

10 YEARS

OF SERVING OUR PEOPLE WITH EXCELLENCE

ANNUAL REPORT

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# THE HDA AT 10 (10 - YEAR CELEBRATION)

## Environmental context within which the HDA was established:

In 2005, the Banking Association undertook research into housing supply and the functioning of the low-income housing market<sup>1</sup> to understand the current dynamics and factors influencing the supply and demand for new and existing housing in the 'affordable housing market'<sup>2</sup>. In addition, a quantitative econometrix model was developed that scoped supply and demand. It was determined that the following were inhibiting low income housing delivery:

- The lack of access to well-located and reasonably priced land.
- Serious delays in the land proclamation and servicing process.
- A lack of capacity within municipalities to identify and package land.
- A decline in delivery of housing products and home builders operating in the affordable housing sector.
- Delays in the registration of title deeds and mortgages due to inadequate capacity in deeds offices, and inadequate and incomplete documents.

The Housing Development Agency (HDA) was envisaged as an agency to address bottlenecks in the housing delivery chain with a particular focus on land, secure title, zoning, infrastructure, planning and design, managing projects, end-user identification and ownership. The HDA<sup>3</sup>... 'Would be supplementary in character, and would complement the work of municipalities and provinces', but at the same time would have to transact with the private sector and function proactively, facilitating the acquisition of land and landed property in a way that supplemented the capacities of government across all spheres.

<sup>1</sup> Banking Association of South Africa: Housing Workstream Group, Research into housing supply and functioning markets, Final Report: Research, Findings and Conclusions, November 2005.

<sup>2</sup> The affordable market was assumed to be a mortgageable value of less than R180 000 and targeting people with an income of between R2 500 and R7 500 per month.

<sup>3</sup> Department of Human Settlements (then Housing) Business Case for the HDA, June 2008, and Access to Affordable Land for Housing, Initial RIA, incorporating proposal to establish a housing development agency, 11 May 2006.



2009

01

- The HDA is launched by the Minister of the Department of Human Settlements
- First Board is founded and three Board sub-committees established to take care of audit, human resources and remuneration, and land and development functions. Chief Executive Officer (CEO), Chief Financial Officer (CFO) and executive team appointed
- The HDA receives Section 29 mandate and takes over as implementing agent on Zanemvula and N2 Gateway projects

2010

02

- The HDA's written mandate and delivery agreement with the Minister of Human Settlements is concluded
- Website is launched
- Implementation protocols are concluded with Limpopo and Free State provinces
- The HDA's geographic information system (GIS) tool, known as LaPsis (Land and Property Spatial Information System) developed and implemented in provinces and municipalities

2011

03

- Regional office is established in Polokwane
- Implementation protocols concluded with Nelson Mandela Bay Metro and City of Tshwane municipalities and North West province
- Memorandum of agreement (MoA) is concluded with the Council for Geoscience

2012

04

- Implementation protocols concluded with the Western Cape and Northern Cape provinces, and eThekweni and Rustenburg municipalities
- Regional office is opened in Mangaung

2013

05

- Implementation protocols are concluded with KwaZulu-Natal and Mpumalanga provinces, and City of Cape Town, City of Johannesburg and Buffalo City municipalities
- Medium-term operational plan is concluded with Northern Cape and office opened in Kimberley



2014

06

- At her Budget Vote Speech, Minister Sisulu declares that the HDA 'will become a fully-fledged development agency, whose job is not only to acquire and prepare land, but to be developer and project manager to assist municipalities and any other sphere that might need support.'
- Fraud/ethics hotline is launched to make provision for affected parties, including employees, stakeholders and members of the public to report fraud and fraudulent activities anonymously

2015

07

- Human Settlement Master Spatial Plan concept developed by the HDA and fast-tracked by the Ministry
- Priority housing development area (PDHA) framework adopted by the Parliamentary Portfolio Committee
- N2 Gateway project acknowledged by then-President Jacob Zuma as he hands over houses, officially opening the project

2016

08

- HDA hosts Developers' Roundtable in November 2016 off the ground
- N2 Gateway Project moves into its second phase and reaches critical mass milestones
- The Agency facilitates the acquisition and release of a Transnet/Servcon building in the inner city to Johannesburg Social Housing Company (JOSHCO) for social housing development

2017

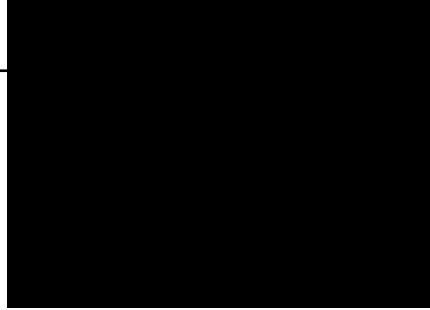
09

- 48 government-led catalytic projects approved by Ministers and Member of Executive Councils (MINMEC)
- Surpassed the Medium-term Strategic Framework (MTSF) target of 10 000ha by 35%, achieving a cumulative total of 13 507.8554ha of land acquired and released

2018

10

- HDA Eastern Cape office wins Govan Mbeki Award
- 39 priority housing development areas (PHDAs) approved for consultation with provinces and municipalities



# C O N T E N T S



**PART A: GENERAL INFORMATION ..... 6**

Contact details..... 7

Abbreviations and acronyms ..... 8

Acting Chief Executive Officer’s Report..... 9

Scope, statement of responsibility and confirmation of accuracy of annual report ..... 12

Legislative and other mandates ..... 13

Organisational structure..... 14

**PART B: PERFORMANCE INFORMATION ..... 20**

Report of the Chief Financial Officer ..... 22

Performance information ..... 27

Situational analysis ..... 27

Strategic outcome-oriented goals..... 29

Programme performance information ..... 30

Core business performance..... 44

Performance of support functions ..... 50

**PART C: GOVERNANCE ..... 58**

Corporate governance report..... 60

Report on the audit and risk committee ..... 70

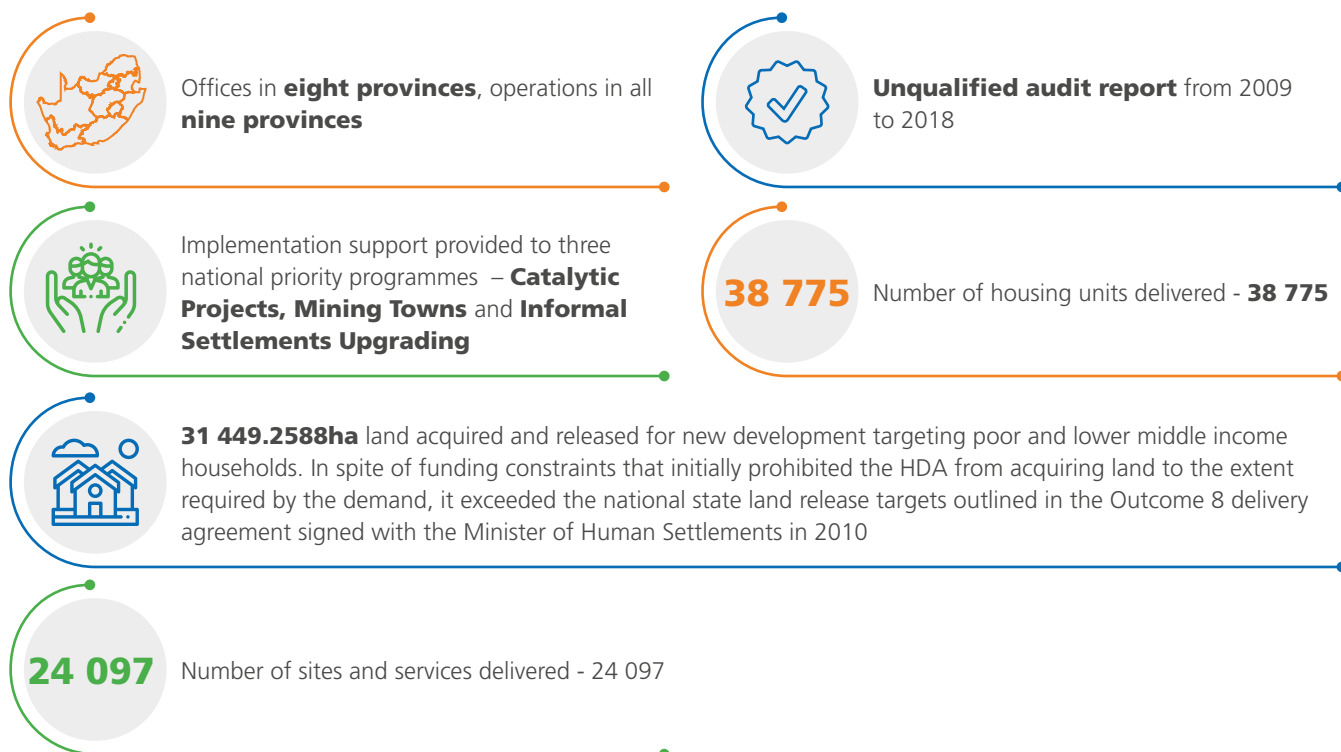
**PART D: HUMAN RESOURCES MANAGEMENT ..... 72**

Human resources management..... 74

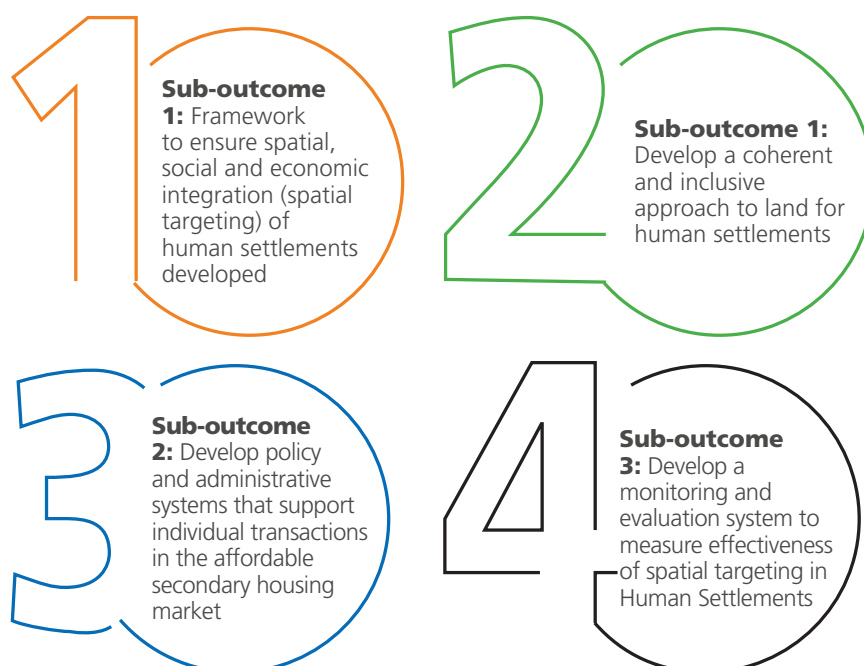
  

**PART E: ANNUAL FINANCIAL INFORMATION ..... 78**

## Our flagship achievements over 10 years



## MTSF 2014 to 2019



## General









## CONTACT DETAILS

### Head Office

#### Physical Address

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Killarney, Johannesburg

#### Postal Address

PO Box 3209, Houghton, 2041

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Website [www.thehda.co.za](http://www.thehda.co.za),

Facebook@THEHDA

Twitter@the\_hda

Instagram the\_hda

### Regional Offices

#### Western Cape

021 481 2900  
6<sup>th</sup> Floor  
Pier Place  
31 Heerengracht Street  
Cape Town 8001

#### Eastern Cape

041 393 2600  
63 Worracker Street  
Between 6<sup>th</sup> and 7<sup>th</sup> Avenue  
Newton Park  
Port Elizabeth 6045

#### Limpopo

015 283 8161  
89 Biccard Street  
Block B  
Millenium Building  
(Ground Floor)  
Polokwane 0699

#### Free State

051 409 0220  
86 Kellner Street  
1<sup>st</sup> Floor  
Westdene  
Bloemfontein 9300

#### Northern Cape

053 830 9531/16  
Department of Cooperative  
Governance  
Human Settlements and  
Traditional Affairs  
9 Cecil Sussman Road  
Kimberly 8301

#### KwaZulu-Natal

031 335 7300/1  
199 Anton Lembede Street  
Embassy Building  
25<sup>th</sup> Floor  
Durban 4000

#### Mpumalanga

013 757 8960  
1-5 Cascades Close  
Keaweldorp Building  
Riverside Park  
Nelspruit 1200

# ABBREVIATIONS AND ACRONYMS

<b>APP</b>	Annual Performance Plan
<b>BCCM</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>CPP</b>	Catalytic Projects Programme
<b>DHS</b>	Department of Human Settlements
<b>DLRDR</b>	Department of Land
<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>IRDP</b>	Integrated Residential Development Programme
<b>IP</b>	Implementation Protocol
<b>LapSIS</b>	Land and Property Spatial Information System
<b>MEC</b>	Member of the Executive Committee
<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>NDP</b>	National Development Plan
<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>PPD</b>	Programme Planning and Design
<b>PPH</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>SIR</b>	Stakeholder and Intergovernmental Relationships
<b>STST</b>	Spatial Transformation and Scoring Tool
<b>UISP</b>	Upgrading of Informal Settlements Programme



# A C T I N G C H I E F E X E C U T I V E O F F I C E R ' S R E P O R T

On behalf of management and staff, I take great pleasure in presenting to you the 2018/19 annual report of the Housing Development Agency. The HDA was established by the Housing Development Agency Act No 23 of 2008 as a Schedule 3A national public entity and partner to the government in procurement of land and delivery of housing.

This annual report provides a summary of activities in these areas from 1 April 2018 to 31 March 2019, including performance against objectives agreed with the Department of Human Settlements, and sets out financial statements for the year ended 31 March 2019.

This report provides an opportunity to reflect on the journey to date and plan for a period of improvement ahead. As the HDA approached 1 April 2019, the date that marked the start of 10 years of service to the South African people, a time of reflection had already started in earnest, circumstances having decreed that the organisation needed to resume a steady footing and refocus on its core business of procuring, preparing and providing land and human settlements development to the citizens of South Africa.

As a result, in December 2018, the then Minister of Human Settlements, Honourable Nomaindiya Mfeketo, invoked Section 31 of the HDA Act and placed the Agency under administration.

The Agency had not been performing optimally, with underachievement particularly noticeable in the Catalytic Projects Program, National Upgrading Support Programme, Public Sector Land and Property Development as well as Distressed Mining Towns programmes. Of an APP target of 11 754 housing units, the Agency delivered only 7 998 and only 12 942 serviced sites out of a target of 10 147 serviced sites.

## Restoring stability

A focus of attention in the placing of this Agency under administration was to stabilise its operations and address problematic governance and operational matters, including the finalisation of investigations into suspended staff and improving financial management and internal control and refocussing the staff on the key operational matters relating to the Agency. A

turnaround plan was implemented and a marginal improvement of the financial situation occurred. The plan focussed on how the Agency would regain its going-concern status, governance and financial viability.

Certain investigations were completed and those implicated charged.

The tenure of the first administrator ended in mid-February and the second administrator continued with the assignment and duties, while the Minister of Human Settlements was finalising the establishment of the new Board. The focus was on bridging the gap between management and staff, and restoring morale, which was understandably lacking given, the work climate that prevailed.

In the rebuilding process, the operations of the Agency were holistically reviewed in which each function and related weakness area was identified and mitigation measures were put in place. Financial control continues to be a focal area, with cost containment measures and stringent financial forecasting applied rigorously to close gaps that had opened the way for careless practices.

As we continue to stabilise the Agency, we must not throw up our hands in the air and lose focus on the important goal of the HDA - providing housing for the people of South Africa.

At this time more than any other, we need to redouble our efforts to leverage the advantage we enjoyed historically and to build on the good that has come out of this Agency since 2009.

And good there certainly has been, as illustrated in the summary of a decade of the HDA in the opening pages of this annual report. We need to celebrate and build on these achievements and not lose sight of them amid the challenges

that face us currently. We must do this to honour the work of those who took us from a small office in Johannesburg into an organisation that is present in all the nine provinces, supporting three national priority programmes namely, the Catalytic Projects, Mining Towns and Informal Settlements Upgrading through which 31 449.2588ha of land was secured for new developments, and 38 775 housing units and 24 097 sites and services were delivered.

We still have much to do. As President Ramaphosa promised the nation in his February 2019 State of the Nation Address:

*'We will give effect to our commitment to build human settlements in well-located areas that bring together economic opportunities and all the services and amenities that people need.'*

*The Housing Development Agency will construct an additional 500 000 housing units in the next five years.'*

The HDA aims to achieve the objectives of the President in conjunction with provinces and municipalities.

## Positive performance

During the 2018/19 year, despite organisational challenges, we managed to achieve 70% of the targets contained in our Annual Performance Plan (APP), which is a tribute to the resolve of our team in difficult circumstances.

In the 2014 to 2019 Medium-term Strategic Framework (MTSF) period, we were held to land acquisition and land identification targets of 10 000ha each, against which we set a yearly target for each of 2000ha. During the year under review, we exceeded the acquisition target by 1124.8773ha and the identification target by 1538.291ha.

In the year under review, we identified and supported the implementation of 57 catalytic projects against a target of 50, with five projects moving from concept to planning stages, and a further five from planning to implementation. Twenty-two mining towns were supported with spatial transformation plans and development of project pipeline partnerships.

In the number of houses delivered, we experienced a shortfall during the year. This can be attributed to delays in payments to contractors, community protests and the unwillingness of beneficiaries to relocate to allow construction. On the other hand, we overdelivered by 2795 against our target for serviced sites.

The support units continued to provide invaluable backup that enabled the core departments to focus solely on the achievement

of mandate-related targets. The Project Management Office responded to 330 requests for technical support including preparation of layout plans for various informal settlements.

Marketing and communication activities included participation in Breaking New Ground episodes on SABC 2, which showcased work on HDA catalytic projects, the launch of the HDA corporate video reflecting the new mandate, and showcasing of the Human Settlements Master Spatial Plan dashboard and Geographical Information Systems (GIS) at several events.

The stakeholder and intergovernmental relations team facilitated the HDA membership of Project Management of South Africa, which will assist in building the Agency's professional reputation. Implementation protocols were also concluded with Buffalo City Metropolitan Municipality and Umuziwabantu Local Municipality, and the HDA continued to support provincial departments and metropolitan municipalities in quarterly performance review sessions.

## Financial highlights

The Agency reported a 1% (2018: 58%) year-on-year increase in revenue, driven by a rise in management fees and interest received. The operational grant income from the Department of Human Settlements was R222-million, a 5% increase over the previous year. The conditional provincial grant was R107-million, while management fee revenue was R39-million, interest income was R13-million and other income was R3-million. This allowed the Agency to fund its operations throughout the year.

## Funding model

An urgent review of the Agency's funding model is being considered to ensure long-term sustainability. This review will address the value creation funding agreements that require upfront spending of funds by the Agency before invoicing provinces without the back-up of a reserve fund. It will also emphasise continued strategic partnerships with provinces and municipalities to grow the revenue base.

## Outlook

As we move into 2019/20, based on our mandate, the Minister, as Executive Authority, has reconfirmed expectations required of the HDA. This includes building a credible human settlements programme management database covering both housing and land needs. A greater focus will be placed on the gazetting, planning and implementation of projects within Priority Housing Development Areas (PHDAs) to achieve spatial transformation.

The MTSF 2019 to 2024 contains programme priorities, such as upgrading of informal settlements, investment in public spaces,



addressing spatial form of residential areas; and spatial, social and economic integration in new developments. These expectations will significantly stretch the resources of the Agency and we must be prepared to work smarter and more efficiently.

## Acknowledgements

As mentioned earlier, the management and staff of the Agency had an extremely tough year, but, to a person, they rolled up their sleeves and took on the required tasks willingly and tirelessly. I acknowledge everyone at the Agency for this total commitment and determination.

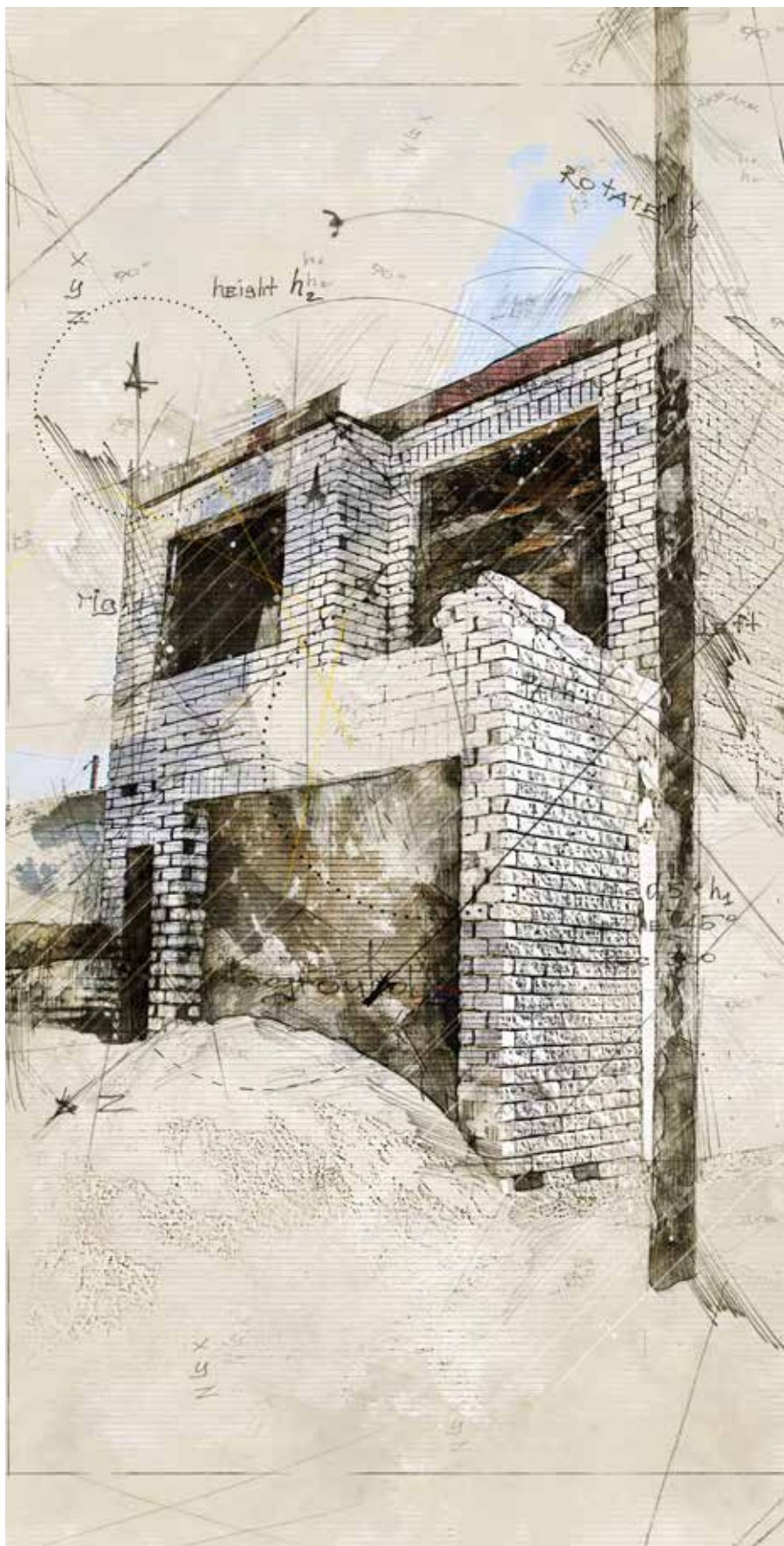
The tenure of each of our administrators was short, but they achieved much in bringing the organisation back from the brink and moving it to a point where it could again focus solely on its mandate of providing integrated human settlements to South Africans. We thank you.

We also acknowledge the support of the Minister, Director-General and team at the national Department of Human Settlements for the support and guidance.

*Chaine*

**Neville Chaine**

Acting Chief Executive Officer and Acting Accounting Authority



# SCOPE, STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF ANNUAL REPORT

This report presents a balanced view of the HDA's financial and non-financial performance for the year ended 31 March 2019.

The Board, as the Accounting Authority of the HDA, is responsible for the preparation of the annual report and is accountable for the integrity and objectivity of the information presented.

According to prescripts governing Schedule 3A public entities, the Accounting Authority is also responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information and human resource information. In compliance, this system existed in the HDA and was implemented during the 2018/19 financial year. It is noted, however, that improvement to the internal control environment is required. Furthermore, the performance management system could be improved to ensure reliable reporting for all indicators and targets.

As a public entity, the Agency is monitored stringently. The independent auditor conducted a comprehensive audit of our financial and non-financial performance against targets and benchmarks. The audit opinion appears on pages 83 to 89 of this report.

The Accounting Authority and Officer of the HDA, to the best of their knowledge and belief, confirm the following:

- The annual report is complete, accurate and free from any omissions, and fairly reflects the operations, the performance information, governance and the human resources information of the Agency for the financial year ended 31 March 2019.
- The performance information reflects the service delivery of the Agency for the reporting period, as documented in the 2018/19 APP.
- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the independent auditor.
- The report has been prepared in accordance with guidelines on the annual report issued by National Treasury.
- The HDA's financial statements are prepared in accordance with South African Standards of Generally Recognised

Accounting Practice (GRAP) and the Public Finance Management Act, as amended by Act 1 of 1999 (PFMA).

- The Accounting Authority is responsible for preparing the annual financial statements and for judgments made in this information.
- The Accounting Authority is responsible for implementing a system of internal control designed to provide reasonable assurance on the integrity and reliability of the performance information, human resources information and annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statement have been prepared on the going-concern basis.

In our opinion, this annual report fairly reflects the operations, performance information, human resources information and financial affairs of the HDA for the year ended 31 March 2019.

## VISION

The HDA's vision is to have vibrant communities, living on well located land.

## MISSION

To build a capable and developmental Agency geared to transform the sector and lead in the development of resilient, integrated and sustainable human settlements.

## VALUES

The HDA has defined the following guiding values in its operations: Performance orientation, Excellence, Accountability, Teamwork, Integrity. These guiding values are supported by the principles of Respect, Trust, Care and Integrity.

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



## LEGISLATIVE AND OTHER MANDATES

According to the HDA Act, the purpose or objects of the HDA are to:

- Identify, acquire, develop and release land (state, communally and privately-owned) for residential and community purposes and for the creation of sustainable human settlements - clause 4(a).
- Project manage housing development services for the purposes of the creation of sustainable human settlements - clause 4(b).
- Ensure and monitor that there is centrally coordinated planning and budgeting of all infrastructure required for housing development clause 4(c).
- Monitor the provision of all infrastructure required for housing development clause 4(d).

In terms of the Act, the HDA must also:

- In consultation with the relevant owner, identify, acquire, hold, develop and release state, privately and communally owned land for residential and community purposes for the creation of sustainable human settlements - clause 5(1).
- 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).
- May offer assistance to an organ of state in order to fulfil its objects. In addition the Minister may, in consultation with the relevant MEC – where there is 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 – 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).

### Other policies and Acts

The core policy approaches underpinning South Africa's national housing programme are reflected in the following policy documents and legislation, which, therefore, directly impact on the HDA:

- The Constitution of South Africa, 1996 (Act No 108 of 1996).
- The Housing Act, 1997 (Act No 107 of 1997 as amended in 1999 and 2001).
- The Comprehensive Plan 'Breaking New Ground in Housing Delivery', National Department of Housing, September 2004.

- Outcome 8: Sustainable human settlements and an improved quality of household life, 2010 and as amended in 2015.
- National Development Plan, Vision for 2030, National Planning Commission, November 2011.

## STRATEGIC OVERVIEW

The National Development Plan (NDP) is South Africa's blueprint development plan. It provides a broad strategic framework to guide key policy choices and actions. The plan presents a long-term strategy to foster inclusive growth and development, and broaden access to basic social services, such as housing, through the active intervention of government via various policy instruments.

The NDP envisions a revised approach to human settlements, in which the state properly fulfils its obligation to provide high-quality public infrastructure and environments, while supporting and facilitating low-income households in acquiring adequate shelter.

Over the years, the APP of the HDA has been informed by the NDP, the Outcome 8 Delivery Agreement 2010 to 2014 and the Medium-term Strategic Framework 2014 to 2019 (MTSF), whilst giving effect to the various objects and functions in the HDA Act.

For the past decade, the HDA has focused on these four strategic areas:

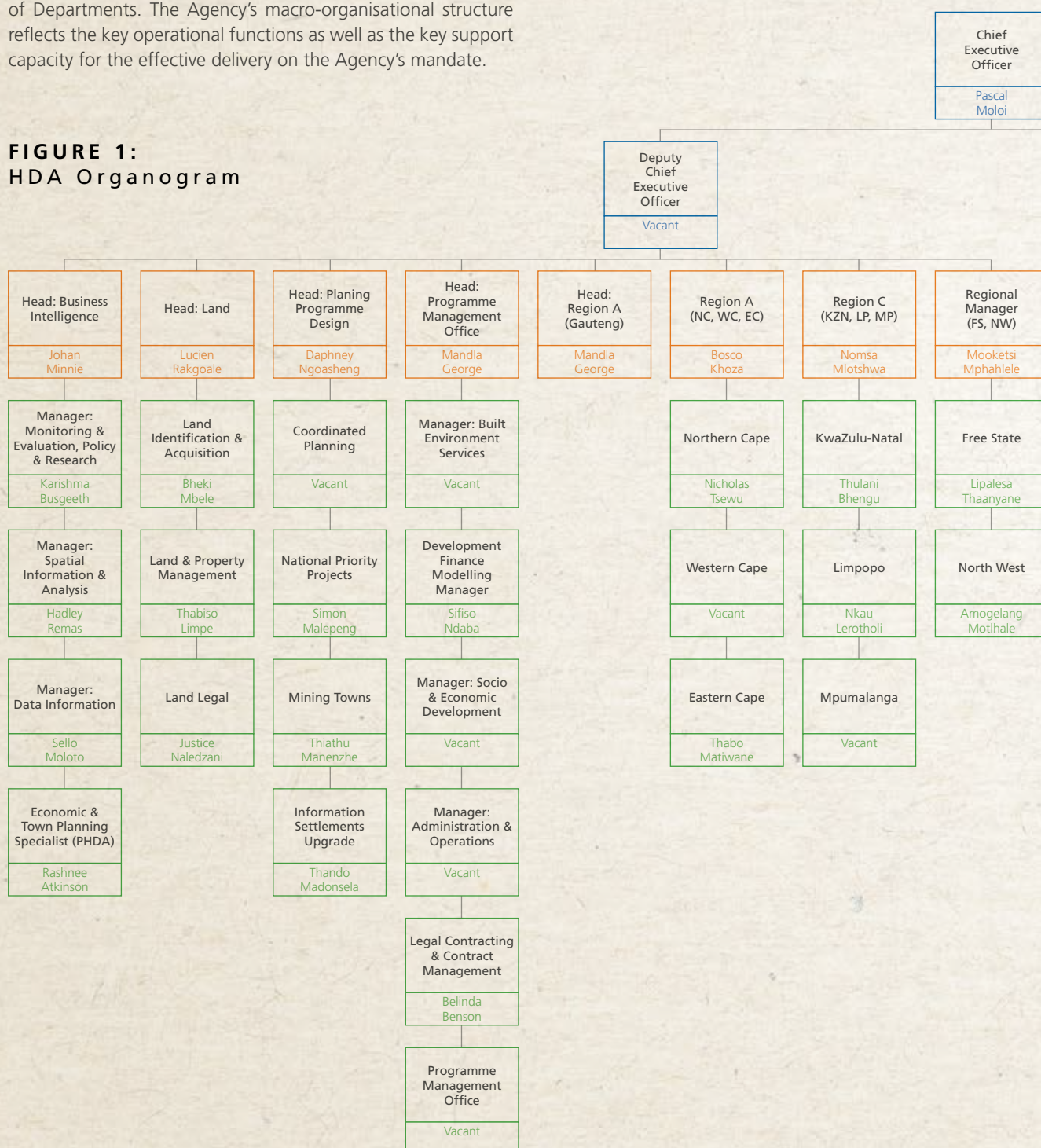
- **Land:** Identify, acquire, hold, develop and release state, communal and privately owned land for residential and community purposes for the creation of sustainable human settlements.
- **Project management support:** Provide project management support services in housing developments to create sustainable human settlements for provinces and municipalities.
- **Infrastructure:** Plan and facilitate funding for infrastructure for land and projects for the creation of sustainable human settlements.
- **Monitoring and evaluation:** Assess impact of released public land.

