



ANNUAL REPORT

2020 / 2021



Housing Development Agency
an agency of the Department of Human Settlements



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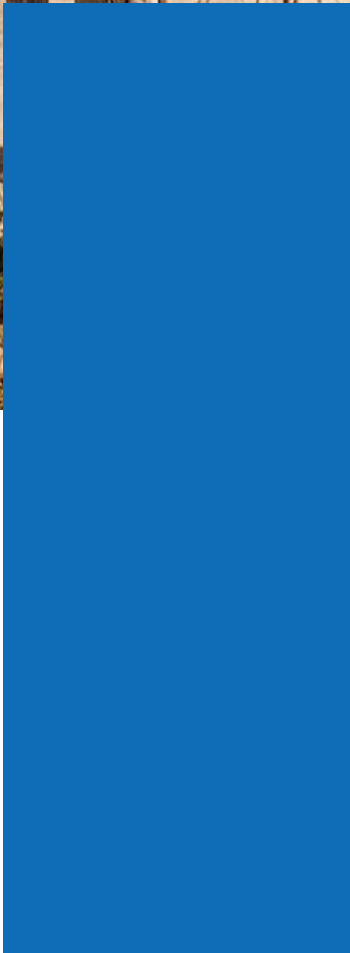


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WHO WE ARE

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

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



SECTION A

GENERAL INFORMATION

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ABBREVIATIONS & ACRONYMS

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

FOREWORD BY MINISTER



The housing development agency (HDA) was established to fulfil two primary objectives. The first is to identify, acquire, hold, develop and release well-located land and buildings for human settlement. The second is to provide project delivery services in the form of planning, capacity support and capability, and project management. The establishment was an acknowledgement that there were serious challenges that hindered the realisation of the housing mandate and a need to accelerate the delivery of housing. Faced with the increasing housing backlogs, government urgently needed an institution that would help address skills shortage and the capacity deficit in delivering housing projects in the sector. In contradiction to its reason for existence, the HDA is now characterised by the seeming inability to deliver integrated human settlements and transformation in the human settlements sector.

The organisation has been weakened by perennial leadership instability that has had a negative impact on corporate governance and its overall performance. The HDA was first put under an administrator, who replaced the board and the Chief Executive Officer (CEO), in December 2018 when then board's term came to an end. The administrator was then replaced by an interim board appointed in November 2019 and a new acting CEO was installed. In the period under review, the Agency was again placed under administration following the dissolution of the interim board on 23rd February 2021 and another acting CEO was appointed.

During this period various challenges had been identified that were rendering the HDA ineffective in delivering on its mandate. These challenges include, among others, misalignment between its Strategic and Annual Performance Plan and those of the provinces and municipalities, human settlements development grant (HSDG) and Urban Settlement Development Grant (USDG) Development Plans respectively; lack of Sector Human Settlements and Housing Land Acquisition and Development Plan for the Medium -Term Expenditure Framework (MTEF) incorporating priority housing development areas and integrated urban development zones and related budgets and duplication of work done by other state entities. The multiple leadership changes that happened in this short space of time have made it difficult for the HDA to adequately address these challenges. Unavoidably, the persistence of these challenges led to a poor overall organisation performance and this was further exacerbated by the Covid-19 pandemic.

In the financial year under review, in its overall performance, the HDA has achieved only 57% of its targets and this is a mere 1% increase from the previous financial year's 56% achievement of targets. In the same period, the HDA received a Qualified Audit opinion which points to the fact that the organisation is beset with weak operations, systems and processes, and lacks proper

internal controls. In a country with a rapidly increasing housing backlog and housing supply side that is already facing huge constraints, we cannot afford to continue in the trajectory of the current performance of the HDA. Drastic action needs to be taken to restore stability at the HDA.

In this regard, the process to appoint a new board is underway. The new board will be tasked with developing and taking ownership of a turnaround strategy that will restore the organisation to good corporate governance which will include functioning project management and delivery systems and good financial management. The new board will also need to perform the skills audit to assess whether the organisation is currently capacitated with the right skills to deliver on the mandate of the HDA. I am confident that the steps we are taking to fix the challenges at HDA will yield the desired results.

Let me thank the administrator Dr Mahapa who has been helping to steer the organisation in the effort to put the organisation in the right direction and will continue to do so until the new board is appointed. Let me also thank the executives and the staff who have been working to deliver housing services to our people.

Mt Kubayi, MP
Minister of Human Settlements

FOREWORD BY CHAIRPERSON OF THE BOARD

The focus of the MTSF 2019-2024 for the Human Settlements sector, and in alignment with the National Development Plan 2030, is to implement a coherent programme to transform human settlements and to ensure that the delivery of housing is used to restructure towns and cities and strengthen the livelihood prospects of households and overcome apartheid spatial patterns. At the end of the MSTF period, the HDA is expected to fully impact 38 Districts, 67 Local Municipalities, 8 Metros and envisioned GDP Contribution of R3,92 Trillion. Besides the benefits to Metros and District municipalities, the programmatic impact will be achieved through Informal Settlements Upgrades, IRDP Projects, Social & Student Housing Projects, Revitalisation of Distressed Mining Towns, Special Economic Zones and Ministerial Special Projects.

An estimated 3.5 million people (according to the 2011 census data) fall into the category of South African households living in informal settlements or backyard rentals. Furthermore, the Census indicated that more than 6 million households living in formal accommodation earned below R6 400 a month at the time, rendering adequate housing unaffordable. Since 2017, there has also been a steady decline in housing development in both the public and private sector. Where there are developments, projects are still located on the periphery of cities and therefore marginalise the poor with regards to transportation, social services, and job opportunities.

Through its new strategy, the HDA in the medium to long term, plans to continue to maintain strategic relationships and collaborate with key stakeholders in pursuit of achieving its objectives as articulated in the Annual Performance Plan. This will be achieved through improving inter-governmental coordination and funding packaging, as well as mobilising other public and private resources. This in turn will definitively reverse the prevailing status quo characterised by the seeming inability to deliver integrated human settlements and transformation in the human settlements sector. The causes of market failure, too, can be ascribed to a myriad of reasons, even though there are a range of funding sources and funding mechanisms. The ability to structure and implement projects remains a challenge the new and improved organisational strategy and implementing model seeks to address.

The HDA is part of the total Human Settlements sector which is expected to address the entire scope of human settlement delivery (including land), infrastructure (including bulk services), social infrastructures (such as roads, education, health, and social services), as well as top structure (housing units and accommodation). Currently a new operating model has been introduced

to assist the Agency to achieve its vision of delivering integrated human settlements. Similarly, the Agency's adoption of a Transformation and Economic Empowerment Policy bodes well for the continued contribution to the creation of black industrialists with a specific focus on women, youth, persons with disability, and communities.

Since the State President declared a National State of Disaster in March 2020 in response to the Covid-19 pandemic, the resultant lockdowns led to the curtailing of industries and economic activities including work on construction sites. Supply and delivery of building materials was interrupted and followed by shortage in supplies due to high volumes of orders by many contractors at the same time, resulting in further project implementation delays. This had a detrimental impact on the Agency's ability to maintain the levels of delivery synonymous with previous financial years. Ultimately this resulted in the HDA receiving a Qualified Audit outcome and Management is expected to develop a plan to turn-around this situation.

During the period under review, the Agency was placed under administration following the dissolution of the interim Board by the Executive Authority on 23rd February 2021. An acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer were appointed to steer the Executive Committee in its obligations to effectively manage the organisation. We wish to express our gratitude to the men and women who served on the Interim Board and EXCO with the stabilisation of the HDA.

We also wish to express our appreciation to the Minister of Human Settlements, Director-General Mr Mbulele Tshangana and the Management in the Department for their unwavering support and guidance provided to the entity.



Dr. A Mahapa
Administrator
07.08.2021

CEO OVERVIEW

It gives me great pleasure to present to you the 2020-2021 Financial Year Annual Report.

The HDA began in earnest to implement its approved organisational strategy which was preceded by an in-depth and independent review of the agency's funding and delivery model to reposition the Agency as a fully fledged public sector developer of choice. The strategy further seeks to wean the HDA from full reliance on government grants and income earned from being an implementing agent for provincial and local government. We are well on our way to find means of self-sustaining, without relying on the government funding for the next three years (2021-2024).

Through our focused organisational strategy, we are geared to facilitate the identification, acquisition, holding, development and release of land and landed property in a way that complements capacities of government across all spheres. This includes state, communal and privately-owned land / landed properties. We do this through the holistic provisioning of services by providing for fast-tracking of land acquisition and housing development services for the purpose of creating sustainable human settlements.

We ensure there is adequate funding for provision of all required infrastructure for sustainable human settlements by assisting organs of state in dealing with incomplete developments by providing oversight and project management services as well as in respect of emergency housing, for example during floods and the COVID-19 pandemic through the provisioning of Temporary Residential Units (TRU's).

Prior to commencement of development of housing, we manage Township Establishment and necessary legal approvals to ensure future beneficiaries are protected from negative environmental impacts, and at the end arrange for project hand-over and delivery of title deeds to beneficiaries. In line with the sector's commitment to reducing the carbon footprint, we advocate the use of Alternative and Innovative Building Technologies (ABTs) in our developments, and successfully implement projects that are deemed a priority by the Executive Authority.

Some of our notable achievements for the 2020/21 FY include;

- The 136 PHDAs declaration was gazetted in May 2020.
- Current land holding of 822.12 HA and 242 properties nationally.
- Compensation project entered into with the Department of Mineral Resources (DMR) for the Heuningvei community, in the Northern Cape is 100% complete.
- Installed 477 Services in Sesheng and various areas within the ZF Mgcawu District, NC
- Concluded Sale Agreement for ESKOM building in Kimberley for Student Accommodation.
- Transformation and Empowerment Policy was approved which makes provision for the application of the preferential procurement policy as guided by the PPPFA Act 2017.

- Achieved 77% against a target of 50% for procurement spend on BBB-EE Levels 1-4.
- Expanded our footprint and accessibility by opening regional offices in East London, Bloemfontein and Mahikeng.

A critical success factor to our ability to successfully implement our targets as per the APP, one cannot refer to performance and forego to mention the critical role our employees and stakeholder play in our ability to live up to the high public and private aspirations to be a developer of choice to the public sector. In the main, we carry out our functions in partnership with a range of stakeholders including national, provincial, and local government and municipalities, as well as with communities, developers, and financiers.

This requires the HDA to enter into collaborative agreements, especially with Provinces and Municipalities in the form of Implementation Protocols (IP's), Medium Term Operational Plans (MTOP's), and Memorandum of Agreements (MoA's) which are concluded in terms of the Inter-Governmental Framework Act of 2005. During the year under review, 24 partnership agreements were concluded with various municipalities and provinces.

While the 2020 - 2021 financial year was characterised by multiple challenges, I'm pleased to report that despite these challenges, the HDA managed to acquire 822.12 hectares of well-located land identified for human settlement development and manages 242 properties nationally. In collaboration with the National Department of Human Settlements, 136 PSHDA's were declared and gazetted.

The process for the declaration of PSHDA's includes the following key processes, i.e. identification of proposed PSHDAs based on extensive spatial analysis, consultation with all stakeholders in both the public sector, private sector, and the general public, Executive Authority approval of the proposed PSHDAs for declaration and the preparation of development plans and securing funding for implementation. Unfortunately, some of the key targets such as housing units and sites and services delivered were not achieved.

The HDA received a Qualified Audit opinion for the 2020-2021 Financial Year, however, we view this as an opportunity to continue to strengthen the operations, systems, processes, and internal controls of the organisation. The role of the HDA in the Human Settlements sector compels us to ensure that we rebuild and turn around into a self-sufficient, operationally efficient, and agile organisation. Similarly, a concerted effort to align our employees to our values and vision to create a productive and nurturing workplace focussed on delivery will ensure we work together towards an improved audit outcome in the near future.

The HDA has implemented various operational controls to manage and ensure better and focused governance in the HDA. Additionally the HDA has established a Audit Control Office in the CEO's office, supported by a management team to assist the Auditing process. Furthermore, the HDA has appointed a Pre-Audit Team to pre-compile, scan and file complete documentation on projects and initiatives undertaken by the HDA. This ensured that the Agency was in a position to respond quickly and accurately to requests from Auditors.

We have initiated various supporting systems to track projects, contracts and has established a Records and Documents Management office and also, appointed a Manager: Record and Document Management, with support staff, to implement and roll out a Record and Document Management system.

In the pursuit of us achieving an improved performance outcome, an assessment of the factors attributing to poor performance was undertaken. What emerged is the criticality for the Agency to establish strong governance, risk mechanisms and oversight structures that guide, monitor and effectively co-ordinate programme and project management functions and delivery. These interventions implemented include the establishment, in August 2020, of the Operations Committee (OpCo) to guide, support and oversee progress of programmes and projects.

Effective November 2020, and adjunct to the Operations Committee, was the creation of the Project Readiness Committee (PRC) with the fundamental purpose of ensuring that project procurement is preceded by a vetting process. This process ensures the viability of projects goes through rigorous scrutiny prior to implementation. Lastly, we instated a project tracking tool which is to be updated by project teams and generates reports which are appraised at the weekly management meetings.

The HDA continued to face challenges brought about by the impact of the Covid-19 pandemic on our ability to effectively deliver on our goals. We have already played an active role in responding to the pandemic by providing technical support for the informal settlement de-densification Programme which focused on providing emergency measures in overcrowded informal settlements including provision of basic services i.e. water and sanitation, identification of suitable land for relocation and provision for transitional temporary residential units. To this end, we were engaged as implementing agents by the Cities of Tshwane, Johannesburg, Buffalo City and the Greater Tzaneen Local Municipality as well as Fetakgomo Tubatse Local Municipality.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2022 and in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

As we look towards the future, we are excited about the HDA's journey to become a fully-fledged developer of choice. We wish to thank the support from the National Department of Human Settlements at an administrative level as well as from the Executive Authority. I take this moment to thank the management, partners and staff of the HDA who, despite very difficult circumstances, continued to play their part to ensure the continued delivery of the HDA mandate. Lastly, I wish to express my gratitude to the interim Board of the HDA for providing leadership and guidance.



Ms Daphney Ngoasheng

Acting CEO

07.09.2021

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

This report presents a balanced view of the HDA's financial and non-financial performance for the year ended 31 March 2021.

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, the performance information management system was put in place at the HDA resulting in a marked improvement on the previous financial year. It is noted, however, that the internal control environment still requires continuous monitoring to get to the required level.

As a public entity, the Agency is monitored stringently. The independent auditor conducted a statutory audit of the financial performance of the Agency. The audit opinion appears on pages 58 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 2021.
- The performance information reflects the service delivery of the Agency for the reporting period, as documented in the 2020/2021 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 2021.



Ms Daphney Ngoasheng
Acting CEO
07.09.2021



Dr. A Mahapa
Administrator
07.08.2021

STRATEGIC OVERVIEW

Figure 1: Vision, Mission & Values



Vision

Resilient, integrated and sustainable human settlements.



Mission

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-oriented, Excellence, Accountability, Teamwork, Integrity.



LEGISLATIVE MANDATES

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

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

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

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

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

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

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

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

- i. Identify, acquire, develop, and release land (state, communal and privately owned) for residential and community purposes and for the creation of sustainable human settlements (clause 4(a)).
- ii. Project manage housing development services for the purposes of the creation of sustainable human settlements (clause 4(b)).

- iii. Ensure and monitor centrally coordinated planning and budgeting of all infrastructure required for housing development (clause 4(c)).

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

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

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

This Act repeals the Rent Control Act of 1976 and defines government's responsibility for rental housing property. It creates mechanisms to promote the provision of rental housing and the proper functioning of the rental housing market.

It facilitates sound relations between tenants and landlords by laying down general requirements for leases and principles for conflict resolution in the rental housing sector.

It also provides for the establishment of Rental Housing Tribunals and defines the functions, powers and duties of such Tribunals.

SOCIAL HOUSING ACT, 2008 (ACT NO. 16 OF 2008)

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

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

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

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

The Act regulates the conduct of parties within Community Schemes.

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

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

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

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

PROPERTY PRACTITIONERS REGULATORY ACT, 2019 (ACT NO. 22 OF 2019)

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

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

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

COMMUNAL PROPERTIES ASSOCIATIONS ACT, 1996 (ACT NO. 28 OF 1996)

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

ALIENATION OF LAND ACT, 1981 (ACT NO. 68 OF 1981 AS AMENDED)

Regulates the alienation of land in certain circumstances.

IMMOVABLE ASSETS MANAGEMENT ACT (NO. 19 OF 2007)

Provides a uniform framework for the management of immovable assets that are held or used by a National or Provincial Department, and ensures coordination of the use of immovable assets with service delivery objectives of national and provincial departments.

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

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

EXTENSION OF SECURITY OF TENURE ACT, 1997 (ACT NO. 62 OF 1997)

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

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

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

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

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

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

Provides for the mechanisms for obtaining assistance to acquire registered title to public rental houses.

EXPROPRIATION ACT, 1975 (ACT NO. 63 OF 1975 AS AMENDED)

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

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

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

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

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

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

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

DIVISION OF REVENUE ACT (AS AMENDED)

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

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

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

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

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

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

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

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

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

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

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

NATIONAL DEVELOPMENT PLAN 2030

Tackling and transforming human settlements and the national space economy is found under Chapter 8 of the NDP.

