bulk SMSs and WhatsApp group messages. Additionally, the NHBRC continued to inform and educate employees through various internal campaigns and changes in the organisation. A number of awareness campaigns were aimed at its internal stakeholders, such as COVID-19, employee wellness, commemorative days, ethics and the face of the NHBRC. These campaigns were also aired on the NHBRC's television screens across all its offices.

As part of the internal 21-year campaign, one of the highlights included the face of the NHBRC competition to drive employees to either motivate or nominate an employee to be a brand ambassador and position the NHBRC as an employer of choice. The monthly ethics message communicated to employees continued to be used interchangeably as safety messages as part of entrenching an ethical culture and promoting adherence to COVID-19 health and safety protocols within the organisation.

During the period under review, the unit produced and circulated two electronic newsletters *(Indaba).*

4.4 STRATEGY AND PERFORMANCE INFORMATION MANAGEMENT

The purpose of the Strategy and Performance Information Management section is to ensure that the organisation achieves its broader strategic objectives and key performance indicators that are contained in the approved Annual Performance Plan. The Strategy and Performance Information section is responsible for the management of the strategic planning process for sections, provinces and divisions. The various sections, provinces and divisions are guided in the process to be followed so that they can produce divisional, provincial and sectional scorecards. The scorecards are then evaluated for compliance so that they can be monitored and evaluated on a monthly and quarterly basis.

The section is responsible for coordinating the organisation's performance and ensuring the compilation of the quarterly performance information report, which is then sent to the Department of Human Settlements at the end of each quarter after it has been approved by Council. The section is responsible for ensuring that the portfolio of evidence (PoE) that supports the claimed performance is loaded in the correct way on the relevant portals. This process has been designed in such a way that Internal Audit ensures that the report is audited before it is submitted to the executive authority.

The section ensures that performance is coordinated and an annual report is produced and submitted to the executive authority and presented to the Portfolio Committee in a timely manner.

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

4.5 CENTRE FOR RESEARCH AND HOUSING INNOVATION

The NHBRC, through the Centre for Research and Housing Innovation (CRHI), remains instrumental in improving home-builders' knowledge, skills, understanding and motivation to build good-quality homes. Subsequently, the CRHI has an objective to generate, provide and test knowlegde related to the home-building sector. This involves conducting applied research, testing construction materials and providing technical training.

Training

The NHBRC is required by law, in terms of section 3(h) of the Housing Consumer Protection Measures Act, to assist home builders through training and inspection to achieve and maintain satisfactory technical standards of home building, and in terms of section 15(d), to establish a fund or funds for any other purpose, including the training of historically disadvantaged home builders to enhance housing consumer protection measures covered within the scope of this Act.

Subsequently, the NHBRC established continuing education and training programmes for home builders and inspectors. These programmes remain instrumental in improving home builders' and inspectors' knowledge, skills, understanding and motivation to deliver quality homes.

The NHBRC identifies home builders through its partnerships with provincial departments, municipalities and other organisations involved in training and empowering designated groups. Learners are trained through theory and on-site in a number of trades in the home building industry.

Some of the identified benefits for conducting technical training are the following:

- Improve the technical competence level of the existing pool of home builders registered with the NHBRC and ultimately improve the quality of new homes
- Develop competent, empowered and participating home builders
- Develop a competent, empowered and participating NHBRC inspector
- Capacitate and develop an informed home owner and industry
- Contribute to increasing the number of emerging home-building workers in the sector
- Support the Department of Human Settlements' investments in technical training
- Support the Department of Human Settlements to address past economic imbalances in the home-building industry, and human settlements in general
- Empower emerging home builders to achieve their own organisational excellence status, as is required to implement rapid and continual change of innovative building technology and technology transfer
- Empower emerging home builders to tap into the implementation, movement and commercialisation of innovative building systems technology in the country

Training is done either in-house or outsourced. The Construction Education Sector Training Authority (CETA) has accredited the NHBRC to present the following courses:

- National Certificate: Building and Civil
- National Certificate: Construction Contractors
- National Certificate: Community Home Builder

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

- Emerging Home Builder Training
- Technical Professional Training (Inspectors) Military Veterans Training
- Artisan Development Training
- The Training of People with Disabilities
- Youth Brigade Training
- Women in Human Settlements

The total number of emerging home builders trained for the review period amounted to 2 823. This is a slight drop from the 3 141 trained in the previous financial year. This training programme focuses on supporting home builders with technical and management skills. The majority of the training conducted in this category is triggered by non-compliances identified on-site during inspections where contractors are recommended for training to improve the quality standard.

There were 2 281 youth trained in the year under review. This increased compared to 2 214 in the previous financial year. This training is aimed at capacitating youth brigades participating in the home-building environment. The NHBRC, in partnership with the Western Cape Department of Human Settlements, trained a group of youth in bricklaying at the Boland College in Paarl.

The Women's Training Programme was aimed at empowering women contractors in human settlements. It showed that 2 270 women were trained in the period under review. This is a positive trend from the 2 021 trained in the previous financial year.

A total of 600 artisans were trained in the period under review, compared to 514 in the previous financial year. These programmes assist youth that wish to continue studying at institutions of higher learning by enrolling them in these institutions and paying their tuition fees. The learners are then encouraged and assisted to establish entities to participate in economic activities that are available in the construction sector.

The NHBRC endeavours to support the empowerment of military veterans with technical skills and training support. In partnership with the various government departments, provincial and local governments and associations, the NHBRC participates in programmes aimed at supporting military veterans. For the year under review, only 171 military veterans were trained, a decrease from 385 trained in the previous financial year.

To support people living with disabilities, the NHBRC trained 314 leaners in this category. This is less than the 384 trained in the previous financial year.

In ensuring that inspectors employed by the NHBRC, provincial government and municipalities continually improve their technical competency levels, the NHBRC trained 733 technical professionals in the year under review. This is less than the 891 trained in the previous financial year.

Table 12: Summary of training performance by category for 2020/21

Training programme	Male	Female	Total
Emerging home builders	1 768	1 055	2 823
Technical professionals (building inspectors)	398	335	733
Military veterans	132	39	171
Artisans	276	326	600
People living with disabilities	115	159	314
Youth	861	1 420	2 281
Women	-	2 270	2 270
Total	**3 550**	**5 604**	**9 154**

During the financial year under review, the NHBRC trained 5 604 women and 3 550 men. This is evidence that the construction industry is transforming.

4.6 BUSINESS MANAGEMENT SERVICES

The purpose of the Business Management Solutions (BMS) section is to provide an effective and efficient information and communication technology (ICT) platform and services to support and enhance business functions and operations. The main focus for BMS during the 2020/21 financial year has been the following:

- The finalisation of the implementation of the Corporate Governance of ICT Framework by the Department of Public Service and Administration
- The implementation of e-services for home builders and housing consumers in order to make the NHBRC's services accessible through the internet and mobile applications
- The implementation of disaster recovery to ensure that the NHBRC's business continues even after a disaster has occurred.

4.7 CHIEF OPERATIONS OFFICER

The Chief Operations Officer's area of responsibility comprises the following divisions:

- Business Services
- Corporate Services
- Legal Compliance and Enforcement

The performance of these areas for 2020/21 is outlined below:

4.7.1 BUSINESS SERVICES DIVISION

The Business Services division is centred on protecting housing consumers, organisational efficiency and effectiveness, and contributing to broad macroeconomic objectives related to the sector. The division consists of three sections: Customer Services, Technical Services and the Inspectorate, as well as the Project Management Office.

CUSTOMER SERVICES

The Customer Services section comprises nine provincial customer service centres across the country. These centres serve as a central point of contact for housing consumers and stakeholders, where all service offerings, such as the registration of home builders and the enrolment of homes, are processed. In addition, the provincial customer service centres are supported by satellite offices to cater for home builders and housing consumers who find it difficult to access services at the central point.

Key focus areas

In line with the vision that the NHBRC is the "champion of the housing consumer", the Business Services division renders timeous, quality services for its stakeholders and housing consumers through the following service offerings:

Regulation and protection:

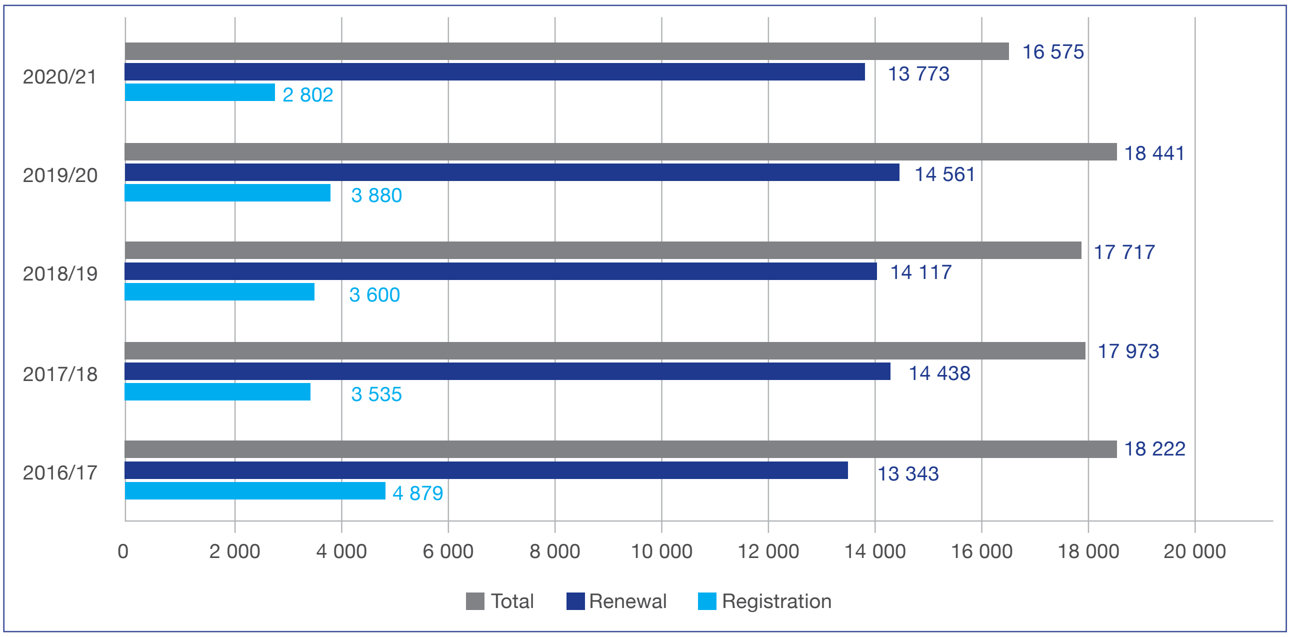
The registration of home builders and renewal of registrations

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

Figure 8 highlights the number of new home builders who registered with the NHBRC over a five-year period. A total of 2 802 new home builders registered with the NHBRC during the 2020/21 financial year. This represents a decline of 28% compared to the performance of the previous financial year.

For the year under review, 13 773 home builders renewed their registration with the NHBRC, which represents a decline of 5% when compared to the renewal of home builders in the previous financial year. The decline in registration and renewal of membership for the current year is attributed to the impact of the COVID-19 pandemic on the construction industry.

Figure 8: Registrations and renewal of registrations



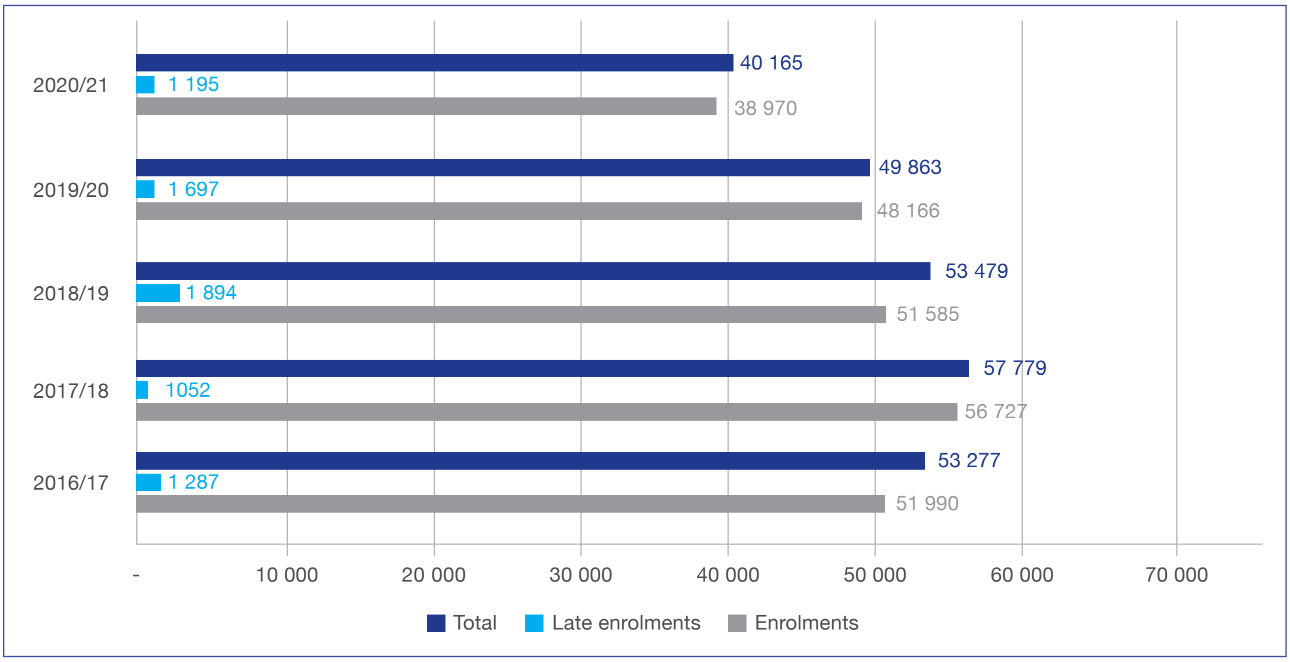
Enrolment of homes

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

Enrolment of homes in the non-subsidy sector

Figure 9 indicates that 38 970 homes were enrolled as prescribed and 1 195 homes were enrolled late, which amounted to 40 165 homes enrolled with the NHBRC during the year under review. This represents a decrease of 19% when compared with the performance of the previous financial year, which was 49 863 (40 166 enrolments before construction and 1 697 late enrolments).