The HDA's organisational structure has changed over time as the business model and the nature of tasks evolved and the

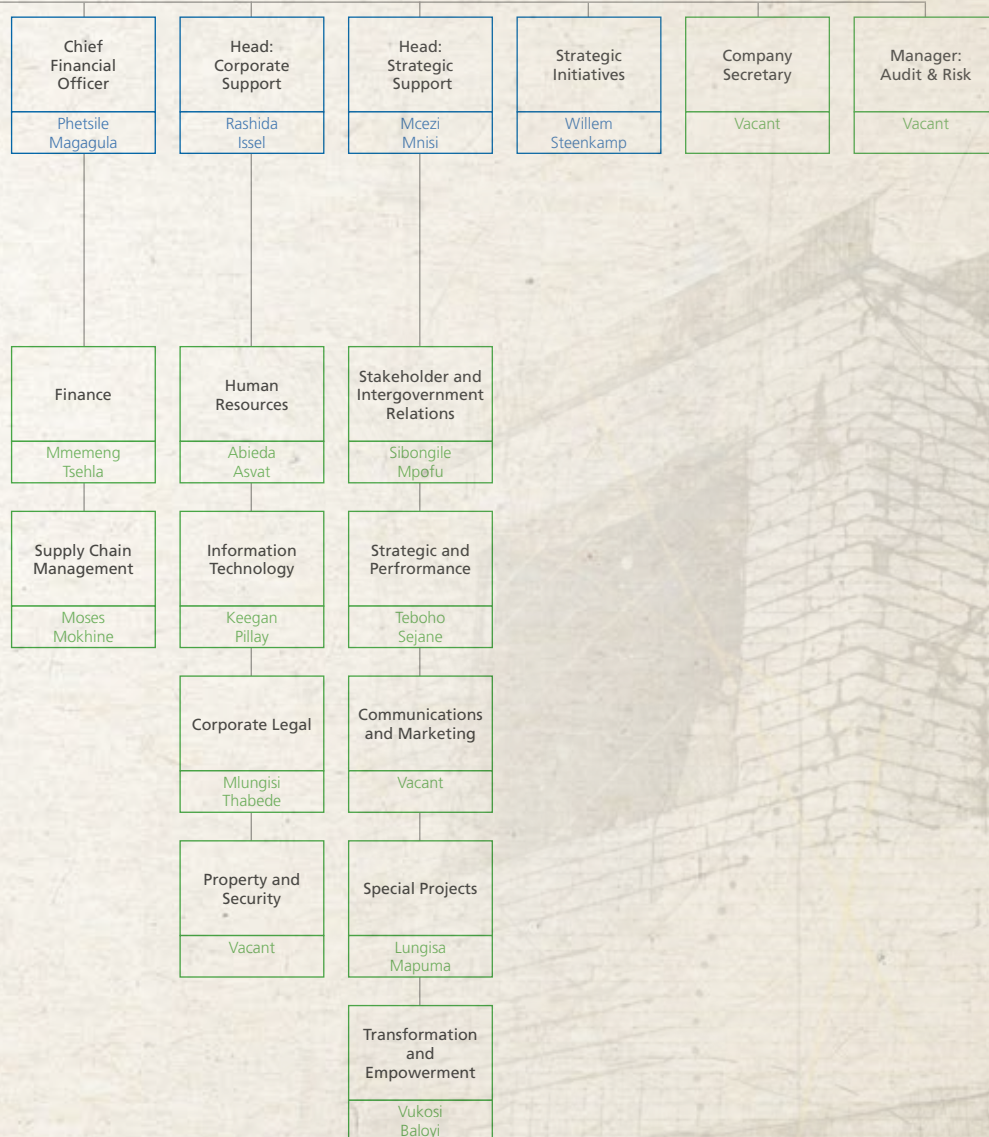
# ORGANISATIONAL STRUCTURE

Agency responded by providing sufficient resources to deliver on the additional work allocated. The Agency is managed by the Chief Executive Officer assisted by a senior management team, which includes the Chief Financial Officer and Heads of Departments. The Agency's macro-organisational structure reflects the key operational functions as well as the key support capacity for the effective delivery on the Agency's mandate.

**FIGURE 1:  
HDA Organogram**









## HDA Exco members



**Pascal Moloi**

**Board Member and HDA CEO** (Executive Director) [Appointed October 2015]

**Qualifications:** BA Industrial Psychology and Political Science, Wits University, (1989)

**Experience:** His areas of expertise are public sector management, organisational strategy and restructuring. He was responsible for the establishment of Johannesburg Housing Agency (as Municipal Manager), played an oversight role on 13 boards of City of Johannesburg.

He was also a member of the National Planning Commission appointed by the State President to craft a vision and a long-term development plan for South Africa.



**Daphney Ngoasheng**

**Head: National Programme Management and Design** [Appointed in July 2017]

**Qualifications:** Bachelor of Arts (Social Work) and short courses in Project Management, Housing Finance, Construction Contracting, as well as Development Management and Facilitation. Study tours and exposure to leadership development in Germany, Sweden and the USA.

**Experience:** She served as Executive Officer: Housing at City of Johannesburg, Executive Officer: Housing, Executive Director for the South African Association for Public Administration and Management, Managing Director of Meso Employment and Skills Development Agency as Managing Director, Head of Department at Gauteng Provincial Department of Human Settlements as Head of Department and Deputy Director-General of the Department of Human Settlements.



**Johan Minnie**

**Head: Business Intelligence** [Appointed in April 2015]

**Qualifications:** MIS (IS), Demography (Hons), BA, Ed. Dip.

**Experience:** He worked as Information Manager at Department of Health, later as an Information Services Manager and then as Policy and Research Coordination Manager at City of Johannesburg. He was appointed in 1999 as Director for Information Management and later, Chief Director Management Information Services at the Department of Human Settlements.





**Willem Steenkamp**

**Head: Strategic Initiatives** [Appointed in May 2016]

**Qualifications:** LLB

**Experience:** He worked as a Strategy and Change Management Consultant in the United Kingdom and United States, consulting to major international corporations including Barclays, Sainsbury's, JP Morgan and British Airways.

In 2005, he set up several property-related businesses in the private equity, mezzanine finance, consulting and development facilitation sectors. He also provided specialised property investment and firms.



**Nomsa Mlotshwa**

**Head: Region C** (KwaZulu-Natal, Free State, Mpumalanga) [Appointed in September 2016]

**Qualifications:** Master's in Management in Public Development Management, certificates in Labour Relations, Project Management (Wits), National Diploma in Cost and Management Accounting (Vaal)

**Experience:** She worked as senior manager at Auditor-General and as Regional Head for Housing at City of Johannesburg, Deputy Director: Informal Settlements in Mpumalanga local government.



**Rashida Issel**

**Head: Corporate Support** [Appointed in August 2011]

**Qualifications:** MBA (Stellenbosch), Business Administration (Hons) (Stellenbosch), BCom (University of Western Cape)

**Experience:** She served as Financial Analyst/Senior Accountant at the National Development Agency, developing, implementing and monitoring overall performance of the organisation's achievements. She was Chief Operations Officer at Department of Public Enterprise.





**Bosco Khoza**

**Head: Region A** (Northern Cape, Western Cape, Eastern Cape) [Appointed: April 2015]

**Qualifications:** BSc, MSc in Housing, advanced programmes in Project Management, Financial Management, and Shelter Design and Development; local and international courses, including Housing Policy, Urban Land Management, Development and Finance, Property Development and Investment, Applied Economics and Organisational Behaviour.

**Experience:** He has over 24 years' experience in the built environment, covering execution of key human settlements projects and programmes, housing policy, project management, housing finance, real estate development and management, contract management, land management and development planning. .



**Lucien Rakgoale**

**Head: Land Assembly** [Appointed in April 2015]

**Qualifications:** Bachelor of Juris, (University of Limpopo); LLB (University of South Africa), Housing Policy and Development (Wits Business School), New Managers Programme (Wits Business School) and various management, leadership, project management and executive training.

**Experience:** He has more than 22 years' experience in human settlements and the real estate environment. He also worked for City of Tshwane Metropolitan Municipality as Executive Director: Housing as well as for the Limpopo Province as Chief Director Housing Sector Performance.



**Phetsile Magagula**

**Chief Financial Officer** [Appointed March 2019]

**Qualifications:** CA(SA), Certified Director (IoDSA), Certified Ethics Officer (TEI), Postgraduate Diploma in Integrated Reporting (University of Pretoria), Honours Bachelor of Accounting Science (University of South Africa), BCom Accounting (University of Swaziland).

**Experience:** Financial executive experience in various public sectors, CCMA and National Metrology Institute of South Africa. Finance experience at Financial Services Board, now Financial Services Conduct Authority, World Vision and the Centre for the Study of Violence and Reconciliation. Served accounting articles at Deloitte South Africa, which included a secondment to Deloitte Stamford, USA.





**Mooketsi Mphahlele**

**Head: Built Environment** [Appointed August 2016]

**Qualifications:** National Diploma in Electrical Engineering (Vaal University of Technology) (2007), Diploma in Business Management (2011), Project Management (University of Pretoria) (2016), Professional Development Courses in New Engineering Contract, Construction Risk Management, Managing Tenders, Contracts and Specifications, and Integrated Project Control.

**Experience:** Has experience as Construction Project Manager with Gauteng Infrastructure Development since 2007 and occupied management and director positions since 2010. He handled several construction projects worth over R2 billion as project manager for both departments of Health and Education.



**Mcezi Mnisi**

**Head: Strategic Support** [Appointed March 2016]

**Qualifications:** B Luris (1989), LLB (1991) (University of Limpopo), Post Graduate Diploma Law (RAU) (1993)

**Experience:** Extensive management consulting experience (over 26 years) for major organisations in the public and private sector. Specialised in labour relations, human resources, performance management, organisational development, organisational development, organisational design, change management, business process reengineering, strategic planning, training and development.



**Mandla George**

**Head: Programme Management Office** [Appointed September 2016]

**Qualifications:** Masters in Development Studies (2018), National Diploma: Cost and Management (2001) (Nelson Mandela Bay University).

**Experience:** Has over 22 years of experience in government and gained extensive experience in local government systems and structures. Worked at managerial and director levels for national Department of Human Settlements, Nelson Mandela Bay Municipality, North West Provincial Government, Gauteng Department of Human Settlements. Experience in background such as managing national housing programmes, housing beneficiary management, policy development, strategy development, monitoring and evaluation, intergovernmental and international relations.

*Note: Information in this section reflects as supplied to the HDA at the time of going to print.*









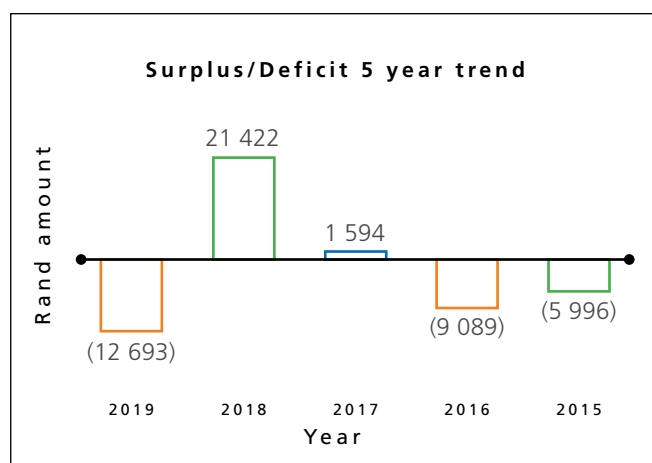


# REPORT OF THE CHIEF FINANCIAL OFFICER

The HDA continued to adequately fund its operations and support its programme performance deliverables. In the year under review, the HDA sustained financial viability, albeit with continuing concern about its liquidity.

The Agency restated the 2018 and 2017 reported results (see note 39 on page 124). The reported deficit of R12.7-million follows a restated surplus of R21.4-million (2017: R1.6-million). The deficit is mainly attributed to the under-recovery of conditional grants received from provinces as some opted out of Medium-term Operational Plan (MTOP) agreements with the Agency in favour of management fee-premised agreements. The surplus/deficit trend is depicted below:

**FIGURE 2:**  
Financial performance overview



PFMA Instruction 6 of 2017/18 requires that we declare any cash surplus or deficit realised at the end of the year. A cash deficit of R36.8-million (2018: surplus R12.6-million) was declared, in contrast to the R497-million (2018: R2.4-billion) cash held. Although the Agency may hold high cash balances at year-end, these funds are committed to managed projects.

## Insolvency concerns

The financial year saw the HDA plunge into insolvency concerns brought about by increased unpaid debt by provinces and

municipalities through implementing funding agreements premised on invoicing them on proof of value creation without any funding reserve to pay for creating that value. This was exacerbated by the instruction by National Treasury to return part of the R2.3 billion cash funds that were reported by the HDA in the previous year's cash balance. This followed concerns raised about excess unused funds that had been transferred to the HDA in contravention of the Division of Revenue Act (DORA). This indicates the need for an urgent review of the Agency's funding model to create one that will adequately support strategy and ensure long-term financial sustainability within the ambit of the HDA mandate.

The Agency achieved a qualified audit opinion on the completeness and accuracy of the irregular expenditure disclosed in the financial statements. This, together with the increase in irregular expenditures, number of findings and non-compliances matters reported in the independent auditor's report, is concerning. Management is committed to improving internal controls and implementing consequence management to individuals found to be responsible for non-compliances and irregular expenditures.

## Reportable irregularity

The Agency's independent auditors noted a reportable irregularity relating to SCM and financial controls. This is an unlawful act or omission committed by any person responsible for the management of an entity, which — (a) has caused or is likely to cause material financial loss to the entity; (b) is fraudulent or amounts to theft; or (c) represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

They found that the Agency did not comply with the PFMA and its internal supply chain management policy on payments to a certain supplier. Payments were made to a contracted party in which, based on the forensic report, implicated certain executives to have acted unlawfully (see reportable irregularity paragraph in Auditors report page 87)

The Agency is conducting disciplinary actions against the executives implicated.

## Revenue

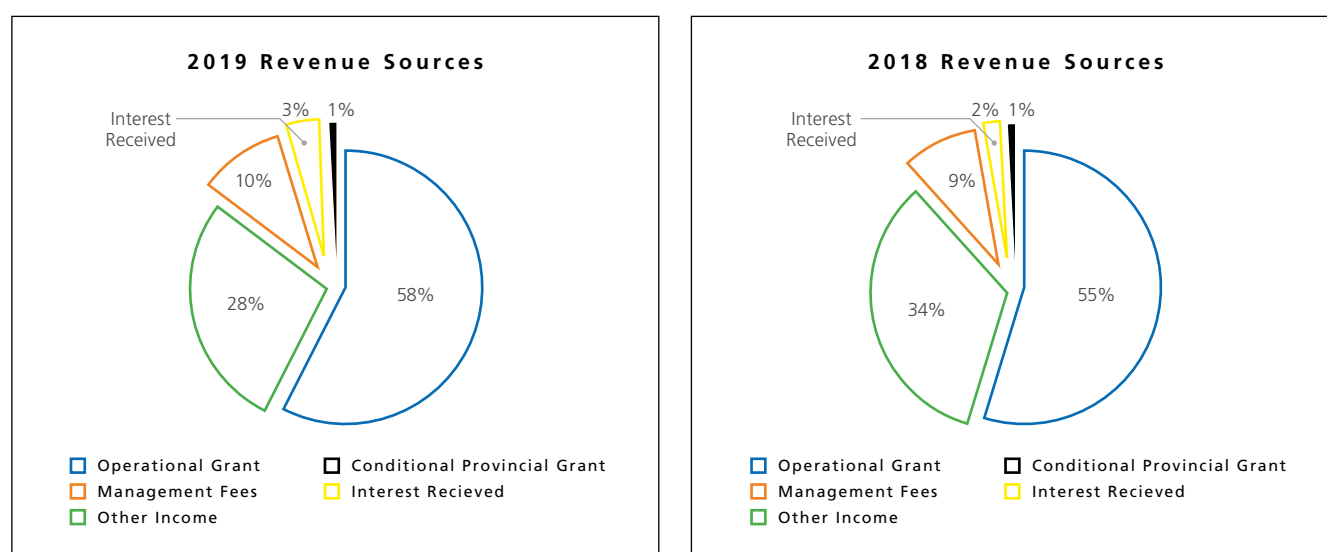
Revenue to fund the Agency's expenditure is derived from various revenue sources. These include the operational grant from the DHS, the conditional provincial grant, management fees, interest income and other income. The HDA is reporting an overall 1% (2018: 58%) year-on-year increase in revenue.

The operational grant income from DHS of R222-million (2018: R211-million) represented a 5% (2018: 75%) approved increase in the Medium-term Expenditure Framework (MTEF) over the previous year, in contrast to the year before, when National Treasury almost doubled the MTEF allocation of the Agency to support its growing mandate. The revenue split is depicted below:

The HDA conditional provincial grant represents funding from provincial departments in terms of MTOP agreements in support of the HDA regional offices directly servicing them. This revenue is recognised through the matching of direct expenditure incurred - R107-million (2018: R127-million) is reported.

The HDA also received revenue from management fees of R39-million (2018: R35-million). Management fees are charged as a percentage of expenditure incurred, approximating the stage of completion of capital projects managed in terms of funding agreements with provinces and municipalities. In 2018, more management fee-linked projects were taken on as some provinces opted for them instead of MTOP agreements. Other revenue sources included interest income of R13-million (2018: R5-million) from invested funds and other income of R3.3-million (2018: R3-million) comprising rental income received from properties owned and tender fees. Revenue received against budget is depicted in the table below.

**FIGURE 3:**  
Revenue split (2018/9)



**TABLE 1:**  
Revenue of year under review

	2019			2018		
Revenue Sources	Budget R'000	Actual R'000	Variance %	Budget R'000	Actual R'000	Variance %
Operational Grant	222 177	222 177	0%	210 668	210 668	0%
Conditional Provincial Grant	165 217	107 524	35%	304 192	127 429	58%
Management Fees	32 545	39 189	-20%	31 362	35 085	-12%
Interest Received	4 000	13 304	-233%	1 546	5 295	-242%
Other Income	1 567	3 308	-111%	2 826	2 538	10%
<b>Total</b>	<b>425 506</b>	<b>385 502</b>	<b>9%</b>	<b>550 594</b>	<b>381 015</b>	<b>31%</b>

## The Agency's spending

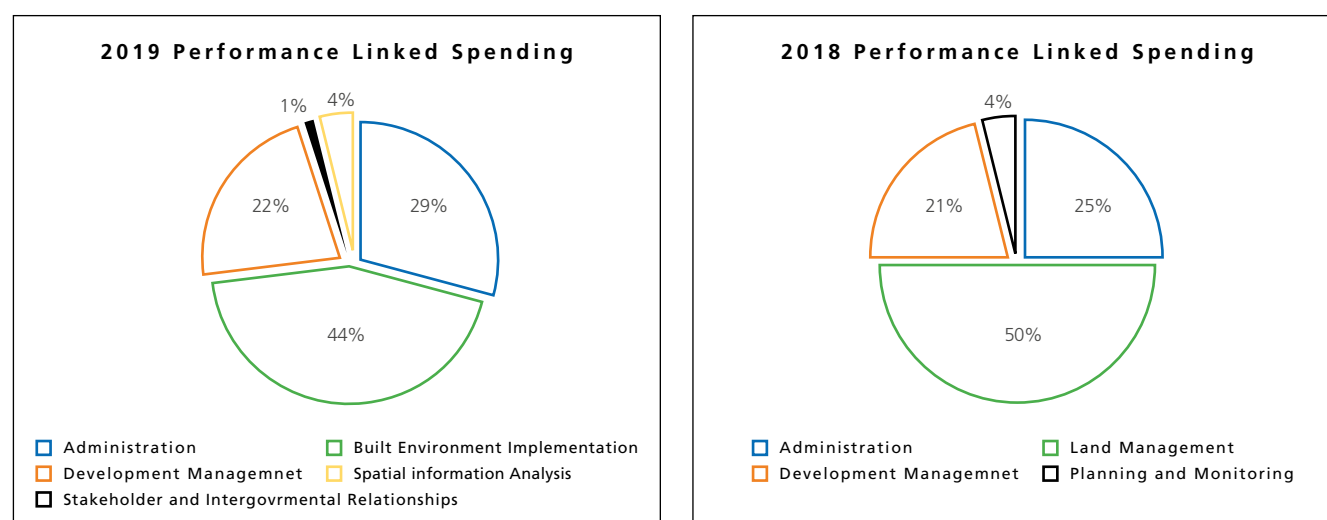
At an expenditure budget variance of 6%, overall spending was in line with projections. The HDA's spending is driven by employee costs, which constitute 48% (2018: 41%) of total spending. The reported 30% year-on-year increase in employee costs comes against the backdrop of a staff complement increase of 29% during the period of review. This was driven by a restructuring that expanded the staff complement. Costs for technical and support services provided by transactional advisory and professional resourcing consulting teams constituted 26% (2018: 36%) of total spending. The high under-use variance on technical and project services with land and related costs is attributed to the cancellation of contracts as a cost-containment measure when the Agency was placed under administration.

## Linking performance with budget

The Agency's budget and spending are linked to fund the different programmes and sub-programmes aligned to strategy. Depicted below is the expenditure contributions (Figure 4) split towards the performance achievements of those programmes.

The prior period's overall budget was higher as a result of a 1% Human Settlements Development Grant (HSDG) allocation. Only the Administration programme is reporting overspending on budget. This was due to increased number of staff resulting from implementation of an unplanned resource framework developed during the year. The Agency also saw increased costs on organisational review projects and legal costs as a result of unanticipated litigation brought as the Agency was

**FIGURE 4:**  
Expenditure contributions



**TABLE 2:**  
Agency spending for year under review

Expenditure	2019			2018		
	Budget R'000	Actual Expenditure R'000	Variance %	Budget R'000	Actual Expenditure R'000	Variance %
Operating Expenses	74 301	89 361	-20%	47 761	71 775	-50%
Land and Related Costs	20 230	11 214	45%	17 009	9 328	45%
Technical and Project Services	125 992	104 580	17%	286 410	129 946	55%
Employees Costs	204 983	193 040	6%	199 414	148 548	26%
<b>Total</b>	<b>425 506</b>	<b>398 195</b>	<b>6%</b>	<b>550 594</b>	<b>359 597</b>	<b>35%</b>



placed under administration. The other programmes had to reduce their spending as the administration process instigated cost-containment measures to stabilise the Agency and ensure its liquidity.

The table 3 below represents a summary of programme spending to planned budget. In the review year's APP, a new programme for stakeholder and intergovernmental relations was added to the Agency's planned performance.

**TABLE 3:**  
Programme spending vs planned budget

Revenue Sources	2019			2018		
	Budget R'000	Actual R'000	Variance %	Budget R'000	Actual R'000	Variance %
Administration	92 122	115 465	-25%	102 232	90 713	12%
Built Environment Implementation	217 209	173 958	20%	354 348	179 591	99%
Development Management Operations	91 165	86 831	5%	74 992	73 860	2%
Stakeholder and Intergovernmental Relations	5 862	5 129	18%			
Spatial Information Analysis	19 148	16 812	12%	19 022	15 433	19%
Total	425 506	398 195	6%	550 594	359 597	35%

## Capital projects

A mandate bestowed on the HDA by its founding Act is to project manage housing development services to create sustainable human settlement, for which the Agency manages several capital projects on behalf of provinces and municipalities. The HDA has a presence in all nine provinces and funding agreements for projects/programmes are concluded between the it and the provinces. These agreements stipulate its role as implementing agent or project manager. The Agency does not recognise any spending on capital projects in its statement of financial performance. All year-end project balances constitute project obligations and stood at R682-million at 31 March 2019 (2018: R2.3-billion), with a projects receivable balance of R224-million (2018: R83-million) in the statement of financial position. During the year, the Agency was instructed to return unused capital funds to National Treasury following concerns of large cash balances reported at 2017/18-year end that had not complied with DORA. This placed the Agency in a precarious financial position, which has resulted in the increases in project receivables.



## Capital investments

In fulfilling its mandate to identify, acquire and release land for human settlement development, the Agency holds various land parcels and properties. These are valued at R27.9-million (2018: R27.9-million). This long-term land inventory, with property plant and equipment (PPE) of R8.8-million (2018: R4.7-million) and intangible assets of R695 000 (2018: R471 000), constitutes the Agency's capital investment. A sharp increase in the reported PPE balance was attributed to the R7-million acquisition of furniture, computer equipment and leasehold improvements prompted by the increased staff complement.

Assets are managed through an asset management policy that stipulates procedures for ensuring that processes are applied uniformly throughout the entity as prescribed by the PFMA and National Treasury, and the requirements of GRAP and National Treasury prescribed regulations. The HDA maintains an up-to-date fixed asset register and monitors the existence and condition of assets through asset verification processes. The assets carried in the register are of good or fair condition.

## Working capital management

The Agency is facing possible inability to meet its financial obligations. The reported working capital ratio, which measures liquidity, efficiency and overall health, has a ratio of 0.97:1 (2018: 0.99:1). At less than 1, the ratio is considered risky and shows that HDA may not be running efficiently and may be unable to adequately cover its debts.

The return of R1.5 billion to National Treasury, coupled with the inability of projects for which value was created to pay invoices timeously, has resulted in liquidity challenges and weak solvency status. This is reflected in the increased projects receivables balance of R224-million (2018: R83-million) and the considerably lower cash balance held of R497-million (2018: R2.3-billion).

The Agency raised project obligations of R682-million (2018: R2.3-billion) for all unutilised cash received for capital projects. The bulk of the funds held in the bank was attributed to capital project obligations, with only R38-million (2018: R23-million) directly attributed to HDA operations.

Short-term inventory comprises land and properties held for future human settlements, acquired based on agreed protocols with regions, registered in the name of the HDA and held on behalf of those regions. A corresponding land inventory obligation is raised as a current liability of R322-million (2018: R123-million), effectively resulting in a nil effect in the financial position.

## Financial outlook

With the strategy review, the HDA is looking forward to the review of its funding model. The dwindling MTEF allocation is concerning and a review will explore and propose alternative revenue streams to ensure long-term financial sustainability and promote sound cash management practices by:

- Addressing the value creation funding agreements that require upfront spending of funds by the Agency before invoicing provinces, without a reserve fund to back it up.
- Continued strategic partnerships with provinces and municipalities to grow the revenue base, as the Agency strives to be a developer of choice.
- Reviewing the pursuit of alternative income.
- Ensuring that the pursuit of other grant funding from DHS remains firmly on the agenda and ring-fenced to those projects.
- Ensuring a better cost allocation between the core and support functions and reducing core overhead costs, and realignment and assignment of resources to projects.

The Agency will enforce stricter project funding compliance to DORA to prevent a repeat of National Treasury's recall of funds.

GRAP 109, effective 1 April 2019, will be implemented, which may require the HDA to recognise some capital project funds where it does not meet the GRAP definition criteria. This may result in a shift to revenue and expenditure recognition as a principal on capital projects whose agreements do not meet the Agency criterion. This accounting treatment may see a significant increase in the revenue of the Agency in subsequent years.



**Phetsile Magagula**  
Chief Financial Officer

## PERFORMANCE INFORMATION

### The independent auditor's report: Predetermined objectives

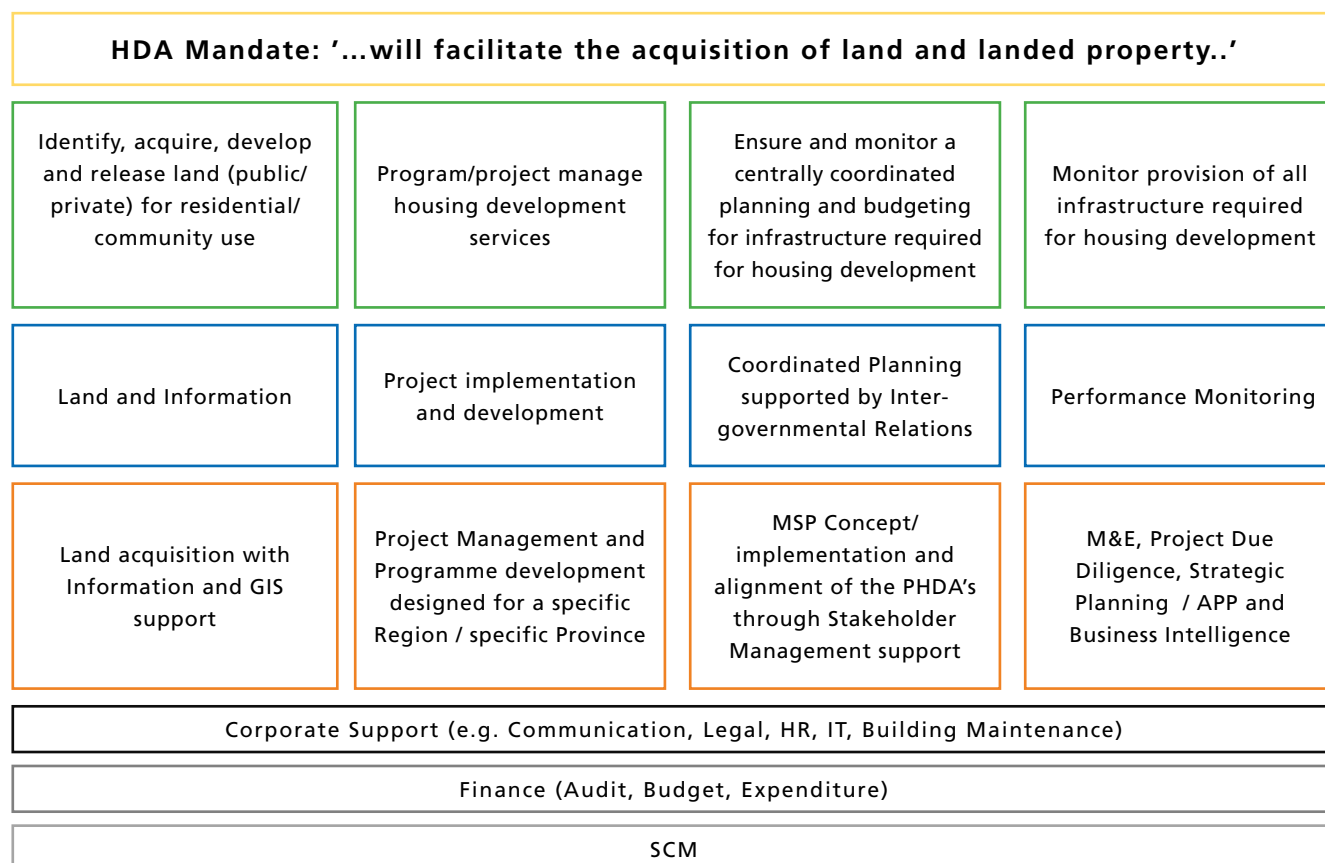
The independent auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Report of the Audit of the Annual Performance Report section of the independent auditor's report.