The key points include:

- Responding systematically to entrenched spatial patterns across all geographic scales that exacerbate social inequality and economic inefficiency.
- Taking into account the unique needs and potentials of different rural and urban areas in the context of emerging development corridors in the southern African sub-region.
- Supporting and incentivising active citizenship in the field of spatial development through a range of interventions. These include properly funded, citizen-led neighbourhood vision and planning processes, and the introduction of social compacts from neighbourhood to city level.
- Planning in South Africa will be guided by a set of normative principles to create spaces that are; livable, equitable, sustainable, resilient, and efficient, and support economic opportunities and social cohesion.
- South Africa will develop a national spatial framework and resolve the current deficiencies with the local system of integrated development planning and progressively develop the governance and administrative capability to undertake planning at all scales.

MEDIUM-TERM STRATEGIC FRAMEWORK

The 2019-2024 MTSF is both a five-year implementation plan and an integrated monitoring framework. The plan focuses on the seven priorities and related interventions of the sixth administration of government. The integrated monitoring framework focuses on monitoring and outcomes, indicators and targets towards the achievement of priorities. The MTSF promotes alignment, coordination and ultimately full integration of all development planning instruments into an integrated framework without duplication, role conflict and coordinated development in all spheres of government.

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

HUMAN SETTLEMENT SECTOR MTSF PRIORITIES 2019-2024

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

ORGANISATIONAL STRUCTURE

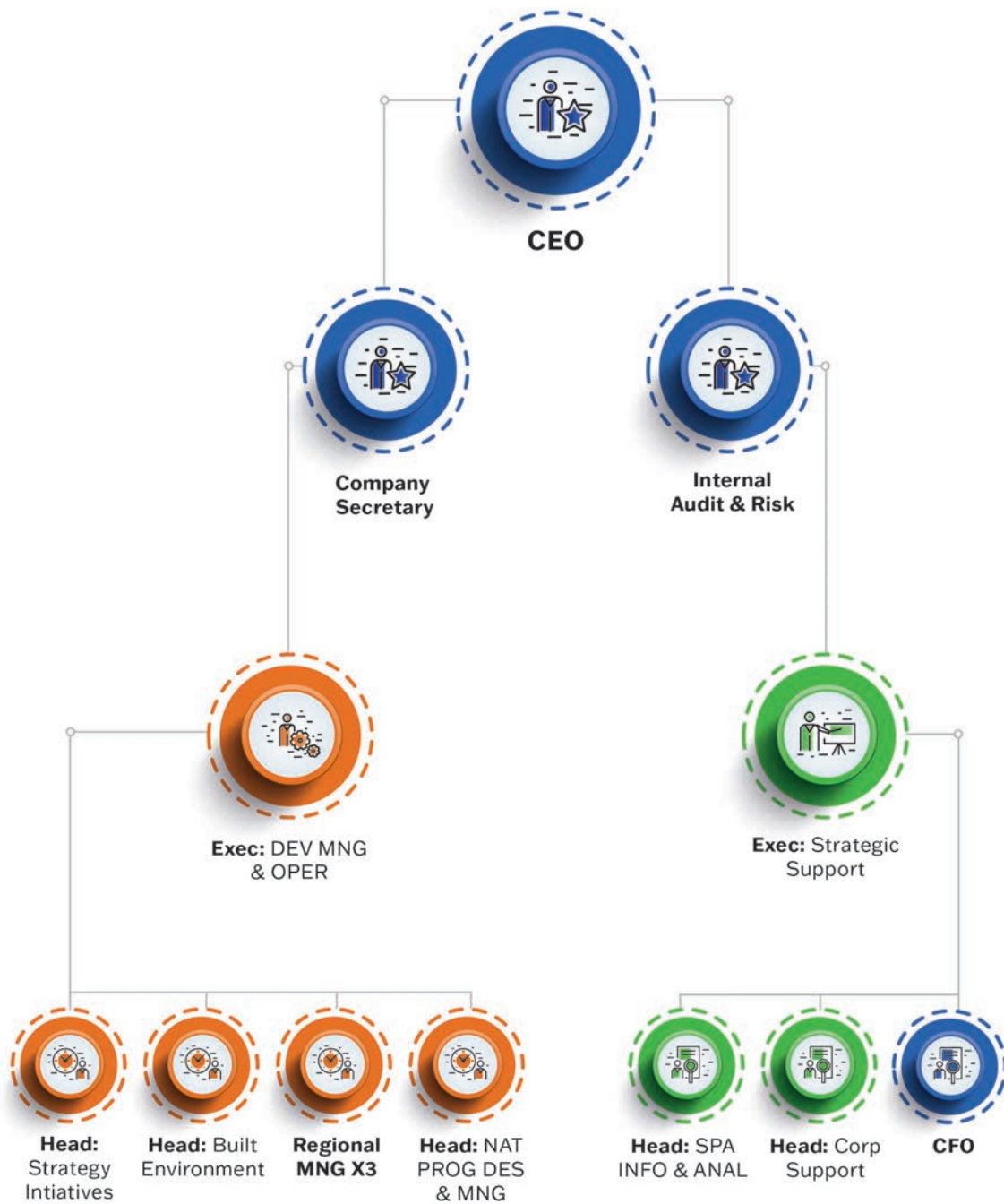


Figure 2: Organisational Structure



SECTION B

PERFORMANCE INFORMATION

AUDITOR'S GENERAL 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 Annual Performance Report section of the independent auditor's report.

Refer to page 58-61 of the annual report for the independent auditor's report published in Section E: Annual Financial Information.



SITUATIONAL ANALYSIS

EXTERNAL ENVIRONMENT ANALYSIS

“Human settlements are defined as the totality of human community - whether a city, town or a village - with all social, material, organisational, spiritual, and cultural elements that sustain it.” (National Department of Human Settlements, Draft Housing White Paper 2015, p. 23).

The HDA is part of the total Human Settlements sector which is expected to address the entire scope of human settlement delivery (including land), infrastructure (including bulk services), social infrastructures (such as roads, education, health, and social services), as well as top structure (housing units and accommodation).

This is integrated into commercial infrastructure and access to employment opportunities. The integrated nature of human settlements is one of the primary focal points of the National Development Plan (Chapter 8) where the objective of human settlements transformation to address the spatial dislocation of poorer people is a primary objective. The needs analysis and the challenges facing the sector include the entire scope of human settlements delivery.

SERVICE DELIVERY ENVIRONMENT

HIGH NEED FOR HOUSING

According to the 2011 Census, 13% of South African households live in informal settlements or backyard rentals. Furthermore, the Census indicated that more than 6 million households living in formal circumstances earned below R6 400 a month at the time, rendering adequate housing unaffordable. Therefore, a desperate need for housing in the low-income sector (below R3 500 per month) and for so-called “gap” housing (income between R3 500 and R15 000) is present.

An estimated 3.5 million people (according to the 2011 census data) fall into this category.

INSUFFICIENT DELIVERY BY THE PUBLIC SECTOR

Several challenges and blockages in the system have caused delivery by the public sector to decline.

DECLINING SUPPLY BY THE PRIVATE SECTOR

In addition to the public sector’s challenges, there has also been a corresponding decline in private sector supply since 2017. The decline is caused by both supply-side and demand-side constraints.

POOR HUMAN SETTLEMENTS OUTCOMES

The main issue identified in public sector housing delivery is the location of housing projects. Projects are still located on the periphery of cities and therefore marginalise the poor with regards to transportation, job opportunities, and social services.

FRAGMENTED FUNDING FRAMEWORK

There are a range of funding sources and funding mechanisms which hinder the ability to structure and implement projects.

MARKET FAILURE

The failure to deliver integrated human settlements and transformation in the human settlements sector is multifaceted and the cause of market failure, too, can be ascribed to multiple parties and reasons. To the best of the relevant parties’ ability, there are also certain exceptions where this failure has been proactively addressed and even overcome in certain cases.



HDA RESPONSE TO SECTOR CONSTRAINTS

ISSUES	HDA RESPONSE
High need for housing	<ul style="list-style-type: none"> • Improved national spatial planning • More rapid urban/new settlement planning and development • Better integrated and sustainable settlement
Insufficient public sector delivery	<ul style="list-style-type: none"> • Land acquisition • Mobilisation of technical, programme, and project management skills • Improved financial packaging and fund mobilisation
Poor human settlement outcomes	<ul style="list-style-type: none"> • Improved spatial planning • Better programme, project, and contract management • Building public-private partnerships
Fragmented funding framework	<ul style="list-style-type: none"> • Improving IG coordination and funding packaging • More effective fund management • Mobilising other public and private resources (in addition to HSDG)
Untransformed human settlement sector	<ul style="list-style-type: none"> • Contribute to the creation of black industrialists with a specific focus on women, youth, persons with disability, and communities • Influence changes to materials supply chains • Change mindsets



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

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

IDENTIFY, HOLD, ACQUIRE AND RELEASE LAND

The HDA performs the following:

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

FACILITATION OF HOUSING DELIVERY

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

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

HOUSING DELIVERY AND PACKAGING AND DESIGN OF HUMAN SETTLEMENTS DEVELOPMENT

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

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

Implementing agent:

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



Programme management:

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



Development:

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



Following the appointment of the Board in November 2019, the HDA embarked on an extensive strategy development process. The outcome of that process was the reaffirmation of the role of the HDA as a “fully fledged developer of choice for government” as empowered by the HDA act of 2008. Along with the constant changes at leadership level, the funding model of the Agency was recognised as some of the factors that constrained the Agency to the reactive role of only an Implementing Agent and Programme Manager and not its role as a developer responsible for the full human settlement life cycle value chain.

Currently, the HDA has mainly two funding sources i.e. budget allocation from the nDHS for the Agency’s operational expenses and income earned from services rendered to Provincial Governments and Municipalities as an implementing agent or programme manager. Due to a lack of capital (or balance sheet strength) the HDA cannot currently act as “principal” in developments where it would typically acquire, develop and release land, on its own or in partnership with the private sector, for own profit, which could be reapplied towards further developments.

The HDA therefore, to a great degree, is reliant on projects assigned by the Provinces and Municipalities, who as project owners then determine the number and types of projects, location and timing of developments, while the backlog continues to increase due to the slow pace of delivery by these entities. This in turn limits the ability of the HDA to pro-actively act as a catalyst of developments and to accelerate developments and to generate income for the HDA from project management fees.

Furthermore, the Agency also gets exposed to implementation risk for limited as some of the Projects the Agency is appointed as implementation agent have inherent difficulties/challenges and which if unresolved, will in all likelihood be blamed on the HDA for non-delivery.

The new Strategy and Operating Model of the HDA places premium on the HDA becoming self-sufficient by raising capital for developments within the confines of all applicable legislative prescripts. The key principles underpinning the new Strategy and Operating Model of the HDA are the following:

- HDA will act as the “principal” in developments where it would typically acquire, develop and release land, on its own or in partnership with the private sector, for own profit, which could be reapplied towards further developments.
- HDA will strengthen its own balance sheet.
- HDA will pro-actively act as catalyst of developments.
- HDA will generate income from project management fees.
- HDA will share project and financial risk with its strategic delivery partners.
- HDA will leverage on the significant assets it already has, namely: its significant skills base, experience, project database, land database and market intelligence (both from a public and private sector side).

To play the role of a fully-fledged property development agency, the HDA will have to source funding for the human settlement projects it develops. The HDA will seek to raise the funds it requires within the scope allowed for a Schedule 3a entity and the HDA Act 23 of 2008, utilizing existing public sector funding mechanisms and through strategic partnerships with private sector role-players.

Section 25 of the HDA Act 23 of 2008 says the funds of the Agency consists of:

- Money appropriated from Parliament.
- Donations or contributions received by the Agency with the approval of the Minister.
- Interests on investments of the Agency.
- Loans raised by the Agency, subject to Section 26.
- Proceeds from the sale of land.
- Fees for services rendered based on cost recovery.
- Subsidies and grants granted by the organs of State.

One of these mechanisms will be the revising of DORA grant conditions to enable the provincial departments of human settlements to ring-fence portions of the HS grants allocated to each province for direct transfer to the HDA to play its role of implementing agent/property developer. During the 21/22 FY, the Agency started engagements with the Accounting Officer of the NDHS, who in his capacity as the Transferring Officer can set new DORA Grant conditions, and will work hand in glove with the Transferring Officer to draft the required new conditions.

As part of the transition to being a “fully-fledged developer of choice” during the 2020/21 FY the HDA has begun a process of packaging projects on HDA owned land for human settlements development in the following strategic projects i.e. Elloffs Park, Haartebeesfontein (City of Tshwane), Savannah City and Sicelo Shiceka (Midvaal Local Municipality) and Queenstown Project (Enoch Mgijimi Local Municipality).

These parcels of land will be co-developed in partnership with private and public sector developers. The HDA will undertake different roles in these developments, i.e. developer, development partner and/or Implementing Agent. The projects aim to address the Affordable Housing market through FLISP programme; Mixed High Density development prioritising Government Employees Scheme (GEHS) Beneficiaries and Student Housing.

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

DESCRIPTION OF EACH PROGRAMME

During the period under review the HDA implemented 4 programmes namely; Programme 1: Administration, Programme 2: Land Assembly and PSHSDAs, Programme 3: Programme Planning and Design and Regional Coordination and Human Settlements Implementation Support Services, and Programme 4: Planning, Monitoring, Evaluation, and Inter-Governmental Relations

PROGRAMME 1: ADMINISTRATION

PURPOSE: The Administration programme provides effective leadership, strategic management, and administrative support to the HDA in line with applicable legislation and best practice. It does so by ensuring that there is effective and efficient administration and governance within the organisation.

The programme has the following sub-programmes: Audit and Risk, Corporate Support Services, Finance, Strategy, and Organisational Performance and Communication and Marketing as indicated in the table below:

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

PROGRAMME 2: LAND MANAGEMENT AND PRIORITY HUMAN SETTLEMENTS

HOUSING DEVELOPMENT AREAS

PURPOSE: This programme facilitates access to well-located land for human settlements development through land acquisition and rezoning within PSHDAs.

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

SUB-PROGRAMME	SERVICES PROVIDED
Land Management	<ul style="list-style-type: none"> Identifying, acquiring, holding, developing, and releasing state, privately and communal-owned land. Targeting and prioritising areas for integrated housing and human settlements development.
Land Planning	<ul style="list-style-type: none"> Implementation of PSHDA programme: spatial targeting to achieve maximum spatial impact.

PROGRAMME 3: PROGRAMME PLANNING AND DESIGN, REGIONAL COORDINATION AND HUMAN SETTLEMENTS IMPLEMENTATION SUPPORT SERVICES

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

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

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

PROGRAMME 4: PLANNING, MONITORING AND EVALUATION AND IGR

PURPOSE: This programme monitors and evaluates the development of spatially just, efficient, equitable, and sustainable neighbourhoods that contribute to the transformation of human settlements. Furthermore, the programme focuses on ensuring sound inter-governmental and stakeholder relations between the HDA and all its stakeholders.

The programme has the following sub programmes: Monitoring and Evaluation, Spatial Information Management and Geographic Information Systems (GIS), and Inter-Governmental Relations (IGR), as indicated in the table below:

SUB-PROGRAMME	SERVICES PROVIDED
Monitoring and Evaluation	<ul style="list-style-type: none"> Monitor and evaluate the implementation of human settlements interventions.
Spatial Information Management and GIS	<ul style="list-style-type: none"> Develop spatial and business information systems, spatial and trends analysis, and mapping and property profiling support services.
IGR	<ul style="list-style-type: none"> Provide mechanisms, interventions, processes, and procedures to ensure sound inter-governmental and stakeholder relations between the HDA and all its stakeholders.