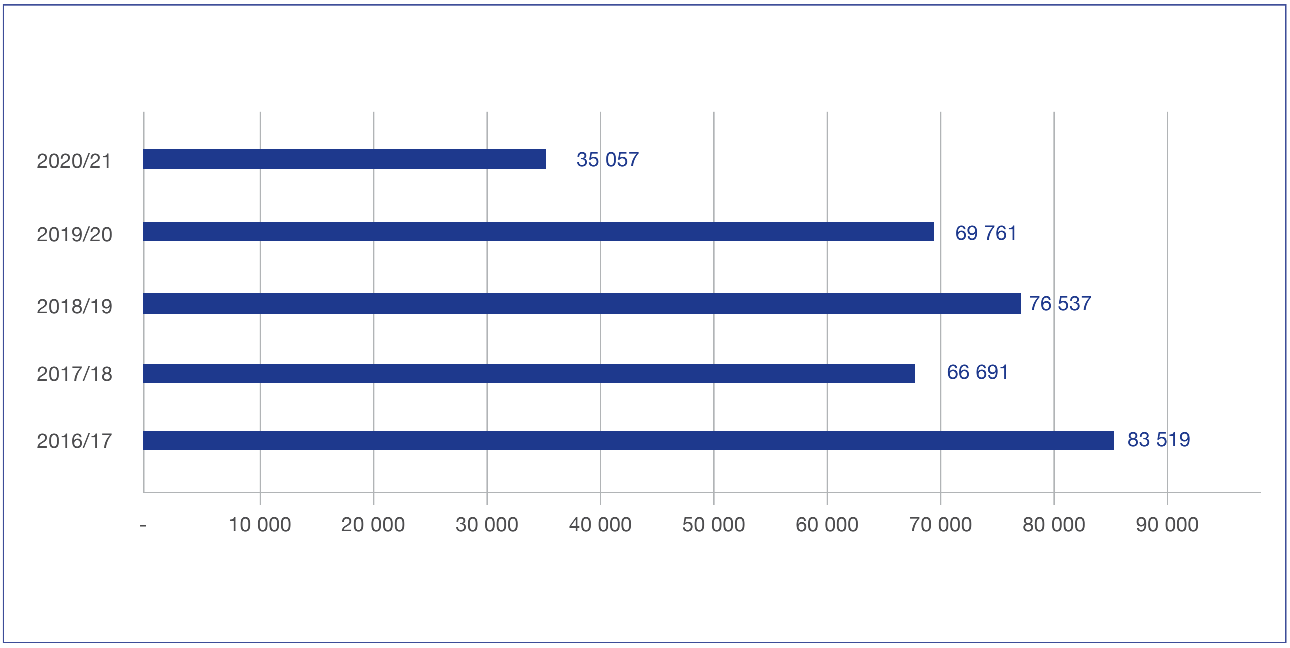
Figure 9: Non-subsidy enrolments and late enrolments of homes



Enrolment of homes in the subsidy sector

During the 2020/21 financial year, 35 057 homes in the subsidy sector were enrolled with the NHBRC. This represents a 50% decrease when compared to the performance of the previous financial year.

Figure 10: Subsidy enrolments



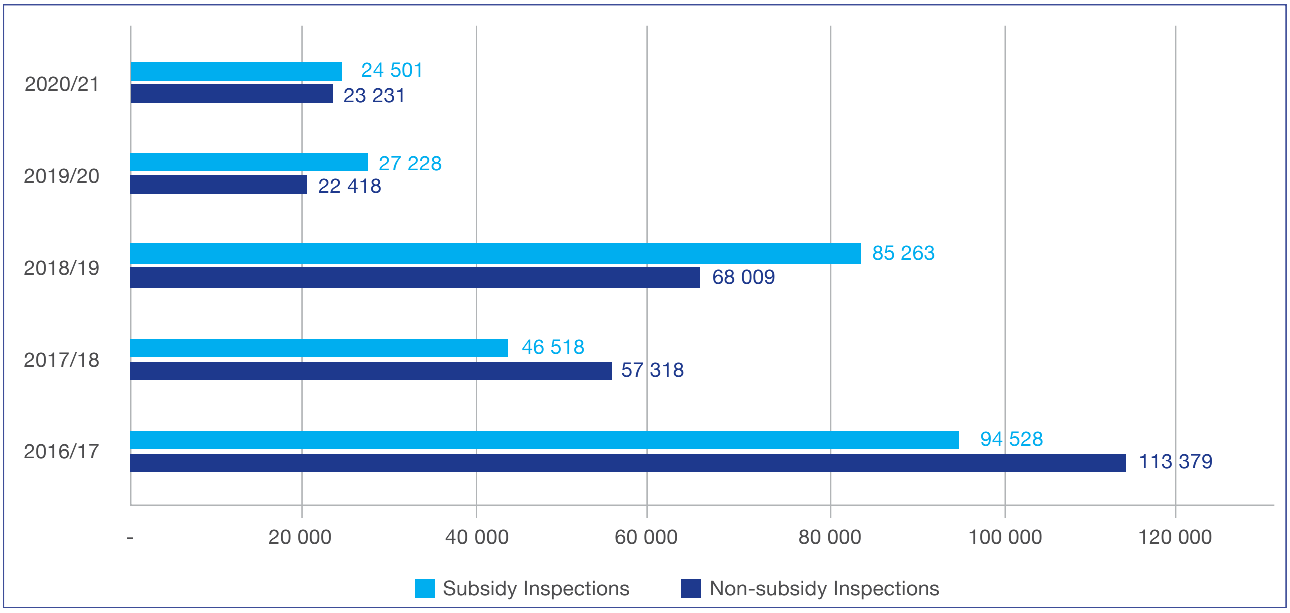
Inspection of homes

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

Inspection of homes built in the non-subsidy and subsidy sectors

During 2020/21, the NHBRC inspected 24 501 non-subsidy homes and 23 231 subsidy homes. These were the houses that were completed in the financial year.

Figure 11: Non-subsidy and subsidy homes inspected over a five-year period



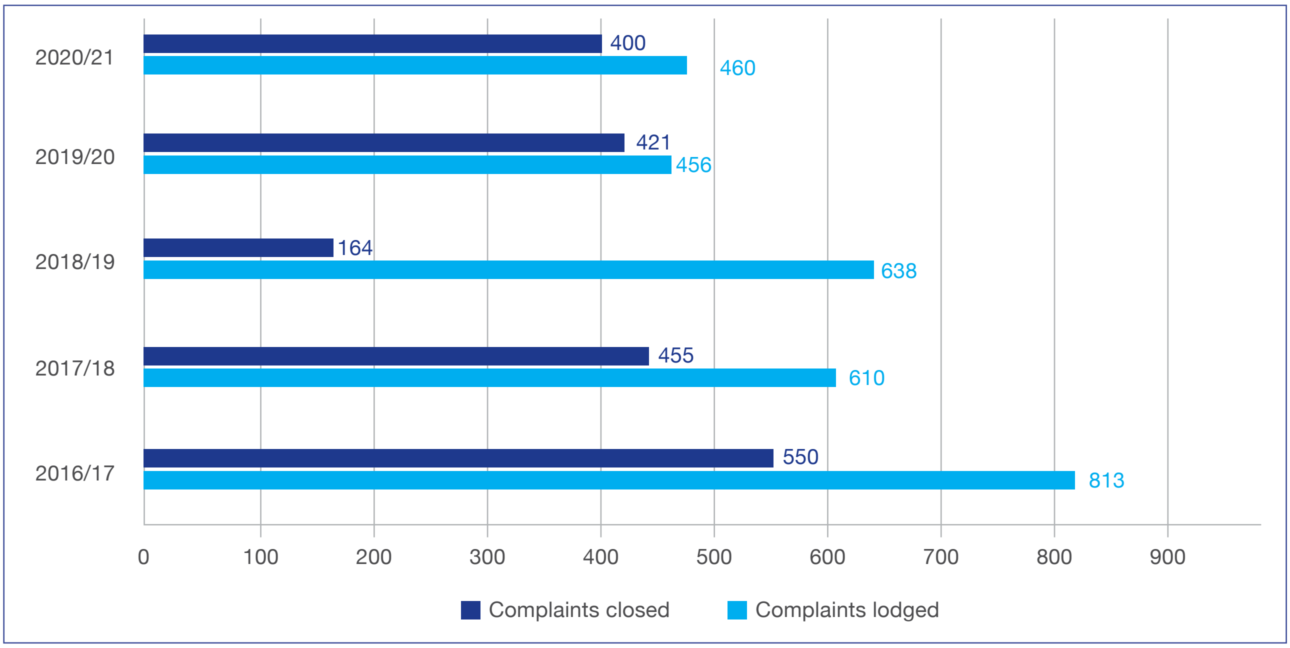
Complaints and conciliations

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

The types of complaints are as follows:

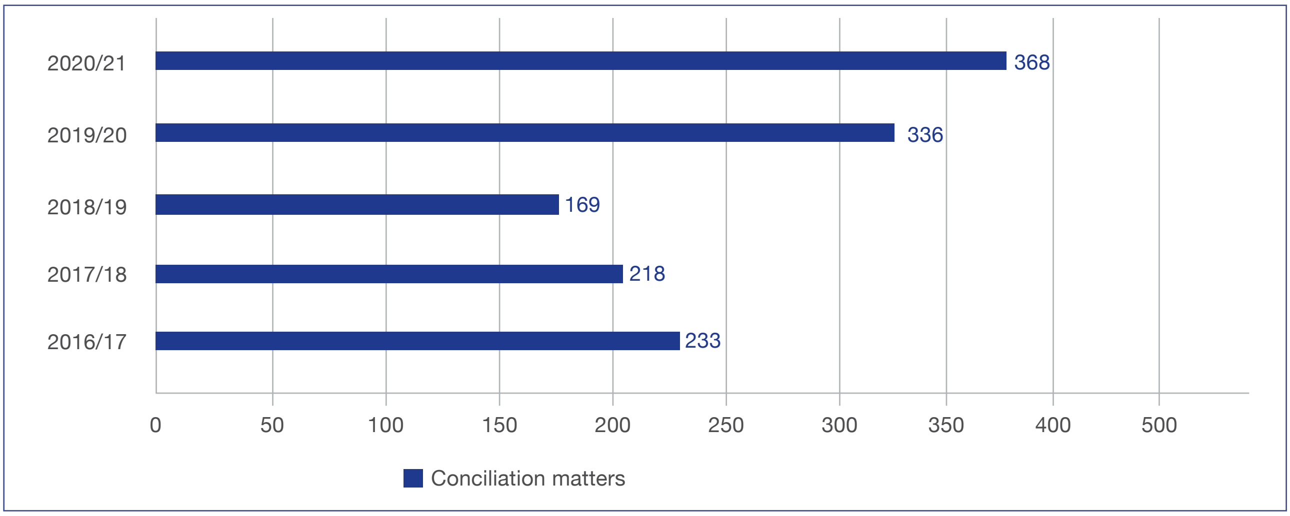
- Complaints relating to three months of non-compliance from the date of occupation, with or without deviation of terms, plans of and specifications for the agreement or any deficiency related to design workmanship
- Complaints relating to roof leaks that have emanated within the first 12 months of occupation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

Figure 12: Complaints lodged and closed



During the 2020/21 financial year, the NHBRC had 460 active complaints on its system and 400 complaints were successfully closed. These were complaints in the non-subsidy sector only. The number of complaints registered represents an increase of 1% compared to the complaints received during the 2019/20 financial year.

Figure 13: Conciliation matters addressed by the NHBRC



The NHBRC had 368 matters that escalated from the complaints stage to the conciliation stage. Conciliations include the process of engaging with the homeowner and initial home builder that enrolled the house to address the nature of defects reported by the homeowner.

Remedial works

Where the home builder is unable or unwilling to rectify the reported defects, the NHBRC will utilise its Warranty Fund for the rectification of the defects. For the 2020/21 financial year, the NHBRC spent R7.9 million from its Warranty Fund.

*Table 13: **Remedial claims for the past five years***

Claims against the Fund	2016/17	2017/18	2018/19	2019/20	2020/21
Foundation	-	-	R20 796	-	R80 369
Substructure	R1 198 581	R321 724	R25 336	R372 819	R313 543
Superstructure	R634 128	R69 899	R552 419	R1 059 145	R422 776
Roof structure	R24 515	-	-	R386 500	R198 610
Professional fees	R4 721	-	R331 705	R808 720	R365 244
Settlement	R6 277 572	R7 759 509	R1 917 662	R8 065 829	R6 588 482
Transport and storage	-	-	-	R1 484	-
Accommodation	R25 000	R25 000	R96 668	R118 534	-
Total claims against the Fund	**R8 164 518**	**R8 176 132**	**R2 944 587**	**R10 813 031**	**R7 969 024**

4.7.2 CORPORATE SERVICES DIVISION

The purpose of the Corporate Services division is to support the organisation to achieve its objectives by ensuring that it possesses capable and skilled employees, that there is a safe and conducive work environment and space, and that change is managed strategically and operationally. The division consists of three sections: Human Capital, Facilities Management and Organisational Change Management. Annually, Corporate Services implements its activities in line with its operational plan, and these are measured and reported quarterly. In the year under review, critical milestones were achieved, such as the implementation of the new Travel Model, the filling of critical positions and the launch of the New NHBRC Way.

To enable employees to maximise their potential and get the most out of their careers, the NHBRC promotes the continuous professional and personal development of its staff. Investment in skills and accelerating employee professional and personal development are key priorities. In the year under review, 479 employees were trained in various development programmes that were job specific and business focused. Additionally, the NHBRC awarded 28 bursaries to employees to further their studies. This brings the total number of bursary holders to 138 in the financial year under review.

Human Capital

The Human Capital section provides professional support to improve the human assets of an organisation 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 ensure that the current and future skills and competencies match the organisational mandate.

Headcount and workforce profile

As at the end of the 2020/21 financial year, there were 609 permanent staff members at the NHBRC (compared to 633 in 2019/20). This represents 92.7% of positions filled. During the year under review, some of the critical positions became vacant. These were the positions of Executive Manager: Corporate Services, Executive Manager: Business Services, Executive Manager: Legal, Compliance and Enforcement, Chief Information Officer and other management positions. No new permanent appointments were made during this period. This was in line with Council's resolution, which stipulated that the NHBRC may not undertake any new appointments, contract renewals or extensions pending the review of the organisational structure.

Table 14 provides the total number of employees, internship placement, temporary and permanent employees and independent contractors.

*Table 14: **Workshop profile as at 31 March 2021***

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	M	F	
Top Executive Management (Grade 1-3)	2 100%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	-	-	2
Senior Management (Grade 4-5)	3 33%	0 0%	1 11%	1 11%	2 22%	0 0%	0 0%	2 22%	-	-	9
Professionally qualified and experienced specialists, and middle management (Grade 6-7)	42 48.8%	3 3.5%	2 2.3%	4 4.6%	32 37.2%	2 2.3%	1 1.2%	0 0%	-	-	86
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (Grade 8-9)	76 44%	10 5.8%	2 1.1%	5 2.9%	73 42.4%	2 1.1%	3 1.7%	1 0.6%	-	-	172
Semi-skilled and discretionary decision making (Grade 10-13)	99 31.7%	10 3.2%	1 0.3%	4 1.3%	174 55.7%	13 4.1%	2 0.6%	9 2.9%	-	-	312
Unskilled and defined decision-making (Grade 14-17)	6 21.4%	0 0%	0 0%	0 0%	21 75%	0 0%	0 0%	1 3.6%	-	-	28
Total permanent	**228** **37.4%**	**23** **3.8%**	**6** **1%**	**14** **2.3%**	**302** **49.6%**	**17** **2.8%**	**6** **1%**	**13** **2.1%**	**-**	**-**	**609**
Temporary employees (Interns, temps, independent contractors)	19 33.9%	2 3.6%	0 0%	0 0%	34 60.7%	1 1.8%	0 0%	0 0%	-	-	56
Grand total	**247** **37.1%**	**25** **3.7%**	**6** **1%**	**14** **2.1%**	**336** **50.5%**	**18** **2.7%**	**6** **1%**	**13** **1.9%**	**-**	**-**	**665**

A = African; C = Coloured; I = Indian; W = White; M = Male; F = Female

In terms of annual staff turnover rate, the NHBRC was at 6.3% by the end of the financial year, which is above the set target of 5%.