Refer to page 83 of the annual report for the independent auditor's report, published in Part E: Annual Financial Information.

## SITUATIONAL ANALYSIS

The HDA evolved and matured over the last ten years, with legacy projects absorbing much resource and focus. The expansion into regional offices in all provinces is in progress, requiring additional resources. Land (especially the national strategic land agenda) has assumed increasing importance and resources will be deployed to support this strategy. The current model fulfils the requirements of project management support and supporting land release to meet the needs of municipalities and provinces and, when the

**FIGURE 5:**  
Functional activities in support of the HDA strategy





national land assembly strategy is in place, of creating a national framework. This model, however, needs to be refined in terms of the original mandate requirements of proactively identifying and releasing land independently from that identified by provinces and municipalities; applying a strategic framework for where and how land is released, and addressing infrastructure requirements for identified land. The functional activities in support of the strategy are depicted below:

## Service delivery environment

The performance of the Agency has declined gradually through each quarter of this year, but there were several achievements, including:

- Serviced sites target was exceeded by 28%.
- 3124.8773ha of well-located land were acquired or released to provincial departments and municipalities.
- Six land parcels measuring 1330.6885ha were facilitated for rezoning.
- The organisation provided implementation support to five informal settlements projects.
- Technical support was provided to 22 mining towns.
- Four monitoring and evaluation reports were developed measuring spatial targeting and transformation.
- 57 catalytic projects were identified and implemented.

The organisation, however, had a shortfall of 32% in the delivery of housing units against the target for the year, attributable to delays in the payment of contracts, community protests and beneficiaries' unwillingness to relocate.

## Housing delivery

Of the APP target for 2018/19 of 11 754 housing units, the Agency achieved 7 998 (40%) housing units.

## Delivery of serviced sites

Of the APP target for 2018/19 of 10 147 serviced sites, the Agency achieved 12 942 of service sites. The target was exceeded by 28%.

A major bottleneck in the delivery of integrated sustainable human settlements is suitably located land. The human settlements backlog stands at more than 2.6-million units, with more than 100 000ha of land required for this. It is anticipated that this land will be released to the HDA during 2019/20 for development or facilitation of development during the 2019/24 MTSF.

## Organisational environment

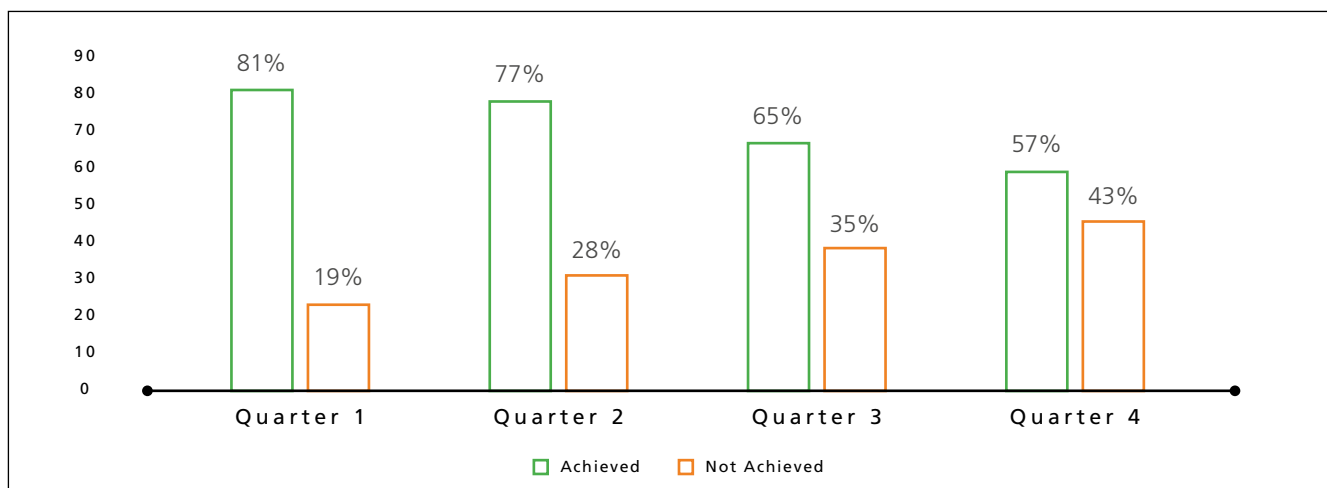
Subsequent to returning funds to National Treasury and being placed under administration, the Agency plunged into an insolvency crisis with cash management shortcomings exposing the consequences of not ring-fencing funds in separate accounts for provinces and the HDA. The administrator had to implement cost-cutting and stabilisation measures that included stopping contracted services. This affected delivery of work that had been awarded to consultants, which prevented timely delivery of projects.

The Agency continued to struggle to make payments to contracted service providers in regions, as National Treasury had instructed that even funds that had already been committed to ongoing projects be returned to the fiscus due to non-compliance to the gazetting requirements of DORA. This brought the Agency's reputation into disrepute.

It further highlighted the urgent need to address the funding model of the agency. Improvements to cashflow management

**FIGURE 6:**

**Agency performance through each quarter of the financial year**



processes and compliance to legislation are already being implemented to improve the status quo.

The suspension of the CEO and three executives amid various allegations and the subsequent placing of the Agency under administration unsettled leadership and staff. Having two administrators, each holding an average of two-month term, did not do enough to bring internal stability and restore confidence to stakeholders.

# STRATEGIC OUTCOME - ORIENTATED GOALS

The strategic outcome-oriented goals for the HDA for the Five-year Strategic Plan are shown below. The goals will be undertaken through the reported three programmes and six sub-programmes.

## STRATEGIC GOAL 1: Enhance efficiency and effectiveness of the organisation

To build an effective, efficient and economical administration capable of supporting and implementing the Five Year Strategic Plan, to have an organisation with leadership, capabilities and systems for efficient, effective, responsive and accountable administration.

## STRATEGIC GOAL 2: Accelerate delivery of resilient, integrated and sustainable human settlements

To support and lead the implementation of strategic human settlement projects to provide technical capacity to provinces and municipalities in the delivery of human settlements, while assuming the developer role in strategic projects.

## STRATEGIC GOAL 3: Promote integrated spatial planning and sustainable land development

To facilitate, support and promote integrated spatial development to contribute to spatial transformation and integrated human settlements, as well as human development.

## Performance against MTSF targets

FIGURE 7:  
Performance against MTSF targets





# PROGRAMME PERFORMANCE INFORMATION

## PROGRAMME 1:

### Administration

This programme addresses Goal 1 - enhancing the efficiency and effectiveness of the organisation. It provides strategic leadership and support in the implementation of the HDA's mandate, comprising sub-programmes that represent various support functions of the organisation. These support functions set performance targets to ensure effective and efficient administration, and implement strategic leadership and good governance, ensuring that the HDA is financially sustainable, internally cohesive and effective, with stable and accessible systems.

The performance of eight sub-programmes is reported: Office of the CEO, Corporate Services, Communication and Marketing, Finance, Strategic Support, Stakeholder and Intergovernmental Relations (SIR), Organisational Performance and Strategic Initiatives.

Strategic Objective	Performance Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Reason for Deviation
<b>Office of the CEO</b>						
To provide strategic leadership and support in the implementation of HDA mandate	Date for the establishment of Project Management Office (PMO)	New Baseline	PMO established by 31 March 2019	Achieved The Project Management Office (PMO) has been established and fully functional by 31 March 2019	None	None
<b>Finance</b>						
To ensure that the HDA is financially sustainable over the period of the MTEF	Financial modelling developed and implemented	Financial modelling developed and approved	Development of financial modelling commenced	Not Achieved	A developed financial modelling	The development of the financial model was moved to the next financial year
To implement effective systems to manage finance, budgets and performance management compliance, and risk management and compliance	Unqualified financial audit opinion on the financial statements obtained from external auditors	Unqualified financial audit report for 2017/18 from external auditors published by 30 August 2019	Unqualified financial audit report for 2017/18 from external auditors	Achieved The HDA received an unqualified financial audit statement from the external auditors for the 2017/18 Financial year.	None	None
To facilitate the transformation of the human settlement sector and empowerment of previously disadvantaged	% of BEE level 1-4 supported	New Baseline	30% of BEE level 1-4 supported	Achieved 61.77% of BEE level 1-4 supported	31.77%	Concerted efforts to support BEE compliance

Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Reasons for Deviation
<b>Finance</b>						
To facilitate the transformation of the human settlement sector and empowerment of previously disadvantaged	% of BEE spend on women owned enterprises supported	New Baseline	20% of BEE spend on women owned enterprises supported	Achieved	14.72 %	Concerted efforts to support BEE compliance
	% of BEE spend on youth-owned enterprises supported	New Baseline	10% of BEE spend on youth-owned enterprises supported	Not Achieved	7.5%	Limited availability of service providers
	% of BEE spend on persons with disability	New Baseline	5% of BEE spend on persons with disability	Not Achieved	3.75%	Limited availability of service providers
	% of BEE spend on military veterans	New Baseline	2% of BEE spend on military veterans	Not achieved	1.5%	Limited availability of service providers

<b>Corporate Support</b>						
To ensure that the organisational structure is approved and implemented.	Organisational structure developed and approved	Organisational structure developed and approved.	New organisational structure fully implemented	Achieved The organisational structure has been developed and was approved by Exco	None	None
<b>Strategic Organisational Performance</b>						
To ensure the development and effective implementation and monitoring of the Annual Performance Plan	Date for the approval of APP and Strategic Plan by the Board	APP completed and approved by end January	APP completed and approved by end January	Achieved The 2019/2020 APP and Strategic Plan have been developed and were approved by the Administrator on 28 January 2019	None	None



Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Devition from planned target to actual achievement	Reasons for Deviation
Marketing, Communication and SIR						
To ensure HDA's new mandate and programmes are communicated and marketed to all stakeholders and the public	Percentage implementation of the approved Implementation Plan	All planned activities undertaken	100% implement the approved communication and marketing plan	Achieved 100% activities in the approved Communication and Marketing Plan implemented	None	None

## PROGRAMME 2: Built Environment Implementation

The Built Environment Implementation programme meets Goal 2 - accelerating delivery of resilient, integrated and sustainable human settlements.

With this programme, the Agency seeks to identify, hold, acquire, develop and release state, communal and privately owned land for residential and community purposes and for the creation of sustainable human settlements. The two programmes implementing this are Land Management and Built Environment and each operates to a strategic plan.

Programme 2A: Land Management						
Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Devition from planned target to actual achievement	Reasons for Deviation
Identify, hold, acquire, develop, release state, communal and privately owned land for the residential and community purposes and for the creation of sustainable human settlements	Number of hectares well located land identified for human settlement development.	0	3000 ha	Achieved A total number of 4583.2911ha of well-located land was identified for human settlements	The annual target was exceeded by 1583.2911 ha	The target was exceeded due to a substantial number of requests from provinces for the HDA to assist with the identification of well-located land.

Programme 2A: Land Management						
Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Reasons for Deviation
Identify, hold, acquire, develop, release state, communal and privately owned land for the residential and community purposes and for the creation of sustainable human settlements	Hectares of well-located land (targeting poor and middle-income households) acquired or released	2500	2000ha	Achieved A total number of 3124.8773 ha of well-located land was acquired or released	The annual target was exceeded by 1124.877 ha	Land measuring 1013.0197 was donated by the State to Madibeng Local Municipality; Greater Taung Local Municipality and City of Tshwane Metropolitan Municipality. This led to the target being exceeded by 1124.8773 ha.
	Number of well-located land acquired by the Agency	0	1000ha	Not Achieved 0 ha of well-located land acquired by the Agency	1000 ha	The Housing Development Agency is not capitalised to acquire private land. State-owned land is being pursued for this purpose.
	Number of parcels of land facilitated for rezoning	New Baseline	5 parcels of land	Achieved A total number of 6 parcels of land have been facilitated for rezoning	1 parcel of land	A land parcel in Emalahleni Local Municipality was facilitated for rezoning which led to the target being exceeded.



Programme 2A: Land Management						
Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Devition from planned target to actual achievement	Reasons for Deviation
Identify, hold, acquire, develop, release state, communal and privately owned land for the residential and community purposes and for the creation of sustainable human settlements	Number of projects packaged for development	New Baseline	5 projects packaged for development	Achieved 6 projects packaged for development	1 project packaged	The target was exceeded due to the Intervention programme by premier to accelerate service delivery (Rapid Land Release Programme).
	Date of approval of interministerial agreement on release of state land	New Baseline	Approved interministerial agreement on the release of state land by 31 March 2019	Achieved An interministerial agreement on the release of state was approved and signed on 27 May 2018	None	None

### PROGRAMME 3: Development Management and Operations

This programme meets Goal 3 - accelerating the delivery of resilient, integrated and sustainable human settlements.

This programme project manages housing development services to create sustainable human settlements, assisted by seven sub-programmes that undertake project management services such as approvals for housing development. The sub-programmes are National Programme Design and Management, Catalytic Projects, Mining Towns, Upgrading of Informal Settlements, National Technical Assistance, Regional Coordination and Human Settlements Implementation Support Services.

They collectively are responsible for enhancing capacity of organs of state, including skills transfer to enable them to meet the demand for housing delivery.

Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Reasons for Deviation
<b>National Technical Assistance</b>						
Project manage housing development services for the purposes of the creation of sustainable human settlements	% of requests responded within agreed timeframes and costs	100% of requests responded to within agreed timeframes and costs	100% of requests responded to within agreed timeframes and costs	Achieved 100% requests for technical support from Regions, Land Management, Spatial Information and Programmes responded in the agreed timeframe and cost	None	None
<b>National Programme Design and Management</b>						
Project manage housing development services for the purposes of the creation of sustainable human settlements	Number of priority programmes and projects implemented	3 programmes managed for implementation including catalytic projects, mining towns and NUSP implemented	3 programmes managed for implementation including catalytic projects, mining towns and NUSP implemented	Achieved 3 National Priority Programmes managed for implementation	None	None
	Number of informal settlements projects provided with implementation support	5 projects provided with implementation support	5 projects provided with implementation support	Achieved 5 informal settlements projects have been provided with implementation support	None	None



Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Comment on deviations
National Programme Design and Management						
Project manage housing development services for the purposes of the creation of sustainable human settlements	Number of projects identified and implemented	10 projects selected 50 projects reviewed	50 catalytic Projects implemented	Achieved 57 catalytic Projects have been identified and implemented	7	The Project Implementation Plan (PIP) was reassessed in order to identify projects that can be fast tracked by subjecting these projects to transactional advisory process, which led to 7 additional private led projects being identified and implemented.
		New Baseline	3 catalytic projects development status graduated from inception stage to planning stage	Achieved 5 projects developments status graduated from inception stage to planning stage	The target was exceeded by implementation of 2 additional projects	The analysis of the programme was undertaken milestones were noted which were on the critical path and required to be fast-tracked. An updated programme was issued with new timelines and allocated resources which assisted in resolving the backlogs and progressing the projects to the implementation stage, which resulted in the target being exceeded

Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Comment on deviations
National Programme Design and Management						
Project manage housing development services for the purposes of the creation of sustainable human settlements		New Baseline	5 catalytic projects development status graduated from planning stage to implementation stage	Achieved 5 projects progressed from planning stage to implementation	None	None
	Number of technical and implementation support provided to mining towns	22	22 mining towns	Achieved 22 mining towns have been provided with technical and implementation support in the following areas: Spatial Transformation Plans and Project Pipeline Partnerships - conclusion of agreements with mining companies	None	None
	Strategy for labour sending areas in the Eastern Cape and KwaZulu-Natal developed and implemented	Strategy for 5 labour sending areas in the KwaZulu-Natal area Completed	1 strategy for 7 labour sending areas in the Eastern Cape developed	Not Achieved	Strategy for labour sending areas not completed	The target was not achieved due to the cancellation of the contract for the development of the strategy, which was a result of the organisation being under administration



Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Comment on deviations
Regional Coordination and Human Settlements Implementation Support Services						
Project manage housing development services for the purposes of the creation of sustainable human settlements	Number of provinces provided with capacity support as per MTOPs and business plans	3 provinces provided with capacity support as per MTOPs and business plans	9 provinces provided with capacity support as per MTOPs and business plans	Achieved 9 provinces provided with capacity support	None	None
	Number of housing units delivered	6 518 housing units	9 056 housing units delivered	Not Achieved 6 878 housing units were delivered	There was a shortfall of 2 178 housing units	The delivery of housing units was hindered by the delays in payments to contractors, which resulted in contractors experiencing cashflow problems and not being able to complete work timeously. Protests by community business forums, strikes, the unwillingness of beneficiaries to relocate out of the way of construction and the lack of approved beneficiaries impacted on the delivery of housing units
	Number of human settlements serviced sites delivered/ supported	5 203 serviced sites	5 140 serviced sites	Achieved A total number of 5 964 serviced sites were delivered	The annual target was exceeded by 824 serviced sites	Concerted efforts to adhered to a recovery plan in Northern Cape lead the province to surpass the delivery.

Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Comment on deviations
Regional Coordination and Human Settlements Implementation Support Services						
Project manage housing development services for the purposes of the creation of sustainable human settlements	Number of housing units delivered for catalytic projects	New Baseline	2 698 housing units	Not Achieved A total number of 1 120 housing units were delivered in catalytic projects	There was a shortfall of 1 578 housing units	The delivery of housing units was affected by challenges with community interruptions and interference of local business forums, which led to the delays in progress. Challenges with contractors not being able to go onto site due to issues raised by the community with regards to being non-residents of the area.
	Number of serviced sites delivered for catalytic projects	New Baseline	2 614 serviced sites	Achieved 4 046 serviced sites were delivered in catalytic projects	The annual target was exceeded by 1 432 serviced stands	The target was exceeded due to the Western Cape provincial department intervening to assist the contractors that were experiencing cash flow problem. This resulted in the rapid increase of production.
	Number of sites and services in mining towns assisted with 6km installation of bulk sewerage line	New Baseline	Installation of 6km bulk sewerage line in Madibeng	Not Achieved	The installation of the 6km bulk sewerage line	The project was not implementation ready due to the EIA and WULA approvals not being granted. One of the landowners refused to give consent for EIA, WULA and project implementation, which led to the bulk sewerage line not being implemented.



Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Comment on deviations
Regional Coordination and Human Settlements Implementation Support Services						
Project manage housing development services for the purposes of the creation of sustainable human settlements	Number of sites and services	New Baseline	2 393 serviced sites	Achieved 2 932 serviced sites were delivered for the Informal Settlements Upgrading Programme	The annual target was exceeded by 539 serviced stands	The request for contractors for the Coligny project (North West) to extend pipelines to accommodate additional stands to service the community resulted in more stands being serviced.
	Number of title deeds facilitated as part of township establishment regularisation	New Baseline	2 100 title deeds facilitated	Not Achieved	The annual target 2 100 title deeds was not achieved	The project of facilitating the issuing of title deeds in the Free State was terminated and will no longer be handled by HDA until further engagements with FSHS Appointment of conveyancer in Thaba Chweu. for Sabie X10 has been delayed as a result of budget availability
	Number of priority projects in Knysna assisted with the rehabilitation of fire disaster	New Baseline	1 priority project assisted with land acquisition for the rehabilitation of fire disaster in Knysna	Not Achieved	The funding application has not been approved by the provincial department	The target was not achieved due to budgetary constraints indicated by the provincial department and that priority is towards strategic land acquisitions within the City of Cape Town.

Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Comment on deviations
Regional Coordination and Human Settlements Implementation Support Services						
Project manage housing development services for the purposes of the creation of sustainable human settlements	Number of priority projects packaged for the development (SCCD) – Southern Cape Corridor (Knysna and Bitou)	New Baseline	1 project packaged, including the development of a comprehensive business plan, financial model and funding approval	Not Achieved	Funding has not been approved	The annual target was not achieved due to the business plan not being approved by the Bitou Municipality and both IPs have not been signed. The SCCD does not form part of the HSDG business plan
	Number of priority project packaged for the redevelopment of Imizamo Yethu, WC including township establishment and delivery of sites	New Baseline	1 project packaged for the redevelopment of Imizamo Yethu including township establishment and delivery of sites	Not Achieved	No approvals were obtained	The appointment of the professional team has been ceded to the provincial department due to issues of funding constraints at the HDA, which led to the target not being achieved
	Number of priority projects packaged for the redevelopment of Duncan Village, EC Project Packaging	Conceptual draft plan	1 priority project packaged for the redevelopment of Duncan Village, including an approved conceptual plan, comprehensive business plan, financial model and funding approval	Achieved HSDG 19/20 Business Plan approved with 250 units for Reeston Phase 3 Stage 2	None	None

**PROGRAMME 4:**

**Stakeholder Intergovernmental Relations Stakeholder Intergovernmental Relations supports Goal 4 - enhancing the efficiency and effectiveness of the organisation.**

SIR ensures and monitors that there is centrally coordinated planning and budgeting of all infrastructure required for housing development, and that there is collaboration and intergovernmental and integrated alignment of housing development services. It manages contracts with any organ of state to acquire land for residential housing and community development.

Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Comment on deviations
<b>Stakeholder Intergovernmental Relations</b>						
Ensure and monitor that there is centrally coordinated planning and budgeting of all infrastructure required for housing development	Stakeholder and Intergovernmental Strategy aligned to the developer role developed and implemented	100% effective platforms for stakeholder management established and maintained	100% platforms established and maintained 60% established and 40% maintained already established in 2017/8	Not Achieved 50% platforms established 40% maintained	20%	The establishment of the PSC in the NC is being reviewed with the department

**PROGRAMME 5:****Spatial Information and Analysis**

Spatial Information and Analysis addresses Goal 3 - promoting integrated spatial planning and sustainable land development.

Through this programme, the HDA monitors the provision of all infrastructure for housing development.

<b>Spatial information and analysis</b>						
Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Comment on deviations
Monitor the provision of all infrastructure required for housing development	% support provided within the agreed time frames	100% of land parcels and projects with investment potential submitted	100% support provided on spatial information solutions	Achieved Support provided on spatial information systems management, GIS mapping and profiling, project support, spatial analysis and decision support systems.	None	None

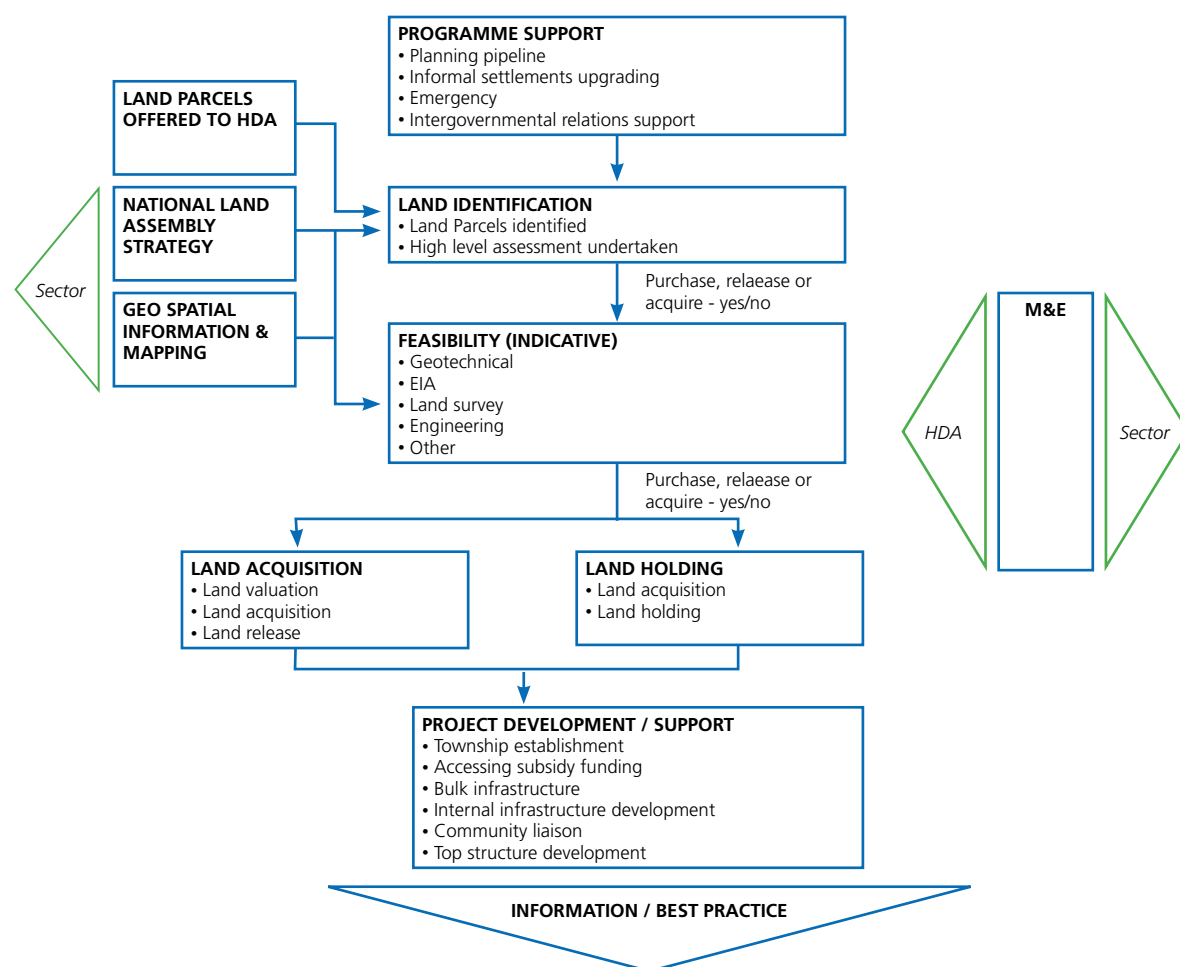


Spatial information and analysis						
Strategic Objective	Performance Measure/ Indicator	Baseline	2018/19 Target	Annual Performance	Deviation from planned target to actual achievement	Comment on deviations
Monitor the provision of all infrastructure required for housing development	Number of monitoring and evaluation reports	2 monitoring reports with research and impact studies done related to monitoring and evaluation of spatial transformation and targeting	4 monitoring and evaluation reports and infographics measuring spatial targeting and transformation	Achieved 4 monitoring and evaluation reports completed The development of the Land Audit and Land Audit APP reports Progress on the implementation of the Spatial Transformation Scoring Tool reports	None	None
	Number of projects approved and declared as PHDA's	New Baseline	39 PHDAs declared	Achieved A total number of 51 PHDAs approved and declared	The target was exceeded by 12 PHDAs that were approved and declared.	After approval of the Draft Framework for Human Settlements Spatial Transformation and consolidation by the Minister, 12 additional PHDAs were identified, leading to the target being exceeded.

# CORE BUSINESS PERFORMANCE

## Overview of HDA Core Functions

**FIGURE 8:**  
HDA core functions



The HDA's core business operations deliver on the mandate of the Agency. And pertain to land management, and programme design and planning work done in the regions A, B and C, Land Management.

### REGION A (Western Cape, Eastern Cape and Northern Cape)

This programme enhances capacity and provides human settlements projects implementation services to provinces and

municipalities. Several provincial programmes are run in partnership with government. As work is carried out, the HDA ensures that human settlement developments are sustainable, viable and appropriately located; that job creation is optimised throughout the process, and that the local communities are actively involved.

In the Western Cape, the N2 Gateway Project has been a focus since May 2010 and is underpinned by an MoA signed with DHS. The Western Cape programme remains the biggest in Region A and has grown significantly to encompass land assembly and implementation for the People's Housing Process (PHP) and catalytic projects. Against this background, there are efforts afoot for the

growth of the programme as exemplified by various initiatives, notably Knysna, Imizamo Yethu and Nomzamo (Lwandle) projects. In the Eastern Cape, the Agency has a specific focus on the BCM and Nelson Mandela Bay Municipality (NMBM) initiatives, which fall under Section 29 work in the HDA Act.

The NMBM initiative is underpinned by an MoA and an implementation protocol (IP) signed by the accounting officers in July 2015. The IP expires in May 2019 and the MoA in June 2019. Based on a situational analysis, the key thrusts to drive interventions included the development of a procurement framework that is transparent and supportive of SMMEs. This resulted in the creation of a contractor panel or roster by the Agency that replaced the previous one instituted by the metro that was mired in allegations of corruption and other irregularities, notably the skewed focus on rectification work. Through the assistance of the National Urban Reconstruction and Housing Agency and National Home Builders Registration Council, the initiative included the training of SMMEs through incubation and mentoring programmes.

For BCM, the Agency's work is still at the fledgling stage, although there is a political and administrative expectation to deliver on Duncan Village. The IP was signed on 29 November 2018. In the Northern Cape, the Agency has provided support to the Department of Cooperative Governance, Human Settlements and Traditional Affairs (CoGHSTA) since February 2013. CoGHSTA has entered into a new agreement with HDA in January 2019, which coincides with next MTSF period. This support programme outlines priorities for 2019/20 to 2023/24.

### **Achievements for the year**

Region A delivered 2 398 housing units during 2018/19. At year-end, 1 477 units were in construction and 6 340 sites were serviced, which entailed construction and installation of internal civil engineering services such as sewer reticulation, water reticulation, roads and stormwater systems.

The Agency was at the forefront of key strategic initiatives, namely Imizamo Yethu Redevelopment Initiative and the Southern Cape Corridor Development (SCCD).

#### **Imizamo Yethu Redevelopment Initiative**

Rebuilding the community of Imizamo Yethu, Cape Town after the fire of 11 March 2017 included identification and acquisition of land. After successful negotiations between private land owners and the national and provincial departments of human settlements, funds were committed to acquire the identified land parcels. The Agency was tasked with preparing the development framework for the land parcels.

#### **Southern Cape Corridor Development (SCCD)**

Knysna and Bitou municipalities as well as neighbouring municipalities along the Garden Route in Eden District (Western

Cape) have similar spatial and socio-economic characteristics and challenges in terms of bulk infrastructure limitations and land requirements for integrated human settlements development.

The consolidation of projects in Knysna and Bitou municipalities makes up the proposed SCCD. The project will not only prioritise development in Eden District in terms of funding, but will catalyse investment opportunities for the private sector, particularly tourism.

### **Challenges**

Delays in the procurement cycle of projects is an inherent challenge, especially for the PHP, which directly impacts the turnaround time in awarding of project packages. With level five water restrictions instituted by the City of Cape Town (CoCT) during the Western Cape drought, contractors had to bring in water from offsite, affecting production. CoCT also decreased the water pressure, which affected testing and commissioning of reticulation systems and ruled out the use of solar water heaters, which prevented certification of completed houses.

Space could not be cleared for construction of Boystown and Joe Slovo Phase 3 projects because occupants refused to relocate. In addition, there was the continuous threat of invasion of the construction area and illegal occupation of open spaces. Lack of timely release of funds by partner agencies, especially provinces, continued to stymie the development efforts of the Agency, and left provinces and other partner agencies unable to meet their funding obligations for operational activities as underpinned by mutual agreements.

### **Focus areas for the next financial year**

The key activity for 2019/20 will be project management support and implementation of human settlements initiatives. The Agency will ensure that all deliverables and civil works are constructed according to norms, standards and requirements.

Additional efforts will include identifying and acquiring well-located land to initiate the human settlements development cycle.

The Agency will enhance the capacity of partner entities, including providing programme support to the Informal Settlements Upgrading Programme and Catalytic Projects Programme (CPP). This will involve preparing project pipelines to facilitate the achievement of quick-wins with maximum impact, whilst promoting sustainable delivery of serviced sites and houses over the MTSF period. Delivery of associated urban socio-economic facilities will also be examined.

Regular community engagements will be held and updates given on key aspects of projects to avoid work stoppages that affect performance. The planned delivery programme for 2019/20 comprises 3 611 housing units in 17 projects.