OUTCOMES, OUTPUTS, OUTPUT INDICATORS, TARGETS AND ACTUAL ACHIEVEMENTS

PROGRAMME 1: ADMINISTRATION								
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2018/2019	AUDITED ACTUAL PERFORMANCE 2019/2020	PLANNED ANNUAL TARGET 2020/2021	ACTUAL ACHIEVEMENT 2020/2021	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/2021	REASONS FOR DEVIATIONS
Functional. Efficient and integrated Government	Unqualified audit opinion for the 2019/20 financial year	Unqualified audit opinion on the 2019/20 financial statements	Unqualified audit opinion on 2017/18 financial statement	Qualified opinion on 2018/19 financial statement	Unqualified audit opinion on the financial statements	Qualified audit opinion obtained on the 2020/21 financial statements	Qualified audit opinion not obtained on the financial statements	Inadequate system of identifying and recording of all irregular, fruitless and wasteful expenditure, project obligation, and receivable and project payable
Functional. Efficient and integrated Government	Improvement of management practices by ensuring compliance with all government prescripts	Percentage compliance to submission dates of statutory reports and documents by 31 March 2021	New Indicator	New Indicator	100% compliance to submission dates of statutory reports and documents by 31 March 2021	100% compliance to submission dates of statutory reports and documents by 31 March 2021	None	None
Functional. Efficient and integrated Government	Internal audit plan implemented against the annual coverage plan	Percentage implementation of annual internal audit plan against the annual coverage plan by 31 March 2021	New Indicator	New Indicator	100% implementation of internal audit plan against the annual coverage plan by 31 March 2021	100% implementation of internal audit plan against the annual coverage plan by 31 March 2021	None	None
Functional. Efficient and integrated Government	Antifraud and Corruption Policy, Whistleblowing Policy	Percentage implementation of approved anti-fraud and corruption plan by 31 March 2021	New Indicator	New Indicator	100% implementation of approved anti-fraud and corruption plan by 31 March 2021	0% implementation of approved anti-fraud and corruption plan by 31 March 2021	100% implementation of approved anti-fraud and corruption plan by 31 March 2021	Anti-fraud plan has been developed and approved by the ARC. The plan will be approved and implemented in the new financial year
Functional. Efficient and integrated Government	Risk implementation plan approved and implemented	Percentage implementation of the approved risk implementation plan by 31 March 2021	New Indicator	New Indicator	100% Implementation of the approved risk implementation plan by 21 March 2021	0% Implementation of the approved risk implementation plan by 31 March 2021	100% Implementation of the approved risk implementation plan by 21 March 2021	Implementation plan only approved by ARC and will be presented to the board and implemented in the new financial year

PROGRAMME 2: LAND MANAGEMENT AND PRIORITY HUMAN SETTLEMENTS HOUSING DEVELOPMENT AREAS

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2018/2019	AUDITED ACTUAL PERFORMANCE 2019/2020	PLANNED ANNUAL TARGET 2020/2021	ACTUAL ACHIEVEMENT 2020/2021	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/2021	REASONS FOR DEVIATIONS
Land acquired and rezoned for Human Settlements in PSHDA	Acquisition of land located in PSHDA	Number of hectares of land located within PSHDA acquired	New Indicator	New Indicator	1500 hectares of land located within PSHDA acquired	1332,6383 hectares of land located within PSHDA acquired	-167,3617	The target was not achieved due to budgetary constraints experienced by the departments resulting in delays in the acquisition of land in the PSHDAs.
Land acquired and rezoned for Human Settlements in PSHDA	Acquired land for Human Settlements	Number of hectares of land acquired or released for Human Settlements	3124.8773 hectares of land acquired or released for Human Settlements	3514, 5428 hectares of land acquired or released for Human Settlements	1500 hectares of land acquired or released for Human Settlements	2116,5517 hectares of Land acquired or released for Human Settlements	+616,5517	During the year under review several parcels of land that were large in extent were acquired thereby increasing the total number of land acquired resulting in the target being exceeded.
Land acquired and rezoned for Human Settlements in PSHDA	Extent of land rezoned within PSHDA	% of acquired land during 2014-2019 rezoned falling within the PSHDAs	New Indicator	New Indicator	10% of acquired land during 2014-2019 rezoned falling within the PSHDAs	33% of acquired land during 2014-2019 rezoned falling within the PSHDAs	+23%	During the year under review several parcels of land that were large in extent were rezoned thereby increasing the total percentage of land rezoned in PSHDAs resulting in the target being exceeded
Land acquired and rezoned for Human Settlements in PSHDA	Extent of land rezoned for Human Settlements development	Number of hectares of land rezoned for Human Settlements development	New Indicator	New Indicator	1000 hectares of land rezoned for Human Settlements development	1190,7144 hectares of land rezoned for Human Settlements development	+190,7144	The Municipal Planning Tribunals began to clear their backlogs resulting in the target being exceeded.
Land acquired and rezoned for Human Settlements in PSHDA	An integrated implementation programme for the PSHDA		New Indicator	New Indicator	19 Development plans for PSHDA completed	19 Development plans for PSHDA completed	None	None

PROGRAMME: 3.1 PROGRAMME PLANNING AND DESIGN

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2018/2019	AUDITED ACTUAL PERFORMANCE 2019/2020	PLANNED ANNUAL TARGET 2020/2021	ACTUAL ACHIEVEMENT 2020/2021	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/2021	REASONS FOR DEVIATIONS
Integrated and coordinated spatial planning and inclusive sustainable Human Settlements	Informal settlements provided with support to upgraded to Phase 3	Number of informal settlements supported for upgrading to Phase 3	New Indicator	New Indicator	375 Informal settlements supported for upgrading to Phase 3	191 Informal settlements supported for upgrading to Phase 3	-184 Informal settlements supported for upgrading to Phase 3	Target not achieved due to the reallocation of budgets by relevant organs of state resulting in delayed approvals to support the programme. Furthermore, there was inadequate capacity to support the programme. The Agency has since made appointments to augment capacity for this programme
Integrated and coordinated spatial planning and inclusive sustainable Human Settlements	Human Settlement catalytic projects identified, categorised, prioritised, planned facilitated and/or implemented	Number of national and/or provincial priority Human Settlements catalytic projects provided with implementation support	57 Catalytic projects provided with implementation support	50 Catalytic projects and mega projects provided with capacity and delivery support.	50 National and/or provincial priority Human Settlements catalytic projects provided with implementation support	36 National and/or provincial priority Human Settlements catalytic projects provided with implementation support	14 National and/or provincial priority Human Settlements catalytic projects provided with implementation support	Implementation support provided in the Gauteng catalytic projects was not reported. The Agency has since made appointments to augment capacity for this programme.
Integrated and coordinated spatial planning and inclusive sustainable Human Settlements	Municipalities provided with support for the development of diverse and mixed communities in mining areas.	Number of municipalities provided with technical implementation support for distressed mining communities	22 Mining towns provided with technical implementation support for mining towns	No Indicator	23 Municipalities provided with technical and implementation support for distressed mining communities	23 Mining towns provided with technical implementation support for mining towns	None	None
Integrated and coordinated spatial planning and inclusive sustainable Human Settlements	HDA procurement spend on BEE Level 1-4 companies	Percentage of HDA procurement spend on BEE Level 1-4 companies	New Indicator	61.7% of HDA procurement spend on BEE Level 1-4 companies	50 % of HDA procurement spend on BEE Level 1-4 companies	76.8% of HDA procurement spend on BEE Level 1-4 companies	+26.8% of HDA procurement spend on BEE Level 1-4 companies	The target was exceeded due to the implementation of the pre-qualification of the B-BBEE Level 1-4 criteria which excludes bids which do not fall within Level 1-4 in most of the tenders

**PROGRAMME 3.2 : SUB PROGRAMME: REGIONAL COORDINATION AND HUMAN SETTLEMENTS IMPLEMENTATION
SUPPORT SERVICES:**

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2018/2019	AUDITED ACTUAL PERFORMANCE 2019/2020	PLANNED ANNUAL TARGET 2020/2021	ACTUAL ACHIEVEMENT 2020/2021	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/2021	REASONS FOR DEVIATIONS
Adequate housing for lower- and middle-income households provided in liveable neighbourhoods	Housing units delivered	Number of housing units delivered.	6 878 Housing units delivered	4,655 Human Settlements units delivered/ supported.	11479 Housing units delivered	4564 Housing units delivered	-6915 Housing units delivered	<p>The target was not achieved due to various factors including:</p> <p>a) Re-prioritisation and reallocation of budgets due to the impact of the COVID-19 pandemic</p> <p>b) Poor performing contractors impeding the achievement of targets.</p> <p>c) Agreements not renewed on time.</p>

Programme 3.2 continued...

PROGRAMME 3.2 : SUB PROGRAMME: REGIONAL COORDINATION AND HUMAN SETTLEMENTS IMPLEMENTATION SUPPORT SERVICES:								
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2018/2019	AUDITED ACTUAL PERFORMANCE 2019/2020	PLANNED ANNUAL TARGET 2020/2021	ACTUAL ACHIEVEMENT 2020/2021	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/2021	REASONS FOR DEVIATIONS
	Serviced sites delivered	Number of serviced sites delivered	5 964 of Human Settlements serviced sites delivered/ supported	6,041 Human Settlements service sites delivered/ supported	9256 Serviced sites delivered	4270 Serviced sites delivered	-4986 Serviced sites delivered	<p>The target was not achieved due to various factors including:</p> <p>a) Re-prioritisation and reallocation of budgets due to the impact of the COVID-19 pandemic</p> <p>b) Poor performing contractors impeding the achievement of targets.</p> <p>The HDA's Project readiness matrix has identified flaws on Provincial Business Plans which included projects that were not ready for implementation. Allocated to the HDA for implementation</p>
	Title deeds registered	Number of title deeds registered	New Indicator	403 Tittle deeds facilitated for registration.	7058 Title deeds registered	825 Title deeds registered	-6233 Title deeds registered	Delays in issuance of title deeds by the deed's office

PROGRAMME 4: PLANNING, MONITORING AND EVALUATION AND IGR								
OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2018/2019	AUDITED ACTUAL PERFORMANCE 2019/2020	PLANNED ANNUAL TARGET 2020/2021	ACTUAL ACHIEVEMENT 2020/2021	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/2021	REASONS FOR DEVIATIONS
Integrated and coordinated spatial planning and inclusive sustainable Human Settlements	Tools to track development and measure spatial transformation on land and landed properties	Number of assessments of HDA land and landed properties	New Indicator	20 Projects assessed on -spatial transformation; 154 assessments of HDA land and landed properties facilitated between 2009-2019	112 Assessments of HDA land and landed properties	114 Assessments of HDA land and landed properties	+2	In the first quarter the target was exceeded by 2 land parcels that were assessed in the Western Cape which resulted in the annual target being exceeded.
	Available spatial information system	Percentage availability of spatial information system	96% Systems uptime	96% Systems uptime	96% Availability of spatial information systems	100% Availability of spatial information systems	+4%	The system has been improved immensely and is always available
	Analysis reports on possible location of student housing for roll out	Number of analysis reports on student housing developed	New Indicator	New Indicator	4 Analysis reports on student housing developed	4 Analysis reports on student housing developed	None	None
Integrated and coordinated spatial planning and inclusive sustainable Human Settlements	Partnership agreements established in PSHSDA's	Number of partnership agreements established for implementation in PSHSDA's	New Indicator	New Indicator	19 Partnership agreements established for implementation in PSHSDAs.	24 Partnership agreements established for implementation in PSHSDAs.	+5	The target was exceeded due to the 14 agreements signed with North West Province covering 14 PSHSDAs. The MTOP signed with the Free State Province covers the 10 PSHSDA that were gazetted in May 2020.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

An assessment of the factors attributing to poor performance was undertaken. It thus emerged that it is critical for the Agency to establish strong governance, risk mechanisms, and oversight structures that guide, monitor, and effectively coordinate programme and project management functions.

Accordingly, several initiatives have been spawned which includes the establishment of the operations committee, projects readiness committee and the development and implementation of a project tracking tool:

a. Operations Committee

The Operations Committee (OpCo) was established in August 2020 to provide guidance, support, and oversight regarding progress of programmes and projects.

b. Project Readiness Committee

An adjunct to OpCo was the creation of the Project Readiness Committee (PRC). The PRC became effective in November 2020 with the fundamental purpose of ensuring that project procurement is preceded by a vetting process. This process ensures that the viability of projects goes through vigorous scrutiny prior to implementation.

c. Project Tracking Tool

The tool tracks project performance on a weekly basis. The respective project teams make the weekly updates and the reports generated are utilised for projects appraisal at weekly management meetings.

REPORTING ON THE INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

On the 5th of March 2020, South Africa's Minister of Health confirmed the first official case of COVID-19 in South Africa. On the 15th of March 2020, President Cyril Ramaphosa declared a National State of Disaster and implemented a nationwide lockdown to stop the spread of the virus.

The lockdown led to the curtailing of economic activities in various sectors due to the lockdown regulations and restrictions. Barring construction services relating to the health sector and urgent repairs and maintenance, the Human Settlements and Construction sector was not classified as an essential service. Construction site work was suspended. The easing of lock down regulations as the country moved to various alert levels, allowed for the slow resumption of implementation of projects.

At an institutional level, the challenges experienced due to the Covid-19 Pandemic included but are not limited to the following:

- Re-prioritisation of budgets by Provincial Departments to avail funding to Provincial COVID-19 response interventions.
- Slowed implementation of projects due to suspension of work on construction sites.
- The interruption and shortage of supply and delivery of building materials resulting in further project implementation delays.
- Delays in approval of township applications by municipalities and other sector departments.
- Remedial works on construction elements which will result in additional costs and time extensions.
- Economic downturn impacting contractor cash flow resulting in project implementation disruptions.

The pandemic also brought into sharp focus the need for urgent intervention in informal settlements with these areas being high risk for spreading the virus. High population density, scant access to water and sanitation, widespread poverty, and inadequate health infrastructure created a complex burden of health and socio-economic challenges.

During Level 5, the most restrictive lockdown level, the human settlements sector focused on informal settlements due to the health crisis these areas posed to the individuals and households residing there.

The HDA played a key role in supporting the human settlements sector to prepare and roll out much needed interventions to respond to the living conditions of many South Africans in informal settlements as well as those who reside in backyard shacks and hostels. De-densification of highly dense areas and access to water were key issues tackled.

During this period, the HDA hosted the Human Settlements Sector Command Centre which coordinated all the major interventions of the sector. It is worth noting that the HDA developed a spatial dashboard application that represents data such as; the prioritised informal settlements, land that has been identified to de-densify informal settlements, establishments that have been identified as quarantine and isolation facilities, medical facilities, and police stations etc. The application was presented and utilised by the National Joint Operational and Intelligence Structure (NATJOINTS) for COVID-19. NATJOINTS is where a multidisciplinary team of government departments meet on a regular basis to deal with handling government's response to COVID-19.

The Agency also played a key role with the following interventions:

- Identification and acquisition of land for de-densification of informal settlements.
- Planning and servicing of land acquired.
- Emergency procurement of professionals and contractors for the construction of temporary residential areas.
- The utilisation of alternative building technologies to create temporary residential units and the urgent relocation of families into completed units.
- Provision of information and data services through the coordination of data, maps, and GPS locations on an ad-hoc basis or as needed by stakeholders.



PROGRESS ON INSTITUTIONAL RESPONSE TO THE COVID-19 PANDEMIC

The table below highlights some of the HDA's institutional responses to COVID-19:

Budget Programme	Intervention	Geographic location (Province, District and Local municipality Municipality)	No of beneficiaries	Total Budget Allocation	Budget Spent	Immediate outcomes
Programme 3B	TRUs	City of Tshwane - Mamelodi Hostels	1,000 - reduced to 633	R85 225 222,20	R 40 546 450,49	308 TRU's
Programme 3B	TRUs	City of Tshwane - Mooiplaats	200 reduced to 100	R15 562 501,00	R 3 795 574,90	62 TRU's
Programme 3B	TRUs	City of Johannesburg - Tanganani X7	1,408 increased to 1,508	R86 720 201,00	R 2 926 824,00	0
Programme 3B	TRUs	City of Johannesburg - Rabie Ridge	1,200 reduced to 1,023	R93 920 796,00	R 2 942 245,33	05 TRU's
Programme 3B	TRU's	City of Johannesburg - Zandspruit X84	1,402 reduced to 701 before the project being stopped for construction of services to be prioritised	R109 737 796,00	R48 833,93	Surveying of area
Programme 3B	TRUSs	Limpopo, greater Tzaneen local municipality (Talana hostel)	40	R2 577 640	R2 577 640	40
Programme 3B	TRUs	Limpopo, Tubatse-fetakgomo local municipality (Burgersfort Ext 10)	152	R9 795 032	0	0
Programme 3B	TRU	Buffalo City Metropolitan Municipality	1,508	R 173 108 265.55	R 116 133 841.51	377

LINKING PERFORMANCE WITH BUDGETS

2020/21 Expenditure & budget per programme		
	Actuals	Budget
Programme 1-Administration	91,654,484	99,103,830
CFO	24,633,430	35,070,075
CS	42,171,477	35,928,216
Strategy,Comms & Organisational	10,699,174	13,848,445
CEO	9,786,685	11,968,995
Board	4,363,718	2,288,099
Programme 2- Land Management & PHDA's	20,265,431	27,657,778
Land Management	20,265,431	27,657,778
Programme 3- Programme Planning and Design Management & Regional Coordination	162,612,972	216,015,827
PPD	22,530,723	44,610,052
DMO	8,798,176	15,154,612
Regions	131,284,073	156,251,163
Programme 4- Planning Monitoring & Evaluation and Inter governmental Relation	19,744,389	32,190,973
IGR	2,690,755	6,729,103
SIA	17,053,634	25,461,870
TOTAL	294,277,276	374,968,408



SECTION C

GOVERNANCE

INTRODUCTION

The Housing Development Agency was established through the Housing Development Agency Act 23 of 2008.

The Act sets out the governance requirements that must be met such as:

- The appointment of the Board and its functions
- Persons disqualified from membership of the Board
- Fiduciary duties of Board members
- Committees of the Board
- The delegation and assignment of functions by the Board,

In the year under review, an interim Board was in place and its term ended in February 2021 when the Minister of Human Settlements, Water and Sanitation dissolved the Board. The Board Committees were also functional until the dissolution of the Board. Mr Neville Chainee was appointed as the Administrator in line with the provisions of the Housing Development Agency Act 23 of 2008 following the dissolution of the Board for the period February to 30 June 2021. Mr Chainee was later replaced by Dr. Alex Mahapa in July 2021 to date.

PORTFOLIO COMMITTEE

The Portfolio Committee on Human Settlements, Water and Sanitation exercises oversight over the service delivery of the HDA by reviewing the non-financial and financial information of the Agency. During the year under review the HDA appeared before the Portfolio Committee to present its Quarterly reports for the 2020/21 FY and the Annual Report for the 2019/20. The Portfolio Committee noted with concern that the Agency attained a qualified audit opinion on its financial statements and a decline in the overall performance of the Agency. The underlying contributors to the decline at the agency were identified as procurement and contract management, expenditure management and instability at leadership level, at both governance and operational levels.

The HDA management reported that some of the key governance and financial items to manage the decline in performance have been put in place, which include. i.e. a risk register, contracts management system, supply chain management policy, internal audit, and risk unit. Treasury guidelines for the identification of irregular and fruitless and wasteful expenditure is in place and there is the institution of consequence management for those who do not comply with policies and procedures.

The committee welcomed the Agency's attempts consequence management and called for more of such measures to be implemented. During all the appearances of the Agency before the Portfolio Committee, the portfolio committee reiterated the strategic role of HDA in the sector in clearing the backlog for adequate housing and the demand for which has grown over time.

The committee has also called for the department to ensure stability at senior management and governance levels at the agency.