Table 15 provides the breakdown of the overall staff complement in the previous years.

*Table 15: **Breakdown of the workforce***

Financial year	2016/17	2017/18	2018/19	2019/20	2020/21
All staff	729	681	677	702	665
Permanent staff	632	636	634	633	609
Temporary staff	97	36	31	15	42
Interns	0	2	6	49	13
Consultants	0	7	6	5	1

Transformation

Transformation highlights progress made by Human Capital Management on the transformation targets set, as per the approved Social Transformation Charter and the NHBRC's employment equity plan. The dimensions include the employment targets for women, youth and persons living with disabilities. It is in the interest of all organisations that are juristic persons, subject to the Employment Equity Act of 1995, to ensure that their workplaces reflect the demographics of the country and province, and are inclusionary. The NHBRC is continuously committed to implementing its Employment Equity Plan.

*Table 16: **Human Capital Social Transformation Scorecard***

Designated groups	Indicator	Target	Actual 2021
Women	Percentage of women employees	At least 50% of the workforce	56%
	Women representation in executive management (1–3)	50% of executive management	0%
	Women representation in middle management (4–7)	At least 35% of middle management	41%
Youth	Percentage of employees who are classified as youth	At least 30% of the workforce	24%
People with disabilities	Number of disabled employees	At least 2% of the workforce	1%

Facilities Management

The Facilities Management section is responsible for building maintenance, office space leasing and acquisition, document management and the optimised Travel Model implementation.

These performance deliverables are contained in the Facilities Management Plan 2020/21. The target for the financial year was 85% and the actual achievement in respect of facilities management was xx%. Facilities strategy and the Travel Model framework were developed, which would strengthen service delivery.

The following maintenance tenders failed at evaluation stage: electrical work, plumbing and air-conditioning contract services. They will be advertised again in the following financial year. The tender for lift and hygiene was advertised in the year under review and is pending Bid Adjudication Committee review and decision.

Organisational Change Management

The Organisational Change Management section focuses on supporting the organisation to manage change at strategic and operational levels. The NHBRC strives to manage change incrementally to promote efficiency and effectiveness within the organisation. All programmes and projects that are impacted by change are coordinated, communicated and managed in a structured approach through the Change Management Plan.

The Organisational Change Management strategy and plan became operational with the prioritisation of the procurement of an organisational change management partner. The change management tender was at an advanced stage at the end of the financial year to ensure that change initiatives are prioritised in the organisation.

4.7.3 LEGAL COMPLIANCE AND ENFORCEMENT DIVISION

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

- To contribute to the execution of the NHBRC's mandate by enforcing the Housing Consumers Protection Measures Act in a fair, effective and efficient manner
- To entrench a culture of compliance with the legislative and regulatory frameworks applicable to the NHBRC
- To safeguard the interests of the NHBRC through efficient contract management services, legal advisory services and prudent litigation management

Corporate Legal Services

Interdicts

Among the responsibilities of the Corporate Legal Services section is the responsibility to institute litigation to regularise illegal construction. Only once illegal construction is regularised will the NHBRC be in a position to monitor the quality of construction and entertain claims for specified construction defects from housing consumers. Such claims are made against the NHBRC's Warranty Fund. One of the methods that the NHBRC utilises to regularise construction is to approach the urgent court for an interdict to direct the home builder, by court order, to stop construction and – more importantly – to enrol the home(s) being constructed with the NHBRC. Enrolment is an obligation and process that is set out in section 14 of the Housing Consumer Protection Measures Act in terms of which the home builder declares the construction to the NHBRC and divulges the building plans among other disclosure requirements. The decision to approach the urgent court to interdict construction depends on various factors, such as the stage of construction at which the NHBRC identifies the illegal construction and the rules of the urgent court. Construction is illegal in the following instances in terms of the Act:

- When construction is carried out by a home builder who is not registered with the NHBRC in terms of section 10 of the Act and who therefore does not have a licence from the NHBRC to build
- When construction commences without such construction being enrolled with the NHBRC in terms of section 14 of the Act

Table 17: ***Interdicts obtained from 2016/17 to 2020/21***

Financial year	Orders granted by the courts	Percentage of orders granted by the courts	Builder complied: internal intervention	Percentage of builders who complied: internal intervention
2016/17	14	8%	54	20%
2017/18	35	19%	39	15%
2018/19	49	27%	73	27%
2019/20	72	39%	72	26%
2020/21	12	7%	16	6%
Total	**182**	**100%**	**254**	**100%**

Table 17 shows a decrease of 82% in respect of court orders granted in favour of the NHBRC during the 2020/21 financial year compared to the previous year. This is due to the nationwide lockdown, which prohibited construction in the residential sector in the first quarter until 1 June 2020 and because it took some time for the construction sector to gain momentum over the rest of the financial year.

In respect of instances where the NHBRC intervened prior to resorting to the courts, 16 home builders complied during the financial year, representing a decline of -78% compared to the previous year. The decline is attributed to the general reduction in construction levels in the nationwide lockdown as a result of the COVID-19 pandemic.

Recoveries

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

- Amounts disbursed out of the Warranty Fund for the rectification of defects, in accordance with section 17(1) of the Housing Consumer Protection Measures Act, from the defaulting home builders and developers
- Fines imposed by the Disciplinary Committee against home builders for failing to comply with the Act and other relevant building-related legislation
- Legal costs in instances where the NHBRC was awarded costs in terms of a court judgment or arbitration

In accordance with Table 18, the NHBRC recovered R3.25 million during the 2020/21 financial year. This amount increased by 25% compared to the R2.6 million for the previous financial year.

The recovery of monies as per the Housing Consumer Protection Measures Act continues to improve. This is as a result of the Disciplinary Committee imposing penalties as required by the Act and the home builders abiding by the Committee's verdicts. The said penalties contribute 82% of the monies recovered. In addition, 18% of the monies recovered is in respect of legal costs awarded to the NHBRC in litigation matters. The NHBRC plans to implement enhanced collection methods in the new financial year to increase the levels of recoveries in general.

Table 18: ***Recoveries from defaulting home builders for the last five years***

Financial year	Recovery amount
2016/17	R1.6 million
2017/18	R1.6 million
2018/19	R1.7 million
2019/20	R2.6 million
2020/21	R3.25 million

Regulatory Compliance

The Regulatory Compliance function focused on the following key performance areas, as contained in the 2020/21 approved Regulatory Compliance Annual Plan:

- Internal governance targets, including the maintenance of the regulatory universe and the compliance frameworks
- Compilation of compliance risk management plans for the legislation included in the annual plan for the year
- Monitoring and reporting on high-priority compliance risks in the various sections of the NHBRC
- Provision of on-the-job practical training and mentoring of compliance champions in order to empower them to conduct efficient monitoring and reporting on compliance risks in their respective sections or provincial offices
- Reporting to the Executive Committee and committees of Council, specifically the Audit and Risk Committee and Council, on progress relating to the approved annual plan

Figure 14: Percentage implementation of approved annual performance plan

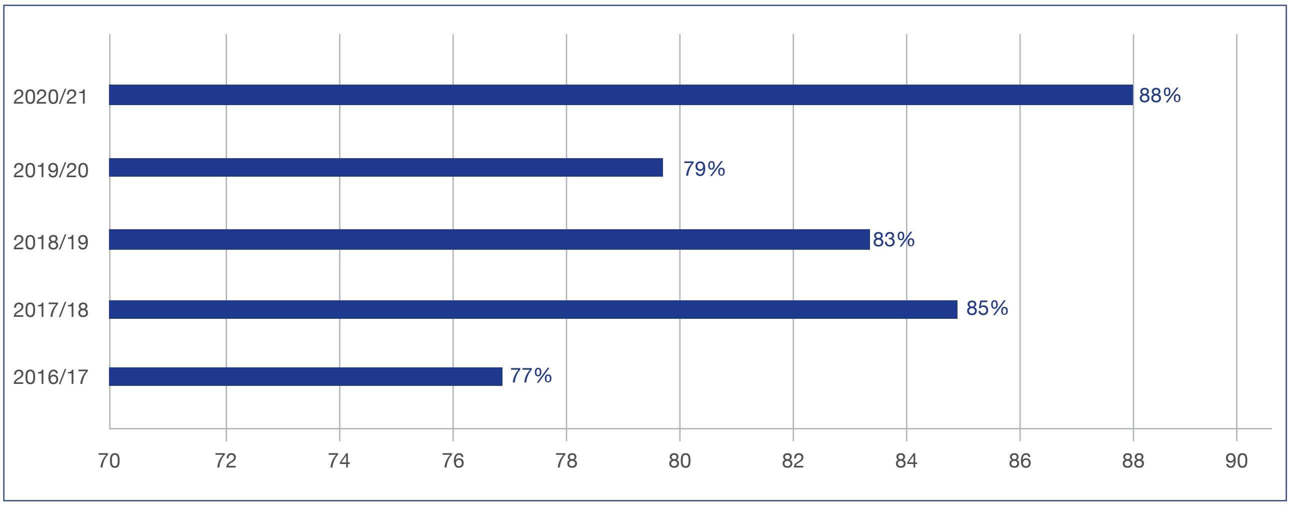


Figure 14 demonstrates that the division achieved a performance of 77% for the 2016/17 financial year, which increased to 85% in the 2017/18 financial year. The performance dropped to 83% in 2018/19 and there was a further decline in 2019/20 to 79%. The performance achieved for the 2020/21 financial year is 88%, which is an improvement of 4% from the previous financial year. The improvement can be attributed to the function taking on a wider range of compliance monitoring activities than in previous years, based on a number of additional pieces of legislation that were included in its three-year rolling annual plan.

Enforcement

In terms of section 11(3) of the Housing Consumer Protection Measures Act, Council may suspend a registered home builder's registration or refuse to enrol such home builder's homes for the period that Council deems it necessary to investigate the matter or until the registered home builder has complied with the relevant provisions, condition or obligation in terms of the Act. Further, the Act empowers the NHBRC's Disciplinary Committee, after following due process, to impose withdrawal of registration of a home builder; a fine not exceeding R25 000,00 or a warning in instances where a home builder has been found guilty of contravening the provisions of the Act.

During the 2020/21 financial year, 44 home builders were suspended for failure to comply with specific provisions of the Act and the Disciplinary Committee adjudicated upon 260 matters.

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

Suspension turnaround times

The NHBRC's approved Annual Performance Plan for 2020/21 demonstrates that 80% of prosecutable matters were suspended within 10 working days of receipt of instruction. The performance achieved for the 2020/21 financial year is 89%. The target was exceeded by 11%.

Table 19: Suspensions matters for the last five years

	2016/17		2017/18		2018/19		2019/20		2020/21	
Province	**Suspensions**	**%**	**Suspensions**	**%**	**Suspensions**	**%**	**Suspensions**	**%**	**Suspensions**	**%**
Eastern Cape	0	0%	3	1%	0	0%	0	0%	0	0%
Free State	5	4%	3	1%	1	0.7%	3	5%	2	4.5%
Gauteng	55	39%	70	33%	48	36%	7	11%	12	27.4%
KwaZulu-Natal	19	13%	29	14%	1	0.7%	6	9%	9	20.4%
Limpopo	17	12%	16	8%	39	29%	25	39%	0	0%
Mpumalanga	15	11%	16	8%	11	8%	4	6%	1	2.3%
Northern Cape	1	1%	3	1%	0	0%	2	3%	0	0%
North West	9	6%	5	2%	1	0.7%	0	0%	4	9%
Western Cape	21	15%	66	31%	33	25%	17	27%	16	36.4%
Total	**142**	**100%**	**211**	**100%**	**134**	**100%**	**64**	**100 %**	**44**	**100%**

Figure 15: Suspension of defaulting home builders

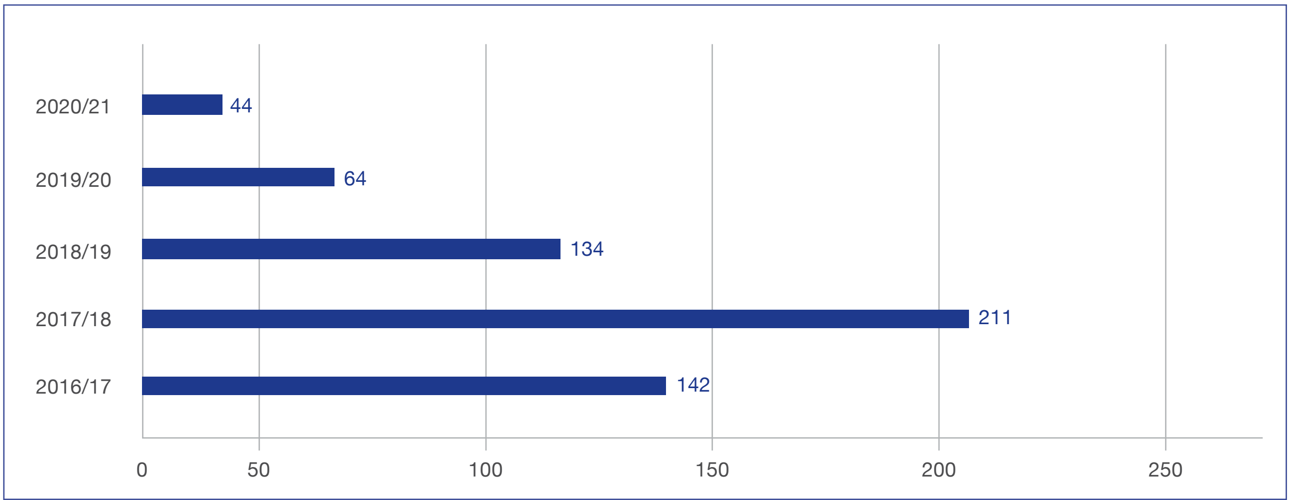


Table 19 and Figure 15 indicate that 44 home builders were suspended in the 2020/21 financial year compared to 64 in the 2019/20 financial year. This represents a decrease of 31% for the current financial year. Numerous training and awareness programmes that are undertaken with various stakeholders (both internal and external) on the legislative framework are part of the key reasons for this decline, although the impact of COVID-19 also contributed to fewer building activities on site. This is part of the organisation's initiatives not only to ensure visibility in the industry, but also to ensure compliance with the Housing Consumer Protection Measures Act.

The consistent enforcement of the Act is instilling a culture of compliance among home builders due to the fact that home builders are aware that corrective action will be taken against them if they contravene the Act.

Disciplinary Committee turnaround

The NHBRC's approved Annual Performance Plan for 2020/21 requires 50% of prosecutable matters to be set down for hearing before the Disciplinary Committee within 120 working days from the date of approval to prosecute. The performance achieved for 2020/21 is 99%, which means that the target was exceeded by 49%.