## REGION C (Free State, Limpopo, Mpumalanga and KwaZulu-Natal)

At the beginning of the financial year, the provincial offices of Region C were assigned local targets by their provincial departments of human settlements according to the operational plan and support programme for each province. This report addresses annual targets that are a direct outcome of HDA's contract with the provinces.

### Achievements for the year

The region managed a successful recovery plan on HDA support in the title deeds restoration programme, with 2 216 title deeds facilitated through resolution of the Less Formal Township Establishment Act, Act 113 of 1996 applications. All processes related to target setting for 2019/20 were done, with three of the four provincial offices holding successful strategic planning sessions from 20 to 22 February 2019.

In Limpopo, the region delivered 3 342 units supporting various programmes as assigned by the provincial departments. The main area of excellence was in Rural Housing Programme.

The KwaZulu-Natal office was assigned the task of running the secretariat for the recently established service delivery war room of eThekweni Municipality.

### Challenges

The region was affected by the organisational challenges that engulfed the HDA during the 2018/19 financial year, particularly the recall of funds by National Treasury, which had an impact on the KwaZulu-Natal and Free State provincial offices. Many contracts expired before completion of given assignments and certain appointed contractors could not deliver milestones on time because of poor cashflow.

### Focus areas for the next financial year

The region's strategic focus areas for the 2019/20 financial year include:

- Four provinces provided with capacity support through MTOPs and business plans.
- 2 075 housing units delivered.
- 15 catalytic projects supported.
- Township establishment regularisation to support title deeds restoration programme.
- Support the declaration of priority housing development areas (PHDAs).
- Support five municipalities with accreditation.
- Support two mining towns.
- Multiyear housing sector plans supported in two provinces.

## REGION B (Gauteng, North West)

Agreements with the province and its municipalities call for the installation of infrastructure required for human settlements and the construction of housing units on serviced land in line with various human settlements programmes.

### Achievements for the year

During the year under review, the Agency assisted the province with the acquisition of privately owned land parcels of 802.6591ha.

The Agency delivered 1 508 housing units in Tshwane and Ekurhuleni, including Mogale City Local Municipality. Serviced sites numbering 3 628 were completed from projects funded by the Urban Settlement Development Grant at City of Ekurhuleni, while 2 255 beneficiaries' subsidies were approved on various projects.

### Challenges

Scarcity of strategically located land for human settlements development remains a challenge, as does mushrooming of informal settlements across the province. Infrastructure grants funding is badly aligned and the delivery rate of human settlements is not optimal.

### Focus areas for the next financial year

- Expropriation of land for human settlements development.
- Completion of all legacy human settlements projects.
- Registration of title deeds for HDA projects implemented.
- Fast track assigned infrastructure projects funded through the Urban Settlements Development Grant (USDG).
- Support the province with the implementation of the rapid land release programme.
- Support the province with the development and implementation of an integrated Alexandra development plan.

## NORTH WEST

The programme involves comprehensive land assembly, which entails the identification, acquisition, release and development of land for human settlements development. This includes but is not limited to infrastructure services required for human settlements development. The programme transmitted into the construction of housing units and services sites.

### Achievements for the year

During the year under review, 2 228 serviced sites were completed and the Agency assisted the province to acquire privately owned land parcels of 784.0013ha for human settlements.

The Agency assisted the Greater Taung and Ratlou local municipalities to access state-owned land of 502.154ha required for human settlements tenure upgrading.

Two land parcels of 361.9206ha were rezoned and will yield 3 740 units/housing opportunities (Tshing Extension 9 and 10 in JB Marks Local Municipality).

## Challenges

Accelerated informal settlements in-situ upgrading is critical given the growth of informal settlements in mining towns. Bulk infrastructure and funding remain inadequate to support human settlements projects in non-mining areas.

## Focus areas for the next financial year

- Comprehensive land assembly focusing on PHDAs and informal settlements in mining towns.
- Expedite development planning projects to improve projects pipeline.
- Support the implementation of catalytic projects and mining towns programmes.

# LAND MANAGEMENT

The Land Assembly programme, aligned to Outcome 8 of the MTSF 2014 to 2019, focuses on the identification, acquisition, holding, rezoning and release of land for human settlements development, targeting poor and middle-income households.

The key performance areas are linked to the following MTSF sub-outcomes:

**TABLE 4:**  
Performance areas are linked to MTSF sub-outcomes

	Key performance area	MTSF Sub-outcome
1	Number of hectares of well located land identified for human settlement development	Adequate housing and improved quality living environments
2	Number of hectares of well-located land (targeting poor and middle-income households) acquired or released	
3	Number of parcels of land facilitated for rezoning	
4	Number of projects packaged for development	
5	Interministerial agreement on the release of state land	

## Achievements for the year

### Land identification

The Agency identified 4583,2911ha of developable land in various provinces, which will be prioritised for acquisition during MTSF 2019 to 2023. Thus, the target of 3000ha was exceeded by 1583,2911ha.

### Land acquisition and release

The Agency facilitated the release and/or acquisition of 3124ha of land for development of human settlements by provinces and municipalities, more than 800ha of which were acquired in Gauteng, where there is a higher need for land to accommodate the sprawling informal settlements.

The following land parcels were released by the Department of Rural Development and Land Reform (DRDLR) through the intergovernmental process for human settlements development:

**TABLE 5:**  
Land parcels released by DRDLR through HDA assistance

Province	Property description and extent
Limpopo	Remaining 569.1750ha of farm Richards Lager 24 JS, in Lephalale Local Municipality
KwaZulu-Natal	Land of 139.309ha (Portion 46 of farm Klipplaatsfontein 1235 GS) and 6.8095 ha (Portion 3 of 1 of farm Melk Spruit 293 ES) to the Okhahlamba and Greater Kokstad local municipalities respectively (total 14.1125ha)
North West	<ul style="list-style-type: none"> <li>• Portion 1049 and Portion 1050 of farm Taung 894 HN (204.3090ha and 5.4540ha in Greater Taung Local Municipality released by DRDLR</li> <li>• Farm Madibogo 679 IO and Farm Setlagole 680 IO measuring 779 523ha and 214.4388ha released to Ratlou Local Municipality for formalisation of existing townships</li> <li>• DRDLR released 1217.4476ha during the 2018/19 financial year</li> </ul>

### Land preparation/rezoning

Six land parcels of 1330.6885ha in Mpumalanga, Limpopo and North West were rezoned and have a potential yield of 20 152 units/housing opportunities, which will make a huge impact in addressing the human settlement backlog in these provinces.

### Land holding

The current immovable property holding portfolio consists of 305 land parcels, 63 of which are managed on behalf of various provinces and the remaining 242 owned by the Agency. The total size is 1 122.9328ha (847.4587 owned by the Agency and 275.4741 managed for provinces). All properties carry 31 lease agreements and are projected to generate an annual income of R3 851 451.60.

## Challenges

Well-located urban land for human settlement was limited due to several factors including land development constraints, for example, mine dumps, conservation areas etc.

There is also a lack of funding to acquire land due to current DORA arrangement that where human settlement development and urban settlement development grants are allocated directly to provinces and municipalities respectively.

Delays by custodian departments in releasing targeted state land for development of human settlements remains a constraint.

## Programme Planning and Design

The HDA is mandated to manage three national priority programmes, namely revitalisation of distressed mining towns, catalytic projects and informal settlements upgrading. The National Programme Design and Management Department, which was renamed Programme Planning and Design (PPD) during the year under review, provided a new role in programme implementation support. The focus was to champion project planning in HDA and the emphasis was placed on planning alignment, fiscal alignment and better financial management to ensure better use of conditional grants allocated in the sector.

When four executives were suspended in December 2018, Exco allocated their responsibilities, with PPD taking over management of the Transformation and Empowerment Unit.

## Revitalisation of Distressed Mining Communities Programme

Intervention in mining towns aims to create an environment conducive to sustainable growth and meaningful transformation of South Africa's mining industry. The programme's strategic objective is to project manage housing development services to improve the quality of household lives through sustainable human settlements in the 22 mining towns and 12 labour sending areas.

During the year under review, all 22 mining towns received technical capacity and implementation support. The unit completed five spatial transformation plans (STPs) and developed project pipelines for Matlosana, Emalahleni, Thaba Chweu, Steve Tshwete, Fetakgomo and Greater Tubatse local municipalities. The STPs were approved by the municipal councils of Kgetlengrivier, Thaba Chweu, Elias Motsoaledi, Kgatelopele, Moses Kotane and Fetakgomo Greater Tubatse local municipalities.

A strategy for the decommissioning, disposal, transfer and management of mining legacy assets left by mining companies after mine closures was developed and adopted. These assets include infrastructure, buildings, land and equipment and, if left unattended, cause serious problems for the municipalities, including illegal mining activities, invasions, crime in disused buildings and illegal connections to municipal services. This strategy was developed for the affected municipalities, but will be implemented widely.

A strategy for the labour sending areas of the Eastern Cape was developed but not finalised as the HDA was placed under administration, and was in financial difficulties, resulting in contracts being cancelled. Administration also led to the withdrawal of planned support to Steve Tshwete, Emalahleni, Matlosana and Mogalakwena local municipalities. Support will resume and the strategy finalised in the 2019/20 financial year.

A development partnership agreement and a technical and project agreement were concluded between the HDA and Lonmin Mining Company for the implementation of the Integrated Residential Development Programme (IRDP) and the Upgrading of Informal Settlements Programme (UISP) in Marikana Ext 13 (IRDP) and Nkaneng Informal Settlement (UISP).

A concept plan was concluded with Impala Platinum Mine to meet the human settlements needs of each party. Significant progress was made in the donation of portions 6 and 19 of the Farm Koedoesdoorns, Northam, to government by Anglo and Northam Platinum Mines. Support and funding commitment for the project has been obtained from Eskom and Magalies Water.

Dolomitic stability studies were conducted in Matlosana Local Municipality and Merafong Local Municipality (Blyvooruitzicht).

Two new mining towns, Khai Ma in Northern Cape and Mogalakwena in Limpopo, were added during the MTSF period and, during 2019/20, bringing the total to 24 mining towns.

The programme continued to contend with the slow pace of the conclusion IPs with provinces and municipalities. To date, Gauteng and Limpopo have concluded IPs and North West is at an advanced stage. IPs in Mpumalanga, Free State and Northern Cape are still being negotiated.

## Catalytic Projects Programme (CPP)

The CPP identifies and implements 50 national priority catalytic projects as part of DHS MTSF 2014 to 2019 targets. This is in line with the NDP goal of breaking apartheid spatial patterns and providing access to adequate housing and services in better living environments whilst eliminating poverty and reducing inequality.



During the year under review, technical capacity support was provided to 51 government led catalytic projects, two of which merged (Vista Park Ext 2 and Vista Park Ext 3), resulting in 50 government-led catalytic projects approved by Ministers and Members of Executive Councils Meeting (MINMEC). At the beginning of the year, 29 of the 50 projects were in implementation phase and 21 in planning phase. By year-end, five more projects (four projects and one sub-project) had moved from planning to implementation, and five (three projects and two sub-projects) moved from early planning phases (inception) to planning.

In addition, the HDA provided transaction advisory services to seven private sector-led catalytic projects managed in partnership with government and in implementation. Fifteen catalytic projects were submitted to window two of National Treasury's Budget Facility for Infrastructure for 2018/19.

The main challenges for the programme are lack of adequate funding and the significant bulk infrastructure backlog in certain implementation areas. The HDA is discussing with the Development Bank of Southern Africa and the National Treasury Budget Facility for Infrastructure a capital raising and alternative funding mechanism.

### Informal settlements upgrading programme

One of South Africa's greatest human settlement challenges is that informal settlements continue to grow faster than the rate of low-income housing delivery. The need for accelerated in-situ informal settlement upgrading is, therefore, paramount. This growth in informal settlements is most notable in mining areas. Section 7(1)(k) of the HDA Act of 2008 provides for the Agency to assist organs of state with the upgrading of informal settlements.

DHS and the HDA continue to provide capacity and technical support to provinces and municipalities in support of MTSF 2014 to 2019 targets. In 2018/19, the HDA achieved the following:

- Supported 24 mining town municipalities in six provinces, assessing and categorising 369 informal settlements. Additionally, through MTOPs with Free State and Limpopo, the HDA also assessed all informal settlements in non-mining municipalities in the two provinces, bringing the number of assessments to 560, an achievement of the MTSF target.
- In line with the developer mandate, the HDA supported five informal settlements in project implementation – Smashblock, Nkaneng, Spring Valley, Peace Valley and Malibongwe Ridge.
- Mining town settlements are being tracked and supported for prioritisation for implementation, with 56 Category A settlements prioritised ready for immediate in-situ upgrading. Continuous efforts are made to ensure alignment of provincial business plans to National Upgrading Support Programme (NUSP) priority projects.
- All capacity support targets, including five sector engagements (thematic workshops) and four sector publications.

### Integrated and coordinated planning

The role of integrated and coordinated planning and fiscal alignment is a function derived from Section 4(c) of the HDA Act, which states that the HDA must 'ensure and monitor that there is centrally coordinated planning and budgeting of all infrastructure required for housing development' and Section 7(1)(a), which states that the HDA must 'develop a development plan in consultation with the relevant authorities in the provinces and municipalities'.

The unit participated in the business planning processes of the provincial departments from the first to the final drafts and provided an analysis of the business plans that was shared with the provinces and DHS.

## PERFORMANCE OF SUPPORT FUNCTIONS

Support departments in the Agency provide services to the core functions to ensure that the HDA efficiently and effectively delivers on its strategic goals and, ultimately, its mandate.

### Project Management Office

The Project Management Office (PMO) was conceptualised to deliver project reporting and management services, and continues to supply a pool of built environment professionals as a resource to both internal and external stakeholders.

The two main objectives are:

- To set up and manage a fully fledged project management office.
- To respond to 100% of all technical requests received.

The objectives are interrelated and the programme facilitates an interactive range of services and oversight to internal and external partners under four key areas, namely technical, financial, legal and administration.

The PMO ensures that projects continue to deliver contractually and financially and that obstacles are identified. Risks would be addressed through either concentrated dedication of resources or a turnaround strategy.

The second objective focused on evaluating and developing technical, legal and financial assessments of the risk and viability of land and projects to ensure reporting on risk analysis and due diligence on technical planning and engineering status to ensure sound decision-making and projects packaged for possible implementation.

To this end the PMO undertakes to provide responses to 100% of requests for technical work.

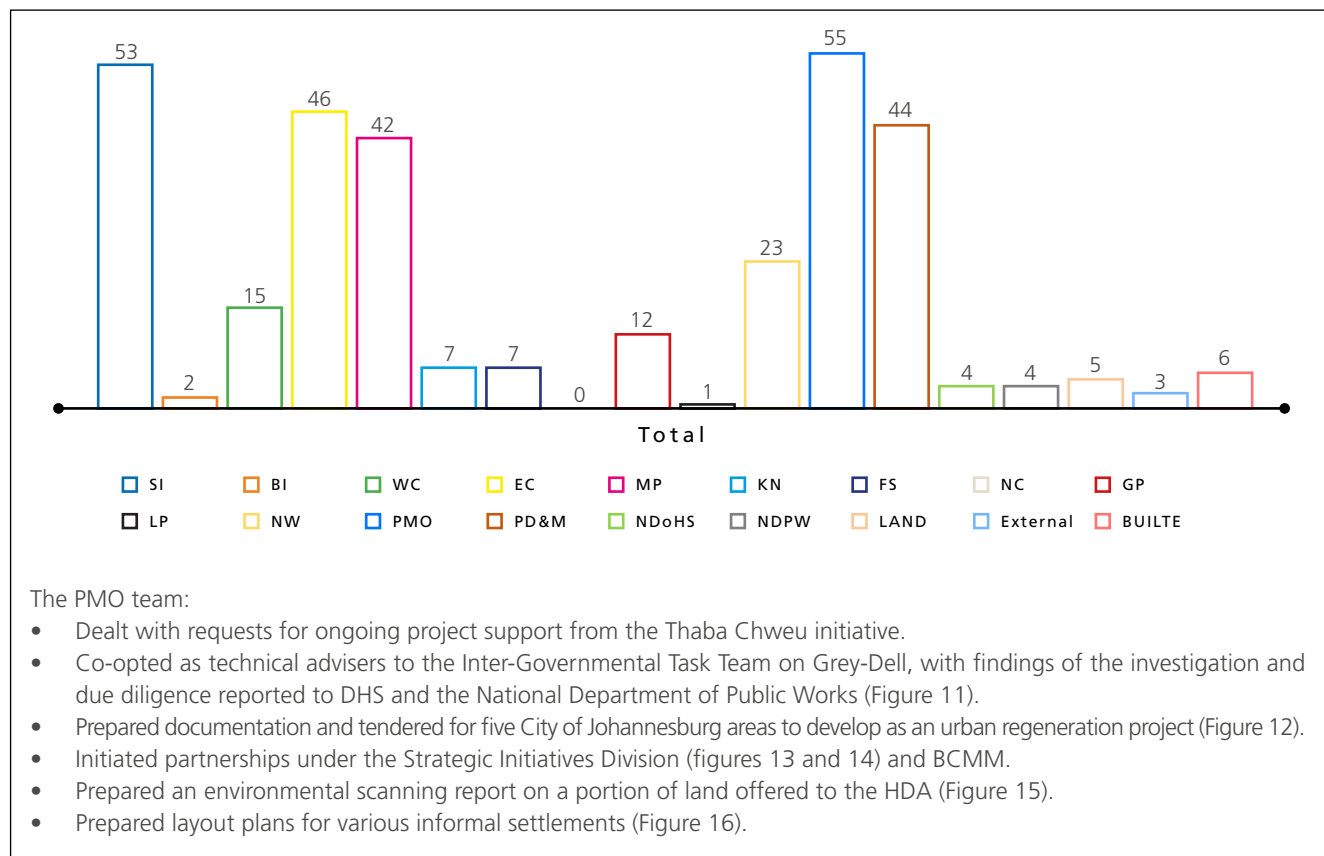
This included:

- Providing technical support to the Strategic Initiatives Programme.
- Developing special priority programmes such as student housing and inner-city programmes under the Planning and Programme Design Programme. In so doing, the PMO designed and packaged both programmes and linked projects for possible implementation by the HDA.
- Supporting regional offices through technical resources to design, conceptualise, assess, investigate, propose, plan, model and map land and development objectives.
- Constructing and modelling criteria for the Business Intelligence Unit and PMO, and to develop scheduling and project selection criteria.
- Providing technical resources and crafted and designed responses to initiatives and interventions for both the HDA and external partners such as the Social Housing Regulatory Authority, Johannesburg Development Agency, BCMM and National Treasury.
- Providing technical and specialist support, in line with the outcomes of MTSF 2014 to 2019, including:
  - Legal, planning, environmental, infrastructure and costing assessments of parcels of land for potential development;
  - Technical reviews of catalytic projects, Gauteng mega projects, Strategic Infrastructure Project (SIP) 7 and private sector initiatives;
  - Technical support for initiatives such as Buffalo City Metropolitan Development Agency and the Grey-Dell Intergovernmental Task Team.

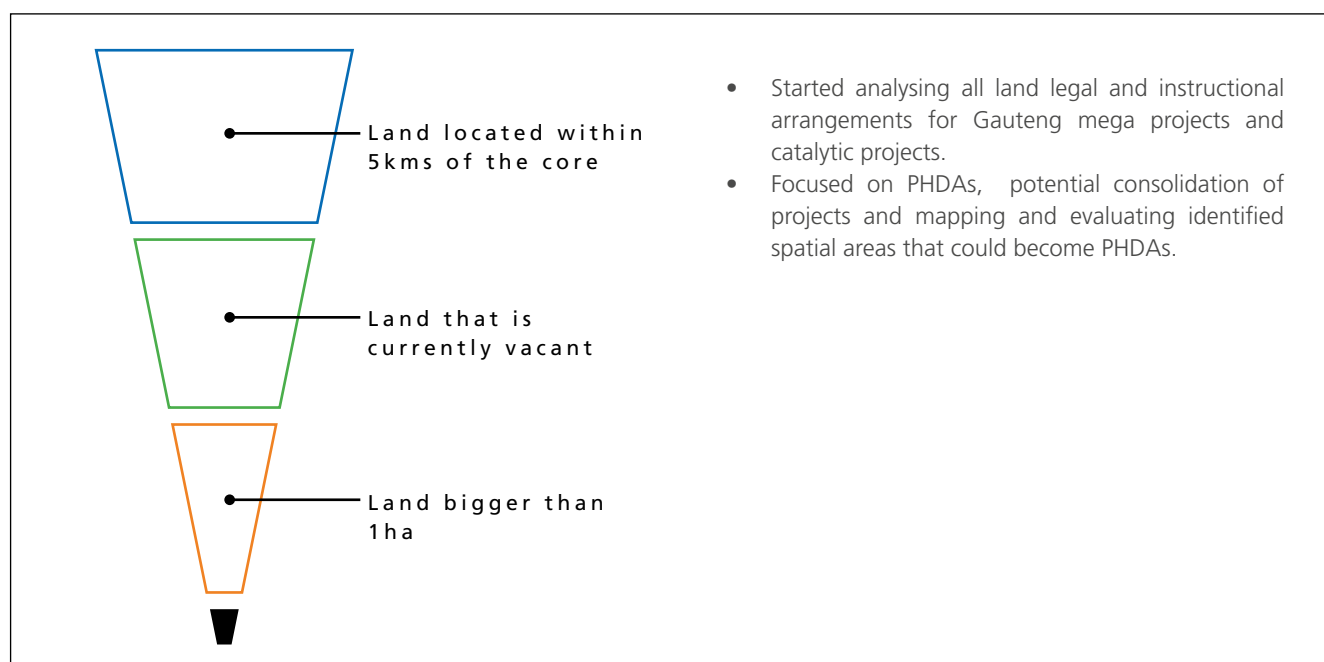
### Achievements for the year

PMO received and responded to 330 requests for technical support, as seen in Figure 9 below:

**FIGURE 9:**  
Technical requests received from various stakeholders

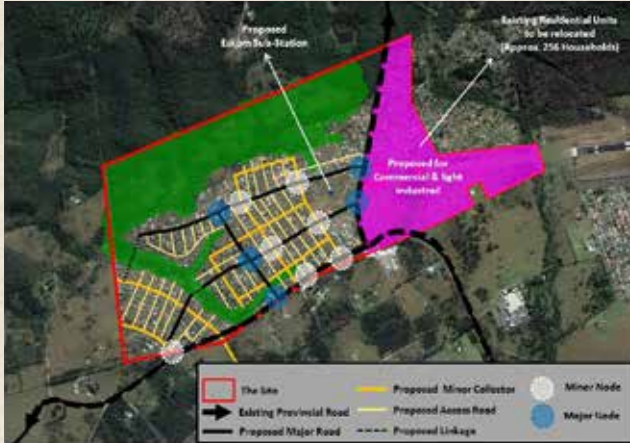


**FIGURE 10:**  
Land identification criteria

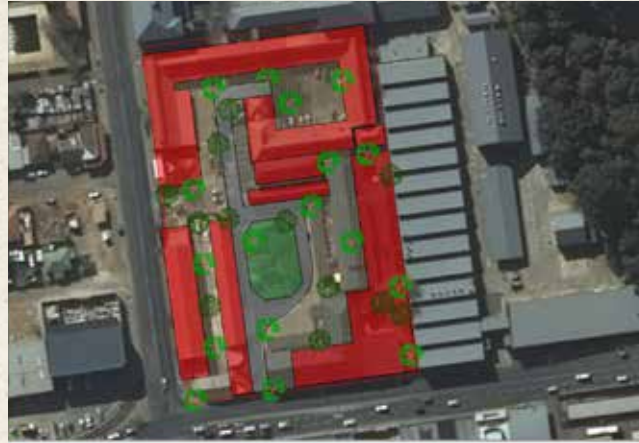




**FIGURE 11:**  
Grey-Dell site



**FIGURE 12:**  
Johannesburg Inner-City tender layout



**FIGURE 13:**  
Erf 21400 Philippi student accommodation ground floor layout



**FIGURE 14:**  
Erf 21400 Philippi student accommodation first floor layout



**FIGURE 15:**  
Environmental scan for various properties in Ekandustria



**FIGURE 16:**  
Marikana Extension layout plan





## Challenges

Change in strategic focus led to a fractured approach to human settlements. The fluidity of focus and budgetary constraints meant that the programme being supported did not retain its focus or the socio-political focus required realignment, without the necessary administrative or budgetary alignment.

Focus areas for the next financial year

- Technical, legal, planning reviews, assessments and contractual drafting and financial modelling for the strategic initiatives team and the alignment of projects with regional offices.
- Development and adoption of a working process that facilitates good governance, proper decision-making and alignment of budgetary and programmes with project specific appraisals.
- Development of a suite of detailed technical, financial and contractual guidelines and reporting processes to ensure consistency in technical support.
- Continued support to specific projects aligned to the APPs of the organisation, including technical review of land and landed properties for consideration planning and conceptualisation of urban design and development vision, and drafting and conclusion of contracts to ensure all risk mitigation measures are in place.

## Marketing and Communication

The Marketing and Communication Department focused on communicating and marketing the HDA's mandate and programmes to stakeholders and the public.

In spite of difficulties brought about by the administration period, the work of the agency was communicated effectively as per its strategy. This included participation in Breaking New Ground episodes on SABC 2, which showcased work on HDA catalytic projects and mining towns.

The HDA corporate video reflecting the new mandate was completed, distributed and aired on the Agency's online channel.

The state-of-the art online dashboard continued to be a trendsetter and grew in demand at many events in which the HDA participated. The Human Settlements Master Spatial Plan dashboard and GIS that assists with desktop human settlements were showcased at the following events, among others:

- DHS Budget Vote.
- BRICS (Brazil, Russia, India, China, South Africa) meeting 2018.
- Home Builder and Contractors Workshop.
- Govan Mbeki Awards.

- Nelson Mandela Bay Metro Human Settlements Indaba.
- Women in Human Settlements.

Following negative publicity in the media a turn around strategy was developed and phase one of the strategy was implemented with a focus of affirming the role of the agency in the sector. An interactive internal communication environment and a cohesive organisational culture are pivotal to the department's success. A weekly communique was introduced in to keep staff informed and to boost their morale. Focus for the next financial year will be on implementing the second phase of the strategy by running a campaign to rebuild the agency's damaged reputation.

## Stakeholder and Intergovernmental Relations (SIR)

SIR ensured that there was centrally coordinated planning and budgeting of all infrastructure required for housing development. Consequently, the following strategies or key activities were prioritised in line with MTSF 2014 to 2019:

- Contributing to organisational effectiveness.
- Building Agency services awareness.
- Facilitating the conclusion of cooperative agreements.
- Establishing and maintaining cooperative platforms.
- Supporting integrative platforms for sustainable human settlements.

## Achievements for the year

Being accepted during the year as a member of Project Management South Africa will assist the organisation in building its professional reputation as a go-to project management institution. As a result, HDA staff who are qualified and accredited project managers, are cooperating to develop proposals to help the organisation improve its project management ethos and practice.

IPs were concluded with BCMM and Umuziwabantu Local Municipality, and the HDA continued to support provincial departments and metropolitan municipalities in the DHS's quarterly review sessions, using these forums to gather intelligence pertaining on human settlements sector.

The Agency also reported regularly to DHS on its APPs.

## Challenges

There is a need to clarify modalities for signing IPs for catalytic projects. To date, the Agency has worked on most projects on a risk basis, given the lack of clarity around signatories.

The Agency needs to ensure that programmes steering committees sit as stipulated in all IPs. This will allow the Agency to monitor regional offices and account appropriately to stakeholders.

Drafting and management of intergovernmental relations agreements cannot be duplicated as it is a key deliverable to the stakeholder and intergovernmental relations function.

Focus areas for the next financial year

There is a need to facilitate a robust programme of inclusive regular sittings of the programme steering committees to ensure responsive support by the national office and material accounting to stakeholders by regional offices.

Secondly, we will facilitate the professionalisation of the Agency's project management tenet and, in collaboration with the Communication and Marketing Department, improve its image and reputation as a professional project management answer for the sector.

## Spatial Information and Analysis

### Geographic Information Systems

The GIS Unit provided spatial information solutions to the organisation, supporting all HDA programmes that required this service for operational and strategic decision-making.

The key performance areas of the unit include:

- Provision of spatial information systems and decision support systems.
- Mapping in support of land identification, projects and planning.

- Spatial analysis to ensure the delivery of sustainable human settlements.

It's main function is supporting land identification, which leads to holding, development and release of land. It supports other programmes and sub-projects with project management, planning, and the monitoring of infrastructure for housing development.

### Achievements for the year

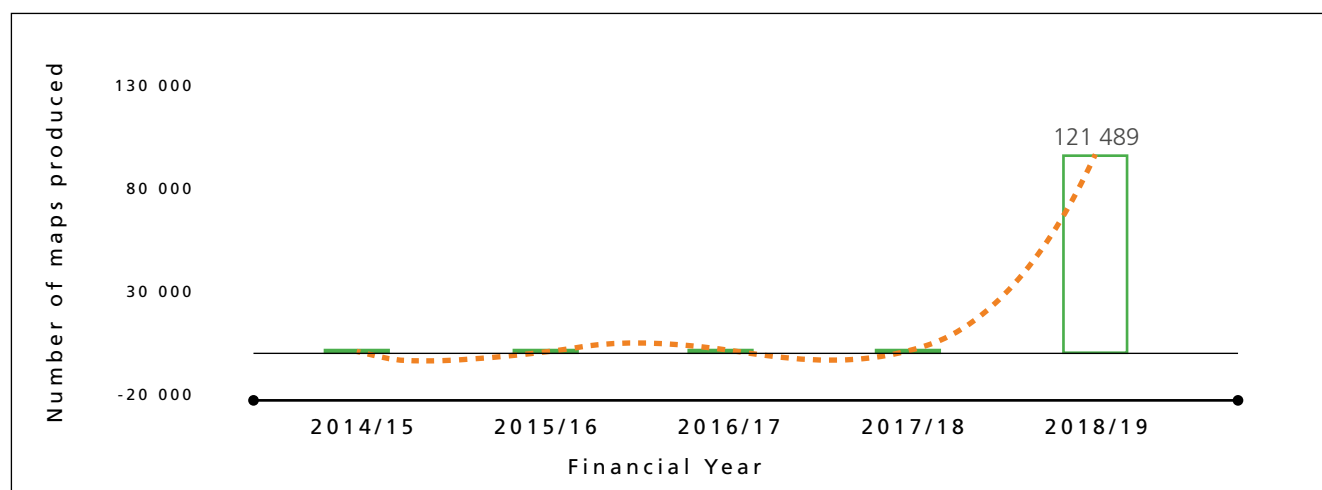
During the 2018/19 financial year, the unit produced a record number of 121 489 maps using modern technology geared for faster and more efficient delivery. These maps were delivered for key initiatives such as the rapid land release programme in Gauteng and the automated search for and mapping of vacant land in PHDAs. To put the achievement into context, 6 754 maps were produced in the previous four financial years. This trend is shown in Figure 1.

The unit also played an important role in mapping PHDAs identified by the HDA and DHS. It worked through several requests to map and adjust boundaries, compile analysis, identify land and draw statistics that would support the declaration of PHDAs and developed the PHDA online portfolio (dashboard) for presentation to municipal and provincial stakeholders attending PHDA consultations.

Other notable achievements during the year included:

- Presentation of the 'Master Spatial Plan and housing challenges in South Africa'.
- Presentation to Qinghai Hebei Business Chamber from China.
- Publication of the article 'Using cloud-based satellite imagery in the public sector' in the August/September edition of PositionIT magazine.
- Development of the mining towns municipal profiler for

**FIGURE 17:**  
Number of maps produced by the GIS Unit from 2014/15 to 2018/19





the Mining Towns Unit.