EXECUTIVE AUTHORITY

Quarterly performance reports were submitted to the Executive Authority.

Due to delays, an extension of time was requested and granted by the department. Therefore, the strategic and operational plans were submitted on 07 February 2020.

Correspondence by way of letters was received containing directives that the Agency was expected to action or adhere to regarding:

- i. the appointment of the Acting Chairperson of the Board.
- ii. the appointment of the Acting Chief Executive Officer.

The above mentioned directives were implemented by the HDA.



THE ACCOUNTING AUTHORITY / BOARD

ROLES AND RESPONSIBILITIES OF THE BOARD

Section 10 of the Housing Development Agency Act 23 of 2008 sets out the functions of the Board. The Board is the accounting authority of the Agency and holds the responsibility for the performance of the Agency.

In the year under review, the Board fulfilled its role of developing the strategy for the Agency and maintaining oversight over its implementation. Consideration and approval of the budget for the period was included. The Board retained full control over the Agency and approved policies that would ensure compliance and regulate the operating environment.

BOARD CHARTER

The purpose of this Board Charter is to:

- i. Set out the roles and responsibilities of the Board.
- ii. Ensure that all Board members are aware of their individual and collective duties and responsibilities.
- iii. Ensure that Board members are aware of the various legislation, regulations, and policies affecting their conduct.
- iv. Ensure that the principles of corporate governance are applied in their dealings with regards to and on behalf of the Agency.

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

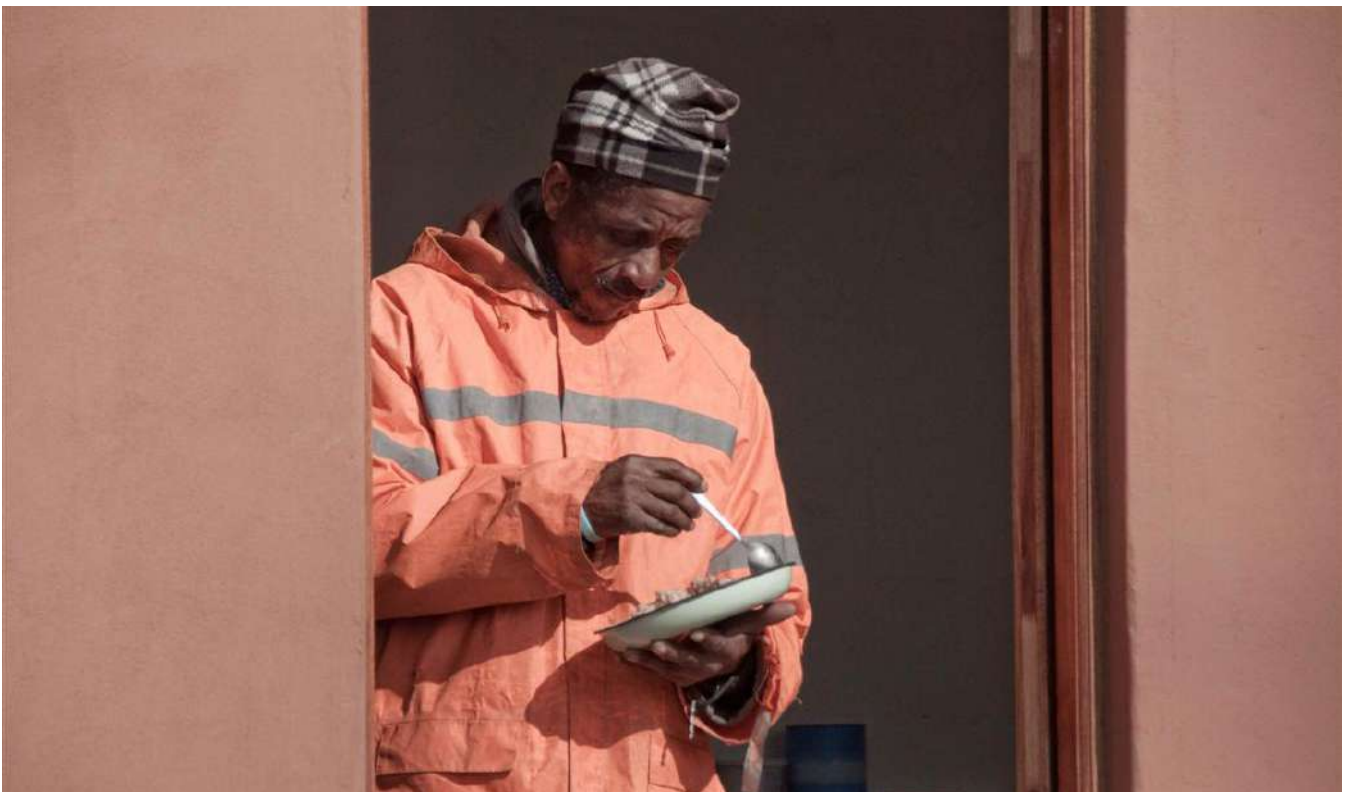


COMPOSITION OF THE BOARD

BOARD MEMBER	RACE	GENDER	QUALIFICATIONS	PREVIOUS BOARDS	CURRENT BOARDS	NUMBER OF BOARD MEETINGS ATTENDED
M P Motlogelwa Acting Board Chairperson	Black	Male	B Juris, Certificate: Project management, Diploma: Public administration, Certificate: Urban and regional development planning management	Deputy Chair: North West Liquor Board (2009 – 2011) Council Member: Vuselela FET College (2008 – 2011)	Member: Municipal Demarcation Board HDA Board (appointed November 2019)	Special: 4 Ordinary: 4
MMS Xayiya Acting Chief Executive officer Chairperson of the Board	Black	Male	BA, Masters in International relations, Certificate in Defence management	Mvela Resources, Northam Platinum, Transhex Mining, Abvest Asset Managers, MvelaServe, Radisson, LifeHealth, Batho Bonke (the ABSA BEE Scheme), Mawenzi Asset Managers, Group 5	HDA Board (appointed Board Chairperson in November 2019) Appointed acting CEO of HDA in February 2020 to date, and stepped down as Board Chairperson	As Board Chairperson: 3 (1 Ordinary and 2 Special meetings) As acting Chief Executive Officer: Special: 1 Ordinary: 2
Z I Moon Non-executive director	Black	Female	MSc: Management sciences and administrative development	None	HDA Board (appointed Nov 2019)	Special: 3 Ordinary: 3
Z Mkhize Non-executive director	Black	Female	BA, Masters in Social Policy, Diplomas in Project management and Coaching	None	HDA Board (appointed Nov 2019)	Special: 2 Ordinary: 4
R Makan Non-executive director	Indian	Male	Diploma and Masters in Town and regional planning,	None	HDA Board (Ministerial nominee since February 2020)	Special: 2 Ordinary: 2
N Vimba Non-executive director	Black	Male	Certificates in Contract Management; Legal Writing; International Agreements; Legislative Drafting; Practical Legal Training	HDA Board (April to July 2019)	(Ministerial nominee since June 2020)	Special: 3 Ordinary: 2
BK Mosehla Chief Financial officer	Black	Male	B. COMPT (HONS) CTA, CA (SA)	Northam Platinum Ltd (2015-2017) Tembisa Provincial Hospital (2015 to 2019) NET1 UEPS Technologies (2012 to 2013)	MC Mining (2010 to date) Zambezi Platinum Ltd (2019 to date)	Special: 3 Ordinary: 3

HDA Board Committees

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
Audit & Risk	12	4*	Seipati Boulton (Chairperson) Zoleka Moon Zesuliwe Mkhize Rajesh Makan Ntandazo Vimba *Ms Moon resigned as a member and was replaced by Mr Vimba.
Corporate Support & Remuneration	4	4	Monnapula Motlogelwa (Chairperson) Zoleka Moon Rajesh Makan
Land, Planning & Development	2	4	Rajesh Makan (Chairperson) Zesuliwe Mkhize Monnapula Motlogelwa
Project Investment	2	4	Zesuliwe Mkhize (Chairperson) Zoleka Moon Monnapula Motlogelwa Ntandazo Vimba
Social & Ethics	1	3	Zoleka Moon (Chairperson) Zesuliwe Mkhize Rajesh Makan



REMUNERATION OF BOARD MEMBERS

NAME	REMUNERATION	OTHER ALLOWANCE	OTHER RE-IMBURSEMENTS	TOTAL
Monnapula Motlogelwa	Board Meetings - R59,661.00 Corp support & Remuneration - R20,952.00 Project Investment - R10,476.00	R11,880.00 - meetings with Stakeholders	Travel expenses May - Aug 2020 R2,020.00 R3,236.86 R8,885.68 R4,176.76 R5,554.64 Total - R23,873.94	R126,842.94 Including travel expenses
Mikki Xayiya	Board Meeting (as Chairperson of the Board) - R15,000.00	0		R15,000.00
Zoleka Moon	Board - R20,952.00 Corp support & Remuneration - R19,476.00 Project Investment - R5,238.00 Audit & Risk - R20,952.00 Social & Ethics - R5,238.00	0	R239.80	R74,000.00
Zesuliwe Mkhizwe	Board - R18,333.00 Project Investment - R10,476.00 Audit & Risk - R67,509.00 Social & Ethics - R5,238.00	R12,899.25	R299.53	R114,754.78
Seipati Boulton	Board - R45,789.00 Audit & Risk - R86,340.00	Other meetings - R9,180.00		R110,000.00

RISK MANAGEMENT

Risk is acknowledged as uncertainty in the achievement of business strategic objectives. The fundamental objective of risk management in the business is to ensure that management is adequately advised of existing gaps within the operations of the Agency and to explore the possible measures that can be employed to mitigate the highlighted gaps. As a second line of defense function, the risk management function is mandated to ensure availability, capability, and capacity of the entity's key business resources.

Management's focus during the year was directed at ensuring that there were assessments of the attendant risks. Rigorous risk workshops were conducted with individual business to identify the risks relevant to the Agency. As an outcome of these risk registers were compiled.

INTERNAL CONTROL UNIT

Internal Auditing is accountable to the Accounting Authority/Audit and Risk Committee for providing independent, objective assurance on the effectiveness of the Entity's internal control systems. Internal Audit performs risk-based audits to evaluate the effectiveness and adequacy of the entire control environment. In terms

of International Standards for the Professional Practice of Internal Auditing, the objective of internal audit is to identify and evaluate significant exposure to risk and contribute to the improvement of risk management, internal controls, and governance systems.

AUDIT & RISK COMMITTEE

The table below discloses relevant information on the audit committee members

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	IF INTERNAL, POSITION IN THE PUBLIC ENTITY	DATE APPOINTED	DATE RESIGNED	NO. OF MEETINGS ATTENDED
Seipati Boulton	B. Com degree, a registered AGA (SA), Professional Accountant (SA) and a Tax Practitioner (SA)	External	N/A	20 March 2020	Current	12
Zesuliwe Mkhize	BA, Masters in Social Policy, Diplomas in Project management and Coaching	External	N/A	20 December 2019	23 February 2021	11
Zoleka Moon	MSc: Management sciences and administrative development	External	N/A	20 December 2019	01 August 2020	5
Rajesh Makan	Diploma and Masters in Town and regional planning	External	N/A	21 May 2020	23 February 2021	11
Ntandazo Vimba	Certificates in Contract Management; Legal Writing; International Agreements; Legislative Drafting; Practical Legal Training	External	N/A	13 August 2020	23 February 2021	8

COMPLIANCE WITH LAWS AND REGULATIONS

During the period under review, the HDA complied with the following legislation, regulations, and codes:

**PUBLIC FINANCE MANAGEMENT
ACT 50 OF 1999:**

Submission of quarterly reports, compilation of the strategic and annual performance plans for approval by the executive authority, preparation of a procurement plan, preparation and approval of an annual budget, submission of the organisational structure, and creation of an Audit and Risk Committee.

**HOUSING DEVELOPMENT AGENCY
ACT 23 OF 2008**

Setting up of the Board Committees, review the terms of reference.

**KING CODE ON CORPORATE
GOVERNANCE**

Ethical leadership by the Board, management of ethics, adequate delegation of authority.

ACT 10 OF 2021

Appropriation

ACT 68 OF 1981

Alienation of Land

ACT 75 OF 1997, AS AMENDED

Basic Conditions of Employment

ACT, OF 2013 AS AMENDED

B-BBEE Codes on Construction, issued under section 9(1) of the Broad-Based Black Economic Empowerment

ACT 53 OF 2003, AS AMENDED

Broad-Based Black Economic Empowerment

ACT 3 OF 2011, AS AMENDED

Companies Act 71 of 2008

ACT 108 OF 1996

Constitution of the Republic of South Africa

ACT 38 OF 2000

Construction Industry Development Board

ACT 68 OF 2008	Consumer Protection
ACT OF 1937	Deeds Registries
ACT 57 OF 2002	Disaster Management
ACT 9 OF 2021	Division of Revenue
ACT 36 OF 2005	The Act has been updated with Regulations Notice No R93 in Government Gazette No 34010 dated February 2011: Electronic Communications
ACT OF 2002	Electronic Communication and Transaction.
ACT 55 OF 1998	Employment Equity
ACT 19 OF 2007	Government Immovable Asset Management
ACT 107 OF 1997	Housing
ACT 23 OF 2008	Housing Development Agency
ACT 1997	Inter-governmental Fiscal Relations
ACT 13 OF 2005	Inter-governmental Relations Framework King IV Code on Corporate Governance
ACT 66 OF 1995	Labour Relations

FRAUD AND CORRUPTION

An approved Fraud & Prevention Policy and Plan is being implemented in the current financial year. The policy outlines the process that should be followed in terms of reporting fraud and corruption cases. The policy incorporates the Whistleblowing Protection Clause which encourages officials to make a confidential disclosure about suspected fraud and corruption within the entity. In addition to our policy, we have a whistleblowing hotline which is managed by an external service provider. Reports received are followed up on and investigated accordingly. We aim to introduce and implement other preventative and detective control strategies within the HDA.

MINIMISING CONFLICT OF INTEREST

Directors are required to declare their interests annually. At each Board and sub-committee meeting, directors declare their interests regarding any matter on the agenda and, where there is interest, the director must recuse themselves from the meeting. For the period under review no interests were declared in any of the matters that were tabled to the Board and its sub-committees.

CODE OF CONDUCT

In the quest to promote exemplary conduct and regulate the behaviour of the Board and Employees, the Code of Conduct is incorporated under Chapter 31 of the HDA Human Resources Manual which is available on the shared drive and is an integral element in the on-boarding of new hires. The code of conduct seeks to foster a healthy and conducive working environment between employees and external and internal stakeholders. It explains performance expectations alongside HDA approved values.

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The HDA has a Health and Safety Policy in place and thus follows the COVID-19 regulations in line with its health and safety guidelines.

COMPANY SECRETARY

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

- i. The preparation of the annual meeting schedule for the Board and its committees as well as the agendas for the meeting in consultation with the chairpersons.
- ii. Maintenance of the committee terms of reference.
- iii. Providing advice to the Board on matters of corporate governance, policy and legislation.
- iv. Ensuring compliance with the Shareholder Compact as concluded between the Minister of Human Settlements, Water and Sanitation and the Board.

Ms Z Mbanjwa was appointed as the Company Secretary in April 2020.

SOCIAL RESPONSIBILITY

The HDA aligns itself with the growing corporate awareness of the need to invest in sustainable social development. As part of the national public sector, the Agency recognises the pressure and increasing burden placed on the government to provide comprehensive social services and are dedicated to supporting communities in areas in which it operates as well as encouraging the role of employees who are committed to particular social causes.

During the year under review, the HDA implemented its Corporate Social Investment (CSI) programme in support of various highlighted projects:

- The Agency sponsored a jungle gym for an early childhood development centre in Alexandra, Johannesburg.
- At the advent of COVID-19, personal protective equipment was purchased to protect HDA employees and other deserving communities where the HDA received requests for assistance.

- Mashitsho child-headed household in Winterveld, Tshwane: a public-private partnership in building a business centre (Internet Café) and an ABT house at no construction cost to the HDA.
- Nkabinde-Mabaso family TRUs and later a Permanent Residential Unit (PRU): a public-private partnership in building two ABT houses for a family of 7 in Winterveldt.
- Wilgespruit Plot 323 Profile (Roodepoort): a public-private partnership in building 72 TRUs for families who lived in dilapidated tents for four years after they got evicted from nearby farms. This project received international recognition.
- Mami Roseline Radebe in Orange Farm: a public-private partnership in building a TRU for a household of five.



B-BBEE COMPLIANCE PERFORMANCE INFORMATION

HAS THE PUBLIC ENTITY APPLIED ANY RELEVANT CODE OF GOOD PRACTICE (B-BBEE CERTIFICATE LEVELS 1 – 8) WITH REGARDS TO THE FOLLOWING:		
CRITERIA	RESPONSE YES / NO	DISCUSSION (INCLUDE A DISCUSSION ON YOUR RESPONSE AND INDICATE WHAT MEASURES HAVE BEEN TAKEN TO COMPLY)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	HDA has only started with its enterprise development programme in the current financial year.
Developing and implementing a preferential procurement policy?	Yes	Transformation and Empowerment Policy was approved which makes provision for the application of the preferential procurement policy as guided by the PPPFA Act 2017.
Determining qualification criteria for the sale of state-owned enterprises?	No	N/A
Developing criteria for entering into partnerships with the private sector?	Yes	The criteria implemented is entering into MOUs with structured organisations such as NPO, CSO which represent the designated groups of woman, youth, people with disability, and military veterans.
Determining criteria for the awarding of incentives, grants, and investment schemes in support of Broad-Based Black Economic Empowerment?	No	The enterprise development programme implemented in the current financial year will support B-BBEE





SECTION D

HUMAN RESOURCE
MANAGEMENT

INTRODUCTION

OVERVIEW OF HUMAN RESOURCES (HR) MATTERS AT THE PUBLIC ENTITY

The HDA is committed to creating an environment that promotes continuous learning and development. During the year under review, the focus of the HR Unit was to support the HDA in its strategic shift to incorporate its expanded mandate as a fully-fledged property developer of choice. The development of employees' skills and competencies, to fully capacitate them to reach their fullest potential and contribute towards the achievement of the HDA's strategic goals, remains a priority for the HR Unit.