Table 20: Disciplinary hearings for the last five years

	2016/17		2017/18		2018/19		2019/20		2020/21	
Province	**Hearings**	**%**	**Hearings**	**%**	**Hearings**	**%**	**Hearings**	**%**	**Hearings**	**%**
Eastern Cape	8	2%	28	6%	30	5%	29	4%	10	3.84%
Free State	11	2%	26	5%	25	4%	27	4%	7	2.69%
Gauteng	101	23%	106	21%	166	27%	142	21%	43	16.5%
KwaZulu-Natal	71	16%	141	28%	134	22%	197	29%	51	19.6%
Limpopo	72	16%	44	9%	38	6%	41	6%	12	4.61%
Mpumalanga	71	16%	39	8%	47	8%	70	11%	40	15.4%
Northern Cape	4	1%	3	1%	12	2%	17	3%	5	1.9%
North West	42	9%	35	7%	54	9%	43	6%	24	9.23%
Western Cape	65	15%	84	17%	100	17%	107	16%	68	26.1%
Total	**445**	**100%**	**506**	**100%**	**606**	**100%**	**673**	**100%**	**260**	**100%**

Figure 16: Disciplinary matters

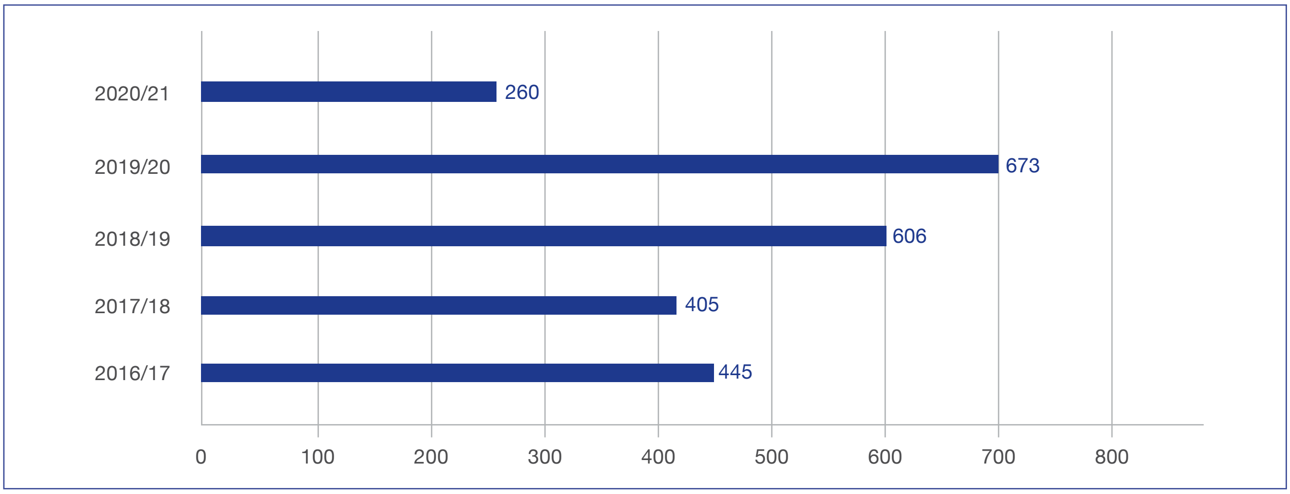


Table 20 and Figure 16 indicate that 673 home builders were prosecuted in the 2019/20 financial year compared to 260 in 2020/21.

The decline can be attributed to the nationwide lockdown restrictions, which prohibited construction in the residential sector in the first quarter of the financial year until 1 June 2021, and due to the fact that it took some time for the construction sector to gain momentum during the financial year. Similar to the decline in crime rates during the nationwide lockdown, the NHBRC experienced a decline in misconduct cases by home builders due to the decrease in construction undertaken.

Criminal matters handled in the financial year

In the 2020/21 financial year, 175 cases were opened with the South African Police Service (SAPS). The above performance represents an increase of 28% in the number of criminal cases opened, compared to the previous financial year. The increase was enjoyed despite no building activities being allowed by law in the first quarter until 1 June 2020. It is anticipated that the number of criminal cases opened will increase in the upcoming years as housing consumers are becoming more aware of their rights against unscrupulous home builders. The cooperation of the National Prosecuting Authority (NPA) and the SAPS certainly contributed to the number of cases opened against home builders.

The NHBRC is indebted to the NPA and the SAPS for their assistance, without which these cases could not be opened.

The NHBRC continues to forge relations with the NPA and the SAPS by exploring various initiatives to ensure that home builders have the requisite registration status with the NHBRC in order to be licensed to build homes for housing consumers. These initiatives have resulted in a constant increase in criminal cases registered by the NHBRC's investigators with the SAPS since 2015/16.

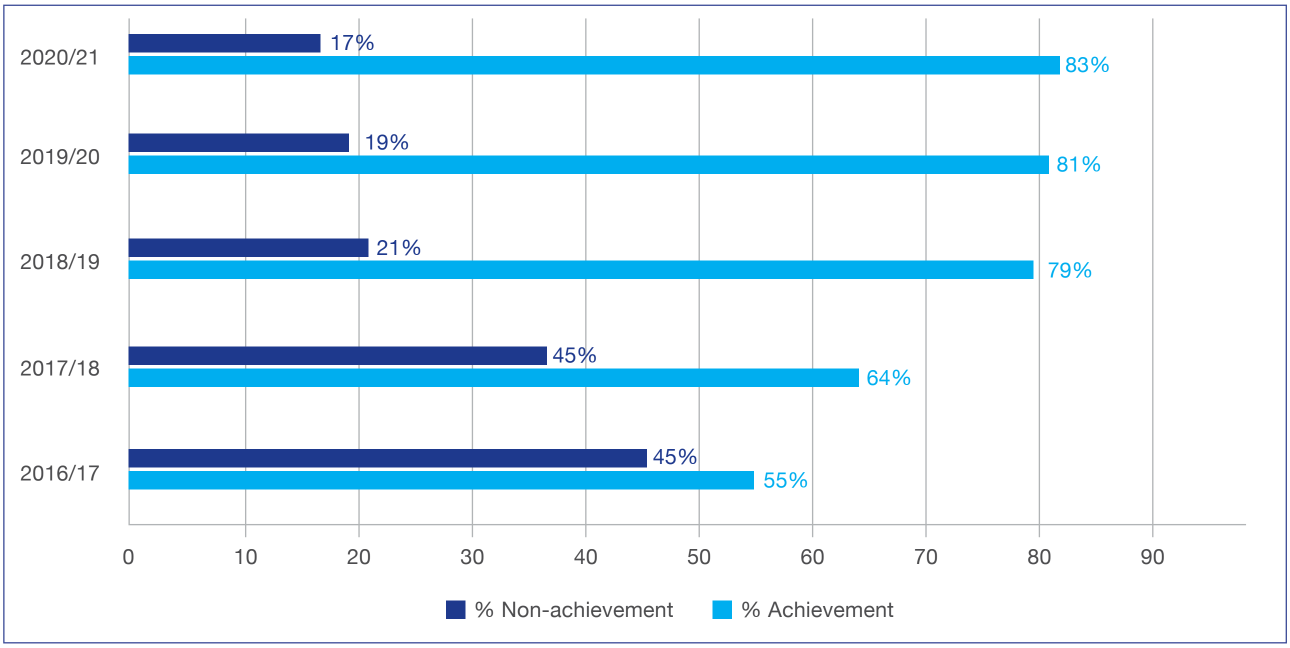
SECTION 5

PERFORMANCE INFORMATION

SECTION 5
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 2020/21 shows that 83% of the set targets were achieved. This achievement represents an improvement from the 81% achieved in 2019/20. There were some output indicator targets that were adjusted during the financial year as the country was on a nationwide lockdown during the first quarter of the year.

Figure 17: Summary of performance information trends over the last five years



RETABLED ANNUAL PERFORMANCE INFORMATION 2020/2021

The NHBRC revised its Annual Performance Plan (APP) for 2020/21 after the nationwide lockdown that took place from the end of March 2020 when the home-building industry was completely shut down in order to deal with the COVID-19 pandemic. The review and analysis of the annual targets took place during the second quarter, although approval was obtained in the fourth quarter.

The revision of the APP for 2020/21 was due to the following reasons:

- The impact of COVID-19 on the home-building industry and the economy at large, which resulted in a reduced budget
- A reduction in the number of new and existing home builders estimated to continue operating
- An increase in the number of targeted social transformation programmes
- The fact that the majority of activities that were planned for the first quarter of the financial year could not take place as the organisation was not operational

The table below only highlights outputs, output indicators and annual targets that were revised in the period under review. The NHBRC only made changes to the annual targets in Programme 1 and Programme 2. Programme 3 remained as had been approved in the originally tabled 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.

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21 (31 December 2020)	Deviation from planned target to actual achievement 2020/21	Reason for variation	Reasons for revisions to the outputs/ output indicators/ annual targets
Functional efficient and integrated government	Anti-fraud and corruption reports	Percentage of the approved anti-fraud and corruption implementation Plan implemented	Not applicable	Not applicable	95% implementation of the approved anti-fraud and corruption plan	48% of anti-fraud and corruption plan implemented	-49%	The performance only includes the activities that took place in the first three quarters of the financial year.	The annual target was changed as some of the activities involved travelling and face-to-face interaction, which were restricted due to the nationwide lockdown regulations and the NHBRC's response to the COVID-19 pandemic.
	Risk management report	Percentage implementation of the approved risk management plan	Not applicable	Not applicable	95% implementation of the approved risk management plan	45% of risk management plan implemented	-53%	The performance only includes the activities that took place in the first three quarters of the financial year.	The annual target was changed as some of the activities included travelling and face-to-face interaction, which were restricted due to the nationwide lockdown regulations and the NHBRC's response to the COVID-19 pandemic.
	Compliance report	Percentage implementation of the approved compliance plan	Not applicable	Not applicable	80% implementation of the approved compliance plan	77% of compliance plan implemented	-4%	The performance only includes the activities that took place in the first three quarters of the financial year.	The annual target was changed as some of the activities included travelling and face-to-face interaction, which were restricted due to the nationwide lockdown regulations and the NHBRC's response to the COVID-19 pandemic.

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21 (31 December 2020)	Deviation from planned target to actual achievement 2020/21	Reason for variation	Reasons for revisions to the outputs/ output indicators/ annual targets
Improved accessibility and visibility of the NHBRC's products and services	Strategic partnerships	Number of strategic partnerships signed	Not applicable	Not applicable	4 MoUs signed	1 MoU signed	-3	The performance only includes the activities that took place in the first three quarters of the financial year.	The annual target was changed as some of the activities involved travelling and face-to-face interaction, which were restricted due to the nationwide lockdown regulations and the NHBRC's response to the COVID-19 pandemic.
Financially sustainable organisation that promotes economic inclusion	Social transformation	Number of social transformation programmes implemented	100% of social transformation strategy imple-mented	Not applicable	4 social transformation programmes implemented	2 programmes conducted	-2	The performance only includes the activities that took place in the first three quarters of the financial year.	The annual target was changed as some of the activities involved travelling and face-to-face interaction, which were restricted due to the nationwide lockdown regulations and the NHBRC's response to the COVID-19 pandemic.

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 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21 (31 December 2020)	Deviation from planned target to actual achievement 2020/21	Reason for variation	Reasons for revisions to the outputs/ output indicators/ annual targets
Improved regulatory compliance	Registered builders	Number of home builders registered	3 600	3 880	3 500 home builders registered	2 037	-1 463	The performance only includes the new registration applications that were approved in the first three quarters of the financial year. The NHBRC was not operational for most of the first quarter to accept and process the new registrations applications.	The annual target was reduced due to the impact of COVID-19 on the economy and construction activities were halted for most of the first quarter of the year. It was anticipated that some emerging home builders may not be attracted to enter the industry while the economy and home-built industry were on the decline.
	Renewed registrations	Number of home builders to renew their registration	14 117	14 561	14 000 home builders to renew their registration	10 553	-3 447	The performance only includes the new registration applications that were approved in the first three quarters of the financial year. The NHBRC was not operational for most of the first quarter to accept and process the renewal of memberships.	The annual target was reduced due to the impact of COVID-19 on the economy and construction activities were halted for most of the first quarter of the year. It was envisaged that some of the home builders would not be able to recover in time to continue with construction activities.

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21 (31 December 2020)	Deviation from planned target to actual achievement 2020/21	Reason for variation	Reasons for revisions to the outputs/ output indicators/ annual targets
	Inspected homes completed in the non-subsidy sector	Number of homes inspected in the non-subsidy sector	68 009 homes inspected in the non-subsidy sector	22 418	21 929 homes inspected in the non-subsidy sector	18 300	-3 629	The performance was only based on the inspections conducted in the first three quarters of the financial year and no inspections took place in the month of April and May as the NHBRC was not operational due to the nationwide lockdown.	The annual target was reduced as more housing consumers lost their jobs and it was anticipated that some of the construction projects may not proceed as scheduled.
	Inspected homes completed in the subsidy sector	Number of homes in-spected in the subsidy sector	76 526 homes inspected in the subsidy sector	27 228	30 266 homes inspected in the subsidy sector	17 541	-12 725	The performance was only based on the inspections conducted in the first three quarters of the financial year and no inspections took place in the month of April and May as the NHBRC was not operational due to nationwide lockdown.	The annual target was reduced following the impact of COVID-19. It was anticipated that some of the government procurement processes in appointing contractors for subsidy developments may be delayed due to the nationwide lockdown and COVID-19 regulations.

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21 (31 December 2020)	Deviation from planned target to actual achievement 2020/21	Reason for variation	Reasons for revisions to the outputs/ output indicators/ annual targets
	80% of Disciplinary Committee set down within 120 working days of approval to prosecute	Percentage of prosecutable matters set down for hearing before the Disciplinary Committee within 120 working days from the date of approval to prosecute	100%	57%	80% of prosecutable matters set down for hearing before the Disciplinary Committee within 120 working days from the 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	24%	The NHBRC was able to conclude the majority of the Disciplinary Committee matters within the target of 120 days.	The target was reduced to 50% as the process involves a lot of face-to-face investigations that would have been impossible to do due to COVID-19 restrictions.
	Disputes resolved	Percentage of disputes resolved within 90 working days	Not applicable	Not applicable	100% of disputes resolved within 90 working days	99% of disputes resolved within 90 working days	-1%	Only 1% of the disputes could not be resolved due to limited employees allowed to be in the office at any given time. The NHBRC was also affected by cases of staff testing positive for COVID-19, which required them to quarantine at home and be absent from work.	The target was reduced to 90% as the dispute handling process involves a lot of face-to-face contact between the home inspectors and housing consumers, which would have been impossible due to the COVID-19 restrictions

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21 (31 December 2020)	Deviation from planned target to actual achievement 2020/21	Reason for variation	Reasons for revisions to the outputs/ output indicators/ annual targets
Competent home builders and technical professionals	Trained builders	Number of home builders trained	2 541	3 145	2 400 home builders trained	2 339	-61	The home builder training only includes the performance for the first three quarters. There were fewer home builders trained in the first quarter due to the nationwide lockdown.	The annual target was reduced as the NHBRC training is conducted in person and with COVID-19 restrictions, it would have been difficult to project that the same number of planned training sessions would take place by the end of the financial year.
	Trained youth	Number of youth trained	2 184	2 214	2 000 youth trained	1 437	-563	The training only includes the performance for the first three quarters. There were fewer youth trained in the first quarter due to the nationwide lockdown.	The annual target was reduced as the NHBRC training is conducted in person and with COVID-19 restrictions, it would have been difficult to project that the same number of planned training sessions would take place by the end of the financial year.
	Trained women	Number of women trained	2 042	2 021	1 980 women trained	1 951	-29	The training only includes the performance for the first three quarters. There were fewer women trained in the first quarter due to the nationwide lockdown.	The annual target was reduced as the NHBRC training is conducted in person and with COVID-19 restrictions, it would have been difficult to project that the same number of planned training sessions would take place by the end of the financial year.