- Spatial analyses for the City of Matlosana, Setsoto and Mantsopha local municipalities, and Mpumalanga and North West provincial departments.
- Collaboration with the Monitoring and Evaluation, Knowledge Management and Research Planning Unit to develop a spatial model that combines social and administrative amenities for assessment in the Spatial Transformation and Scoring Tool (STST).
- Achievement of 99.4% uptime of LapSIS (since its inception in 2009, more than 900 000 searches have been conducted).

## Challenges

Acquisition of the latest geospatial technology from quotation to actual delivery of the software took longer than anticipated. Access to the latest data and the appointment of analysts who can develop strategies to support data-driven decision-making in the sector are problematic and require innovative digital strategies to ensure that the best technologies are acquired in line with the transformation agenda of the organisation.

## Focus areas for the next financial year

Work will continue with the latest geospatial technologies, which can lead to data-driven decision-making in the organisation. The unit will continue to support all HDA programmes, with a greater emphasis on proactive support for land identification, PHDAs, informal settlements upgrade, construction projects and analysis. It is crucial that resource requirements in capacity, data, hardware and software are met in the new financial year.

## Monitoring and Evaluation, Knowledge Management and Research

The key objective of this unit is to monitor the provision of infrastructure required for housing development. Further under Clause 7(1)(D) of the HDA Act, the unit monitors progress of the development of land and landed property acquired for the purposes of creating sustainable human settlements. Central to achieving these objectives is undertaking a land audit of HDA-facilitated land and driving spatial transformation and targeting in catalytic projects.

In terms of links to MTSF 2014 to 2019, the team successfully achieved the following outcomes:

**MTSF Sub-outcome 1: Framework to ensure spatial, social and economic integration (spatial targeting) of human settlements**

The Spatial Investment Framework has been developed, presented to all nine provinces and their inputs incorporated.

**MTSF Sub-outcome 1: Develop a coherent and inclusive approach to land for human settlements**

The report has been developed, presented to all nine provinces and their inputs incorporated. The document has also been published and disseminated to the sector.

**MTSF Sub-outcome 2: Develop policy and administrative systems that support individual transactions in the affordable secondary housing market**

The intelligent Housing Market Dashboard for distressed mining communities, accredited municipalities and metropolitan municipalities has been developed, presented and approved by DHS. Twenty-three housing market overviews for distressed mining communities have also been published and disseminated to the sector.

**MTSF Sub-outcome 3: Develop a monitoring and evaluation system to measure effectiveness of spatial targeting in human settlements**

An STST monitoring and evaluation system) has been conceptualised, developed and implemented in several catalytic projects.

## Achievements for the year

### Land audit software application

The team developed a land audit software application, which will transform how the HDA computes land assets and will serve as a land monitoring and repository tool. The app translates all land audits to a digital platform that informs designated users and stakeholders on the status of land parcels in the value chain. The app currently contains 92 land parcels, about 45% of all HDA-facilitated land parcels since 2009. Each parcel has been linked to cadastre and contains title deed, Survey General (SG) diagram, general plan, site photos etc.

### Spatial Transformation and Spatial Targeting

Another significant milestone is the development and implementation of the STST to assess catalytic projects. Each catalytic project is assessed according to the ten pillars of spatial transformation i.e. Land value-add, Human settlements transformation scorecard, Integration, Socio-economic development, Transversal alignment, Urban management, Quality, Functional and equitable residential property markets, Public safety and Return on investment. The STST is a planning tool that allows the HDA to convert human settlement targets into achievements. It alerts the HDA to red flags and to when and where to intervene. It further allows for project prioritisation – that is, to stop working on the wrong projects and reclassify, and provides comparative analyses among projects.

**FIGURE 17:**  
Sample – STST of Bokamoso

TRACKING INDICATORS



## SPATIAL TRANSFORMATION SCORING TOOL NORTH-WEST: BOKAMOSO

## LIFE CYCLE STAGE: DEVELOPMENT

## HDA ROLE: IMPLEMENTING AGENT

## OVERVIEW

3943	ENVISIONED HOUSING YIELD
0	HOUSES BUILT TO DATE
100%	DEVELOPABLE LAND
90	UNITS/HA
1700	HOUSING OPPORTUNITIES (FIN YEAR)
575 +	BENEFICIARIES (FIN YEAR)
<input type="checkbox"/>	ENVISIONED HOUSING YIELD (HOUSING NEED)
<input type="checkbox"/>	BREAKDOWN OF HH OPPORTUNITIES (TYPOLGY)
<input type="checkbox"/>	HH OPP = BENEFICIARIES = TITLE DEEDS (FIN YEAR)
<input type="checkbox"/>	DENSITY (ANALYSIS)
<input type="checkbox"/>	TRANSVERSAL ALIGNMENT (ANALYSIS)

## QUALITY

<input type="checkbox"/>	INNOVATIVE TECHNOLOGIES
<input type="checkbox"/>	INNOVATIVE TECHNOLOGIES (UNITS)
<input type="checkbox"/>	SOLAR PANELS
<input type="checkbox"/>	WATER HARVESTING TANKS

## SOCIO-ECONOMIC DEVELOPMENT

<input type="checkbox"/>	OCIO-ECONOMIC DEVELOPMENT PLAN
<input type="checkbox"/>	STANDS FOR BONDED AND FLISP HOUSING
<input type="checkbox"/>	STANDS FOR COMMERCIAL AND RENTAL
<input type="checkbox"/>	STANDS FOR MIXED LAND USE
<input type="checkbox"/>	STANDS FOR BUSINESS DEVELOPMENTS
<input type="checkbox"/>	SMME (PROJECTS)
<input type="checkbox"/>	SMME (PLANNED)
<input type="checkbox"/>	LED AND PUBLIC TRANSPORT
<input type="checkbox"/>	ADDITIONAL JOBS CREATED
<input type="checkbox"/>	INFORMAL TRADE ON WALKWAYS
<input type="checkbox"/>	FOOD SECURITY

## SOCIO-ECONOMIC DEVELOPMENT

## EDUCATIONAL AMENITIES

<input type="checkbox"/>	NURSERY/CRECHE
<input type="checkbox"/>	PRIMARY SCHOOL
<input type="checkbox"/>	SECONDARY SCHOOL
<input type="checkbox"/>	TERTIARY FACILITY

## HEALTH AMENITIES

<input type="checkbox"/>	MOBILE CLINIC
<input type="checkbox"/>	CLINIC
<input type="checkbox"/>	HOSPITALS

## RECREATIONAL AMENITIES

<input type="checkbox"/>	LARGER PARKS
<input type="checkbox"/>	SMALLER PARKS
<input type="checkbox"/>	SPORTS FIELDS

## CULTURAL AMENITIES

<input type="checkbox"/>	LIBRARY
<input type="checkbox"/>	COMMUNITY CENTRES
<input type="checkbox"/>	RELIGIOUS CENTRES

## ADMINISTRATIVE AMENITIES

<input type="checkbox"/>	MUNICIPAL OFFICES/PAY POINTS
<input type="checkbox"/>	POST OFFICE
<input type="checkbox"/>	POLICE STATION
<input type="checkbox"/>	FIRE STATION
<input type="checkbox"/>	CHILDREN'S HOME
<input type="checkbox"/>	COMMUNITY INFO CENTRES

## ECONOMIC AMENITIES

<input type="checkbox"/>	SHOPPING POINTS
--------------------------	-----------------

## WATER AND SEWER

<input type="checkbox"/>	ELECTRICITY
<input type="checkbox"/>	ROAD INFRASTRUCTURE
<input type="checkbox"/>	ICT INFRASTRUCTURE

## LAND TO CATALYSE PRIVATE SECTOR

<input type="checkbox"/>	NO OF STANDS FOR INSTITUTIONAL USE
<input type="checkbox"/>	NO OF STANDS FOR RES, IND AND COM USE

## DEVELOPABLE LAND

## HS TRANSFORMATION SCORECARD

## DEVELOPER BEE

<input type="checkbox"/>	BEE COMPLIANT
<input type="checkbox"/>	% BLACK OWNERSHIP
<input type="checkbox"/>	% YOUTH OWNERSHIP
<input type="checkbox"/>	% WOMEN OWNERSHIP
<input type="checkbox"/>	% DISABLED OWNERSHIP
<input type="checkbox"/>	% MILITARY VETS OWNERSHIP

## SUPPLIER TRANSFORMATION (SERVICE SUPPLIER)

<input type="checkbox"/>	BEE COMPLIANT
<input type="checkbox"/>	% BLACK OWNERSHIP
<input type="checkbox"/>	% WOMEN OWNERSHIP
<input type="checkbox"/>	% SUPPLIER TRANSFORMATION (PRODUCT SUPPLIER)

## SUPPLIER TRANSFORMATION (PRODUCT SUPPLIER)

<input type="checkbox"/>	BEE COMPLIANT
<input type="checkbox"/>	% BLACK OWNERSHIP
<input type="checkbox"/>	% WOMEN OWNERSHIP

## CONTRACTORS TRANSFORMATION

<input type="checkbox"/>	% JOBS FOR THE LOCAL COMMUNITY
<input type="checkbox"/>	BEE COMPLIANT
<input type="checkbox"/>	% BLACK OWNERSHIP
<input type="checkbox"/>	% WOMEN OWNERSHIP

## URBAN MANAGEMENT

<input type="checkbox"/>	PLANS FOR URBAN MANAGEMENT
<input type="checkbox"/>	PART OF THE MUNICIPAL UMP
<input type="checkbox"/>	FINANCIAL CAPACITY OF THE MUNICIPALITY
<input type="checkbox"/>	INSTITUTIONAL CAPACITY OF THE MUNICIPALITY
<input type="checkbox"/>	BUILDING MAINTENANCE PLAN
<input type="checkbox"/>	BENEFICIARY EDUCATION
<input type="checkbox"/>	PRECINCT MAINTENANCE PLAN
<input type="checkbox"/>	FINANCIAL CAPACITY (PMP)
<input type="checkbox"/>	INSTITUTIONAL CAPACITY (PMP)

## INTEGRATION [PLANNED]

## EDUCATIONAL AMENITIES

<input type="checkbox"/>	NURSERY/CRECHE
<input type="checkbox"/>	PRIMARY SCHOOL
<input type="checkbox"/>	SECONDARY SCHOOL
<input type="checkbox"/>	TERTIARY FACILITY

## HEALTH AMENITIES

<input type="checkbox"/>	MOBILE CLINIC
<input type="checkbox"/>	CLINIC
<input type="checkbox"/>	HOSPITALS

## RECREATIONAL AMENITIES

<input type="checkbox"/>	LARGER PARKS
<input type="checkbox"/>	SMALLER PARKS
<input type="checkbox"/>	SPORTS FIELDS

## CULTURAL AMENITIES

<input type="checkbox"/>	LIBRARY
<input type="checkbox"/>	COMMUNITY CENTRES
<input type="checkbox"/>	RELIGIOUS CENTRES

## ADMINISTRATIVE AMENITIES

<input type="checkbox"/>	MUNICIPAL OFFICES/PAY POINTS
<input type="checkbox"/>	POST OFFICE
<input type="checkbox"/>	POLICE STATION
<input type="checkbox"/>	FIRE STATION
<input type="checkbox"/>	CHILDREN'S HOME
<input type="checkbox"/>	COMMUNITY INFO CENTRES

## ECONOMIC AMENITIES

<input type="checkbox"/>	SHOPPING POINTS
--------------------------	-----------------

## WATER AND SEWER

<input type="checkbox"/>	ELECTRICITY
<input type="checkbox"/>	ROAD INFRASTRUCTURE
<input type="checkbox"/>	ICT INFRASTRUCTURE

## TRANSPORT

<input type="checkbox"/>	TRANSPORT NODES
<input type="checkbox"/>	PUBLIC MODES OF TRANSPORT
<input type="checkbox"/>	NMT (WALKWAYS/CYCLE LANES)

For the assessment of catalytic projects, benchmarks have been developed for each indicator. Each indicator is measured with a green icon (good progress), amber icon (medium progress/needs some work) or red icon (lacking progress).

The consolidation of all measured indicators is represented in an infographic also known as the front end, which is both an assessment tool and a summary of the project. Front ends have been developed for four projects, namely Bokamoso (North West) (see Figure 16 below); Postmasburg (Northern Cape); Chatty-Zanemvula, (Eastern Cape) and Joe Slovo West-Zanemvula (Eastern Cape).

## Lessons learnt on Zanemvula project

A report was prepared on political, economic, social, technological, environmental and legal lessons learnt on Zanemvula. The report presents practical recommendations and provides an infographic of the application of the STST to Zanemvula.

## Challenges

The team's main challenges involved its business process, with no central point to obtain updates on the status of land parcels;

capacity constraints in uploading data on the land app and obtaining information for the STST, and the restrictive platform for the land app.

Focus areas for the next financial year

- Enhancement of the land audit APP for users in the regions.
- Development of a monitoring and evaluation model for PHDAs.
- Adapting the STST for the PHDAs.
- Development of a project code based on lessons learnt on Zanemvula.

## Data Information Systems

The Data and Information Management Unit deals with organisational reporting on projects, finances, land acquisition and land holdings, to provide insight into business performance by leveraging technology to represent data focus on the main objectives of the programme. It ensures that there is comprehensive reporting across the organisation and measures performance of projects and contractors, and tracks financial expenditure of each HDA division. The performance of the HDA against MTSF is monitored using KPIs.

## Achievements for the year

A new central dashboard has been created for all top structure and service sites projects, which focuses on status reporting and projected performance for units across all provinces. Limpopo now has its own dashboard that addresses its unique challenges and provides instant understanding on contractors' performance. Progress has been made on geo- and trend visualisation at different milestones and in different municipalities. The unit also supports both the KwaZulu-Natal office and Ethekeini Municipality in building visual analytics into projects for easy removal of bottlenecks.

## Challenges

While the unit made significant strides in streamlining and consolidating reporting, it is important to synergise functions, roles and responsibilities as it is easy to duplicate these noted areas.

Focus areas for the next financial year

- In the first quarter, continue to support Ethekeini Municipality and Limpopo province.
- Review the work done in these entities with a view to broadening, with customisation where needed, the services and products to other provinces and entities.

## Priority Housing Development Areas (PHDAs)

The programme facilitates the declaration of PHDAs to ensure alignment with other human settlement spatial priorities. The key performance area for the 2018/19 financial year was the identification of PHDAs for declaration.

## Achievements for the year

The implementation of Section 7(3) of the HDA Act gained significant momentum, in identifying PHDAs, as the basis for preliminary their declaration and embedding the them in national DHS's strategy and policy.

The draft Human Settlements Framework for Spatial Transformation and Consolidation was approved for consultation by the Minister, as were 58 PHDAs, with supporting maps, research, profiles and factsheets.

Provincial and municipal consultations were held during February and March 2019 and engagements organised with national sector departments whose mandates impact on sustainable human settlements.

In addition, PHDAs were used by DHS to inform the Inter-Ministerial Committee for Land Reform.

The 58 PHDAs identified will benefit 1.3-million households through informal settlements upgrading, correlate to all special economic zones, impact 73% of municipalities with distressed mining communities, correlate to 73% of pilot municipalities of the IUDF and correlate to 73% of municipalities prioritised by the Inter-Ministerial Committee on Service Delivery.

## Challenges

The major challenge for the programme has been capacity to implement the PHDA programme at larger scale.

Focus areas for the next financial year

- Policy and programmatic alignment in human settlements spatial transformation and consolidation.
- Preliminary declaration, which includes spatial planning and prioritisation based on qualitative and quantitative analysis and sector-wide stakeholder inputs.
- Declaration, which includes preparation of development plans and implementation plans, assembly of PHDA site-specific capacity (if necessary) and monitoring and evaluation.









# C O R P O R A T E G O V E R N A N C E R E P O R T

The HDA Board is committed to sound governance and ensures that the Agency has ethical and effective leadership. Sound corporate governance practices are embedded in the values, culture, processes and systems. These are designed in accordance with best practice that incorporate the principles espoused in the King VI Report on Corporate Governance, and contained in the governance requirements of the HDA Act, No 23 of 2008, Companies Act, No 71 of 2008 (Companies Act), and the Public Finance Management Act (PFMA). Parliament, the Executive and the Board of the Agency are responsible for corporate governance.

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## Portfolio Committee

Parliament, through the Portfolio Committee on Human Settlements, exercises its oversight role over the service delivery performance of the Agency through evaluating and interrogating the financial and non-financial performance reported in the quarterly and annual reports. The HDA attended three Portfolio Committee in the year, where performance reports were tabled, and the Agency was called to deliver a brief on challenges during administration.

The Standing Committee on Public Accounts (SCOPA) provides oversight over the financial and accountability of the HDA. It therefore reviews the Annual Financial Statements and audit reports of the external auditors. The HDA did not appear before SCOPA during this period.

## Executive Authority

The Agency's Executive Authority vests with the Minister of Human Settlements Nomaindiya Mfeketo. This is as prescribed by both the PFMA and the HDA Act. The Executive Authority has the power to appoint and dismiss the Board of the Agency. On 13 December 2018, the Executive placed the Agency under administration in terms of Section 31 of the HDA Act. This followed the expiry of terms of four members of the Board, which rendered it inquorate. The Minister's decision was compounded by suspension of senior staff members including the CEO.

The Minister appointed an administrator to take over the running of the affairs of the Agency until Board members could be replaced.

## Role, Responsibility and Accountability of the Board

The Board is the Accounting Authority of the Agency. It provides leadership and strategic oversight and oversees the internal control environment, sustaining value for the organisation's shareholder and stakeholders. It ensures adherence to principles of good governance and accountability espoused in King VI and its Board Charter. The majority of the members of the Board are non-executive to ensure independence and objectivity in decision-making judgment. They individually and collectively bring the necessary skill and experience to provide strategic direction and guidance to the Agency.

The roles of the Board are to:

- Retain full and effective control over the Agency.
- Formulate, monitor and review corporate strategy, major plans of action, risk policy, annual budgets and business plans.
- Ensure that the shareholders' compact and performance objectives are achieved.

## Board Structure

The governance structure is as follows:

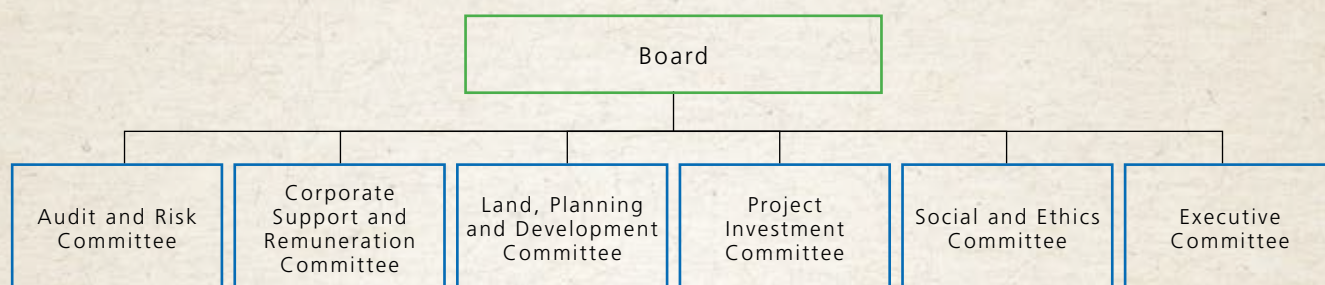
- The Board delegated certain responsibilities to appropriate Board committees to support itself in its oversight responsibility.
- The Executive Committee (Exco), inclusive of executives and business unit heads, addresses critical and material business issues and deals with operational issues.



The day-to-day governance is the responsibility of the HDA's Exco, which reports regularly to the Board and its subcommittees. The Board and committee chairpersons' address governance issues that arise from time to time. These Board members have regular interactions with executive directors, senior management and other stakeholders.

The Board structure appears below

**FIGURE 18:**  
HDA Board Structure



## Board Composition

In terms of the HDA Act, the Minister appoints the chairpersons and non-executive directors of the Board. The CEO and CFO are appointed by the Board with the approval of the Minister. The term of office for non-executive directors is three years. Retiring non-executive directors are eligible for reappointment to serve for a maximum of two terms.

Until December 2018, the group had a unitary board, comprising two executive directors, the CEO and the CFO, as well as seven non-executive directors, who all meet the membership criteria contained in the HDA Act. Four Board

members' contracts ended on 4 November 2018 and were extended by a month to 4 December. Between 4 and 13 December 2018 (date of administration), the Agency had no quorating board.

The executive directors comprise the CEO and CFO. The CFO's contract ended on 30 September 2018 and a new appointment was made in March 2019. The CEO was suspended in December 2018 and the administrator appointed in the same month.

The term of the Board came to an end on 13 December, when the Minister placed the Agency under administration.



## HDA Board



**Mavuso Msimang**

**Chairperson of the Board** [Appointed November 2015]

**Qualifications:** MBA – United States International University (1984), Bsc – University of Zambia (1976)

**Experience:** He has over 36 years' executive management experience, managing South African and international organisations, including United Nations agencies, state-owned enterprises and government departments, non-governmental organisations and more recently, South African National Parks.



**Pascal Moloi**

**Board Member and HDA CEO** (Executive Director) [Appointed October 2015]

**Qualifications:** BA Industrial Psychology and Political Science, Wits University, (1989)

**Experience:** His areas of expertise are public sector management, organisational strategy and restructuring. He was responsible for the establishment of Johannesburg Housing Agency (as Municipal Manager), played an oversight role on 13 boards of City of Johannesburg.

He was also a member of the National Planning Commission appointed by the State President to craft a vision and a long-term development plan for South Africa.



**Maanda Mutheiwana**

**Board Member** [Appointed 04 November 2015]

**Qualifications:** National Diploma Civil Engineering – Cape Peninsula University of Technology (2007), BTech Civil Engineering – University of Johannesburg (2010), MEng Civil Engineering – University of Johannesburg (2010)

**Experience:** He is currently a Managing Director of MEM Consulting. He has civil structural engineering experience in the civil construction industry and in power transmission and distribution.



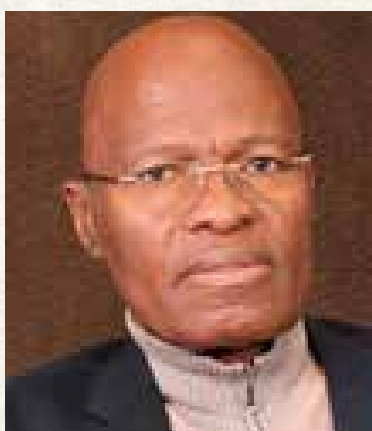


**Thuthuka Songelwa**

**Board Member** [Appointed November 2015]

**Qualifications:** MEng Civil Engineering - University of Johannesburg (2010), BTech Quantity Survey – Tshwane University of Technology 2006, National Diploma Building – Port Elizabeth Technikon (2001).

**Experience** She is currently a Project Manager/Quantity Surveyor, health and safety agent for University of Fort Hare. Her experience is in the building and construction industry.



**Thozamile Botha**

**Board Member** [Appointed May 2017]

**Qualifications:** Postgraduate Diploma in Development Administration and Financial Management – Glasgow College of Technology (1987), MPhil in Political Science – University of Strathclyde (1988), Advanced University Diploma in Adult Education – University of Natal (1989)

**Experience:** He is currently an Executive Director at Licia Web. He served as a member in the Ad-hoc Committee on Land Reform and Land Restitution and as an adviser to the Minister of Human Settlements.



**Mzukisi Mpahlwa**

**Board Member** [Appointed May 2017]

**Qualifications:** BA – Unisa (1993), Postgraduate Diploma in International Studies – Rhodes University (1997), BA Honours International Studies – Rhodes University (2000), MPhil in SA Politics and Political Economy – Port Elizabeth University (2002)

**Experience:** He has extensive management experience in government departments and institutions.



## HDA Board (continued)



**Pravin Singh**

**Board Member** [Appointed November 2015]

**Qualifications:** LLM – Environmental Law – University of Natal (2003), Integrated Environmental Management - University of Natal (1996), Master of Town and Regional Planning - University of Natal (1995), Advanced University Diploma in Adult Education – University of Natal (1989), University Higher Diploma in Education – University of Durban (1987), BA – University of Durban (1986)

**Experience:** He currently practices as an Environmental Planner and Environmental Resources Management Practitioner. He has experience in community development and environmental management.



**Lamla Jiyose**

**Board Member** [Appointed February 2018]

**Qualifications:** BA – University of Transkei (1990), Higher Diploma in Education - University of Transkei (1991), Bachelor of Education - University of Western Cape (1996), Master in Public Administration - Fort Hare (2016)

**Experience:** He is currently employed as a Director: Eastern Cape Department of Cooperative Governance and Traditional Affairs. He has senior management experience in government departments and municipalities.

## Board Meetings

The Board has four scheduled meetings annually, with special meetings held as needs arise.

Land, Planning and Development	Designation	Number of meeting held	Number of meeting attended
Mavuso Msimang	Chairperson	10	7
Maanda Mutheiwana	Member	10	4
Thuthuka Songelwa	Member	10	9
Pravin Singh	Member	10	8
Thozamile Botha	Member	10	9
Mzukisi Mpahlwa	Member	10	10
Lamla Jiyose	Member	10	3

## Board Committees

In line with good corporate standards to effectively attend to all matters, the Board established and delegated specific roles and responsibilities for five standing committees, namely the Audit and Risk Committee, the Corporate Support and Remuneration committee, the Land Planning and Development Committee, the Project Investment Committee (PIC) and the Social and Ethics Committee. All standing committees are chaired by independent non- executive directors.

Each committee's role, responsibilities and membership are in accordance with its terms of reference as approved by the Board. These terms are reviewed annually to ensure they remain in line with regulations, agency requirements and best practice in corporate governance. Executives are permanent attendees at Board committee meetings, in line with their roles and responsibilities.

The minutes of committee meetings, including the chairpersons' reports, are included in the Board meeting pack. Significant matters discussed at these committee meetings are recommended to and debated by the Board before approval.

### Audit and Risk Committee

The committee is mandated to ensure the integrity of financial reporting, the adequacy of governance, soundness of the internal control environment and the robustness of risk management processes. The roles and responsibilities of the committee are detailed in the Report on the Audit and Risk Committee on page 70.

Audit and Risk Committee members, including its chairperson, are all independent non-executive directors, with executive directors as standing invitees to meetings. The committee has co-opted two independent financial experts to strengthen its membership – Ms Seipati Boulton and Mr Protas Phili.

Audit and Risk Committee members	Designation	Number of meetings held	Number of meetings attended
Maanda Mutheiwana	Member	5	2
Thuthuka Songelwa	Chairperson	5	5
Mzukisi Mpahlwa	Member	5	4
Seipati Boulton	Co-opted member	5	5
Protas Phili	Co-opted member	5	5

### Corporate Support and Remuneration Committee

This committee assists the Board in personnel, remuneration, transformation, legal and communication matters, including:

- Evaluating the performance of executive management and setting appropriate remuneration.
- Overseeing the group's performance in employment equity, transformation and staff development, considering legal requirements and monitoring of targets set by the company.
- Overseeing skills development and retention of critical skills and talent.
- Overseeing legal matters.
- Communication.
- Information technology governance.

The committee comprises independent non-executive directors. Standing invitees to the committee's meetings include the two executive directors, the head executive of human resources, and any other executives whose roles and responsibilities are relevant to the matters being discussed.



Corporate Support and Remuneration Committee members	Designation	Number of meetings held	Number of meetings attended
Mavuso Msimang	Member	3	2
Maanda Mutheiwana	Member	3	2
Mzukisi Mpahlwa	Chairperson	3	3

## Land, Property and Development Committee

In support of its core mandate, the HDA considered it imperative that a dedicated Board committee on land, properties and development be established to provide oversight on all matters relating to the HDA's property acquisitions, management and development objectives, and related functions. It is envisaged that most of the capital allocation made to the HDA will be spent in property acquisition and related development objectives. Such acquisitions and development require Board approval and oversight.

The roles of the committee are:

- Strategic oversight of the acquisitions, management and development of land and properties.
- Ensuring that adequate internal controls are in place to manage risk, legal and compliance issues for acquisitions, management and development of land and properties.
- Ensuring the overall compliance of the investment programme, both capital and institutional investment, and making final recommendations to the Board for authorisation of investment decisions.
- Oversight of the management and mitigation of risks related to the Agency's role and functions pertaining to acquisitions, management and development of land and properties

All Land, Property and Development Committee members, including the chairperson, are independent non-executive directors, with executive directors as standing invitees to committee meetings.

Land, Planning and Development Committee members	Designation	Number of meeting held	Number of meeting attended
Maanda Mutheiwana	Member	3	3
Thuthuka Songelwa	Member	3	3
Pravin Singh	Member	3	2
Thozamile Botha	Chairperson	3	1
Mzukisi Mpahlwa	Member	3	3
Lamla Jiyose	Member	3	1

## Project investment Committee

The HDA was mandated by the Minister of Human Settlements to transform into an effective public sector human settlements development agency (developer of choice). In light of the HDA's expanded development role, it was considered imperative that a dedicated Board investment committee be established to attend to specific oversight of all matters of the HDA core development and investment functions.

The committee is responsible for the following matters:

- Approval of funding proposals.
- Amendments to approval decisions and project terminations.
- Consideration of management reports relating to a number of projects approved and geographic location, expenditure, programme/projects implementation and any HDA interventions employed to support developments.
- Approval of award of certain tenders as per the HDA Delegation of Authority.

Project Investment Committee members, including its chairperson, are all independent non-executive directors, with the executive directors as standing invitees to the committee meetings.

Project Investment Committee members	Designation	Number of meetings held	Number of meetings attended
Maanda Mutheiwana	Chairperson	1	1
Thuthuka Songelwa	Member	1	1
Pravin Singh	Member	1	1
Thozamile Botha	Member	1	1
Mzukisi Mpahlwa	Member	1	1

The Property Investment Committee scope of responsibilities is detailed in the terms of reference of the committee and is reviewed and approved annually by the Board.

## Social and Ethics Committee

The committee advises the Board on good corporate citizenship and ethical relationships, and report to the Board on the Agency's commitment. The committee further considers the company's corporate and social investment, transformation and education and development initiatives, occupational health and safety (OHS), stakeholder management, and the ethics policy. The committee's terms of reference are reviewed and updated annually and its responsibilities include:

- Evaluating policies and measures to prevent fraud and corruption.



- Reviewing corporate social investment strategies and their progress.
- Evaluating the stakeholder engagement model, monitoring the status and, from time to time, assessing effectiveness.
- Reviewing the transformation strategies, progress on initiatives and improvement plans.
- Reviewing OHS policies and monitoring effectiveness.

The Social and Ethics Committee comprises independent non-executive directors, including the chairperson. The executive directors are standing invitees to committee meetings and relevant Exco members attend the committee meetings by invitation.

Social and Ethics Committee members	Designation	Number of meetings held	Number of meetings attended
Mavuso Msimang	Member	3	2
Maanda Mutheiwana	Member	3	1
Thuthuka Songelwa	Member	3	2
Pravin Singh	Chairperson	3	3
Thozamile Botha	Member	3	2
Mzukisi Mpahlwa	Member	3	3

## Formalisation of director appointments and remuneration

The appointments of the non-executive directors and administrators are formalised through a letter of appointment from the Minister. The appointment letter indicates terms of office, legislation governing their appointment and remuneration. The executives have contracts of employment with the company and are subject to the HDA's conditions of service.

Remuneration for non-executive directors is determined by the Minister based on the regulations and guidelines issued by the Minister of Public Service and Administration and National Treasury remuneration guidelines. These regulations state that employees of national, provincial and local government or institutions, agencies and entities of government serving as office-bearers on public entities/institutions are not entitled to additional remuneration. The non-executive directors' fees are based on their attendance of Board and committee meetings. Details of Board member remuneration are contained in notes 32 and 33 of the Annual Financial Statements (page 117-118).

