

# ANNUAL REPORT

## 2022/23



**Mandate**

**Governance**

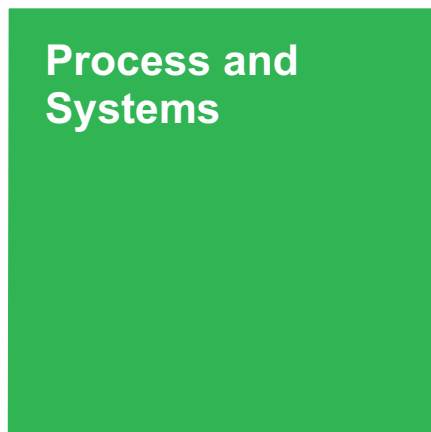


**Sustainability**

**Perception Management**



**Process and Systems**



**People and Structure**



**Sustainability**

**Governance**

**Perception  
Management**

**Mandate**

**People and  
Structure**

**Process and  
Systems**



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## “ WHO WE ARE

**THE HOUSING DEVELOPMENT AGENCY (HDA) IS A NATIONAL PUBLIC SECTOR DEVELOPMENT AGENCY THAT ACQUIRES, PREPARES AND DEVELOPS LAND FOR THE DELIVERY OF SUSTAINABLE HUMAN SETTLEMENTS. THE AGENCY ALSO PROVIDES PROJECT MANAGEMENT SERVICES FOR HUMAN SETTLEMENT DEVELOPMENTS.**

We carry out our activities in partnership with a range of stakeholders including national, provincial and local government and municipalities, as well as with communities, developers, financiers and other affected parties. Established in 2009, the Agency is established by an Act of Parliament in 2008 and is accountable through its board to the Minister of Human Settlements.







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180



160



230



# SECTION A

GENERAL INFORMATION



# General Information

## SECTION A

### Head Office

#### PHYSICAL ADDRESS

The Housing Development Agency  
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[www.thehda.co.za](http://www.thehda.co.za)

# ABBREVIATIONS & ACRONYMS

<b>APP</b>	Annual Performance Plan
<b>BCMM</b>	Buffalo City Metropolitan Municipality
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CCMA</b>	Commission for Conciliation, Mediation and Arbitration
<b>CoCT</b>	City of Cape Town
<b>CoGHSTA</b>	Department of Cooperative Governance, Human Settlements and Traditional Affairs
<b>COVID-19</b>	Corona Virus Disease
<b>CPP</b>	Catalytic Projects Programme
<b>DHS</b>	Department of Human Settlements
<b>DLRDR</b>	Department of Agriculture, Land Reform & Rural Development
<b>DORA</b>	Division of Revenue Act
<b>Exco</b>	Executive Committee
<b>GIS</b>	Geographic Information System
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>HDA</b>	Housing Development Agency
<b>HSDG</b>	Human Settlements Development Grant
<b>IP</b>	Implementation Protocol
<b>ISU</b>	Informal Settlement Upgrading
<b>IRDP</b>	Integrated Residential Development Programme
<b>LapSIS</b>	Land and Property Spatial Information System
<b>MEC</b>	Member of the Executive Council
<b>MINMEC</b>	Ministers and Members of Executive Council
<b>MoA</b>	Memorandum of Agreement
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>MTSF</b>	Medium-Term Strategic Framework
<b>MSP</b>	Master Spatial Plan
<b>MTOP</b>	Medium-Term Operational Plan
<b>NaHSLI</b>	National Human Settlements Land Inventory
<b>nDoHS</b>	national Department of Human Settlements
<b>NDP</b>	National Development Plan
<b>NHFC</b>	National Housing Finance Corporation
<b>NHNR</b>	The National Housing Needs Register
<b>NMBM</b>	Nelson Mandela Bay Municipality
<b>NUSP</b>	National Upgrading Support Programme
<b>PFMA</b>	Public Finance Management Act
<b>PHDA</b>	Priority Housing Development Area
<b>PHSHDA</b>	Priority Human Settlement and Housing Development Areas
<b>PMO</b>	Project Management Office
<b>PPD</b>	Programme Planning and Design
<b>PHP</b>	People's Housing Process
<b>SCCD</b>	Southern Cape Corridor Development
<b>SCOPA</b>	Standing Committee on Public Accounts
<b>SCM</b>	Supply Chain Management
<b>SDF</b>	Spatial Development Framework's
<b>SIA</b>	Spatial Information and Analysis
<b>SIR</b>	Stakeholder and Intergovernmental Relationships
<b>STST</b>	Spatial Transformation and Scoring Tool
<b>UISP</b>	Upgrading of Informal Settlements Programme



# General Information

<b>Country of Incorporation</b>	South Africa
<b>Legal Form of Entity</b>	Schedule 3A entity listed in terms of the PFMA
<b>Nature of Business and Principal Activities</b>	Accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management support services
<b>The Following is Included in the Scope of Operation</b>	Identify, acquire, hold, develop, and release well-located land and buildings, provide project management support and housing development services.
<b>Controlling Entity</b>	National Department of Human Settlements
<b>Members of the Accounting Authority</b>	Hosi P Ngove Board Chair from 12 July 2023 Ms N Maharaj Ms M Dumakude Mr R Makan Mr V Rabothata Mr B Khenisa - Chief Executive Officer-from 01 June 2022 Ms J Masemola -Chief Financial Officer-from 01 July 2022
<b>Registered Office</b>	1 Maxwell Drive Block B Megawatt Park Sunninghill 2191
<b>Physical Address</b>	1 Maxwell Drive Block B Megawatt Park Sunninghill 2191
<b>Bankers</b>	First National Bank Ltd
<b>Auditors</b>	Auditor-General South Africa
<b>Company Secretary</b>	Ms Z Mbanjwa
<b>Business Address</b>	P.O. Box 3209 Houghton 2041
<b>Annual Financial Statements Prepared By</b>	HDA Management





# Foreword

## by Minister

The permanent Board for the Housing Development Agency, was appointed in November 2021, and that has brought stability into the organization's governance. The Board was then able to appoint the Chief Executive Officer and the Chief Financial Officer, bringing certainty to the organization. This means that over this period, the HDA was able to sharply focus on executing its mandate.

This was evidenced by the fact that, immediately after the executives came on board in August 2022, the executive team and senior management embarked on a strategic planning process that identified six pillars critical to the HDA's turnaround, following several years of instability at governance and operational level.

The chosen pillars were a response to the shortcomings that were a hindrance to the fulfilment of the full mandate of the HDA. These included improving the governance and compliance environment, the financial sustainability of the Agency, ensuring that Structure and People are aligned, including Processes and Systems as well as Perception Management. In the previous years, the leadership challenges in the organisation led to the collapse of systems, as a result of which the HDA received a qualified audit outcome with material findings for three consecutive years. The implementation of the six pillars has started to yield positive results, which culminated in the HDA receiving an unqualified audit opinion with findings for the 2022/23 financial year.

With the rapid urbanisation that is ramping up the demand for housing in all urban centres, expanding housing development has become an urgent matter. The increasing population density in urban areas has led to problems such as inner-city housing crises and densely populated informal settlements. To adequately respond to this situation, the human settlements delivery system needs to be efficient and effective. This speaks directly to the mandate of the HDA. The HDA was established to fulfil two primary objectives. The first is to identify, acquire, hold, develop and release well-located land and buildings for human settlement. The second is to provide project delivery services in the form of planning, capacity support and capability, and project management.

These two areas that fall within the mandate of the HDA have come into sharp focus in the recent past. There is a greater need to find well-located land for human settlement, especially in the urban centres. The HDA ought to ensure that the land transferred from the Department of Public Works and Infrastructure is quickly assessed and plans must be developed for human settlements in all those suitable pieces of land. In the financial year under review, the HDA only managed to acquire 993 hectares of well-located land, which is below the target and none of this land was rezoned for human settlements. This is one area in which the HDA must pay attention to in the new financial year. The acquisition and development of buildings in the inner-city is the only way that we are going to deal with the inner-city housing problem and the HDA must play a leading role in this regard.

There is plenty of room for improvement for the HDA going forward. As a country, we are faced with serious housing challenges and every component of the human settlements delivery system needs to play its role. The HDA has the potential to become the developer of choice for the public sector.

Let me thank the Board, under the leadership of Hosi Ngove, for steering the organisation towards better corporate governance and the implementation of the six pillars. Let me also thank the executives, led by the CEO Mr. Bheki Khenisa, and the staff who have been working to deliver housing infrastructure and services to our people.

**Mmamoloko Kubayi, MP**  
Minister of Human Settlements



# Foreword

## by Chairperson of the Board

During the year under review, the HDA was able to facilitate the release and/or acquisition of 1765,560 hectares of land located within the Priority Development Areas and 3243,447 hectares located outside of the Priority Development Areas (PDAs) for human settlements development. 36 land parcels measuring approximately 2 493 hectares were released for human settlements by the Department of Public Works and Infrastructure in accordance with the presidential state of the nation address pronouncements.

The Housing Development Agency is mandated through the Housing Development Agency Act 23 of 2008 to address land acquisition and assembly, provide project management support and housing development services. The Board was appointed by the Minister of Human Settlements in November 2021, thereby terminating the period of Administration that had commenced in February 2021. At the start of the Board's tenure, the entity was still challenged by a lack of stability in leadership at executive management level since there were acting incumbents in the CEO and CFO positions. The performance of the entity was also at its lowest level.

Under the leadership of the former Chairperson (Dr. T Ratshitanga), the Board undertook the urgent task of ensuring that there would be stability in this regard and commenced the process of appointing the crucial CEO and CFO position.

The Agency continued to deliver on its primary and secondary mandates, however, the Board took a strategic decision to place greater focus on the developer mandate with the intention that this will also improve the Agency's self-reliance and stability.

The current financial model of the entity poses a risk to the full implementation of its legislative mandate due to its dependency on funding from its stakeholders.

The Board will engage all relevant stakeholders and institutions to relook at the possible responsive funding model in order to position the HDA as the government's developer of choice. This is so that the agency may have a positive and meaningful impact towards community development.

In order to support the strategic shift of the Agency, a new organisational structure was developed to enable the implementation of the targets and outputs that were planned for the period. The approval of the structure was obtained towards the end of the year under review and its implementation will be undertaken in earnest in the new financial year.

The HDA continued to maintain relationships with partners in all spheres of government to fulfil its role as a project and programme manager and implementing agent. Various mandates were accepted that enabled it to provide support in areas of land assembly, the servicing of sites, delivery of top structures, support in the management and the implementation of the informal settlements upgrading programme.

In the current period, the HDA received an unqualified audit opinion with findings. This marks a significant improvement from the previous financial years where qualified audit opinions were obtained for three consecutive financial years. The leadership of the CEO and CFO in turning the entity around, assisted greatly in achieving this audit opinion. The Audit and Risk Committee provided the much-needed guidance in ensuring that there were improvements in the controls of the entity and that the requisite remediation of past audit findings is undertaken in a bid to prevent the reoccurrence of these.

The commitment of the senior management and staff of the Agency also led to the improved audit outcome and overall performance of the entity. The improved performance and audit outcome are evidence of the fact that the Agency is well-positioned to reclaim its place as the trusted implementation partner and developer in the human settlements sector.

The process of implementing consequence management has commenced as a measure of dealing with the irregular expenditure incurred in past financial years that also led to financial losses. The Committees of the Board will focus on providing oversight of the remedial actions that will be put in place to deal with the audit findings as raised for the period under review.

On behalf of the Board, I take this opportunity to thank the Chief Executive Officer, Mr BM Khenisa, the Chief Financial Officer Ms J Masemola, the executive management and staff of the HDA for their continued commitment and hard work in ensuring that the organization continues to deliver on its legislative mandate. This is despite all the challenges that it faced in the past and for overcoming these. Gratitude is also expressed to the provincial departments of human settlements and municipalities, from whom mandates and instructions to perform work were received.

As the end of the 2019 – 2024 Medium Term Strategic Framework period draws near, the Agency will continue to contribute and deliver on the sector targets.

The Board is confident that the improvements that were realized in the 2022/23 period will continue into the coming years, and that the Agency will continue to make an impactful difference in the lives of the citizenry.

The Board expresses its appreciation to the Minister of Human Settlements, Honourable MT Kubayi and the acting Director General as well as the entire Management of the National Department of Human Settlements for the guidance and support that continued to contribute to the functioning of the HDA.



**Hosi P C Ngove**  
Chairperson of the Board



# Overview

## Chief Executive Officer

In August 2022, the executive team and senior management embarked on a strategic planning process that identified **6 pillars critical for the HDA to turn around** following several years of instability at the governance and operational level.

It gives me great pleasure to present the HDA Annual Report for the 2022/23 financial year to our stakeholders. We began the year in difficult terrain due to several years of instability at governance and operational levels of the organisation. The Board appointed a new executive management team with a mandate to strictly turn the Agency around and drive the implementation of its primary mandate.

Within the policy and legislative mandate of the Minister of Human Settlements, the HDA plays an important role in identifying, acquiring, planning, and developing land and property for housing and human settlements development. This mandate enjoins the Agency to perform the role of a fully-fledged property development agency. In this role, the Agency must perform different functions through various funding models, which include Project Conceptualisation, Planning and Design, Land Acquisition, Land Assembly, Rezoning, Project Packaging, and Property Management.

As part of our turnaround strategy, the Board, together with the executive and senior management embarked on a strategic planning process that identified six pillars that are critical to the HDA's turnaround. The pillars focused on the following: Fulfilment of the complete **mandate of the HDA**, improving **governance and compliance**, improving financial **sustainability**, ensuring that **structure and people** are aligned with **processes and systems**, and improving **perception management of the HDA**. Our collective effort in implementing these pillars resulted in the overall improvement in the performance of the Agency.

In discharging our responsibilities, we had a target to service four thousand five hundred and seventeen (4517) sites, and we exceeded this by servicing four thousand seven hundred and fifty-seven (4757) sites. In addition, we registered a total of one thousand seven hundred and thirty-one (1731) title deeds against a target of 1590 – which represents a nine percent (9%) over achievement. The HDA played a key role in

implementing the burgeoning programme of asbestos removal, by removing 1000 asbestos roofs in Limpopo Province.

I am pleased to report that we coordinated the development of Priority Development Areas (PDAs) to ensure spatial transformation and consolidation. The Minister has, to date, gazetted one hundred and thirty-six (136) PDAs, and we supported the completion of ninety-one (91) – this is a cumulative figure over the MTSF – development plans. The envisaged outcome is a revised national spatial transformation approach to build new integrated, functional, and inclusive settlements that supports the District Development Model.

### Organisational Performance

We set out to improve on financial and non-financial performance and establish proper building blocks for improved and sustained performance in the coming financial years. It is therefore, pleasing that **we received an unqualified audit outcome with findings**. Our performance on predetermined objectives improved from twenty-nine percent (29%) in the previous financial year to seventy-four percent (74%) in the year under review, which signals an organisation on a recovery trajectory. As an organisation, we believe that there is much to be done to expedite the delivery of housing units, serviced sites, title deeds, and provision of emergency housing. Strategies have been put in place to make sure that we improve our delivery through weekly project tracking tools and project steering committee meetings to identify and remove bottlenecks proactively.



## Financial Performance

The HDA has two (2) main sources of revenue. Firstly, through the equitable share from expropriations and management fees recovered from provincial departments and metros that we assist with project management. We improved our revenue management by making sure that we

recover outstanding management fees for the previous financial year. As part of financial management, we also implemented strict cost containment measures as guided by the National Treasury. Notably, the HDA's net surplus for the year was R99,4 million.

### Financial performance summary for 2018/19 to 2022/23

Figure in R'000	2018/19	2019/20	2020/21	2021/22	2022/23
Surplus for the year	(12 693)	218	109 719	21 199	99 353
Return on equity	-40%	1%	78%	12%	37%
Total assets	1 086 675	1 148 773	1 999 578	2 529 971	2 740 395
Total reserves	31 670	31 777	140 748	170 961	270 549
<b>Total liabilities (provision)</b>	<b>13 451</b>	<b>16 175</b>	<b>195 834</b>	<b>195 834</b>	<b>401 837</b>

## Going Concern and Sustainability

The Agency's annual financial statements were prepared based on accounting policies applicable to a going concern. This basis assumes that there will be funds available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations, and commitments will occur in the ordinary course of business. At the end of the previous financial year, the organisation declared R1.3 billion as a surplus, however, based on negotiations between NDHS and the National Treasury, and taking into consideration prior commitments, it was agreed that the HDA should repay to the National Revenue Fund an amount of R367 million. This amount has already been paid back. In administering financial prudence, the HDA is compliant with legislative requirements such as the HDA Act, PFMA, and National Treasury Instruction Notes. Consequently, our Board and management do not expect any material uncertainty over the Agency's ability to continue as a going concern in the foreseeable future.

## Irregular, Fruitless, and Wasteful Expenditure

During the financial year under review, the entity assessed, determined, and submitted to the National Treasury for condonation of irregular expenditure amounting to R705 million from a total of R1,1 billion. Of the cases submitted for condonation, R595 million were cases incurred during the past five (5) financial years – that is 2017/18 to 2021/22. Management implemented the assessment and determination test to determine the value for money as per the irregular expenditure framework. The consequence management process is fully implemented, and progress is sent to the Board every quarter.

For fruitless and wasteful expenditure, cases that added up to **R17,5 million were assessed** and determined. Out of the R17,5 million, an amount of R14,5 million was written-off

during the financial year because of prescription due to the cases dating back to 2016. However, the rights of HDA to pursue the cases and recover funds remains. The remaining R3 million is as a result of the interest amount charged by landlords for properties rented by the HDA. We started negotiations with the property owners to reverse these interest obligations. Our legal team together with the property owners drew up a clause that provides indemnity to the HDA in terms of the interest charged. The current year's irregular expenditure includes an amount of about R360 million incurred as a result of the ongoing emergency housing services project in Gauteng which was implemented in 2020/2021 financial year.

## Consequence Management

The HDA established a Condonation Committee to deal with irregular expenditures dating back to 2017 as per the required framework. Emanating from the recommendations of the Condonation Committee and the Special Investigations Unit (SIU), the HDA undertook consequence management to discipline officials whose actions led to the irregular expenditure. It is envisaged that the matters will be concluded by no later than the end of October 2023. As and when required, the HDA implements disciplinary processes to manage staff misconduct in line with the Disciplinary Code and Procedure, which is supported by the organisational Code of Conduct Policy. The processes being implemented include the management of both formal and informal disciplinary inquiries and suspensions, where appropriate.

To date a total of thirty eight (38) findings affecting eight (8) employees were confirmed, and of which one (1) employee resigned. Four (4) warnings were served and two (2) cases were finalised but awaiting the Chairpersons' sanctions report, noting that it also includes the SIU matters. The remaining one (1) case has a written representation that is currently under review by the Consequence Management Committee. Furthermore, there are investigators' recommendations affecting four (4) employees, charge sheets were finalised and disciplinary hearings are being arranged. Other measures to mitigate against wrongdoing include active training, upskilling of staff, and rotation of committee members.

## **Improved Governance and Risk Management**

Along with the Board and the relevant board sub-committees, we were deliberate in integrating enterprise risk management practices with organisational strategy and planning to enable performance and accelerate service delivery. This included developing a resilient risk management policy and framework that drives a culture of risk accountability and shares an understanding of the Agency's risk management process. The Agency defined the risk thresholds on its risk appetite and tolerance framework to guide management on the acceptable level of risk to which the HDA can be exposed in pursuing organisational value.

## **Land Development Performance**

To date, a total of forty-four (44) land parcels measuring two thousand one hundred and forty-seven (2147) hectares in extent were released to the Agency by the Department of Public Works and Infrastructure (DPWI). The release is in the form of power of attorneys (POAs) to enable development planning for housing and human settlement development. The released land parcels will be developed for various human settlements programmes including informal settlements upgrading, land tenure upgrading, social housing, affordable bonded housing, and integrated residential development programme.

To advance our primary mandate, the Agency bought the "SABC Building" in Sea Point, Cape Town, and the "Eskom Building" in Braamfontein. As part of inner-city revitalisation, these buildings are designated for inner-city human settlement development. The vacant land parcels owned are planned to be developed under several human settlement programmes in collaboration with the private sector, and are now in various phases of land preparation.

## **Climate Change**

Climate change in South Africa has led to increased temperatures, changes in rainfall patterns, and severe storms as recently witnessed in some parts of the country such as KwaZulu Natal (KZN) and Eastern Cape. Shocks, stresses, and risks such as frequent floods, droughts, rising temperatures, and air pollution became part of the sustainable development agenda. The recent KZN floods

were a clear manifestation of urban settlement challenges colliding with climate change impacts and disaster risks. The extent of damage was most severe in settlements located in low-lying areas and those in proximity to rivers and water paths.

Informal settlements were among the most affected areas, owing to their indigent unfavourable conditions, more especially those located in poor terrains. The Agency's response in terms of section 7(1)(i) of the HDA Act entailed the sourcing and leasing of three (3) decent rental accommodation establishments that accommodated 706 flood victims households. Furthermore, the Agency's response entailed facilitating the release of four (4) DPWI properties which were suitably located and infill land parcels for permanent human housing.

## **Supply Chain Management**

During the 2021/22 audit outcome, control failures in the supply chain management contributed to a qualified audit opinion. I am glad to report that all findings in supply chain management were resolved and no findings was raised in the 2022/23 financial year. Our supply chain management policy improved to be compliant with the requirements of National Treasury practice notes and the PFMA.

## **Operational Efficiency**

One of the key strategies to improve the standard of our operational efficiency is to implement an Electronic Documents and Records Management System (EDRMS). The system has been deployed since October 2022 and has deepened its focus on effective and efficient operational systems. Implementing the EDRMS is part of the digital transformation initiative of the HDA toward a paperless, integrated, and automated information environment. As part of implementing the EDRMS, various specific workflows were developed with control gates to ensure a checklist that forces compliance through uploading and confirmation of documents and records. The organisation moved all its core systems, including emails, financial and accounting systems, mapping files and repository, and active directory, to be cloud-based. Not only does that bring stability to the access of data and systems, but it also allows the organisation to put mechanisms in place to address the business continuity risk in the event of a disaster. As a result of the implementation of the EDRMS, it was possible to also automate the movable and immovable asset register.

## **People**

The Minister approved the HDA's organisational structure. This ended a protracted period of uncertainty for staff in the HDA. The Agency consists of a technically skilled and competent cohort of professionals. With the support of the Board and the Minister, we were able to recruit key senior management, including the Chief Financial Officer, Chief Audit Executive, Head of Corporate Services, Head of Strategy and Programme Planning, and the Risk Manager.

Significant strides were made to harmonise the working environment by formalising the staff union and signing a union recognition agreement. We hold regular meetings through the labour forum to address pertinent organisational matters. The HDA is mastering the use of online meeting management and is using virtual platforms for its meetings as it assists in record keeping, minuting and digital copy of any of the meetings (online or physical). This initiative raised the accessibility and responsiveness of staff, which, again, raised productivity and focus over the last twelve (12) months.

### Transformation and Empowerment

The HDA's Transformation and Empowerment framework recognises that skills development of small enterprises helps improve skills and the productivity of enterprises owned by designated groups. Training and development is a strategy intentionally adopted and applied in the HDA to positively influence and improve SMMEs' financial performance and sustainability. Therefore, the HDA partnered with the National Skills Fund (NSF) to implement a training and development programme. The HDA SMME Development Programme will benefit one thousand five hundred (1,500) SMMEs and two thousand eight hundred and sixty-four (2864) unskilled labourers nationally. The Agency recognises the positive domino effect of business wins and gains. The SMMEs that participate will on completion be enabled to compete confidently with other businesses, run professional enterprises, and produce quality products as per expectation.

### Anti-Fraud and Corruption

Fraud and risk management was identified as an area where we had weak controls. In the year under review, the Agency reviewed its anti-fraud, corruption, and whistleblowing policy, and developed a fraud prevention plan to ensure that the Agency mitigates and reduces fraud risk. The Agency has a functional Ethics Hotline which is administered by a third party to promote the protection of whistleblowers. All ethics disclosures that were made during the 2022/23 financial year were investigated through the Internal Audit function and the reports were presented to the relevant governance structures. A stringent employee disclosure policy is in place which includes annual disclosures which will now be the subject of verification. Any triggers will be investigated, or inquiries instituted.

### Conclusion

We are intent on addressing the root causes of all matters raised as findings during the financial year 2022/23 by including them in our audit action plan to ensure that assurance providers can monitor our progress against these matters during the current financial year. As we strive towards attaining a clean audit outcome in the future, we share in the aspirations of the Auditor General of South Africa that the performance management of the Agency must align with the real-life experiences of South Africans, who are the ultimate beneficiaries of the work carried out by the HDA throughout the reporting period.

Our staff have played a key role in producing the results disclosed in the annual report for the 2022/23 financial. To all our staff, mabogo dinku a a thebana –a Setswana saying, which means that when we join hands the task becomes lighter. Through our collective effort, we attained recovery in performance and audit outcomes for the 2022/23 financial year. Let us continue in like manner to strive for a clean audit and to improve the lived experiences of our beneficiaries by delivering integrated and sustainable human settlements.

To the Board and all its subcommittees, your leadership and guidance is invaluable. While we are grateful for the improvement disclosed in the annual report, as staff and management we are committed to attaining all the actions necessary for a full turnaround of the agency and reaching a stage of optimised performance. We are grateful for collaborations we received from various provinces and municipalities across the country. We thank our Executive Authority and the national Department of Human Settlements for your support, advice and guidance in our journey of **recovery**.



**Mr. Bheki Khenisa**  
(Chief Executive Officer)



# Statement of Responsibility and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

The annual financial statements are based on the accounting policies in place and consistently applied and supported by management, judgements and estimates as provided and applied by management during the course of the year under review.

The Accounting Authority acknowledges that it is ultimately responsible for the system of internal financial controls established by the entity and places considerable importance on maintaining a strong control environment. To enable the meeting these responsibilities, the Accounting Authority sets standards for internal controls aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

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

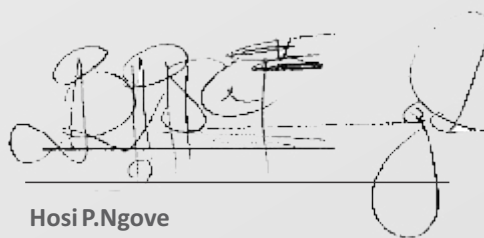
The Accounting Authority has reviewed the entity's unaudited cash flow forecast for the year to 31 March 2023 and in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The Accounting Authority has reviewed the entity's unaudited cash flows forecast and reporting on the entity's unaudited annual financial statements, which will be examined, audited, and a report will be presented for final review and approval before the 31 July 2023. The annual financial statements will be examined by the entity's external auditors. This will include review and correction of errors and misstatements.

The audited annual financial statements are set out on pages 80 to 84, which have been prepared on the going concern basis, and approved by the Accounting Authority on the 31 July 2023.



**Mr. Bheki Khenisa**  
(Chief Executive Officer)



**Hosi P. Ngove**  
Board Chairperson



# Strategic Overview

Figure 1: Vision, Mission & Values



## Vision

HDA is to be:

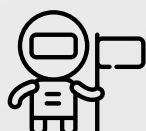
The Public Sector Developer of Choice providing integrated, sustainable human settlements and security of tenure.



## Values

The Values of the HDA, which underpin its operations are:

- Performance-oriented,
- Excellence,
- Accountability,
- Accountability,
- Teamwork,
- Integrity.



## Mission

- Accelerated delivery of spatially transformed integrated and sustainable human settlements.
- Providing security of tenure and asset wealth.
- Transforming the human settlements sector to be inclusive of the country's demographic profile with a special focus on the marginalised sectors of women, youth, and persons with disabilities.



## SECTION A

# Legislative and Other Mandates

### HOUSING ACT, 1997 (ACT NO. 107 OF 1997)

The Act provides for the facilitation of a sustainable housing development process. For this purpose, it lays down general principles applicable to housing development in all spheres of government. The Act defines the functions of national, provincial, and local governments in respect of housing development. In terms of Section 3(4)(h) of the Housing Act (1997), the Minister may establish and finance national institutions for housing development and supervise the execution of their mandate.

The Act outlines the responsibilities of the various spheres of government about housing delivery. The Act further provides for municipalities to be developers in the housing development process. However, this provision neither precludes the Department from being a developer nor engaging in public-private partnership ventures in housing development.

### HOUSING DEVELOPMENT AGENCY ACT, 2008 (ACT NO. 23 OF 2008)

The Housing Development Agency (HDA) was established in 2009 in terms of the Housing Development Agency Act No 23 of 2008 (the HDA Act). The HDA is a Schedule 3A national public entity of the National Department of Human Settlements (NDoHS).

The HDA was established in response to the following service delivery challenges in the housing sector:

- I. Delivery of housing to low-income earners was severely constrained due to delays in the identification, acquisition, assembly, and release of land for human settlement development.
- II. The urgent need to address the increasing backlog in respect of housing delivery by fast-tracking the housing development process.
- III. The critical shortage of skills and capacity to provide housing in some provinces and municipalities.

To contribute towards the resolution of the challenges listed above, the Act outlines the purpose or object of the HDA as follows:

- I. Identify, acquire, develop, and release land (state, communal and privately owned) for residential and community purposes and the creation of sustainable human settlements (clause 4(a)).

- II. Project manages housing development services for the purposes of the creation of sustainable human settlement's (clause 4(b)).
- III. Ensure and monitor centrally coordinated planning and budgeting of all infrastructure required for housing development (clause 4 (C)).

#### In terms of the Act, the role of HDA is as follows:

- I. The Agency must, in consultation with the relevant owner, identify, acquire, hold, develop, and release state, private and communal-owned land for residential and community purposes for the creation of sustainable human settlements (clause 5(1)).
- II. The Agency must ensure that there is funding for the provision of all infrastructure that is required for housing development in which it is involved (clause 5(2)).
- III. The Agency may aid an organ of the state to fulfil its objectives. In addition, the Minister may, in consultation with the relevant MEC (and where there is a lack of capacity in any organ of state) to identify, acquire, hold, develop, and release land for residential and community purposes for the creation of sustainable human settlements. The Agency may advise the organ of state to conclude an agreement with the Agency to offer assistance in terms of the Agency's skill and expertise; or direct the Agency to engage with the organ of state with a view to concluding an agreement (clause 5(3)).

### RENTAL HOUSING ACT, 1999 (ACT NO 50 OF 1999)

This Act repeals the Rent Control Act of 1976 and defines the government's responsibility for rental housing property. It creates mechanisms to promote the provision of rental housing and the proper functioning of the rental housing market. It facilitates sound relations between tenants and landlords by laying down general requirements for leases and principles for conflict resolution in the rental housing sector. It also provides for the establishment of Rental Housing Tribunals and defines the functions, powers, and duties of such Tribunals



## SECTION A

# Legislative and Other Mandates

### **SOCIAL HOUSING ACT, 2008 (ACT NO 16 OF 2008)**

Establishes and promotes a sustainable social housing environment, defines the functions of each of the three (3) spheres of government in respect of social housing; administers national social housing programmes including approvals and allocation of capital grants thereto; establishes the Social Housing Regulatory Authority (SHRA) which accredits and provides statutory recognition to social housing institutions and advises the Minister on social housing matters; and provides for other delivery agents to undertake approved projects utilising public money.

### **PREVENTION OF ILLEGAL EVICTION AND UNLAWFUL OCCUPATION OF LAND ACT, 1998 (ACT NO 19 OF 1998 AS AMENDED)**

The Act identifies the applicability of legislation in terms of categories of persons, to prohibit certain actions in respect of unlawful occupation of land, and to commit offences thereon.

### **COMMUNITY SCHEMES OMBUDSMAN SERVICES ACT, 2011 (ACT NO 9 OF 2011)**

The Act regulates the conduct of parties within Community Schemes

### **NATIONAL BUILDING REGULATIONS AND BUILDING STANDARDS ACT, 1977 (ACT NO 103 OF 1977)**

The Act promotes uniformity relating to the erection of buildings in the areas of jurisdiction of local authorities and prescribes building standards.

### **CONSTRUCTION INDUSTRY DEVELOPMENT BOARD ACT, 2000 (ACT NO 38 OF 2000)**

The Act provides for the establishment of the Construction Industry Development Board (CIDB) to implement an integrated strategy for the reconstruction, growth and development of the construction industry. The Act mandates the Board to establish and maintain a National Register of Contractors and a National Register of Projects. An SPV will be required to appoint CIDB-registered contractors on all its housing delivery projects, in addition to the mandatory registration with the NHBRC. All projects above a certain value (currently R200 000) will also have to be registered with the CIDB.

### **PROPERTY PRACTITIONERS ACT, 2019 (ACT NO 22 OF 2019)**

The Act regulates property practitioners and the continuation of the Estate Agency Affairs Board as the Property Practitioners Regulatory Authority.

### **SPATIAL PLANNING AND LAND USE MANAGEMENT ACT, 2013 (ACT NO 16 OF 2013)**

The Act provides a framework for spatial planning and land use management. It specifies the relationship between spatial planning and land use management systems and other kinds of planning, and provides for inclusive, developmental, equitable and efficient spatial planning in the different spheres of government. It also provides a framework for the monitoring, coordination, and review of the spatial planning and land use management system; provides a framework for policies, principles, norms, and standards for spatial development planning and land use management; addresses part of spatial and regulatory imbalances; and promotes greater consistency and uniformity in the application procedures and decision-making by authorities responsible for land use decisions and development applications. The Act further provides for the establishment, functions and operations of Municipal Planning Tribunals, and provides for the facilitation and enforcement of land use and development measures and matters connected herewith.

### **COMMUNAL PROPERTIES ASSOCIATIONS ACT, 1998 (ACT NO 28 OF 1996)**

The Act enables communities to form juristic persons, to be known as Communal Property Associations in order to acquire, hold and manage property on a basis agreed to by members of a community in terms of a written constitution.

### **ALIENATION OF LAND ACT, 1981 (ACT NO 88 OF 1981 AS AMENDED)**

Regulates the alienation of land in certain circumstances.