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21 (31 December 2020)	Deviation from planned target to actual achievement 2020/21	Reason for variation	Reasons for revisions to the outputs/ output indicators/ annual targets
Competent home builders and technical professionals	Trained military veterans	Number of military veterans trained	262	385	150 military veterans trained	159	9	Although there were less training activities for military veterans in the first quarter, the NHBRC received more interest in training in the second quarter of the year. With the uncertainty of the nationwide lockdown and other restrictions, the NHBRC made means to train available trainees in the second quarter.	The annual target was reduced as the NHBRC training is conducted in person and with COVID-19 restrictions it would have been difficult to project that the same number of planned training sessions would take place by the end of the financial year.
	Trained people with disabilities	Number of people with disabilities trained	219	384	150 people with disabilities trained	314	164	There was a lot of interest for training from people living with disabilities. This may be due to the fact that most projects were on hold in the industry and people had free time to attend and complete training.	The target was reduced as it was anticipated that less people would be interested in attending training.
	Trained technical professionals	Number of technical professionals trained	602	891	695 technical professionals trained	319	376	Due to the national lockdown, training sessions scheduled the first quarter did not take place, therefore affecting the year-to-date performance.	The training was reduced as a limited number of personnel were allowed to convene at any given place.

2020/21 Performance information (final retabled APP)

Refer to the output indicators from the originally tabled APP and adjustments made during the approval of the retabled APP as approved by the Minister in February 2021.

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.

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reason for variation
Functional, efficient and integrated government	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings	Not applicable	Not applicable	Unqualified audit opinion with no material findings	Unqualified audit opinion	None	
	Compliant statutory reports	Percentage of compliance with statutory tabling and prescripts	Not applicable	Not applicable	100% compliance with statutory tabling and prescripts	100%	None	
	Internal audit reports	Percentage implementation of the approved internal audit plan	Not applicable	Not applicable	85% implementation of the approved internal audit plan	85%	None	
	Anti-fraud and corruption reports	Percentage of approved anti-fraud and corruption implementation plan implemented	Not applicable	Not applicable	90% implementation of the approved anti-fraud and corruption plan	100%	11%	All planned activities for anti-fraud and corruption were implemented to ensure employees are educated and that there are preventative measures to minimise fraud and corruption.
	Risk management report	Percentage implementation of the approved risk management plan	Not applicable	Not applicable	90% implementation of the approved risk management plan	100%	11%	The 11% variation is due to the review and approval and implementation of the ERM Framework, which was initially planned for Q1 and Q2 (2020/21). The ERM Framework was carried over and achieved in Q4 (2020/21)

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reason for variation
Functional, efficient and integrated government	Compliance report	Percentage implementation of the approved compliance plan	Not applicable	Not applicable	70% implementation of the approved compliance plan	88%	26%	The target was exceeded due to ad hoc compliance monitoring activities that resulted in a higher achievement
	Contained costs	Percentage savings on budgeted expenditure	Not applicable	Not applicable	10% savings on budgeted expenditure	12.6% savings on budgeted expenditure	68%	Application of stringent cost control measures
Improved accessibility and visibility of NHBRC products and services	Strategic partnerships	Number of strategic partnerships signed	Not applicable	Not applicable	1 MoU signed	2 MoUs signed	2	In an effort to form strategic partnerships with other stakeholders, the NHBRC was able to sign one more MoU than the revised target.
	Satisfied stakeholders	Stakeholder Satisfaction Index improves to %	Not applicable	Not applicable	Stakeholder Satisfaction Index improves to 60%	Stakeholder Satisfaction Index not conducted	-100%	Appointment of the service provider to conduct the survey was not completed in time and will be completed in the following year.
	Communication plan	Percentage implementation of communication plan	225 home-builder stakeholder sessions held in provinces	100% implementation of communication plan	100% implementation of communication plan	74%	-26%	All activities in the plan were achieved except the appointment of the service provider to conduct the survey, which will be finalised in the following year.
Financially sustainable organisation promoting economic inclusion	Social transformation	Number of social transformation programmes implemented	100% of social transformation strategy implemented	Not applicable	2 social transformation programmes implemented	2 social transformation programmes implemented	None	
	BEE spending increased by >65%	BEE spend of %	Not applicable	Achieved BEE spend of 72.55%	BEE spend of >65%	73.72%	8.72%	Prioritising of BEE suppliers through procurement of goods and services.

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 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reason for variation
Improved regulatory compliance	Registered builders	Number of home builders registered	3 600	3 880	2 336 home builders registered	2,802	466	Due to nationwide lockdown that the country experienced in the beginning of the year and a collapsing economy, there were fewer entrants in the home-building industry. The reduction in the annual target from 3 500 during the year assisted in achieving the target.
	Renewed registrations	Number of home builders to renew their registration	14 117	14 561	8 914 home builders to renew their registration	13 773	4 859	The reduction of the annual target from 14 000 assisted in achieving the target as some of the home builders did not renew their membership following the impact of COVID-19.
	Inspected homes completed in the non-subsidy sector	Number of homes inspected in the non-subsidy sector	68 009 homes inspected in the non-subsidy sector	22 418	16 282 homes inspected in the non-subsidy sector	24 501	8 219	The non-subsidy industry picked up quicker than anticipated after all construction activities were suspended for most of the first quarter.
	Inspected homes completed in the subsidy sector	Number of homes inspected in the subsidy sector	76 526 homes inspected in the subsidy sector	27 228	23 961 homes inspected in the subsidy sector	23 231	-730	The inspection is based on the number of houses that were completed and fewer houses were completed by the end of the financial year. This can be attributed to the nationwide lockdown, labour restrictions on sites and shortage of material.

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reason for variation
Improved regulatory compliance	80% of suspensions effected within 10 working days	Percentage of prosecutable matters suspended within 10 working days of receipt of instruction.	100% of home builders with prosecutable matters were suspended	95%	80% 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	11%	Due to the screening process that takes place before the home builders are recommended for suspension, more home builders were suspended within 10 working days.
	80% of Disciplinary Committee set down within 120 working days of approval to prosecute	Percentage of prosecutable matters set down for hearing before the Disciplinary Committee within 120 working days from the date of approval to prosecute	100%	57%	50% of prosecutable matters set down for hearing before the Disciplinary Committee within 120 working days from the 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	98%	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 within 90 working days	Not applicable	Not applicable	90% disputes resolved within 90 working days	99% of disputes resolved within 90 working days	10%	Management put more efforts into improving the service delivery by ensuring that complaints are attended to on time.
Competent home builders and technical professionals	Trained builders	Number of home builders trained	2 541	3 145	1 700 home builders trained	2 823	1 123	Training was scheduled for more people whenever they were available as the impact of COVID-19 restrictions was uncertain on the future. This was to ensure that if the pandemic became worse and stricter lockdown measures were implemented, performance would not be affected.

Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reason for variation
Improved regulatory compliance	Trained youth	Number of youth trained	2 184	2 214	1 300 youth trained	2 281	981	Training was scheduled for more people whenever they were available as the impact of COVID-19 restrictions were uncertain on the future. This was to ensure that if the pandemic became worse and stricter lockdown measures were implemented, performance would not be affected.
	Trained women	Number of women trained	2 042	2 021	1 300 women trained	2 270	970	Training was scheduled for more people whenever they were available as the impact of COVID-19 restrictions were uncertain on the future. This was to ensure that if the pandemic became worse and stricter lockdown measures were implemented, performance would not be affected.
	Trained military veterans	Number of military veterans trained	262	385	90 military veterans trained	171	81	Interventions introduced in Q2 and Q3 of the financial year were very effective, so the NHBRC was able to train military veterans and improve the performance.
	Trained people with disabilities	Number of people with disabilities trained	219	384	90 people with disabilities trained	314	224	The NHBRC had planned to train 150 people with disabilities, but reduced the target to 90 due to the impact of COVID-19. However, there was a positive response for training from people with disabilities.
	Trained technical professionals	Number of technical professionals trained	602	891	600 technical professionals trained	733	133	Target was exceeded due to various training programmes completed, which targeted NHBRC and government inspectors.
	Trained artisans	Number of artisans trained	441	514	600 artisans trained	600	None	

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 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reason for variation
Improved regulatory compliance	Compliant enrolments in the subsidy sector	Percentage of compliant enrolment applications approved within 15 days from the date of receipt in the subsidy sector	76 526 homes enrolled in the subsidy sector	69 761 homes enrolled in the subsidy sector	100% of compliant enrolment applications approved within 15 days from the date of receipt in the subsidy sector	71%	-29%	The nationwide lockdown impacted on enrolments overall as it restricted the number of staff members available to process applications.
	Compliant enrolments in the non-subsidy sector	Percentage of compliant enrolment applications approved within 15 days from the date of receipt in the non-subsidy sector	68 009 homes inspected in the non-subsidy sector	48 166 homes inspected in the non-subsidy sector	100% of compliant enrolment applications approved within 15 days from the date of receipt in the non-subsidy sector	94%	-6%	The sectional titles are distorting the turnaround times because the developers are requesting that the NHBRC delays the cashing of the 80% guarantee, therefore delaying the printing of certificate. Late enrolments are also delayed by developers who are not able to provide financial guarantees timeously.
Greenhouse gas emission reduction	Constructed Green First zero-energy model house	Constructed Green First zero-energy model house	Not applicable	Not applicable	Adoption of criteria that meet the Green First zero-energy model house	Criteria that meets the Green First zero-energy model house adopted	None	

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 82 to 117, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, the statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year the ended 31 March 2021, 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 2021, 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 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 2020 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2021.

Impairment of Trade Receivables

8. As disclosed in note 6 to the financial statements, accumulated material losses of R39,6 million (2020: R30,6 million) was incurred as a result of an impairment of trade receivables.

Significant uncertainty

9. 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 R369,4 million (2020: R542,8 million) 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.

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 117 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 thereon.

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 programmes 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 2021:

Programmes	Pages in the annual performance report
Programme 2: Regulation	68 -70

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

Various indicators

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

Indicator description	Reported achievement
Number of homes inspected in the non-subsidy sector	24 501
Number of homes builders trained	2 812

Other matters

22. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Achievement of planned targets

23. Refer to the annual performance report on pages 59 to 71 for information on the achievement of planned targets for the year and management 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 20 to 21 of this report.

Adjustment of material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2 – Regulation. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

25. 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.

26. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance, and annual report

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

Expenditure management

28. Effective and appropriate steps were not taken to prevent irregular expenditure of R1,2 million as disclosed in the note 23.3 to the annual financial statements, as required by 51(1)(b)(ii) of the PFMA. The irregular expenditure was caused by non-compliance with supply chain management prescripts on obtaining the required number of quotations.

Consequence management

29. 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 was because investigations into irregular expenditure were not performed.

30. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Other information

31. 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 that selected programme presented in the annual performance report that have been specifically reported in this auditor's report.

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

33. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

34. If based on the work I have performed, I conclude that there is a material misstatement in the other information, I am required to report the fact.

Internal control deficiencies

35. 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 compliance with legislation included in this report.

36. Management did not exercise oversight responsibility over the internal controls of the entity and the review of the financial and performance reports submitted for auditing as evidenced by the identified material misstatements.

37. 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

08 August 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council, which constitutes the accounting authority.
   - conclude on the appropriateness of the accounting authority 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 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.

SECTION 6

AUDIT AND RISK 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. The ARCO has adopted formal terms of reference as its Audit and Risk Committee Charter, has 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 and regulatory frameworks
v. The activities of the Internal Audit Function, including its annual work programme, coordination with external auditors

These tasks are conducted in line with all applicable legal requirements and accounting standards as prescribed in the PFMA. The Audit and Risk Committee Charter provides clear guidelines with regard to the membership, authority and responsibilities. The Audit and Risk Committee Charter is reviewed and updated annually. The membership of ARCO, as at 31 March 2021, comprised of one independent external member, who was serving as Chairperson, and four members of Council. Their attendance is reflected in the table below:

Members	Qualification	Scheduled meetings	Total meetings attended
Mr Sathie Gounden (Chairperson)	BCompt (Unisa), Diploma in Accountancy – Postgraduate (UDW); Chartered Accountant (SA); Chartered Director (SA)	5	5
Ms Bongiwe Duba	Executive Leadership Development for Municipal Management – University of Pretoria; Bachelor of Arts in Psychology – Unisa	5	5
Mr Goolam Manack	MSc – Public Policy and Management (University of London).	5	5
*Mr Klaas Mokaba	Bluris degree – University of the North; Certificate in Labour Relations Management – Unisa; Certificate in Advanced Management Development Programme – University of Pretoria; Certificate in Legislative Drafting – University of Pretoria; Diploma in Criminal Justice and Forensic Investigations – University of Johannesburg; Postgraduate Certificate in Economic and Development Policy – University of the Witwatersrand; Master of Management in Public Policy (MM-PP) – Wits School of Governance (WSG) of the University of the Witwatersrand	1	1
*Mr Choeu Makabate	Master of Engineering in Engineering Management – University of Johannesburg	1	1
^Mr Roy Mnisi	LLB and Postgraduate Certificate in Compliance Management – University of Johannesburg) (Admitted Attorney of the High Court)	4	4
^Mr Zenzele Myeza	BCom – University of Zululand; MBA (UDW)	4	4

INVITEES

The CEO, COO, CFO, CAE and CRO have a standing invitation to attend the meetings of ARCO. For the year under review, the Committee met five times to discharge its mandate. These meetings were attended by all ARCO members. The Auditor-General and Internal Audit are invited to attend all the meetings of ARCO. The NHBRC's 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;
- Internal Audit's three-year audit plan, and annual budgets;
- the risk management reports;
- The audited Annual Financial Statements and annual performance report.

Approval of:

- the Internal Audit Charter, budget, audit plan and three year audit plan;
- the Auditor-General's audit fees, engagement terms and audit strategy;
- the 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 the proper operation of the Committee. The Internal Audit of the NHBRC, compiled and presented its three-year rolling strategic plan for the review and approval of ARCO. The plan was approved by ARCO after it was satisfied that the plan was in line with the requirements of the PFMA and the 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 2021. ARCO confirms that this plan was in line with Regulations and standards, and that the plan takes into consideration the NHBRC's risk registers for the year under review.

1 ** Joined ARCO on 20 December 2020*
2 *^ Left ARCO on 20 December 2020*

Risk management and internal control

- ARCO continued to review and report on the NHBRC's risk management practices, internal policies and procedures that they are effective and adequate to safeguard the NHBRC's 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 2020/21 financial period, the overall control environment of the related processes subject to internal audit 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 and Risk Committee

- ARCO is required to have its adequacy and effectiveness evaluated annually. During the year under review, a self-evaluation was carried out and the results were satisfactory. Two members were reshuffled to other Council committees and were replaced by two new members during the year in order to complement the skills and expertise of ARCO.