Other areas of focus in the HR Unit are as follows:

- a. Revision of the Organisational Structure.
- b. Re-alignment of Job Profiles (in progress).
- c. Approval of the revised HR Policy and Procedures Manual.
- d. Policy Development and support on the compliance of disaster management regulations and procedural guidelines for the organisation on COVID-19.
- e. Automation of the performance management system on Sages People (ESS).
- f. The ongoing management of HR governance and compliance (payroll support, leave management, personnel file management and HR information management)
- g. Continuous guidance and support on HR policy and procedures, performance management procedures, training, monitoring, and reporting on HR related matters is provided to management and staff.

WORKPLACE STATISTICS

The HDA is committed to creating an organisational culture that is built on the foundation of diversity, equality, and the organisation's values. The Agency is also committed to promoting the equitable representation of persons from designated groups and disadvantaged persons at every organisational level. The HDA staff complement as at 31 March 2021 was 216, inclusive of the interns.

SET HR PRIORITIES FOR THE YEAR UNDER REVIEW AND THE IMPACT OF THESE PRIORITIES

This section of the report provides information on the current projects that the Human Resources Department is currently engaged in.

- i. Ongoing monitoring and review on all HR Statutory Compliance and Governance
- ii. Ongoing implementation and support on all recruitment and selection requirements based on the prioritised recruitment plan approved by Exco.
- iii. Ongoing support, training, tracking, and reporting on Performance Management (including preparation for the 2020/2021 performance management proceedings and preparation for the 2019/2020 final performance assessment processes)
- iv. Assisting with implementation of the organisation design project aligned with the approved revised organogram and supporting with changing management processes where and if required
- v. CSI and employee wellness initiatives.

WORKFORCE PLANNING FRAMEWORK AND KEY STRATEGIES TO ATTRACT AND RECRUIT A SKILLED AND CAPABLE WORKFORCE

The HDA recognises its staff as being fundamental to its success. As such, the HDA is committed to ensuring that the recruitment and selection of the right staff for the right positions is conducted in a manner that is systematic, effective, efficient, and promotes equality of opportunity. A total of 53 positions were filled within this financial year.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The implementation of the automated Human Resources System (Sage People 300) and the training of all users on the new system was undertaken and concluded. On 1 March 2021, the HDA introduced the automated process of the Performance Management system. The automated system includes the performance contract and assessment processes and is implemented on the Employee Self Service (ESS) on the Sage People system.

Training was provided to staff on the new system and a user training manual and a video demonstration of the process was developed and distributed to support staff with the new system. In addition, the implementation of the ISO 9004 quality performance management system is in progress. Although some of the planned training and development interventions were placed on hold due to COVID-19, HR implemented various online programmes to support the ongoing development of skills within the organisation.

EMPLOYEE WELLNESS PROGRAMMES

The HDA had presented a COVID-19 awareness programme at the start of the pandemic that, after information on preventative measures was shared to minimise the risk of infection, was distributed to staff. A facilitated trauma counselling programme was also provided to the Eastern Cape Provincial office.

POLICY DEVELOPMENT

The revised HR Policy and Procedures Manual was approved on 23 May 2020 and distributed to Management and employees for implementation. The policies introduced to the revised HR Policy Manual was on Workplace Bullying and Harassment Policy, Long Service Awards, and Leave Encashment. The development of an HR strategic plan for 2021/22 is in progress and the review of the HDA's remuneration strategy is in progress.

A review of the organisation's skills audit took place and the project on competency and skills assessment of core skills is underway. The development of the HDA Security Clearance Practice Note is underway.

HIGHLIGHT ACHIEVEMENTS

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

The HDA successfully implemented the first Internship Programme in August 2017 and is currently hosting of the HDA's fourth cohort of Interns in the 2020/21 Internship Programme. A total of 20 Interns was approved for the period 2020/21.

Although the pandemic decreased the number of training initiatives attended, as at 31 March 2021, a total of 412 internal and external training interventions were completed. All external training concluded was provided by accredited institutions and/ or service providers.

The HDA launched the automated Sage People 300 Performance Management module on the Employee Self Service (ESS) on 1 March 2021.

CHALLENGES FACED BY THE PUBLIC ENTITY

As the country faced the pandemic and adapted to COVID-19 restrictions, with the escalation of positive cases across the country and the heightened risk of infection in particular provinces, staff were provided with guidelines on precautionary measures to ensure their health and safety.

The role of HR in the COVID 19 Interventions were as follows:

- i. Developed practice notes and guidelines for staff based on the disaster management regulations.
- ii. Distributed information on statistics and preventative measures.
- iii. A COVID-19 Compliance Representatives Committee was established to ensure that protocols and guidelines were consistently followed throughout the HDA.
- iv. Ensured that statistics on COVID-19 positive staff was maintained.
- v. Served as adviser to all staff in the crucial times.
- vi. Ensured that doctors' notes of COVID-19 positive employees and other related information was maintained.
- vii. Reported to the Department of Health and ensured that the documents were properly stored.
- viii. Ensured compliance together with the COVID-19 Compliance Representative Committee.

FUTURE HR PLANS /GOALS

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

- Develop an HR strategic plan for 2021/22.
- Develop and revise HDA Remuneration strategy.
- Review all Job Profiles (specific to core business and technical positions) and job evaluation procedures where required.
- Review of organisational skills and the completion competency assessments for core skills.
- Development of a training plan and implementation of skills development and training initiatives including leadership development programmes based on the outcome of the competency assessment project.
- Focused projects on staff wellness, the HDA values, and staff development.

- Implementation of the ISO 9004 quality management performance system.
- Ongoing monitoring and review on all HR Statutory Compliance and Governance.
- Ongoing implementation and support on all recruitment and selection requirements based on the prioritised recruitment plan approved by Exco.
- Ongoing support, training, tracking, and reporting on Performance Management.
- Assist with implementation of organisation design project aligned with the approved revised organogram and support with changing management processes where required.
- CSI and employee wellness initiatives.



HUMAN RESOURCES OVERSIGHT STATISTICS

PERSONNEL COST BY PROGRAMME/ACTIVITY/OBJECTIVE

PROGRAMME/ACTIVITY/OBJECTIVE	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXP. AS A % OF TOTAL EXP. (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Administration	94,345,00	37,593,00	39.84	61	616
Land Management & PHDA's	20,265,00	11,371,00	56.11	14	812
Programme Planning and Design Management & Regional Coordination	144,355,00	99,951,00	69.23	134	746
Planning Monitoring & Evaluation and Inter Governmental Relation	17,054,00	15,727,00	92.21	14	1,123

PERSONNEL COST BY SALARY BAND

LEVEL	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top Management	21,735	14.17	10	2,174
Senior Management	16,619	10.83	12	1,385
Professional qualified	70,128	45.71	75	935
Skilled	42,292	27.57	95	445
Semi-Skilled	1,067	0.70	5	213
Unskilled	1,566	1.02	19	82
TOTAL	153,410	100.00	216	5,235

PERFORMANCE REWARDS

PROGRAMME /ACTIVITY/ OBJECTIVE	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top Management	none	none	none
Senior Management	none	none	none
Professional qualified	none	none	none
Skilled	none	none	none
Semi-Skilled	none	none	none
Unskilled	none	none	none
TOTAL	none	none	none

TRAINING COSTS

PROGRAMME//ACTIVITY/OBJECTIVE	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST.	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE
Across all programmes: <ul style="list-style-type: none"> • Administration • Land Management & PHDA's • Programme Planning and Design Management & • Regional Coordination • Planning Monitoring & Evaluation and Inter Governmental Relation 	N/A	878,149	N/A	136	6,456



EMPLOYMENT AND VACANCIES

Across all programmes:

- Administration
- Land Management & PHDA's
- Programme Planning and Design Management &
- Regional Coordination Planning Monitoring & Evaluation and Inter Governmental Relation

PROGRAMME/ ACTIVITY/ OBJECTIVE	2020/2021 NO. OF EMPLOYEES	2020/2021 APPROVED POSTS (FILLED)	2020/2021 NO. OF EMPLOYEES	2020/2021 VACANCIES	% OF VACANCIES
Top Management	10	3	10	5	2.31%
Senior Management	12	6	12	8	3.07%
Professional qualified	75	7	75	9	4.16%
Skilled	95	10	95	6	2.77%
Semi-skilled	5	7	5	3	1.38%
Unskilled	19	20	19	0	0
TOTAL	216	53	216	31	

Senior Management positions are filled following the approval of recruitment procedures and aligned to budget availability of approved positions on the HDA structure.

HDA endeavours to advertise vacancies in multiple sources of media to attract the right candidates from designated groups for positions and include headhunting for top management positions, in alignment with HDA policies and procedures, where applicable.

Staff are further encouraged to apply for positions when advertised internally before the positions are advertised in the print media for public application responses.

The HDA's remuneration policy further strives to offer market related and competitive remuneration packages to attract and retain staff from the designated groups.

The staff development strategy supports ongoing training and development opportunities aligned with enhancing job-related skills criteria as well as for career progression. The study assistance programme in the form of bursary agreements to support continuous professional development and career growth are available to staff, when approved.

- CEO – The position became vacant on 1 January 2020 and in accordance with the HDA Act, the Board must with the approval of the Minister, appoint a Chief Executive Officer and Chief Financial Officer. Internal staff must follow the application procedures from the Ministerial Office.
- CFO - The position became vacant on 16 February 2019 and in accordance with the HDA Act, the Board must with the approval of the Minister, appoint a Chief Executive Officer and Chief Financial Officer. Internal staff must follow the application procedures from the Ministerial Office.

EMPLOYMENT CHANGES

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	9	3	5	10
Senior Management	15	1	1	12
Professional qualified	81	8	15	75
Skilled	101	5	6	95
Semi-skilled	7	0	1	5
Unskilled	19	19	31	19
TOTAL	232	36	59	216

REASONS FOR STAFF LEAVING

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	2	0.92%
Resignation	4	11.1%
Dismissal	1	0.46%
Retirement	1	0.46%
Ill Health	0	0
Expiry of contract	24	11.1% (inclusive of the internship programme's end of contract)
Other	0	0
TOTAL	52	24.07%

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	0
Final Written Warning	0
Dismissal	1

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top	3	0	0	0	0	0	2	0
Senior	9	0	1	0	1	0	0	0
Professional qualified	42	0	3	0	3	0	1	0
Skilled	26	0	4	0	2	0	0	0
Semi-skilled	1	0	0	0	0	0	0	0
Unskilled	5	0	0	0	0	0	0	0
TOTAL	86	0	8	0	6	0	3	0



LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top	2	2	2	0	0	0	0	0
Senior	1	2	1	0	1	0	1	0
Professional qualified	30	5	2	0	3	0	1	0
Skilled	57	0	7	0	0	0	5	0
Semi-skilled	5	0	0	0	0	0	0	0
Unskilled	15	0	0	0	0	0	0	0
TOTAL	110	9	12	0	4	0	7	0

LEVELS	STAFF WITH DISABILITY			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	1	0	1
Skilled	0	1	0	1
Semi-skilled	0	0	1	1
Unskilled	0	0	0	0
TOTAL	0	2	1	3



SECTION E

FINANCIAL INFORMATION

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	Dr. A Mahapa - Administrator
REGISTERED OFFICE	6-10 Riveria road office park Rivera road Killarney 2041
PHYSICAL ADDRESS	Block A, Riviera Office Park 6-10 Riviera Road Killarney Johannesburg
BANKERS	First National Bank Ltd
AUDITORS	Rakoma & Associates
COMPANY SECRETARY	Zinhle Mbanjwa
BUSINESS ADDRESS	P.O. Box 3209 Houghton 2041
ANNUAL FINANCIAL STATEMENTS PREPARED BY:	HDA Management

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

This report presents a balanced view of the HDA's financial and non-financial performance for the year ended 31 March 2021.

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, the performance information management system was put in place at the HDA resulting in a marked improvement on the previous financial year. It is noted, however, that the internal control environment still requires continuous monitoring to get to the required level.

As a public entity, the Agency is monitored stringently. The independent auditor conducted a statutory audit of the financial performance of the Agency. The audit opinion appears on page 58 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 2021.
- The performance information reflects the service delivery of the Agency for the reporting period, as documented in the 2020/2021 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 2021.



Ms Daphney Ngoasheng
Acting CEO
07.09.2021



Dr. A Mahapa
Administrator
07.08.2021

REPORT OF THE AUDIT AND RISK COMMITTEE

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2021.

BACKGROUND

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

MEMBERSHIP AND ATTENDANCE

- The Committee comprises of independent non-executive members with extensive experience to serve in the Committee.
- The Committee met 12 times during the year. There were 7 Special meetings and 5 Ordinary meetings.
- The Special meetings dealt with the approval of financial statements, the review and approval of all minutes outstanding and new policies, internal audit activities and risk management related matters.
- The names and attendance of the members serving on the Committee are detailed on page 35 under the Governance section of the Annual Report.

AUDIT AND RISK COMMITTEE RESPONSIBILITY

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

- The safeguarding of assets, the operation of adequate systems, control and reporting processes, and the review of financial statements in compliance with the applicable legal requirements and accounting standards,
- Overseeing the activities of, and ensuring coordination between, the activities of internal and external audit,
- Providing a forum for discussing enterprise-wide risks relating to financial, performance and regulatory

- exposures, and monitoring controls designed to minimise these risks,
- Reviewing the Agency’s quarterly performance information, annual report, including annual performance information and annual financial statements, and any other public reports or announcements containing financial and non-financial information,
- Receiving and dealing with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements and performance reports, or related matters, and
- Annually reviewing the Committee’s work and charter; and making recommendations to the Accounting Authority to ensure the Committee’s effectiveness.

EFFECTIVENESS OF INTERNAL CONTROL

- The Committee considered all the reports issued by both the internal and external auditors and has noted the work performed by the assurance providers.
- The reports were noted with concern by the Committee regarding the number of both significant and material weaknesses in the system of internal control.
- The Committee has noted a very high level of management override on systems of internal controls which is reflected in the number of irregular, fruitless and wasteful expenditure incurred over the years as well as the material financial misstatements detected by the auditors during their review of annual financial statements.
- The Committee also reports that management did not endeavour to adhere to internal controls nor put in place a plan to mitigate all the previously reported material weaknesses, neither did management demonstrate the commitment to execute consequence management.

THE EFFECTIVENESS OF INTERNAL AUDIT

For the Committee to ensure that Internal Audit effectiveness is not compromised, the Committee approved an Internal Audit operational plan that covered only two quarters of the year under review. Internal Audit was unable to develop a risk-based 3 year rolling plan due to a dysfunctional risk management function. – see narrative on Risk Management below
The following reviews were completed during the year under review:

AUDITABLE AREA	OPINION
Strategic Plan and App	Some improvement required
Performance Information	Some improvement required
Governance	Major improvement required
Human Resources	Major improvement required
Irregular Expenditure	Major improvement required

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

The Internal Audit identified and reported the following areas of concern:

- Non-compliance with the recruitment and selection policy (e.g. Irregular appointments, non-adherence to approved pay scales, unreconciled payroll against budget etc.),
- Lack of Reliability of Performance Information,
- Non-compliance with Corporate Governance (HDA Act, King IV and Board Sub Committee Charter),
- Excessive Powers of Delegation bestowed on the CEO.

The Committee raised concerns regarding the superficial responses management provided to the majority of findings raised showing lack of commitment, responsibility and accountability but nonetheless taking note of the areas that require improvement as raised.

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

RISK MANAGEMENT

- Management is responsible for the establishment and maintenance of an effective system of governance, risk management, the prevention and detection of fraud and internal controls.

- The entity’s Risk Management function is currently dysfunctional despite the recommendations of the Committee to place the management of risk under the Audit and Risk management function.
- A risk register is an annually performed assessment, the last review was performed in 2016. The risk maturity level of the entity is at an infancy level and requires drastic improvement.

In light of the non-existence of Risk Management, the Committee reports that the entity risks remain pervasive since management lacks the appetite to put structures in place to mitigate risks within the entity.

A toll-free whistle-blowing hotline operated by Advance Call is operational, service providers and employees are encouraged to report any suspected corrupt, fraudulent, criminal or unethical practices. A number of cases are currently being investigated through the Audit & Risk management function and the most material by the Internal Auditors.

IN YEAR MANAGEMENT OF QUARTERLY FINANCIAL AND PERFORMANCE INFORMATION

The Committee noted the content of the financial and performance information reports that were prepared and issued during the year. The quality of reports require improvement.

Also of concern is the lack of timely submission of information by management for review by the Committee and other assurance providers. We also highlight the numerous instances where the performance information was submitted to the Executive Authority post the statutory deadlines.

The entity’s performance was subdued during the period under review. This was as a result of the changes effected on the Annual Performance Plan. Numerous attempts were made to seek approval from the Executive Authority but bore no fruition.

EVALUATION OF FINANCIAL STATEMENTS

The Committee has:

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

Significant and material findings were identified relating to Project Funding. A number of serious control deficiencies around project obligations and receivables which have resulted in a negative audit outcome.