## Managing conflict of interest

The Board subscribes to the principles of effective management of conflicts of interest and that fundamental conflicts should be

avoided. At each Board and sub-committee meeting, directors declare their interests regarding any agenda item to prevent personal interests of a director taking precedence over those of the company. In addition, directors' interests are declared by the individual directors annually. Board members who have personal interests in a matter under discussion must disclose their interests and recuse themselves from the meeting. For the period under review, the directors declared that they had no interests in any of the agenda items tabled at either the Board or committee meetings. Similar practice applies to all employees of the HDA.

## Company secretary

The company secretary develops systems and processes that enable the Board to discharge its functions efficiently and effectively. His or her roles and responsibilities include advising the Board on corporate governance, setting the annual plan for the Board in conjunction with the chairperson, ensuring that up-to-date Board and committee charters are in place, and monitoring compliance with legislation. All directors have access to the company secretary's services and guidance. The HDA's company secretary resigned on 31 January 2019.

## Internal controls

The Board oversees the system of internal control at HDA, whereas the implementation and functioning of the system rests with executive management. The HDA has and continues to set internal controls to manage known and unknown risks. Internal controls are continuously reviewed and tested through internal audit, through proactive planned audits.

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

## Internal audit

Internal audit appraises the adequacy and effectiveness of the HDA's systems of internal control. This function was outsourced to an external audit firm. There is an internal audit charter in place, which regulates interaction among the Agency, management, internal auditors and the Board.

The internal auditors annually table a three-year risk-based rolling plan, consideration and approval. The risk-based internal audit plan for 2018/19 was developed and implemented after considering the major risks identified by the Board. The internal auditors report regularly to the Audit and Risk Committee. The internal audit plan was temporarily halted during the

Administration process. All 2018/19 planned audits were, however, completed after year-end. The new Board will consider all reports and ensure that the internal auditors discharge their duties fully in terms of the internal audit charter.

## Risk management

The HDA recognises that risk is inherent in its business activities and if not anticipated and responded to effectively, has the potential to impact adversely on achievement of objectives and therefore, for HDA to deliver successfully on its mandate and vision, risks need to be understood and responded to proactively and coherently.

An annual risk assessment is conducted to identify, assess and analyse strategic and operational processes. Through workshops, action plans to mitigate the risks are identified and approved by management and Audit and Risk Committee.

The HDA Board is responsible for the governance of risk and is assisted by the Audit and Risk Committee, which reviews and monitors the effectiveness of the risk management processes within the entity in accordance with corporate governance requirements. Exco and management are responsible for risk management.

Risk maturity within the HDA is in its infancy. The Audit and Risk Committee acknowledges some improvement in risk mitigation strategies, but the areas are not fully mitigated. The Audit and Risk Committee will continue to monitor mitigation strategies proposed by management.

## Legal, regulatory and public policy compliance

The nature of the HDA's business requires assessment and integration of legal, regulatory and public policy requirements into the strategy and operational processes of the Agency to meet its contractual, moral and corporate citizenship obligations. As a public entity, the observation of laws that govern the Agency and its activities forms the foundation for good corporate governance and demonstrates stewardship and responsibility to the shareholder and stakeholders. The effectiveness of the HDA's system of internal, financial, operational and other regulatory control is continuously reported to and assessed by the Audit and Risk Committee to enable the Board to discharge its oversight responsibilities.

## Organisational Ethics

The HDA has strengthened policies and processes to ensure employees have clear guidance to make ethical choices and understand the due diligence required in all business decisions. The HDA's code of ethics sets clear expectations for directors, employees, suppliers and clients. Regular awareness training on the code and ethical standards helps to embed a culture of responsible business conduct throughout the Agency. The HDA aims to communicate openly and transparently with stakeholders on its approach to responsible business conduct.

## Fraud and corruption

The HDA's values of integrity, and the requirement of the PFMA to prevent financial misconduct and fraud, inform HDA's fraud and corruption prevention strategy. The Social and Ethics Committee advises the Board on good corporate citizenship and ethical relationships and oversees the implementation of the strategy. During the year, the HDA's fraud and corruption prevention strategy and policy were aligned with legislation and updated to improve detection, prevention and investigation of possible fraud and corruption. In this year, the Minister placed the Agency under administration.

## Fraud and corruption awareness

The HDA has implemented a system of financial and operational controls, including policies such as the delegation of authority, transparent procurement in line with legislation and employee ethics that promote ethical conduct to prevent fraud and corruption. The system includes security procedures to protect assets and declaration of interests by employees and directors. The scope of the code of ethics and business conduct was broadened to include business partners and other stakeholders. Employees are required to declare any gifts received from any service provider.

## Detection of fraud and corruption

Management continuously interrogates financial, human resources and inventory information to detect possible fraud and corruption as part of its day-to-day control activities. In addition, external auditors and internal auditors include fraud detection in their audit procedures. Whistleblowing reports on fraud, corruption and sexual misconduct have exposed weaknesses in fraud and corruption detecting controls, for management to address.



## Fraud whistleblowing line

The HDA has an independent, confidential hotline accessible to all stakeholders, through which fraudulent and unethical behaviour may be reported. The hotline number is published on the intranet and website, as well as on supplier and customer orders, in the company newsletter and on noticeboards. Whistleblowing reports are investigated and tabled at Audit and Risk Committee meetings. The HDA received a number of whistleblowing reports implicating senior staff members in corruption. This led to suspensions and forensic investigations. The HDA administrator subsequently instituted lifestyle audits on all senior managers.

The HDA is comfortable that the CCMA processes, diligent management assessments, and external and internal audit procedures, which include the independent auditor's requirements for supply chain fraud risk assessment, are adequate in highlighting fraud and corruption. The HDA is committed to acting harshly on all reported instances and continues to promote anti-fraud and anti-corruption awareness among employees and stakeholders.





# REPORT ON THE AUDIT AND RISK COMMITTEE

In the period under review the Audit and Risk Committee of the Board comprised independent non-executive directors, with the executive directors as standing invitees to the committee meetings. The committee co-opted two independent financial experts to strengthen its membership and independence. Members of the committee included the necessary financial, risk management and commercial experience to oversee and guide the Board. These included the audit and risk functions, corporate governance, the governance of risk, and information technology risk.

Two administrators were appointed in succession by the Minister in terms of Section 31 and Section 32 of the HDA Act for an effective period of four months. The administrators took over responsibility for the functioning of the Agency in terms of Sub-section (3) of the Act.

## Audit Committee Responsibility

The committee's responsibilities were in line with the Public Finance Management Act, Act 1 of 1999 Section 51(1)(a)(ii) and Treasury Regulation 27.1. The Audit and Risk Committee adopted a formal terms of reference as its Audit Committee Charter, and regulated its affairs in compliance with this charter and discharged all the responsibilities contained therein.

The Audit and Risk Committee complied with the responsibilities arising from Section 51(1)(a)(ii) of the PFMA read with Treasury Regulation 27.1.8, and reports that it operated in terms of the Audit Committee Charter read in conjunction with the internal audit charter.

The committee, among other things, reviewed the following during the period under review:

- The effectiveness of the internal control systems.
- The activities of the internal audit function, including its annual work programme, coordination with external auditors.
- Significant findings and the response of management to specific recommendations.
- The adequacy, reliability and accuracy of financial information provided by management.

- Any accounting or auditing concern identified as a result of an internal or external audit.
- Where relevant, the independence and objectivity of the external auditors.
- Risk management and monitoring of key strategic risk mitigations.
- Appointment of external and internal auditors.
- Independence and objectivity of both internal and external auditors as well as fostering synergies between two functions.

## The Effectiveness of Internal Control

The internal controls implemented by the HDA focused on identified key risk areas. Management was responsible for monitoring all internal controls and ensuring that action was taken to correct deficiencies as identified. Relevant controls and procedures of the HDA during the year under review were put in place to safeguard the HDA's assets, ensuring the maintenance of proper accounting records and ensuring that working capital and resources were efficiently utilised. The effectiveness of these controls form part of the Audit Report.

The Audit and Risk Committee noted concerns that certain matters reported by the external auditors and the internal audit function in previous years had not been fully and satisfactorily addressed. Management further provided assurance that effective corrective action would be implemented for all internal control weaknesses, and that the internal Audit and Risk Committee of the Board should closely monitor these actions.

## In-year Management and Monthly/Quarterly Report

The HDA submitted required quarterly reports to National Treasury. The Audit and Risk Committee provided oversight on the content and quality of management and quarterly reports prepared and issued during the year under review in compliance with the statutory framework. The committee engaged with management to remedy shortcomings, relating especially to reports on performance against predetermined objectives. The committee reviewed and commented on the HDA Annual Financial Statements and report on performance information and their timely submission to the external auditors by 31 May 2019.

## Internal Audit

The Accounting Authority is obliged, in terms of the PFMA, to ensure that the entity has a system of internal audit under control and the direction of the Audit and Risk Committee. The committee provided oversight on the internal audit function and the discharge of its functions and responsibilities during the year under review. The effectiveness of the internal audit function during the year and internal audit activity that addressed the risks pertinent to the HDA, is addressed in the annual audit.

## Risk Management

The committee was responsible for the oversight of the risk management function. The committee submitted reports to the Audit and Risk Committee on the HDA's management of risk. To ensure that the Risk Management Committee understands the requirements of the Audit and Risk Committee, a member of the latter served as a member of the former. The Audit and Risk Committee expressed concern with the risk function being understaffed, which resulted in weaknesses and deficiencies in the carrying out of the functions.

## External Audit Report and Performance Management

The Acting Accounting Authority accepts the conclusion and audit opinion of the external auditors of the Annual

Financial Statements. The view is that the audited financial statements be accepted and read together with the report of the external auditors. The management team was actively involved throughout the audit process and was thoroughly appraised of the issues giving rise to the audit opinion. The Acting Accounting Authority has noted the material findings on the reported performance information and compliance with legislation. The external audit function, performed by Ngubane & Co, is independent of the entity. The acting Chief Financial Officer liaised with the external auditors to ensure that there are no unresolved issues, and acknowledges the diligence and cooperation of the external audit team.

Part of the responsibilities of the Audit and Risk Committee included the review of performance management. The committee had performed the following functions:

- Review and comment on compliance with statutory requirements and performance management best practices and standards.
- Review and comment on the alignment of the APP, budget, strategic plan, corporate plan and performance agreements.
- Review and comment on the relevance of indicators to ensure that they are measurable and relate to services performed by the HDA.
- Review of reported non-compliance with legislation.
- Review of compliance with in-year reporting requirements.
- Review of the quarterly performance reports submitted by the internal audit function.
- Review and comment on the HDA performance management system and making recommendations for its improvement.

At the time of the authorisation of this annual report, the appointment of a board including an audit and risk committee is under consideration by the Minister.

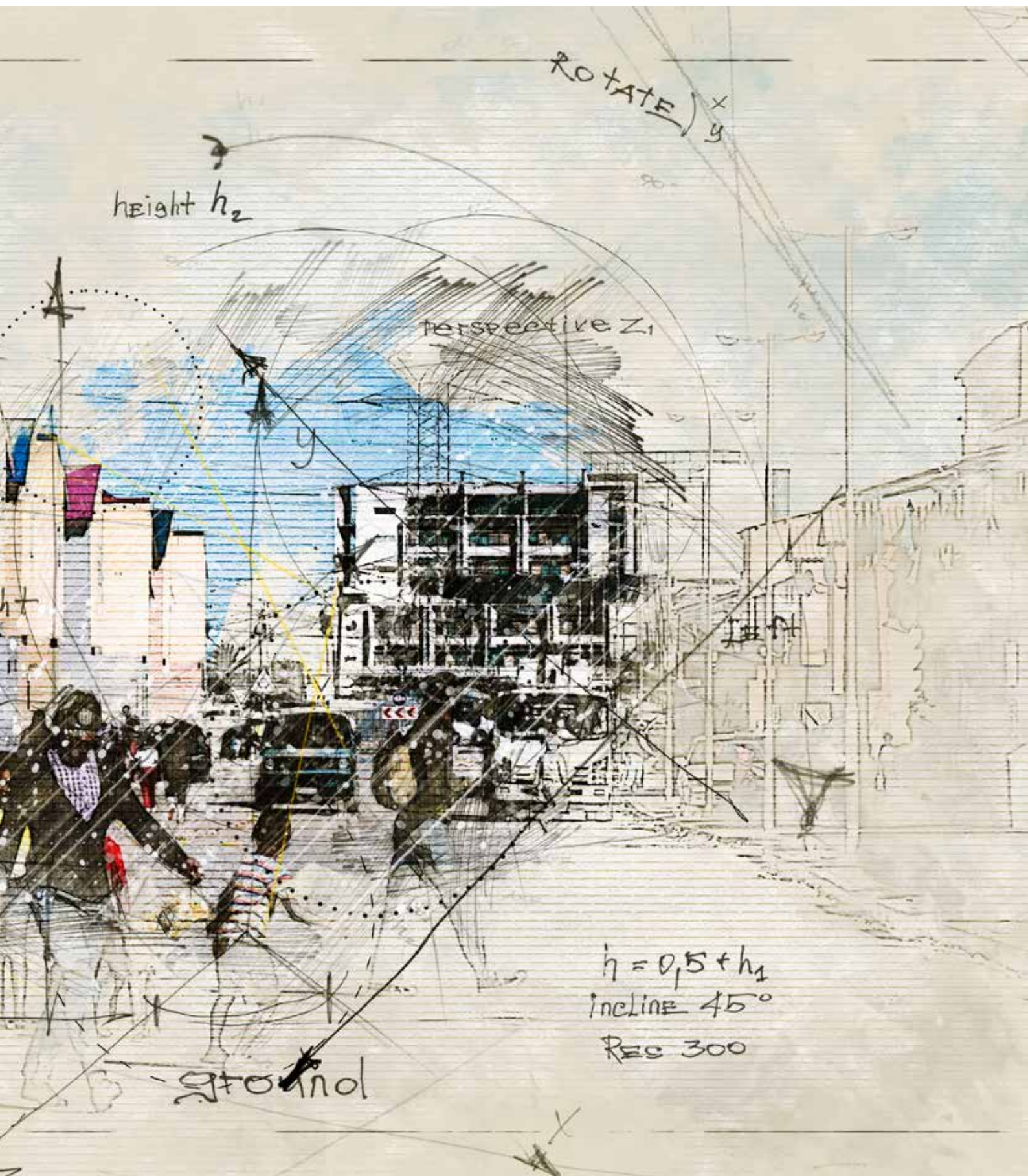


**N Chaine**

Acting Chief Executive Officer and Acting Accounting Authority









# HUMAN RESOURCES MANAGEMENT

The Corporate Support Services sub-programme enables the core business units to perform their housing delivery function. It includes human resources, legal services, information technology and facilities, and travel support management.

The Human Resources Department supported the HDA in its strategic shift to incorporate its expanded mandate as a fully fledged property developer by prioritising the development and approval of a human resources, people strategy and implementation plan aligned with the organisation's goals and objectives.

To ensure a sustainable and sound organisation the HDA introduced an upskilling and talent management programme to create the right skills to meet the strategic and operational goal. The HDA staff complement grew by just over 28% over the previous financial year.

## Skills development

The approved HDA training plan was successfully completed against an approved skill matrix, with 256 external training initiatives and 172 internal training and development initiatives, an increase of 69.84% compared to 2017/18.

## Internship programme

- Thirty-two interns were recruited and placed in HDA nationally.
- The previous year's internship programme was successfully concluded on 31 July 2018 and nine of the 32 interns were placed in permanent positions within the HDA, while five secured employment with other organisations.

- The third year's internship programme will begin on 1 August 2019.

## Human resources information system

To create an effective and efficient human resources information system, the automated Sage People 300 was implemented in August 2018 and users trained. Enhancements continue.

## Human resources governance and statutory compliance

- Management of human resources, governance and compliance is ongoing and includes payroll support, leave management, personnel file management and human resources information management.
- The employee performance management programme provides ongoing support, training, monitoring and reporting.
- A human resources audit was successfully completed.

## Staff complement

The HDA staff complement ended the year 28.52% up, at 266, including interns. Not all positions in the approved organogram were filled, as a moratorium was placed on recruitment in December 2018 during the administration period.

**TABLE 6:**  
Employment equity statistics for 2018/9 financial year

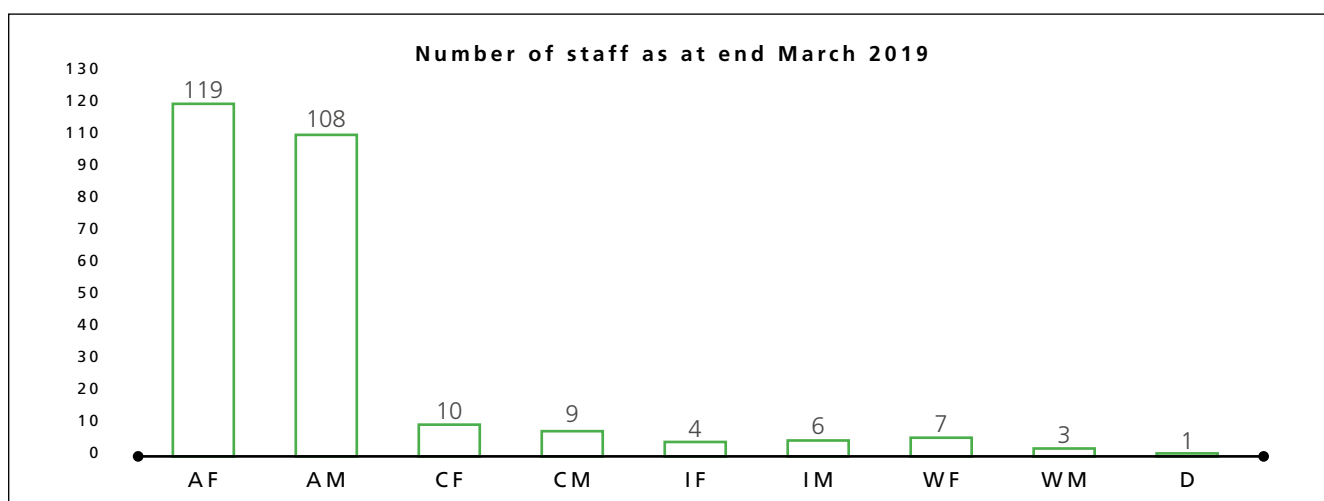
Employment Equity Stats At 31 March 2019										
CATEGORIES	African female	African male	Coloured female	Coloured male	Indian female	Indian male	White female	White male	**Dis-abled	TOTAL
Top management No of employees (F-EU)	3	7	1	0	0	0	0	2	0	13
Senior management No of employees (EL)	1	9	0	1	1	1	1	0	0	14
Professionals, specialists and mid-management No of employees (DU-DL)	32	48	2	4	3	3	1	1	0	94
Skilled, qualified workers, supervisors No of employees (CU-CL)	61	26	7	4	0	2	5	0	0	105
Semi-skilled workers No of employees (B-BL)	5	3	0	0	0	0	0	0	1	8
Unskilled workers No of employees (A-AU)	2	1	0	0	0	0	0	0	0	3
Interns 2018/19	15	15	0	0	0	0	0	0	0	29
Total percentage	44.90	40.38	3.77	3.40	1.51	2.26	2.64	1.13	0.40	100%
Total staff	119	108	10	9	4	6	7	3	1	266
Total staff percentage	85.34%		7.14%		3.76%		3.76%		0.45%	
National target percentage	75.20%		10.60%		3.10%		10.80%		2%	
HDA priority grouping	*√								*√	

\* √ = areas of recruitment priority

\*\* D = disability

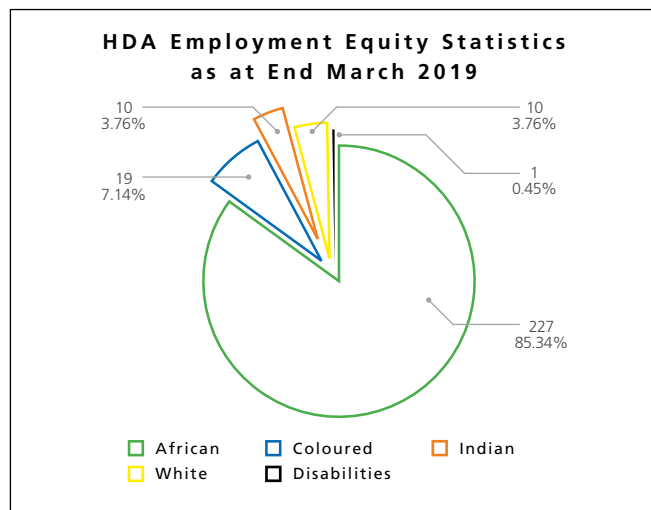
The disabled employee is reported under 'white female' and not added twice in the total calculation.

**FIGURE 20:**  
Number of HDA staff as at March 2019

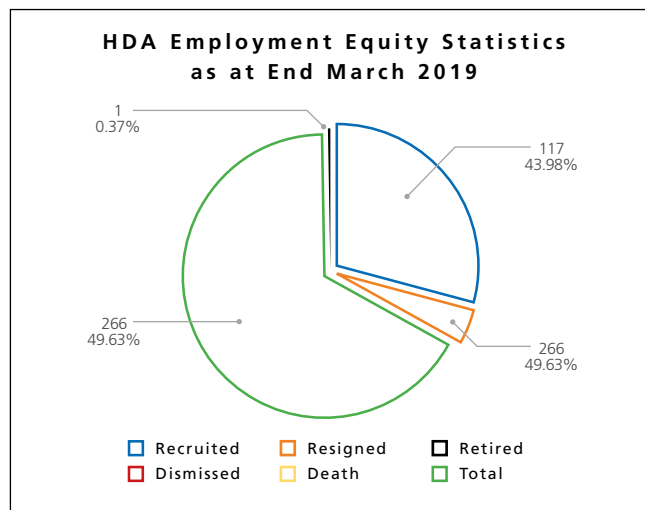




**FIGURE 21:**  
Employment equity statistics as at end of March 2019



**FIGURE 22:**  
Summary of staff statistics for year ended March 2019



**TABLE 7:**  
HDA staff turnover as at end of March 2019

HDA STAFF TURNOVER AT END MARCH 2019							
	As at 1 April 2018	Recruited	Resigned	Retired	Dismissed	Death	Total staff
1 April 2018	218	0	0	0	0	0	
March 2019	0	2	-1	0	0	0	
Year To Date	218	83	-35	0	0	0	266

**TABLE 8:**  
Labour relations matters for year ended March 2019

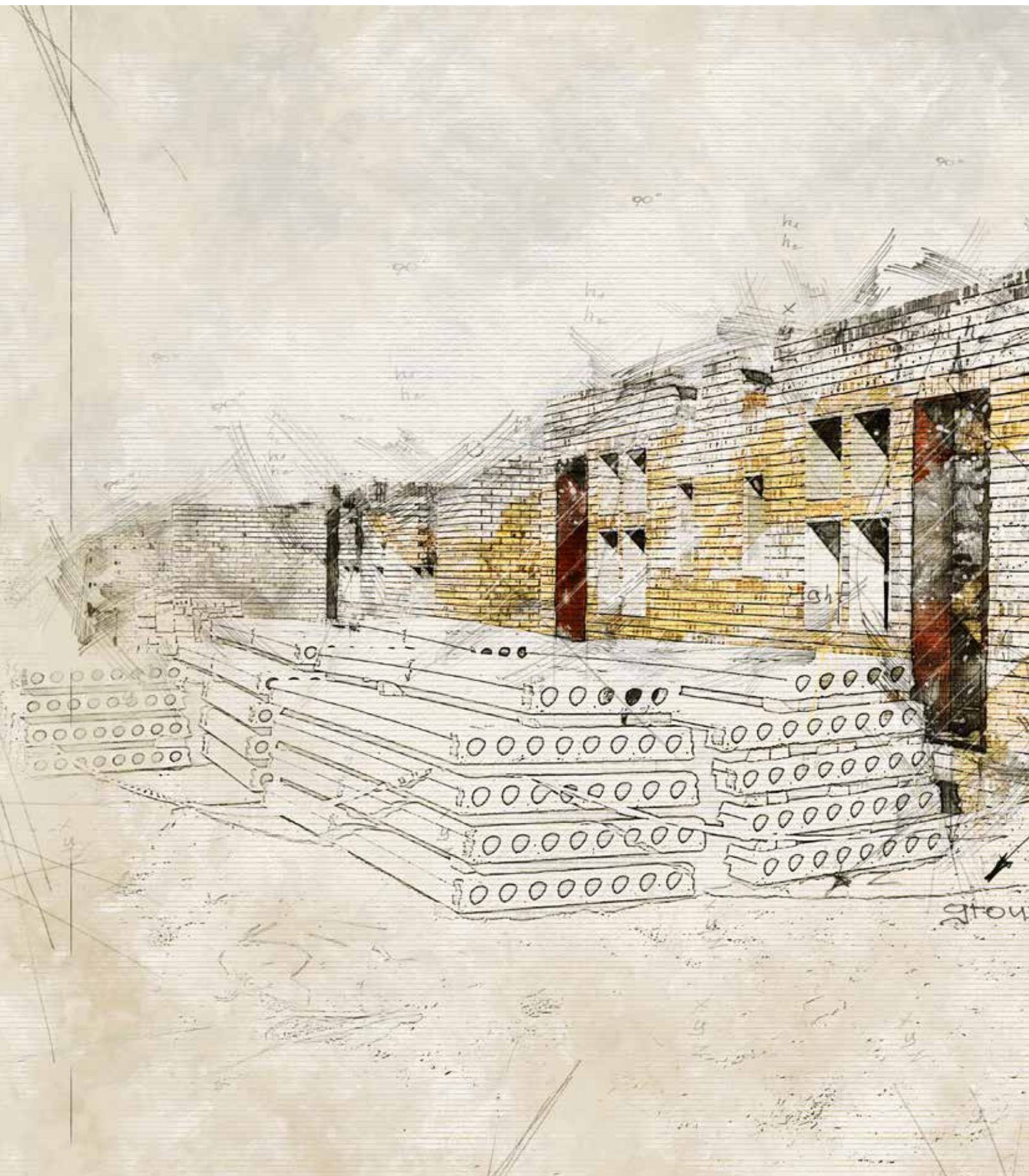
Labour Relations: Misconduct/Suspension And/Or Dismissals	
Nature/type of misconduct	Number of Disciplinary Cases
Enquiries	9
Grievances	8
Dismissals	0
Matters referred to the Commission for Conciliation, Mediation and Arbitration (CCMA)	7
Resignation linked to misconduct matter	4

There was an increase in labour relations matter since November 2018, indicative of this the challenges of the HDA, which was placed under administration and faced serious financial constraints.

## Personnel Cost Per Salary Bands

**TABLE 9:**  
Personnel costs for year ended March 2019

Level	Personnel expenditure	Number of employees	% of total personnel	Average personnel cost per employee
<b>Top Management</b>	24 615 093,70	11	4%	2 237 735,79
No. of employees (F-EU)				
<b>Senior Management</b>	27 459 302,28	18	6%	1 525 516,79
No. of employees (EL)				
<b>Professional qualified</b>	85 447 752,03	101	35%	846 017,35
No. of employees (DU-DL)				
<b>Skilled</b>	42 858 493,41	110	39%	389 622,67
No. of employees (CL-CU)				
<b>Semi-Skilled</b>	1 601 545,62	8	3%	200 193,20
No. of employees (BL-BU)				
<b>Unskilled</b>	323 226,00	3	1%	107 742,00
(No of employees (A-AU)				
<b>INTERNS</b>	<b>187 000,00</b>	<b>34</b>	<b>12%</b>	<b>5 500,00</b>
	<b>182 492 413.04</b>	<b>285</b>	<b>100%</b>	







## CONTENTS :

### Annual Financial Statements for the year ended 31 March 2019

The reports and statements set out below comprise the annual financial statements presented to the Minister:

General Information	80
Statement of Responsibility	82
Report on the Financial Statements	83
Statement of Financial Position	90
Statement of Financial Performance	91
Statement of Changes in Net Assets	92
Statement of Cash Flows	93
Statement of Comparison of Budget Information with Actual Information	94
Accounting Policies	95
Notes to the Annual Financial Statements	104

# GENERAL INFORMATION

## COUNTRY OF INCORPORATION

South Africa

## LEGAL FORM OF ENTITY

Schedule 3A entity listed in terms of the PFMA

## NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management support services

## THE FOLLOWING IS INCLUDED IN THE SCOPE OF OPERATION

Identify, acquire, hold, develop and release well-located land and buildings, provide project management support and housing development services.

## CONTROLLING ENTITY

National Department of Human Settlements

## MEMBERS OF THE ACCOUNTING AUTHORITY

M Msimang (Chairperson) (from 04 November 2015-30 November 2018)  
 TS Songelwa (from 04 November 2015 to 13 November 2018)  
 ME Mutheiwana (from 04 November 2015 to 13 November 2018)  
 PA Singh (from 04 November 2015 to 13 November 2018)  
 T Botha (from 26 May 2017 to 13 December 2018)  
 MH Mpahlwa (04 November 2015 to 30 November 2018)  
 L Jiyose (from 22 February 2018 to 13 December 2018)  
 PP Moloi (CEO from 01 October 2015 to date) APG  
 Soares (CFO from 01 April 2009 to 28 February 2019)  
 BS Chaplog (Acting CFO, contract ended 30 September 2019)  
 M.Tsehla (Acting CFO from 01 October 2018 to 28 February 2019.  
 PG Magagula (CFO from 01 March 2019 to date)  
 NS Damasane (Administrator from 14 December 2018 to 22 February 2019)  
 V Gqwetha (Administrator from 23 February 2019 to 22 April 2019)

The HDA CFO APG Soares was seconded to the Estate Agency Affairs Board and BS Chaplog seconded to the HDA. During the financial year, the Minister of Human Settlements appointed two Administrator's, NS Damasane was an administrator from 14 Dec 2018 to 22 February 2019 and V Gqwetha from 23 February 2019 to 22 April 2019.

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The new members of the Accounting Authority were appointed on 23 April 2019 to 29 July 2019, after the recall of the Board the Department of Human Settlements appointed an acting CEO who assumed the responsibility of the Accounting Authority.

**PHYSICAL ADDRESS**

Block A, Riviera Office Park  
6-10 Riviera Road  
Killarney  
Johannesburg

**BANKERS**

First National Bank Ltd

**AUDITORS**

Ngubane & Co. Inc (JHB)

**COMPANY SECRETARY**

Elizabeth Africa (from 15 February 2017 to 31 January 2019)

**BUSINESS ADDRESS**

P.O. Box 3209  
Houghton 2041

**ANNUAL FINANCIAL STATEMENTSP REPAIRED BY:**

PG Magagula (CFO)



## STATEMENT OF RESPONSIBILITY

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content, integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the financial state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the year 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 annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and is based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority acknowledges ultimate responsibility for the system of internal financial controls established by the entity and the considerable importance placed on maintaining a strong control environment. To enable these responsibilities were met, the Accounting Authority set standards for internal controls aimed at reducing the risk of error or deficit in a cost effective manner. These standards included the delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls should be monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity should be on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating 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 is of the opinion, based on the information and explanations given by management that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2020, and in the light of this review and the current financial position, is satisfied that the entity has or has access to adequate resources to continue operational functions in the immediate future.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 83 to 88.

The annual financial statements set out on pages 90 to 128, which have been prepared on a going concern basis, were approved by 30 September 2019 and were accordingly signed-off for inclusion in this report.