### **IMMOVEABLE ASSETS MANAGEMENT ACT (NO 19 OF 2007)**

Provides for, amongst others, a uniform framework for the management of immovable assets that are held or used by a National or Provincial Department, and to ensure coordination of the use of immovable assets with service delivery objectives of national and provincial departments. ance to acquire registered title to public rental houses.



## SECTION A

# Legislative and Other Mandates

### **DEEDS REGISTRY ACT, 1937 (ACT NO 47 OF 1937 AS AMENDED)**

Consolidates and amends the laws relating to the registration of deeds.

### **EXTENSION OF SECURITY OF TENURE ACT, 1997 (ACT NO 62 OF 1997)**

The Act provides for measures with State assistance to facilitate long term security of land tenure and to regulate the conditions of residence on certain land; the conditions on and circumstances under which the right of persons to reside on land may be terminated; the conditions and circumstances under which persons, whose right of residence has been terminated, may be evicted from land.

### **UPGRADING OF TENURE RIGHTS ACT, 1991 (ACT NO 112 OF 1991 AS AMENDED)**

Provides for the upgrading and conversion into ownership of certain rights granted in respect of land.

### **CONVERSION OF CERTAIN LEASEHOLD RIGHT TO OWNERSHIP ACT, 1988 (NO 81 OF 1988 AS AMENDED)**

Provides for the mechanisms for obtaining assist

### **LAND ADMINISTRATION ACT, 1995 (ACT NO 2 OF 1995 AS AMENDED)**

Provides for the delegation of powers and assignment of administrative laws regarding land matters to provinces and provides for the creation of uniform land legislation.

### **EXPROPRIATION ACT, 1975 (ACT NO 63 OF 1975 AS AMENDED)**

Provides the Minister with the power to expropriate property for public and certain other purposes and to use the property for public purposes.

### **NATIONAL ENVIRONMENT MANAGEMENT ACT, 1998 (ACT NO 107 OF 1998 AS AMENDED)**

Protects ecologically viable areas representative of South Africa's biological diversity and its natural landscapes and seascapes in a system of protected areas.

### **PUBLIC FINANCE MANAGEMENT ACT, 1999 (ACT NO 1 OF 1999 AS AMENDED)**

The Act regulates financial management in the national and provincial governments to ensure that all revenue, expenditure, assets, and liabilities are managed efficiently and effectively. The Act also provides for the responsibilities of persons entrusted with financial management and enables public sector managers to ensure effective, efficient and prudent use of public funds for socio-economic development programmes.

### **MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO 56 OF 2003 AS AMENDED)**

The Act seeks to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government. The Act also establishes treasury norms and standards for the local sphere of government. The MFMA contains a procedure for the disposal of capital assets under Section 14 of the Act.

### **DIVISION OF REVENUE ACT (AS AMENDED)**

Provides for equitable division of national revenue among the three (3) spheres of government, for each financial year, and the responsibilities of each sphere pursuant to such division.

### **BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT, 2003 (ACT NO 53 OF 2003)**

The Act promotes black economic empowerment and empowers the Minister of Trade and Industry to issue codes of good practice and to publish transformation charters. The Act further provides for the establishment of the Black Economic Empowerment Advisory Council.

### **PROMOTION OF ADMINISTRATIVE JUSTICE ACT, 2000 (ACT NO 3 OF 2000)**

Gives effect to the constitutional right to just administrative action for any member of the public whose rights have been adversely affected, and to ensure efficient, effective, and legitimate administration within all spheres of government.





## SECTION A

# Legislative and Other Mandates

### **PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT, 2000 (NO 5 OF 2000)**

Gives effect to Section 217 (3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217 (2) of the Constitution.

### **PROMOTION OF ACCESS TO INFORMATION ACT, 2000 (ACT NO 2 OF 2000)**

Gives effect to the constitutional right of access to any information held by the State, and any information held by a private person that is required for the exercise or protection of any other right.

### **INTERGOVERNMENTAL RELATIONS FRAMEWORK ACT, 2005 (ACT NO 13 OF 2005)**

Establishes a framework for National, Provincial and Local Government to promote and facilitate intergovernmental relations, and to provide a mechanism and procedure to facilitate the settlement of intergovernmental disputes.

### **NATIONAL DEVELOPMENT PLAN 2030**

**Chapter 8 of the NDP** deals with transforming human settlements and the national space economy.

#### **The key points include:**

Respond systematically to entrenched spatial patterns across all geographic scales that exacerbate social inequality and economic inefficiency.

In addressing these patterns, we must take account of the unique needs and potentials of different rural and urban areas in the context of emerging development corridors in the southern African sub-region.

- Active citizenship in the field of spatial development will be supported and incentivized through a range of interventions, including properly funded, citizen-led neighbourhood vision and planning processes and the introduction of social compacts from neighborhood to city level.

- Planning in South Africa will be guided by a set of normative principles to create spaces that are; livable, equitable, sustainable, resilient, and efficient, and support economic opportunities and social cohesion. South Africa will develop a national spatial framework and resolve the current deficiencies with the local system of integrated development planning and progressively develop the governance and administrative capability to undertake planning at all scales.

### **MEDIUM TERM STRATEGIC FRAMEWORK**

The 2019-2024 MTSF is both a five-year implementation plan and an integrated monitoring framework. The plan focuses on the seven priorities and related interventions of the sixth administration of government, and the integrated monitoring framework focuses on monitoring and outcomes, indicators, and targets towards the achievement of priorities. The MTSF promotes alignment, coordination, and ultimately full integration of all development planning instruments into an integrated framework bearing results without duplication, role conflict, and coordinated development instrument where legislation to isolate and declared certain areas within not crowding public sector investments. mobilise public sector investment Population trends, mobility, location etc.

The **MTSF** is structured into priority outcomes which cover the focus areas identified in the NDP chapters. These outcomes represent the apex priorities and developmental impacts that the Government seeks to achieve over the five-year administration period.

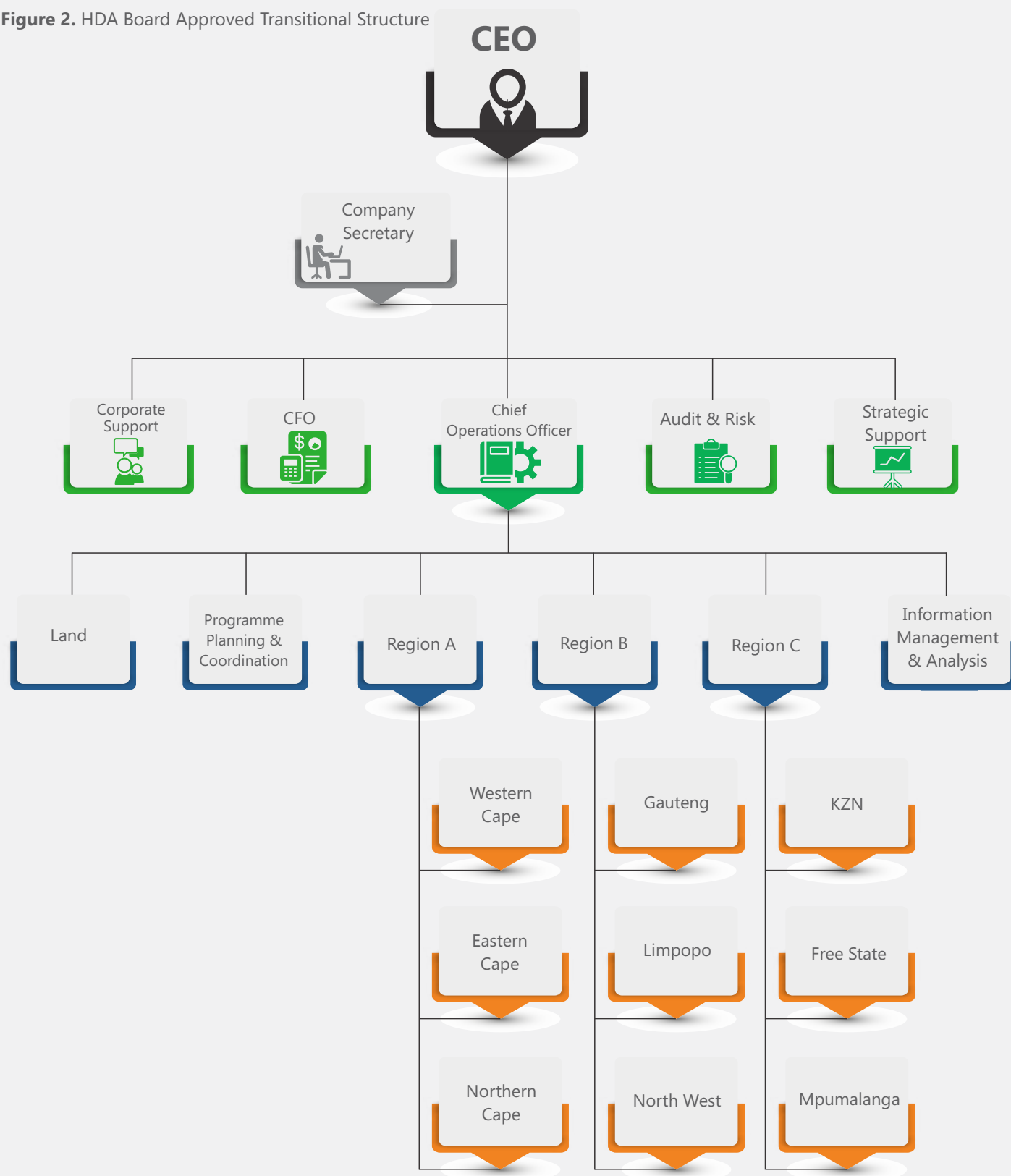
### **HUMAN SETTLEMENT SECTOR MTSF PRIORITIES 2019-2024**

The focus of the MTSF 2019-2024 for the human settlement sector is to Implement a coherent programme to transform human settlement and to ensure that the delivery of housing is used to restructure towns and cities and strengthen the livelihood prospects of households and overcome spatial apartheid patterns.



## SECTION A Organisational Structure

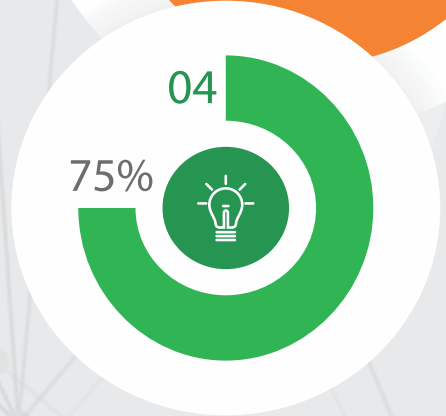
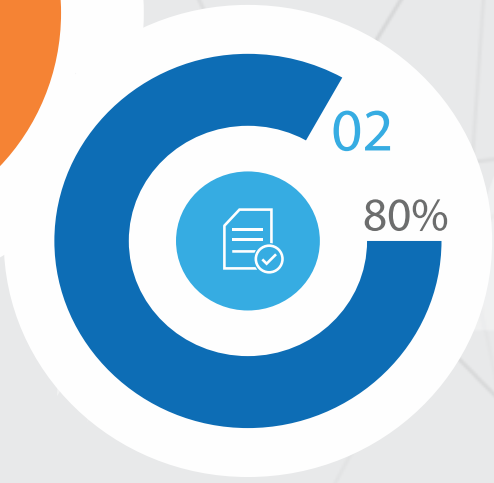
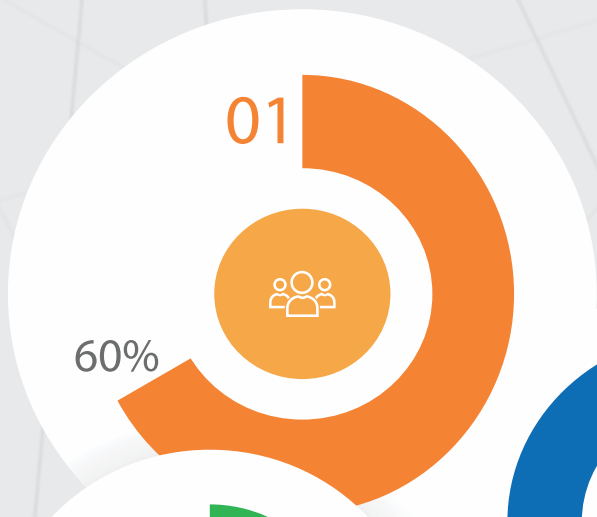
Figure 2. HDA Board Approved Transitional Structure





# SECTION B

PERFORMANCE INFORMATION







## Auditor's Report: Predetermined Objectives Service Delivery Environment

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the management report, the conclusion of the Auditor General is no findings on the usefulness and reliability of performance information under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to pages 80 - 84 of the Report of the Auditor's Report, published as section F: Financial Information.

## Overview of the Public Entities performance

As an entity of the National Department of Human Settlements, the HDA has the responsibility congruent to that of government to change the lives of South Africans for the better. In furtherance of this, the Agency contributes to Priority 5 of the MTSF on Spatial integration, human settlements, and local government. The impact expected of this priority area is to achieve spatial transformation through improved, integrated human settlement development and linking job opportunities and housing opportunities. It is for this reason that the HDA's mission focuses inter alia on the following:

- ✓ Accelerated delivery of spatially transformed integrated and sustainable human settlements.
- ✓ Providing security of tenure and asset wealth.
- ✓ Transforming the human settlements sector to be inclusive of the country's demographic profile with a special focus on the marginalised sectors of women, youth, and persons with disabilities

## High Need for Housing

According to the 2021 Stats SA's General Household Survey (2021), 11,7% of South African households live in informal settlements. Furthermore, there were over 2 700 informal settlements in South Africa, a majority of which are in unsuitable land that is prone to housing emergencies.

Many mortgages granted remained in favour of individuals with a gross monthly income of greater than R15 000 per month for both rand values and number of accounts. Comparatively, the rand value of mortgage agreements granted increased by 16.91% during the same period and

this growth can be attributable to amongst other key factors a low-interest-rate environment. The subdued economic activity and low business confidence impact the residential property market negatively. This trend suggests a need to channel the effort to the lower end of the market.

It is determined that 90% of the population cannot afford housing costing more than R190 000. Of the population that can afford finance, the bulk (17%) is limited to an affordability of housing between about R100 000 (households earning R2500 per month, eligible for a housing subsidy and able to afford about R50 000 of credit, could presumably afford a house of about R93 000) and R189 000 (with a repayment amount of 25% of income, a household earning R7500 per month could afford approximately R170 000 in credit, which together with a deposit might yield a house of about R189 000). A further 10% of the population might afford an improved RDP house – adding between R6 000 and R18 000 credit to the subsidy amount.

As much as 63% of the population is dependent on the state subsidy for meeting their housing circumstances. **Finmark Trust – Kecia Rust**, the public sector is facing multiple challenges in the human settlements sector. Due to the following reasons:

- Allocation of resources does not consider the topographic challenges,
- The allocation of funds through a population census report hits hard on the delivery of housing,
- Lack of clear policy directives guiding the implementation of MIG (Municipal Infrastructure Grant) in support of human settlements development.

## Organisational Environment

The role of the HDA can be summarized into 3 key functions:

- Identification, acquisition of land for human settlement's development.
- Facilitation of housing delivery and packaging and design of Human Settlements Development. The HDA will provide support to the sector with activities related to the validation of project implementation readiness and the status of implementation of human settlement projects.
- The HDA will ensure that the delivery of projects is undertaken in line with the district development model.



# Perception Management

Sustainability

Mandate

People & Structure

Process & Systems

Governance



## Key policy developments and legislative changes

There have been no major policies and legislations that affected the period under review.

## Identify, Hold, Acquire, and Release Land

The HDA performs the following:

- I. Land planning: Which requires spatial planning and establishing and defining housing needs.
- II. Identification: Land study to identify land for housing development
- III. Feasibility assessment of land
- IV. Acquisition
- V. Landholding
- VI. Property management of acquired land whilst it is being packaged for development or in the case of land banking it will be held for future development when the planned investment has taken place.
- VII. Land packaging: This includes bulk services provision; town planning: township establishment, zoning, subdivision or consolidation, EIA, etc.

## Facilitation of Housing Delivery

To facilitate housing delivery the HDA performs three core functions of being an Implementing Agent, Project Manager, and Project Developer.

Underpinning these functions are processes of social facilitation and Inter-Governmental Relations

## Housing Delivery and Packaging and Design of Human Settlements Development

This function is implemented by designing, packaging, implementing, and project managing of Human Settlement Development aimed at fast-tracking delivery and achieving Human Settlement Sector Outcomes.

The diagram below provides further details of the 3 core functions of the HDA

### Implementing agent

An implementing agent is responsible for the implementation of the priority housing development area plan. This includes township establishment, top structure development, monitoring and evaluation, infrastructure development, and social and economic facilities development. The HDA will be responsible for implementing the following Section 29 projects: Nelson Mandela Bay, N2 Gateway, Zанемвула, Gauteng Province, and Lephalale

### Programme management:

The Programme Management function will manage the National Priority Projects of the human settlement sector. These include Priority projects, mining towns projects, informal settlement's upgrading projects, inner city projects, and HSS support services.

### Development:

Focuses on conceptualising, funding, planning, coordination, and managing. This can include land acquisition, designing, financing, construction, selling or managing. Developers work with different counterparts along each step of the process, including architects, planners, engineers, constructors, other developers, and more.

During the 2022/23 FY the Board and management undertook a strategic planning process which identified six strategic pillars for the HDA's turn around. The process included identification of the root causes and the desired outcome for each of the strategic pillars.. The pillars are composed of the following:

- **Mandate** with the focus on ensuring the realization of the full mandate of the HDA by becoming a fully-fledged developer of choice. In this area the Agency has identified several properties, owned by the HDA such as the **Sea Point property in Cape Town** earmarked for **High-value** mixed-use residential property development with restaurants and other amenities. Located in a prime area with high demand. It is envisaged that the returns will be used to strengthen HDA's balance sheet as well as finance the transformation of the human settlement sector to be inclusive of South Africa's demographics. **The Braamfontein property in Johannesburg** provides the opportunity to develop social housing and affordable accommodation in a vibrant urban area to address the housing backlog. **The Kimberley property in the Northern Cape** with potential for affordable housing development to address the housing backlog.
- **Governance:** Our compliance environment is continuously improving with a stable substantive Board, substantive CEO, CFO, and other critical positions such as chief audit executive and risk manager. An annual compliance plan has been developed and is monitored regularly, a risk management plan and the fraud prevention plan are also implemented to manage an effective control environment.

# Perception Management

Sustainability

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- **Sustainability** – Income to fund the Agency 's expenditure is derived mainly from an operational grant from the National Department of Human Settlements (DHS). This contributes  $\pm$  52% of total revenue. Conditional grant funding - from regions in a form of MTOPs received is R228,5m. MTOP contribute  $\pm$ 48% of the total revenue. The Agency's historic financial performance has been primarily reliant on income from the National Department of Human Settlements (NDHS) and grants received from Provincial Governments. However, the sum of operating costs and employee costs has historically exceeded the grant received from NDHS, putting strain on the Agency's operational effectiveness. The HDA aspires to function as a fully-fledged public-sector property developer.

However, without a robust corporate funding and project finance model, it cannot fully realise this objective.

Management procured the services of technical support Capital to assist the Agency with the development of a corporate funding and project finance model which will enable the HDA to overcome borrowing restrictions and to act as a fully-fledged public-sector property developer. A progress report is available describing the achieved milestones.

- **Structure and People**- A key concern in this area was that the structure that was previously operational in the HDA was not supportive of the developer role mandate of the HDA. A new organisational structure

has been approved and the Agency is currently being capacitated with the necessary competencies to support the full mandate of the Agency.

- **Process and Systems:** The Agency had inadequate and outdated policies, processes and systems not suited to efficiently deliver on the primary and secondary mandate. The agency has introduced an Electronic Document and Records Management System (EDRMS), which is called Integrated Management Information System (IMIS) in October 2022. Implementing the EDRMS resulted in the start of creating a paperless, integrated, and automated information environment for the HDA. It also assisted the further development and alignment of business processes to shape responsibilities for a more effective operational environment. As part of implementing the EDRMS, various specific workflows were developed with control gates to ensure a checklist that forces compliance via upload and confirmation on documents and records. Various training sessions have also been undertaken to ensure that staff can utilise the system.

**Perception Management** – The HDA suffered reputational damage due to negative publicity and low staff morale. The Corporate Support Unit has begun the change management processes which has with both internal and external focus. The programme has the CEO's roadshows as a key component of the change management agenda.

## Sustainability

# Perception Management

Sustainability

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## Progress Towards Achievement of institutional impacts and Outcomes

The 2022-2023 Financial Year the HDA was able to achieve the release and/or acquisition of **993.0012 hectares of land** located within the **Priority Development Areas** and 1659.4809 hectares located outside of the Priority Development Areas (PDAs) for human settlements development. **40 area-based integrated multi-sectoral development plans for PDAs were completed.** These priority spaces are targeted to advance the spatial transformation objectives and attract both public and private sector investments. "The HDA also achieved 40,97% of annual HDA procurement spend targeted at businesses owned by women, exceeding the set target of 40% "The HDA also achieved 40,97% of annual HDA procurement spend, targeted at businesses owned by women, exceeding the set target of 40%. The HDA recognises the importance of transformation for women in the construction sector and creating opportunities for participation in this male dominated sector for this marginalised gender.

Furthermore. The Agency understands the impact construction, land acquisition, and its procurement systems have on millions of people across the country, particularly the other designated groups concerning empowerment, job creation opportunities and increased asset wealth. To address this, the HDA has developed policies that contribute to the transformation of the Human Settlements Sector. In

addition, an approach that inculcates business skills development, empowerment, and creation of job opportunities in the delivery of human settlements.

A total of **1433 housing units were delivered, and 4757 serviced sites were delivered.** A total of 1731 title deeds were delivered, **exceeding** the set target of 1590 for the Financial Year.

As the agency focuses on fulfilling its role as a fully-fledged property developer, the following properties and projects have been identified for implementation:

- Proposed Erf 1220 Sea Point West (SABC) (City of Cape Town)
- Erf 11839 Kimberley (Eskom Building) (Sol Plaatjie Local Municipality)
- Erf 4903 Braamfontein, (Eskom Building) (City of Johannesburg)
- Erf 14443 Strand (City of Cape Town)
- Erf 2116 Bloemfontein (Mangaung Metropolitan Municipality)
- Ellofsdal Project (City of Tshwane)

## Governance



# Institutional Programme Performance Information

## Description of Each Programme

During the period under review the HDA implemented 3 Programmes i.e., Programme: 1-Administration, Programme: 2 Land Assembly and PDA's, Programme 3: Programme Planning and Design and Regional Coordination and Human Settlement's Implementation Support Services.

## Programme 1: Administration

### Purpose

The Administration programme provides effective

leadership, strategic management, and administrative support to the Agency in line with applicable legislation and best practice. It does so by ensuring that there is effective and efficient administration and governance within the organisation.

The programme has the following sub-programmes: Audit and Risk, Corporate Support Services, Finance, Strategy and Organisational Performance, and Communication and Marketing. The services provided by each sub-programme are reflected in the following table.

SUB-PROGRAMME	SERVICES PROVIDED
<b>Audit and Risk</b>	<ul style="list-style-type: none"> <li>Organisational risks, integrity management, and anti-corruption services.</li> <li>Reports directly to the Chief Executive Officer.</li> <li>Facilitates the development and implementation of an internal control system to improve governance and compliance with applicable regulations, internal policies, processes and procedures.</li> <li>Fraud prevention and loss management.</li> </ul>
<b>Corporate Support Services</b>	<ul style="list-style-type: none"> <li>Reports directly to the Chief Executive Officer</li> <li>Provides administrative support to the entire organisation in respect of Human Resource Management, Legal Services, Facilities Management, and Information Technology.</li> <li>HR - human resource administration, labour relations and employee wellness.</li> <li>Legal Services - legal advice, litigation support, ensures compliance with the national and international laws, drafting and monitoring of service level agreements.</li> <li>Facilities Management - staff and other resources are protected, and well maintained and that the work environment is conducive for productive performance.</li> <li>IT - information communication technology and business enablement services.</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>Reports to the Chief Executive Officer.</li> <li>Manages and provides financial management services i.r.o: Financial Accounting and Administration, Budgeting and Management Accounting, Supply Chain, Project Finance Management.</li> <li>Financial Accounting and Administration - develops and oversees the implementation of financial administration and accounting policies, processes and systems, ensuring that the financial resources allocated to the agency are optimally utilised.</li> <li>Budgeting and Management Accounting - provides guidance on the preparation of budgets and monitors the expenditure trends on an ongoing basis.</li> <li>Supply Chain - facilitates the development and monitors the implementation of supply chain management policies, processes, and systems. It also provides procurement management services within the organisation.</li> <li>Project Finance Management - manages and reports on funds received by the HDA from various provinces and/or municipalities to finance projects as per signed funding agreements.</li> </ul>
<b>Strategy &amp; Organizational Performance</b>	<ul style="list-style-type: none"> <li>Facilitates the formulation of the strategic plan and annual performance plans.</li> <li>Responsible for institutional performance assessment and reviews.</li> </ul>
<b>Communication and Marketing</b>	<ul style="list-style-type: none"> <li>Responsible for the provision of communication services.</li> <li>Provides both internal and external communication services, media liaison support, public liaison and events management.</li> <li>Develops and maintains the organisational website</li> </ul>



# Perception Management

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## Programme 2: Land Assembly and Priority Development Areas

### Purpose

This programme facilitates access to well-located land for human settlements development, through land acquisition and rezoning within PDA's.

The Programme has the following sub programmes: Land Management and Land Planning, as indicated in the following table:

SUB-PROGRAMME	SERVICES PROVIDED
<b>Land Management</b>	<ul style="list-style-type: none"> <li>Identifying, acquiring, holding, developing, and releasing state, privately and communal-owned land</li> <li>Targeting and prioritising areas for integrated housing and human settlements development</li> </ul>
<b>Land Planning</b>	<ul style="list-style-type: none"> <li>Implementation of PDA programme - spatial targeting to achieve maximum spatial impact</li> <li>Compilation of detailed development concepts and layout for acquired land parcels to</li> <li>proactively guide sector plans and investments over the MTEF periods e.g., Bulk requirements.</li> </ul>

## Programme 3: Programme Planning and Design, Regional Co-ordination, and Human Settlements Implementation Support Services

### Purpose

This programme plans, designs, manages, and implements priority programmes and provides access to adequate housing through a range of programmes.

The programme has the following sub programmes: Programme Planning and Design and Regional Coordination and Human Settlements Implementation Support Services, as indicated in the following table:

SUB-PROGRAMME	SERVICES PROVIDED
<b>Programme Planning and Design</b>	<ul style="list-style-type: none"> <li>Provides programme planning and design for priority programmes such as priority projects within PDA's, Informal Settlement Upgrading, Mining towns' revitalisation</li> <li>Specific unblocking of projects.</li> <li>Facilitates the implementation of transformation and empowerment in all HDA programmes (as per preferential procurement targets set in Programme 1</li> </ul>
<b>Priority Projects</b>	
<b>Regional Co-ordination and HS Implementation Support Services</b>	<ul style="list-style-type: none"> <li>Enhances capacity and renders Human Settlements projects implementation services to provinces and municipalities.</li> <li>Collaborates with the respective spheres of government to optimise service delivery and facilitate access to adequate housing.</li> </ul>



## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

PROGRAMME 1: ADMINISTRATION									
Outcome	Output	Output Indicators	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	**Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement 2022/23	Reasons for Deviation	POE Submitted
Effective and Efficient Management and Good Governance of the HDA	Unqualified audits	1.1.1 Unqualified audit outcome with no material findings	Qualified audit opinion obtained on the 2019/20 financial statements	Qualified audit opinion for the 2020/21 financial year	Unqualified audit outcome with no material findings	Not Achieved Qualified audit opinion for the 2021/22 financial year	Unqualified audit outcome with no material findings	The HDA has received a qualified audit opinion for the 2021/22 financial year. Management is implementing the audit action plan	External Audit Action Plan 2021/22 Management Report 2021/22 Audit Action Plan 2021/22
	Transformation and Empowerment of designated groups	1.1.2 Percentage of annual HDA procurement spend, targeted at businesses owned by Women	35% of annual HDA procurement spend, targeted at businesses owned by Women	8,12% of annual HDA procurement spend, targeted at businesses owned by Women	40% of annual HDA procurement spend, targeted at businesses owned by Women	Achieved 40,97% of annual HDA procurement spend, targeted at businesses owned by Women	+0,97% of annual HDA procurement spend, targeted at businesses owned by Women	Positive variance is due to the implementation of the pre-qualification in line with the approved supply chain Policy	CSD Reports/ BEE Certificates
		1.1.3 Percentage of annual HDA procurement spend, targeted at businesses owned by youth	15% of annual HDA procurement spend, targeted at businesses owned by Youth	2,92% of annual HDA procurement spend, targeted at businesses owned by Youth	20% of annual HDA procurement spend, targeted at businesses owned by Youth	Achieved 25,56% of annual HDA procurement spend, targeted at businesses owned by Youth	+ 5,56% of annual HDA procurement spend, targeted at businesses owned by Youth	Positive variance is due to the implementation of the pre-qualification in line with the approved supply chain Policy	CSD Reports/ BEE Certificates
		1.1.4 Percentage of annual HDA procurement spend, per financial year, targeted at businesses owned by Persons with disabilities	5% of annual HDA procurement spend, targeted at businesses owned by Persons with disabilities	0,53% of annual HDA procurement spend, targeted at businesses owned by Persons with disabilities	5% of annual HDA procurement spend, per financial year, targeted at businesses owned by Persons with disabilities	Achieved 9,54% of annual HDA procurement spend, per financial year, targeted at businesses owned by Persons with disabilities	+ 4,54% of annual HDA procurement spend, per financial year, targeted at businesses owned by Persons with disabilities	Positive variance is due to the implementation of the pre-qualification in line with the approved supply chain Policy	CSD Reports/ BEE Certificates



## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

PROGRAMME 1: ADMINISTRATION									
Outcome	Output	Output Indicators	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	**Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement 2022/23	Reasons for Deviation	POE Submitted
		1.1.5 Percentage of annual HDA procurement spend, per financial year, targeted at businesses owned by Military Veterans	5% of annual HDA procurement spend, targeted at businesses owned by Military Veterans	0.27% of annual HDA procurement spend, targeted at businesses owned by Military Veterans	5% of annual HDA procurement spend, per financial year, targeted at businesses owned by Military Veterans	Not Achieved 0,65% of annual HDA procurement spend, per financial year, targeted at businesses owned by Military Veterans	- 4,35% of annual HDA procurement spend, per financial year, targeted at businesses owned by Military Veterans	Negative variance - due to no implementation of projects earmarked for this designated groups.	CSD Reports/ BEE Certificates
		1.1.6 Percentage implementation of the approved internal audit plan	100% implementation of Internal Audit plan against the annual coverage plan by 31 March 2021	75% Implementation of the approved internal audit plan	100% implementation of the approved internal audit plan	Achieved 100% implementation of the approved internal audit plan	None	None	Signed off Report by the Audit & Risk Manager  Internal Audit Plan
		1.1.7 Percentage implementation of Anti-fraud and corruption plan	0% implementation of Approved anti-fraud and Corruption plan by 31 March 2021	0% implementation of anti-fraud and corruption plan	100% implementation of anti-fraud and corruption plan	Achieved 100% implementation of anti-fraud and corruption plan	None	None	Anti-fraud or Fraud Prevention progress report and/or  Anti-fraud or Fraud Prevention and Corruption plan
		1.1.8 Percentage implementation of the approved risk management plan	0% Implementation of the approved Risk Implementation Plan by 31 March 2021	26,67% implementation of the approved risk management plan	100% Implementation of the approved risk management plan	Achieved 100% Implementation of the approved risk management plan	None	None	Risk management report and/or  Risk Management Plan



## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

PROGRAMME 2: LAND ASSEMBLY AND PDA's									
Outcome	Output	Output Indicators	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	**Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement 2022/23	Reasons for Deviation	POE Submitted
Integrated and sustainable human settlements and Security of Tenure	Integrated implementation programmes for PDAs	2.1.1. Number of integrated implementation programmes for PDAs completed per year	New Indicator	40 integrated implementation programmes for PDAs prepared	40 Integrated implementation programmes for PDAs completed per year	Achieved 40 Integrated implementation programmes for PDAs completed per year	None	None	Implementation Programmes
	Well-located land acquired within PDAs	2.1.2 Number of hectares of well-located land acquired within PDAs	1332,6383 hectares of land located within PHSHDA Acquired	1765,5591 ha of well-located land acquired within PHSHDAs	1500 hectares of well-located acquired within PHSHDAs	Not Achieved 993.0012 hectares of well-located acquired within PDAs	-506.9988 hectares of well-located acquired within PDAs	There were funding limitations from the Province and slow release of state land located within the PDA	Agreements of Sale Power of Attorney
	Land rezoned, townships established, and all related development approvals acquired	2.1.3 Percentage of the 1786.1527 ha of land acquired during 2014 – 2019 falling within PDAs rezoned	33% of acquired land during 2014-2019 rezoned falling within the PHSHDAs	0% of the 1884.6870 ha of land acquired during 2014 – 2019 falling within PHSHDAs rezoned	50% of the 1786.1527 ha of land acquired during 2014 – 2019 falling within PDAs rezoned	Not Achieved 0% of the 1786.1527 ha of land acquired during 2014 – 2019 falling within PDAs rezoned	-50% of the 1786.1527 ha of land acquired during 2014 – 2019 falling within PDAs rezoned	There were funding limitations and inconsistent Municipal Planning Tribunal committee sittings which delayed the achievement of this target	Not Applicable
		2.1.4 Number of hectares of land rezoned for Human Settlements development	1000 hectares of land rezoned for Human Settlements development	607,1939 hectares of land rezoned for Human Settlements development	1000 hectares of land rezoned for Human Settlements development	Achieved 1,044.545 hectares of land rezoned for Human Settlements development	+44.545 hectares of land rezoned for Human Settlements development	Land that was rezoned for Human Settlements development in the year exceeded planned targets. The extent of the approved township was slightly bigger than target.	Letters of approval from the relevant municipalities





## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

PROGRAMME 2: LAND ASSEMBLY AND PDA's									
Outcome	Output	Output Indicators	Audited Actual Performance 2020/21	Audited Actual Performance 2021/22	Planned Annual Target 2022/23	**Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement 2022/23	Reasons for Deviation	POE Submitted
	Well-located land acquired or released for human settlement development	2.1.5 Number of hectares of well-located land acquired and/or released for human settlements development	2116,5517 hectares of land acquired or released for Human Settlements	3243.447 ha of well-located land acquired or released for human settlements development	750 of hectares of well-located land acquired and/or released for human settlements development	Achieved 1659.4809 of hectares of well-located land acquired and/or released for human settlements development	+ 909.4809 of hectares of well-located land acquired and/or released for human settlements development	Significant land parcels were acquired by the HDA which exceeded the target. Additional land acquisition mandates were received from the Free State	Agreements of Sale



## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

### PROGRAMME 3: PROGRAMME PLANNING AND DESIGN AND REGIONAL COORDINATION AND HUMAN SETTLEMENT IMPLEMENTATION SUPPORT SERVICES

#### SUB-PROGRAMME: 3.1 INFORMAL SETTLEMENT UPGRADING

Outcome	Output	Output Indicators	Audited Actual Performance 2020/21	Audited Actual Performance 2022/23	Planned Annual Target 2022/23	**Actual Achievement t 2022/23	Deviation from Planned Target to Actual Achievement 2022/23	Reasons for Deviation	POE Submitted
Integrated and sustainable human settlements and Security of Tenure	Adequate housing and improved living conditions in informal settlements	3.1.1 Number of Informal settlements supported for upgrading to phase 3 of the UISP	191 of Informal settlements supported for upgrading to phase 3	204 informal Settlements supported for upgrading to phase 3	200 Informal settlements supported for upgrading to phase 3 of the UISP	Achieved 241 Informal settlements supported for upgrading to phase 3 of the UISP	+41 Informal settlements supported for upgrading to phase 3 of the UISP	The programme has provided support to the informal settlements to achieve its target. This was due to an instruction to Perform Work that was signed to provide support to additional ISUs in EC.	Progress Reports Development Agreements Project Implementation Plans Inception Reports Service Level Agreements
	Adequate housing and improved living conditions in Emergency housing areas	3.1.2 Number of informal settlements assisted with relocations	New Indicator	4 Relocation commences in settlements	2 informal settlements assisted with relocations	Achieved 2 informal settlements assisted with relocations	None	None	Settlement Reports



## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

SUB PROGRAMME 3.2: PRIORITY PROJECTS AND REVITALISATION OF DISTRESSED MINING COMMUNITIES									
Outcome	Output	Output Indicators	Audited Actual Performance 2020/21	Audited Actual Performance 2022/23	Planned Annual Target 2022/23	**Actual Achievement 2022/23	Deviation from Planned Target to Actual Achievement 2022/23	Reasons for Deviation	POE Submitted
Integrated and sustainable human settlements and Security of Tenure	Adequate housing and improved living conditions in selected priority projects	3.2.1 Number of priority projects provided with implementation support	36 Catalytic Projects provided with Implementation support	50 Catalytic Projects provided with Implementation support	50 Priority Projects provided with Implementation support	Achieved 50 Priority Projects provided with Implementation support	None	None	Reports on the 50 projects
		3.2.2 Number of provinces provided with programme planning and implementation support for the revitalisation of distressed mining communities	New Indicator	New Indicator	6 Provinces provided with programme planning and implementation support for the revitalisation of distressed mining communities	Achieved 6 Provinces were provided with programme planning and implementation support for the revitalization of distressed mining communities	None	None	Project Pipelines  Development Plans  Technical implementation Support



## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

### SUB-PROGRAMME 3.3: REGIONAL COORDINATION AND HUMAN SETTLEMENT IMPLEMENTATION SUPPORT SERVICES

Outcome	Output	Output Indicators	Audited Actual Performance 2020/21	Audited Actual Performance 2022/23	Planned Annual Target 2022/23	**Actual Achievement 2022/23	Additional POE	Deviation from Planned Target to Actual Achievement 2022/23	Reasons for Deviation	POE Submitted
Integrated and sustainable human settlements and Security of Tenure	Housing Units delivered by the HDA	3.3.1 Number of housing units delivered i.r.o. projects implemented by the HDA	4564 Housing units delivered	2451 Housing units delivered i.r.o. projects implemented by the HDA	3428 housing units delivered i.r.o. projects implemented by the HDA	Not Achieved 1433 housing units delivered i.r.o. projects implemented by the HDA	Quarter 1 PIR 217 - additional 165 units delivered	-1995 housing units delivered i.r.o. projects implemented by the HDA	Slow progress on top structure projects due contractor termination in the NC and reprioritised funding meant for running projects in EC which delayed the delivery of housing units	Engineer completion certificate, and/or Quality Assurance Report
							Quarter 2 PIR 215 – Additional 91 units			
							Quarter 3 PIR 273 – Additional 35 units			
							Quarter 4 - Not Applicable			
	Serviced sites delivered	3.3.2 Number of serviced sites delivered i.r.o. projects implemented by the HDA	4270 Human Settlements serviced	2806 of serviced sites delivered i.r.o. projects implemented by the HDA	4517 Serviced sites delivered i.r.o. projects implemented by the HDA	Achieved 4757 Serviced sites delivered i.r.o. projects implemented by the HDA	Quarter 1 - Not Applicable	+240 Serviced sites delivered i.r.o. projects implemented by the HDA	The HDA WC was appointed by the WCHS to deliver additional service sites in the Airport Precinct and Valhalla Park projects for the year which exceeded the planned service sites. The Northern Cape completed phase 5 of Lerato Park which contributed to the over achievement of the target.	Signed Practical completion certificates.  Happy Letters
							Quarter 2 - Not Applicable			
							Quarter 3 PIR 1278 – Additional 64 sites			
							Quarter 4 - Not Applicable			





## Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

### SUB-PROGRAMME 3.3: REGIONAL COORDINATION AND HUMAN SETTLEMENT IMPLEMENTATION SUPPORT SERVICES

Outcome	Output	Output Indicators	Audited Actual Performance 2020/21	Audited Actual Performance 2022/23	Planned Annual Target 2022/23	**Actual Achievement 2022/23	Additional POE	Deviation from Planned Target to Actual Achievement 2022/23	Reasons for Deviation	POE Submitted
		3.3.3 Number of HS Projects managed by the HDA	New Indicator	53 HS Projects managed by the HDA	73 HS Projects managed by the HDA	Achieved 73 HS Projects managed by the HDA	Quarter 1 PIR 14 – Additional 59 projects managed	None	None	Progress Reports
							Quarter 2 PIR 59 – Additional 14 projects managed			Funding Agreements
		3.3.4 Number of asbestos roofs replaced i.r.o. projects managed by the HDA	New Indicator	New Indicator	1000 Asbestos roofs replaced i.r.o. projects managed by the HDA	Achieved 1000 Asbestos roofs replaced i.r.o. projects managed by the HDA	Not Applicable	None	None	Engineer completion certificate
	Business Plans/Cases developed for the HDA projects	3.3.5 Number of HDA bankable business plans/cases Approved	New Indicator	New Indicator	5 HDA bankable business plans/cases Approved for projects	Not Achieved 0 HDA bankable business plans/cases Approved for projects	Not Applicable	-5 HDA bankable business plans/cases Approved for projects	The bankable projects were planned for implementation in the Free State and KZN, there has been slow implementation due to budget constraints	Completed Business Plans
	Title deeds registered	3.3.6 Number of Title deeds registered	825 Title Deeds Registered	1566 Title Deeds Registered	1590 title deeds registered	Achieved 1731 title deeds Registered	Quarter 1 PIR 494 – Additional 175 Title deeds	+ 141 title deeds registered	HDA WC was appointed to the Title Deed Restoration Programme (TDRP) which allowed for the title deeds registered to exceed the planned targets	Conveyancer certificates / Title deed search reports
							Quarter 2 PIR 34 – Additional 380 Title deeds			
							Quarter 3 PIR 231 – Additional POE 62 Title Deeds			
							Quarter 4 PIR 344 – Additional 11 deeds registered			



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## SECTION B

### Strategy to overcome areas of underperformance

The Agency has made strides to put measures in place to improve the HDA's performance and operational sustainability. These measures include putting a risk management policy and procedures that permeate across all the units within the Agency to improve its effective and efficient management in the prospect of attaining an unqualified audit outcome in the remainder of the mid-term.

The delivery of integrated and sustainable human settlements and security of tenure has been a challenge for the Agency to achieve over the mid-term with a multitude of challenges facing the Agency it has managed to overcome the worst. The Agency has appointed new leadership that is transitioning the Agency into a developer of choice which inculcates high performance on delivery of integrated and sustainable human settlements and security of tenure and additionally will embark on its new role as governments property developer.

The HDA has effective plans to engage with the Provinces and Metros to ensure prioritisation of the rezoning projects in the business plans.

Further improvements will be realised as an additional town planner has been appointed within HDA to ensure focused project management, constant engagements with municipalities as 27 planning authorities and improved intergovernmental relations with state departments responsible for statutory approvals.

The HDA will also explore the exemptions options in terms of section 55 of the Spatial Planning and Land Use Management Act, in respect of applications where the grounds of objections are devaluation of properties and the not in my backyard (NIMBY).

### Other Interventions

A task team has been established consisting of the National Department, the HDA, the Department of Agriculture, Land Reform and Rural Development has been established to coordinate the rezoning projects and trouble shoot challenges associated with the target.

The issuing of title deeds for the housing units completed by the HDA in its capacity as a public sector property developer will directly contribute to providing security of tenure.



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## SECTION B Linking Performance With Budgets

2022/23 Expenditure & Budget per Programme		
	Actuals R0'000	Budget R0'000
<b>Programme 1 : Administration</b>	<b>123 236</b>	<b>180 770</b>
Chief Financial Officer (CFO)	49 559	77 573
Corporate Support (CS)	43 815	50 188
Strategy , Communication & Organisational Performance	16 568	30 640
Chief Executive Officer (CEO)	8 576	14 958
Audit & Risk	223	1 089
Board	4 495	6 322
<b>Programme 2- Land Management &amp; PHDA's</b>	<b>29 558</b>	<b>32 758</b>
Land Management	29 558	32 758
<b>Programme 3- Programme Planning and Design Management &amp; Regional Coordination and Human Settlement implementation support service</b>	<b>224 162</b>	<b>290 146</b>
Programme Planning & Design (PPD)	32 435	23 947
Chief Operating Officer(COO)	63 79	16 654
Spatial Information & Analysis	15 610	20 814
Regional offices	169 744	228 731
<b>Total</b>	<b>376 962</b>	<b>503 674</b>

## SECTION B Revenue Collection

The HDA following table gives the revenue that has been collected by the HDA through the following revenue streams:

- **Management fee** - is earned for implementation of projects in line with the funding agreements. The under collection is in line with the capital expenditure paid. Under collection is a result of planned projects being implemented at a slower rate due to factors beyond the control of the Agency.
- **Rental Income** - is only incidental to the entity, land is leased out with the sole intention of protecting and securing the land and not for generation of income. The properties are occupied by the tenants to avoid illegal invasion.

- **Interest income** - is earned on operational grant received from National Department of Human Settlement as part of the cash management strategy for the agency due to high levels of cash kept in the bank during the financial year. The overspending is mainly driven by high levels of cash held during the year originating from the surplus cash retained from the previous financial year, and cost containment and expenditure management in the current year. An increase in prime interest rate also contributed.

	2022/23			2021/22		
Source of revenue	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Management fee	61,842	50,874	10,968	69,546	37,771	31,775
Other – Rental Home	1,128	2,029	(901)	1,000	2,135	(1,135)
Other – Interest Income	5,000	11,487	(6,487)	2,000	5,066	(3,066)
<b>Total</b>	<b>67,970</b>	<b>64,390</b>	<b>3,580</b>	<b>72,546</b>	<b>44,972</b>	<b>27,574</b>

### Capital Investment

The HDA has assets management plan in line with assets management policy framework. The Agency has not yet started to make capital investments and has only developed and fully implemented a comprehensive assets management plan. The Agency holds land in line with its mandate and the mandate has not changed during the year under review.

The Agency does not have any infrastructure assets and is not in the process of constructing any infrastructure assets. The Agency is therefore currently not maintaining any

infrastructure assets. The Agency has no plans to close or downgrade any facilities.

The Agency acquired movable assets at a cost of R3 851 000 and disposed of movable assets with a carrying value of R29 5000 during the year. Correction of treatment of land held by the Agency resulted in restatement of Land in the prior year by an amount of R41 347 000.





230



180



160



100



# SECTION C

GOVERNANCE



**Hosi P C Ngove**  
(Chairperson)



**Ms M Dumakude**  
(Deputy Chairperson)



**Mr V Rabothata**  
(Board Member)



**Dr. A Mahapa**  
(Board Member)



**Ms N Maharaj**  
(Board Member)



**Mr R Makan**  
(Board Member)

## Introduction

The HDA reports to the portfolio committee on performance information which has to be tabled from time to time. The submitted information is expected to meet service delivery requirements that will enhance economic growth.

During the 2022\_23 year the HDA presented to the Portfolio Committee on Human Settlements on the following dates:

- 20 April 2022** – briefing to the Committee on the Agency's Annual performance plan 2022/23,
- 25 May 2022** – Briefing by the Special Investigating Unit on findings on Talana TRUs in Limpopo and Duncan Village and other matters relating to Human Settlements
- October 2022** – Briefing to the Committee on the 2021/22 Annual Report.

## Portfolio Committee

The Executive Authority of the HDA has oversight on all its matters and is governed by the PFMA which gives it authority to exercise its powers.

In the year under review the Quarter 1,2 and 3 reports were submitted to the Executive Authority as per the prescribed dates as stipulated by National Treasury.

A new Interim Board Chairperson was appointed on the 16th of May 2023 by the Executive Authority and a special meeting was held on the 31st of May 2023 to consider the draft unaudited Annual Financial Statements for the 2022/23 financial year and the Quarter 4 Performance Information Report to be considered at the meeting for submission.

## Executive Authority

Oversight by the Executive Authority rests by and large on the prescripts of the PFMA. The PFMA governs/gives authority to the Executive Authority for oversight powers. The Executive Authority also has the power to appoint and dismiss the Board of a public entity. The Executive Authority must also ensure that the appropriate mix of executive and non-executive directors is appointed and that directors have the necessary skills to guide the public entity.

## The Accounting Authority / The Board

The Board of Directors are the accounting authority of the

HDA. The Board of a public entity constitutes a fundamental base for the application of corporate governance principles in the HDA. The Board has an absolute responsibility for the performance of the HDA and is fully accountable to the public entity for such performance. The Board should also give strategic direction to the HDA.

## Board Charter

The Board Charter was approved by the Board in January 2023 following the review of the Charter that was concluded in December 2019. In giving effect to the responsibilities of the Board as they are set out in the Charter, Board Committees were established and constituted in line with the approved terms of reference in 2021. The Committee meetings were held to deliberate on matters that were for the consideration and approval of the Board. The directors also fulfilled their fiduciary duties to the entity, in line with the requirements of the Charter.

## Composition of the Board

Section 9 of the Housing Development Agency 23 of 2008 outlines the composition of the Board. A Board consisting of 6 (six) non-executive members was appointed by the Minister of Human Settlements on 26 November 2021. The CEO and CFO were appointed in June and July 2022 respectively. The Board was supposed to have a total of 9 (nine) directors, but the nominee from the Minister of Public Works was not appointed during the year under review following the resignation of the Public Works nominee in February 2022. The Board did not have any alternate members. There were 2 resignations in March 2023 (Dr T Ratshitanga and Mr. N Vimba).



**Mr B Khenisa**  
CEO



**Ms J Masemola**  
CFO

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorships (List the entities)	Number of Board Meetings Attended
<b>Dr T Ratshitanga</b>	Board Chairperson	26 November 2021	07 March 2023	PhD MPhil in SA Politics and Political Economy, BA Hons in Development Studies, Certificates: Public Information and Communications Policy, Managing Change in the Public service, Shopping Centre leadership,	Communications and marketing, fundraising for property projects	Current boards: State information technology Agency (SITA), UNISA Enterprise, New Cities  Past Boards: Bokamoso Barona Trust, Mapungubwe Institute for Strategic Reflection, Gauteng Growth and Development Agency, The Innovation Hub, Simeka Group, Gauteng Enterprise Propeller	7
<b>Ms M Dumakude</b>	Deputy Board Chairperson	26 November 2021	-	Masters Degree in Civil Engineering, Bachelor of Technology in Industrial Engineering, National Diploma: Industrial Engineering, Diploma in Computer Science, Graduate Diploma in Engineering Management Advancement Programme	Construction services – Roads, storm water, concrete and earthworks, general building including housing construction. Project management, human performance strategies, industrial engineering	Current Board: Kelvion  Past Boards: MBC Engineering, Black Energy Services, SAFCEC, SAWIC	7

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorships (List the entities)	Number of Board Meetings Attended
<b>Hosi P C Ngove</b>	Board Chairperson	15 May 2023	-	<p>Master of Laws (Commercial and Business laws)</p> <p>Masters of Built Environment (Housing) area of expertise</p> <p>PGDip in labour law</p> <p>PGDip in Environmental and Sustainability law</p> <p>PGDip Urban Economic Development</p> <p>PGC in Construction and Engineering law</p> <p>PGC Local Government Law</p> <p>PGC Advanced Company Law</p> <p>PGC Advanced Administrative Law</p> <p>National Diploma Public Administration</p> <p>Law and Corporate Governance</p> <p>Built Environment and Sustainable Development</p>	<p>Law (Administrative, Construction, Local Government),</p> <p>Public Administration</p>	<p>Previous Boards:</p> <ul style="list-style-type: none"> <li>- National Arts Council,</li> <li>- Regional Land Use Advisory Board,</li> <li>- Mopani District Municipality,</li> <li>- Letaba Technical College,</li> <li>- National House of Traditional Leaders,</li> <li>- National Development Agency,</li> <li>- Commission for the Protection and Promotion of Cultural, Religious and Linguistic Communities,</li> <li>- Mopani District Municipality,</li> <li>- Letaba Technical College,</li> <li>- National House of Traditional Leaders,</li> <li>- National Development Agency,</li> <li>- Commission for the Protection and Promotion of Cultural, Religious and Linguistic Communities,</li> <li>- South African Council for Planners and Appeals Board,</li> <li>- National Lottery Commission</li> </ul> <p>Current Boards:</p> <ol style="list-style-type: none"> <li>1. National House of Traditional Leaders (deputy Chairperson)</li> <li>2. Limpopo House of Traditional Leaders (Chairperson)</li> <li>3. National Development Agency</li> <li>4. South African Council for Planners</li> <li>5. National Disaster Management Council</li> </ol>	0 (in 2022/23FY. Board meeting attendance commenced in 2023/24).





## SECTION C Committees

Since a Board cannot attend to all the matters effectively it is recommended that the establishment of the following committees:

- Audit Committee.
- Remuneration Committee.
- Nomination Committee; and
- Risk Management Committee

Committee	No. of Meetings Held	No. of Members	Name of Members
Audit & Risk Committee	9	5	Ms. S Y Boulton (Chairperson) Ms N Maharaj (December 2021 to date) Ms M Dumakude (December 2021 to date) Mr R Makan (27 October 2022 to date) Mr N Vimba (27 October 2022 to 27 March 2023) Mr V Rabothata (April 2023 to date)
Land, Properties and Projects Development Committee	4	5	Ms M Dumakude (Chairperson) Dr. M Soni (December 2021 to date) Dr T Ratshitanga (December 2021 to March 2023) Ms N Maharaj (December 2021 to date) Mr. N Vimba (July 2022 to March 2023) Mr V Rabothata (April 2023 to date) Hosi P C Ngove (appointed July 2023)
Corporate Support and Remuneration Committee	4	4	Dr. MM Soni (Chairperson) Dr T Ratshitanga (December 2021 to March 2023) Ms M Dumakude (December 2021 to date) Mr R Makan (December 2021 to date) Dr A Mahapa (appointed July 2023) Mr. V Rabothata (appointed July 2023)
Social and Ethics Committee	5	3	Ms N Maharaj (Chairperson) Mr R Makan (November 2022 to date) Dr M Soni (December 2021 to date) Dr. A Mahapa (appointed July 2023) Hosi P C Ngove (appointed July 2023)



## SECTION C Remuneration of Board Members

The Board members were remunerated in line with the rates as determined by National Treasury, as contained in the Service Benefit packages for office-bearers of certain statutory and other institutions.

Name R'000	Remuneration R'000	Other allowances R'000	Other re-imbursements R'000	Total R'000
<b>Dr Soni M Interim Chairperson</b>	144	22	0	166
<b>Dr Ratshitanga T-Chairperson</b>	194	21	8	223
<b>Ms Dumakude M</b>	238	22	3	263
<b>Ms Maharaj N</b>	180	22	1	203

\*\* - Audit and Risk Committee member remunerated during the period.

\*- Members nominated from the Departments of Agriculture, Land Reform and Rural Development & Cooperative Governance. Because they are government employees, they cannot be remunerated.



## SECTION C

### Risk Management

The HDA has an approved risk management policy and framework, which are in line with the applicable prescripts and best practices to ensure relevance and keep abreast with changes in the operating environment.

Risk assessments are conducted at both strategic and operational levels. The risk registers are reviewed continuously to monitor progress against the implementation of identified action plans to ensure that risks are managed within the approved risk appetite and tolerance framework. In addition, new and emerging risks are identified during the regular risk assessments and recorded in the risk registers.

The HDA has an independent Audit and Risk Committee that provides oversight and monitors the effectiveness of the implementation of the Agencies overall system of risk management, especially the mitigation of unacceptable levels of risk.

The HDA sees progress in the management of risks, and this has transmitted into improvements in the entity's performance. There are risk mitigations plans and risk indicators aligned to the appetite and tolerance framework to manage the risk that will further contribute to the improvement of performance.

### Internal Control Unit

The HDA does not have the internal control unit, however the functions of internal control are performed within the Office of the Chief Financial Officer. This includes amongst others, external audit coordination, enable functionality of the Operation Clean Audit Committee, financial misconduct determination and compliance management. All those functions were successfully performed during the year.

### Internal Audit and Audit Committees

Internal Audit is established in terms of section 51(1)(ii) of the Public Finance Management Act (PFMA), Act 1 of 1999, which states that "the Accounting Authority must ensure that the entity has and maintain a system of Internal Audit under the control and direction of the Audit Committee, complying and operating in accordance the regulations and instructions prescribed in section 76 and 77 of the PFMA".

### The activities and objectives of the internal audit

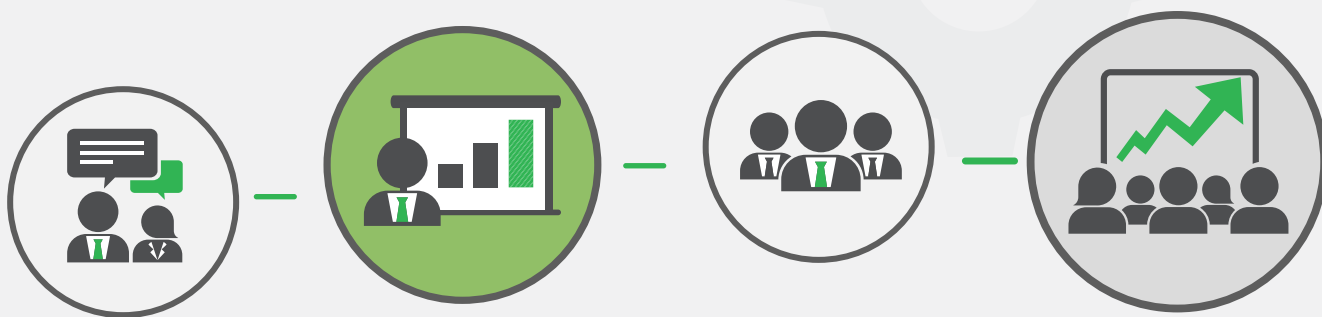
- The key objectives of Internal audit are to assist the HDA to accomplish its established objectives by providing reasonable assurance on whether:
- Governance processes are effective in establishing and preserving values, setting goals, monitoring activities, performance and defining the measures of accountability.
- Risk management system is adequate, effective, and efficient.
- System of internal controls is adequate, effective, and efficient.
- Integrity and reliability of financial information is maintained.
- Resources are utilised economically, effectively, and efficiently.
- Assets are safeguarded; and
- Rules, regulations, policies, procedures, and laws are complied with.

### Its key activities include:

- Review the Internal Audit Charter.
- Develop and a b year risk-based three-year and annual plans which are supported by the Chief Executive Officer and approved by the Audit and Risk Committee.
- Implement the approved risk based annual plan; and
- Monthly reporting to Executive Management Committee and quarterly to the Audit and Risk Committee.

### Specify a summary of audit work done

- Reviewed the Internal Audit Charter.
- Developed a risk based three year and annual plans.
- Independently implemented the approved risk based annual plan and provided practical recommendations.
- Followed up on both internal and external audit findings to assess the degree of implementation of recommendations/actions plans in relations to the findings.
- Monthly reporting to Executive Management Committee and quarterly to the Audit and Risk Committee; and
- Achieved 100% target on the implementation of the approved risk based annual plan.



## Key activities and objectives of the audit committee.

The Audit and Risk Committee was established in terms of the PFMA and Treasury Regulations to assist the Accounting Authority in fulfilling its oversight

responsibilities of financial reporting process, system of internal control, risk management, audit process, and monitoring of compliance with laws, regulations, policies, and procedures.

## Audit and Risk Committee

Name	Qualification	Internal or External	If internal, position in the public entity	Date appointed	Date resigned	No. of meetings attended
<b>Ms. S Y Boulton</b>	B. Com degree, registered AGA (SA), Professional Accountant (SA) and Tax Practitioner (SA)	External	-	20 March 2020	20 March 2023 (contract terminated. Ms Boulton was appointed on a new contract which will terminate on 20 July 2023)	9
<b>Ms N Maharaj</b>	B.Proc, LL.B Certificates: Corporate Governance, Financial Accounting for public entities	External	-	14 December 2021	-	9
<b>Ms M Dumakude</b>	Master's Degree in Civil Engineering Graduate Diploma in Engineering, Bachelor of Technology in Industrial Engineering, Diploma in Computer Science, National Diploma: Industrial Engineering, Management Advancement Programme	External	-	14 December 2021	-	9
<b>Mr R Makan</b>	Masters in Town Planning National Higher Diploma Town and Regional Planning, B.Tech: Town and Regional Planning,	External	-	27 October 2022	-	1
<b>Mr N Vimba</b>	Certificates in Contract Management; Legal Writing; International Agreements; Legislative Drafting; Practical Legal Training	External	-	27 October 2022	27 March 2023	1



## SECTION C Compliance with Laws and Regulations

### Medium Term Strategic Framework 2019 - 2024

During the period under review, the Housing Development Agency complied with the following legislation, regulations, and Codes:

- a) **PUBLIC FINANCE MANAGEMENT ACT 50 OF 1999:** submission of quarterly reports, a compilation of the strategic and annual performance plans for approval by the Executive authority, preparation of a procurement plan, preparation, and approval of an annual budget, submission of the organizational structure, creation of an Audit and Risk Committee.
- b) **HOUSING DEVELOPMENT AGENCY ACT 23 OF 2008:** setting up of the Board.
- c) Committees, review of the terms of reference.
- d) **KING CODE ON CORPORATE GOVERNANCE:** ethical leadership by the Board, management of ethics, adequate delegation of authority.
- e) **ACT 10 OF 2021:** Appropriation
- f) **ACT 68 OF 1981:** Alienation of Land
- g) **ACT 75 OF 1997, AS AMENDED:** Basic Conditions of Employment
- h) **ACT, OF 2013 AS AMENDED:** BBBEE Codes on Construction, issued under section 9 (1) of the Broad-Based Black Economic Empowerment
- i) **ACT 53 OF 2003, AS AMENDED:** Broad Based Black Economic Empowerment
- j) **ACT 3 OF 2011:** Companies Act 71 of 2008 as amended by
  - k) **ACT 108 OF 1996:** Constitution of the Republic of South Africa
  - l) **ACT 38 OF 2000:** Construction Industry Development Board
  - m) **ACT 68 OF 2008:** Consumer Protection
  - n) **ACT OF 1937:** Deeds Registries
  - o) **ACT 57 OF 2002:** Disaster Management
  - p) **ACT 9 OF 2021:** Division of Revenue
  - q) **ACT 36 OF 2005;** The Act has been updated with Regulations Notice No R93 in Government Gazette No 34010 dated February 2011: Electronic Communications
  - r) **ACT OF 2002: ELECTRONIC COMMUNICATION AND TRANSACTION R. ACT 55 OF 1998:** Employment Equity
  - s) **ACT 19 OF 2007:** Government Immovable Asset Management
  - t) **ACT 107 OF 1997:** Housing
  - u) **ACT 1997:** Intergovernmental Fiscal Relations
  - v) **ACT 13 OF 2005:** Intergovernmental Relations Framework King IV Code on Corporate governance
  - w) **ACT 68 OF 1995:** Labour Relations
  - x) **ACT 8 OF 1997:** Land Survey
  - y) **ACT 113 OF 1991:** Less Formal Township Establishment
  - z) **ACT 25 OF 2004:** Public Audit
  - aa) **ACT 16 OF 2013:** Spatial Planning and Land Use Management







## SECTION C Fraud and Corruption

The approved Fraud Prevention Plans were fully implemented in the current financial year.

The HDA has established internal and external fraud and corruption reporting channels which employees and members of the public who wish to disclose information regarding possible unlawful or irregular conduct can utilise.

Disclosures can be made directly to Line Managers, Audit Managers, Legal Services, Risk Manager, and/or any member of the Executive Committee of the HDA alternatively, whistle-blowers may make use of the Ethics Hotline.

The Ethics Hotline is hosted by an independent third-party company, Advance Call, to ensure that the identity of whistle-blowers who wish to remain anonymous can be protected in accordance with the requirements of the Protected Disclosure Act 26 of 2000. The Act makes provision for the protection of whistle-blowers who disclosure disclosure disclose in good faith and substantially by any procedure prescribed by the employer.

All reported cases are investigated, progress reported to the Social and Ethics Committee and the Audit and Risk Committee.

### Minimizing Conflict of Interest

Advice was provided to Board members in instances where a conflict of interest (real or perceived) was identified. This was brought to the attention of the Board Chairperson for resolution. There was one instance where the conflict of interest in question was referred to the Executive Authority in line with the requirements of the Housing Development Agency Act 23 of 2008 and it was resolved thereafter.

### Code of Conduct

The Code of conduct sets out the conduct and ethical standards that are expected from all employees as well as the Board members. The Code is a guide that sets out the ethical way relationships with stakeholders, the public must be conducted. It also sets a standard for how employees should relate with each other. In line with the code, board members are expected to ensure that their interests do not hinder the discharge of their fiduciary duties, and that any perceived or real conflict of interests be disclosed so that they may be dealt with. The code also contains the values of the entity, which the employees and the Board are expected to commit.





## SECTION C Health, Safety and Environmental Issues

The HDA is fully compliant and follows the COVID-19 regulations in line with the health and safety guidelines. The HDA has a Health and Safety Policy that is Occupational Health and Safety compliant.

The HDA has a Health and Safety Policy in place and thus follow the COVID-19 regulations in line with it health and safety guidelines. In upholding this compliance, the agency has appointed a Health and Safety Manager for all business units at Head Office and the Regional Managers have been appointed as Health and Safety Managers in all their respective provincial branches.

The Health and Safety managers have, as per their delegated responsibility, started implementing health and safety by appointing the following Occupational Health & Safety (OHS) representatives nationally:

- Ten (10) Health & Safety Representatives
- Eleven (11) First Aiders
- Fourteen (14) Fire Marshalls; and
- Three (3) Incident Investigators

### Company Secretary

The Company secretary provides support and guidance to the Board to enable the proper discharge of the Board's fiduciary duties. The roles of the company secretary include:

- The preparation of the annual meeting schedule for the Board and its committees as well as the agendas for the meeting in consultation with the chairpersons and preparation of resolutions,
- Maintenance of the committee terms of reference,
- Providing advice to the Board on matters of corporate governance, policy and legislation and managing compliance to laws and regulations by the Board,
- Ensuring compliance with the Shareholder Compact as

concluded between the Minister of Human Settlements, Water and Sanitation and the Board,

- Induction of the Board,
- Ensuring that all quarterly reports, including the Annual Report are taken through the Board Committees timeously to meet the submission deadlines.

### Social Responsibility

The HDA assisted with mobilising resources and social relief for the family of Mr. Manyapye. The beneficiary was the only bread winner with none of his family members employed with the only source of income coming from the child support grant and Mr Manyapye's pension grant. Mr Manyape has been residing on this stand after being relocated from a Transit Camp in the area. The HDA built a new house for the beneficiary which improved his living conditions and that of his family. The HDA and other sponsors provided the following:

- conduct an assessment to determine the structural integrity of the housing unit,
- The completion the housing unit for Mr Manyape and his family, and
- The provision of basic household needs.

The fulfilment of this project was achieved through various sponsors who have donated to fully construct the house. The building materials required to complete the house was paid for by two contractors, and labour costs are incurred by the contractor that volunteered.

### Audit Committee Report

The Audit and Risk Committee herewith presents its report for the financial year ended 31 March 2023.



## SECTION C Report of the Audit and Risk Committee

The Audit and Risk Committee herewith presents its report for the financial year ended 31 March 2023.

### Legislative Requirements

The Audit and Risk Committee (“the Committee”) is established as a statutory Committee in terms of Section 77 of the Public Finance Management Act 1 of 1999 (as amended) and Treasury Regulation 27.1, reports that it has adopted formal terms of reference as its Audit and Risk Committee charter and has fulfilled its responsibilities for the year in compliance thereto.