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 2021 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 of South Africa and the Accounting Officer of the NHBRC.

Conclusion

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

SECTION 7:

FINANCIAL STATEMENTS

SECTION 7: FINANCIAL STATEMENTS

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

The annual financial statements for the year ended 31 March 2021 presented on pages 86 to 121 have been prepared in accordance with effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The annual financial statements were approved by the Council on 30 July 2021 for submission to the Auditor General and are signed on its behalf:

Chairperson of Council

Chief Executive Officer

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Notes	2021 R	Restated 2020 R
ASSETS			
Non-current assets			
Property, plant and equipment	2	88 027 966	86 818 067
Intangible assets	3	40 744 794	56 013 992
Investments	4	4 101 083 969	3 393 858 883
Other receivables	6	521 751	784 695
		4 230 378 479	3 537 475 637
Current assets			
Investments	4	3 254 377 704	3 247 553 756
Inventories	5	9 543 984	10 473 048
Trade and other receivables	6	30 843 717	45 850 716
Cash and cash equivalents	7	857 141 519	766 870 143
		4 151 906 925	4 070 747 663
TOTAL ASSETS		**8 382 285 404**	**7 608 223 300**
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		6 630 017 546	5 890 951 107
Emerging contractor reserve	8	3 665 039	4 875 642
		6 633 682 584	5 895 826 750
LIABILITIES			
Non-current liabilities			
Provision for outstanding claims	9	21 188 592	19 163 056
Provision for unearned premium	9	601 063 486	738 104 845
Provision for unexpired risk	9	527 446 086	341 225 085
Deposits for guarantees	11	25 265 980	23 713 966
		1 174 964 144	1 122 206 951
Current liabilities			
Trade and other payables	10	101 890 122	102 173 611
Deposits for guarantees	11	24 479 620	19 999 665
Provision for outstanding claims	9	9 931 870	10 028 345
Provision for unearned premium	9	437 337 064	457 987 978
		573 638 676	590 189 599
Total equity and liabilities		**8 382 285 404**	**7 608 223 300**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2021

	Notes	2021	Restated 2020
Revenue		R	R
Revenue from exchange transactions			
Insurance premium revenue	12	562 570 109	668 700 379
Fee revenue	13	52 537 569	80 016 941
Technical services revenue	14	5 123 826	15 346 610
Other revenue	15	11 648 241	37 210 893
Interest received and investment income	16	398 149 938	474 708 950
Unrealised gain on financial assets	4	471 447 393	42 044 125
Total revenue from exchange transactions		**1 501 477 076**	**1 318 027 899**
Revenue from non-exchange transactions			
Other Income	15	17 321 970	12 241 228
Total revenue		**1 518 799 046**	**1 330 269 127**
Expenditure			
Insurance claims and loss adjustment expenses	17	(9 898 086)	9 603 207
Accreditation builders manual and certificate cost	31.2	(936 292)	(1 487 823)
Technical services expenditure	31.3 25	(4 147 434)	(12 556 218)
Depreciation and amortisation	31.4	(21 979 592)	(22 073 948)
Employee cost	31.5	(483 713 493)	(534 444 533)
Administration expenses	31.6 25	(215 981 040)	(294 579 590)
Asset management service fees	4	(11 544 275)	(8 906 968)
Realised loss on financial assets	4	(32 742 999)	(331 033 076)
Finance costs	19	-	(4 964)
Total expenditure		**(780 943 211)**	**(1 195 483 913)**
Surplus for the year	25	**737 855 835**	**134 785 214**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL
STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2021

	Notes	Accumulated Surplus R	Emerging Contractor Reserve R	Total R
Balance at 31 March 2019		**5 753 715 961**	**7 325 576**	**5 761 041 536**
Restated surplus	25	134 785 214	-	134 785 214
As previously reported		136 718 848	-	136 718 848
Restatement of prior year surplus		(1 933 634)	-	(1 933 634)
Reserve utilised	8	2 449 933	(2 449 933)	-
Balance at 31 March 2020 Restated	25	**5 890 951 107**	**4 875 642**	**5 895 826 750**
Surplus for the year ended 31 March 2021		737 855 835	-	737 855 835
Reserve utilised	8	1 210 604	(1 210 604)	-
Balance at 31 March 2021		**6 630 017 546**	**3 665 039**	**6 633 682 584**

CASH FLOW STATEMENT

for the year ended 31 March 2021

	Notes	2021 R	Restated 2020 R
Cash flows from operating activities			
Receipt		**709 741 810**	**938 474 952**
Cash receipts from customers		692 737 442	908 471 53
Interest received	16	17 004 368	30 003 49
Payment		**(705 183 561)**	**(810 503 388)**
Cash paid to suppliers and employees		(697 214 537)	(799 685 393)
Claims paid	17	(7 969 024)	(10 813 031)
Interest paid	19	-	(4 964)
Net cash inflow from operating activities	20.1	**4 558 249**	**127 971 564**
Cash flows from investing activities			
Purchase of property plant and equipment	2	(7 928 911)	(5 339 373)
Purchase of additions investment	4	(1 247 828 158)	(4 390 784 110)
Withdrawal of investment	4	1 244 865 959	4 376 774 339
Net Proceeds on sale of financial assets	20.2	96 604 238	(438 358 422)
Net cash outflow from investing activities		**85 713 128**	**(457 707 566)**
Net increase/(decrease) in cash and cash equivalents		90 271 377	(329 736 002)
Cash and cash equivalents at beginning of year	**7**	766 870 142	1 096 606 145
Cash and cash equivalents at the end of the year	**20.3**	**857 141 519**	**766 870 143**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL INFORMATION

for the year ended 31 March 2021

Description	Notes	2021 Actual	2021 Revised budget	2021 Initial budget	Difference: Actual and budget	2020 Actual	2020 Budget
Revenue	1						
Insurance premium revenue							
Fee revenue	1.1	52 537 569	29 193,332	34 180 256	23 344 236	80 016 941	32 008 642
Non-subsidy enrolments	1.2	479 189 200	505 853 569	670 098 398	(26 664 369)	559 494 346	680 610 281
Actuarial Adjustments	1.3	(28 528 728)	-	-	(28 528 728)	(110 310 227)	-
Subsidy enrolments	1.4	111 909 637	139 621 017	165 128 492	(27 711 380)	219 516 260	175 278 978
Technical service revenue	1.5	5 123 826	13 500 000	20,000,000	(8 376 174)	15 346 610	23 100 000
Other revenue	1.6	11 648 241	-	-	11 648 241	37 210 894	-
Other Income	1.6	17 321 970	2 800 000	2 800 000	14 521 970	12 241 228	2 100 000
Interest received and investment income	3	398 149 939	421 716 334	461 536 000	(23 566 395)	474 708 950	435 586 171
Realised gain on financial assets	3	471 447 393	21 314 525	51 154 861	450 132 868	42 044 125	51 154 861
Total revenue		**1 518 799 046**	**1 133 998 778**	**1 404 898 007**	**384 800 268**	**1 330 269 127**	**1 399 838 933**
Expenses	2						
Insurance claims and loss adjustment expenses		(9 898 086)	-	(9 000 000)	(9 898 086)	9 603 207	(9 200 000)
Accreditation,builders manual and certificate cost		(936 292)	(1 340 235)	(2 084 824)	403 943	(1 487 823)	(1 956 038)
Technical services expenditure	2.1	(4 147 434)	(8 000 000)	(12 000 000)	3 852 566	(12 556 218)	(16 000 000)
Depreciation and amortisation		(21 979 592)	(23 989 711)	(27 443 920)	2 010 119	(22 073 948)	(23 357 650)
Council costs	2.2	(1 826 013)	(4 710 038)	(5 382 900)	2 884 025	(4 571 330)	(5 382 900)
Employee cost	2.3	(483 713 493)	(520 830 937)	(522 047 638)	37 117 444	(534 444 533)	(524 523 462)
Asset management services		(11 544 275)	(9 500 000)	(12 000 000)	(2 044 275)	(8 906 968)	(12 058 268)
Administration expenses	2.4	(214 155 026)	(220 406 436)	(265 820 373)	6 251 410	(290 008 260)	(285 130 987)
Realised loss on financial assets	3	(32 742 999)	-	-	(32 742 999)	(331 033 076)	-
Finance costs		-	-	-	-	(4 964)	-
Total expenditure		**(780 943 211)**	**(788 777 357)**	**(855 779 655)**	**7 834 146**	**(1 195 483 913)**	**(877 609 305)**
Surplus for the period		**737 855 835**	**345 221 421**	**549 118 352**	**364 105 686**	**134 785 214**	**522 229 628**

NOTE

1. REVENUE

1.1 Fee income

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

1.2 Non-subsidy enrolments

The decrease of R27m is due to enrolment of homes at a lower value than anticipated as well as fewer units enrolled.

1.3 Change in unearned premuim and unexpired risk

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

1.4 Subsidy enrolments

Subsidy home enrolment revenue decreased by R28m compared to budget. This is mainly due to the lower enrolment numbers from provincial Human Settlement departments.

1.5 Technical revenue

Delay in roll out of projects from the Department due to Covid 19 pandemic.

1.6 Other revenue

Other revenue is due to the EOH settlement received and increase in DC fines in the current year.

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 travel and accommodation costs in the current period.

2.3 Employee costs

The decreased expenditure in permanent staff costs is due to the moratorium on recruitment in place.

2.4 General and administration expenses

General and administration expenditure were stringently managed by the organisation.

3. INCOME FROM INVESTMENTS

Increase in investments is due to increased market performance during the current year.

NATIONAL HOME BUILDERS REGISTRATION COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2021

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 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)
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**
Year ended 31 March 2020						
Opening net book amount	8 661 671	10 489 439	1 188 730	17 751 947	50 263 846	88 355 634
Additions	3 709 524	1 629 849	-	-	-	5 339 373
Disposals	(4 476 964)	(558 599)	-	-	-	(5 035 563)
Depreciation on disposal	4 389 760	550 411	-	-	-	4 940 171
Depreciation charge	(1 682 374)	(1 221 076)	(112 711)	-	(3 785 388)	(6 801 548)
Reclassification	-	-	-	-	-	-
Closing net book amount	**10 601 617**	**10 890 025**	**1 076 019**	**17 751 947**	**46 478 458**	**86 798 067**
At 31 March 2020						
Cost	20 983 905	25 662 956	1 565 239	17 751 947	75 707 782	141 671 830
Accumulated depreciation	(10 382 289)	(14 772 932)	(489 220)	-	(29 209 323)	(54 853 763)
Net book amount	**10 601 617**	**10 890 025**	**1 076 019**	**17 751 947**	**46 498 458**	**86 818 067**

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 2021

3. INTANGIBLE ASSETS

	Computer software R	Total R
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
Year ended 31 March 2020		
Opening net book amount	71 291 392	71 291 392
Disposals	(61 537)	(61 537)
Amortisation on disposals	56 537	56 537
Amortisation charge	(15 272 400)	(15 272 400)
Closing net book amount	56 013 992	56 013 992
At 31 March 2020		
Cost	122 168 587	122 168 587
Accumulated amortisation	(66 154 595)	(66 154 595)
Net book amount	56 013 992	56 013 992

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

	2021 R	2020 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:

	2021 R	2020 R
Money Market investments	2 785 518 645	2 796 269 189
CPD Money Market	468 859 059	451 284 567
Listed bond securities and equity		
- Short-term < 7 years	1 399 140 611	1 165 966 447
- Medium-term 7 to 12 years	221 742 944	217 094 451
- Long-term > 12 years	1 253 480 620	969 340 146
	6 128 741 879	**5 599 954 800**
Derivative financial instruments at fair value	1 226 719 794	1 041 457 839
	7 355 461 673	**6 641 412 639**
Split between non-current and current		
Non-current portion	4 101 083 969	3 393 858 883
Current portion	3 254 377 704	3 247 553 756
Total	**7 355 461 673**	**6 641 412 639**

None of these financial assets are either past due or impaired

	2021 R	2020 R
Reconciliation of opening and closing balance		
Opening balance	6 641 412 639	6 042 791 480
Cash and call accounts prior year *	207 618 674	645 977 096
Cash and call call accounts current year *	(304 222 913)	(207 618 674)
Capital additions	1 247 828 158	4 390 784 110
Withdrawal	(1 244 865 959)	(4 376 774 339)
Interest accrued	366 782 629	426 837 013
Dividend income	14 362 941	17 868 438
Transaction costs	(614 614)	(556 566)
Asset management service fees	(11 544 275)	(8 906 968)
Unrealised profit on financial assets	438 704 394	42 044 125
Realised loss on financial assets	-	(331 033 076)
	7 355 461 673	**6 641 412 639**

* 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 2021

4. INVESTMENTS (CONTINUED)

4.1 Credit quality of financial assets (continued)

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

Financial Assets at Fair Value

(Bonds Money Market Equities and Structured Products)

	2021 R	2020 R
Fitch		
AA-	26 735 083	-
AA+	37 882 751	-
A-	2 207 168	-
A+	1 055	-
F1+	101 655 149	-
AA	20 510 760	1 015 702 802
AAA	17 482 699	46 921 434
AAA(zaf)	-	710 084 347
F1+(zaf)	-	18 418 422
F1(zaf)	-	16 840 326
	206 474 665	**1 807 967 331**
Moody		
A+	251 558	-
F1+	936 846 429	-
AA+	87 370 443	13 063 301
AAA	823 177 481	10 311 257
A-	-	1 255 031
WR	-	1 420 029
Aa1.za	-	146 983 234
Aa2.za	-	5 936 043
Aa3.za	-	30 743 540
P-1.za	-	905 898 300
AA-	-	4 254 193
	1 847 645 912	**1 119 864 928**
GCR		
AA+	190 606 786	565 289 189
AA	622 727 230	275 828 366
AAA	231 040 654	124 241 993
F1+	31 284 261	-
AA-	-	13 132 946
A1+(za)	-	47 016 309
	1 075 658 931	**1 025 508 804**
S&P		
AA-	62 210 409	-
AA+	320 695 565	-
A-	69 539 346	-
A+	24 029 545	-
F1+	144 614 120	-
F1	29 849 753	-
AA	332 704 733	-
AAA	1 109 692 544	515 357 712
A	46 359 399	42 861 496
B	11 842 720	11 241 718
A-1+	-	54 528 898
NR	-	1 445 966
	2 151 538 134	625 435 791
	5 281 317 641	4 578 776 854

NATIONAL HOME BUILDERS REGISTRATION COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2021

4.1 Credit quality of financial assets (continued)	**2021** **R**	**2020** **R**
Amount carried forward from prior page	5 281 317 641	4 578 776 854
S&P		
zaA-	-	32 142 101
zaA+	-	9 732 952
zaA-1+	-	102 074 775
zaAA	-	3 441 170
zaAAA	-	28 718 103
zaA-2	-	510 630
	5 281 317 641	**4 755 396 585**
Equity exposure	2 074 144 032	1 886 016 054
	7 355 461 673	**6 641 412 639**