The Committee is concerned with the non-adherence to the applicable legislation relating to Project Finance management. An improved project funding model and processes should be implemented to prevent further deterioration of project funding.

EXTERNAL AUDIT

- The Committee has reviewed the independence and objectivity of the External Auditor.
- The External Auditor attended 4 statutory meetings of the Committee and held 1 incommittee session with the Chairman of the Committee.
- The Committee noted that the 2020/21 PFMA external audit was conducted by our newly appointed External Auditor, Rakoma & Associates Inc. The Committee has expressed its desire that the HDA be audited directly by the Auditor General themselves, as afforded by the newly Amended Public Audit Act no 5 of 2018.

The Committee reviewed the Auditors' Management and Audit reports, and concurs with their conclusion. The Committee therefore accepts the audit opinion and conclusion expressed, however, the Committee has reservations pertaining to the independence and objectivity of External Auditor.

GOVERNANCE

Leadership instability at both Board and Senior management level has plagued the entity for a number of years, with vacancies in key positions remaining unfilled. This has resulted in too many acting positions at top management, who do not possess the pre-requisite qualifications and required competencies to lead the organisation.

In recognizing the Fourth Industrial Revolution, IT Governance plays a critical role in ensuring that Information Technology continually meets all regulatory, statutory, legal and operational obligations to support the entity to fulfil its objectives by staying abreast of the latest technological advancements.

The Committee is concerned about the lack of an IT Expert within the Audit & Risk Committee members composition. This will enable it to carry out its duties more effectively ensuring that members possess a broad spectrum of specialisations.

CONCLUSION

The committee extends its appreciation to the Board of the HDA, Acting Chief Executive Officer, Acting Chief Financial Officer and the Executive management and staff for their effort and support.



Ms. SY. Boulton

Chairman of the Audit and Risk Committee
Housing Development Agency

REPORT OF THE EXTERNAL AUDITOR

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

QUALIFIED OPINION

1. We have audited the financial statements of The Housing Development Agency set out on pages 62-104, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, statement of cash flow and the statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In our opinion, except for the possible effects of the matters described in the basis for qualified opinion the financial statements present fairly, in all material respects, the financial position of The Housing Development Agency as at 31 March 2021 and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practices (SA GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999)(PFMA).

BASIS FOR QUALIFIED OPINION

PROJECT OBLIGATIONS

3. The public entity did not have adequate systems to maintain records of project obligations and reconcile the balances monthly. This resulted in projects obligations being misstated by R2 431 647 (2020: 2 250 145).
4. We were also unable to obtain sufficient appropriate audit evidence for project obligations due to some confirmations that were not received from departments and municipalities. We were unable to confirm these balances by alternative means. Consequently, we were unable to determine whether any further adjustments to project obligations stated at R671 149 000 (2020: R667 374 00) in note 18 to the financial statements were necessary and its effect to the financial statements.

PROJECT PAYABLES

5. We were unable to obtain sufficient appropriate audit evidence for clearing accounts, inter-company transfers and unknown receipts amounting to R4 222 933 (2020: R1 967 792) included in project payables due to failure to maintain proper accounting records with regards to payment processing and reconciliation of control accounts

by the public entity. We were unable to confirm these project payables by alternative means. Consequently, we were unable to determine whether any further adjustments to project payables stated at R465 525 000 (2020: 65 980 000) in note 17 to the financial statements were necessary.

EXPENDITURE

6. The public entity recorded expenditure invoices relating to the prior year in the current financial year. Consequently, expenditure is overstated by R9 484 588 and prior year expenditure is understated by R9 484 588.

IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

7. Section 55 (2) (b)(i) of PFMA requires the public entity to disclose in a note to the financial statements particulars of all irregular expenditure and fruitless and wasteful expenditure that has occurred during the year, the public entity did not have adequate systems for identifying and recording all irregular expenditure and fruitless and wasteful expenditure and there were no satisfactory alternative procedures that could be performed to obtain reasonable assurance that all irregular expenditure and fruitless and wasteful expenditure disclosed in note 40 in the financial statements for R147 332 000 (2020: 135 506 000).
8. 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 financial statements section of our report.
9. We are independent of the public entity in accordance with Independent Regulatory Board for Auditors' Code of Professional Conduct for Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards).
10. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

EMPHASIS OF MATTER

11. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

RESTATEMENT OF PRIOR YEAR BALANCES

12. As discussed in Note 43 to the financial statements the corresponding figures for 31 March 2020 were restated as a result of the errors in the financial statements of the entity, and for the year ended 31 March 2021.

OTHER MATTERS

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

BOARD OF THE HOUSING DEVELOPMENT AGENCY WAS DISSOLVED, AND AN ADMINISTRATOR APPOINTED

14. The interim Board was dissolved by the Minister of Human Settlement Water and Sanitation on the 22nd of February 2021 and the public entity was placed under administration on the 23rd of February 2021.

INVESTIGATION IN PROGRESS ON ALLEGATIONS OF FRAUD AND CORRUPTION IN THE CONSTRUCTION OF TEMPORARY RESIDENTIAL UNITS IN LIMPOPO

15. An investigation was instituted by the Special Investigative Unit into allegations of fraud and corruption in awarding the tender relating the establishment and construction of the Temporary Residential Units in Limpopo. Several HDA officials have been arrested and are out on bail, no recommendations or appropriate action was taken by the Accounting Authority on the employees that were implicated. The case is still ongoing.

OTHER SUPPLEMENTARY INFORMATION

16. The supplementary information set out on pages 105-106 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly, we do not express an opinion on them.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

17. 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 Practices (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 the financial statements that are free from material misstatement, whether due to fraud or error.
18. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

19. 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.
20. 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

21. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.
22. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the public entity enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.
23. 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 programme presented in the public entity's annual performance report for the year ended 31 March 2021.

[PROGRAMMES/ OBJECTIVES]	PAGE IN THE ANNUAL PERFORMANCE REPORT
Programme 3: Regional coordination and Human Settlements Implementation Support Services	21

24. 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.
25. We did not identify any material findings on the usefulness and reliability of the reported performance information for this programme.

OTHER MATTER

26. We draw attention to the matter below.

ACHIEVEMENT OF PLANNED TARGETS

27. Refer to the annual performance report on pages 22-27 for information on the achievement of planned targets for the year and management's explanations provided for the under/ over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 24 of page 60.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

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

ANNUAL FINANCIAL STATEMENTS, PERFORMANCE AND ANNUAL REPORT

30. The financial statements submitted for auditing were not 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 not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified opinion.

EXPENDITURE MANAGEMENT

31. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion the value of disclosed in note 40 of the financial statements does not reflect a full extent of the irregular expenditure

incurred. Non-adherence to the PFMA and Treasury regulations has resulted in the majority of the irregular expenditure disclosed in the financial statements.

PROCUREMENT AND CONTRACT MANAGEMENT

32. Some of the quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulation 16A9.1(d).
33. Some of the goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1 and paragraph 3.3.1 of Practice Note 8 of 2007/08. Similar non-compliance was also reported in the prior year.
34. Some of the goods and services of a transaction value above R500 000 were procured without inviting competitive bids and deviations were approved by the accounting officer but it was practical to invite competitive bids, as required by Treasury Regulation 16A6.1 and paragraph 3.4.1 of Practice Note 8 of 2007/2008.
35. Some of the invitations for competitive bidding were not advertised in at least the government tender bulletin, as required by Treasury Regulation 16A6.3(c).
36. Some of the invitations for competitive bidding were not advertised for a required minimum period, as required by Treasury Regulation 16A6.3(c).
37. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with the policies of the public entity, as required by Treasury Regulation 16A6.2 (a) and (b). Similar non-compliance was also reported in the prior year.
38. One contract was awarded to a bidder that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and Preferential Procurement Regulation 2017.
39. Some of the quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by Treasury Regulation 16A8.4 and paragraph 4.1.2 of Practice Note 7 of 2009/2010.

OTHER INFORMATION

40. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the other information does not include the financial statements, the auditor's report and those selected programme objectives presented in the annual performance report that have been specifically reported in this auditor's report.
41. Our opinion on the financial statements and our 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 on it.
42. 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.
43. We did not receive the other information prior to the date of this report. When we do receive and read the information, if we conclude that there is a material misstatement there in, we are required to communicate the matter to those charged with governance and request that the information be corrected. If the other information is not corrected, we may have to retract the auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

44. 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.
45. Management did not adequately implement the following daily and monthly controls designed for the business.
46. The entity did not adequately implement proper record keeping system.
47. 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.

48. Senior management did not always 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.

OTHER REPORTS

49. We draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.
50. The Special Investigative Unit is investigating the Talana shack project in Tzaneen, Limpopo. The investigation came after the Limpopo government paid over R2-million for the units at R64,000 per unit. The SIU is investigating allegations of fraud and corruption in the awarding of the tender. The Director of the supplier involved and several HDA official have been arrested and are out on bail. The fraud case is ongoing at Tzaneen Magistrate Court.

AUDITOR TENURE

51. In terms of the IRBA rule published in Government gazette number 39475 dated 4 December 2015, we report that Rakoma and Associates Inc has been the auditor of the Housing Development Agency for 1 year.

Rakoma and Associates Inc.

Eugene Lufhugu

Director

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

These figures represent statements as at 31 March 2021

Figures in R `000

Note(s)

2021

Restated 2020

Assets

Non-Current Assets		35,577	36,130
Property, plant and equipment	3	7,578	7,789
Intangible assets	4	94	436
Long-term land inventory	5	27,905	27,905
Current Assets		1,964,001	1,112,643
Land inventory	6	422,398	343,197
Receivables from non-exchange transactions	7	10,457	10,224
Projects receivables	8	292,457	119,447
Rental deposit	9	1,382	1,382
Cash and cash equivalents	10	1,237,307	638,393
Total Assets		1,999,578	1,148,773

Net Assets and Liabilities

Net Assets		140,748	31,777
Accumulated surplus		140,748	31,777
Non-Current Liabilities		246	547
Finance lease obligations	11	246	547
Current Liabilities		1,858,584	1,116,449
Payables from exchange transactions	15	103,374	23,468
Provisions	16	-	16,175
Payable to National Treasury	20	195,826	-
Current portion of finance leases	11	312	255
Projects Payables	17	465,525	65,980
Projects obligations	18	671,149	667,374
Land inventory obligation	19	422,398	343,197
Total Liabilities		1,858,830	1,116,996
Total Net Assets and Liabilities		1,999,578	1,148,773

STATEMENT OF FINANCIAL PERFORMANCE

These figures represent statements for the year ended 31 March 2021

Figures in R `000	Note(s)	2021	Restated 2020
Revenue		359,727	352,345
Revenue from non-exchange transactions		233,604	229,311
Transfer from controlling entity	22	233,604	229,311
Revenue from exchange transactions		126,123	123,034
Provinces support conditional grant	23	107,190	102,833
Project management fees	24	13,529	13,042
Interest income	25	1,560	3,539
Other income	26	3,844	3,620
Expenditure		294,297	293,326
Operating expenses	27	78,720	77,814
Land and related costs	28	11,912	12,047
Technical and project services	29	38,873	12,633
Finance costs	30	143	61
Employee costs	31	164,649	190,771
Other expenditure			
Impairment of project receivables		-	58,771
Deficit on disposal of property, plant and equipment		(19)	30
Total other expenditure		(19)	58,801
Surplus from grant funding		65,449	218
Refund from Municipality	21	44,270	-
Surplus for the year		109,719	218

STATEMENT OF CHANGES IN NET ASSETS

These figures represent statements as at 31 March 2021

Figures in R `000	Note(s)	Revaluation reserves	Accumulated surplus	Restated Total
Balance at 1 April 2019		-	31,559	31,670
Restated surplus for the year		-	218	218
Restated balance as at 31 March 2020		-	31,777	31,888
Restated balance at 1 April 2020		-	31,777	31,777
Consolidation adjustment		-	(748)	(748)
Surplus for the year		-	109,719	109,719
Balance at 31 March 2021		-	140,748	140,748



STATEMENT OF CASH FLOW

These figures represent statements as at 31 March 2021

Figures in R `000	Note(s)	2021	Restated 2020
Cash flows from operating activities			
Receipts		357,583	343,725
Grants		340,794	332,144
Management fees		13,529	13,042
Other receipts movements		3,260	(1,461)
Payments		(182,085)	(287,578)
Employee costs		(164,649)	(190,771)
Other payments		(17,436)	(96,807)
Cash generated/(utilised) in operations	35	175,498	56,147
Interest received		1,560	3,539
Interest paid - finance charges on finance leases		(143)	(61)
Interest accrued		(524)	(789)
Net cash out- flows from operating activities		176,391	58,836
Cash flows from investing activities			
Property, plant and equipment acquired		(2,754)	(1,996)
Intangible assets acquired		(69)	(1,520)
Net cash flows from investing activities		(2,823)	(3,516)
Cash flows from financing activities			
Increase/(decrease) in funding receivables for projects		(174,044)	104,593
Increase in projects payables		399,545	54,695
Decrease in project obligations		3,775	(15,592)
Increase/(decrease) in lease liability		244	659
Increase in impairment of project receivables		-	(58,771)
Payable to National Treasury		195,826	-
Cash flows from financing activities		425,346	85,584
Increase in cash and cash equivalents		598,914	140,903
Cash and cash equivalents at beginning of the year		638,393	497,490
Cash and cash equivalents at end of the year	10	1,237,307	638,393

STATEMENT OF COMPARISON OF BUDGET INFORMATION WITH ACTUAL INFORMATION

These figures represent statements for the year ended 31 March 2021

Figures in R `000

Note(s) 2021

		Actuals	Budget	Variance	% Variance	Adjust ment	Approved annual budget
Operating revenue							
Operational grant-NDHS		233,604	233,604	-	0 %	-	233,604
Provinces support conditional grant	41.1	107,190	107,600	410	0 %	-	107,600
Project management fees	41.3	13,529	26,414	12,885	49 %	-	26,414
Other income							
Interest income		1,560	3,150	1,590	50 %	-	3,150
Other income	41.2	48,114	4,200	(43,914)	-1046 %	-	4,200
Total revenue		403,997	374,968	(29,029)	7,74%	-	374,968
Expenditure							
Land and related costs	41.6	11,912	10,690	(1,222)	-11 %	-	10,690
Operating expenses	41.4	78,720	72,100	(6,620)	-9 %	-	72,100
Technical and project services	41.5	38,873	72,888	34,015	47 %	-	72,888
Finance costs		143	17	(126)	-741 %	-	17
Employee costs	41.7	164,649	219,273	54,624	25 %	-	219,273
Surplus on disposal of property, plant and equipment		(19)	-	19	0 %	-	-
Total expenditure		294,278	374,968	80,690	21,52%	-	374,968
Deficit for the year		109,719	-	(109,719)	-	-	-

Variiances explanations

Please refer to Note 41 of the Notes to the Annual Financial Statements



ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

REPORTING ENTITY

The HDA is a Section 3 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 16. 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 40.

STANDARDS AND PRONOUNCEMENTS COMPRISING THE GRAP FINANCIAL REPORTING FRAMEWORK

The following standards have been approved but are not yet effective as at 31 March 2021. The impact that these standards will have on the entity is detailed below.

A list of these standards is provided below:



Presentation of Annual Financial Statements continued...

STANDARDS AND PRONOUNCEMENTS COMPRISING THE GRAP FINANCIAL REPORTING FRAMEWORK

The following standards have been approved but are not yet effective as at 31 March 2021. The impact that these standards will have on the entity is detailed below. A list of these standards is provided below:

GRAP	STANDARDS	IMPACT	EFFECTIVE DATE
GRAP 25	Employee costs	Disclosure may be affected.	1-Apr-21
GRAP 104	Financial instruments	Disclosure may be affected.	1-Apr-21

The following IGRAP standards have been approved but not yet effective as at 31 March 2021

IGRAP	STANDARDS	IMPACT	EFFECTIVE DATE
IGRAP 1	Applying the probability test on initial recognition revenue (amendments)	Disclosure may be affected.	1-Apr-21
IGRAP 18	Recognition and derecognition of land	Disclosure may be affected.	1-Apr-21



Policies continued...

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
- the amount of revenue can be measured reliably.

Revenue from exchange transactions comprises of: Provinces Support Conditional Grant, Management Fees, Interest Income, Rental 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. Management fees are only charged to projects which are excluded from the provincial support conditional grant.

INTEREST INCOME

Interest income is recognised as it accrues on a time apportionment basis taking into account its effective yield.

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.

OTHER INCOME

Other income comprises of tender fees and insurance claims and is recognised when consideration is received.



Policies continued...

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) A (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.
- 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	> 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 bi-annually and assess property plant and equipment for impairment. If there are any indications of impairment, the Agency estimates the recoverable service amount of the asset. If the asset's carrying value exceeds its recoverable amount, the asset is impaired. In the assessing of 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.

Policies continued...

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.
- The cost of the asset can be measured reliably.

An asset is identifiable if it either:

- Is separable: 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.
- 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 or over the licence period.

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

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

- There is a commitment by a third party to purchase the asset at the end of its useful life.
- Or there is an active market for the assets.
- And residual value can be determined by reference to that market.
- And it's 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.

Policies continued...

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

Provisions are not recognised for future losses.

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.
- 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.

Policies continued...

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, and are recognised as an expense in a period 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.

Policies continued...

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).
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

2.16. PROJECT OBLIGATIONS

Project Obligation is 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 Obligation. The Obligation 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 is 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 Obligation is 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 relevant 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.

Policies continued...

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.
- d. A Provincial Treasury Instruction issued in terms of section 18(2)(a) of PFMA.

The amount reflected as irregular expenditure was incurred and identified during the current financial year, and which will be investigated to ensure any required consequence management and applications for condonation. The management of the process will be undertaken consistent with required prescripts. There is no immediate action 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.