### Membership and Attendance

- The Committee comprised of five (5) independent non-executive members with extensive experience to serve in the Committee.
- The Chairperson of the Committee is independent from the Board whilst the other four (4) are non-executive directors of the Board. The Committee was quorate for the entire 2022/23 financial period.
- The Committee met nine (9) times during the year. There were four (4) Ordinary meetings and five (5) Special meetings held during the period.
- The Special meetings amongst others dealt with the approval of Financial Statements, Audit Report, Annual Report, Policies review oversight, and draft procurement plan for the year.
- The names and attendance of the members serving in the Committee are detailed on page 47 under the Governance section of the Annual Report.

### Audit and Risk Committee Responsibility

The Committee is satisfied that it has discharged its responsibilities in compliance with its approved Charter in assisting the Accounting Authority with the following activities:

- The safeguarding of assets, the operation of adequate systems, control and reporting processes, and the review of financial statements in compliance with the applicable legal requirements and accounting standards,
- Overseeing the activities of, and ensuring coordination between, the activities of internal and external audit,
- Providing oversight on enterprise-wide risks relating to financial, performance and regulatory exposures, and monitoring controls designed to minimise these risks,
- Reviewing the Agency's quarterly performance information, annual report, including annual performance information and annual financial statements, and any other public reports or announcements containing financial and non-financial information,

- Receiving and dealing with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements and performance reports, or related matters, and
- Annually reviewing the Committee's work and charter; and making recommendations to the Accounting Authority to ensure the Committee's effectiveness.

### Effectiveness of Internal Control

- The Committee considered all the reports issued by both the internal and external auditors and has noted the numerous weaknesses identified in the system of internal controls.
- The appointment of a Chief Executive Officer and Chief Financial Officer has resulted in management demonstrating commitment in addressing the identified control weaknesses. This has resulted in the improvement in the quality of the in-year management of monthly and quarterly reports submitted in terms of the legislation.
- Management has put in place systems to monitor the unprecedented irregular, fruitless and wasteful expenditure and have developed procedures to implement and execute consequence management as required.
- Management demonstrated progress in addressing previously identified audit findings and has resolved 91% of external audit findings and 34% of internal audit findings respectively.
- The Agency has also adopted aggressive anti-corruption measures to curb the frequency and magnitude of fraud and corruption.
- The Committee has ensured that it vigorously monitors the progress made on the matters of irregular, fruitless and wasteful expenditure as well as fraud and corruption.

### Effectiveness of Internal Audit

The PFMA obligates the Accounting Authority to ensure that the Agency has a system of Internal Audit under the control of the Audit and Risk Committee.

- The Agency had adopted a co-sourced internal audit model and has OMA Chartered
- Accountants Inc. (OMA) as a service provider to strengthen and create capacity.
- The Agency has also appointed the Chief Audit Executive (CAE) who is tasked with the management of the internal audit, risk management and compliance functions. The appointment of the CAE has increased efficiencies that are responsive to challenges and production of work and reports of high quality.



- The Committee approved a three (3) year risk based Strategic Internal Audit Plan and an Annual Audit Coverage Plan for the period 1 April 2022 to 31 March 2023.
- Internal Audit has on a quarterly basis reported to the Committee the audits finalised and the status of corrective action taken by management on both the internal and external audit findings.

- Based on the audit work performed for the year under review, Internal Audit has concluded on the control environment as **“Needs Improvement”**.

### Comparative review completed on business processes:

FOCUS AREAS	Opinion	
	2021/2022	2022/2023
Performance Information – Performance against objectives	Inadequate	Adequate
Information and Technology (ITGC)	Inadequate	Needs Improvement
Project Funding Review	Needs Improvement	Needs Improvement
Human Capital Management	Needs Improvement	Needs Improvement
Supply Chain Management (SCM)	Inadequate	Inadequate
Land Assembly	Not Applicable	Inadequate
Financial Discipline Review	Inadequate	Inadequate

The Committee reviewed all the internal audit reports; and is satisfied with the activities of the internal audit function, including its coordination with the external auditors, risk management and their recommendations.

The Internal Audit identified and reported that management should continuously revisit its control environment and ensure that controls implemented are adequate to address weaknesses identified through internal audit reviews.

The Committee has noted the reports of Internal Audit regarding Performance Information (Performance by Objectives) review that management has made significant strides in ensuring the accuracy of performance reporting including the maintenance of Portfolio of Evidence in support thereof. Concerns still remain though in the reporting of targets not achieved as planned each quarter.

The Committee also acknowledges the Internal Auditors ability to complete the audit coverage for 2022/23 financial period as planned. We also noted the overall conclusion on the Control Environment having improved from prior years' **“Inadequate”** to **“Needs Improvement”** which is consistent with the effort and commitment displayed by management in improving the circumstances.

The Committee is therefore of the opinion that Internal Audit is effective, independent, provides objective assurance and consulting activities that were designed to add value and improve the organisation's operations. Through Internal Audit the Committee endeavours to drive combined assurance to ensure an effective coordinated approach is applied in obtaining assurance that risks are being managed effectively.

### Risk Management

The Committee has embedded in its terms of reference (the Charter) the responsibility to provide oversight and monitors the effectiveness of Enterprise-wide Risk Management within the Agency.

The Agency risk management function is responsible for the establishment and maintenance of an effective system of risk management, the prevention and detection of fraud and internal controls.

There was a drastic and an improved overall risk management within the Agency.





The Committee obtained assurance on the overall system of risk management and provided oversight and monitoring on:

- Risk Management Policy and framework.
- Strategic and operational risk assessment results.
- Risk appetite and tolerance framework.
- Business Continuity Policy and Framework.
- Business Continuity Plan.
- Significance and materiality framework.
- Fraud risk management.
- Risk financing (insurance).
- Quarterly risk management and fraud prevention reports.

Due to applying a rigorous risk management process the Agency achieved improved performance and risk-based decision making. Therefore, the Committee confirms that the overall system of risk management is effective.

A toll-free whistle-blowing hotline operated by Whistleblower (Pty) Ltd is operational, service providers and employees are encouraged to report any suspected corrupt, fraudulent, criminal or unethical practices. All reported incidents have been captured in the Fraud and Corruption Database and preliminary assessments conducted. There was one incident/case recommended for due diligence and all other cases were effectively closed.

### In Year Management of Quarterly Financial and Performance Information

The Committee has been consistent in its oversight responsibilities. We conducted a review of the annual financial statement and the performance information presented by management on a quarterly basis. Where necessary, special sessions with the Committee chairperson were held with management to ensure the required effort to the task is well communicated and articulated.

The Committee noted the content of the financial and performance information reports that were prepared and issued during the year. The quality of reports has improved and provides meaning to the Committee clearly articulating the performance strengths and progress in addressing control weaknesses.

The entity's overall performance information significantly improved from the previous year's performance. The Committee is impressed with the alignment of the strategic documents as well as the accuracy of information reported to the stakeholders generally. The Agency closed off the period depicting a 74% (2022: 29%) of targets achieved and reported. The Agency had twenty three (23) (2021/22: 34) targets to achieve across three (3)

programmes but only six (6) (2022/23: 10) targets could not be achieved.

### Evaluation of Financial Statements

The Committee has:

- Reviewed and discussed the annual financial statements to be included in the annual report with the External Auditor, the Executive management and the Board,
- Reviewed the External Auditors final management report as well as the audit report including the management responses thereto,
- Reviewed the application of the accounting policies and practices,
- Reviewed the HDA's compliance with legal and regulatory provisions,
- Reviewed the information on predetermined objectives to be included in the annual report, and
- Reviewed the material and significant adjustment resulting from the external audit review,

The Agency's audit outcome has improved from the previous financial year due to the change effected in management that committed to addressing the prior years' material misstatements. All previous years' material misstatements were addressed and corrected with the exception of two (2) namely, the Project Obligations and Project receivables. For the year under review only one (1) material misstatement- Payables to National Treasury remained uncleared.

The Committee is confident that the 2022/23 audit outcome has set a solid foundation for the Agency to realise an unqualified audit outcome (Clean audit) in the 2023/24 financial period if the momentum is sustained.

### External Audit

- The Committee has reviewed the independence and objectivity of the External Auditor.
- The External Auditor attended 9 statutory meetings of the Committee and held one (1) in committee session with the Chairman of the Committee.
- The 2022/23 independent audit is the first audit conducted by Auditor General of South Africa (AGSA). The Agency's audit by AGSA came as a result of unrelenting bidding by the Committee to AGSA.
- The Committee is elated with the decision taken by AGSA to respond positively in taking on board the Agency as its direct auditee. The committee believes this change has indeed had an impactful outcome



The Committee reviewed the Auditors' Management and Audit reports, and concurs with their overall conclusion – **“Unqualified with findings”**. The Committee thus accepts the audit opinion and conclusion arrived at.

### Governance

The year under review experienced stability in leadership at both Board and Executive level. The Committee will continue to work hand in glove with the Board and ensure it assists management in sustaining the Agency objectives towards achievement of the planned strategic intent in line with the Agency mandate.

### Conclusion

The Committee extends its appreciation to the Board of the HDA, the Chief Executive Officer, the Chief Financial Officer and the Executive management and staff for their committed effort and support as well as their willingness to cooperate with the Committee.

**Ms S.Y. BOULTON**

Chairperson of the Audit and Risk Committee  
Housing Development Agency  
31 August 2023



## SECTION C

## B-BBEE Compliance Performance Information

The following table should be completed with the compliance to the BBBEE requirements as required by the BBBEE Act and as determined by the Department of Trade and Industry. Where

there has been no or only partial compliance with the criteria, the entity should provide a discussion and also indicate the measures taken to comply.

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes/ No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law?	No	The HDA is rolling out an empowerment programme for SMMEs in construction. The training is in a form of a learnership and is accredited by the SERVICES SETA. However, the programme does not issue licenses, concessions, and any other authorisations.
Developing and implementing a preferential procurement policy?	Yes	The Transformation & Empowerment framework was approved and it is under review
Determining qualification criteria for the sale of state-owned enterprises?	No	This is currently not applicable to the HDA's operational model
Developing criteria for entering partnerships with the private sector?	Yes	The Unit has entered MoUs with public and private financiers to assist SMMEs with financing. We also have MoU's with NGOs and formations by Youth, women, Military Veterans and people living with disabilities.
Determining criteria for the awarding of incentives, grants, and investment schemes in support of Broad-Based Broad-Based Broad-Based Black Economic Empowerment?	No	The HDA has no system of awarding incentives, grants, and investment schemes in support of Broad Based Black Economic Empowerment.







# SECTION D

HUMAN RESOURCE MANAGEMENT





## SECTION D Human Resource Management

### Introduction

The HDA is committed to creating an environment that is free from discrimination and seeks to promote continuous performance improvement, growth, and development. The Human Resources Department's role is to manage the implementation of good HR policies and procedures aligned to best practice and to provide management with sound human resources advice and support in all HR related matters.

### Workplace Statistics

The HDA is committed to:

- Creating an organisational culture that is built on the foundation of diversity, equality, and the organisation's values for all in the workplace,
- Promoting the equitable representation of persons from designated groups and disadvantaged persons at every organisational level.

CATEGORIES	AF	AM	CF	CM	IF	IM	WF	WM	**D	TOTAL
<b>Top management</b> <b>No. of employees (F-EU)</b>	2	4	0	0	0	1	0	1	0	<b>8</b>
<b>Senior management</b> <b>No of employees (EL)</b>	3	4	0	1	1	0	1	0	0	<b>10</b>
<b>Professionals, specialists &amp; mid-management</b> <b>No of employees (DU-DL)</b>	30	37	2	4	2	4	1	1	0	<b>81</b>
<b>Skilled, qualified workers, Supervisors</b> <b>No of employees (CU-CL)</b>	51	22	5	3	0	2	3	0	0	<b>86</b>
<b>Semi-skilled workers</b> <b>No of employees (B-BL)</b>	3	1	0	0	0	0	0	0	1	<b>4</b>
<b>Unskilled workers</b> <b>No of employees (A-AU)</b>	1	0	0	0	0	0	0	0	0	<b>1</b>
<b>Interns 2021/2022</b>	10	6	0	0	0	0	0	0	0	<b>16</b>
<b>Total Percentage</b>	49,03	35,44	3,40	3,88	1,46	3,40	2,43	0,97	0,48	<b>100%</b>
<b>Total Staff</b>	<b>100</b>	<b>74</b>	<b>7</b>	<b>8</b>	<b>3</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>206</b>
<b>Total Staff Percentage</b>	84.47%		7.28%		4.85%		3.40%		0,48%	
<b>National Target percentage</b>	<b>78.90%</b>		<b>9.70%</b>		<b>2.70%</b>		<b>8.70%</b>		<b>2%</b>	
	*√		*√		*√		*√		*√	



## Set Human Resource Priorities For The Year Under Review And The Impact Of These Priorities

The following are the broad objectives of the HR unit:

- Support with the re-design of the Organisational Structure for approval and implementation
- Facilitates the implementation of a skills competency assessment programme to support the development of a skills and training plan.
- Support the implementation of all recruitment and selection requirements based on the prioritised and approved recruitment plan.
- HR ensures the on-going management of HR governance and compliance (i.e. leave management, personnel and HR information management, Employment Equity, etc)
- Support the organisation with all labour relation matters (i.e., grievances, disciplinary matters, and/or team interventions and consultation aligned to policy)
- Implementation of Employee wellness initiatives and provide employee wellness support.
- Implementation and support of the automated Performance Management Employee Self Service (ESS) system
- HR Policy review - amendment of HR policies and procedures aligned with prescribed legislation.

On-going implementation and support of all recruitment and selection requirements based on the prioritised recruitment plan approved by Exco.

## Workforce Planning Framework And Key Strategies To Attract And Recruit A Skilled And Capable Workforce

Staff are the embodiment of the HDA and with a balanced and focused team success will be eminent for the Agency. The agency ensures that the recruitment selection criteria is effective and allocates the right people the right positions. A total of 28 positions have been filled for the year.

## Employee Performance Management Framework

The objectives of the HDA's Performance Management System is to:

- Assist the HDA in meeting its organisational strategy.
- Instil and sustain a culture of performance delivery and outputs.

- Achieve sustainable service delivery.
- Ensure that the HDA is a performance-based organisation.
- Ensure that every employee knows what is expected in term of their delivery.
- Build and enhance the relationship between HDA employees and managers.
- Encourage and reward good performance.
- Manage and remedy poor performance; and
- Enable employees to develop their abilities, increase job satisfaction and achieve their full potential for the mutual benefit of both HDA employees and the HDA

## The key principles which inform the Performance Management System is as follows:

- Managing performance is integral to the process of developing people, up-skilling, and providing learning opportunities through the process of planning, coaching, and reviewing performance.
- A successful performance management system is underpinned by the total commitment and buy-in from both staff and management and must be actively driven by the leadership of the organisation.
- Performance Management is a process that ensures the achievement of individual objectives linked to organisational objectives; and
- Performance Management introduces two-way communication between management and staff.

The HDA has implemented an automated Performance Management System on the Sage 300 ESS system to assist with a more efficient and effective performance management process.



## Employee Wellness Programmes

Although the state of disaster was lifted in April 2022, the Human Resources Department continued to keep employees abreast of developments by sending communications on variants and regular reminders to maintain COVID protocols to minimise the risk of infection. A National Wellness Day was arranged in March 2023 to provide employees the opportunity to participate in health screening services. An awareness programme was presented on the day to raise awareness about psychosocial aspects associated with the aftermath of COVID-19 pandemic. The presentation included psychosocial tools to address factors such as anxiety, depression, burnout, stress, and bereavement. The Human Resources Department continues to ensure that employees are made aware of the Employee Wellness Support serves at their disposal and encourages health and wellness to enhance engagement and productivity.

## Policy Development

In the year under review, 2022\_23 HR made the following policy developments which have been affected:

- b. The HR Policy and Procedure Manual is under review to ensure alignment with the prescribed legislation and other labour relation practices.
- c. The amendments to the HR Policy and Procedure Manual have undergone consultation with the HDA recognised Trade Union – GIWUSA.
- d. This will be followed by consultation and presentation to the HDA Executive Committee prior to submission to REMCO and Board for final approval.

## Highlight Achievements

South Africa is faced with the challenge of growing unemployment, most notably among women and the youth. Therefore, the government has committed to creating internship opportunities in the next three years, which would give unemployed youth work experience. To address some of the challenges, the HDA established an internship programme to provide graduates with opportunities to gain practical work experience. The focus was to alleviate some of the high levels of unemployment amongst young graduates.

HR has also made strides in achieving the following objectives:

- a) Revised Organisation Structure approved in February 2023

- b) Implementation of the 6th cohort Internship Programme
- c) Completion of competency assessment programme (phase one for core business)
- d) The recruitment moratorium was uplifted in August 2022 and the recruitment processes were implemented. A total of twenty-eight (28) positions were filled.
- e) Successful appointment of Executive and Senior management positions:
  - o Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, Head: Programme Planning and Coordination and Senior Manager: SCM
- f) Completion of the internal HR audit
- g) Approval of the HDA PayScale and implemented.
- h) Successful completion of the HDA annual cost of living increases
- i) Job profile and grade evaluation project initiated and in progress
- j) HR coordinated 22 internal training intervention and 35 external training intervention completed
- k) Compliance with reporting to Department of Labour on Employment Equity data
- l) Successful Implementation of an Employee wellness initiative
- m) Ensure continuous employee wellness services are provided to all staff through the appointment of an Employee Wellness service provider (Careways).
- n) Facilitated various grievance procedures and completed nine (9) disciplinary procedures

## Challenges Faced By The Public Entity

HR faced the following challenges in the year under review which it mitigated through the implementation of controls:

- a) Organisational Stability impacted negatively on staff morale and performance.
- b) The organisation's staff turnover is high with a 18.93% turnover (39 exits excluding the end of 2022/23 internship contract).
- c) The automated performance management system had technical and user issues and therefore not implemented effectively. This impacts negatively on the completion of performance contracts and performance reviews by policy timelines. .



## Measures To Mitigate The Above Challenges

Challenge	Mitigation
Organizational stability	Addressed through the appointment of the Board and the Executive leadership
High staff turnover	<ul style="list-style-type: none"> <li>• Apply retention strategies and implementation of a succession planning programme</li> <li>• Improve employee value proposition</li> </ul>

## Future HR Plans /goals

This section of the report provides information on the current and future projects that the Human Resources Department is currently engaged in and in progress:

- Implementation of the approved organisational structure
- Support with departmental structure design
- Assist with consultation to all staff on revised Structure, and
- Finalize the review process of the HDA HR Policies and Procedure Manual
- Review Job Profiles (specific to core business and technical positions) and complete job evaluations
- procedures
- Develop skills plan and implementation of training and development initiatives.
- Salary benchmarking and implementation of annual salary increases.
- Implementation of retention and succession planning
- Conduct a climate survey.
- Implementation of a change management programme and re-ignite HDA values.
- Improvement of the HDA Employee Value Proposition programme

## Human Resources Oversight Statistics

Personnel Cost by Programme/ activity/ objective

Programme/ activity/ objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
Administration	126,053	44,423	35	46	966
Land Management & PHDA's	42,578	17,785	42	15	1,186
Programme Planning and Design Management & Regional Coordination	205,622	100,404	49	116	866
Planning Monitoring & Evaluation and Inter Governmental Relation	15,610	10,298	66	13	792



## Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	18,122	12	8	2,265
Senior Management	14,778	9	10	1,477
Professional qualified	80,497	51	81	993
Skilled	41,052	26	86	477
Semi-Skilled	973	1	4	243
Unskilled	1,402	1	17	82
<b>TOTAL</b>	<b>156,824</b>	<b>100%</b>	<b>206</b>	<b>5,537</b>

## Training Costs

Programme/ activity / objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Across all programs: • Administration • Land Management & PHDA's • Programme Planning and Design Management & • Regional Coordination	172,910	588	0.3	180	3

## Employment and Vacancies

	2022/2023 No. of Employees	2022/2023 Approved Posts	2022/2023 Vacancies	% of Vacancies
Across all programmes: • Administration • Land Management & PHDA's • Programme Planning and Design Management & • Regional Coordination Planning Monitoring & Evaluation and Inter-Governmental Relation	190	70	93	48,94%





	2022/2023 No. of Employees	2022/2023 Approved Posts (FILLED)	2022/2023 Vacancies (APPROVED)	% of vacancies
Top Management	8	3	6	3%
Senior Management	10	1	7	6%
Professional qualified	81	10	29	21%
Skilled	86	13	25	15%
Semi-Skilled	4	1	3	2%
Unskilled	17	0	0	0%
<b>Total</b>	<b>206</b>	<b>28</b>	<b>70</b>	<b>47%</b>

The HDA implemented the recruitment and selection process after the recruitment moratorium was lifted. The prioritised vacant positions were activated, and appointments were concluded accordingly. Internal appointments are implemented through the recruitment procedures. The HDA had a recruitment moratorium in place from April 2022 up until August 2022.

#### Measures to attract and retain staff

The HDA complete annual remuneration benchmark processes to ensure that the remuneration packages are favourable against the market. Implementation of

employee value proposition/ benefits and have recently approved a succession policy for implementation to assist with retaining programme.

#### Employment Changes

Provide information on changes in employment over the financial year. Turnover rates indicate trends in employment profile of the public entity.

Level	Employment at the beginning of the period	Appointments	Terminations	Employment at the end of the period
Top Management	9	3	4	8
Senior Management	10	1	0	10
Professional qualified	82	11	11	81
Skilled	91	12	9	86
Semi-Skilled	4	1	0	4
Unskilled	33	0	31	17
<b>TOTAL</b>	<b>229</b>	<b>28</b>	<b>55</b>	<b>206</b>



## Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	32	16,50%
Dismissal	1	0.48%
Retirement	0	0%
Ill Health	0	0%
Expiry of contract	20	9,70%
Other	2	0%
<b>TOTAL</b>	<b>55</b>	<b>26,68%</b>

Explanations for staff leaving and what attempts are made to replace these staff.

## Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final Written Warning	4
Dismissal	1
Disciplinary procedures	3
<b>TOTAL</b>	<b>9</b>



## Equity Target and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	4	5	0	0	1	1	1	2
Senior Management	4	7	1	1	0	0	0	0
Professional qualified	37	46	4	4	4	4	1	1
Skilled	22	22	3	3	2	2	0	0
Semi-skilled	1	1	0	0	0	0	0	0
Unskilled	0	12	0	1	0	0	0	0
<b>TOTAL</b>	<b>68</b>	<b>93</b>	<b>8</b>	<b>9</b>	<b>7</b>	<b>7</b>	<b>2</b>	<b>3</b>

## Equity Target and Employment Equity Status

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	3	0	2	0	0	0	0
Senior Management	3	5	0	0	1	1	1	1
Professional qualified	30	39	2	2	2	2	1	1
Skilled	51	56	5	5	0	0	3	4
Semi-skilled	3	3	0	0	0	0	0	0
Unskilled	1	21	0	0	0	0	0	0
<b>TOTAL</b>	<b>90</b>	<b>127</b>	<b>7</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>6</b>



Levels	Persons with Disabilities			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	1	0	0
Professional qualified	0	0	0	1
Skilled	0	0	0	1
Semi-skilled	0	0	1	2
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>4</b>

The area of major variance is in the appointment of people living with disabilities. The HDA has prioritised the employment category to ensure that we meet this target.



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# SECTION E

PFMA Compliance Report





## Information on Irregular, Fruitless and Wasteful, Unauthorised Expenditure and Material Losses

On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure. This section of the Annual Report, gives effect to this new requirement by disclosing details for the following categories:

- Reconciling notes to the annual financial disclosure
- Details of current and previous year irregular expenditure (under assessment, determination and investigation)
- Details of current and previous year irregular expenditure condoned
- Details of current and previous year irregular expenditure removed (not condoned)
- Details of current and previous year irregular expenditure recovered

### Irregular expenditure

#### Reconciliation of irregular expenditure

Description	2022/2023	2021/2022	2020/2021
	R'000	R'000	R'000
Opening balance	703 446	191 843	114 500
Prior Period Errors	-	-	-
As Restated	703 446	191 843	114 500
Add: Irregular expenditure confirmed	371 369	511 603	77 343
Less: Irregular expenditure condoned	-	-	-
Less: Irregular expenditure not condoned and removed	-	-	-
Less: Irregular expenditure recoverable	-	-	-
Less: Irregular expenditure not recovered and written off	-	-	-
<b>Closing balance</b>	<b>1 074 815</b>	<b>703 446</b>	<b>191 843</b>

The confirmed amount for 2020/2021 financial period was R77 million while the alleged total irregular expenditure was R15 million as per audited annual report.



The confirmed amount for 2020/2021 financial period was R77 million while the alleged total irregular expenditure was R15 million as per audited annual report.

#### (a) Reconciling notes to the annual financial disclosure

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure that was under assessment in 2021/2022	-	-
Irregular expenditure that relates to 2021/2022 and identified in 2022/2023	-	505 405
Irregular expenditure for the current year	371 369	6 198
<b>Total</b>	<b>371 369</b>	<b>511 603</b>

During the year ended March 2023, an amount of R505 million was identified as irregular expenditure incurred in 2021/2022 but was identified by the HDA in the 2022/23 financial period through its own internal processes.

#### (b) Details of current and previous year irregular expenditure (under assessment, determination and investigation)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	95 032
Irregular expenditure under investigation	-	-
<b>Total</b>	<b>-</b>	<b>95 032</b>

Twenty-two cases relating to 2021/2022 were under determination at the end of the current financial year.



### (c) Details of current and previous year irregular expenditure condoned

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure condoned	-	-
<b>Total</b>	-	-

The request for condonation was sent to National Treasury for an amount of R705 254 550,13. Subsequent to the year-end, this request was turned down on grounds of evidence of consequence management and evidence of remedial action or corrective measures taken to prevent recurrence of irregular expenditure under the same circumstances. Management is busy with consequence management process.

### (d) Details of current and previous year irregular expenditure removed (not condoned)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	-	-
<b>Total</b>	-	-

Management is in the process of gathering evidence for consequence management and remedial steps taken to resubmit request for condonation to National Treasury.

### (e) Details of current and previous year irregular expenditure recovered

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure recovered	-	-
<b>Total</b>	-	-

No irregular expenditure was recovered during the current financial period as value for money was derived from the transactions.

### (f) Details of current and previous year irregular expenditure written off (irrecoverable)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure written off	-	-
<b>Total</b>	-	-



## Additional disclosure relating to Inter-Institutional Arrangements

(g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

Description	2022/2023	2021/2022
	R'000	R'000
None	-	-
<b>Total</b>	-	-

(h) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

Description	2022/2023	2021/2022
	R'000	R'000
None	-	-
<b>Total</b>	-	-

(i) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Disciplinary steps taken	-	-
<b>Total</b>	-	-

Consequence management process was in progress at the end of March 2023. No criminal, corrupt or fraudulent activities were identified during the analysis of these irregular expenditure items and no criminal steps deemed necessary.





## Fruitless and wasteful expenditure

### Reconciliation of fruitless and wasteful expenditure

Description	2022/2023	2021/2022	2020/2021
	R'000	R'000	R'000
Opening balance	17 416	17 395	17 387
Prior Period Errors	-	-	-
As Restated	17 416	17 395	17 387
Add: Fruitless and wasteful expenditure confirmed	67	21	8
Less: Fruitless and wasteful expenditure condoned	-	-	-
Less: Fruitless and wasteful expenditure not condoned and removed	-	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-	-
Less: Fruitless and wasteful expenditure not recovered and written off	(17 416)	-	-
<b>Closing balance</b>	<b>67</b>	<b>17 416</b>	<b>17 395</b>

Fruitless and Wasteful Expenditure of R17 million comprises various amounts that were written off in compliance with applicable Treasury Regulations and The HDA's Debt Policy.

#### (a) Reconciling notes to the annual financial disclosure

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2021/2022	-	-
Fruitless and wasteful expenditure that relates to 2021/2022 and identified in 2022/2023		
Fruitless and wasteful expenditure for the current year	67	21
<b>Total</b>	<b>67</b>	<b>21</b>

The amount of R45 thousand was recovered just after 31 March 2023.



**(b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination and investigation)**

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
<b>Total</b>	-	-

No fruitless and wasteful expenditure under assessment, determination and investigation.

**(c) Details of current and previous year fruitless and wasteful expenditure condoned**

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure condoned	-	-
<b>Total</b>	-	-

No Fruitless and Wasteful Expenditure condoned.

**(d) Details of current and previous year fruitless and wasteful expenditure removed (not condoned)**

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure NOT condoned and removed	-	-
<b>Total</b>	-	-

No fruitless and wasteful expenditure not condoned and removed.



#### (e) Details of current and previous year fruitless and wasteful expenditure recovered

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure recovered	-	-
<b>Total</b>	-	-

Fruitless and wasteful expenditure of R45 thousand relating to the current year was recovered after year end

#### (f) Details of current and previous year fruitless and wasteful expenditure written off

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure written off	17 416	-
<b>Total</b>	<b>17 416</b>	-

Fruitless and Wasteful Expenditure of R17 million was written off in compliance with applicable Treasury Regulations and The HDA's Debt Policy

### Additional disclosure relating to Inter-Institutional Arrangements

#### (g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

Description	2022/2023	2021/2022
	R'000	R'000
None	-	-
<b>Total</b>	-	-



**(h) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)**

Description	2022/2023	2021/2022
	R'000	R'000
None	-	-
<b>Total</b>	-	-

**(i) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure**

Description	2022/2023	2021/2022
	R'000	R'000
Disciplinary steps taken	-	-
<b>Total</b>	-	-

Recovery process was in progress at the end of March 2023 and remedial steps were taken to prevent fruitless and wasteful expenditure.





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# SECTION F

FINANCIAL INFORMATION



**RECOVERY**



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Report of External Auditors

Report of the auditor-general to Parliament on the Housing Development Agency

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Housing Development Agency set out on pages 87 to 186, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets and statement of cash flows and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Housing Development Agency as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with the 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 responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matter

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

#### Restatement of corresponding figures

7. As disclosed in note 38 to the financial statements, the corresponding figures for 31 March 2022 were restated as a

result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2023.

#### Other matters

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

#### Previous period audited by a predecessor auditor

9. The financial statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act 25 of 2004 on 31 August 2022. The qualified opinion was expressed due to the following: misstatements related to project obligations and receivables, land inventory, property, plant and equipment, Irregular, fruitless and wasteful expenditure and the statement of budget versus actual.

#### Removal of the disclosure of historical balances of IFWE from annual financial statements

10. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 34 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of the Housing Development Agency. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular and fruitless and wasteful expenditure in the annual report.

#### Responsibilities of the accounting authority for the financial statements

11. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Report of External Auditors

12. 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.

### Responsibilities of the auditor-general for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but

is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of

users taken on the basis of these financial statements.

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

### Report on the audit of the annual performance report

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

16. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme 2 - Land assembly and PDA's	31	This programme facilitates access to well-located land for human settlements development, through land acquisition and rezoning within PDA's.
Programme 3 - Programme planning and design and regional coordination and human settlement implementation support services	33	This programme plans, designs, manages and implements priority programmes and provides access to adequate housing through a range of programmes.

17. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

18. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Report of External Auditors

19. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

20. I did not identify any material findings on the reported performance information.

### Other matters

21. I draw attention to the matters below.

### Achievement of planned targets

22. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under-achievements.

23. The public entity plays a key role in delivering services to South Africans. The annual performance report includes the following service delivery achievements against planned

Key service delivery indicators not achieved	Planned target	Reported achievement
<b>Programme 2 - Land assembly and PDA's.</b> Targets achieved: 60% Budget spent: 88%		
Number of hectares of well- located land acquired within PDAs	1500 hectares of well-located acquired within PDAs	993.0012 hectares of well-located acquired within PDAs
Percentage of the 1786.1527 ha of land acquired during 2014 – 2019 falling within PDAs rezoned	50% of the 1786.1527 ha of land acquired during 2014 – 2019 falling within PDAs rezoned	0% of the 1786.1527 ha of land acquired during 2014 – 2019 falling within PDAs rezoned
<b>Programme 3 - Programme planning and design and regional coordination and human settlement implementation support services.</b> Targets achieved: 80% Budget spent: 77%		
Number of housing units delivered i.r.o. projects implemented by the HDA	3428 housing units delivered i.r.o. projects implemented by the HDA	1433 housing units delivered i.r.o. projects implemented by the HDA
Number of HDA bankable business plans/cases Approved	5 HDA bankable business plans/cases Approved for projects	0 HDA bankable business plans/cases Approved for projects

Reasons for the underachievement of targets are included in the annual performance report on pages 34 to 36





# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Report of External Auditors

### Material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 2 - Land assembly and PDA's and Programme 3 - Programme planning and design and regional coordination and human settlement implementation support services. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

### Report on compliance with legislation

25. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The [party responsible] is responsible for the public entity's compliance with legislation.

26. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

27. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Annual Financial Statements and Annual Report

29. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

30. Material misstatements of current assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial

statements receiving an unqualified audit opinion.

### Expenditure management

31. Effective and appropriate steps were not taken to prevent irregular expenditure disclosed in note 34 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by failure to follow competitive bidding processes by management emanating from the contract for provision of chemical toilets and honey-suckers to informal settlements in Gauteng Province in 2021-22 financial year.

### Other information in the annual report

32. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

33. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

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

35. The other information I obtained prior to the date of this auditor's report is the disclosure on irregular, fruitless and wasteful expenditure, and the ministers note, chairperson's report, CEO's report, corporate governance, audit and risk committee report and integrated human capital management report are expected to be made available to us after 13 September 2023.

36. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.





# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Report of External Auditors

37. When I do receive and read the minister's note, chairperson's report, CEO's report, corporate governance, audit and risk committee report and human capital management report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if corrected this will not be necessary.

38. I have nothing to report in this regard.

### Internal control deficiencies

39. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

40. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.

41. Management did not adequately prepare regular, accurate and complete financial reports that are supported by reliable information resulting in material adjustments to the annual financial statements.