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

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

		Fair value measurement at end of the year using:	
		Level 1	**Level 2**
2021	***R***	***R***	***R***
Financial assets at fair value through profit or loss			
Equities	562 278 234	562 278 234	-
Bonds	2 312 085 941	2 312 085 941	-
Money market instruments	3 254 377 704	-	3 254 377 704
Other investment (Structured Products)	1 226 719 794	1 226 719 794	-
	7 355 461 673	4 101 083 969	3 254 377 704

		Fair value measurement at end of the year using:	
		Level 1	Level 2
2020	***R***	***R***	***R***
Financial assets at fair value through profit or loss			
Equities	375 069 001	375 069 001	-
Bonds	1 977 332 043	1 977 332 043	-
Money market instruments	3 247 553 756	-	3 247 553 756
Other investment (structured products)	1 041 457 839	1 041 457 839	-
	6 641 412 639	3 393 858 883	3 247 553 756

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 2021**	**Valuation techniques Observable Input**
Financial assets at fair value through profit or loss:		
Unlisted:		
Debt securities	Reference to listed bonds	Risk free yield to maturity curve risk free zero curverisk free zero curve
Money market securities	Discount cash flow valuation black-scholes Model	Published exchange swap curve published interest rate curve published credit spread curve/implied credit spread curve risk freecurve/implied credit spread curve risk free yield to maturity curve risk free zero curve swap yield to maturity curve swap zero curve
Other investments	Reference to listed benchmark bond	Risk free yield to maturity curve risk free zero curve

NATIONAL HOME BUILDERS REGISTRATION COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2021

	2021 R	2020 R
5. INVENTORIES		
Builders manuals at cost	9 543 984	10 473 048
6. TRADE AND OTHER RECEIVABLES		
Net trade receivables	12 740 237	18 135 739
- Trade receivables	52 310 735	48 776 777
- Less provision for impairment	(39 570 498)	(30 641 038)
Other receivables:		
- Rental deposits	2 718 542	2 551 552
- Sundry debtors	15 906 689	25 948 119
	31 365 468	**46 635 411**
The fair values of trade and other receivables are as follows:		
Trade receivables	52 310 735	48 776 777
Rental deposits	2 718 542	2 551 552
	55 029 277	**51 328 330**
Ageing of past due and impaired is as follows:		
Amounts in 60 to 120 days	37 940 393	5 208 765
Amounts in 120 days +	1 676 906	69 798 709
	39 617 299	**75 007 474**
Movements on the provision for impairment of trade receivables is as follows:		
At 1 April 2020	(30 641 038)	(72 409 926)
Decrease /(Increase) in provision	(8 929 460)	41 768 888
At 31 March 2021	**(39 570 498)**	**(30 641 038)**

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.

	2021 R	2020 R
6.1 Rental deposits		
Split between non-current and current		
Non-current portion	521 751	784 695
Current portion	2 196 792	1 766 857
	2 718 542	**2 551 552**
6.2 Trade and other receivables		
Split between non-current and current		
Non-current portion	521 751	784 695
Current portion	30 843 717	45 850 716
	31 365 468	**46 635 411**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2021

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	**52 310 735**	**48 776 777**

	2021 R	2020 R
7. CASH AND CASH EQUIVALENTS		
Cash balances	552 743 662	559 078 618
Short-term bank deposits	174 945	172 851
Call accounts*	304 222 913	207 618 674
	857 141 519	**766 870 143**

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 R1 210 604 (2020: R2 449 933) for home builder training in the current financial year. The remaining reserve to be utilised for future years is R 3 665 039 (2020: R4 875 642).

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

9. TECHNICAL ACTUARIAL LIABILITIES

	Outstanding Claims R	Unearned Premium R	Unexpired Risk R	Total R
Balance at 31 March 2019	**49 607 639**	**1 050 073 418**	**376 934 263**	**1 476 615 320**
Increase during the year	(9 603 207)	-	-	(9 603 207)
Utilised during the year (note 19)	(10 813 031)	-	-	(10 813 031)
Increase/(Decrease) during the year (note 14)	-	146 019 405	(35 709 179)	110 310 226
Balance at 31 March 2020	**29 191 401**	**1 196 092 823**	**341 225 085**	**1 566 509 308**
Increase during the year (note 30)	9 898 086	-	-	9 898 086
Utilised during the year (note 19)	(7 969 024)	-	-	(7 969 024)
Increase/(decrease) during the year (note 14)	-	(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**
Balance at 31 March 2020				
Current	10 028 345	457 987 978	-	468 016 323
Non-current	19 163 056	738 104 845	341 225 085	1 098 492 985
	29 191 401	**1 196 092 823**	**341 225 085**	**1 566 509 308**
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**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

9. TECHNICAL ACTUARIAL LIABILITIES (CONTINUED)

9.2 Basis and methodology of valuation

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

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

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

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

9.3 Assumptions

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

Key assumption	2021		2020	
	Non-subsidy	Subsidy	Non-subsidy	Subsidy
Discount rate	3.30%	7.10%	5.6%	9.6%
General price inflation	1.80%	4.30%	3.2%	5.1%
Future building cost inflation	1.80%	4.30%	3.2%	5.1%
Historical building cost inflation	3.20%	4.1%	4.1%	4.1%
Ultimate complaint rate	100%	100%	1.15%	1.15%
BF complaints loss ratio	0.00%	N/A	0.00%	N/A
Remedial work rate	10.00%	10.00%	3.64%	3.64%
Average claim cost	R242 156	R54 714	R240 847	R54 714
Initial expense ratio	60%	-59%	58%	51%
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 2021

9. TECHNICAL ACTUARIAL LIABILITIES (CONTINUED)

9.4 Sensitivity analysis

The various components of the provisions are sensitive to various factors. The UPP is mostly driven by the initial expense ratio and the earnings curve. The UPP is sensitive to the earnings curve even though the high level of initial expenses in non-subsidy and subsidy sector which results in only 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 2020/21. 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.

	2021 R	Restated 2020 R
10. TRADE AND OTHER PAYABLES		
Trade payables and accrued expenses	29 807 292	33 829 749
Operating lease accrual	2 373 871	1 599 091
Income received in advance	4 750 748	3 796 158
Leave accrual	30 287 872	27 986 278
Cash received in advance	33 301 821	33 593 817
Retentions	1 368 518	1 368 518
	101 890 122	**102 173 611**

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	25 265 980	23 713 966
Current portion	24 479 620	19 999 665
	49 745 601	**43 713 631**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

	2021 R	2020 R

12. INSURANCE PREMIUM REVENUE

	479 189 200	559 494 346
Non-subsidy enrolments	111 909 637	219 516 260
Change in unearned premium provision (see note 9)	157 692 273	(146 019 405)
Change in unexpired risk provision (see note 9)	(186 221 001)	35 709 178
	562 570 109	668 700 379

The unearned premium provision is the portion of received enrolments that is held to meet future complaints and concilliation expenses, overheads 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 premim provision to meet future expnses 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	1 518 275	2 033 829
Annual renewal fees	9 821 658	10 494 094
Registration fees	2 329 992	3 351 283
Builder manual fees	1 106 831	1 690 313
Subsidy project enrolments fees	37 050 654	61 619 160
Late enrolment fees	409 220	434 201
Document sales	300 940	394 060
	52 537 569	80 016 941

14. TECHNICAL SERVICES REVENUE

Forensic engineering geotechnical and rectification work	5 123 826	15 346 610
	5 123 826	15 346 610

15. OTHER REVENUE

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

Sundry income	11 648 241	6 844 818
Reversal of provision for doubtful debt	-	30 366 075
	11 648 241	37 210 893

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

Other Income

Disciplinary hearing fines	2 792 500	11 776 964
Legal recoveries	588 860	464 264
Other income	13 940 610	-
	17 321 970	12 241 228
	28 970 211	**49 452 122**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

16. INVESTMENT INCOME

	2021 R	Restated 2020 R

Investment income earned on financial assets analysed by category of asset is as follows:

Interest received from investments	366 782 629	426 837 013
Dividend income	14 362 941	17 868 438
Interest received (cash and cash equivalents)	17 004 368	30 003 499
	398 149 938	**474 708 950**

17. INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

Current year warranty claims (see note 9)	(7 969 024)	(10 813 031)
(Decrease)/increase in the outstanding claims provision	17 867 110	1 209 824
	9 898 086	**(9 603 207)**

18. RESULTS FROM OPERATING ACTIVITIES

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

Auditor's remuneration	6 301 866	9 814 801
Depreciation	6 710 394	6 801 548
Computer equipment	1 734 810	1 682 374
Office furniture and equipment	1 077 485	1 221 076
Motor vehicles	112 711	112 711
Buildings	3 785 388	3 785 388
Amortisation of intangible assets	15 269 198	15 272 400
Net loss on property, plant and equipment.	8 618	95 393
Net loss on disposal of intangible assets	-	5 000
Repair and maintenance	1 840 320	4 006 301
Rentals in respect of operating leases*	17 859 275	17 831 717

*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:	39 461 387	46 141 053
Not later than 1 year	15 541 467	13 688 660
Later than 2 years and not later than 5 years	23 919 920	32 452 392
Employee costs	483 713 493	534 444 533
- Permanent staff costs	478 238 548	521 043 959
- Temporary Staff cost	5 474 946	13 400 574
Executive management and Council remuneration	19 189 233	20 494 220
Executive Managers		
- For managerial services	17 378 398	17 579 600
Non-executive Council remuneration		
- For services as members of Council	1 810 835	2 914 620

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

	2021 R	Restated 2020 R
19. FINANCE COSTS		
Interest paid - late payments	-	**4 964**

	2021 R	Restated 2020 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	737 855 835	134 785 214
Adjustments for:		
Depreciation	6 710 394	6 801 548
Amortisation	15 269 198	15 272 400
Annual leave	4 862 336	6 827 911
Claims paid	1 929 062	10 813 031
Transaction costs on investments	614 614	556 566
Administration fee	11 544 275	8 906 968
Writte off of property, plant and equipment.	8 618	95 393
Net loss on disposal of intangible assets	-	5 000
Unrealised profit on financial instruments	32 742 999	331 033 076
Realised loss on financial instruments	(471 447 393)	(42 044 125)
Movement in provisions	4 033 094	7 382 886
Increase in technical liabilities	28 528 728	110 310 226
Dividend received	(14 362 941)	(17 868 438)
Bad debt	8 929 460	(30 366 075)
Sundry income	(11 648 241)	(6 844 818)
Other non cash item	118 265	840 184
Interest paid	-	4 964
Interest received	(366 782 629)	(426 837 013)
Operating income before working capital changes	(11 094 324)	109 674 897
Decrease in inventories	929 064	1 467 640
Decrease/(Increase)in trade and other receivables	15 006 998	15 041 249
Decrease/(Increase) in trade and other payables	(283 489)	1 787 778
Net cash inflow from operating activities	**4 558 249**	**127 971 564**

20.2 Proceeds on sale of financial assets

	2021 R	Restated 2020 R
Proceeds/(Disposal) of financial assets	(96 604 238)	(438 358 422)
	(96 604 238)	**(438 358 422)**

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:

	2021 R	Restated 2020 R
Cash on hand and balances with banks	**857 141 519**	**766 870 143**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2021

21. REMUNERATION

	Fees R	Cell phone allowance R	Subsistence and travel R	Total 2021 R	Total 2020 R
21.1 Total cost - Non-executive council members					
Ms Julieka Bayat (Chairperson)	314 379	9 600	-	323 979	89 010
Ms Mampe Kotsi[1]	161 942	8 000	-	169 942	315 381
Mr Mziwonke Jacobs	150 549	9 600	-	160 149	241 395
Ms Bongiwe Duba	156 708	10 400	-	167 108	282 046
Mr Unathi Hoyana	115 236	9 600	-	124 836	163 643
Mr Choeu Makabate	161 025	9 600	-	170 625	272 932
Mr Roy Mnisi	128 331	10 400	-	138 731	218 502
Ms Noluthando Molao	121 734	7 200	-	128 934	256 007
Mr Roseberry Sonto[1]	112 617	8 000	-	120 617	294 494
Ms Nthabiseng Tsenase	117 855	10 400	-	128 255	368 912
Mr Zenzele Myeza[2]	169 659	8 000	-	177 659	91 014
Mr David Mapikitla	-	-	-	-	148 125
Mr Enoch Godongwana	-	-	-	-	173 159
	1 710 035	**100 800**	**-**	**1 810 835**	**2 914 620**

[1]Resigned 9 February 2021

[2]Resigned 14 February 2021

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

21. REMUNERATION (CONTINUED)

	Salaries R	Cell phone allowance R	Subsistence and travel and acting allowance R	Total 2021 R	Total 2020 R
21.2 Total cost - Executive management					
M Dlabantu (Chief Executive Officer)[1]	3 552 553	42 000	-	3 594 553	3 448 449
O Maseng (Acting Chief Executive Officer)[2]	2 956 355	30 000	250 115	3 236 470	3 310 328
J Motapola (Acting Chief Operations Officer)[3]	982 667	7 500	158 789	1 148 956	2 652 114
S Booi (Acting Chief Executive Officer)[4]	2 468 109	30 000	142 369	2 640 478	2 498 109
T Bouwer (Acting Chief Financial Officer)[5]	522 624	6 000	90 440	619 065	-
G Mkhize (Executive Manager Corporate Services)[6]	1 773 692	20 000	-	1 793 692	1 201 538
N Chavalala (Acting Executive Manager Corporate Services)[7]	570 136	6 000	74 984	651 119	-
H Mmbara (Acting Executive Manager Legal Service)[8]	785 095	9 000	137 945	932 039	962 761
K Khan (Acting Executive Manager Legal Service)[9]	593 891	9 000	84 046	686 937	-
C Makapela (Acting Executive Manager Business Service)[10]	1 710 407	21 600	343 080	2 075 087	144 334
T Moshoeu (Executive Manager Business Service)	-	-	-	-	2 401 647
L Kwapeng (Acting Executive Manager Corporate Services)	-	-	-	-	960 319
	15 915 531	**181 100**	**1 281 767**	**17 378 398**	**17 579 600**

[1]Seconded to department until 15 November 2020 and deceased 24 March 2021.
[2]Appointed from 1 March 2019 Until 31 July 2020.
[3]Contract Ended 30 June 2020.
[4]Acting CEO from 1 August 2020 to 16 November 2020 and from 5 March 2021.
[5]Acting CFO from 1 August 2020 to 16 November 2020 and from 5 March 2021.
[6]Resigned 30 November 2020.
[7]Acting Appointment from 10 December 2020.
[8]Acting Appointment from 20 August 2019 to 30 September 2020.
[9]Acting Appointment from 22 October 2020.
[10]Acting Appointment from 2 March 2020.