**N Chainee**

Acting Chief Executive Officer and Acting Accounting Authority

# REPORT ON THE FINANCIAL STATEMENTS

## Qualified opinion

1. We were engaged to audit the financial statements of the Housing Development Agency set out on pages 90 to 128, which comprise statement of financial position as at 31 March 2019, the 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 the notes to the financial statements, including a summary of significant accounting policies.
2. In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Housing Development Agency as at 31 March 2019, and the financial performance and cash flows for the year then ended in accordance with Generally Recognized Accounting Practices and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

## Basis for qualified opinion

### Irregular expenditure

3. Section 55(2)(b)(i) of PFMA requires the entity to disclose in a note to the financial statements' particulars of all irregular expenditure that has occurred during the year. The entity did not have adequate systems for identifying and recording all irregular expenditure and there were no satisfactory alternative procedures that we could perform to obtain reasonable assurance that all irregular expenditure has been properly recorded. In addition, irregular expenditure was not always recorded at the correct amount. Consequently, we were unable to determine whether any adjustments were necessary to the balance of irregular expenditure stated in note 38 in the financial statements for R106 586 000.

## Context for the opinion

4. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the section of this auditor's report.
5. We are independent of the entity in accordance with section 290 and 291 of the Independent Regulatory Board for Auditors' Code of professional conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Emphasis of matter of paragraphs

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

## Restatement of corresponding figures

8. As disclosed in note 39 to the financial statements, the corresponding figures for 2018 were restated as a result of prior year errors in the financial statements of the Agency for the year ended, 31 March 2019.

## **Surrender of unspent conditional grants to National Treasury**

9. National Treasury requested Housing Development Agency to pay back R2 333 333 000 received from provincial governments and municipalities on project funds received as a result of section 17 of Division of Revenue Act (DORA) non-compliance by the provincial governments and municipalities. After considering the committed funds, HDA had R1 638 499 424 uncommitted to projects, of which R125 288 378 had been gazetted. The entity repaid R1 512 580 000 and the outstanding balance payable to the National Treasury of R631 046 is included under Note 16 of the financial statements - Project obligations. There were certain funds under Housing Development Agency where no government gazettes were received from the provinces.

presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion on them.

## **Responsibilities of Accounting authority for the financial statements**

15. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (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.

## **Other matters**

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

### **Appointment of administrator for Housing Development Agency**

11. As disclosed in note 33 to the financial statements, the Minister of Human Settlements placed Housing Development Agency under administration from 14 December 2018 to 22 April 2019 during which two separate Administrators were appointed.

16. In preparing the financial statements, the accounting authority is responsible for assessing the Housing Development Agency'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 entity or to cease operations, or has no realistic alternative but to do so.

### **Appointment of the board and recalling thereof**

12. As disclosed in note 37 to the financial statements, the Minister of Human Settlements, Water and Sanitation appointed the Board after year-end on the 23rd of April 2019 and dissolved the same Board of the Housing Development Agency on 29th of July 2019.

## **Auditor's responsibilities for the audit of the financial statements**

### **Appointment of the of the Acting Chief Executive Officer**

13. The Department of Human Settlement, water and sanitation appointed an acting Chief Executive Officer on the 3rd of September 2019.

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

### **Unaudited supplementary schedules**

14. The supplementary information set out on pages 129 to 130 does not form part of the financial statements and is

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



# Report on the audit of the annual performance report

## Introduction and scope

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

Programmes	Pages in the annual performance report
Programme 1 – administration	30 - 32
Programme 2 – built environment implementation	32 - 34
Programme 3 – development management and operations	34 - 41

22. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

23. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

## PROGRAMME 1:

### ADMINISTRATION

#### To ensure the development and effective implementation and monitoring of the annual performance plan

24. The strategic objective approved in the annual performance plan was omitted. However, the objective reported in the annual performance report was to ensure the development and effective implementation and monitoring of the Annual Performance Plan.

#### Various indicators

25. The systems and processes that enable reliable reporting of achievement against the indicators listed below were not adequately designed due to the source document used for reporting not being reliable:

Indicator number	Indicator description
1B.5	Percentage of BEE spend on youth -owned enterprises supported
1B.6	Percentage of BEE spend on Persons with Disability Supported
1B.7	Percentage of BEE spend on military veterans supported

#### Various indicators

26. We were unable to obtain sufficient appropriate audit evidence for the reported achievements of 2 of the 11 indicators relating to this programme. This was due to limitations placed on the scope of our work. We were unable to confirm the reported achievements by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

Indicator number	Indicator description
1B.3	Percentage of BEE level 1 – 4 supported
1B.4	Percentage of BEE spend on women owned enterprises supported

## PROGRAMME 2:

### BUILT ENVIRONMENT

#### IMPLEMENTATION

**Hectares of well-located land (targeting poor and middle-income households) acquired or released**

27. The evidence and method of calculation for achieving the planned indicator was not clearly defined.

## PROGRAMME 3:

### DEVELOPMENT MANAGEMENT

#### AND OPERATIONS

#### Various indicators

28. The indicator definitions for the following indicators were not clearly defined:

Indicator number	Indicator description
3B.4	Number of Technical and Implementation Support provided to mining towns
3C.6	Number of sites and services in Mining Towns assisted with 6KM installation of bulk sewer line

**Number of priority projects packaged for the redevelopment of Duncan Village, EC project packaging**

29. We were unable to obtain sufficient appropriate audit evidence for the reported achievement of target 1 priority project packaged for the redevelopment of Duncan village. This was due to the evidence submitted for audit not being sufficient. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the achievement of HSDG 19/20 business plan approved with 250 units for Reeston phase 3 stage 2 as reported in the annual performance report.

## Other matters

30. We draw attention to the matters below.

### Achievement of planned targets

31. Refer to the annual performance report on pages 30 to 43 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) 24 to 29 of this report.

### Adjustment of material misstatements

32. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of administration, built environment implementation and development management and operations. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## Report on the audit of compliance with legislation

### Introduction and scope

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

### Annual financial statements, performance and annual report

35. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 55(1) (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.

## Expenditure Management

36. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R96 252 000 as disclosed in note 38 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure disclosed in the financial statements was caused by non-adherence to the PFMA and National Treasury regulations.

## Procurement and contract management

37. Bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).
38. Sufficient appropriate audit evidence could not be obtained that quotations were awarded to suppliers whose tax matters have been declared by the South African Revenue Services to be in order as required by treasury regulations 16A9.1(d).
39. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17.

## Income Tax Act

40. The entity did not submit the income tax returns as a public benefit organisation, as required by section 28 of the Tax Exemption Guide for Public Benefit Organisation in South Africa by the South African Revenue Services (SARS).

## Audit Committee terms of reference

41. The terms of reference of the audit and risk committee were not adequately reviewed at least annually as required by the Treasury Regulations 27.1.6.

## Reportable Irregularity

42. In accordance with our responsibilities in terms of Sections 44(2) and 44(3) of the Auditing Professions Act (APA) we report that we have identified unlawful acts committed by persons responsible for the management of Housing Development Agency which constitutes a reportable irregularity in terms of the APA and have reported the matter to the Independent Regulatory Board of Auditors. The matter pertaining to the reportable irregularity are as follows:

43. As per the investigation report, certain payments were made to a contractor who had a contract that had expired, and the contract not approved by the bid adjudication committee. These payments were made in contravention of section 8.2.1 and 8.2.2 of the Treasury regulations.
44. Certain minutes of meetings of the Board and Committees were not provided for audit purposes as required by section 50 of the Public Finance Management Act.

## Other information

45. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the chief executive officer's report, the chief financial officer's report, corporate governance report, the audit and risk committee's report and Human resources management. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
46. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
47. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

## Internal control deficiencies

48. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.
49. The Accounting authority did not exercise adequately perform oversight responsibility over the preparation of the annual financial statements, performance reporting, compliance with laws and regulations and internal



control. Leadership did not implement adequate processes to ensure that reviews took place before information was submitted. This was evidenced by the material misstatements in the financial statements, non-compliance with laws and regulations and internal control deficiencies noted throughout the audit process.

50. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
51. Management did not design and implement formal controls to address the systems of collecting, verifying and storing the information as well as to plan, manage and report on the financial information. Furthermore, management deactivated the audit log module on the financial reporting system resulting in the removal of audit trail to prevent unauthorised overrides.
52. Senior management did not adhere to internal controls, which resulted in various instances of irregular, fruitless and wasteful expenditure being incurred and other material misstatements in the financial statements, not detected by management.
53. Management did not review the financial statements, to ensure the achievement of fair presentation; this resulted in material misstatements being identified in the financial statements.
54. The entity did not ensure that there is a functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively during the financial period.

## Other reports

55. We draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance

with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

56. An independent consultant investigated an allegation of possible misappropriation of the Agency's assets at the request of the agency, which covered the period 14 January 2019 to 31 January 2019. The investigation was concluded on 13th of February 2019 and internal disciplinary proceedings were commenced with.
57. An independent consultant was engaged on the 28th of February 2019 to undertake a lifestyle audit on twenty-one employees at the request of the Administrator. The investigation was concluded on 17th of May 2019.

## Agreed upon procedure engagement

58. Agreed-upon procedure engagements were performed on the following:
69. National Treasury consolidation template that covered the period 1 April 2018 to 31 March 2019, the report was issued on 30 September 2019.

## Auditor tenure

60. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane & Co. (Johannesburg) Inc has been the auditor of Housing Development Agency for 2 years.



**Ngubane & Co (Johannesburg) Inc**

*Edwin Chapanduka – CA (S.A.)*

*Director*

Registered Auditor

30 September 2019

## Annexure – Auditor's responsibility for the audit

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

## Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - 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 entity's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
  - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the

preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Housing Development Agency ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing as a going concern.

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

## Communication with those charged with governance

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

# STATEMENT OF FINANCIAL POSITION

ANNUAL FINANCIAL STATEMENTS AS AT 31 MARCH 2019

Figures in R `000	Note(s)	2019	Restated 2018
<b>Assets</b>			
<b>Non-Current Assets</b>		<b>37 438</b>	<b>33 124</b>
Property, plant and equipment	3	8 838	4 748
Intangible assets	4	695	471
Long-term land inventory	5	27 905	27 905
<b>Current Assets</b>		<b>1 049 237</b>	<b>2 585 158</b>
Land inventory	6	322 263	122 736
Receivables from non-exchange transactions	7	4 066	3 488
Projects receivables	8	224 039	83 187
Rental deposit	9	1 379	1 232
Cash and cash equivalents	10	497 490	2 374 515
<b>Total Assets</b>		<b>1 086 675</b>	<b>2 618 282</b>
<b>Net Assets and Liabilities</b>			
<b>Net Assets</b>		<b>31 670</b>	<b>44 363</b>
Revaluation reserve		111	111
Accumulated surplus		31 559	44 252
		<b>31 670</b>	<b>44 363</b>
<b>Non-Current Liabilities</b>		<b>-</b>	<b>135</b>
Finance lease obligations	11	-	135
<b>Current Liabilities</b>		<b>1 055 005</b>	<b>2 573 784</b>
Payables from exchange transactions	16	25 482	34 008
Provisions	17	13 451	9 024
Current portion of finance leases	11	143	620
Projects Payables	18	11 285	48 123
Projects obligations	19	682 381	2 359 273
Land inventory obligation	20	322 263	122 736
<b>Total Liabilities</b>		<b>1 055 005</b>	<b>2 573 919</b>
<b>Total Net Assets and Liabilities</b>		<b>1 086 675</b>	<b>2 618 282</b>



# STATEMENT OF FINANCIAL PERFORMANCE

ANNUAL FINANCIAL STATEMENTS AS AT 31 MARCH 2019

Figures in R '000	Note(s)	2019	Restated 2018
<b>Revenue</b>		<b>385 502</b>	<b>381 015</b>
<b>Revenue from non-exchange transactions</b>		<b>222 177</b>	<b>210 668</b>
Transfer from controlling entity	21	222 177	210 668
<b>Revenue from exchange transactions</b>		<b>163 325</b>	<b>170 347</b>
Provinces support conditional grant	22	107 524	127 429
Project management fees	23	39 189	35 085
Interest income	24	13 304	5 295
Other income	25	3 308	2 538
<b>Expenditure</b>		<b>398 166</b>	<b>359 507</b>
Operating expenses	26	89 195	71 438
Land and related costs	27	11 214	9 324
Technical and project services	28	104 580	129 946
Finance costs	29	137	251
Employee costs	30	193 040	148 548
<b>Other expenditure</b>			
Deficit on disposal of property, plant and equipment		29	86
<b>Total other expenditure</b>		<b>29</b>	<b>86</b>
<b>(Deficit) /surplus for the year</b>		<b>(12 693)</b>	<b>21 422</b>

# STATEMENT OF CHANGES IN NET ASSETS

ANNUAL FINANCIAL STATEMENTS AS AT 31 MARCH 2019

Figures in R `000	Note	Revaluation reserves	Accumulated surplus	Restated Total
<b>Balance at 1 April 2016</b>		57	21 236	21 293
Surplus for the year			(13 712)	(13 712)
Prior period error	38		15 306	15 306
<b>Balance at 31 March 2017-Restated</b>		57	22 830	22 887
<b>Balance at 1 April 2017 Restated</b>		111	22 830	22 941
Surplus for the year		-	21 422	21 422
<b>Balance at 31 March 2018 Restated</b>		111	44 252	44 363
<b>Balance at 1 April 2018 Restated</b>		111	44 252	44 363
Deficit for the year		-	(12 693)	(12 693)
<b>Balance at 31 March 2019</b>		111	31 559	31 670

# STATEMENT OF CASH FLOW

ANNUAL FINANCIAL STATEMENTS AS AT 31 MARCH 2019

Figures in R '000	Note(s)	2019	Restated 2018
<b>Cash flows from operating activities</b>			
Receipts		<b>371 615</b>	<b>372 710</b>
Grants		329 701	338 097
Management fees		39 189	35 085
Other receipts movements		2 725	(472)
Payments		<b>(397 880)</b>	<b>(355 856)</b>
Employee costs		(193 040)	(148 548)
Other payments		(204 840)	(207 308)
<b>Cash utilised in operations</b>	34	<b>(26 265)</b>	<b>16 854</b>
Interest received		13 304	5 295
Interest paid - finance charges on finance leases		(137)	(251)
<b>Net cash flows from operating activities</b>		<b>(13 098)</b>	<b>21 898</b>
<b>Cash flows from investing activities</b>			
Property, plant and equipment acquired		(7 040)	(1 749)
Intangible assets acquired		(1 691)	(1 370)
<b>Net cash flows from investing activities</b>		<b>(8 731)</b>	<b>(3 119)</b>
<b>Cash flows from financing activities</b>			
Increase/(decrease) in funding receivables for projects		(140 853)	186 390
Decrease in projects payables		(36 839)	(12 694)
(Decrease)/increase in project obligations		(1 676 892)	1 473 586
Decrease in lease liability		(612)	(443)
<b>Cash flows from financing activities</b>		<b>(1 855 196)</b>	<b>1 646 839</b>
(Decrease)/Increase in cash and cash equivalents		(1 877 025)	1 665 618
Cash and cash equivalents at beginning of the year		2 374 515	708 897
<b>Cash and cash equivalents at end of the year</b>	10	<b>497 490</b>	<b>2 374 515</b>



# STATEMENT OF COMPARISON OF BUDGET INFORMATION WITH ACTUAL INFORMATION

ANNUAL FINANCIAL STATEMENTS AS AT 31 MARCH 2019

Figures in R `000	2019						
	Notes	Actuals	Budget	Variance	% Variance	Adjust-ment	Approved annual budget
Operational grant-NDHS	40	222 177	222 177	-	0 %	-	222 177
Provinces support conditional grant		107 524	165 217	57 693	35 %	-	165 217
Project management fees		39 189	32 545	(6 644)	-20 %	-	32 545
<b>Other income</b>							
Interest income		13 304	4 000	(9 304)	-233 %	-	4 000
Other income		3 308	1 567	(1 741)	-111 %	-	1 567
<b>Total revenue</b>		<b>385 502</b>	<b>425 506</b>	<b>40 004</b>	<b>9 %</b>	-	<b>425 506</b>
<b>Expenditure</b>							
Land and related costs		11 214	20 230	9 016	45 %	-	20 230
Operating expenses		89 195	74 008	(15 187)	-21 %	-	74 008
Technical and project services		104 580	125 992	21 412	17 %	-	125 992
Finance costs		137	155	18	12 %	-	155
Employee costs		193 040	204 983	11 943	6 %	-	204 983
Deficit on disposal of property, plant and equipment		29	138	109	79 %	-	138
<b>Total expenditure</b>		<b>398 195</b>	<b>425 506</b>	<b>27 311</b>	<b>6 %</b>	-	<b>425 506</b>
<b>Surplus for the year</b>		<b>(12 693)</b>	-	<b>12 693</b>	-	-	-

# ACCOUNTING POLICIES

## 1. Presentation of Annual Financial Statements

### 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.

### Basis of preparation

The annual financial statements have been prepared on a going concern basis and in accordance with the effective South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) for the accrual basis of accounting, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The following are the principal accounting policies of the HDA, adopted in preparation of the annual financial statements. The historical cost convention has been used, except where indicated otherwise.

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.

### 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.

### Use of estimates and judgements

The preparation of financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the HDA's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. An area where assumptions and estimates are significant to the annual financial statements is Provisions.

Provisions were raised based on management's determined estimate using the information available. These are measured at management's best estimates of the expenditure required to settle the obligation at reporting date. The accounting policy for provisions is disclosed under note 2.6 and additional disclosure of these estimates of provisions are included in note 17.

The HDA assumes the current replacement value of land inventory to be the value of the initially recognised corresponding land inventory obligation, which equate to the cost actually incurred when the land was bought. The accounting policy for Land inventory is disclosed under note 2.10

### Going concern assumptions

These financial statements are prepared in concurrence with the going-concern principle and, on an accrual basis, in line with the measurement base applied, being the historical cost unless stated otherwise. Refer to note 42.

## Standards and pronouncements comprising the GRAP Financial Reporting Framework

The following standards have been approved but are not yet effective as at 31 March 2019. The impact that these standards will have on the entity is detailed below. A list of these standards is provided below:

GRAP	STADARDS	IMPACT	EFFECTIVE DATE
GRAP 20	Related party disclosures	Disclosure will be affected as the HDA has transactions with related parties.	1-Apr-19
GRAP 32	Service concession arrangements: grantor	Not applicable	1-Apr-19
GRAP 34	Separate financial statements	Disclosure may be affected.	1-Apr-20
GRAP 35	Consolidated financial statements	Not Applicable	1-Apr-20
GRAP 36	Investments in associates and joint ventures	Not applicable	1-Apr-20
GRAP 37	Joint arrangements	Disclosure will be affected as the HDA may enter into financial arrangements with other organs of state.	1-Apr-20
GRAP 38	Disclosure of interest in other entities	Disclosure will be affected as the HDA may enter into financial arrangements with other organs of state.	1-Apr-20
GRAP 108	Statutory Receivables	Disclosure may be affected.	1-Apr-19
GRAP 109	Accounting by Principals and Agents	Disclosure will be affected as the HDA has principal-agency agreements with other organs of state.	1-Apr-19
GRAP 110	Living and non-living resources	Disclosure may be affected.	1-Apr-20

The following IGRAP standards have been approved but not yet effective as at 31 March 2019

IGRAP	STADARDS	IMPACT	EFFECTIVE DATE
IGRAP 1	Applying the probability test on initial recognition revenue (amendments)	Disclosure may be affected.	1-Apr-20
IGRAP 17	Service concession arrangements where a grantor controls a significant residual interest in an asset	Not applicable	1-Apr-20
IGRAP 18	Recognition and derecognition of land	Disclosure will be affected as the HDA owns land and also holds land on behalf of the provinces.	1-Apr-19
IGRAP 19	Liabilities to pay levies	Not applicable	1-Apr-19
IGRAP 20	Interpretation of the Standards of GRAP on Accounting for Adjustments to Revenue	Disclosure may be affected.	1-Apr-20
Guideline	Accounting for arrangements undertaken in terms of the national housing programme	Disclosure may be affected.	1-Apr-19



## 2. Policies

### 2.1 Revenue recognition

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

#### 2.1.1 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 arising from the use by others of entity interest yielding assets is recognised when:

- it is probable that the economic benefits or service potential with the transaction will flow to the entity; and
- the amount of revenue can be measured reliably.

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

#### 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.

#### 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.

#### Interest Income

Interest income is recognised as it accrues on a time apportionment basis taking into account its effective yield. Other income comprises tender fees and insurance claims and is recognised when consideration is received.

#### Rental income

Rental income from land and properties owned or managed by the agency 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.

#### 2.1.2 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 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 Settlement.

## 2.2 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.

## 2.3 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 cost 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 in 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 value. 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	Over the shorter of lease term or 10 years

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 via annual 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.

### 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.

## 2.4 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:

- It is separable, i.e. is 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 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 obligation 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 of between one (1) to three (3) years using the straight-line method.

Item	Average useful life
Computer Software	3 years
Licences	1 year

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.

## 2.5 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.

### 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.

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

### 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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between



the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

### 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 is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is 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.

## 2.6 Provisions

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 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 not recognised for future losses.

## 2.7 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.

## 2.8 Commitments and Contingencies

Items are classified as commitments when an entity has committed itself to future transaction that will normally

result in the outflow of cash.

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 both 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.

Lease commitments is derived from the signed lease agreements based on the future premiums. Contingent liabilities are not recognised in the financial statements.

## 2.9 Contingent liabilities

Contingent liabilities are included in the disclosure 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.

Contingent liabilities are not recognised in the financial statements.

## 2.10 Land inventory

The HDA acquires and holds land inventory in terms of signed agreements on behalf of provinces and municipalities in order to release it for future human settlement development. On recognition of the land inventory, the HDA recognises a corresponding land inventory obligation.

### Initial recognition and measurement

Land inventory is a tangible asset that is held for sale or distribution in the ordinary course of operations.

Land inventory shall be recognised as an asset if, and only if:

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

Inventories that qualify for recognition as assets shall initially be measured at cost, which includes costs directly attributable to the acquisition of land. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be fair value as at the date of acquisition.

## Subsequent measurement

Inventories are measured at the lower of cost and current replacement cost where they are held for distribution through a non-exchange transaction. The HDA assumes the current replacement value of land inventory to be the value of the initially recognised corresponding land inventory obligation, which equate to the cost actually incurred when the land was bought. The entity believes that the subsequent measurement of valuing land in variance to the obligation will not represent truthfully the financial position and cashflow of the Agency, as it will create unfunded project obligations or receivables.

## Derecognition

The carrying amount of inventories is derecognised when transfer of ownership has been passed back to the provinces or transferred for the purpose of human settlement development.

## Long-term land inventory

Land purchased by the HDA for the purpose of future residential development and where there is uncertainty regarding date of release is classified as long-term land inventory.

## Short-term inventory

Land acquired on behalf of Provinces and where there are conditions attached is classified under current assets as short-term land inventory.

## 2.11 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.

## 2.12 Finance costs

Finance costs are charges incurred by the Agency in connection with Finance lease liability. Finance costs are recognised as an expense in a period in which they are incurred.

## 2.13 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 a 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.

### 2.13.1 Receivables

Receivables are classified as loans and receivables and are initially measured at fair 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.

### 2.13.2 Payables

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

### 2.13.3 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

### 2.13.4 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.

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.

## 2.14 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 HDA is a member of the Government Employees Pension Fund.

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

## 2.15 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).

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

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

## 2.16 Project Obligations

Project Obligations are raised on receipt of a signed MTOP agreement, Funding agreements and Implementation protocol with clear deliverables for the Agency. This funding agreement is the basis of recognition of Project Obligations. The Obligations will be performed in the normal operating cycle of the Agency.

### 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 Obligation are equal to Project Cash plus Project receivable.

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

### Subsequent measurement

Project Obligations are subsequently measured at cost plus interest earned.



## 2.17 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 areas.

## 2.18 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.

The annual financial statements and the budget are prepared on the same basis of accounting. Therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

## 2.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure as defined by 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 to the financial statements when 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.

## 2.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure,

incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation, including -

- (a) 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 PFMA.

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

Irregular expenditure is recorded in the notes to the financial statements when 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 note when it is either condoned by the relevant authority, transferred to receivables for recovery or not condoned and is not recoverable.

## 2.21 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.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods except where stated.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

## 3. Property, plant and equipment

	Cost	Accumulated depreciation	2019 Carrying value	Cost	Accumulated depreciation	2018 Carrying value
<i>Assets</i>						
Furniture and fittings	4 396	958	3 438	3 769	2 316	1 453
Electronic hardware	2 787	2 536	251	2 787	2 435	352
Office equipment	1 087	537	550	806	358	448
Computer equipment	7 057	4 431	2 626	4 735	3 097	1 638
Leasehold improvements	1 864	241	1 623	-	-	-
	17 191	8 703	8 488	12 097	8 206	3 891

	Cost	Accumulated depreciation	2019 Carrying value	Cost	Accumulated depreciation	2018 Carrying value
Capitalised leased assets	2 170	2 139	31	2 119	1 581	538

	Fair Value	Revaluation	2019 Carrying value	Fair Value	Revaluation	2018 Carrying value
Paintings	319	-	319	319	-	319
Total	19 680	10 842	8 838	14 535	9 787	4 748

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

The carrying amounts of property, plant and equipment can be reconciled as follows for 2019:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2019 Carrying value at end of year
<i>Assets</i>					
Furniture and fittings	1 453	2 292		(307)	<b>3 438</b>
Electronic hardware	352	-	-	(101)	<b>251</b>
Office equipment	448	290	(6)	(182)	<b>550</b>
Computer equipment	1 638	2 397	(23)	(1 386)	<b>2 626</b>
Leasehold improvements	-	1 864	-	(241)	<b>1 623</b>
	<b>3 891</b>	<b>6 843</b>	<b>(29)</b>	<b>(2 217)</b>	<b>8 488</b>

	Carrying value at beginning of year	Additions	Revaluation	Depreciation	2019 Carrying value at end of year
Paintings	319	-	-	-	<b>319</b>

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2019 Carrying value at end of year
Capitalised leased assets	538	51	-	(558)	<b>31</b>

	Carrying value at beginning of year	Additions	Revaluation	Disposals	Depreciation	2019 Carrying value at end of year
<b>Total</b>	<b>4 748</b>	<b>6 894</b>	<b>-</b>	<b>(29)</b>	<b>(2 775)</b>	<b>8 838</b>

The carrying amounts of property, plant and equipment can be reconciled as follows for 2018:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2018 Carrying value at end of year
<i>Assets</i>					
Furniture and fittings	1 811	367	-	(725)	<b>1 453</b>
Electronic hardware	149	340	-	(137)	<b>352</b>
Office equipment	485	121	(9)	(149)	<b>448</b>
Computer equipment	1 727	887	(77)	(899)	<b>1 638</b>
	<b>4 172</b>	<b>1 715</b>	<b>(86)</b>	<b>(1 910)</b>	<b>3 891</b>



	Carrying value at beginning of year	Additions	Revaluation	Disposals	2019 Carrying value at end of year
Paintings	319	-	-	-	319

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2019 Carrying value at end of year
Capitalised leased assets	1 009	34	-	(505)	538

	Carrying value at beginning of year	Additions	Revaluation	Disposals	Depreciation	2019 Carrying value at end of year
Total	5 500	1 749	-	(86)	(2 415)	4 748

### Pledged as security

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

The paintings are shown at their revalued amount. These were evaluated in March 2017 by an independent valuer, Crouse Art. The valuation was done using market values. The next valuation is due in March 2020.

## 4. Intangible assets

	Cost	Accumulated amortisation	2019 Carrying value	Cost	Accumulated amortisation	2018 Carrying value
Computer software and licences	2 175	(1 480)	695	1 371	(900)	471
	2 175	(1 480)	695	1 371	(900)	471

The carrying amounts of intangible assets can be reconciled as follows for 2019:

	Carrying value at beginning of year	Addition	Amortisation	Disposals	2019 Carrying value at end of year
Computer software and licences	471	1 691	(1 467)	-	695
	471	1 691	(1 467)	-	695

The carrying amounts of intangible assets can be reconciled as follows for 2018:

	Carrying value at beginning of year	Addition	Amortisation	Disposals	2019 Carrying value at end of year
Computer software	-	1 371	(900)	-	471
	-	1 371	(900)	-	471

Figures in R'000

2019

Restated 2018

## 5. Long-term land inventory

Land inventory - various	27 905	27 905
	<b>27 905</b>	<b>27 905</b>
Land inventory - various		
Land purchased comprises, at acquisition value:		
<b>Description</b>		
Erf 13120 Queenstown	3 540	3 540
Portion 237 of 78 farm Hartbeestpoort No.328JR	9 914	9 914
Portions 78, 89, 90, 151 Daspoort 319JR	7 158	7 158
Erf 10509 Cape Town	2 257	2 257
Erf farm 755/2 Michael Heyns-Swartland Cape Town	5 036	5 036
	<b>27 905</b>	<b>27 905</b>

The land and properties are held for purposes of future Human Settlements development.

## 6. Land inventory

Property inventory, registered in the name of HDA comprises, at acquisition value :

<b>Description</b>		
Portion 170 and portion 5 of Farm Roodepoort 467 KR - Bela-Bela	65 400	65 400
Erf 1816 Bethlehem township	4 400	4 400
Erf 4919 Kroonstad Ext 30 township	3 300	3 300
Erf 5246 Kroonstad	1 733	1 733
Erf 229 Kroonstad	2 338	2 338
Ptn 37 of the farm Welkom 41	4 365	4 365
Erf 4049 Portion 20 Bethlehem	2 100	2 100
Farm 654 Portion 1 Bloemfontein	10 200	10 200
Erf 2116 Portion 3 Bloemfontein	2 500	2 500
Erven 17845, 243, 17847, 18093 and 17844 Knysna	1 700	1 700
Erf 3726 De Aar Township Northern Cape	10 000	10 000
Erf 635 De Aar Emthanjeni Municipality	7 700	7 700
Erf 3994 - 4225 Modelkloof KZN	7 000	7 000
Portion 9 of Farm 787, 807 Cape Road, Western Cape	7 854	-
Erven 921,924,925,927-938, 940-941,17735,172883 Gugulethu, Western Cape	15 569	-
Farm 700 Business Zone 949, Cape Town, Western Cape	4 552	-
Erf 807,3108, 21400 Philippi	39 195	-
Erven 4061,4062,5636,5637 Hout Bay, Western Cape	45 354	-
Farm 791, 793 Cape Town, Western Cape	10 842	-
Portion 64 of Farm 787 Cape Town, Western Cape	6 365	-
Erven 35163 - 35174, 36148, 38368 Milnerton, Western Cape	64 965	-
Erf 14443 Strand, Western Cape	4 831	-
	<b>322 263</b>	<b>122 736</b>

The assets were acquired based on the signed agreement and carry a corresponding liability disclosed in Note 20.

Figures in R'000	2019	Restated 2018
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## 7. Receivables from non-exchange transactions

Receivables	377	172
Staff debtors	1 211	939
Prepaid expense	20	20
Operating leases	2 458	2 357
	<b>4 066</b>	<b>3 488</b>

The carrying amount of receivables approximates fair value.

## 8. Projects receivables

Buffalo City Metro Municipality	9 196	-
Eastern Cape Provincial Government	42 805	34 827
Ekurhuleni Metro Municipality	98 429	48 360
Gauteng Provincial Government	11 871	-
KwaZulu-Natal Provincial Government	156	-
Northern Cape Provincial Government	2 110	-
North West Provincial Government	34 544	-
Mpumalanga Provincial Government	14 501	-
Western Cape Provincial Government	10 427	-
	<b>224 039</b>	<b>83 187</b>

## 9. Rental deposits

Rental deposit	1 379	1 232
	<b>1 379</b>	<b>1 232</b>

The rental deposit is refundable to the entity at the end of the lease term

## 10. Cash and cash equivalents

HDA	37 914	22 616
Projects	459 541	2 351 849
Petty cash	35	50
	<b>497 490</b>	<b>2 374 515</b>



Figures in R'000

2019

Restated 2018

## 11. Finance lease obligations

Lease of photocopiers and faxes with Konica Minolta

- 135

- 135

Repayable within one year, transferred to current liabilities

143 620

143 755

Reconciliation between the total of the minimum lease payments and the present value:

Minimum lease payments

149 875

- No later than 1 year

149 736

- Later than 1 year and no later than 5 years

- 139

Future finance charges on finance leases

(6) (120)

143 755

## 12. Operating leases-Lessor

### Rental Income

The future minimum property lease receipts escalating at 10% p.a.