42. Management did not adequately review and monitor compliance with applicable legislation resulting in material non-compliance.

### Other reports

43. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

44. The Special Investigating Unit (SIU) conducted an investigation on the Housing Development Agency relating to allegations of fraud and corruption in awarding the tender relating to the establishment and construction of the Temporary Residential Units in Limpopo from 01 April 2020 to 31 March 2021. The investigation was completed on 23 March 2023. The report into the investigation was presented to the Portfolio Committee on Human Settlements on 5 July 2023.

45. The SIU is also conducting an investigation into the procurement of or contracting of the Housing Development Agency and any maladministration, losses or prejudices suffered by the HDA in respect of the Duncan Village De-densification project from 01 April 2020 to 31 March 2021. The investigation is expected to be completed by 30 September 2023.



Pretoria  
13 September 2023



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

### Auditor-general's responsibility for the audit

#### Professional judgement and professional scepticism

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

### Financial statements

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.
- conclude on the appropriateness of the 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 public entity 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.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial
- statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

### Communication with those charged with governance

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.

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.

### Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Annexure to the auditor's report

### Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

The selected legislative requirements are as follows:

#### Legislation

Public Finance Management Act 1 of 1999 (PFMA)

Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)

Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA) Construction Industry Development Board Act No.38 of 2000 (CIDB) Construction Industry Development Board Regulations Preferential Procurement Policy Framework Act 5 of 2005 (PPPFA) Preferential Procurement Regulations 2017 (PPR)

Preferential Procurement Regulations (PPR) 2022 PFMA SCM Instruction no. 09 of 2022/2023 National Treasury Instruction (NTI) No.1 of 2015/16

NT SCM Instruction Note 03 2021/22  
NT SCM Instruction 4A of 2016/17  
NT SCM Instruction Note 03 2019/20  
NT SCM Instruction Note 11 2020/21  
NT SCM Instruction note 2 of 2021/22  
PFMA SCM Instruction 04 of 2022/23  
Practice Note 5 of 2009/10  
PFMA SCM instruction 08 of 2022/23  
NT instruction note 4 of 2015/16  
Second amendment of NTI 05 of 2020/21  
Erratum NTI 5 of 202/21  
Practice note 7 of 2009/10  
Practice note 11 of 2008/09  
NT instruction note 1 of 2021/22

#### Sections or regulations

Sections 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56(1); 56(2); 57(b); 66(3)(c); 66(5)

Treasury Regulations 8.2.1; 8.2.2; 16A3.1; 16A3.2; 16A3.2(a); 16A6.1; 16A6.2(a) & (b); 16A6.2(e); 16A6.3(a); 16A3.3(a)(i); 16A6.3(b); 16A6.3(c); 16A6.3(d); 16A6.3(e); 16A6.4; 16A6.5; 16A6.6; 16A7.1; 16A7.3; 16A7.6; 16A7.7; 16A8.2(1); 16A8.2(2); 16A8.3; 16A8.3(d); 16A8.4; 16A9.1; 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A9.1(d); 16A9.1(e); 16A9.1(f); 16A9.2; 16A9.2(a)(ii); 16A9.2(a)(iii); 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1; 31.1.2(c); 31.2.1; 31.3.3; 33.1.1; 33.1.3  
Section 34(1)

Section 18(1)

Regulations 17; 25(1); 25(5) & 25(7A) Sections 1(i); 2.1(a); 2.1(b); 2.1(f) Regulations 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2; 12.1 and 12.2  
Regulations 3.1; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4  
Paragraphs 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6 Paragraphs 3.1; 4.1; 4.2

Paragraphs 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.4 (c)-(d); 4.6; 5.4; 7.2; 7.6 Paragraph 6 Paragraphs 5.5.1(vi); 5.5.1(x); Paragraphs 3.1; 3.4(a) and (b); 3.9; 6.1; 6.2; 6.7  
Paragraphs 3.2.1; 3.2.2; 3.2.4(a) and (b); 3.3.1; 3.2.2; 4.1 Paragraphs 4(1); 4(2); 4(4) Paragraph 3.3 Paragraphs 3.2; 4.3.2; 4.3.3 Paragraph 3.4 Paragraphs 4.8; 4.9; 5.1; 5.3  
Paragraphs 1; 2 Paragraph 4.1.2 Paragraphs 3.1; 3.1 (b) Paragraph 4.1



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Statement of Financial Position

Figures in R`000	Note(s)	2023	Restated 2022
<b>Assets</b>			
<b>Non-Current Assets</b>		<b>49,846</b>	<b>48,466</b>
Property, plant and equipment	1	49,128	48,466
Intangible assets	2	718	-
<b>Current Assets</b>		<b>2,690,549</b>	<b>2,481,505</b>
Cash and cash equivalents	3	1,686,605	1,638,523
Cash and cash equivalents: Principal agent	4	277,059	326,849
Funds held in Trust-Conveyancers: Principal agent	4	457,460	389,612
Receivables-Properties from exchange transactions	5	106,593	46,236
Receivables-Projects from exchange transactions	6	65,988	71,908
Receivables from exchange transactions	7	96,116	7,231
Rental deposits	8	500	1,146
Operating lease receivable	9	228	-
<b>Total Assets</b>		<b>2,740,395</b>	<b>2,529,971</b>
<b>Net Assets and Liabilities</b>			
<b>Net Assets</b>		<b>270,549</b>	<b>170,961</b>
Accumulated surplus		270,549	170,961
<b>Current Liabilities</b>		<b>2,469,846</b>	<b>2,359,010</b>
Payables from exchange transactions	13	126,783	50,933
Projects Payables from exchange transactions	15	460,255	227,874
Projects Payables: Principal agent	4	277,059	326,849
Projects obligations	16	746,452	1,167,655
Payable to National Treasury	17	395,128	195,834
Current portion of finance leases	10	-	246
Provision for audit fees	14	6,709	-
Operating lease payable	9	-	7
Land liability: Principal agent	4	457,460	389,612
<b>Total Liabilities</b>		<b>2,469,846</b>	<b>2,359,010</b>
<b>Total Net Assets and Liabilities</b>		<b>2,740,395</b>	<b>2,529,971</b>



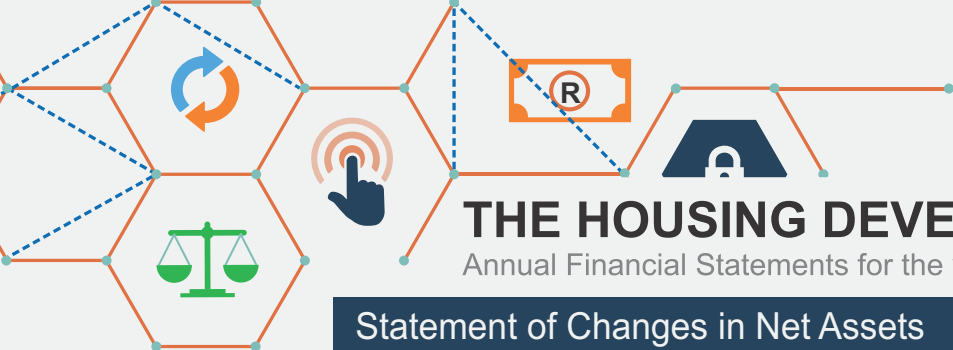
# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Statement of Financial Performance

Figures in R`000	Note(s)	2023	Restated 2022
<b>Revenue</b>		<b>476,315</b>	<b>391,124</b>
<b>Revenue from non-exchange transactions</b>		<b>242,716</b>	<b>235,379</b>
Transfer from controlling entity	18	242,716	235,379
<b>Revenue from exchange transactions</b>		<b>233,599</b>	<b>155,745</b>
Provinces support conditional grant	18	165,907	109,146
Project management fees	19	50,874	37,771
Interest income	20	11,487	5,066
Other income	21	5,331	3,762
<b>Expenditure</b>		<b>376,612</b>	<b>369,811</b>
Operating expenses	22	138,717	126,721
Land and related costs	23	14,332	11,961
Technical and project services	24	50,642	58,644
Finance costs	25	19	88
Employee costs	26	172,902	172,397
<b>Other expenditure</b>			
Deficit on disposal of property, plant and equipment		350	114
<b>Total other expenditure</b>		<b>350</b>	<b>114</b>
<b>Surplus from grant funding</b>		<b>99,353</b>	<b>21,199</b>
<b>Surplus for the year</b>		<b>99,353</b>	<b>21,199</b>





# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Statement of Changes in Net Assets

Figures in R`000	Accumulated surplus	Total
<b>Balance at 1 April 2021</b>	140,748	140,748
Surplus for the year	11,345	11,345
Prior period errors	1,047	1,047
<b>Balance at 31 March 2022</b>	<b>153,140</b>	<b>153,140</b>
Prior period errors-(Note38)	17,821	17,821
<b>Restated balance at 31 March 2022</b>	<b>170,961</b>	<b>170,961</b>
System consolidation adjustments	235	<b>235</b>
Surplus/(Deficit) for the period	99,353	99,353
<b>Balance at 31 March 2023</b>	<b>270,549</b>	<b>270,549</b>



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Statement of Cash Flow

Figures in R`000	Note(s)	2023	Restated 2022
<b>Cashflows from operating activities</b>			
Receipts		423,316	381,917
Grants		371,036	344,466
Management fees		49,434	37,771
Other income		2,846	(320)
Payments		(395,550)	(454,088)
Employee costs		(173,017)	(171,123)
Other payments		(162,176)	(236,729)
Deposits with conveyancers pending land transfers		(60,357)	(46,236)
<b>Cash generated/(utilised) in operations</b>	31	<b>27,766</b>	<b>(72,171)</b>
Interest received		9,101	4,375
Interest paid-finance charges on finance leases		(19)	(88)
<b>Net cash in flows/(outflow) from operating activities</b>		<b>36,848</b>	<b>(67,884)</b>
<b>Cashflows from investing activities</b>			
Property, plant and equipment acquired		(3,851)	(2,438)
Intangible assets acquired		(1,107)	(159)
Proceeds on disposal of property, plant and equipment		46	20
<b>Net cash in flows (outflow) from investing activities</b>		<b>(4,912)</b>	<b>(2,577)</b>
<b>Cashflows from financing activities</b>			
Decrease/(increase) in funding receivables for projects		5,920	220,549
Increase/(decrease) in projects payables		182,591	89,198
Increase/(decrease) in project obligations		(421,203)	488,837
Decrease/increase in lease liability		(246)	(66)
Increase in payables to NT		199,294	8
<b>Cash in flows (outflow) from financing activities</b>		<b>(33,644)</b>	<b>798,526</b>
(Decrease)/Increase in cash and cash equivalents		(1,708)	728,065
Cash and cash equivalents at beginning of the year		1,965,372	1,237,307
<b>Cash and cash equivalents at end of the year</b>	3&4	<b>1,963,664</b>	<b>1,965,372</b>



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Statement of Comparison of Budget Information with Actual Information - 31 March 2023

Figures in R`000	Note(s) 31 March 2023				
	Approved Budget	Adjusted Budget	Actuals	Variance	% Variance
<b>Operating revenue</b>					
Operational grant-NDHS	242,716	242,716	242,716	0.	0%
Provinces support conditional grant	192,895	178,174	165,907	12,267.	7%
Project management fees	69,529	61,842	50,874	10,968.	18%
Interest income	2,000	5,000	11,487	-6,487.	-130%
Other income	1,128	15,942	5,330	10,612.	67%
<b>Total revenue</b>	<b>508,268</b>	<b>503,674</b>	<b>476,314</b>	<b>27,360</b>	<b>95%</b>
<b>Expenditure</b>					
Accounting services	772	772	591	181	23%
Advertising & Marketing	6,276	2,885	1,484	1,401	49%
Agency Support-Outsourcing	3,791	2,456	1,701	755	31%
Impairment			766	-766	100%
Depreciation	7,238	5,722	3,046	2,676	47%
Armotisation			390	-390	100%
Assets Below R5000	640	295	67	228	77%
Auditor Remuneration	2,085	2,085	9,260	-7,175	-344%
Bank Charges	207	203	156	47	23%
Board Costs	3,500	1,965	1,599	366	19%
Catering & Conferences	4,344	4,323	3,006	1,317	30%
Communications	2,347	1,555	841	714	46%
Computers services	8,826	7,817	7,994	-177	-2%
Consultants-Technical	65,433	64,792	50,642	14,150	22%
Consultants-Operational	40,360	55,090	21,306	33,784	61%
Contractor-Operational	5,600	2,946	2,476	470	16%
Insurance	809	1,075	969	106	10%
Leasing charges	1,613	1,228	637	591	48%
Legal Fees	14,164	13,450	12,442	1,008	7%
Office rental	19,309	18,798	15,883	2,915	16%
Penalties	31	15	4	11	73%
Printing & Stationery	2,164	775	392	383	49%
Repairs & Maintenance	1,149	521	461	60	12%
Repairs refurbishment-Office	500	797	2,317	-1,520	-191%
Staff Recruitment	6,611	7,367	3,888	3,479	47%
Staff welfare	779	229	297	-68	-30%
Other office expenses	3,580	2,473	10,422	-7,949	-321%
Temporary Staff	5,864	16,795	17,023	-228	-1%
Training & staff development	3,106	2,800	1,301	1,499	54%
Travel & Accomodation	23,020	20,466	17,998	2,468	12%
Employee costs	255,110	245,940	172,902	73,038	30%
Land & related	18,531	17,944	14,331	3,613	20%
Deficit on disposal of PPE	144	0	350	-350	100%
Finance Costs	366	95	19	76	80%
<b>Total expenditure</b>	<b>508,267</b>	<b>503,674</b>	<b>376,961</b>	<b>126,713</b>	<b>25%</b>
<b>Surplus for the year</b>	<b>0</b>	<b>0</b>	<b>99,353</b>	<b>-</b>	<b>69%</b>



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Statement of Comparison of Budget and Actual Information - 31 March 2023

### Budget statement review

#### 1. Changes between the approved and adjusted budget

##### Revenue

###### Province support conditional grant

Changes between the approved and adjusted budget is mainly driven by the reduction in provinces supported conditional grant from Limpopo and North-West regions. Limpopo and North West reduced their budget as result of the new MTOP agreement that were recently signed which came in lower than expected. This reduction in revenue had a domino effect on expenses, expenses had to be reduced accordingly. The revenue is recognised in the statement of financial performance through the matching of direct expenditure incurred to the extent where there are funds available/received.

###### Project management fees

Changes between the approved and adjusted budget is mainly driven by Buffalo City Municipality & Gauteng projects. Some of the projects initially budgeted for did not materialise/ generate the management fee expected.

###### Interest income

Changes between the approved and adjusted budget is mainly driven by high levels of cash originating from the cash surplus retained from previous year and an increase in prime interest rate.

###### Other income

The changes between the approved and adjusted budget is mainly driven by an amount of R13.2m that was included as expected income in the current year 's adjusted budget relating to Western Cape prior -year expense recoveries. At Year end (FY 2022), the Agency had paid the Western Cape expenses up to R13.2m but there was no certainty that this money was recoverable from the province hence no receivable raised in HDA books. Post year end (FY 2022), the Western Cape paid the amount owing to the Agency.

Post finalisation of the "adjusted budget", to Comply with GRAP, a decision was made that even though cash was received in the current year ,this recovery has to be accounted for as prior year adjustment /revenue not as current year income, since the recovery relates to prior year expenses. Refer to prior period error note 38

### Expenditure

Changes between the approved and adjusted budget is mainly driven by the reduction in provinces supported conditional grants from Limpopo and North-West regions. Limpopo and North-West reduced their budget as a result of the new MTOP agreements that was recently signed which came in lower than expected. This reduction in revenue had a domino effect on expenses, expenses had to be reduced accordingly.

#### 2. Variance analysis

##### Province support conditional grant

Changes between the approved and adjusted budget is mainly driven by the reduction in provinces supported conditional grant from Limpopo and North-West regions. Limpopo and North-West reduced their budget as result of the new MTOP agreement that was recently signed which came in lower than expected.

##### Project management fees

Changes between the approved and adjusted budget is mainly driven by Buffalo City Municipality & Gauteng projects. Some of the projects initially budgeted for did not materialise/ generate the management fee expected.

##### Interest income

Changes between the approved and adjusted budget is mainly driven by high levels of cash originating from the cash surplus retained from previous year, increase in prime interest rate and interest generated from funds held in the conveyancers' trust accounts.

##### Other income

Other income is lower than expected mainly driven by an amount of R13.2m that was included as expected income in the current year 's adjusted budget relating to Western Cape prior -year expense recoveries. At Year end (FY2022), the Agency had paid the Western Cape expenses up to R13.2m but there was no certainty that this money was recoverable from the province hence no receivable raised in HDA books. Post year end (FY2022), the Western Cape paid the amount owing to the Agency.

Post finalisation of the "Adjusted budget", to Comply with GRAP, a decision was made that even though cash was received in the current year ,this recovery has to be accounted for as prior year adjustment /revenue not as current year income, since the recovery relates to prior year expenses. Refer to prior period error note 38



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Statement of Comparison of Budget Information with Actual Information - 31 March 2023

### Accounting services

Accounting and other services mainly comprise of fees in relation to outsourced internal audit and whistle blowing services. Significant spending is mainly driven by the internal audit engagements taken place during the year on the following: review of performance information against objective, follow up on ICT security controls and ICT governance, a Strategic & annual performance plan, Risk management framework anti-fraud corruption and whistle blowing policy, strategic rolling and operational plan, unaudited financial statements compliance review, preparation and attending Audit committee meeting and financial discipline reviews.

### Advertising & Marketing

The budget reduction is mainly driven by budget reallocation done within the marketing department to capacitate agency support/crisis media monitoring and public relations in light with bad publicity the Agency has endured.

The underspending against budget is mainly driven by:

- The moratorium on recruitment- following the lifting of the moratorium on recruitment in the 3rd quarter, most of the positions were not advertised before the financial year end
- During February-May 2022 National Treasury issued a moratorium on advertisement of tenders, this had a negative effect on the advertisement of tenders by the Agency
- The delays in appointing service providers to offer marketing and reputation management services.

### Agency support- outsourced

This expenditure relates to the travel booking fee paid to the travel agent, Sage Accounting support services, payroll outsourced services and media editorial space management services. Underspending is mainly driven by less bookings fees on the media editorial space, bookings are made on a need basis.

### Bad Debts

An additional provision of ±R766k has been made. In line with GRAP requirements, we've assessed whether the outstanding rentals currently sitting in our accounts receivable are impaired or not. The assessment of impairment and collectability of these amounts (financial assets) has been performed in line with objective indicators mentioned in the GRAP standard. Refer to note 7 for additional information.

### Amortisation & Depreciation

The underspending is mainly driven by fewer laptop purchases

during the year. The plan was to procure laptops for new employees once the positions are filled, most of the positions were not filled by year end. Amortisation relates to software licences acquired during the year.

### Assets below R5000

The underspending is mainly driven purchases of assets below R5000. There was less than expected requirements to replace mobile data storage devices, laptop bags, computer mice, Laptop chargers etc.

### Auditors remuneration

This mainly comprise of fees in relation to external audit services. The current year expenditure is higher due to the rotation of auditors. The budget was done based on the previous auditor fee.

### Bank Charges

Bank charges represent service fees charged by the banks. The underspending is as a result of less bank transactions transacted in the bank during the year than anticipated.

### Board Costs

The original budget was inclusive of board remuneration and its operational costs. The adjusted budget relates to the remuneration of the board and its committees.

Spending is based on the number of meetings held and other work done during the year. A back payment of 3% from April 2022 was made.

### Catering & Conferences

This comprises of catering for meetings, office consumables and conferences venue bookings. It is considered reasonable as this is not a high priority expense and the spending is highly dependent on the events undertaken. The underspending is mainly driven by cost containment initiatives, office consumable and venue booking were procured on need basis.

### Communications

This expenditure comprises of landline usage and courier services for Head office and regional offices. The underspending is mainly driven by the leases of Port Elizabeth and Western Cape offices expired during the year and never renewed. These services are dependent on usage.

### Computer Services

This expenditure comprises of internet services. Spending came in lower than budget due to all employees being back in the office resulting in less usage of 3G cards.





# THE HOUSING DEVELOPMENT AGENCY

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## Statement of Comparison of Budget Information with Actual Information - 31 March 2023

### Consultants- Technical

This expenditure relates to consultancy services on funds budgeted from MTOP( Medium term operational plan). Saving is mainly driven by Limpopo and Northwest projects originally budgeted under MTOP being moved to CAPEX.

### Consultants - Operational

This expenditure relates to consultancy services on funds budgeted from the Agency's operational grant. The spending is mainly driven by the preaudit concept for Braamfontein building, implementation of documentation and records projects ,strategic initiatives projects, project packaging & pipeline for (Queens Town and Haartebeespoort), mining town geotechnical investigations, community engagement, township establishment(flood land and rezoning), planning & design for Khustong projects. Underspending is mainly driven by delay in the appointment of service providers/consultants in the following divisions: Programme Planning & Coordination, Chief executive officer unit and Strategic support.

### Contractor operational

This expenditure relates to cleaning services, water coolers and rates and taxes payable for HDA head office and regional offices. The underspending is mainly driven by the leases of Port Elizabeth and Western Cape that expired during the financial year and never renewed.

### Insurance

This expenditure relate to assets and directors insurance. The underspending is driven by less assets purchased and claims on lost(theft)asests during the financial year.

### Office Rental

The expenditure relates to office rental for head office and regional offices . The underspending is as a results of the leases of Port Elizabeth and Western Cape offices expired during the year and never renewed.

### Penalties

This expenditure is not appreciated as it is considered fruitless. Year to date expenses relates to late payment penalty charges on rental payments for the KZN and Free State offices. Payments made later than the first business day of each calendar month.

### Printing & stationery

The underspending is due to the pending move to new office premises, stationery levels have been kept to an absolute minimum.

### Repair, Maintenance and refurbishment-office

This expenditure relates to unexpected repairs and maintenance requirements on all office equipment (excluding leased assets), incurred in the ordinary course of business at all the HDA offices across the country. Fewer repairs have taken place in this financial year. The overspending is mainly driven by dismantling and reinstatement of the old HDA Killarney offices. This large expense was never budgeted for.

### Staff Recruitment

This relates to placement fees paid to recruitment agencies in case of a successful referral. The underspending year to date is of the moratorium on recruitment that was in place during the financial year. Most of the positions were not filled before the end of the financial year.

### Temporary staff

The expenditure relates to temporary staff and interns. The Agency had to hire temporary resources to execute some functions within the entity due to the moratorium that was placed during the financial year.

### Training & staff development

Most employees were finding it difficult to attend training courses, due to staff capacity issues, resulted in underspending.

### Travel & accommodation

The expenditure relates to accommodation, flights, car hire and kilometre reimbursement. Spending is mainly driven by kilometres reimbursement ,travel for meetings and projects site visits. The underspending is mainly driven by some meeting been done virtually instead of travelling.

### Employees Costs

The underspending is mainly driven by the moratorium on recruitment placed during the financial year. Following the lifting of the moratorium on recruitment in August, not all vacant positions were filled before end of the financial year.

### Land & related costs

The expenditure relates to security, valuations, property rates, insurance & Maintenance costs for properties owned by HDA and those held on behalf of the provinces. The budget was based on the Braamfontein Eskom building and the Sea Point SABC building transferred into the Agency's name during this financial year, this did not happened in this financial year, hence the savings.



# THE HOUSING DEVELOPMENT AGENCY

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## Statement of Comparison of Budget Information with Actual Information - 31 March 2023

### Deficit on disposal of PPE

This figure is highly dependant on circumstances and incidents that trigger the disposals. Loss of assets occurred as a result of physical damage, effects on robbery on staff etc.

### Finance costs & leasing charges

The expenditure relates finance costs on leased assets (photocopiers) in line with the amortisation of the lease liability. The budget of finance and leasing charges was based on the Agency leasing the video conferencing equipment. After finalising the budget, it was decided that the Agency buys and own the equipment instead of leasing.



# THE HOUSING DEVELOPMENT AGENCY

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## Accounting Policies

### Reporting entity

The Housing Development Agency is a section 3A entity of the PFMA, Act 1 of 1999. The principal activity is accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management and support services.

## 1. Presentation of Annual Financial Statements

### 1.1 Basis of preparation

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) issued by the Accounting Standards Board in terms of section 91(1) of public finance Management Act (Act No.1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues, expenses were not offset, except where offsetting is either required or permitted by standard GRAP.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of the GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Management has concluded that the financial statements fairly present the entity's financial position, financial performance and cash flow for the year ended 31 March 2023. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

### 1.2 Presentation Currency

The financial statements are presented in South African Rand, which is the functional currency of the Agency. Amounts in the financial statements are rounded to the nearest One thousand Rand.

### 1.3 Going concern assumptions

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

### 1.4 Materiality

Items are considered to be material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decision of users, and so be material, requires consideration of the characteristics of those users. The Framework for the preparation and presentation of financial statements (GRAP1) states that the users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decision.

### 1.5 Significant judgement and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual Financial Statements. These judgements, estimates and assumptions affect the amounts presented in the annual Financial Statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Estimates are informed by historical experience, information currently available to management, assumptions and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

#### 1.5.1 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 of the accounting policy.



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

### 1.5.2 Contingent liabilities

Contingent liabilities are recognised in the notes to the financial statements when there is a possible obligation that arises from a past event and whose existence will be confirmed at the occurrence or non-occurrence of one or more uncertain future events beyond the control of the entity or where there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or where there is a liability that cannot be recognised because it cannot be measured reliably.

### 1.5.3 Depreciation and amortisation

At the end of each financial year, management assesses whether there is any indication that the entity's expectations about the residual value and useful life of assets included in property, plant and equipment have changed since the preceding reporting date. If any such indication exists, the change is accounted for as a change in accounting estimate in accordance with the Standards of GRAP on accounting policies, change in accounting estimates and Errors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

### 1.5.4 Effective interest rate

The entity uses an appropriate interest rate, taking into account guidance provided in the Standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the prime interest rate to discount future cash flows of receivables at year-end.

### 1.5.5 Impairment of trade and other receivables

For trade and other receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the carrying amount of the trade receivable and the expected amount to be received in future. When a trade receivable is uncollectable, it is written off against the surplus or deficit in the year. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance. The present value of estimated future cash flows is not calculated, as the potential time frames of receiving future payments are not certain and can vary materially, based on past experience.

### 1.5.6 Incidental Revenue

The Agency identifies, acquires and holds land on behalf of the clients. To avert the risk of the land invasions, the Agency enters

into rental agreements with small

businesses in the area to temporarily use part of the land for their business purposes. The nature of businesses include small scale business ventures. The rental income from these land parcels are recognised in project obligations. The funds are used to fund incidental expenditure to maintain these land parcels.

### 1.5.7 Going Concern

Management considers key financial metrics and approved medium-term budgets, together with the Agency's dependency on the grants from national and provincial departments, to conclude that the going concern assumptions used in the compilation of its annual financial statements, is appropriate.

### 1.5.8 Paintings (revaluations)

Fair value of paintings is based on a combination of market value and expert valuations from independent valuers.

### 1.5.9 Impairment property, plant and equipment

During the annual physical verification of assets, management assesses each asset and make judgement of the condition of each asset. Conditional assessment reports are used to assess whether there are indications of impairment of an item of PPE. When indications exist, the calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

### 1.5.10 Budget information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements.

### 1.5.11 Operating lease commitments - Agency as lessor or lessee

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received or paid under operating leases are recognised in statement of financial performance on a straight-line basis over the period of the lease.

### 1.5.12 Services in-kind

Except for financial guarantee contracts, the agency recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Accounting Policies

or service potential will flow to the municipality and the fair value of the assets can be measured reliably. Where the fair value of the assets cannot be measured reliably the service in kind is not recognised.

Where services in-kind are not significant to the agency's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, and the fair value of the assets cannot be measured the agency discloses the nature and type of services in-kind received during the reporting period.

### 1.5.13 Segment Reporting

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management.

### 1.5.14 Principal-Agent relationships

HDA assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

### 1.5.15 Commitments

Commitments value is based on system purchase orders that are open at year end. For Multi-year Funding Agreements where the commitment amount cannot be determined at year end, a disclosure is made to this effect and a list of all long-term funding contracts where purchase orders have not been issued at year end is maintained. The amounts relating to the 2022 Financial year could not be reliably determined in the current year because the information to compile this amount derives from a live system that is updated daily with movements that affect supplier balances. Management deemed the cost of determining the comparative commitment value, by alternative manual means, to outstrip the benefits and as such have not disclosed any amount.

## 1.6 Standards and pronouncements comprising the GRAP Financial Reporting Framework

The following GRAP pronouncements applicable to the Agency were approved but not yet effective as at 31 March 2023:

GRAP	Standards	Impact	Effective Date
GRAP 1	Presentation of Financial Statements	Amendments to GRAP 1 on Presentation of Financial Statements as a result of changes agreed as part of developing the Guideline on The Application of Materiality to Financial Statements. Unlikely that there will be a material impact.	1-Apr-23
GRAP 25 and (IGRAP 7)	Employee Benefits	Changes predominantly on Defined Benefit plans. Minimal disclosure may be affected.	1-Apr-23
GRAP (2021)	Improvements to Standards	Disclosure may be affected.	1-Apr-23
GRAP 104	Financial Instruments	The transitional provisions require adoption of the revised Standard taken as a whole.	1-Apr-25

The following IGRAP standards have been approved but not yet effective as at 31 March 2023:

IGRAP	Standards	Impact	Effective Date
IGRAP 21	The Effect of Past Decisions on Materiality.	Seeks to address the question of whether decisions about materiality can have a 'cumulative' effect in later periods. Unlikely that there will be a material impact.	1-Apr-23





# THE HOUSING DEVELOPMENT AGENCY

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## Accounting Policies

### 2. Revenue recognition

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. Revenue comprises the fair value of consideration received or receivable for services offered or for the use of the entity's assets in the ordinary course of its activities. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

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

The HDA is financed from money appropriated by Parliament and other sources as indicated below:

#### 2.1 Revenue from exchange transactions

Revenue from exchange transactions refers to the revenue that accrued to the HDA directly in return for services rendered, the value of which approximates the consideration received or receivable. Revenue is recognised based on cost recovery.

Revenue from exchange transactions comprises of, Provinces support conditional grant, Management fees, Interest income, rental income and other income.

##### 2.1.1 Provincial support conditional grant

The HDA receives conditional grant funding from provinces in terms of signed MTOP agreements. The conditional grants are treated as liabilities in the statement of financial position in the year it was received or accrued and released to revenue as the expenses are incurred or to the extent that the conditions are met.

##### 2.1.2 Management fees

Management fees are raised in terms of funding agreements and implementation protocols entered into with provinces and municipalities for the management and implementation of

various capital projects. Management fees are recognised by reference to the stage of completion of projects which is reliably estimated through expenditure incurred at each stage of capital projects.

##### 2.1.3 Interest Income

Revenue arising from the use by others of entity interest yielding assets is recognised to the extent that it is probable that the economic benefits or service potential will flow to the entity and the revenue can be reliably measured. Interest income is recognised as it accrues on a time apportionment basis taking into account its effective yield.

##### 2.1.4 Other income

Other income comprises of insurance claims and other incidental income. Insurance claims and other incidental income are recognised in the financial period in which the claim was raised when it is probable that the economic benefits associated with the claim will flow to the entity and it can be reliably measured.

##### 2.1.5 Rental income

Rental income from land and properties owned by the HDA is accrued on a straight-line basis over the period of lease agreements, unless another systematic basis is more representative of the time pattern in which a use benefit derived from the leased assets is diminished.

The Agency identifies, acquires and holds land on behalf of the clients. To avert the risk of the land invasions, the Agency enters into rental agreements with small businesses in the area to temporarily use part of the land for their business purposes. The nature of businesses include small business ventures. The rental income from these land parcels are recognised in project obligations. The funds are used to fund incidental expenditure to maintain these land parcels.

#### 2.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the HDA received revenue from another party without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants from government are recognised at fair value of the consideration received when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received. The HDA receives an unconditional grant from National Department of Human Settlements.



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## Accounting Policies

### 3. Taxation

The HDA is not required to make provision for SA Normal Taxation in the annual financial statements, since it is exempted in terms of Section 10(1) CA (i) of the Income Tax Act 58 of 1962 as amended.

The HDA is defined as a public authority in terms of the VAT Act 89 of 1991 as amended and is not required to register for VAT (Value Added Tax). The HDA is also exempt from paying Skills Development Levy in terms of Section 4 (d) of the Skills Development Levies Act no. 9 of 1999.

### 4. Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired at no or nominal cost, its costs is its fair value as at the date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment, except for paintings, is carried at cost less accumulated depreciation and impairment losses.

Recognition of costs in the carrying amounts of an item of property, plant and equipment ceases when an item is not location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is depreciated on a straight-line basis over their expected useful lives to their estimated residual values. Depreciation commences when the asset is ready for its intended use.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately. Where the carrying value is greater than estimated recoverable amount, it is written down immediately to its recoverable amount. The useful lives of all the assets are assessed on an asset by asset basis. The major categories of assets are depreciated over the following average useful lives:

Item	Average useful life
Computer equipment	3 - 4 years
Office equipment	4 - 5 years
Furniture & fittings	10 - 12 years
Electronic hardware	4 - 5 years
Leasehold improvements	> lease term or 10 year

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

The Agency conducts asset audits bi-annually and assess property plant and equipment for impairment. If there are any indications of impairment the Agency estimates the recoverable service amount of the asset. If the asset's carrying value exceeds its recoverable amount, the asset is impaired. In the assessing whether there is any indication that an asset may be impaired, the Agency considers all sources of information. The impairment loss is charged as an expense in the Statement of Financial Performance.

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

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.



# THE HOUSING DEVELOPMENT AGENCY

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## Accounting Policies

### 5. Paintings

Paintings are subsequently carried at revaluation amount and are not depreciated. The revaluation method is used. Revaluations are made regularly, every three (3) years by an independent valuator.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

### 6. Intangible assets

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

An intangible asset is recognised when:

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

An asset is identifiable if it is either:

- Separable - capable of being separated or divided from an entity and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, identifiable assets or liability regardless as to whether the entity intends to do so; or
- Arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the group or from other rights and obligation.