21.3 Bonuses

	2021 R	2020 R
Executive Management		
J Motapola (Acting Chief Operations Officer)	-	167 891
S Booi (Chief Financial Officer)	-	129 479
T Moshoeu (Executive Manager Business Service)	-	156 514
L Kwapeng (Acting Executive Manager Corporate Services)	-	20 000
	-	**473 884**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2021

22. RELATED PARTIES

22.1 Relationships:

Shareholder	Department of Human Settlements (DHS)

The NHBRC was establish by the National Department of Human Settlement in term of housing consumers protection measures Act no 95 of 1998

Member of Key Management	Mr M Dlabantu
	Mr O Maseng
	Ms J Motapola
	Mr S Booi
	Ms G Mkhize
	Mr H Mmbara
	Mr C Makapela
	Mr K Khan
	Ms N Chavalala
	Ms T Bouwer
Non-executive Council	
	Dr J Bayat
	Ms M Kotsi
	Mr M Jacobs
	Ms B Duba
	Mr U Hoyana
	Mr C Makabate
	Mr R Mnisi
	Ms N Molao
	Mr R Sonto
	Ms N Tsenase
	Mr Z Myeza

22.2 Transactions with other related parties

No transactions balances and commitments existed between the National Home Builders Registration Council and Deparment of Human Settlement 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 2021

23. FRUITLESS WASTEFUL AND IRREGULAR EXPENDITURE

	2021 R	2020 R
23.1 Reconciliation of fruitless and wasteful expenditure		
Opening balance	21 431 320	21 426 355
Add: Fruitless and wasteful expenditure relating to current year	-	4 964
Fruitless and wasteful expenditure awaiting condonation	**21 431 320**	**21 431 320**
Analysis of awaiting condonation per economic classification		
Current		4 964

23.2 Analysis of Current year's fruitless and wasteful expenditure

Incident	Action taken	Amount	Amount
Interest paid to suppliers	Further investigation to be conducted	-	4 964
		-	-

	2021 R	2020 R
23.3 Reconciliation of Irregular expenditure		
Opening balance	711 462 943	710 100 679
	1 256 890	1 362 264
Add: Irregular expenditure relating to prior year	-	-
Add: Irregular expenditure relating to current year	1 256 890	1 362 264
Less: Amounts condoned	-	-
Irregular expenditure awaiting condonation	**712 719 833**	**711 462 943**
Analysis of awaiting condonation per age classification		
Current year	1 256 890	1 362 264
Prior year	711 462 943	710 100 679
Total	**712 719 833**	**711 462 943**

The additional irregular expenditure from prior year relates to transaction with a value from R5 000 to R500 000 which should have been procured by means of a three quotation system.

23.3.1 Details of irregular expenditure - current year

Incident	Action taken	Amount	Amount
Abakholwe Community Services 1	Irregular expenditure under investigation upon finalisation consequence management will be undertaken.	-	461 150
Sankofa 1	Irregular expenditure under investigation upon finalisation consequence management will be undertaken.	-	401 158
Wenzile Phaphama Trading and Project[1]	Irregular expenditure under investigation upon finalisation consequence management will be undertaken.	1 249 890	499 956
Candalog[2]	Irregular expenditure under investigation upon finalisation consequence management will be undertaken.	7 000	-
		1 256 890	**1 362 264**

23.3.2 Details of irregular expenditure

[1]Goods & services with a transaction value of between R10 000 to R500 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 at least three 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 2021

24. FINANCIAL INSTRUMENTS

24.1 Categories of financial instruments and maturity profile

	0-1 Year R	>1 Year R	Total R
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	67 859 861	-	67 859 861
Deposits for guarantees	24 479 620	25 265 980	49 745 601
2020			
FINANCIAL ASSETS			
Loans and receivables			
Trade and other receivables	46 635 411	-	46 635 411
Cash and cash equivalents	766 870 143	-	766 870 143
Financial assets at fair value			
Investments	3 247 553 756	2 352 401 044	5 599 954 800
Derivative financial instruments	-	1 041 457 839	1 041 457 839
Total financial assets	**4 061 059 310**	**3 393 858 883**	**7 454 918 193**
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost			
Trade and other payables **(Note 25)**	71 219 723	-	71 219 723
Deposits for guarantees	19 999 665	43 713 631	43 713 631

NATIONAL HOME BUILDERS REGISTRATION COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2021

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.2 Categories of financial instruments

31 March 2021	R Loans and Receivables	R Derivative Financial Instruments	R Fair value Investments	R Total
derivative financial instruments	-	1 226 719 794	-	1 226 719 794
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	857 141 519	-	-	857 141 519
Total	**888 506 987**	**1 226 719 794**	**6 128 741 879**	**8 243 968 660**

31 March 2020	Loans and Receivables	Derivative financial instruments	Fair value Investments	Total
derivative financial instruments	-	1 041 457 839	-	1 041 457 839
Fair value financial assets	-	-	5 599 954 800	5 599 954 800
Trade and other receivables	46 635 411	-	-	46 635 411
Cash and cash equivalents	766 870 144	-	-	766 870 144
Total	**813 505 555**	**1 041 457 839**	**5 599 954 800**	**7 454 918 194**

31 March 2021	R Financial Liabilities at Amortised cost	R Total
Lease liabilities	2 373 871	2 373 871
Trade and other payables	99 516 252	99 516 252
Total	**101 890 122**	**101 890 122**

31 March 2020	R Financial liabilities at amortised cost	R Total
Lease liabilities	1 599 091	1 599 091
Trade and other payables	100 574 520	100 574 520
Total	**102 173 611**	**102 173 611**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2021

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 2021	Less than 3 Months	Between 3 months and 1 year	Between 1 year and 2 years	Over 2 years
Operating lease liability	399 773	1 974 098	-	-
Trade and other payables	31 175 810	68 340 441	99 516 252	-
	31 575 583	**70 314 538**	**99 516 252**	-
At 31 March 2020				
Operating lease liability	399 773	1 199 318	-	-
Trade and other payables (Note 25)	26 071 979	74 502 541	100 574 520	-
	26 471 752	**75 701 858**	**100 574 520**	-

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

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 2020/ 2021 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 2021

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 R34 000 and a maximum claim of R500 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 three 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 3.7% if expenses, complaints and claims are as expected. The subsidy sector enrloment fee is sufficient. On a combined basis, the overall enrolment feeis marginal insufficient. The projected deficit is easily provided for by the investment income on the reserves of the NHBRC warranty fund.

Enrolment fee adequacy						
	All Houses		Non-subsidy		Subsidy	
Utilisation	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Fixed expenses	(2 258)	(29,0)	(2 684)	(22,7)	(1 770)	(56,7)
Enrolment & inspections	(5 055)	(65,0)	(7 844)	(66,2)	(1 860)	(59,6)
Complaints and inspections conciliations	(372)	(4,8)	(529)	(4,5)	(192)	(6,1)
Remedial claims	(229)	(2,90)	(329)	(3,00)	(83)	(2,7)
average	(146)	-	(228)	-	(53)	-
99.5% variation margin	(83)	-	(129)	-	(30)	-
Total expenses & claims	(7 914)	(101,7)	(11 413)	(96,3)	(3 905)	(125,1)
Average fee per enrolment	7 781	100,0	11 848	100,0	3 122	100,0
Surplus / Deficit	**(133)**	**(1,7)**	**435**	**3,7**	**(783)**	**(25,1)**

24.9 Insurance risk

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

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2021

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.9 Insurance risk (continued)

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

The Council shall:

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

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

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

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

The NHBRC is an insurer of last resort, as claims, are only paid where a home builder fails to perform the necessary remedial work, due to liquidation or unavailability. The maximum claim per home is limited to the insured value up to a maximum claimable amount of R500 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 2021

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 R379 million of sum insured (comparison of 281 812 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 2021

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-2021					
	Carrying Amount At 31 March 2021	Interest Rate Risk				
			Reasonable Possible Change			
		Rand Amount Exposed To Risk	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)**

	31-Mar-2020					
	Carrying Amount At 31 March 2020	Interest Rate Risk				
		Rand Amount Exposed To Risk	Reasonable Possible Change			
			Rate Increase	Rand Amount	Rate Decrease	Rand Amount
Financial assets						
Money market Investments	2 796 269 189	2 796 269 189	1%	27 962 692	-1%	(27 962 692)
CPD Money Market	451 284 567	451 284 567				
Listed bond securities						
- Short-term < 7 years	1 165 966 447	1 165 966 447	1%	11 659 664	-1%	(11 659 664)
- Medium-term 7 to 12 years	217 094 451	217 094 451	1%	2 170 945	-1%	(2 170 945)
- Long-term > 12 years	969 340 146	969 340 146	1%	9 693 401	-1%	(9 693 401)
	-			-		-
Derivative financial instruments	1 041 457 839	1 041 457 839	1%	10 414 578	-1%	(10 414 578)
Impact of financial assets on:						
Statement of changes in net assets						
Statement of financial performance				51 486 702		(51 486 702)
Impact on financial position	**6 641 412 639**	**6 641 412 639**		**113 387 983**		**(113 387 983)**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2021

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		**5 892 884 741**	**(1 933 634)**	**5 890 951 107**
Accumulated Surplus at 31 March 2019		5 892 884 741	(1 933 634)	5 890 951 107
Statement of Financial Performance		**136 718 848**	**(1 933 634)**	**134 785 214**
Surplus at 31 March 2019		136 718 848	(1 933 634)	134 785 214
Technical services expenditure	Note 1	12 555 351	867	12 556 218
Administration Expense	Note 1	292 646 823	1 932 767	294 579 590
Statement of Financial Position		100 239 977	1 933 634	102 173 611
Trade and other payables (Note 10)	Note 1	100 239 977	1 933 634	102 173 611

Notes
Note 1
In the prior year the expenses were not accrued for due to invoices not receipted in time for payment resulting in understatement of expenses.

Cash Flow Statement	Previously reported balance	Restatement	Restated balance
Changes in working capital	**(145 857)**	**1 933 634**	**1 787 777**
Increase in trade and other payables	(145 857)	1 933 634	1 787 777
Financial instruments (note 24.1)			
Financial liabilities			
- Trade and other payables (Note 10)	69 286 089	(1 933 634)	71 219 723

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

	2021 R	2020 R
Claims for damages and cost	357 353 950	528 457 082
Contractual Payments	6 945 495	12 014 412
Liability of the Warranty Fund	5 135 068	2 313 562
	369 434 513	**542 785 056**

These 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 warranry 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 unkwown.

In addition , there are Disciplinary Committee fines amounting to R7 338 000 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 R8 684 122.

28. POST REPORTING DATE EVENTS

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

29. BROAD-BASED BLACK ECONOMIC EMPOWERMENT

	2021	2020
BEE spend %	73.72%	72.55%

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

30. CONTRACTUAL COMMITMENTS

At 31 March 2021 the NHBRC had the following commitments:

Approved and contracted	2021 R	2020 R
Outsourced contracts for Risk Management Service	12 103 993	4 058 043
Outsourced contract for Actuarial Services	745 366	1 441 969
Outsourced contract for Consulting Service	4 621 152	194 321
Outsourced contracts for Facilities Management	5 712 205	4 871 847
Outsourced contract for Legislative Review Project	476 771	1 809 311
Outsourced contract for Social Transformation and Training	9 079 893	58 898
Outsourced contract for Information Technology Services	46 015 757	42 880 972
Outsourced contract for Media Services	242 388	6 970 815
Outsourced contract for the Human Capital Management service	328 465	612 345
Outsourced contract for Telecommunication Services	-	3 411 879
Outsourced contract for the Remedial Works	-	212 729
Outsourced contract for the Technical Service	430 781	1 094 728
Outsourced contract for the Research and Innovation (IBT)	1 422 862	1 182 512
	81 179 633	**68 800 372**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2021

		2021 R	Restated 2020 R
31 DETAILED EXPENDITURE			
31.1	**Insurance claims and loss adjustment expenses**	9 898 086	(9 603 207)
31.2	**Accreditation,builders manual and certificate cost**	**936 292**	**1 487 823**
	- Accreditation fees	17 082	33 099
	- Direct costs of builder manuals	919 210	1 454 724
31.3	**Technical services expenditure**	**4 147 434**	**12 556 218**
	- Forensic investigations and geotechnical service	4 147 434	12 556 218
31.4	**Depreciation and amortisation**	**21 979 592**	**22 073 948**
	- Amortisation	15 269 198	15 272 400
	- Depreciation	6 710 394	6 801 548
31.5	**Employee cost**	**483 713 493**	**534 444 533**
	- Salaries and related costs	483 713 493	534 444 533
31.6	**Administration expenses**	215 981 040	294 579 590
	- Audit fees	6 301 866	9 814 801
	- Bad debts	8 929 460	-
	- Bank charges	1 164 452	1 317 168
	- Cleaning costs	4 793 776	1 650 405
	- Conferences and seminars	418 073	4 866 991
	- Consulting fees	15 249 905	16 083 942
	- Courier and freight	352 445	612 095
	- Information technology costs	38 878 281	49 859 798
	- Insurance paid	1 221 068	1 009 008
	- Legal fees	12 678 339	20 238 575
	- Marketing fees	16 860 005	20 990 597
	- Motor vehicle expenses	147 657	470 474
	- Office equipment and furniture expenses	4 592 852	8 042 747
	- Mobile office expenses	-	938
	- Other expenses	1 910 632	4 862 052
	- Other rentals costs	2 938 621	4 099 011
	- Council	1 826 013	4 575 830
	- Disciplinary commitee costs	3 324 464	6 760 837
	- Rentals	17 859 275	17 831 717
	- Research and development	3 348 040	2 314 907
	- Security	3 659 669	3 781 919
	- General office costs (uniform, grocery)	2 271 316	6 278 505
	- Stationery	1 428 635	1 808 763
	- Telephone expenditure	18 551 821	17 480 467
	- Training	10 908 299	24 886 810
	- Travelling expenditure	31 129 354	59 633 064
	- Water and electricity	5 236 720	5 308 171
	Total expenditure before interest paid	**736 655 937**	**855 538 905**

NATIONAL HOME BUILDERS REGISTRATION COUNCIL

SUPPLEMENTARY SCHEDULE

for the year ended 31 March 2021

32. INCOME STATEMENT

	Notes	2021 R	Restated 2020 R
Insurance premium revenue	12	562 570 109	668 700 379
Fee revenue	13	52 537 569	80 016 941
Technical services revenue	14	5 123 826	15 346 610
Other revenue	15	28 970 211	49 452 122
Total revenue		**649 201 715**	**813 516 052**
Insurance claims and loss adjustment expenses	17	(9 898 086)	9 603 207
Accreditation, builders manual and certificate cost	31.2	(936 292)	(1 487 823)
Technical services expenditure	31.3,25	(4 147 434)	(12 556 218)
Depreciation and amortisation	31.4	(21 979 592)	(22 073 948)
Employee cost	31.5	(483 713 493)	(534 444 533)
Administration expenses	31.6,25	(215 981 040)	(294 579 590)
Total expenditure		**(736 655 937)**	**(855 538 905)**
Loss from operating expenditure	19	**(87 454 222)**	**(42 022 853)**
Net Investment income		**825 310 057**	**176 813 031**
Interest received and investment income	17	398 149 938	474 708 950
Realised loss on financial assets	4	-	(331 033 076)
Unrealised gain on financial assets	4	438 704 394	42 044 125
Asset management service fees		(11 544 275)	(8 906 968)
Net surplus before finance costs	18	**737 855 835**	**134 790 178**
Finance costs	19	-	(4 964)
Surplus for the year	25	**737 855 835**	**134 785 214**

NOTES

NOTES

www.nhbrc.org.za

NATIONAL HOME BUILDERS
NHBRC
REGISTRATION COUNCIL