1 459 2 552

- No later than 1 year

1 380 1 461

- Later than 1 year and no later than 5 years

79 991

## 13. Obligations under operating leases-Lessee

### Office leases

The future minimum office lease payments' escalation ranges between 8% and 9% p.a.

29 795 24 651

- No later than 1 year

13 048 8 539

- Later than 1 year and no later than 5 years

16 747 16 112

### Lease terms and conditions per office

Eastern Cape

#### Expiry date

31-Mar-21

#### Lease term

3 years

Free State

31-Dec-23

5 years

Gauteng

31-Jan-20

2 years

Kwa-Zulu Natal

30-Apr-23

5 years

Limpopo

28-Feb-19

3 years

Limpopo^

28-Feb-20

1 year

Western Cape

31-Oct-22

5 years

^New lease concluded from 1 March 2019.

Figures in R'000

2019

Restated 2018

## 14. Commitments - obligations under operating leases- Leasee

### Office leases

Leases expired at year end are disclosed. A new lease agreement has been concluded with the following commitments

<b>Durban</b>	-	3 787
- No later than 1 year	-	579
- Later than 1 year and no later than 5 years	-	3 208

### Port Elizabeth\*

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

	-	5 867
- No later than 1 year	-	1 807
- Later than 1 year and no later than 5 years	-	4 060
	-	9 654

### Lease terms and conditions per office

	Expiry date	Lease term
Durban*	30-Apr-23	5 years
Port Elizabeth*	31-Mar-21	3 years

\*The Durban office has renewed the lease agreement to a term ending 30 April 2023.

\*The Port Elizabeth office has entered into a new lease agreement with a lease term ending 31 March 2021.

## 15. Commitments - operations

<b>Operational expenditure</b>	20 132	3 099
- No later than 1 year	23 089	2 933
- Later than 1 year and no later than 5 years	<b>43 221</b>	<b>6 032</b>

These are contractual commitments that are related to professional services and operational commitments.

Figures in R'000

2019

Restated 2018

## 16. Payables from exchange transactions

Payables	13 281	23 789
Funds owing to National Treasury	631	-
Employees leave payable	9 038	10 180
Accruals	2 532	45
	<b>25 482</b>	<b>34 014</b>

In November 2018, the HDA returned R1.5-billion rand unspent Provincial projects funds to National Treasury. This was an instruction from the National Treasury as a result of non-compliance to section 17 of Division of Revenue Act (DORA).

### Employees leave payable is reconciled as follows:

Carrying amount beginning of year	10 180	6 945
Decrease in leave payable	(375)	3 648
Amounts incurred and charged against the leave account	(767)	(413)
Carrying amount at end of year	<b>9 038</b>	<b>10 180</b>

The leave payable on termination is expected to be realised during the 2020 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 2020 financial year, it may realise at the employees new salary scales as per the HDA Human Resources policy.

## 17. Provisions

Provision for bonus	13 451	9 024
	<b>13 451</b>	<b>9 024</b>
<b>Provision for bonus is reconciled as follows:</b>		
Carrying amount beginning of year	9 024	8 627
Increase in provision	16 062	9 481
Amount paid	(11 635)	(9 084)
Carrying amount at end of year	<b>13 451</b>	<b>9 024</b>

The provision for bonus is based on the employee's performance. This is payable by September of each year. The assessment of performance was not yet finalised and an estimation has been done.

## 18. Projects Payables

Payables	11 285	48 123
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Projects payables relates to contractors' invoices received for projects and not yet paid.



Figures in R'000	2019	Restated 2018
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## 19. Projects obligations

		Restated
Buffalo City Municipality	9 196	-
Eastern Cape Provincial Government	-	-
Ekurhuleni Municipality	14 348	19 680
Free State Provincial Government	68 613	99 675
Gauteng Provincial Government	145 722	994 683
Kwazulu-Natal Provincial Government	32 701	40 920
Limpopo Provincial Government	95 155	318 750
Northern Cape Provincial Government	214 519	96 883
North West Provincial Government	72 039	641 516
Western Cape Provincial Government	30 088	147 166
	<b>682 381</b>	<b>2 359 273</b>

*Below is a reconciliation of each project obligation:*

### Buffalo City Metro Municipality

Amount owing	9 196	-
Closing balance	<b>9 196</b>	-

### Ekurhuleni Municipality

Opening balance	19 680	20 048
Owing and received in current year	(48 359)	(25 961)
Cash received	151 404	247 000
Interest earned	-	378
Amount owing	98 429	48 360
Expenditure	(206 806)	(270 145)
Closing balance	<b>14 348</b>	<b>19 680</b>

### Free State Provincial Government

Opening balance	99 675	8 794
Cash received	26 064	107 183
Interest earned*	4 161	173
Amount owing	-	-
Expenditure	(23 749)	(16 475)
Transfer to National Treasury (NT)	(37 539)	-
Closing balance	<b>68 613</b>	<b>99 675</b>

\* Included in transfer to NT is interest of R2,201 million.

Figures in R'000	2019	Restated 2018
<b>Gauteng Provincial Government</b>		
Opening balance	994 683	448 784
Owing and received in current year	-	(11 329)
Cash received	172 905	858 400
Interest earned	52 354	35 887
Amount owing	11 871	-
Expenditure	(180 562)	(337 059)
Transfer to National Treasury (NT)	(905 529)	-
Closing balance	<b>145 722</b>	<b>994 683</b>
* Included in transfer to NT is interest of R43 664 million.		
<b>KwaZulu-Natal Provincial Government</b>		
Opening balance	40 920	7 645
Cash received	37 801	59 964
Interest earned	1 507	312
Amount owing	156	-
Expenditure	(15 310)	(27 001)
Transfer to National Treasury (NT)	(32 373)	-
Closing balance	<b>32 701</b>	<b>40 920</b>
* Included in transfer to NT is interest of R1 032 million.		
<b>Limpopo Provincial Government</b>		
Opening balance	318 750	225 561
Owing and received in current year	-	(6 040)
Cash received	234 997	260 867
Interest earned	8 198	9 494
Amount owing	-	-
Expenditure	(466 790)	(171 132)
Closing balance	<b>95 155</b>	<b>318 750</b>
<b>Northern Cape Provincial Government</b>		
Opening balance	96 883	43 411
Owing and received in current year	-	(12 000)
Cash received	183 701	105 945
Interest earned	3 610	1 563
Amount owing	2 110	-
Expenditure	(71 785)	(42 036)
Closing balance	<b>214 519</b>	<b>96 883</b>

Figures in R'000	2019	Restated 2018
<b>North West Provincial Government</b>		
Opening balance	641 516	114 270
Owing and received in current year	-	(99 008)
Cash received	122 348	715 356
Interest earned	22 960	7 581
Amount owing	34 544	-
Expenditure	(211 559)	(96 683)
Transfer to National Treasury (NT)	(537 770)	-
Closing balance	<b>72 039</b>	<b>641 516</b>
* Included in transfer to NT is interest of R16 878 million.		
<b>Western Cape Provincial Government</b>		
Opening balance	147 166	(2 072)
Cash received	132 558	182 118
Interest earned	3 080	-
Amount owing	10 427	(2 072)
Expenditure	(263 143)	(30 808)
Closing balance	<b>30 088</b>	<b>147 166</b>

## 20. Land inventory obligation

Properties held on behalf of provinces	<b>322 263</b>	<b>122 736</b>
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The HDA acquired land and properties on behalf of other organs of state. The HDA is obliged to release the acquired land and properties based on signed agreements.

## 21. Revenue from non-exchange transactions-operational grants

Revenue from non-exchange transactions is made up as follows:

Transfer from controlling entity	<b>222 177</b>	<b>210 668</b>
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## 22. Revenue from exchange transactions-conditional grants

Catalytic Projects	-	19 451
Free State Provincial Government	15 814	14 694
KwaZulu-Natal Provincial Government	15 634	27 000
Limpopo Provincial Government	22 924	14 634
Northern Cape Provincial Government	5 141	4 343
North West Provincial Government	15 798	16 107
Western Cape Provincial Government	32 213	31 200
	<b>107 524</b>	<b>127 429</b>

The grant received covers corresponding expenditure for the provinces projects and certain amount earned which is in investment income.



Figures in R'000

2019

Restated 2018

## 23. Revenue from exchange transactions-project management fees

Eastern Cape Provincial Government	3 828	2 183
Ekurhuleni municipality	7 433	12 402
Gauteng Provincial Government	7 165	16 050
Limpopo Provincial Government	12 891	232
Northern Cape Provincial Government	2 839	4 207
North West Provincial Government	5 033	11
	<b>39 189</b>	<b>35 085</b>

Management fees are earned as per agreements signed between the HDA and relevant organs of state.

## 24. Interest income

Interest received-HDA*	11 826	5 295
Interest received-Projects current account	1 478	-
	<b>13 304</b>	<b>5 295</b>

\*This is interest earned on the Operational grant received from National Department of Human Settlement that was invested to the money market call.

## 25. Other income

Rental income	2 529	2 315
Insurance claims	201	44
Tender documents fees and other income	578	179
	<b>3 308</b>	<b>2 538</b>

Figures in R'000	2019	Restated 2018
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## 26. Operating expenses

Accounting other services	1 157	1 375
Advertising and marketing	2 381	3 289
Agency support - outsourcing	3 723	2 024
Amortisation and depreciation	4 243	3 315
Membership fees	116	58
Assets below R5 000 expensed	653	477
Auditors remuneration	507	1 986
Bad debts	-	215
Bank charges	232	156
Board costs	1 251	998
Catering	2 242	1 146
Communications	876	860
Computer expenses	4 239	2 666
Consultants	5 178	6 052
Contractors - operational	7 289	5 298
Insurance	451	352
Leasing charges	936	955
Legal fees	6 528	3 611
Office rentals	13 136	8 768
Penalties	2	-
Printing, publications and stationery	1 870	1 552
Repairs and maintenance	714	120
Repairs - office refurbishment	382	-
Staff recruitment	8 018	4 136
Staff welfare	71	246
Other office expenses	1 685	1 166
Temporary staff	5 600	3 923
Training and staff development	1 797	1 697
Travel and accommodation	13 918	14 997
	<b>89 195</b>	<b>71 438</b>

The above expenditure includes certain expenses that are covered by Provinces support conditional grant on note 22.

## 27. Land and related costs

Insurance	165	86
Maintenance costs	869	1 690
Conveyancing and valuation costs	6 172	4 277
Projects operational contractors	2 974	2 631
Development planning and feasibility studies	1 034	640
	<b>11 214</b>	<b>9 324</b>

Figures in R'000

2019

Restated 2018

## 28. Technical and support services

Transactional advisors	8 792	22 795
Professional resource teams	95 788	107 151
	<b>104 580</b>	<b>129 946</b>

## 29. Finance costs

Finance leases	<b>137</b>	<b>251</b>
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The HDA entered into finance lease agreements for photocopier machines. Leases agreements will expire during the 2020 financial year. A capital portion of the lease is disclosed in current liabilities in the statement of financial position.

## 30. Employee costs

Basic salary	153 533	118 732
Labour settlement^	1 957	-
Performance bonus	16 062	9 544
Leave recovery	(375)	3 648
Allowances	4 194	3 195
Employer's contributions	17 314	13 182
Other payroll expenses - COIDA	355	247
	<b>193 040</b>	<b>148 548</b>

^Labour settlement relates to a payment towards a settlement of an ex employee labour dispute matter.

## 31. Related party transactions

### Relationship

### Controlling entity

National Department of Human Settlement

### Board members

M Msimang (Chairperson)  
TS Songelwa  
ME Mutheiwana  
PA Singh  
T Botha  
MH Mpahlwa  
L Jiyose

### Audit & Risk and Project Investment Committee

PT Phili  
SY Boulton



## Executive and senior management remuneration

PP Moloi-Chief Executive Officer  
 APG Soares-Chief Financial Officer  
 B Chaplog-Chief Financial Officer (until 30 September 2018)  
 PG Magagula-Chief Financial Officer (from 1 March 2019)  
 M.Tsehla-Acting Chief Financial Officer (from 01 October 2018 to 28 February 2019)  
 MD Mnisi-Head Strategic Support  
 MB George-Head Development Management and Operations  
 R Issel-Head: Corporate Support  
 JB Minnie-Head Spatial Information Analysis  
 LS Rakgoale- Regional Head Region B  
 BM Khoza-Regional Head Region A  
 MJ Mphahlele-Regional Head Free State  
 N Mlotshwa-Regional Head Region C  
 W Steenkamp-Head Strategic Initiatives  
 D Ngoasheng-Head National Planning & Programmes Design

## Administrators

NS Damasane  
 V Gqwetha

## 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 National Department of Human Settlement of which HDA forms part.

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		Amounts owed by the related party at year-end	
	2019	2018	2019	2018
National Department of Human Settlements	222 177	210 668	-	-

## National Department of Human Settlements

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.

## Services in kind

During the year, the HDA afforded the Gauteng Department of Human Settlements opportunity to occupy office space due to fire at their offices at no cost. The offices were occupied from 17 September 2018. The cost of occupation, is made up of:

Office rent calculated per square metre occupied	99	-
Rental of additional office furniture	75	-
<b>Total</b>	<b>174</b>	<b>-</b>

## 32. Executive and senior management remuneration 2019

Executive members	Basic salary	Pension/ provident fund	Total cost	Risk benefits	Allowances	Bonus	Total expenditure
PP Moloi-Chief Executive Officer	3 503	389	3 892	55	32	404	4 383
APG Soares-Chief Financial Officer (until 15 February 2019)	2 370	184	2 554	34	227	264	3 079
B Chaplog-Chief Financial Officer (until 30 September 2018)	-	-	-	-	280	-	280
PG Magagula-Chief Financial Officer (from 1 March 2019)	150	-	150	-	-	-	150
M.Tsehla-Acting Chief Financial Officer (from 01 October 2018 to 28 February 2019)	-	-	580	44	60	-	684
<b>Total executive management remuneration</b>	<b>6 023</b>	<b>573</b>	<b>7 176</b>	<b>133</b>	<b>599</b>	<b>668</b>	<b>8 576</b>
Senior Management	Basic salary	Pension/ provident fund	Total cost	Risk benefits	Allowances	Bonus	Total expenditure
MD Mnisi-Head Strategic Support*	1 832	155	1 987	28	32	208	2 255
MB George-Head Development Management and Operations	1 667	185	1 852	26	32	188	2 098
R Issel-Head: Corporate Support	2 109	179	2 288	33	22	239	2 582
JB Minnie-Head Spatial Information Analysis^	1 687	143	1 830	26	32	195	2 083
LS Rakgoale- Regional Head Region B	1 680	142	1 822	26	32	191	2 071
BM Khoza-Regional Head Region A	1 797	152	1 949	28	32	204	2 213
MJ Mphahlele-Regional Head Free State	1 674	186	1 860	26	32	193	2 111
N Mlotshwa-Regional Head Region C	1 677	186	1 863	26	32	191	2 112
W Steenkamp-Head Strategic Initiatives	2 510	279	2 789	40	32	295	3 156
D Ngoasheng-Head National Planning & Programmes Design	1 985	168	2 153	31	32	225	2 441
<b>Total senior management remuneration</b>	<b>18 618</b>	<b>1 775</b>	<b>20 393</b>	<b>290</b>	<b>310</b>	<b>2 129</b>	<b>23 122</b>

APG Soares was seconded to Estate Agency Affairs Board as CFO and B Chaplog seconded to the HDA as CFO from the same entity. Both entities are part of the Human Settlements Sector. Secondments were approved by the Minister of Human Settlements.

\*MD.Mnisi was appointed as acting Chief Executive Officer when P.P Moloi was on leave from 26 April 2018 to 04 May 2018.

^JB Minnie was appointed as acting Chief Executive Officer when the Minister placed the agency to administration on the 12 December 2018 to the 13 December 2018

Executive members	Basic salary	Pension/provident fund	Total cost	Risk benefits	Allowances	Bonus	Total expenditure
PP Moloi-Chief Executive Officer	3 255	375	3 630	52	30	316	4 028
APG Soares-Chief Financial Officer	2 207	187	2 394	35	21	225	2 675
MD Mnisi-Executive: Strategic Support	1 701	144	1 845	27	30	168	2 070
MB George-Executive: Development Management and Operations	1 372	179	1 551	25	30	86	1 692
<b>Total executive management remuneration</b>	<b>8 535</b>	<b>885</b>	<b>9 420</b>	<b>139</b>	<b>111</b>	<b>795</b>	<b>10 465</b>

Senior Management	Basic salary	Pension/provident fund	Total cost	Risk benefits	Allowances	Bonus	Total expenditure
R Issel-Head: Corporate support	1 959	166	2 125	31	21	202	2 379
JB Minnie-Head: Business information systems	1 564	132	1 696	25	30	150	1 901
LS Rakgoale- Regional Head Region B	1 560	132	1 692	25	30	139	1 886
BM Khoza-Regional Head Region A	1 668	141	1 809	26	30	160	2 025
MJ Mphahlele-Regional Head Free State	1 556	179	1 735	25	30	104	1 894
N Mlotshwa-Regional Head Region C	1 560	180	1 740	25	30	97	1 892
W Steenkamp-Head Strategic Initiatives	2 328	268	2 596	37	30	214	2 877
D Ngoasheng-Head National Planning & Programmes Design	1 816	153	1 969	28	30	56	2 083
<b>Total senior management remuneration</b>	<b>14 011</b>	<b>1 351</b>	<b>15 362</b>	<b>222</b>	<b>231</b>	<b>1 122</b>	<b>16 937</b>

<b>Total</b>	<b>22 546</b>	<b>2 236</b>	<b>24 782</b>	<b>361</b>	<b>342</b>	<b>1 917</b>	<b>27 402</b>
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### 33. Non -executive members

Figures in R'000	2019	Restated 2018
<b>Non-executive members of the accounting authority</b>		
M Msimang (Chairperson) (until 4 November 2018)	95	94
TS Songelwa	113	127
PA Singh	61	124
ME Mutheiwana	60	124
L Jiyose	20	-
T Botha^	207	82
MH Mpahlwa	113	77
<b>Total non-executive members</b>	<b>669</b>	<b>628</b>

On the 13th of December 2018 the board was dissolved when the minister placed the agency to administration.

^Payment to T Botha includes remuneration of R165,000 paid to him as acting CEO for the period 28 November 2018 to 13 December 2018.



Figures in R'000	2019	Restated 2018
<b>Audit &amp; Risk and Project Investment Committee</b>		
SAH Kajee	-	9
PT Phili	42	35
SY Boulton	43	25
<b>Total Audit &amp; Risk and Project Investment Committee</b>	<b>85</b>	<b>69</b>
<b>Total</b>	<b>754</b>	<b>697</b>
<b>Administrator*</b>		
NS Damasane (from 14 December 2018 to 21 February 2019)	1 140	-
V Gqwetha	-	-
<b>Total Administrator</b>	<b>1140</b>	<b>-</b>

\*On the 13th December 2018, the Minister of Human Settlements put the HDA under administartion. NS Damasane was appointed as administrator from 14 December 2018 to 21 February 2019. V Gqethwa was appointed as administrator from 22 February 2019 to 22 April 2019. The new members of the accounting authority were appointed on the 23 April 2019.

V Gqwetha was appointed as administrator at no allowance as he was seconded from Human Settlement Development Bank, an entity of the Human Settlements Department.

Figures in R'000	2019	Restated 2018
<b>34. Cash generated/(utilised) from operations</b>		
Net surplus	(12 693)	21 422
Adjustment for:		
Depreciation	2 777	2 415
Amortisation	1 466	899
Interest received	(13 304)	(5 295)
Deficit on disposal of property, plant and equipment	29	86
Finance costs	137	251
Prior period error - Amortisation of software licences	-	(1 371)
	<b>(21 588)</b>	<b>18 407</b>
<b>Movements in working capital</b>	<b>(4 677)</b>	<b>(1 553)</b>
(Decrease)/increase in payables	(8 526)	8 005
Increase/(decrease) in provisions	4 427	(6 548)
Increase in receivables	(578)	(3 010)
<b>Cash utilised in operations</b>	<b>(26 265)</b>	<b>16 854</b>

## 35. Contingent liabilities

There were no Contingent liabilities in the current financial year.

## 36. Comparative figures

The presentation and classification of items in the prior period was restated, note 39 below gives details of the nature.

## 37. Events after reporting date

On the 23rd of April 2019, the Minister of Human Settlements ended the HDA's administration with the appointment of the new Board and on the 29th of July 2019 the Minister dissolved the Board.

On the 17th of April 2019, there were three CCMA submissions and the probable outcome cannot be measured reliable.

On the 3rd of September 2019, the Minister of Human Settlements appointed Mr N Chainee as the Acting Chief Executive Officer.

## 38. Irregular, fruitless and wasteful expenditure

<b>Fruitless and wasteful expenditure</b>		
Opening balance	-	196
Fruitless and wasteful expenditure - current year	2 844	22
Less amounts condoned	-	(218)
<b>Closing balance</b>	<b>2 844</b>	<b>-</b>

Below are the details of the Fruitless and wasteful expenditure above.

Detail	Amount	Action taken
Amount transferred into incorrect bank account	1 407	The recommendations from the forensic investigation is being implemented with some employees resigning and others being placed on suspension. HR has commenced with disciplinary hearings.
No show costs for accommodation for strategic session	27	The responsible employee was placed on suspension pending disciplinary action and has since resigned.
Losses due to non-compliance with National Treasury regulations, practice- and instruction notes	1 408	National Treasury presented training for all procurement staff and proper procurement processes are being enforced.
Interest accrued on late payments	2	Controls around payment verification, approval and review has been strengthened. A checklist was implemented to guide the process and ensure accountability.
<b>Total</b>	<b>2 844</b>	

#### Irregular expenditure

Opening balance*	10 334	971
Irregular expenditure - current year	52 707	9 363
Irregular expenditure - prior year	43 545	-
Less amounts condoned	-	-
<b>Irregular expenditure awaiting condonation</b>	<b>106 586</b>	<b>10 334</b>

\*The prior year irregular expenditure was condoned by the board but documents to support the condonement was not available for audit purposes. The amount was therefore brought forward as a disclosure note to the financial statements to be submitted in the current year to follow proper procedure.

Detail	Amount	Action taken
Non-adherence to the Delegations of Authority	279	Irregular, Fruitless and Wasteful registers were not maintained during the year. The internal controls in the SCM area were not achieving the desired level of compliance. The SCM Manager was placed on suspension and HR has commenced with the disciplinary hearing.
Amount transferred into incorrect bank account	1 407	The Board, together with management, is implementing corrective action to urgently address the recurrence of instances of non-compliance. The recommendations from the forensic investigations are being implemented and consequence management is being performed. Proper procurement procedures are being enforced.
Non-compliance with National Treasury regulations, practice- and instruction notes	84 558	The corrective actions will focus on both ensuring completeness of irregular expenditure as well as developing additional controls to prevent irregular expenditure from recurring. These corrective actions will cover financial and procurement controls.
National Treasury approval not obtained for contract variation more than 15%	10 008	Quarterly reporting on confirmed irregular, fruitless and wasteful expenditure to National Treasury was done for quarter 1 of 2019/20 and will continue to be done throughout the new financial year.
<b>Total Irregular, Fruitless and wasteful expenditure</b>	<b>109 430</b>	<b>10 334</b>



### 39. Prior period error

The following material accounting errors, relating to prior periods were identified and corrected in the current year.

The correction is made retrospectively as far as was practicable. This resulted in the restatement of the prior period comparative results.

The HDA incorrectly expensed computer software and licences in the 2018 financial year. These were capitalised resulting in the recognition of intangible assets and amortisation expense. The impact of this is a reduction of operating expenses by R471.

Management fees were previously not recognised according to the stage of completion as per GRAP 9. This resulted in the understatement of the 2017 and 2018 management fees by R5 222 and R18 143 and corresponding impact on the project obligation.

An additional grant received by the HDA towards a special project in 2015 financial year was incorrectly allocated as project obligation resulting in the understatement of revenue and overstatement of project obligation by R 10 084.

#### Statement of financial position

	2018
Intangible Assets	471
Project Obligation	33 449
	<u>33 920</u>

#### Statement of financial performance

Project management fees	18 143
Operating expense	471
	<u>18 614</u>

#### Statement of changes in net assets

Opening accumulated surplus	15 306
Accumulated surplus	18 614
Restated Intangible assets	<u>33 920</u>

## 40. Budget statement review

### 40.1 Conditional grants

The reported savings is due to Agency wide cost containment measures that we implemented after the Agency plunged onto insolvency after the National Treasury's recall of unspent funds.

### 40.2 Project management fees

The over recovery is due to the implementation of more capital projects on newly concluded funding agreements that allowed for the charging of 5% management fees by the Agency, as opposed to prior year funding agreements where management fees were not incorporated.

### 40.3 Other Income

The variance is due to receiving more insurance claims for lost properties and collecting more rental income from properties held than budget for.

### 40.4 Interest income

The over recovery was due to both under budgeting and the realisation of higher returns when investment accounts were liquidated, and funds appropriated to the different projects during the returning of funds to National Treasury.

### 40.5 Land & related costs and technical & project services

The savings realised were due to cost containment measures effected by the Agency during the Administration period in response to the liquidity crises they faced at the recall of funds by National Treasury. The Agency either suspended or cancelled various consultancy services contracts that are drivers of these expenditure.

### 40.6 Operating expenses

The establishment of the Project Management Office and assignment of restructuring of the HDA was not budget for. This came with added operational cost supporting the new structure. The Agency also overspent on costs related to numerous investigations and disciplinary matters as well as administration costs.

### 40.7 Employee costs

Mid-year, the Agency commenced a restructuring review which implemented the freezing of funded vacant posts. This together with stopping of all temporal contracts and the payment of acting allowances were factors in the reported savings.

## 41. 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. The payables are all due within a short time. The HDA manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in a money market account.

Figures in R'000	2019	Restated 2018
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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 maturity analysis of payables at reporting date were as follows:

#### Payables

Not past due	20 037	66 662
Past due 60 days	433	-
Past due 90 days	3 205	114

#### Finance lease obligations

Projected repayment - less than 1 year	143	620
Projected repayment- 31 March 2020	-	135

## 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 National 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 and are recoverable.

Figures in R'000	2019	Restated 2018
<b>Receivables</b>		
Not past due	94 240	47 437
Past due 60 days	10 450	6 954
Past due 90 days	74 859	18 568

## Cash and Cash equivalents

Cash and deposits are regarded as having insignificant credit risk. The balances of cash and cash equivalents are as follows:

Bank	Type	Interest rate %	Balance as at 31 March 2019	Balance as at 31 March 2018
Absa	Current account		31 330	-
Absa	Money Market Call		71 099	-
First National Bank	Current account	5.5	125 100	22 060
First National Bank	Commercial Nstd Call	5.8	10 072	215 251
First National Bank	Commercial Money Market	6.5	96 534	648 423
Standard bank	Money Market Call	6.5	-	567 646
Standard bank	Current account	5.5	51 999	152
Nedbank	Current account	5.5	7 509	404
Nedbank	Money trader	6.75	103 800	918 125
	Extra Income ABIL Retention			
Stanlib	Fund	6.5	12	2 404
Petty cash	Cash	-	35	50
			497 490	2 374 515

## Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Figures in R'000	2019	Restated 2018
Receivables and sundry receivables	2 904	3 785
Bursaries paid	1 162	935
	4 066	4 720

## Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Payables and other payables	25 482	34 008
Designated income received in advance	682 381	2 359 273
	707 863	2 393 281



## 42. Going concern

Although the Agency reported a deficit in the current year and was plunged into a period of insolvency occasioned by the recall of funds by the National Treasury, during the period (resulting in a temporary liquidity problem); management has assessed that there is no material uncertainty that exists about the Agency's ability to continue as a going concern. Subsequent to financial year end the entity received its annual grant from the Department of Human Settlements and this addressed the liquidity challenge.

Management has every reason to believe that the Agency has adequate resources in place, 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. The Agency is reporting a trend of surpluses in the two prior period resulting in sufficient accumulated reserves that have adequately covered the reported current year's deficit.

Further, there is no known or reported intention by Parliament to repeal the HDA Act that may cast any real material uncertainty onto its continued existence.

## 43. Reclassification

Reclassifications have been made to the prior's financial statements to enhance comparability with the current year's financial statements.

As a result certain line items have been amended in the statement of financial position and statement of financial performance, comparative figures have been adjusted to conform to the current year's presentation.

The Items were reclassified as follows	Previously reported	After reclassification	Reclassification
<b>Statement of financial position</b>			
Receivables from exchange transactions	4 720	3 488	1 232
Rental deposit		1 232	(1 232)
Projects receivables	71 852	83 187	11 335
Projects obligation	2 381 387	2 370 052	(11 335)
<b>Statement of financial performance</b>			
Revenue from non exchange transactions	338 097	210 668	127 429
Provincial support conditional grant	-	127 429	(127 429)
Other income	-	2 538.00	(2 538.00)
Sundry income	2 538.00	-	2 538.00
	2 798 594	2 798 594	-

# Unaudited Statement of Financial Performance

Figures in R'000	2019	Restated 2018
<b>Revenue</b>		
Grants received	329 701	338 097
Grant received from the National Department of Human Settlements	222 177	210 668
Operational grant - Catalytic projects	-	19 451
Operational grant - Free State	15 814	14 694
Operational grant - KwaZulu-Natal	15 634	27 000
Operational grant - Limpopo	22 924	14 634
Operational grant - North West	15 798	16 107
Operational grant - Northern Cape	5 141	4 343
Operational grant - Western Cape	32 213	31 200
Project management fees	39 189	35 085
<b>Gross revenue</b>	<b>368 890</b>	<b>373 182</b>
<b>Other Income</b>		
Investment income	13 304	5 295
Sundry income	3 308	2 538
	16 612	7 833
	<b>385 502</b>	<b>381 015</b>

# Unaudited Statement of Financial Performance

Figures in R'000	2019	Restated 2018
<b>Expenditure</b>		
Accounting other services	1 157	1 375
Advertising and marketing	2 381	3 289
Agency Support- Outsourcing	3 723	2 024
Amortisation - Intangible assets	1 466	900
Assets under R5 000	653	477
Auditors remuneration	507	1 986
Bad debts	-	215
Bank charges	232	156
Board costs( fees and travel)	1 251	998
Catering	2 242	1 146
Communications	876	860
Computer expenses	4 239	2 662
Consultants	5 178	6 052
Consultants - technical	104 580	129 946
Contractors- Operational	7 289	5 302
Deficit on disposal of property, plant and equipment	29	86
Depreciation - property, plant and equipment	2 774	2 415
Finance costs	137	251
Insurance	451	352
Land & related costs	11 214	9 324
Leasing charges	936	955
Legal fees	6 528	3 611
Membership fees	116	58
Office rentals	13 136	8 768
Other office expenses	1 688	1 166
Penalty	2	-
Printing, publications and stationery	1 870	1 552
Repairs and maintenance	714	120
Repairs refurbishment - offices	382	-
Salaries	193 040	148 548
Staff recruitment	8 018	4 136
Staff welfare	71	246
Temporary staff	5 600	3 923
Training and staff development	1 797	1 697
Travel and accommodation	13 918	14 997
	<b>398 195</b>	<b>359 593</b>
<b>(Deficit)/surplus for the year</b>	<b>(12 693)</b>	<b>21 422</b>

## NOTES



## NOTES





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