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

Intangible assets are initially recognised at cost.

Intangible assets are purchased computer software and licences that is stated at cost less accumulated amortisation and any accumulated impairment losses. It is amortised over its estimated life or over the licence period.

Item	Average useful life
Computer Software	1-3 years
Licences	Over the licence period

The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the assets; and
- Residual value can be determined by reference to that market; and

- It is probable that such a market will exist at the end of the asset's useful life.

Useful lives, amortisation methods and residual values of assets are re-estimated annually to finite periods. The depreciable amount of an intangible asset with finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use. The assets are then amortised over their re-assessed useful lives.

An intangible asset shall be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

At each statement of financial position date, the carrying amounts of intangible assets are reviewed to determine whether there is any indication that those assets may have been impaired. If the fair value less costs to sell of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its fair value less costs to sell. An impairment loss is recognised immediately in surplus or deficit. Software Licences for periods not more than 12 months are recognised as expenses and allocated to the statement of financial performance over the duration of the period covered by the license.

### 7. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Classification of leases is done at the inception of the lease agreement.

### 8. Finance leases

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.



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## Accounting Policies

Finance lease assets are carried at the initial cost recognised less accumulated depreciation and impairment losses. Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease term unless the asset is expected to be used by the entity beyond the term of the lease.

The major categories of leased assets are depreciated using the following range of useful life:

Item	Average useful life
Office equipment	2 - 3 years

### 9. Operating leases – lessee

Leases for assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.

### 10. Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. The aggregate cost of incentives are recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

### 11. Provisions

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

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

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

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

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

Provisions are not recognised for future losses.

### 12. Leave payable

Employee entitlement to annual leave is recognised when it accrues to employees. An amount payable, based on total employment cost, is raised for the estimated liability as a result of services rendered by employees up to date of the statement of financial position.

### 13. Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. Commitments are future liabilities that will arise from existing contracts where performance or deliverables under such contracts will be performed subsequent to year-end.

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contract should be non-cancellable or only cancellable at significant cost, and
- Contracts should relate to something other than the routine, steady, state business for the entity.

Commitments are not recognised as a liability in the statement of financial position but disclosed in the notes to the annual financial statements. Amounts disclosed in respect of commitments are measured on the basis of the contractual provisions and where applicable expected future escalation may be included to fairly state the liability that will subsequently arise.

Lease commitments are derived from the signed lease agreements based on the future premiums.



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Commitments value is based on system purchase orders that are open at year end. For Multi-year Funding Agreements where the commitment amount cannot be determined at year end, a disclosure is made to this effect and a list of all long-term funding contracts where purchase orders have not been issued at year end is maintained.

### 14. Contingent liabilities and assets

#### 14.1 Contingent Liabilities

A contingent liabilities is:

- A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
- A present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes to the financial statements when it is possible that economic benefits will flow from the entity, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

#### 14.2 Contingent assets

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

Contingent assets are not recognised but are disclosed where an inflow of economic benefits or service potential is probable.

### 15. Land

#### 15.1 Land owned by the HDA

Land purchased and controlled by the HDA utilising its own funds for the purpose of future residential development and where there is uncertainty regarding date of release is classified as Property Plant and Equipment in line with the HDA mandate and accounted for in accordance with GRAP 17. Control of land is determined by applying iGRAP18 and is evidenced by the following criteria: legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land. Initial Recognition is at cost. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition. Where the entity concludes that it

does not control land after recognising it in its books, but land is currently recognised as an asset in its statement of financial position, the land is derecognised. Land is derecognised as an asset from the statement of financial position in accordance with GRAP 17.

#### 15.2 Land held on behalf of the principal : Accounting by principals and agent

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The HDA acquires and holds land in terms of signed agreements on behalf of provinces and municipalities in order to release it for future human settlement development. The Agency is considered an agent in terms of the circumstances of these arrangements.

Where the HDA is the agent to the transaction, only the portion of revenue (conditional grant) it receives and expenses it incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

Land assets acquired by the Agency in terms of the signed agreements on behalf of provinces and municipalities are not classified as assets in the accounting records of the HDA due to the relationship between the Agency and its clients, the Land is disclosed as a note to the financial statements as per requirement of GRAP 109.

#### Identification

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the HDA is an agent. The HDA is an agent when, in relation to transactions with third parties, all three of the following criteria are present :

- It does not have the power to determine the significant terms and conditions of the transaction.-
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

#### Binding arrangement

Principal-agent arrangements are governed by a binding arrangement. The HDA assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement. Substance over form is applied.





# THE HOUSING DEVELOPMENT AGENCY

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## Accounting Policies

The requirements of these binding arrangements, particularly the rights and obligations established for the various parties, inform the HDA's assessment of whether it undertakes transactions for its own benefit, or for the benefit of another entity. The terms and conditions of the binding arrangement are assessed to determine the roles, responsibilities and authority of parties in relation to the activities and resulting transactions undertaken in terms of that arrangement.

### Recognition

The HDA, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The HDA recognises assets and liabilities arising from principal agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 16. Related parties

The HDA operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties. Only transactions with such parties which are not arm's length and not on normal commercial terms are disclosed.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of Executive Committee up to the Accounting Authority are regarded as key management. Close members of the family of persons related to the entity may influence, or be influenced by them in their transactions with the entity.

### 17. Finance costs

Finance costs are charges incurred by the HDA in connection with finance lease liabilities, and are recognised as an expense in a period which they are incurred.

### 18. Financial instruments

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

#### Initial recognition

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

instrument. This is achieved through the application of trade date accounting. Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

#### Initial measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### 19. Receivables

#### Receivables from exchange transactions

Receivables are classified as loans and receivables and are initially measured at transaction value. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are subsequently measured at amortised cost using the effective interest rate method. The allowance for debtor impairment is determined as being the difference between the present value of the expected future cash receipts and the carrying value. Bad debts are written off when concrete cases of default are identified. Gains and losses are recognised in surplus and deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### Receivables from non-exchange transactions

Receivables are classified as loans and receivables and are initially measured at transaction value. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are subsequently measured at amortised cost using the effective interest rate method. The allowance for debtor impairment is determined as being the difference between the present value of the expected future cash receipts and the carrying value. Bad debts are written off when concrete cases of default are identified.



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Gains and losses are recognised in surplus and deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### 20. Payables

#### Payables from exchange transactions

The entity's financial liabilities include payables which are initially measured at fair value and subsequently measured at amortised cost.

#### Payables from non-exchange transactions

The entity's financial liabilities include payables which are initially measured at fair value and subsequently measured at amortised cost.

### 21. Cash and cash equivalents

Cash and cash equivalents, comprise cash on hand and deposits held on call with banks, net of bank overdrafts, all of which are available for use unless otherwise stated. These are initially and subsequently recorded at cost which equates fair value.

### 22. Offsetting

Transactions are only offset when such offsetting reflects the substance of the transaction or event. Where a legally enforceable right of offset exists for recognised financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

### 23. Employee benefits

#### 23.1 Short-term employee benefits

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

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### 23.2 Retirement benefits

The HDA is a member of the Government Employees Pension Fund (GEPF) and the Liberty Corporate Selection Umbrella Provident Fund. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to these funds. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

#### Liberty Corporate Selection Umbrella Provident Fund

This is a defined contribution plan. The entity pays monthly contributions to the Liberty Provident Fund and these contributions are expensed in the Statement of Financial Performance in the year in which they relate. The only obligation of the entity with respect to this retirement plan is to pay over the specified contributions to the fund. The actuarial and investment risk falls on the employees.

#### Government Employees Pension Fund (GEPF)

This is a defined benefit plan. The entity accounts for this defined benefit state plan as a defined plan, as there is no consistent and reliable basis for allocating the obligation, plan assets and cost to the individual employers participating in the plan and the plan exposes the participating employers to actuarial risks associated with the current and former employees of other employers participating in the plan. The only obligation of the entity with respect to this state plan is to pay over the contributions in accordance with the fund rules. The total expense recognised in the Statement of Financial Performance represents contributions payable to the plan by the entity at rates specified in the rules of the plan. These contributions have been expensed under employee related costs in the year in which they relate.

### 24. Events After Reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

### 25. Project Obligations

Project Obligation is raised on receipt of a signed MTOP or funding agreement, cash and Implementation Protocol, with clear deliverables.



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These funding agreements and the subsequent receipt of funds is the basis for the recognition of the project obligation. The obligation will be discharged in the financial year.

### Initial recognition and measurement

Project obligations are recognised as a current liability to the extent that the HDA is obliged to deliver a service of equal value to the project funder or repay the amount received if project is not delivered.

Project funds are kept separately and any interest accrued on the funds is due to the project funder. These project funds are matched to the project expenses until the project is completed and closed off.

### Subsequent measurement

Project obligation is subsequently measured at cost plus interest earned.

## 26. Financial Risk Management

The Agency has limited exposure to financial risks as a consequence of its operations. Namely, liquidity risk, credit risk and interest rate risk. The Agency's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its performance. Financial risk management is carried out under approved finance policies that ensures financial practices directed as minimising the identified risks in relevant areas.

## 27. Budget information

The HDA is typically subject to budgetary limits in a form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

## 28. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure as defined in Section 1 of the PFMA means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recorded in the notes of the financial statements when incurred and confirmed. The amount recorded is equal to the total value of the fruitless and wasteful expenditure incurred. The expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at

the amount that is expected to be recoverable and are derecognised when settled or subsequently written-off as irrecoverable.

## 29. Irregular expenditure

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

- (a) the PFMA;
- (b) the Treasury Regulations;
- (c) a National Treasury Instruction, issued in terms of section 76 of the PFMA; and
- (d) a Provincial Treasury Instruction issued in terms of section 18(2)(a) of the PFMA.

Irregular expenditure is recorded in the notes to the financial statements when incurred and confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons are therefore provided in the note.

Irregular Expenditure is removed from the Irregular Expenditure Register and annual report when it is either condoned by National Treasury or removed by the Board of Directors in compliance with National Treasury Instruction No. 4 of 2022/2023.

## 30. Comparative Information

### Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed. Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

## 31. Segment Reporting

A segment is an activity of an entity:

- (a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);



# THE HOUSING DEVELOPMENT AGENCY

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## Accounting Policies

- (b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- © for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met. The Agency's reportable segment was reported separately without aggregation.

### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis. If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

### 32. Principal Agent Arrangements: HDA as Agent

The Constitution of the Republic of South Africa, 1996 (the Constitution), sets out the various responsibilities of government, and assigns activities to various spheres of government or to particular types of entities. Supporting legislation within each sphere of government sets out the mandate, authority, roles and responsibilities of specific entities in undertaking the activities outlined in the Constitution. In many cases, this legislation results in the establishment of separate entities to undertake these activities. It is however not feasible to establish separate entities in all instances, and it may be more efficient and effective to utilise other entities to undertake certain activities.

As a result, entities frequently have certain activities executed by another entity, or undertake activities on behalf of other entities. The ultimate responsibility, however, for the various activities still rests with the entities identified in legislation.

Where these arrangements exist, it is important to identify which entity should account for the transactions arising from these activities, and what resulting revenue, expenses, assets and/or liabilities should be recognised. Examples of typical arrangements where one entity undertakes activities on behalf of another entity in the public sector may include:

- The collection of revenue, including taxes, fees and other charges from specific parties, e.g. motor vehicle licence fees collected by municipalities for the provincial government, and taxes collected by the Revenue Authority for the national government.
- The construction of assets, e.g. houses built for beneficiaries of the reconstruction and development programme, for national and/or provincial housing departments and organisations.
- The provision of goods and services to recipients, e.g. the provision of water to specific communities by municipalities on behalf of water service authorities.
- Property management services, which may include the maintenance of properties and collection of revenue, for the Department of Public Works and/or municipalities.

When an entity directs another entity to undertake an activity on its behalf, it must consider whether it is a party to a principal-agent arrangement. The definition of a principal-agent arrangement refers to an entity acting on behalf of another entity in relation to transactions with third parties. In the absence of transactions with third parties, the arrangement is not a principal-agent arrangement, and the entity then acts in another capacity rather than as an agent. This type of assessment may be particularly relevant to the following two scenarios that are often encountered in the public sector:

Entities, particularly national and provincial departments, are often asked to collect money from public entities or other agencies and to subsequently deposit the money into the relevant revenue fund. In these arrangements, although the departments seemingly undertake activities on behalf of the revenue fund, there is no specific direction given by the revenue fund in relation to the transactions with third parties. As a result, such arrangements may not meet the definition of a principal-agent arrangement.



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## Accounting Policies

“Transactions with third parties” in the context of this Policy includes the execution of a specific transaction with a third party, e.g. a sale or purchase transaction, but it also includes interactions with third parties, e.g. when an agent is able to negotiate with third parties on the principal’s behalf.

The nature of the transactions with third parties is linked to the type of activities carried out by the agent in accordance with the binding arrangement. These activities could include the agent transacting with third parties for the procurement or disposal of resources, or the receipt resources from a third party on behalf of the principal.

Principal-agent arrangements usually exist as a result of a binding arrangement between the parties to the arrangement is unlikely that an entity would undertake activities on behalf of another entity in the absence of a binding arrangement as the arrangement imposes rights and obligations on the parties to perform in a particular manner.

Where no binding arrangement exists, it is assumed that the entity is acting for itself, rather than on behalf of another entity. As a result, no principal-agent arrangement exists in the absence of a binding arrangement.

A principal is an entity that directs another (an agent) to undertake transactions with third parties, for the benefit of the principal, in terms of a binding arrangement.

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

### Identifying whether HDA is a principal or an agent

When an entity is party to a principal-agent arrangement, it shall assess whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether an entity is a principal, or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

HDA assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Principal-agent arrangements are governed by a binding arrangement. The requirements of these binding arrangements, particularly the rights and obligations established for the various parties, inform an entity’s assessment of whether it undertakes transactions for its own benefit, or for the benefit of another entity. The terms and conditions of the binding arrangement should be assessed to determine the roles, responsibilities, and authority of parties in relation to the activities and resulting transactions undertaken in terms of that arrangement. Where the terms of a binding arrangement are modified, the parties to the arrangement shall re-assess whether they act as a principal or an agent in accordance with GRAP 109.

Assessing which entity benefits from the transactions with third parties. When an entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If an entity concludes that it is not the agent, then it is the principal in the transactions.

The HDA is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Except Where an entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria indicted above to conclude that is an agent. Entities shall apply judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent.

The HDA has various funding agreements detailing project implementation protocols entered into with the following provincial governments, government entities and municipalities:

- Department of Water and Sanitation
- Northern Cape Provincial Government
- Buffalo City Municipality
- City of Johannesburg Municipality
- City of Tshwane Municipality
- Ekurhuleni Municipality
- Eastern Cape Provincial Government





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- Free State Provincial Government
- Gauteng Provincial Government
- Kwazulu-Natal Provincial Government
- Limpopo Provincial Government North West Provincial Government
- Western Cape Provincial Government
- Social Housing Regulatory Authority

There were no significant changes to either the mandate of the HDA as well as the funding agreements in the year under review. The assumption of the rights and obligations of the provincial governments, government entities and municipalities

exposes the HDA to the following risks:

- Liquidity risk
- Interest rate risk
- Credit risk
- Market risk

The HDA applies risk mitigation through avoidance, reduction, transference, and acceptance.

The HDA accounts for the following transactions as an Agent:

### Properties held on behalf of others

Properties held on behalf of others are properties that the Agency does not have control over in terms of iGRAP 18, these properties are only disclosed in the financial statements and not recognised by the HDA.

### Cash and cash equivalent: Principal funds

The provincial governments, government entities and municipalities transfer all cash and cash equivalents to HDA for the purchase of properties on their behalf. The HDA accounts for the cash and cash equivalents in terms of GRAP 104 (Financial Instruments).

### Project payables: Principal Payables

HDA recognise payables for all the funds that are being held on behalf of provincial governments, government entities and municipalities for purchase of properties. The HDA accounts for the Principal Payables in terms of GRAP 104 (Financial Instruments).



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## Notes to the Annual Financial Statements

Figures in R`000

2023

Restated 2022

### 1. Property, plant and equipment

	Cost	Accumulated depreciation	2023 Carrying value	Cost	Accumulated depreciation	2022 Carrying value
<i>Assets</i>						
^Land and properties	41,436	-	<b>41,436</b>	41,436	-	<b>41,436</b>
Furniture and fittings	4,827	2,515	<b>2,312</b>	5,039	2,125	<b>2,914</b>
Electronic hardware	2,156	507	<b>1,649</b>	2,594	2,455	<b>139</b>
Office equipment	1,948	1,348	<b>600</b>	1,864	1,167	<b>697</b>
Computer equipment	5,983	2,980	<b>3,003</b>	4,919	2,444	<b>2,475</b>
Leasehold improvements	3,531	3,499	<b>32</b>	3,531	3,101	<b>430</b>
Capitalised leased assets	939	905	<b>34</b>	3,032	2,718	<b>314</b>
Paintings	61	-	<b>61</b>	61	-	<b>61</b>
	<b>60,881</b>	<b>11,754</b>	<b>49,127</b>	<b>62,476</b>	<b>14,010</b>	<b>48,466</b>

^Land was reclassified from long-term inventory to property plant and equipment in 2023 financial year, this is in line with GRAP 17.



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## Notes to the Annual Financial Statements

Figures in R`000

2023

Restated 2022

*Property, plant and equipment continued...*

The carrying amounts of property, plant and equipment can be reconciled as follows for 31 March 2023:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2023 Carrying value at end of year
<i>Assets</i>					
Land and buildings	41,436	-	-	-	<b>41,436</b>
Furniture and fittings	2,914	-	(128)	(474)	<b>2,312</b>
Electronic hardware	139	1,751	-	(241)	<b>1,649</b>
Office equipment	697	84	-	(181)	<b>600</b>
Computer equipment	2,475	2,016	(15)	(1,473)	<b>3,003</b>
Leasehold improvements	430	-	-	(398)	<b>32</b>
Capitalised leased assets	314	-	-	(280)	<b>34</b>
Paintings	61	-	-	-	<b>61</b>
	<b>48,466</b>	<b>3,851</b>	<b>(143)</b>	<b>(3,047)</b>	<b>49,127</b>



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## Notes to the Annual Financial Statements

Figures in R`000

2023

Restated 2022

*Property, plant and equipment continued...*

The carrying amounts of property, plant and equipment can be reconciled as follows for March 2022:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	Written off assets	2023 Carrying value at end of year
<i>Assets</i>						
Land and buildings	41,437					<b>41,437</b>
Furniture and fittings	3,254	261	(5)	(485)	(111)	<b>2,914</b>
Electronic hardware	89	147	-	(97)	-	<b>139</b>
Office equipment	678	271	-	(252)	-	<b>697</b>
Computer equipment	2,058	1,759	(115)	(1,227)	-	<b>2,475</b>
Leasehold improvements	828		-	(398)	-	<b>430</b>
Capitalised leased assets	610		(1)	(295)	-	<b>314</b>
Paintings	61		-	-	-	<b>61</b>
	<b>49,015</b>	<b>2,438</b>	<b>(121)</b>	<b>(2,754)</b>	<b>(111)</b>	<b>48,467</b>

### Pledged as security

Except for leased assets that have restriction on title, none of the assets above have been pledged as security.



# THE HOUSING DEVELOPMENT AGENCY

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## Notes to the Annual Financial Statements

Figures in R`000	2023	Restated 2022
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### 2. Intangible assets

	Cost	Accumulated amortisation	2023 Carrying value	Cost	Accumulated amortisation	2022 Carrying value
Computer software and licences	1,107	(389)	718	-	-	-
	1,107	(389)	718	-	-	-

The carrying amounts of intangible assets can be reconciled as follows for 31 March 2023:

	Carrying value at beginning of year	Additions	Amortisation	Disposals	2023 Carrying value at end of year
Computer software and licences	-	1,107	(389)	-	718
	-	1,107	(389)	-	718

The carrying amounts of intangible assets can be reconciled as follows for March 2022:

	Carrying value at beginning of year	Additions	Amortisation	Disposals	2022 Carrying value at end of year"
Computer software	94	-	(94)	-	-
	94	-	(94)	-	-





# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in R`000	2023	Restated 2022
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### 3. Cash and cash equivalents

HDA	56,264	86,619
Projects*	1,630,262	1,551,844
Principal funds	277,059	326,849
Petty cash	79	60
<b>Total funds in the bank</b>	<b>1,963,664</b>	<b>1,965,372</b>
Principal funds	(277,059)	(326,849)
	<b>1,686,605</b>	<b>1,638,523</b>

#### \*Projects funds

	<b>1,630,262</b>	<b>1,551,844</b>
Buffalo City Municipality	13,673	-
Department of Mineral Resources	158	158
Department of Water and Sanitation	55	17,422
Eastern Cape Provincial Government	838,997	674,172
Gauteng PHDA	3,200	-
Gauteng GADA	29,245	-
Gauteng Province	312,601	441,196
Mangaung Municipality	3,940	-
Free State Provincial Government	132,554	172,137
Kwazulu-Natal Provincial Government	37,323	85,170
Kwazulu-Natal Floods	32,199	-
National Treasury fund	94,389	-



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

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Cash and cash equivalents continued...

Limpopo Provincial Government	94,242	43,588
Northern Cape Provincial Government	10,880	94,344
North West Provincial Government	20,448	3,142
SHRA	1,043	424
Western Cape Provincial Government	5,315	20,091

\*The HDA holds cash on behalf of provinces and municipalities as disclosed above. Cash held is based on commitments between the agency and it's funders on agreed projects and operational plans. Amounts disclosed excludes payables as at 31 March 2023 in note 13,14 &15 which still needs to be honoured.

### Funds held in trust account

The agency purchased two properties listed below. The funds were transferred to the trust bank accounts of the conveyancers before 31 March 2023. The conveyancer has started the process of registering the property in the name of the agency. Once the property has been registered (title deed), the funds will be paid to the respective seller upon registration of these properties.

Details of properties purchased:

	Properties held on behalf of others.	Balanceas at 31 March 2023	Balanceas at 31 March 2022
Braamfontein Eskom building	HDA	60,000	-
SABC building-Sea point	HDA	45,122	46,178
		105,122	46,178



# THE HOUSING DEVELOPMENT AGENCY

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### 4. Principal agent arrangement-HDA as Agent

HDA is party to Principal-Agent arrangements. The HDA has various funding agreements detailing project implementation protocols entered into with provincial governments, government entities and municipalities.

#### Assets

Cash and cash equivalent	277,059	326,849
Eastern Cape Provincial Government	28,273	-
Free State Provincial Government	32,200	48,001
Gauteng Provincial Government	170,017	278,848
Kwa-Zulu Natal Provincial Government	33,647	-
Western Cape Provincial Government	12,922	-
Funds held inTrust - Conyancer`s	457,560	389,612
Limpopo - Ellisras-Ledibeng Ext.97	41,228	-
Gauteng - Portion 27 of the Farm Modder East 72 IR (Chris Hani)	408,565	389,612
Mangaung Municipality - FS - Grassland Small Holdings	4,241	-
54, 147, 60, 90, 97, 121, and 128		
Free State - Vaaldam Small Holding	3,526	-
21, 22, 27, 29, 30, 31, 33, 34, 35, 59, 71, 76, 78, 79, 80, 83, 91, 92, 93, 94, 106		

#### Cash and cash equivalent

The agency received funds from stakeholders for the purchase of land on their behalf. Funds are ring-fenced in the provincial bank accounts.



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

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*Principal agent arrangement - HDA as Agent continued...*

### Funds held in trust-Conveyancers

The agency purchased four properties listed below. The funds were transferred to the trust bank accounts of the conveyancers before 31 March 2023. The conveyancer has started the process of registering the property in the name of the agency. Once the property has been registered (title deed), the funds will be paid to the respective seller upon registration of these properties. The agency recognises a liability to the parties below which will be extinguished on registration of the properties.

### Liabilities

Project payables	277,059	326,849
------------------	---------	---------

### Below is a reconciliation of principal arrangement transactions:

Opening balance	326,849	422,781
Cash received	277,059	326,849
Payments	(326,849)	(422,781)
Balance	<b>277,059</b>	<b>326,849</b>

Land liability	457,560	389,612
----------------	---------	---------

### Below is a reconciliation of principal arrangement transactions:

Opening balance	389,612	-
Cash received and paid to conveyancers	67,948	389,612
Balance	<b>457,560</b>	<b>389,612</b>



# THE HOUSING DEVELOPMENT AGENCY

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### 5. Receivables: Properties from exchange transactions.

Eskom building Bramfontein	60,357	-
SABC Sea point building	46,236	46,236
	<u>106,593</u>	<u>46,236</u>

The agency purchased two properties that are not yet transferred to the HDA's name as at 31 March 2023. The properties will be recognised as Property plant and equipment (PPE) in terms of GRAP 17 on the date upon which the property is registered in the name of the HDA in respective Deeds Registry, as confirmed by the conveyancer in writing. With effect from the transfer date all the benefits and risks of ownership will pass to the HDA.

#### Eskom Building

With effect from 01 April 2023, the HDA took occupation and possession of the property and was given unfettered and unrestricted access to the property.

#### SABC Sea point building

In September 2021 the HDA made a payment to the conveyancers for an acquisition of a property owned by the South African Broadcasting Corporation (SABC) located in Sea Point - Cape Town. The transfer is in progress pending the conveyancing process.





# THE HOUSING DEVELOPMENT AGENCY

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## Notes to the Annual Financial Statements

Figures in R`000	2023	Restated 2022
<b>6. Receivables-Projects from exchange transactions.</b>		
<b>Projects receivables</b>	65,988	71,908
	<b>65,988</b>	<b>71,908</b>
<b>Details per province/municipality</b>		
Buffalo City Metro Municipality	9,936	1,001
City of Johannesburg Municipality	28,184	31,903
City of Tshwane Municipality	-	2,445
Eastern Cape Province Government	636	-
Ekurhuleni Metro Municipality	10,527	6,926
Free State Provincial Government	15,093	5,400
Gauteng Provincial Government	-	-
Kwazulu-Natal Provincial Government	-	-
Northern Cape Provincial Government	1,612	11,009
Mpumalanga Provincial Government	-	14,501
SHRA	-	-
Western Cape Provincial Government	-	13,224
<b>Sub-total</b>	<b>65,988</b>	<b>86,409</b>
<b>Provision for bad debts</b>	-	(14,501)
	<b>65,988</b>	<b>71,908</b>
<b>Provision for bad debts</b>		
Mpumalanga matter	-	(14,501)
	-	(14,501)



# THE HOUSING DEVELOPMENT AGENCY

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## Notes to the Annual Financial Statements

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2023

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*Receivables-Projects from exchange transactions. continued...*

Below is a reconciliation of each project receivable relating to stakeholders:

2023

Municipalities/Provinces	Opening balance	NT Provision reversal	Debt written off	Cash received	Expenditure	Credit Note	Total
Buffalo City Metro Municipality	1,001		-	(1,001)	9,936	-	<b>9,936</b>
City of Johannesburg Municipality	31,903		-	(25,950)	22,231	-	<b>28,184</b>
City of Tshwane Municipality	2,445		-	-	-	(2,445)	-
Eastern Cape Province Government	-		-	-	636	-	<b>636</b>
Ekurhuleni Metro Municipality	6,926		-	-	3,601	-	<b>10,527</b>
Free State Provincial Government	5,400		-	(5,400)	15,093	-	<b>15,093</b>
Gauteng Provincial Government	-		-	-	-	-	-
Kwazulu-Natal Provincial Government	-		6,136	(6,136)	-	-	-
Northern Cape Provincial Government	11,009	(11,009)	-	(5,635)	7,247	-	<b>1,612</b>
North West Provincial Government	-	-	-	-	-	-	-
Mpumalanga Provincial Government	14,501	-	(14,501)	-	-	-	-
SHRA	-	-	-	-	-	-	-
Western Cape Provincial Government	13,224	-	-	(13,224)	-	-	-
Closing balance	<b>86,409</b>	<b>(11,009)</b>	<b>(8,365)</b>	<b>(57,346)</b>	<b>58,744</b>	<b>(2,445)</b>	<b>65,988</b>



# THE HOUSING DEVELOPMENT AGENCY

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Restated 2022

*Receivables-Projects from exchange transactions. continued...*

**2022**

Municipalities/Provinces	Opening balance	NT Provision reversal	Debt written off	Cash received	Expenditure	Credit Note	Total
Buffalo City Metro Municipality	44,831	-	-	(44,831)	1,001		<b>1,001</b>
City of Johannesburg Municipality	3,086	-	-	-	31,903	(3,086)	<b>31,903</b>
City of Tshwane Municipality	1,653	-	-	(738)	1,545	(15)	<b>2,445</b>
Eastern Cape Province Government	-	-	-	-	-	-	-
Ekurhuleni Metro Municipality	7,206	-	-	(3,880)	3,600	-	<b>6,926</b>
Free State Provincial Government	-	-	-	-	5,400	-	<b>5,400</b>
Gauteng Provincial Government	139,230	-	-	-	9,983	(149,213)	-
Kwazulu-Natal Provincial Government	7,552	-	-	(7,552)	8,329	(8,329)	-
Northern Cape Provincial Government	13,179	-	-	(72,314)	70,144	-	<b>11,009</b>
North West Provincial Government	19,696	-	-	-	65,493	(85,189)	-
Mpumalanga Provincial Government	14,501	-	(14,501)	-	-	-	-
SHRA	-	-	-	-	775	(775)	-
Western Cape Provincial Government	(20)	-	-	-	13,244	-	<b>13,224</b>
Closing balance	<b>250,914</b>	-	<b>(14,501)</b>	<b>(129,315)</b>	<b>211,417</b>	<b>(246,607)</b>	<b>71,908</b>



# THE HOUSING DEVELOPMENT AGENCY

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### 7. Receivables from exchange transactions

Receivables	6,722	6,398
Staff debtors	2,430	2,699
*Prepaid expenses	5,227	47,252
^Operating leases-smoothing receivables	-	(7)
Other receivables	<b>85,807</b>	<b>422</b>
Other receivables-HDA	58,201	422
Other receivables-stakeholders	27,606	1,996
Provision for doubtful debts (Impairment)	(4,070)	(3,304)
	<b>96,116</b>	<b>53,460</b>
*Presented as Receivables :Properties on the face of the statement of financial position previously included in Prepaid expenses	-	(46,236)
^Operating leases-smoothing receivables-presented on the face of the statement of financial position.	-	7
	<b>96,116</b>	<b>7,231</b>

The carrying amount of receivables approximates fair value.

### Provision :Doubtful debts (Impairment)

Opening Balance	(3,304)	(3,304)
Increase in the provision	(766)	-
<b>Closing Balance of the provision</b>	<b>(4,070)</b>	<b>(3,304)</b>



# THE HOUSING DEVELOPMENT AGENCY

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*Receivables from exchange transactions continued...*

In line with the GRAP requirements, we've assessed whether the outstanding rentals currently in accounts receivable are impaired or not. The assessment of impairment and collectability of these amounts (financial assets) has been performed in line with objective indicators mentioned in the GRAP statement. Based on our assessment, we believe we have sufficient evidence indicating that the collectability of ±R4million is questionable.

### Change in accounting policy - prepayments

Annual Software Licenses were previously capitalized on recognition. With effect from 1 April 2022, the accounting policy was changed, and software annual licenses are now expensed on recognition resulting in a prepayment asset for licenses overlapping the reporting period. The effect of the change in accounting policy is indicated below.

Financial Statements Line Item

Intangible Assets	(4118)	(159)
Amortisation	(4901)	
Software Licence Expense	4901	
Prepayments	4118	159

### 8. Rental deposits

Rental deposit	500	1,146
	<u>500</u>	<u>1,146</u>

The rental deposits are refundable to the entity at the end of the lease term. The details of this rental deposit are covered under note number 8.





# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

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### 9. Operating lease receivable

#### Current assets

Balance at the beginning of the year.

Operating lease revenue recorded

Prior period adjustment

#### Total

228	(7)
(7)	4,405
235	270
	(4,682)
<u>228</u>	<u>(7)</u>

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of the Operating Lease the following assets have been recognised:

#### Obligations under operating leases - Lease

The future minimum office lease payments escalation ranges between 0% and 10% p.a.

#### Eastern Cape-East London Office

The future minimum office lease payments, which escalate at 7% p.a are as follows:

	4,603	5,507
-No later than 1 year	1,432	1,240
-Later than 1 year and no later than 5 years	3,171	4,267



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

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*Operating lease receivable continued...*

### Eastern Cape-Gqeberha Office

The future minimum office lease payments, which escalate at 0% p.a are as follows:

- No later than 1 year
- Later than 1 year and no later than 5 years

-	303
-	303
-	-

### Free State

The future minimum office lease payments, which escalate at 8% p.a are as follows:

- No later than 1 year
- Later than 1 year and no later than 5 years

725	1,639
725	914
-	725

### Gauteng

The future minimum office lease payments, which escalate at 7% p.a are as follows:

- No later than 1 year
- Later than 1 year and no later than 5 years

1,202	18,494
1,202	7,069
-	11,425

### Kwazulu-Natal

The future minimum office lease payments, which escalate at 8% p.a are as follows:

- No later than 1 year
- Later than 1 year and no later than 5 years

73	950
73	877
-	73



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

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*Operating lease receivable continued...*

### Limpopo

The future minimum office lease payments, which escalate at 0% p.a are as follows:

	-	505
- No later than 1 year	-	505
- Later than 1 year and no later than 5 years	-	-

### Northern Cape

The future minimum office lease payments, which escalate at 10% p.a are as follows:

	2,684	3,669
- No later than 1 year	1,083	985
- Later than 1 year and no later than 5 years	1,601	2,684

### North West

The future minimum office lease payments, which escalate at 10% p.a are as follows:

	1,613	2,780
- No later than 1 year	1,284	1,167
- Later than 1 year and no later than 5 years	329	1,613

### Western Cape

The future minimum office lease payments, which escalate at 9% p.a are as follows:

	-	2,125
- No later than 1 year	-	2,125
- Later than 1 year and no later than 5 years	-	-



# THE HOUSING DEVELOPMENT AGENCY

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*Operating lease receivable continued...*

	10,900	35,972
<b>Lease terms and conditions per office</b>	<b>Expiry date</b>	<b>Lease term</b>
Eastern Cape - East London	31-03-2026	5years
Eastern Cape - Gqeberha	30-06-2022	1.3years
Free State	31-12-2023	5years
Gauteng	31-10-2024	3years
Kwazulu-Natal	30-04-2023	5years
Limpopo	31-01-2023	1.7years
Northern Cape	31-07-2025	5years
North West	30-06-2024	3years
Western Cape	31-05-2022	4.8years



# THE HOUSING DEVELOPMENT AGENCY

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### 10. Finance lease obligations

Lease of photocopiers and faxes with Bytes	-	-
Repayable with in one year, transferred to current liabilities	-	246
	-	246
Reconciliation between the total of the minimum lease payments and the present value:		
Minimum lease payments	-	265
-No later than 1 year	-	265
-Later than 1 year and no later than 5 years	-	-
Future finance charges on finance leases	-	(19)
	-	246

### ^Services in kind

The photocopying lease agreement between the agency and Altron came to an end on 30 November 2022 and the lease term was extended for ten months. The agency received an exemption from Altron for paying monthly rental of R33k. The fair value of the transaction could not be measured, therefore the transaction was not recorded in the accounting records.