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

2.22. COVID-19

Items affected by the COVID-19 crisis will warrant separate presentation or disclosure in the financial statements if they are considered material, either quantitatively or qualitatively.

Where there is a significant risk that they will be a material adjustment to the carrying value of assets and liabilities in the next reporting the Agency will provide information about:

- The assets and liabilities that are affected.
- The carrying amount of those assets and liabilities at the reporting date.

Where specific assessments regarding the effects of COVID-19 and going concern had to be made. The Agency shall disclose information about those assumptions applied and uncertainties that exists.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in R `000

2021

Restated 2020

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	2021 Carrying value	Cost	Accumulated depreciation	2020 Carrying value
Assets						
Furniture and fittings	5,158	1,904	3,254	4,777	1,427	3,350
Electronic hardware	2,447	2,358	89	2,424	2,265	159
Office equipment	1,595	917	678	1,159	702	457
Computer equipment	8,578	6,520	2,058	6,848	5,101	1,747
Leasehold improvements	3,531	2,703	828	3,531	2,305	1,226
Capitalised leased assets	3,032	2,422	610	3,032	2,243	789
Paintings	61	-	61	319	(258)	61
	24,402	16,824	7,578	22,090	13,785	7,789

The carrying amounts of property, plant and equipment can be reconciled as follows for 2021:

	Carrying value at beginning of year	Additions	Disposals devaluation	Depreciation	2021 Carrying value at end of year
Assets					
Furniture and fittings	3,350	392	(10)	(478)	3,254
Electronic hardware	159	23	-	(93)	89
Office equipment	457	444	(8)	(215)	678
Computer equipment	1,747	1,895	(165)	(1,419)	2,058
Leasehold improvements	1,226	-	-	(398)	828
Capitalised leased assets	789	-	-	(179)	610
Paintings	61	-	-	-	61
	7,789	2,754	(183)	(2,782)	7,578

The carrying amounts of property, plant and equipment can be reconciled as follows for 2020:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2021 Carrying value at end of year
Assets					
Furniture and fittings	3,438	388	-	(476)	3,350
Electronic hardware	251	-	(7)	(85)	159
Office equipment	550	74	(7)	(160)	457
Computer equipment	2,626	639	(29)	(1,489)	1,747
Leasehold improvements	1,623	-	-	(397)	1,226
Capitalised leased assets	31	895	(26)	(111)	789
Paintings	319	-	(258)	-	61
	8,838	1,996	(327)	(2,718)	7,789

Pledged as security

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

4. INTANGIBLE ASSETS-LICENCES

	Cost	Accumulated amortisation	2021 Carrying value	Cost	Accumulated amortisation	2020 Carrying value
Computer software and licences	1,895	(1,801)	94	1,826	(1,390)	436
	1,895	(1,801)	94	1,826	(1,390)	436

The carrying amounts of intangible assets can be reconciled as follows for 2021:

	Carrying value at beginning of year	Additions	Amortisation	Disposals	2021 Carrying value at end of year
Computer software and licences	436	69	(411)	-	94
	436	69	(411)	-	94

The carrying amounts of intangible assets can be reconciled as follows for 2020:

	Carrying value at beginning of year	Additions	Amortisation	Disposals	2021 Carrying value at end of year
Computer software	695	1,520	(1,779)	-	436
	695	1,520	(1,779)	-	436

5. LONG-TERM LAND INVENTORY

Land inventory - various	27,905	27,905
	27,905	27,905

Land inventory - various

Land purchased comprises, at acquisition value:

Description

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
Farm 755/2 & Erf 8093 Michael Heyns-Swartland Cape Town	5,036	5,036
	27,905	27,905

The land and properties are held for purposes of future Human Settlements developments. There is no immediate plans to develop on these properties.



6. LAND INVENTORY

Property inventory, registered in the name of HDA

Description

Portion 170 and portion 5 of Farm Roodeport 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 Ptn 5,6,7,& 8	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	7,854
Erven 921,924,925,927-938, 940-941,17735,172883 Gugulethu, Western Cape	15,569	15,569
Farm 700 Business Zone 949, Cape Town, Western Cape	4,552	4,552
Erf 807,3108, 21400 Philippi	39,195	39,195
Erven 4061,4062,5636,5637 Hout Bay, Western Cape	45,354	45,354
Farm 791, 793 Cape Town, Western Cape	10,842	10,842
Portion 64 of Farm 787 Cape Town, Western Cape	6,365	6,365
Erven 35163 - 35174, 36148, 38368 Milnerton, Western Cape	64,965	64,965
Erf 14443 Strand, Western Cape	4,831	4,831
Portion 34 of farm Schultz Vley No. 807	12,388	12,388
Erven 40076 & 40077 Goodwood City of Cape Town, Western Cape	8,546	8,546
Erf 271, in extent 17,8984 East Buffalo City	34,200	-
Farm Elite 2630, in extent 214,1330 hectares Bloemfontein	45,000	-
	422,397	343,197

Various assets were acquired based on the signed agreement and carry a corresponding liability disclosed in Note 19.

7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Receivables	3,091	3,531
Staff debtors	2,084	1,663
Prepaid expense	353	94
Operating leases - smoothing receivables	4,405	4,147
Interest accrued	524	789
	10,457	10,224

The carrying amount of receivables approximates fair value.

8. PROJECTS RECEIVABLES

Buffalo City Metro Municipality	44,481	6,079
City of Johannesburg Municipality	3,086	-
City of Tshwane Municipality	1,653	-
Department of Water and Sanitation	50,429	-
Eastern Cape Provincial Government	5,965	5,930
Ekurhuleni Metro Municipality	7,206	62,440
Ethekwini Metro Municipality	-	12,195
Gauteng Provincial Government	139,230	2,192
Kwa-Zulu Natal Provincial Government	7,552	214
Limpopo Provincial Government	-	458
Northern Cape Provincial Government	13,179	33,833
North West Provincial Government	19,696	19,696
Mpumalanga Provincial Government	14,501	14,501
Western Cape Provincial Government	(20)	20,680
Sub-total	306,958	178,218
Provision for bad debts*	(14,501)	(58,771)
	292,457	119,447

Provision for bad debts

Costs incurred on behalf of the Thaba-Chweu Municipality. Amount has been outstanding for the past three financial years and now deemed irrecoverable.

9. RENTAL DEPOSITS

Rental deposit	1,382	1,382
	1,382	1,382

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

10. CASH AND CASH EQUIVALENTS

HDA	88,827	54,175
Projects*	1,148,423	584,185
Petty cash	57	33
	1,237,307	638,393

*Projects funds	1,148,423	584,185
City of Tshwane Municipality	5,474	-
Free State Provincial Government	236,700	68,914
Gauteng Provincial Government	401,446	114,811
Kwazulu-Natal Provincial Government	74,849	61,334
Limpopo Provincial Government	198,653	70,651
Northern Cape Provincial Government	179,129	251,883
North West Provincial Government	17,371	(395)
SHRA	705	-
Western Cape Provincial Government	34,096	16,987

As at 31 March 2021, we have accrued for invoices amounting to R540m. These invoices were paid in April and May 2021 and thus reducing projects cash balance to R608.

11. FINANCE LEASE OBLIGATIONS

Lease of photocopiers and faxes with Konica Minolta and Bytes	246	547
	246	547

Repayable within one year, transferred to current liabilities	312	255
	558	802

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

Minimum lease payments	663	1,030
No later than 1 year	398	398
Later than 1 year and no later than 5 years	265	632
Future finance charges on finance leases	(105)	(228)
	558	802

12. OPERATING LEASES-LESSOR

Rental Income

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

	1,459	1,459
No later than 1 year	1,380	1,380
Later than 1 year and no later than 5 years	79	79

13. OBLIGATIONS UNDER OPERATING LEASES-LEASEE

Office leases

Eastern Cape

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

	-	2,193
No later than 1 year	-	2,193
Later than 1 year and no later than 5 years	-	-

Free State

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

	2,485	3,268
No later than 1 year	846	783
Later than 1 year and no later than 5 years	1,639	2,485

Gauteng

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

	1,649	5,507
No later than 1 year	1,649	5,507
Later than 1 year and no later than 5 years	-	-

Kwa-Zulu Natal

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

	1,761	2,512
No later than 1 year	811	751
Later than 1 year and no later than 5 years	950	1,761

Limpopo

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

	134	889
No later than 1 year	134	755
Later than 1 year and no later than 5 years	-	134

Western Cape

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

	5,593	8,774
No later than 1 year	3,468	3,181
Later than 1 year and no later than 5 years	2,125	5,593
	11,622	23,143

Lease terms and conditions per office

	Expiry date	Lease term
Eastern Cape	30-June-21	3 years
Free State	31-Dec-23	5 years
Gauteng	30-June-21	5 months
Kwa-Zulu Natal	30-Apr-23	5 years
Limpopo	31-May-21	1.3 years
Western Cape	31-Oct-22	5 years

Obligations under operating leases-leasee continued...

14. COMMITMENTS - OPERATIONS

Operational expenditure

No later than 1 year	1,090	2,370
Later than 1 year and no later than 5 years	1,154	1,935
	2,244	4,305

These are contractual commitments that are related to professional services and operational commitments. During the period, certain services were terminated.

15. PAYABLES FROM EXCHANGE TRANSACTIONS

Payables	14,652	15,737
Employees leave payable	9,945	7,641
Accruals	78,777	90
	103,374	23,468

Employees leave payable is reconciled as follows:

Carrying amount beginning of year	7,641	9,038
Increase/decrease in leave payable	4,584	(97)
Amounts incurred and charged against the leave account	(2,280)	(1,300)
Carrying amount at end of year	9,945	7,641

The leave payable on termination is expected to realise during the 2022 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 2022 financial year, it may realise at the employees new salary scales as per the HDA Human Resources policy.

16. PROVISION

Provision for bonus	-	16,175
	-	16,175

Provisions continued...

Provision for bonus is reconciled as follows:

Carrying amount beginning of year	16,175	13,451
Increase in provision	-	6,993
Amount paid	(2,403)	(4,269)
Provision reversed	(13,772)	-
Carrying amount at end of year	-	16,175

^

^ The provision for bonus is based on the employee's and the organisation's performance. In 2020 financial year, the organisation did not meet the required targets in order for it's expected performance to be achieved. The current performance projections does not demonstrate prospects of bonuses being paid in relation to the 2021 financial year. Based on this assessment, management has taken a decision not to provide for bonuses payable.

Bonus payment of R2.4m for Exco, Manco and Appeals for the financial year ended 31 March 2019 was included in the bonus provision of 2020 financial year and it was paid in June 2020.

17. PROJECTS PAYABLES

Payables	465,525	65,980
Project payables	465,525	65,980

Projects payables relates to contractors' invoices received for projects and not yet paid.

18. Projects obligations

Buffalo City Municipality	58	6,079
City of Johannesburg Municipality	1,196	-
City of Tshwane Municipality	5,930	-
Ekurhuleni Municipality	17,147	33,895
Ethekewini Municipality	-	2,192
Free State Provincial Government	144,555	69,041
Gauteng Provincial Government	179,293	83,488
Kwazulu-Natal Provincial Government	39,617	61,040
Limpopo Provincial Government	181,485	70,789
Northern Cape Provincial Government	158	283,956
North West Provincial Government	37,614	19,302
Water and Sanitation	50,429	-
Western Cape Provincial Government	12,963	37,592
Social Housing Regulatory Authority	704	-
	671,149	667,374

Projects obligations continued...

Below is a reconciliation of each project obligation:

Buffalo City Municipality

Opening balance	6,079	9,196
Cash received	94,305	-
Amount owing	44,481	6,079
Cancelled invoice	(6,079)	(9,196)
Expenditure	(138,728)	-
Closing balance	58	6,079

City of Johannesburg Municipality

Opening balance	-	-
Cash received	11,710	-
Amount owing	3,086	-
Expenditure	(13,600)	-
Closing balance	1,196	-

City of Tshwane Municipality

Opening balance	-	-
Cash received	45,513	-
Amount owing	1,653	-
Cancelled invoice	-	-
Expenditure	(41,236)	-
Closing balance	5,930	-

Ekurhuleni Municipality

Opening balance	33,895	14,348
Invoices raised prior year	(62,438)	(98,429)
Cash received	103,236	91,867
Amount owing	7,206	62,438
Expenditure	(64,752)	(36,329)
Closing balance	17,147	33,895

Ethekwini Municipality

Opening balance	2,192	-
Invoices raised prior year	(2,192)	-
Amount owing	-	2,192
Closing balance	-	2,192

Projects obligations continued...

Free State Provincial Government

Opening balance	69,041	68,613
Cash received	233,980	58,890
Interest earned	1,635	943
Expenditure	(97,316)	(59,405)
Transfer to Province	(52,000)	-
Transfer to National Treasury	(10,785)	-
Closing balance	144,555	69,041

Gauteng Provincial Government

Opening balance	83,488	145,722
Invoices raised prior year	(11,870)	(11,871)
Cash received	583,217	78,055
Interest earned	4,205	5,558
Amount owing	139,230	11,871
Expenditure	(610,717)	(145,847)
Transfer to National Treasury	(8,260)	-
Closing balance	179,293	83,488

Kwazulu-Natal Provincial Government

Opening balance	61,041	32,701
Invoices raised prior year	(156)	-
Cash received	31,744	43,650
Interest earned	2,291	1,904
Amount owing	7,552	-
Expenditure	(19,365)	(17,214)
Transfer to National Treasury	(43,491)	-
Closing balance	39,616	61,041

Limpopo Provincial Government

Opening balance	70,789	95,155
Cash received	226,092	108,000
Interest earned	4,108	4,693
Expenditure	(105,837)	(115,459)
Transfer to Province	(4,693)	(21,600)
Transfer to National Treasury	(8,974)	-
Closing balance	181,485	70,789

Projects obligations continued...

Northern Cape Provincial Government

Opening balance	2,928	214,519
Invoices raised prior year	-	-
Cash received	-	110,744
Interest earned	-	7,406
Amount owing	-	31,673
Expenditure	(1,471)	(80,386)
Transfer to National Treasury	(1,299)	-
Closing balance	158	283,956

North West Provincial Government

Opening balance	19,302	72,039
Invoices raised prior year	(19,696)	(34,544)
Cash received	30,000	18,947
Interest earned	71	240
Amount owing	19,696	19,696
Expenditure	(11,759)	(57,076)
Closing balance	37,614	19,302

Water and Sanitation

Opening balance	-	-
Amount owing	50,429	-
Closing balance	50,429	-

Western Cape Provincial Government

Opening balance	37,592	30,088
Invoices raised prior year	(20,605)	(10,427)
Cash received	40,013	44,831
Interest earned	1,704	3,610
Amount owing	(20)	20,605
Expenditure	(25,733)	(40,180)
Transfer to Province	-	(10,935)
Transfer to National Treasury	(19,988)	-
Closing balance	12,963	37,592

Social Housing Regulatory Authority

Opening balance	-	-
Cash received	704	-
Closing balance	704	-

19. LAND INVENTORY OBLIGATION

Properties held on behalf of provinces	422,397	343,197
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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.

20. PAYABLE TO NATIONAL TREASURY

In April 2021, the agency received an instruction from National Treasury to return unspent Provincial projects funds. The agency has accrued for R195m. This was an instruction from the National Treasury as a result of section 17 of Division of Revenue Act(DORA) non-compliance.

Amount received	195,826	-
	195,826	-

Below is the breakdown per province

Gauteng Provincial Government	8,260	-
Kwa-zulu Natal Provincial Government	43,490	-
Free State Provincial Government	10,785	-
Limpopo Provincial Government	8,974	-
Northern Cape Provincial Government	104,329	-
Western Cape Provincial Government	19,988	-
	195,826	-

21. REFUND FROM MUNICIPALITY

The Agency received funds that were provided for as bad debts in the previous financial year from Ekurhuleni Municipality. The funds expended to contractors on a value created model.

Amount received	44,270	-
	44,270	-

22. REVENUE FROM NON-EXCHANGE TRANSACTIONS-OPERATIONAL GRANTS

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

Transfer from controlling entity	233,604	229,311
	233,604	229,311

23. REVENUE FROM EXCHANGE TRANSACTIONS-CONDITIONAL GRANTS

Free State Provincial Government	11,776	12,888
Gauteng Provincial Government	15,841	16,146
KwaZulu-Natal Provincial Government	19,377	16,887
Limpopo Provincial Government	24,218	14,969
Northern Cape Provincial Government	4,790	6,835
North West Provincial Government	8,386	7,951
Western Cape Provincial Government	22,802	27,157
	107,190	102,833

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

24. REVENUE FROM EXCHANGE TRANSACTIONS-PROJECT MANAGEMENT FEES

Buffalo City Municipality	4,993	-
City of Johannesburg Municipality	645	-
City of Tshwane Municipality	1,907	-
Eastern Cape Provincial Government	184	766
Ekurhuleni municipality	1,359	1,764
Gauteng Provincial Government	2,620	4,187
Limpopo Provincial Government	-	2,895
Northern Cape Provincial Government	1,664	1,211
North West Provincial Government	157	2,219
	13,529	13,042

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

25. INTEREST INCOME

Interest received-HDA	1,557	3,539
Interest received-Projects current accounts	3	-
	1,560	3,539

26. OTHER INCOME

Rental income	3,162	3,418
Insurance claims	682	202
	3,844	3,620

27. OPERATING EXPENSES

Accounting other services	954	2,117
Advertising and marketing	2,944	1,209
Agency support - outsourcing	1,443	1,878
Depreciation	2,803	2,719
Amortisation	387	1,779
Membership fees	-	18
Assets below R5 000 expensed	235	165
Auditors remuneration	2,658	1,557
Bank charges	108	203
Board costs	465	1,146
Catering	1,589	1,351
Communications	827	847
Computer expenses	6,908	3,884
Consultants	3,851	981
Contractors - operational	7,639	8,796
Insurance	1,119	873
Leasing charges	1,706	1,060
Legal fees	12,710	22,052
Office rentals	12,726	12,200
Penalties	8	42
Printing, publications and stationery	694	1,020
Repairs and maintenance	486	287
Repairs - office refurbishment	37	14
Staff recruitment ^	3,444	809
Staff welfare	1,335	289
Other office expenses	1,457	481
Temporary staff	1,810	2,734
Training and staff development	979	1,202
Travel and accommodation	7,398	6,101
	78,720	77,814

Operating expenses continued...