# THE HOUSING DEVELOPMENT AGENCY

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### 11. Operating leases - Lessor

#### Rental Income

This represents future minimum property lease receipts. Rentals are increased each year by a percentage equal to the percentage change in Consumer Price Index (CPI). Future rentals where based on 7% CPI escalation rate.

	3,324	832
-No later than 1 year	1,606	832
-Later than 1 year and no later than 5 years	1,718	-

### 12. Commitments

Operational Expenditure: Purchase Orders for multi-year contracts.

Capex Expenditure: Purchase Orders for multi-year contracts.

\*Multi-year Funding Agreements with no contracts.

	13,962	7,551
	1,431,923	-
	-	-
	<u>1,445,885</u>	<u>7,551</u>

\*Multi-year Funding Agreements with no contracts.

Multi-year Funding Agreements where the commitment amount cannot be determined at year end as funding that will be contracted out is not yet available at the reporting date.

The amounts relating to the 2022 Financial year could not be reliably determined in the current year because the information to compile this amount derives from a live system that is updated daily with movements that affect supplier balances. Management deemed the cost of determining the comparative commitment value, by alternative manual means, to outstrip the benefits and as such have not disclosed any amount.



# THE HOUSING DEVELOPMENT AGENCY

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## Notes to the Annual Financial Statements

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### 13. Payables from exchange transactions

Payables	26,969	39,231
Employee's leave payable	11,104	11,219
Accruals	77,849	483
Retentions	10,861	-
	<b>126,783</b>	<b>50,933</b>

#### Employees leave payable is reconciled as follows:

Carrying amount beginning of year	11,219	9,945
Increase/decrease in leave payable	2,095	4,304
Amounts incurred and charged against the leave account	(2,210)	(3,030)
Carrying amount at end of the period	<b>11,104</b>	<b>11,219</b>

The leave payable on termination is expected to realise during the 2024 financial year. The leave on termination was not discounted as the amount is already reflected at its present value at the reporting date and that the impact of discounting is (impractical as time is uncertain) and immaterial. When the amount payable for leave is calculated, it is based on the employees' salary scales as at the reporting date, but when the payable realises during the 2024 financial year, it may realise at the employees' new salary scales as per the HDA Human Resources policy.

#### Retentions

The agency raised retention fees on the value of work done as at 31 March 2023. There are two types of contracts in use for the agency's projects that is JBCC and GCC contracts. The retention fee rate for JBCC and GCC is 5% and 10% of the contract value respectively.

In terms of JBCC contracts, the first 2.5% is payable at practical completion and the final 2.5% is payable at the final completion stage certified by engineers.

In terms of GCC contracts, the first 5% is payable at practical completion and the final 5% is payable at the final completion stage certified by engineers.



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2023

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*Payables from exchange transactions continued...*

Details of the retention fees raised:

-Eastern Cape

1,675

-

-Limpopo

9,186

-

**10,861**

-

### 14. Provision for audit fees

Provision for audit fees

6,709

-

**6,709**

-

**Provision for audit fees is reconciled as follows:**

Opening Balance

-

-

Increase in the provision

6,709

-

**Closing Balance of the provision**

**6,709**

-

The HDA is statutory required to have an audit performed annually. The provision is based on the estimates provided by the external auditors in their audit strategy and engagement letter .The audit fee is provided for work to be performed after year end.

### 15. Projects Payables from exchange transactions.

Payables

401,037

226,124

Principal payables

277,059

326,849

Accruals

59,217

1,750

**Project payables**

**737,313**

**554,723**

Projects payables relates to stakeholders contractors' invoices received for projects and not yet paid.



# THE HOUSING DEVELOPMENT AGENCY

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### 16. Projects obligations

#### Projects obligations

746,452

1,167,655

**746,452**

**1,167,655**

#### Details per province/municipality

Department of Water and Sanitation

-

7,515

Department of Mineral Resources

158

158

Buffalo City Municipality

21,618

1,647

City of Johannesburg Municipality

-

5,929

City of Tshwane Municipality

6,213

9,255

Eastern Cape Provincial Government

468,539

647,863

Ekurhuleni Municipality

24,089

20,748

Free State Provincial Government

42,162

157,439

Gauteng Provincial Government

25,699

254,811

Kwazulu-Natal Provincial Government

70,512

35,666

Limpopo Provincial Government

61,447

19,008

North West Provincial Government

9,070

(4,739)

Western Cape Provincial Government

16,090

12,031

Social Housing Regulatory Authority

855

324

**746,452**

**1,167,655**



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*Projects obligations continued...*

*Below is a reconciliation of each project obligation:*

**2023**

	Department of Water and Sanitation	Department of Mineral Resources	Buffalo City Municipality	City of Johannes burg Municipality	City of Tshwane Municipality	Eastern Cape Provincial Government	Ekurhuleni Municipality	Free State Provincial Government	Subtotal-1
Opening balance	7,515	158	9,988	5,928	9,255	639,521	20,748	157,439	<b>850,552</b>
Invoices raised prior year	-	-	(1,001)	(31,903)	(2,445)	23	(6,926)	(5,400)	<b>(47,652)</b>
Cash received	-	-	21,380	159,902	-	481,977	1,578	29,150	<b>693,987</b>
Interest earned	384	-	529	-	-	46,074	-	9,037	<b>56,024</b>
Amount owing	-	-	9,936	27,802	-	-	10,527	15,093	<b>63,358</b>
National Treasury provision	-	1,300	-	-	-	-	-	10,785	<b>12,085</b>
Expenditure	-	-	(36,462)	(162,112)	(597)	(596,670)	(1,838)	(141,150)	<b>(938,829)</b>
Transfers	(7,899)	-	17,248	-	-	(17,300)	-	-	<b>(7,951)</b>
Refund to province	-	-	-	-	-	-	-	-	-
Transfer to National Treasury	-	(1,300)	-	-	-	(85,722)	-	(32,792)	<b>(119,814)</b>
<b>Closing balance</b>	<b>-</b>	<b>158</b>	<b>21,618</b>	<b>(383)</b>	<b>6,213</b>	<b>467,903</b>	<b>24,089</b>	<b>42,162</b>	<b>561,760</b>
Transfer of debit balance to Project receivables	-	-	-	<b>383</b>	-	<b>636</b>	-	-	<b>1,019</b>
	<b>-</b>	<b>158</b>	<b>21,618</b>	<b>-</b>	<b>6,213</b>	<b>468,539</b>	<b>24,089</b>	<b>42,162</b>	<b>562,779</b>



# THE HOUSING DEVELOPMENT AGENCY

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2023-continued

	Gauteng Provincial Government	Kwazulu- Natal Provincial Government	Limpopo Provincial Government	North West Provincial Governme nt	Western Cape Provincial Government	Social Housing Regulatory Authority	Northern Cape Provincial Government	Subtotal-2	Total Sub1 & Sub2
Opening balance	254,811	35,666	19,008	(4,738)	12,031	324	(11,009)	306,093	1,156,645
Invoices raised prior year	-	-	-	-	(13,244)	-	-	(13,244)	(60,896)
Cash received	627,019	106,708	190,319	55,563	58,279	775	5,635	1,044,298	1,738,285
Interest earned	35,705	3,147	3,482	875	383	52	1,434	45,078	101,102
Amount owing	-	-	-	-	-	-	-	-	63,358
National Treasury provision	8,260	43,491	8,974	-	19,988	-	12,895	93,608	105,693
Expenditure	(704,365)	(71,324)	(151,362)	(46,320)	(42,436)	(296)	(17,614)	(1,033,717)	(1,972,546)
Transfers	5,650	-	-	-	(13,835)	-	90,143	81,958	74,007
Refund to province	-	-	-	-	-	-	(70,201)	(70,201)	(70,201)
Transfer to National Treasury	(201,381)	(47,176)	(8,974)	3,690	(5,076)	-	(12,895)	(271,812)	(391,626)
<b>Closing balance</b>	<b>25,699</b>	<b>70,512</b>	<b>61,447</b>	<b>9,070</b>	<b>16,090</b>	<b>855</b>	<b>(1,612)</b>	<b>182,061</b>	<b>743,821</b>
<b>Transfer of debit balance to Project receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,612</b>	<b>1,612</b>	<b>2,631</b>
	<b>25,699</b>	<b>70,512</b>	<b>61,447</b>	<b>9,070</b>	<b>16,090</b>	<b>855</b>	<b>-</b>	<b>183,673</b>	<b>746,452</b>





# THE HOUSING DEVELOPMENT AGENCY

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*Projects obligations continued...*

**2022**

	Department of Water and Sanitation	Department of Mineral Resources	Buffalo City Municipality	City of Johannes burg Municipality	City of Tshwane Municipality	Ekurhuleni Municipality	Free State Provincial Government	Subtotal-1
Opening balance	50,429	158	58	1,196	5,930	17,147	144,555	219,473
Invoices raised prior year	(50,429)	-	(44,481)	(3,086)	(1,653)	(7,206)	-	(106,855)
Cash received	50,429	-	126,617	66,864	7,289	8,515	142,038	401,752
Interest earned	300	-	31	-	-	-	6,872	7,203
Amount owing	-	-	1,001	31,903	2,445	6,926	5,400	47,675
Prior year adjustment	-	-	-	-	(60)	-	(7,288)	(7,348)
Expenditure	(43,214)	-	(81,579)	(90,948)	(4,696)	(4,634)	(134,138)	(359,209)
Transfer to Province	-	-	-	-	-	-	-	-
Transfer to National Treasury	-	-	-	-	-	-	-	-
Closing balance	<b>7,515</b>	<b>158</b>	<b>1,647</b>	<b>5,929</b>	<b>9,255</b>	<b>20,748</b>	<b>157,439</b>	<b>202,691</b>



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<i>Projects obligations continued...</i>	Gauteng Provincial Government	Kwazulu- Natal Provincial Government	Limpopo Provincial Government	North West Provincial Government	Western Cape Provincial Government	Social Housing Regulatory Authority	Eastern Cape Provincial Government	Subtotal-2	
Opening balance	179,293	39,617	181,485	37,614	12,963	705	(1,382)	450,295	
Invoices raised prior year	(139,230)	(7,552)	-	(19,696)	20	-	-	(166,458)	
Cash received	1,616,520	27,190	44,336	-	21,821	-	792,141	2,502,008	
Interest earned	12,027	2,673	1,097	411	988	18	6,112	23,326	
Amount owing	23,993	8,329	-	85,189	13,224	775	(23)	131,487	
Prior year adjustment	(25,843)	(8,077)	(90)	(85,189)	-	(775)	-	(119,974)	
Expenditure	(1,411,949)	(26,514)	(122,253)	(23,068)	(24,906)	(399)	(148,985)	(1,758,074)	
Transfers	-	-	(85,567)	-	(12,079)	-	-	(97,646)	
Transfer to National Treasury	-	-	-	-	-	-	-	-	
Closing balance	254,811	35,666	19,008	(4,739)	12,031	324	647,863	964,964	
	Subtotal 1	Subtotal 2	Total						
Opening balance	219,473	450,295	669,768						
Invoices raised prior year	(106,855)	(166,458)	(273,313)						
Cash received	401,752	2,502,008	2,903,760						
Interest earned	7,203	23,326	30,529						
Amount owing	47,675	131,487	179,162						
Prior year adjustment	(7,348)	(119,974)	(127,322)						
Expenditure	(359,209)	(1,758,074)	(2,117,283)						
Transfers	-	(97,646)	(97,646)						
Transfer to National Treasury	-	-	-						
Closing balance	202,691	964,964	1,167,655						



# THE HOUSING DEVELOPMENT AGENCY

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### 17. Payable to National Treasury

Amount accrued	395,128	195,834
	<b>395,128</b>	<b>195,834</b>
<b>Below is the break down per province</b>		
Eastern Cape Provincial Government	85,722	-
Gauteng Provincial Government	201,381	8,260
Kwa-zulu Natal Provincial Government	47,176	43,490
Free State Provincial Government	32,792	10,785
Limpopo Provincial Government	8,974	8,974
Northern Cape Provincial Government	12,895	104,337
North West Provincial Government	(3,689)	-
Western Cape Provincial Government	5,076	19,988
Department of Mineral resources - Heuningvlei	1,299	-
Interest income	3,502	-
	<b>395,128</b>	<b>195,834</b>

During the financial year, the Agency applied for the retention surplus, amounting to R1.3 billion, relating to funds of March 2022 remaining in the bank account, in line with National Treasury instruction No.12 of 2020/2021. The National Treasury has instructed the Agency to return the R1.3 billion to the Revenue Fund. There has been engagements between the Agency and the National Treasury regarding this matter. The Agency has since accrued R391.6m of those funds plus interest (R3.5m) to revert back to the National Revenue fund.



# THE HOUSING DEVELOPMENT AGENCY

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**18. Revenue from non-exchange transactions - operational grants**

Revenue from non-exchange transactions is made up as follows:

Transfer from controlling entity	242,716	235,379
	<u>242,716</u>	<u>235,379</u>

**Revenue from exchange transactions - conditional grants**

Provinces support conditional grant	165,907	109,146
	<u>165,907</u>	<u>109,146</u>



# THE HOUSING DEVELOPMENT AGENCY

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Buffalo City Municipality	21,154	-
Eastern Cape Provincial Government	8,045	-
Eastern Cape PHDA	3,906	
Free State Provincial Government	16,736	14,183
Gauteng Provincial Government	8,492	-
Gauteng Provincial Government - GADA	3,406	1,849
Gauteng Provincial Government - PHDA	10,792	-
KwaZulu-Natal Provincial Government	18,969	25,288
KwaZulu-Natal Floods	12,455	-
Limpopo Provincial Government	15,424	19,705
Northern Cape Provincial Government	7,219	4,040
North West Provincial Government	15,910	21,565
Western Cape Stellenbosch municipality	1,384	-
Western Cape Provincial Department of Transport	2,978	-
Western Cape Provincial Government	19,037	22,516
	<b>165,907</b>	<b>109,146</b>

The grant received covers corresponding expenditure for the provinces projects and certain amount earned which is in investment income.



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

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### 19. Revenue from exchange transactions

Project management fees

50,874

37,771

**50,874**

**37,771**

Buffalo City Municipality

478

3,051

Eastern Cape Provincial Government

24,673

6,818

Free State Provincial Government

4,176

-

Gauteng Provincial Government

19,734

6,761

Gauteng PHDA

540

-

Management recoveries(FS and LP)

-

19,173

KwaZulu-Natal Floods

623

-

Limpopo Provincial Government

156

-

Northern Cape Provincial Government

494

1,897

North West Provincial Government

-

71

**50,874**

**37,771**

Management fees are earned as per agreements signed between the HDA and relevant organs of state.





# THE HOUSING DEVELOPMENT AGENCY

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### 20. Interest income

Interest received - operational grant	11,351	5,055
Interest received - provincial bank accounts	136	11
	<u>11,487</u>	<u>5,066</u>

This is interest earned mainly on the Operational grant received from National Department of Human Settlement that was invested to the money market call and call account.

### 21. Other income

#### Rental Income

Incidental income	1,418	1,557
Owned properties	2,029	2,135
Other recoveries	1,884	70
	<u>5,331</u>	<u>3,762</u>

Incidental income from the properties owned by the agency's stakeholders and the remaining rental income is from the properties owned by the agency.



# THE HOUSING DEVELOPMENT AGENCY

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### 22. Operating expenses

Accounting other services	591	1,426
Advertising and marketing	1,484	1,958
Agency support - outsourcing	1,701	847
Impairment	766	3,304
Depreciation	3,047	2,758
Amortisation	390	94
Membership fees	73	228
Assets below R5000 expensed	67	858
Auditors remuneration	9,260	1,207
Bank charges	156	158
Board costs	1,599	2,477
Catering	3,006	2,044
Communications	841	726
Computer expenses	7,994	8,248
Consultants	21,306	15,762
Contractors - operational	2,476	5,618
Insurance	969	1,095
Leasing charges	637	1,397
Legal fees	12,442	25,696
Office rentals	15,883	15,727
Penalties	4	21
Printing, publications and stationery	392	826



# THE HOUSING DEVELOPMENT AGENCY

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Repairs and maintenance	461	227
Repairs - office refurbishment	2,317	1,212
Staff recruitment^	3,888	4,086
Staff welfare	297	637
Other office expenses	10,421	1,116
Temporary staff	17,023	10,690
Training and staff development	1,228	726
Travel and accommodation	17,998	15,552
	<b>138,717</b>	<b>126,721</b>

The above expenditure includes stakeholder's expenses of R32,3m and R30,4m for the financial year ended 2023 and 2022 respectively.

The stakeholder expenses above are covered by Provinces support conditional grant on note 18.

### 23. Land and related costs

Insurance	32	32
Maintenance costs	3,557	1,038
Conveyancing and valuation costs	6,935	7,789
Projects operational contractors	2,684	3,102
Development planning and feasibility studies	1,124	-
	<b>14,332</b>	<b>11,961</b>

The above expenditure includes stakeholder's expenses of R3,8m and R4,0m for the financial year ended 2023 and 2022 respectively.

The stakeholder expenses above are covered by Provinces support conditional grant on note 18.



# THE HOUSING DEVELOPMENT AGENCY

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## Notes to the Annual Financial Statements

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### 24. Technical and support services

Technical consultants

50,642	58,644
<b>50,642</b>	<b>58,644</b>

The above expenditure relates to stakeholder expenses.

The stakeholder expenses above are covered by Provinces support conditional grant on note 18.

### 25. Finance costs

Finance leases

19	88
<b>19</b>	<b>88</b>

The HDA entered into a finance lease agreement for photocopier machines. Lease agreement expired during the 2023 financial year.

The above expenditure includes stakeholder's finance costs of R8K and R36K for the financial year ended 2023 and 2022 respectively.



# THE HOUSING DEVELOPMENT AGENCY

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### 26. Employee costs

Basic salary	146,444	147,322
Labour settlement^	2,730	-
Leave paid	2,179	3,169
Allowances	3,736	3,940
Employer's contributions	17,055	16,778
Other payroll expenses - COIDA	758	1,188
	<b>172,902</b>	<b>172,397</b>

### Detailed employee costs per funding

Transfer from controlling entity	92,361	99,703
Provinces support conditional grant	80,541	72,694
	<b>172,902</b>	<b>172,397</b>

^Labour settlement relates to a payment towards a settlement of an ex employee labour dispute matter.



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### 27. Employee benefit obligation

#### Defined Contribution plan : Liberty Provident Fund

All Fixed-Term contract employees of the HDA are members of Liberty Life Umbrella Provident Fund. This is a defined contribution fund. A total employer contribution of 10% of the employee's total cost of employment is made to the fund. Approximately 120 HDA employees belong to this fund. The normal retirement age of the fund is 65 years.

#### Defined Benefit plan : Government Employees Pension Fund (GEPF)

All Permanent employees of the HDA are members of the GEPF. The entity accounts for this defined benefit state plan as a defined benefit plan, as there is no consistent and reliable basis for allocating the obligation, plan assets and cost to the individual employers participating in the plan and the plan exposes the participating employers to actuarial risks associated with the current and former employees of other employers. The only obligation of the entity with respect to this state plan is to pay over the contributions in accordance with the fund rules. A total contribution of 20.5% of the employees pensionable salary is made to the fund : the employer contributes 13%, the employee contributes 7.5%. Approximately 75 HDA employees belong to this fund. The normal retirement age of the fund is 60 years.

Contributions to the Liberty Provident Fund	8,711	8,128
Contributions to the GEPF	8,578	9,333
	<u>17,289</u>	<u>17,461</u>





# THE HOUSING DEVELOPMENT AGENCY

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28. Related party transactions

Relationship

Controlling entity

Department of Human Settlements

Board members

Dr Soni M Interim chairperson (from 07 March 2023 to 11 June 2023)  
Dr Ratshitanga T-Chairperson (from 26 November 2021 to 07 March 2023)  
Ms Dumakude M-Deputy Chairperson (from 26 November 2021 to date)  
Ms Maharaj N (from 26 November 2021 to date)  
Mr Makan R (from 26 November 2021 to date)  
Mr N Vimba (from 1 April 2022 to 27 March 2023)



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<b>Audit and Risk Committee</b>	<p>Ms Boulton SY-Chairperson (from 01 April 2021 to date)</p> <p>Ms Dumakude M (from 14 December 2021 to date)</p> <p>Ms Maharaj N (from 14 December 2021 to date)</p>	
<b>Corporate Support and Remuneration Committee</b>	<p>Dr Soni M - Chairperson (from 14 December 2021 to 11 June 2023)</p> <p>Dr Ratshitanga T (from 14 December 2021 to 07 March 2023)</p> <p>Ms Dumakude M (from 14 December 2021 to date)</p> <p>Mr Makan R (from 14 December 2021 to date)</p>	
<b>Land, Properties and Projects Development Committee</b>	<p>Ms Dumakude M - Chairperson (from 14 December 2021 to date)</p> <p>Dr Ratshitanga T (from 14 December 2021 to 07 March 2023)</p> <p>Dr Soni M (from 14 December 2021 to 11 June 2023)</p> <p>Ms Maharaj N (from 14 December 2021 to date)</p>	
<b>Social and Ethics Committee</b>	<p>Ms Maharaj N -Chairperson (from 14 December 2021 to date)</p> <p>Mr Makan R (from 14 December 2021 to date)</p> <p>Dr Soni M (from 14 December 2021 to 11 June 2023)</p>	



# THE HOUSING DEVELOPMENT AGENCY

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### Executive and senior management

Mr B Khenisa -Chief Executive Officer (from 01 June 2022 to date)  
 Ms Masemola J-Chief Financial Officer (from 01 July 2022 to date)  
 Ms Ngoasheng D-Head National Planning & Programmes Design-Acting Chief Executive Officer (from 01 September 2021 to 31 May 2022)  
 Mr Mlotshwa S-Projects Finance Manager-Acting Chief Financial Officer (from 01 March 2022 to 30 June 2022)  
 Mr Poya NS- Chief Operations Officer ( until 10 October 2022 )  
 Ms Ngoasheng D-Head National Planning & Programmes Design (until 30 September 2022)  
 Ms Asvat A-Human Resource Manager-Acting Head Corporate Support (01 September 2021 to 31 March 2023)  
 Ms Issel R-Head: Corporate Support (until 31 July 2022)  
 Mr Minnie JB-Head Spatial Information Analysis  
 Mr Rakgoale LS- Regional Head Region B  
 Mr Khoza BM-Regional Head Region C  
 Mr Mbulawa P-Regional Head Region A  
 Ms Van Eck M-Head Strategic Support (until 30 September 2022)  
 Ms Sejane T-Acting Head Strategic Support (from 01 October 2022 to 31 March 2023)  
 Mr Chainee N-Head SPPC (from 01 December 2022)  
 Ms Gumbu BC-Chief Executive Audit (from 01 December 2022 to date).



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### Entities under common control\*

National Housing Finance Corporation  
 Estate Agency Affairs Board  
 Community Schemes Ombud Services  
 National Home Builders Registration Council  
 Social Housing Regulatory Authority

\*These are entities under common control of the Department of Human Settlement of which HDA forms part.

By virtue of the HDA being a national public entity, it is presumed that all other government entities within the national sphere are related to it. However, only transactions that occurred outside the normal terms available to the broader public are disclosed in accordance with GRAP 20: Related Party Disclosures.

All other entities in the National Sphere of Government are considered to be related, but have not been disclosed unless transactions with those entities took place on terms that were not on ordinary terms or not course of business.

During the year, the HDA entered into the following transactions with:

	Operational grant received		Conditional grant received		Amounts owed by the related party at year-end	
	2023	2022	2023	2022	2023	2022
Department of Human Settlements	242,716	235,379	-	-	-	-
Social Housing Regulatory Authority			775	-	-	-

### Department of Human Settlements

The HDA is established by an Act of Parliament in 2008 and is funded and accountable to the National Department of Human Settlements

### Social Housing Regulatory Authority

The agency is holding land on behalf of SHRA for social-housing development for release in accordance to SHRA directive.



# THE HOUSING DEVELOPMENT AGENCY

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### 29. Executive and senior management remuneration

2023

Executive members	Basic salary	Pension/ provident fund	Total cost	Risk benefits & Co.contr	Allowances	Bonus	Total expenditure
Mr B Khenisa -Chief Executive Officer (from 01 June 2022 to date)	2,325	258	2,583	47	18	-	2,648
Ms Ngoasheng DN-Chief Executive Officer (from 1 September 2021 to 31 May 2022)	1,025	87	1,112	17	178	-	1,307
Ms Masemola J-Chief Financial Officer (from 01 July 2022 to date)	1,721	191	1,912	35	17	-	1,964
<b>Total executive management remuneration</b>	<b>5,071</b>	<b>536</b>	<b>5,607</b>	<b>99</b>	<b>213</b>	<b>-</b>	<b>5,919</b>

Employees acting in executive positions	Basic salary	Pension/ provident fund	Total cost	Risk benefits & Co.contr	Allowances	Bonus	Total expenditure
Mr Mlotshwa S-Projects Finance Manager - Acting CFO (1 March 2022 to 30 June 2022)	-	-	-	-	52	-	52
<b>Total acting executive management remuneration</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>52</b>



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*Executive and senior management remuneration. continued...*

Senior Management	Basic salary	Pension/provident fund	Total cost	Risk benefits & Co.contr	Allowances	Bonus	Total expenditure
Mr Khoza BM-Regional Head Region C	1,912	162	2,074	31	22	-	2,127
Ms Mashiane VM-Regional Head-Region B	2,327	259	2,586	48	22	-	2,656
Mr Mbulawa P-Regional Head-Region A	1,501	127	1,628	25	118	-	1,771
Mr Minnie JB-Head Spatial Information Analysis	1,796	152	1,948	22	22	-	1,992
Mr Rakgoale LS-Head: Land Management	1,787	151	1,938	30	22	-	1,990
Mr Chainee N-Head SPPC (from 01 December 2022)	689	77	766	12	7	-	785
Ms Gumbu BC-Chief Executive Audit from 01 December 2022 to date.	381	42	423	8	7	-	438
Mr Poya NS- Chief Operations Officer (until 10 October 2022 )	1,302	145	1,447	26	11	-	1,484
Ms Issel R-Head: Corporate Support (until 31 July 2022)	2,227	61	2,288	10	7	-	2,305
Ms Van Eck M-Head Strategic Support (until 30 September 2022)	2,165	104	2,269	19	11	-	2,299
<b>Total senior management remuneration</b>	<b>16,087</b>	<b>1,280</b>	<b>17,367</b>	<b>231</b>	<b>249</b>	<b>-</b>	<b>17,847</b>





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*Executive and senior management remuneration. continued...*

Employees acting in senior management positions	Basic salary	Pension/ provident fund	Total cost	Risk benefits & Co.contr	Allowances	Bonus	Total expenditure
Ms Asvat A-Human Resource Manager-Acting Head Corporate Support (from 01 September 2021 to 31 March 2023)	-	-	-	-	131	-	131
Ms Sejane T-Acting Head Strategic Support from 01 October 2022 to 28 February 2023)	-	-	-	-	173	-	-
Total acting senior management remuneration	-	-	-	-	304	-	131
<b>Total</b>	<b>20,469</b>	<b>1,739</b>	<b>22,208</b>	<b>318</b>	<b>811</b>	<b>-</b>	<b>23,164</b>

### 2022

Executive members	Basic salary	Pension/ provident fund	Total cost	Risk benefits & Co.contr	Allowances	Bonus	Total expenditure
Mr Poya NS-Chief Executive Officer (from 1 April 2021 to 31 August 2021)	2,603	289	2,892	51	205	-	3,148
Ms Ngoasheng DN-Chief Executive Officer (from 1 September 2021 to date)	2,051	173	2,224	34	217	-	2,475
Mr Mosehla KB-Acting Chief Financial Officer(from 22 May 2020 to 17 May 2021)	510	-	510	-	-	-	510
<b>Total executive management remuneration</b>	<b>5,164</b>	<b>462</b>	<b>5,626</b>	<b>85</b>	<b>422</b>	<b>-</b>	<b>6,133</b>



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*Executive and senior management remuneration. continued...*

Employees acting in executive positions	Basic salary	Pension/ provided fund	Total cost	Risk benefits & Co.contr	Allowances	Bonus	Total expenditure
Mr Mlotshwa S-Projects Finance Manager - Acting CFO (1 March 2022 to date)	-	-	-	-	13	-	13
Ms Tsehla MM Finance Manager - Acting CFO(1 April 2021 - 31 January 2022)	-	-	-	-	179	-	179
<b>Total acting executive management remuneration</b>	-	-	-	-	<b>192</b>	-	<b>192</b>

Senior Management	Basic salary	Pension/ provident fund	Total cost	Risk benefits & Co.contr	Allowances	Bonus	Total expenditure
Ms Issel R-Head: Corporate Support	2,179	184	2,363	36	22	-	2,421
Mr Khoza BM-Regional Head Region C	1,856	157	2,013	33	148	-	2,194
Ms Mashiane VM-Regional Head-Region B	2,260	251	2,511	46	22	-	2,579
Mr Mbulawa P-Regional Head-Region A	1,381	117	1,498	23	22	-	1,543
Mr Minnie JB-Head Spatial Information Analysis	1,743	147	1,890	29	128	-	2,047
Mr Rakgoale LS-Head: Land Management	1,735	147	1,882	29	22	-	1,933
Ms Van Eck M-Head Strategic Support	1,872	208	2,080	39	22	-	2,141
<b>Total senior management remuneration</b>	<b>13,026</b>	<b>1,211</b>	<b>14,237</b>	<b>235</b>	<b>386</b>	-	<b>14,858</b>



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Executive and senior management remuneration. continued...

Employees acting in senior management positions	Basic salary	Pension/ provident fund	Total cost	Risk benefits & Co.contr	Allowances	Bonus	Total expenditure
Ms Asvat A-Human Resource Manager-Acting Head Corporate Support	-	-	-	-	110	-	110
Ms Thaanyane L-Provincial Manager Free State-Acting Regional Manager Region C	-	-	-	-	90	-	90
<b>Total acting senior management remuneration</b>	-	-	-	-	<b>200</b>	-	<b>200</b>
<b>Total</b>	<b>18,190</b>	<b>1,673</b>	<b>19,863</b>	<b>320</b>	<b>1,000</b>	-	<b>21,183</b>



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### 30. Non - executive members

#### Non - executive members of the accounting authority

Dr Soni M Interim chairperson (from 07 March 2023 to 11 June 2023)

Dr Ratshitanga T - Chairperson (from 26 November 2021 to 07 March 2023)

Ms Dumakude M (26 November 2021 to date)

Ms Maharaj N (26 November 2021 to date)

#### Total non - executive members

166	120
223	217
263	196
203	112
<b>855</b>	<b>645</b>

#### Audit and Risk Committee

Ms Boulton SY

Mr Faku S

Ms W Dukuza

#### Total Audit and Risk Committee

197	158
-	66
-	39
<b>197</b>	<b>263</b>

### 31. Cash generated from operations

Net surplus	99,353	21,199
Adjustment for:		
Depreciation	3,047	2,758
Amortisation	390	94
Interest received	(11,487)	(5,066)
Deficit on disposal of property, plant and equipment	121	123



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*Cash generated from continued...*

Land related costs - conveyancers	780	310
Finance costs	19	88
Training & study development	975	-
Membership	73	228
Movements from correction of prior period errors	-	-
Audit fees	6,709	-
Impairment of receivables	766	3,304
	<b>100,746</b>	<b>23,038</b>

### Movements in working capital

	<b>(72,980)</b>	<b>(95,209)</b>
Increase in receivables exchange transactions	(88,885)	3,226
Deposits with conveyancers pending land transfer	(60,357)	(46,236)
Decrease in funds held in Trust :Conveyancers	(457,460)	(389,612)
Increase in Land liability :Conveyancers	457,460	389,612
Decrease in rental deposit	646	236
Increase in operating receivable	(228)	7
Increase in payables - exchange transactions	75,851	(52,442)
Operating lease payable	(7)	-
<b>Cash utilised in operations</b>	<b>27,766</b>	<b>(72,171)</b>



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### 32. Contingent liabilities

Contingent liabilities

267,794

1,485,304

**267,794**

**1,485,304**

Labour related matters

3,363

13,490

Land related matters

17,000

81,000

Other litigations

28,926

20,153

Retention of Surplus to National Treasury

218,505

1,370,661

**267,794**

**1,485,304**

#### Labour related matters

This category primarily comprises of potential liabilities from matters relating to litigation and proceedings relating to employees. Numerous labour related matters that existed in the previous year were finalised during the year in favour of the Agency.

#### Land related matters

The contingent liability relates to KwaZulu Natal Land Dispute. The matter was argued before the KZN High Court in March 2022 and Judgement is reserved. The decline year on year of R64m relates to a matter where the HDA was a second defendant alleging an irregular transfer of various properties by the seller to the HDA. The first defendant on this case is Cape Killarney Property Investments (Pty) Ltd, the Developer from which the HDA purchased the properties from at the request of Western Cape Provincial Government.

#### Other litigations

This category primarily comprises of potential liabilities from matters relating to litigation and proceedings relating to service providers/suppliers. Included in the prior year is an amount of R7,8m relating to a legal dispute between the Agency and a service provider arising out of a contract for the construction of TRUs' in Mamelodi. A court order in favour of the service provider was awarded in April 2023. The settlement amount has been accounted for in the financial statements. Refer to note 33 for further details.





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### Retention of Surplus to National Treasury

The HDA must annually declare all surpluses or deficits to the relevant Treasury from the period 1 August to 30 September of each year. The contingent liability represents an amount that will be subject to the declaration of surplus process in terms of National Treasury Instruction no.12 of 2020/21. The amount has been calculated using unaudited annual financial statements as the basis for calculation. During the financial year, the Agency applied for the retention surplus, amounting to R1.3 billion, relating to funds of March 2022 remaining in the bank account, in line with National Treasury instruction No.12 of 2020/2021. The National Treasury has instructed the Agency to return the R1.3 billion to the Revenue Fund. There has been engagements between the Agency and the National Treasury regarding this matter. The Agency has since accrued R391.6m of those funds plus interest (R3.5m) to revert back to the National Revenue fund.



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### 33. Events after reporting date

#### 1. Adjusting events

##### 1. 1 Adjusting events

A legal dispute between the HDA and a service provider arose out of a contract for the construction of temporary residential units in Mamelodi. A court order in favour of the service provider was awarded in April 2023. The HDA was ordered to pay an amount of R7,8m, plus interest and adjudication costs. This cost has been accounted for in the financial statements, an obligation equivalent to the settlement amount has been raised.

#### 2. Non-adjusting events

##### 2. 1 Changes to Board membership

The Minister appointed Mr V. Rabothata, Hosi P Ngove and Dr A. Mahapa between the period of April 2023 to June 2023 to the HDA Board and Dr. M Soni resigned as the Board member in June 2023.

##### 2.2 Eskom Building in Braamfontein

With effect from 01 April 2023, the HDA took occupation and possession of this. The HDA was given unfettered and unrestricted access to the property and is further responsible for all levies and security . This property has been disclosed in note 5.

##### 2.3 Retention of Surplus to National Treasury

On 30 September 2022, the Agency applied for the retention surplus, amounting to R1.3 billion, relating to unspent DORA conditional funds as at 31 March 2022 remaining in the bank account, in line with National Treasury instruction No.12 of 2020/2021. The National Treasury instructed the Agency to return the R1.3 billion to the National Revenue Fund as per communication dated 16 November and 22 December 2022. Engagements between the Agency, Department of Human Settlements, the Executive Authority and National Treasury were held on 30 November 2022, 01 December 2022, and 23 January 2023 regarding this matter . On 04 September 2023, National Treasury approved that The Agency reverts approximately R400million of the R1.3billion to the National Revenue fund.



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### 34. Irregular, fruitless and wasteful expenditure

Irregular expenditure that was under assessment in 2021/2022	-	-
Irregular expenditure that relates to 2021/2022 and identified 2022/2023	-	505,405
Irregular expenditure for the current year	371,369	6,198
Fruitless and wasteful expenditure	67	21
	<b>371,436</b>	<b>511,624</b>

In January 2023 National Treasury issued a new instruction to be applied when reporting Unauthorised, Irregular and Fruitless and Wasteful Expenditure. The disclosure is in line with the requirements outlined in the latest National Treasury Instruction No. 4 of 2022/2023 PFMA Compliance and Reporting framework.

### Criminal or disciplinary steps taken as a result of losses, irregular and fruitless expenditure

Incident description 2022/23
Ten cases completed and disciplinary action is under way against responsible officials. Two cases relate to irregular expenditure while the remaining eight cases relate to fruitless and wasteful expenditure.

### National Treasury

A request for condonation has been submitted to National Treasury for ±R705,3 million which includes irregular expenditure incurred and confirmed during the following financial years : FY2018, FY2021 and FY 2023.

### Restatement of opening balances

During the audit of 2022/23 financial year, the HDA identified Irregular expenditure of ±R505 million relating to 2021/22 financial year through its own internal processes. This additional amount was not previously disclosed in 2021/22 financial year.

### Impracticality Judgement

No impracticality judgement identified during the current financial year.



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### 35. Properties held on behalf of others.

#### Description

	Municipal valuation at 31 March 2023	Market value as at 31 March 2022	Land value@ acquisition	Restated 2022	2022
1491 Warmbath - Bela Bela	65,400	40,700	65,400	65,400	65,400
Erf 1816 Bethlehem township	710	6,100	4,400	4,400	4,400
Erf 4919 Kroonstad Ext 30 township	9,000	8,273	3,300	3,300	3,300
Erf 5246 Kroonstad Ptn 5, 6, 7, & 8	2,780	2,800	1,733	1,733	1,733
Erf 4049 Portion 20 Bethlehem	480	2,250	2,100	2,100	2,100
Erf 229 Kroonstad	1,000	3,300	2,338	2,338	2,338
Ptn of farm Welkom 41	1,100	4,734	4,366	4,366	4,366
Farm 654 Portion 1 Bloemfontein	5,000	18,200	10,200	10,200	10,200
Erf 2116 Portion 3 Bloemfontein	2,300	2,800	2,500	2,500	2,500
Erf 3726 De Aar Township Northern Cape	1,000	1,564	10,000	10,000	10,000
Erf 635 De Aar Emthanjeni Municipality	1,000	618	7,700	7,700	7,700
^ Erf 3994 - 4225 Modelkloof KZN	-	7,600	-	-	7,000
Portion 9 of Farm 787, 807 Cape Road, Western Cape	2,700	8,060	7,854	7,854	7,854



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*Properties held on behalf of others. continued...*

	Municipal valuation at 31 March 2023	Market value as at 31 March 2022	Land value@ acquisition	Restated 2022	2022
Erven 921,922,923,924,925,927-938, 940-941,17735,172883 Philippi, Western Cape	5,430	2,786	15,569	15,569	15,569
Farm 700 Business Zone 949, Cape Town, Western Cape	4,500	5,050	4,552	4,552	4,552
Erf 807,3108, 21400 Philippi(Market valuation as at April 2021)	11,115	18,400	39,195	39,195	39,195
Erven 4061,4062,5636,5637 Hout Bay, Western Cape	36,000	47,200	45,354	45,354	45,354
Farm 791, 793 Cape Town, Western Cape	4,512	14,455	10,842	10,842	10,842
Portion 64 of Farm 787 Cape Town, Western Cape	6,800	10,450	6,365	6,365	6,365
Erven 35163 - 35174, 36148, 38368 Milnerton, Western Cape	11,760	64,865	64,965	64,965	64,965
Portion 34 of farm Schultz Vley No. 807	5,700	14,690	12,388	12,388	12,388
Erven 40076 & 40077 Goodwood City of Cape Town, Western Cape	12,400	8,800	8,546	8,546	8,546
^ Erven 17845, 243, 17847, 18093 and 17844 Knysna	-	1,565	-	-	1,700
^Erf 14443 Strand, Western Cape	-	3,247	-	-	4,831
Portion 2 Farm 1540 Stellenbosch	3,000	-	2,507	-	-
Farm Elite 2630, in extent 214,1330 hectares Bloemfontein	25,700	49,140	45,000	45,000	45,000



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*Properties held on behalf of others. continued...*

	Municipal valuation at 31 March 2023	Market value as at 31 March 2022	Land value@ acquisition	Restated 2022	2022
Erf 11839 Kimberley, Sol Plaatjie	50,000	-	16,273	-	-
Portion 22,23,64&65 Farm Strathsomers Estate No 42	5,172	-	5,245	-	-
Portion 24 of the Farm Strathsomers Estate No 42 & portion 290	1,460	-	6,025	-	-
	<b>276,019</b>	<b>347,647</b>	<b>404,717</b>	<b>374,667</b>	<b>388,198</b>

^ During the financial year it was discovered that a few land parcels owned by the HDA were previously misclassified and erroneously reported as Land Held on Behalf of HDA stakeholders.

The Agency's primary mandate is to acquire, hold and release land for Human Settlements development. The secondary mandate is to do the above on behalf of other government entities. These transactions that qualify as the primary mandate are minimal compared to the secondary mandate.

To achieve the secondary mandate, Implementation Protocols are entered between the Agency and Provincial governments /Municipalities (clients). Some agreements include transfers of land from the clients to the Agency. Other agreements involve the transfer of funds from the client to the HDA to facilitate the identification, acquisition, holding, development and transfer of the land and the attached properties to beneficiaries.

The agreements with the clients are such that the Agency has no right of use of the land or the right to the economic benefits or service potential that arises from using the land. Instructions as to when to develop or dispose are given by the client through a signed funding agreement. Development plans and decisions are borne by the client. In addition, while the Agency holds the land, operational expenses of insurance, security and rates borne by the client. For these reasons, management concludes that it is an Agent and the Clients are the Principal as defined by GRAP 109.





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*Financial risk management continued...*

**Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, currency risk, interest rate risk and other price risk. The entity is only exposed to interest rate risk. See cash and cash equivalents below.

**Interest Rate Risk**

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

This is a risk that fair value or future cash flows from financial instruments will fluctuate as a result of changes in the market interest rates. Values in the financial instruments may change, thus resulting in both potential gains and losses. The HDA's activities do not expose it to significant market interest rate risks. Therefore, there are no procedures in place to mitigate these risks.

Cash in the bank account is kept at a minimum in order to maximise interest earned on cash.

The HDA has invested any surplus cash in a short-term money market account. The interest rates on this account fluctuates in line with movements in current money market rates.

**Credit Risk**

Credit risk consists mainly of cash deposits, cash and cash equivalents, derivative financial instruments and trade debtors. The HDA deposits cash only with major banks with high quality credit standing and limits exposure to any other counter party.

The HDA receives grant funding from the government through the Department of Human Settlements, therefore, its exposure to credit risk is minimal.

**Receivables**

The receivables are exposed to a low risk and amounts overdue are owing by other government institutions.



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*Properties held on behalf of others. continued...*

The clients retain the risks and benefits attached with the land. The major risks include land encroachment/ illegal invasions by squatters. No significant risks attach to the Agency other than compliance risks with the PFMA. The Agency is exposed to the risk of Irregular expenditure; fruitless and wasteful expenditure that arise from noncompliance to procurement processes. The Agency mitigates this risk by continuously monitoring its internal control and risk management frameworks.

The aggregate amount of revenue that the Agency recognises as compensation for the transactions carried out on behalf of the principal are disclosed in Notes 18, 19,20 and 21

In the current year, the Agency has not incurred any liabilities on behalf of the clients that have been recognised, as well as any corresponding rights of reimbursement that have been recognised as assets. In the previous year R13.2m was recognised for the Western Cape and has been disclosed in note 6.

The Agency has not received or accrued for revenue nor accrued or paid expenses on behalf of the Clients during the reporting period. In addition, the Agency has not remitted any resources during the period to the Clients.

The Properties affected are listed above.



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### 36. Financial risk management

The HDA, in the course of normal operations, has limited exposure to the financial risks, e.g liquidity risks, credit risks and interest rate risks. However, the HDA attempts to manage the following financial risks:

#### Liquidity risks

Liquidity risk refers to the risk that sufficient liquidity is not available when required. The goal of the entity is to maintain adequate liquidity at all times.

The HDA is exposed to liquidity risk only with regards to the payment of its payables and undertaking unfunded projects. The payables are all due within a short time, the National Treasury instruction requires payments of invoices within 30 days of receipt. The HDA manages its liquidity risk by conducting monthly forecasting, holding sufficient cash in its bank accounts, supplemented by cash available in a money market account.

The HDA manages liquidity risk according to its investment policy and working capital management, expenditure versus forecasted cash flows. The amount of cash invested in call deposits of 30 days, 60 days and 90 days is guided by the projected future cash requirements. The issue of unfunded projects remains a challenge, as the funding agreements signed with some of the stakeholders entails that funding in a form of management fee is earned over a period of time, with no bridging finance available to cover preliminary expenses.

The maturity analysis of payables at reporting date were as follows:

#### Payables

Not past due	701,199	586,485
Past due 60 days	-	3,015
Past due 90 days	2,415	1,851

#### Finance lease obligations

Projected repayment - less than 1 year	-	246
Projected repayment - 31 March 2023	-	-



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*Financial risk management continued...*

### Receivables

Not past due	30,186	(60,371)
Past due 60 days	231	74,249
Past due 90 days	42,067	54,769

### Cash and Cash equivalents

Cash and deposits are regarded as having insignificant credit risk. The balances of cash and cash equivalents are as follows:



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*Financial risk management continued...*

Bank	Type	Interest rate %	Balance as at 31 March 2023	Balance as at 31 March 2022
Absa	Current account	0.01	364,089	438,385
Absa	Call account	7.25	18,506	-
Absa	Money Market Call	8.1	290,273	156,516
First National Bank	Current account	5.75	25,900	26,344
First National Bank	Corporate cheque account	5.75	6,689	4,883
First National Bank	Commercial Nstd Call	7.05	30,659	32,232
First National Bank	Commercial Money Market	7.9	450,989	367,563
Standard bank	Current account	6.25	60,032	57,497
Nedbank	Current account	0	49,559	468,213
Nedbank	Money trader	7.6	666,889	413,679
Petty cash	Cash	0	79	60
			<b>1,963,664</b>	<b>1,965,372</b>

### Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:



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*Financial risk management continued...*

Receivables and sundry receivables	93,712	4,553
Bursaries paid	2,404	2,678
	<u>96,116</u>	<u>7,231</u>

### Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Payables	126,783	50,933
Designated income received in advance	746,452	1,167,655
	<u>873,235</u>	<u>1,218,588</u>





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### 37. Going concern

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

The ability of the Agency to continue as a going concern is dependent on many factors and indicators. The Board and Management has considered, among other, the following relating to financial, operating and legislation towards the assessment of going concern:

#### Financial indicators

- The budgets for the 2023/24 financial year indicate that the ongoing operation will be returning a surplus and positive cash flows.
- The Agency has a positive net asset position of R271million (2022: R171million)
- The Agency has positive cash balances at year end, is in a net current asset position and has a favorable current ratio of 1.11 (2022: 1.6)
- The Agency has secured the necessary fiscal backing as supported by the approved MTEF allocation and various signed funding agreements and implementation protocols in place to fund the HDA and to continue in operation for the foreseeable future.

#### Operational indicators

- The management team has been enhanced with the appointment of a permanent CEO and CFO.
- The Entity has not lost any key service provider or key agreement with clients which are key for generating revenue and surpluses.
- The Entity is looking to strengthen relationships further and venture into new areas of revenue generation by engaging in its primary mandate in future.

#### Legislative and other factors

- Compliance with all laws and regulations applicable to the Agency is currently a priority for the Board. All identified risks on compliance are continuously being dealt with and appropriate controls are being put in place to detect and act upon any compliance requirements which might arise.
- There is no known or reported intention by Parliament to repeal the HDA Act that may cast any real material uncertainty onto the Agency's continued existence.

Consequently, the Board does not expect any material uncertainty over the Agency's ability to continue as going concern in the foreseeable future.



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### 38. Prior Period error

#### (A) Project revenue not recognised in the financial statements

The Agency did not recognise project revenue associated with the Greater Alex Development Area (GADA) project. This resulted in an overstatement of Project Obligations (Current liabilities) and a decrease in Accumulated surplus in the Statement of Financial Position; an understatement of Provinces support conditional grant (Revenue from exchange transactions) and Surplus in the Statement of Financial Performance; an understatement of Accumulated surplus in the Statement of Changes in Net assets; an overstatement of cash utilised in operations and net cash outflows from operating activities and an overstatement of cash flows from financing activities in the Statement of Cash flows all by R1,85m. The error has been corrected.

The correction resulted in:

#### Statement of Financial Position

- a decrease in Project Obligations (Current liabilities) by R1,85m
- an increase in accumulated surplus R1,85m

#### Statement of Financial Performance

- an increase in Provinces support conditional grant (Revenue from exchange transactions) by R1,85m
- an increase in Surplus from conditional grant funding and Surplus for the year by R1,85m

#### Statement of changes in Net Assets

- an increase in accumulated surplus R1,85m

#### Statement of cash flows

- a decrease in cash utilised in operations and net cash outflows from operating activities by R1,85m
- a decrease in cash flows from financing activities by R1,85m

#### (B) Revenue earned from projects not accounted for

Management fees from projects were not accounted for correctly. The amounts of management fees earned was incorrectly recorded in the project obligations. The effect of the error was an overstatement of project obligations and an understatement of project management fees by R7,60m. This error has been corrected.



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*Prior Period error continued...*

The corrections resulted in:

### Statement of Financial Position

- a decrease in Project Obligations (Current liabilities) by R7,60m

### Statement of Financial Performance

- an increase unconditional grant (Revenue from exchange transactions) by R7,60m  
- an increase in Surplus for the year by R7,60m

### Statement of changes in Net Assets

- an increase in accumulated surplus R7,60m

### Statement of cash flows

- an decrease in cash utilised in operations and net cash outflows from operating activities by R7,60m  
- a decrease in cash flows from financing activities by R7,60m

### (C) Land held on behalf of a client recognised as an asset in error

Land held on behalf of clients was recognised in error as Land Inventory in the Statement of Financial Performance. The land did not meet the definition of an asset because the Agency could not demonstrate "Control" as defined by IGRAP18 over the land or properties. The Agency should not have recognised this land in its financial statements because it does not meet the definition of an asset as defined by GRAP 1. Management concluded that the Agency is an Agent of it's stakeholders and these stakeholders are the Principal in the land transactions as defined by GRAP 109. The stakeholder's should account for the land in their financial statements. The effect of this error was to overstate Land inventory (Current assets) and Land Inventory Obligation (Current Liabilities) each by R388m. The error has been corrected.

The correction resulted in:

### Statement of Financial Position

- a decrease in Current assets by R388m  
- a decrease in Current liabilities by R388m



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**(D) Interest earned not accrued for in the correct period**

Interest earned was not accrued in the correct period. The interest accrued as recorded in the project obligations and interest income was understated by approximately R684k as confirmed by the bank. The error has been corrected.  
The correction resulted in;

**Statement of Financial Position**

- an increase in Receivables from non-exchange transactions (Current assets) by R684k
- an increase in Project obligations (Current obligations) by R481k

**Statement of Financial Performance**

- an increase in Interest income and Revenue by R203k
- an increase in Surplus for the year by R203k

**Statement of changes in Net Assets**

- an increase in accumulated surplus by R203k

**Statement of cash flows**

- an decrease in cash utilised in operations and net cash outflows from operating activities by R481k
- an decrease in cash flows from financing activities by R481k

**(E) Land owned by the Agency not recognised in the financial statements**

During the financial year it was discovered that a few land parcels owned by the Agency were previously misclassified and erroneously reported as Land Held on Behalf of HDA stakeholders. As a result, the land was not recorded in the books of the Agency as Land and properties thereby understating Property, plant and equipment by R13,53m . The market values of these parcels at acquisition was R7m, R1,7m and R4,83m for parcels in KwaZulu Natal, Knysna and Western Cape respectively.



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in R`000	2023	Restated 2022
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*Prior Period error continued...*

The error has been corrected. The correction resulted in an increase in:

**Statement of Financial Position**

- an increase in Land and properties / Property, plant and equipment (Non-current assets) by R13,53m

**Statement of changes in Net Assets**

- an increase in Accumulated surplus by R13,53m

**(F) Errors in calculation and application of smoothing of operating lease**

The smoothing of operating leases was inaccurately calculated and applied in the past. As a result, the operating lease receivables were not cleared after the leases ended. There were omissions for the smoothing of some contracts. The effect was balance of R4,63m on a lease receivable for expired contracts. A lease contract was not straight-lined resulting in overstatement of lease rentals by R505k in 2022 and another contract resulted in an understatement of lease rentals by R549k.

These errors were corrected. This resulted in

**Statement of Financial Position**

- a decrease in Operating lease receivables (Current assets) by R4,68m

**Statement of Financial Performance**

-an increase in leasing charges (operating expenses) by R43k

**Statement of changes in Net Assets**

- an decrease in accumulated surplus by R4,63m

**(G) Errors in accounts payable balances**

During the preparation of year 2021/2022 external audit, the opening balance of accounts payable was not agreeing to the closing balance of 2021 financial year. Corrections to accounts payables were made which then affected operating expenses, accruals and prepaid expenses of year 2021. The correction resulted to a decrease in accumulated surplus by R506k, a decrease to prepaid expense by R351k and an increase to accruals by R155k.



# THE HOUSING DEVELOPMENT AGENCY

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## Notes to the Annual Financial Statements

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2023

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*Prior Period error continued...*

### **(H) Prescribed financial assets not expensed**

Cash deposits held by former landlords dating back to 2009 – 2013 financial years were assessed for impairment in the current year in line with the GRAP requirements. These debts of R308k prescribed years ago and were deemed to be non-recoverable. These amounts were supposed to be written off as bad debts years ago given the age of the debts. The error has been corrected.

The correction resulted in:

#### **Statement of Financial Position**

- a decrease in Current Assets (Rental deposit) by R308k.

Statement of changes in Net Assets

- an decrease in accumulated surplus by R308k.

### **(I) Assets acquired for less than R5 000**

According to the Property Plant and Equipment policy, assets acquired for less than R5 000 are written off as expenses. Historically the assets falling in this category were erroneously capitalised. The error is corrected. The correction resulted in a decrease in accumulated surplus and a decrease in Property Plant and Equipment by R111k.

### **(J) Properties receivable**

Reclassification - presented as Receivables: Properties on the face of the statement of financial position previously included in Prepaid expenses.

### **(K) Intangible assets**

Annual Software Licenses were previously capitalized on recognition. With effect from 1 April 2022, the accounting policy was changed, and software annual licenses are now expensed on recognition resulting in a prepayment asset for licenses overlapping the reporting period. The effect of the change in accounting policy is indicated. In the statement of financial position intangible assets decrease by R159k and prepayment increased by R159k.



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## Notes to the Annual Financial Statements

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*Prior Period error continued...*

### (L) Funds held in trust account

During the financial year ended 31 March 2022, the agency purchased land and building and did not accrue for the interest income, legal practice fees and conveyancer's administration fees on trust account fund held by the conveyancer by approximately R488k and R310k respectively as confirmed on the bank statements. In addition to this, the agency did not present and disclose in the financial statements the funds held in the Trust account of the conveyancers. The error is corrected.

The correction resulted in;

### Statement of Financial Position

- an increase in Receivables from exchange transactions (Current assets) by R488k
- a decrease in Receivables from exchange transactions (Current assets) by R310k
- an increase in Funds held in the trust-Conveyancers (Current assets) by R389,61m
- an increase in Land liability (Current liabilities) by R389,61m

### Statement of Financial Performance

- an increase in Interest income (Revenue) by R488k.
- an increase in land related costs (Revenue) by R310k.
- an increase in Surplus for the year by R178k.

### Statement of changes in Net Assets

- an increase in accumulated surplus by R178k.

### Statement of cash flows

- an decrease in cash utilised in operations and net cash outflows from operating activities by R488k





# THE HOUSING DEVELOPMENT AGENCY

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## Notes to the Annual Financial Statements

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*Prior Period error continued...*

**(M) Project receivable reversal**

During the financial year ended 31 March 2022,the stakeholder required that the HDA provides an invoice before it can remit these funds to the agency. The accounting systems were configured to create a Receivable and a liability the moment an invoice is created and issued. At this point the agency has no asset nor the liability as it has not carried out any activities on behalf of the stakeholders. The effect of the error was an overstatement of project receivables and obligations approximately by R118.28m. This error has been corrected.

The correction resulted in;

**Statement of Financial Position**

- an decrease in Receivables/projects (Current assets) by R118.28m
- an decreased in projects obligation (Current liabilities) by R118.28m

**Statement of cash flows**

- an decrease in cash in cashflow from financing activities by R118.28m



# THE HOUSING DEVELOPMENT AGENCY

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## Notes to the Annual Financial Statements

Figures in R`000

2023

Restated 2022

*Prior Period error continued...*

### 1. Statement of financial position

	Reference	As previously reported	Adjustments	As restated
<b>Total assets</b>		<b>672,525</b>	<b>(107,926)</b>	<b>564,599</b>
Land inventory	C	388,198	(388,198)	-
Receivables from exchange transactions	D, G and L	57,473	(50,242)	7,231
Receivables: Properties	K	-	46,236	46,236
Property, plant and equipment	E and I	7,141	41,325	48,466
Rental deposit	H	1,454	(308)	1,146
Intangible assets	J	159	(159)	-
Long - term land inventory	C	27,905	(27,905)	-
Receivable/projects	M	190,195	(118,287)	71,908
Funds held in Trust - Conveyancers	L	-	389,612	389,612
<b>Total liabilities</b>		<b>(1,733,954)</b>	<b>125,747</b>	<b>(1,608,207)</b>
Land inventory	C	(388,198)	388,198	-
Projects obligation	A, D, B and M	(1,294,979)	127,323	(1,167,656)
Payables from exchange transactions	G	(50,777)	(155)	(50,932)
Operating lease payable	F	-	(7)	(7)
Land liability	L	-	(389,612)	(389,612)
<b>Net Assets</b>		<b>(153,140)</b>	<b>(17,821)</b>	<b>(170,961)</b>



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in R`000		2023	Restated 2022	
<i>Prior Period error continued...</i>				
2. Statement of financial performance		(7,149)	(9,855)	(17,004)
Total Revenue		(145,478)	(10,208)	(155,686)
Provinces support conditional grant	A	(99,631)	(9,457)	(109,088)
Project management fees	B	(37,711)	(60)	(37,771)
Other income		(3,762)	-	(3,762)
Interest income	D, L	(4,374)	(691)	(5,065)
Total expenses		138,329	353	138,682
Operating expenses	F	126,678	43	126,721
Land and related costs	L	11,651	310	11,961
3. Statement of changes in net assets				
Accumulated surplus	A, D, E, F, G, H and I	(153,140)	(17,822)	(170,962)



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in R`000	2023	Restated 2022
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Prior Period error continued...

### 4. Statement of cash flows

Cash (utilised) generated from operations	A,B	(86,308)	8,943	(77,365)
Netcash (outflow)/ inflow from operating activities	A,B	(82,022)	9,456	(72,566)
Cash inflow/(Outflow) from financing activities	A,B	(812,664)	9,456	(803,208)
Cash from financing activities	M	(620,892)	118,287	(502,605)

### System consolidation adjustment

Adjustments is due to correction of amount that could not reconcile on transition from utilising various ledger to consolidation to a single ledger.



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

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### 39. Segment Information

#### Identification of segments

The Agency is organised and reports to management on the basis of one major functional area: Head Office

The segment is organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. There were no segments that were aggregated for reporting purposes.

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

The Agency operates in the following geographical areas:

- Gauteng
- Limpopo
- KwaZulu Natal
- Northern Cape
- Eastern Cape
- Western Cape
- Free State
- North West

The Agency does not maintain records of the following :

- external revenues from non-exchange transactions, external revenues from exchange transactions attributed to the geographical areas in which it operates.
- total expenditure attributed to the geographical areas; and
- non-current assets other than financial instruments, post-employment benefit assets, and rights arising under insurance contracts for the geographical areas.



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in R`000	2023	Restated 2022
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Segment Information continued...

### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Head Office	Accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management support services

### Segment surplus or deficit, assets and liabilities



# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Notes to the Annual Financial Statements

Figures in R`000

2023

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Segment Information continued...

### 2023

	Head Office	Agency
Revenue from non-exchange transactions	242,716	242,716
Revenue from exchange transactions	231,527	231,527
Expenditure	376,180	376,180
Surplus for the year	98,063	98,063
Non-Current Assets	49,846	49,846
Current Assets	2,211,865	2,211,865
Total Assets	2,261,711	2,261,711
Net Assets	269,091	269,091
Current Liabilities	1,992,623	1,992,623
Total Liabilities	1,992,623	1,992,623
Total Net Assets and Liabilities	2,261,714	2,261,714

### 2022

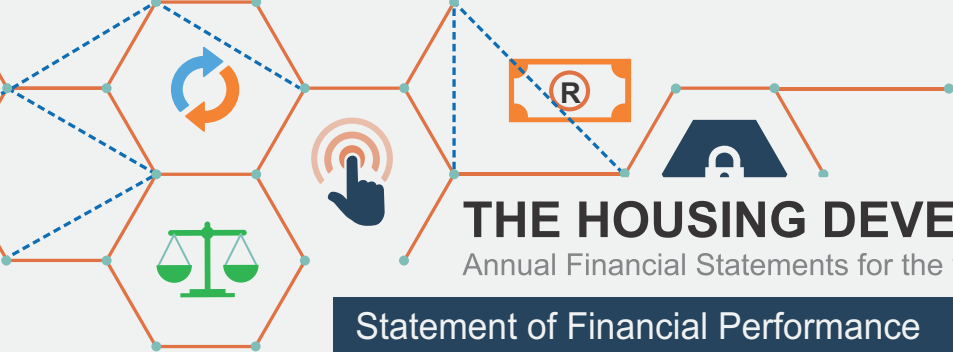
	Head Office	Agency
Revenue from non-exchange transactions	235,379	235,379
Revenue from exchange transactions	155,256	155,256
Expenditure	369,615	369,615
Surplus for the year	21,020	21,020
Non-Current Assets	48,466	48,466
Current Assets	2,210,002	2,210,002
Total Assets	2,258,468	2,258,468
Net Assets	170,784	170,784
Current Liabilities	2,087,684	2,087,684
Total Liabilities	2,087,684	2,087,684
Total Net Assets and Liabilities	2,258,468	2,258,468

### Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.



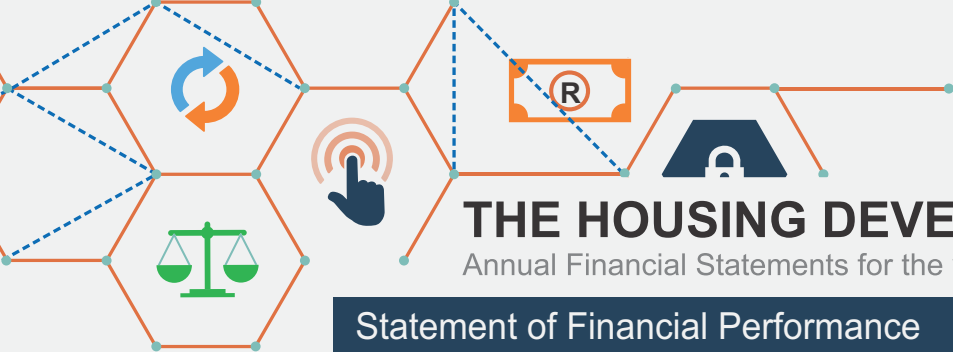


# THE HOUSING DEVELOPMENT AGENCY

Annual Financial Statements for the year ended 31 March 2023

## Statement of Financial Performance

Figures in R`000	2023	Restated 2022
<b>Revenue</b>		
Grants received	408,623	344,525
Operational grant received from National Department of Human Settlements	242,716	235,379
Provinces support conditional grant	165,907	109,146
Buffalo City Municipality	21,154	-
Eastern Cape Provincial Government	8,045	-
Eastern Cape PHDA	3,906	-
Free State Provincial Government	16,736	14,183
Gauteng Provincial Government	8,492	-
Gauteng Provincial Government - GADA	3,406	1,849
Gauteng Provincial Government - PHDA	10,792	-
KwaZulu-Natal Floods	12,455	-
KwaZulu-Natal Provincial Government	18,969	25,288
Limpopo Provincial Government	15,424	19,705
North West Provincial Government	15,910	21,565
Northern Cape Provincial Government	7,219	4,040
Western Cape Provincial Department of Transport	2,978	-
Western Cape Provincial Government	19,037	22,516
Western Cape Stellenbosch municipality	1,384	-
Project management fees	50,874	37,771
<b>Gross revenue</b>	<b>459,497</b>	<b>382,296</b>
<b>Other Income</b>		
Investment income	11,487	5,066
Other income	5,331	3,762
	16,818	8,828



# THE HOUSING DEVELOPMENT AGENCY

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## Statement of Financial Performance

Figures in R`000	2023	Restated 2022
	476,315	391,124
<b>Expenditure</b>		
Accounting other services	591	1,426
Advertising and marketing	1,484	1,958
Agency Support - Outsourcing	1,701	847
Amortisation - Intangible assets	390	94
Asset sunder R5000	67	858
Auditors remuneration	9,260	1,207
Bad debts	766	3,304
Bank charges	156	158
Board costs (fees and travel)	1,599	2,477
Catering	3,006	2,044
Communications	841	726
Computer expenses	7,994	8,248
Consultants	21,306	15,762
Consultants - technical	50,642	58,644
Contractors - Operational	2,476	5,618
Deficit on disposal of property, plant and equipment	350	114
Depreciation - property, plant and equipment	3,047	2,754
Finance costs	19	88
Insurance	969	1,095
Land & related costs	14,331	11,961
Leasing charges	637	1,397
Legal fees	12,442	25,696
Membership fees	73	228
Office rentals	15,883	15,727
Other office expenses	10,422	1,118
Penalty	4	21
Printing, publications and stationery	392	826
Repairs and maintenance	461	227
Repairs refurbishment - offices	2,317	1,212
Salaries	172,902	172,397
Staff recruitment	3,888	4,086
Staff welfare	297	637
Temporary staff	17,023	10,691
Training and staff development	1,228	726
Travel and accommodation	17,998	15,553
	<b>376,962</b>	<b>369,925</b>
<b>Surplus from grant funding</b>	<b>99,353</b>	<b>21,199</b>
<b>Surplus for the year</b>	<b>99,353</b>	<b>21,199</b>