The above expenditure includes certain expenses that are covered by Provinces support conditional grant on note 23.
 ^Variance explanation is on note 41.4

28. LAND AND RELATED COSTS

Insurance	32	181
Maintenance costs	2,322	1,759
Conveyancing and valuation costs	6,354	5,944
Projects operational contractors	3,182	3,319
Development planning and feasibility studies	22	844
	11,912	12,047

29. TECHNICAL AND SUPPORT SERVICES

Transactional advisors	-	8,792
Professional resource teams	38,873	3,841
	38,873	12,633

30. FINANCE COSTS

Finance leases	143	61
	143	61

The HDA entered into a finance lease agreement for photocopier machines. Lease agreement will expire during the 2023 financial year. A capital portion of the lease is disclosed in current liabilities in the statement of financial position.

31. EMPLOYEE COSTS

Basic salary	134,466	158,238
Labour settlement ^	4,681	3,243
Performance bonus	-	7,042
Leave payable	4,586	(159)
Allowances	3,984	4,128
Employer's contributions	16,892	17,762
Other payroll expenses - COIDA	40	517
	164,649	190,771

Revenue from exchange transactions-project management fees continued...

Detailed employee costs per funding

Transfer from controlling entity	95,502	112,451
Provinces support conditional grant	69,147	78,320
	164,649	190,771

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



32. RELATED PARTY TRANSACTIONS

Relationship

Controlling entity

National Department of Human Settlements.

Administrator

D Chaine (from 23 February 2021 to 4 July 2021)
Dr. A Mahapa (from 5 July 2021 to date)

Board members

MSMM Xayiya-Chairperson (from 10 February 2021 to 22 February 2021)
Adv MP Motlogelwa-Acting Chairperson
(from 04 February 2020 to 09 February 2021)
CAZ Mkhize (from 11 November 2019 to 22 February 2021)
ZI Moon (from 18 November 2019 to 22 February 2021)
R Makan (from 04 February 2020 to 22 February 2021)

Audit and Risk Committee

SY Boulton-Chairperson (from 20 March 2020 to date)
CAZ Mkhize (from 18 November 2019 to 22 February 2021)
ZI Moon (from 20 March 2020 to 22 February 2021)
R Makan (from 20 March 2020 to 22 February 2021)

Project Investment Committee

CAZ Mkhize-Chairperson (from 18 November 2019 to 22 February 2021)
Adv MP Motlogelwa (from 18 November 2019 to 22 February 2021)
ZI Moon (from 18 November 2019 to 22 February 2021)

Social and Ethics Committee

ZI Moon-Chairperson (from 18 November 2019 to 22 February 2021)
CAZ Mkhize (from 18 November 2019 to 22 February 2021)

Land, Development and Planning Committee

Adv MP Motlogelwa-Chairperson (from 22 May 2020 to 22 February 2021)
CAZ Mkhize (from 18 November 2019 to 22 February 2021)

Corporate Support and Remuneration Committee

Adv MP Motlogelwa-Chairperson
(from 18 November 2019 to 22 February 2021)
ZI Moon (from 18 November 2019 to 22 February 2021)

Executive and senior management

D Ngoasheng-Acting Chief Executive Officer
(from 1 September 2021 to date)
NS Poya-Acting Chief Executive Officer
(from 10 February 2021 to 27 August 2021)
MSMM Xayiya-Acting Chief Executive Officer
(from 04 February 2020 to 09 February 2021)
M Tsehla-Acting Chief Financial Officer (from 10 March 2021 to date)
KB Mosehla-Acting Chief Financial Officer
(from 22 May 2020 to 17 May 2021)
R Issel-Head: Corporate Support
JB Minnie-Head
Spatial Information Analysis
LS Rakgoale- Regional Head Region B
BM Khoza-Regional Head Region C
N Mlotshwa-Regional Head Region C
(from 01 September 2016 to 31 May 2020)
W Steenkamp-Head Strategic Initiatives (from 01 May 2016 to 31 July 2020)

Executive and senior management

D Ngoasheng-Head National Planning & Programmes Design TC
Mguli-Regional Head Region A (from 01 January 2020 to 31 August 2020)
M Van Eck-Head Strategic Support

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 to the related party at year-end	
	2021	2020	2021	2020
National Department of Human Settlements	233,604	229,311	-	-

	Amounts returned to National Treasury		Amounts owed to the related party at year-end	
	2021	2020	2021	2020
National Treasury	-	631	-	-

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.



33. EXECUTIVE AND SENIOR MANAGEMENT REMUNERATION: 2021

Executive members

	Basic salary	Pension/ provident fund	Total cost	Risk benefits	Allowances	Bonus	Total expenditure
NS Poya-Chief Executive Officer (from 11 February 2021 to date)	-	-	-	-	58	-	58
MSMM Xayiya-Chief Executive Officer (from 4 February 2020 to 10 February 2021)	3,266	-	3,266	-	20	-	3,286
M Tsehla-Acting Chief Financial Officer (from 10 March 2021 to date)	-	-	-	-	12	-	12
KB Mosehla-Acting Chief Financial Officer (from 22 May 2020 to 17 May 2021)	2,330	257	2,587	28	22	-	2,637
Total executive management remuneration	5,596	257	5,853	28	112	-	5,993

Senior Management

	Basic salary	Pension/ provident fund	Total cost	Risk benefits	Allowances	Bonus	Total expenditure
R Issel-Head: Corporate Support	2,109	178	2,287	33	22	165	2,507
JB Minnie-Head Spatial Information Analysis	1,688	143	1,831	26	22	-	1,879
LS Rakgoale-Head: Land Management	1,680	142	1,822	26	22	-	1,870
BM Khoza-Regional Head Region C	1,797	152	1,949	28	44	-	2,021
N Mlotshwa-Regional Head Region C-(From 01 September 2016 to 31 May 2020)	168	16	184	2	4	-	190
W Steenkamp-Head Strategic Initiatives-(from 01 May 2016 to 31 July 2020)	1,302	96	1,398	13	7	204	1,622
D Ngoasheng-Head National Planning & Programmes Design	1,985	168	2,153	31	22	153	2,359
TC Mguli-Regional Head Region A-(from 01 January 2020 to 31 August 2020)	1,795	83	1,878	11	9	-	1,898
M Van Eck-Head Strategic Support	1,976	207	2,183	27	22	-	2,232

Executive and senior management remuneration continued...

	Basic salary	Pension/ provident fund	Total cost	Risk benefits	Allowances	Bonus	Total expenditure
NS Poya-Chief Operations Officer	1,890	217	2,107	30	17	-	2,154
VN Mashiane-Regional Head-Region B	1,276	147	1,423	20	13	-	1,456
P Mbulawa-Regional Head-Region A	334	16	350	10	72	-	432
Total senior management remuneration	18,000	1,565	19,565	257	276	522	20,620
Total	23,596	1,822	25,418	285	388	522	26,613

D Chaine was seconded in terms of Section 31 (4) of the HDA Act, 23 of 2008. The secondment is at no additional costs to the Agency. The secondment ended on 4 July 2021.

Dr. A Mahapa was seconded to the HDA as an Administrator from 5 July 2021.

KB Mosehla was appointed as the CFO from 22 May 2020 to 17 May 2021. During the period under review, M Tsehla was appointed as Acting CFO from 10 March 2021 to date.

S Nxusani was seconded to the HDA as CFO from the National Housing Finance Corporation, an entity under Human Settlements from 1 November 2019 to 22 May 2020.

EXECUTIVE AND SENIOR MANAGEMENT REMUNERATION: 2020

Executive members	Basic salary	Pension/ provident fund	Total cost	Risk benefits	Allowances	Bonus	Total expenditure
MSMM Xayiya-Chief Executive Officer (from 4 February 2020)	619	-	619	-	4	-	623
PP Moloji (Chief Executive Officer from 4 February 2020)	6,228	301	6,529	42	17	-	6,588
PG Magagula-Chief Financial Officer(from 1 March 2019)	1,200	-	1,200	-	15	-	1,215
Total executive management remuneration	8,047	301	8,348	42	36	-	8,426

Executive and senior management remuneration continued...

Senior Management	Basic salary	Pension/ provident fund	Total cost	Risk benefits	Allowances	Bonus	Total expenditure
MD Mnisi-Head Strategic Support*	94	13	107	2	1	-	110
MB George-Head Development Management and Operations	74	16	90	2	2	-	94
R Issel-Head: Corporate Support	2,109	178	2,287	34	22	-	2,343
JB Minnie-Head Spatial Information Analysis^	1,687	143	1,830	26	22	-	1,878
LS Rakgoale- Regional Head Region B	1,680	142	1,822	26	22	-	1,870
BM Khoza-Regional Head Region A	1,797	152	1,949	27	22	-	1,998
MJ Mphahlele-Regional Head Free State	1,626	193	1,819	26	22	-	1,867
N Mlotshwa-Regional Head Region C	1,677	192	1,869	27	22	-	1,918
W Steenkamp-Head Strategic Initiatives	2,510	288	2,798	40	22	-	2,860
D Ngoasheng-Head National Planning & Programmes Design	1,985	168	2,153	31	22	-	2,206
TC Mguli-Regional Head Region A	435	50	485	7	6	-	498
M Van Eck-Head Strategic Support	68	-	68	-	-	-	68
Total senior management remuneration	15,742	1,535	17,277	248	185	-	17,710
Total	23,789	1,836	25,625	290	221	-	26,136



34. NON -EXECUTIVE MEMBERS

Non-executive members of the accounting authority

MSMM Xayiya (10 February 2021 to 22 February 2021)	15	89
Adv MP Motlogelwa (from 11 Novemeber 2019 to 22 February 2021)	127	115
ZI Moon (from 11 November 2019 to 22 February 2021)	72	81
CAZ Mkhize (from 11 November 2019 to 22 February 2021)	115	65
N Ntsinde (until 29 July 2019)	-	83
DJ Block (until 29 July 2019)	-	47
P Lujabe (until 29 July 2019)	-	61
ZZ Mxaku (until 29 July 2019)	-	77
Total non-executive members	327	618

The interim Board was appointed on 11 November 2019 was dissolved by the Minister on 22 February 2021. D Chainee was appointed on a secondment as Administrator in terms of Section 31 (4) of the HDA Act 23 of 2008 from 23 February 2021 to 04 July 2021.

Audit and Risk Committee

SY Boulton	110	22
Total Audit and Risk Committee	110	22

35. CASH GENERATED/(UTILISED) FROM OPERATIONS

Net surplus	109,719	218
Adjustment for:		
Depreciation	2,782	2,719
Amortisation	411	1,779
Interest received	(1,560)	(3,539)
Deficit on disposal of property, plant and equipment	(19)	30
Interest accrued	524	789
Finance costs	143	61
Revaluation of art work - paintings	-	147
Impairment of project receivables	-	58,771
	112,000	60,975

Movements in working capital

Increase/(decrease) in payables	79,906	(1,394)
(Decrease)/increase in provisions	(16,175)	2,724
Increase in receivables	(233)	(6,158)
Cash generated in operations	175,498	56,147

36. CONTINGENT LIABILITIES

Contingent liabilities	133,537	-
	133,537	-
^ Labour related matters	7,950	-
~ Land related matters	82,000	-
* Litigations	43,587	-
	133,537	-

^ Labour related matters

- The Agency currently has a number of labour related actions which are ongoing with ex-employees in the Commission for Conciliation, Mediation and Arbitration (CCMA).

~ Land related matters

- **KZN Land Purchase Dispute.**
This matter relates to a court application received in December 2020 relating to a landowner, seeking an order directing the HDA to purchase land for R18 Million or the court to order the HDA to expropriate the Land.
- **WC Land Purchase Dispute.**
This matter relates to a court application on alleged irregular transfer of various properties bought by the HDA, on which there is a court action. The contingent liability in this court action amounts to R64 Million.

*** Litigations**

- These are matters that relates to various litigations against the agency by service providers.

37. COMPARATIVE FIGURES

No comparative figures were reclassified in the current period.

38. EVENTS AFTER REPORTING DATE

The labour related matter that was previously reported as a contingent liability in 2019/20 financial year was finalised in May 2021. The amount of R750k is included in payables. D Chaine secondment as Administrator ceased on 4 July 2021 and Dr. A Mahapa was seconded as Administrator from 5 July 2021 to date. NS Poya appointed as the Acting Chief Executive Officer was terminated effective 27 August 2021. There is currently a vacancy in the office of the CEO.

39. COVID-19 RESPONSE

Post reporting date of the financial year ended 31 March 2020, the Agency was identified by the Department of Human Settlements as a Human Settlements sector COVID-19 response facilitator. The Agency has since constructed a temporary residential

that was funded by provinces and municipalities either through HSDG OR USDG. Land to the total value of R196 million that was funded by the provinces and municipalities. The Agency is still involved on an ongoing basis on the identified projects.

The Agency has assessed the impact of COVID-19 on the annual financial statements and considered the potential impact on the business as immaterial as the entity has only incurred costs of protective personal equipment. The Agency is committed to contributing to the prevention of the spread of COVID-19 and is complying fully with the measures announced by the South African Government. Management will continue to assess the financial impact of COVID-19 and its impact on the Agency's financial condition, liquidity, operations, suppliers, and workforce, while placing the health and safety of employees first.

40. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure

Opening balance	17,387	2,844
Fruitless and wasteful expenditure - current year	8	14,543
Less amounts condoned	-	-
Closing balance	17,395	17,387

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

Detail	Amount	Action taken
Penalty on late payments of invoices.	8	Management has imposed stricter controls to ensure invoices are paid timeously.
Total	8	

Irregular expenditure

Opening balance	114,499	106,586
Amounts not deemed irregular	-	(41,893)
Payments made on prior year irregular contracts	6,492	-
Irregular expenditure - current year	8,946	49,806
Irregular expenditure	129,937	114,499

Below are the details of the Irregular expenditure above

Detail	Amount	Action taken
Non-compliance with National Treasury regulations, and SCM processes.	8,946	The Irregular, Fruitless and Wasteful registers were not effectively maintained during the year and resulted in the expenditure on these matters. In addition the internal controls and application of required policies and prescripts in SCM were not applied and complied with in the HDA.
Total irregular, fruitless and wasteful expenditure	147,332	131,886

41. BUDGET STATEMENT REVIEW

41.1. OPERATIONAL AND CAPITAL CONDITIONAL GRANTS

These are grants received by the HDA based on agreements entered with Provinces and Municipalities. The receipt of the contracted amounts from Provinces and Municipalities, is subject to approval and transfer by the Provinces and Municipalities of the amounts budgeted for by the HDA.

41.2. OTHER INCOME

This is an amount of R44 million that were provided for as bad debts in the previous financial year in respect of an outstanding amount from the Ekurhuleni Metropolitan Municipality, which was subsequently paid and received by the HDA.

41.3. PROJECT MANAGEMENT FEES

Project management fees is amounts earned and received by the HDA in respect of programme and project management activities and functions undertaken in a Province or Municipality on capital projects.

41.4. OPERATING EXPENSES

Operational expenses cover both head office and provincial offices spending. Due to the COVID-19 pandemic, the Agency had to incur additional cost of protective personal equipment that were not included in the original budget approval.

The Agency has increased recruiting costs due to the high recruitment of, one executive member, two senior management, seven management, five semi-skilled personnel, nine interns, and five relocations. In the previous financial year there was minimal recruitment.

The operating expenses of the HDA are funded from the Operational Grant received from the National Department of Human Settlements and Operational Capital Grant transfers and payments by Provinces and Municipalities, out of the Human Settlements Development Grant and/or Urban Settlements Development Grant.

41.5. EMERGENCY HOUSING PROGRAMME AND PROJECT MANAGEMENT

The HDA during the year under review was also contracted to undertake programme and project management in the emergency and informal settlements housing programmes.

41.6. LAND & RELATED COSTS

Budgeted costs are based on projected requests for land valuations and land purchases from provinces. The Agency received additional requests for land purchases from the Provinces due to the increased need for informal settlement re-blocking to combat the COVID-19 pandemic.

41.7. EMPLOYEE COSTS

The payroll saving is due to improved financial management of compensation of employees budget. In addition, the HDA applied directives to curb growth of compensation of employees.

42. 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.

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.



Liquidity risks continued...

The maturity analysis of payables at reporting date were as follows:

Payables

Not past due	460,655	58,038
Past due 60 days	2,506	1,103
Past due 90 days	12,795	8,949

Finance lease obligations

Projected repayment - less than 1 year	312	255
Projected repayment- 31 March 2021	246	547

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.

Receivables

Not past due	468,203	122,723
Past due 60 days	622	6,585
Past due 90 days	9,061	29,082

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.

Financial risk management continued...

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 2021	Balance as at 31 March 2020
Absa	Current account	0	74,515	59,029
Absa	Money Market Call	5.7	252,268	147,989
First National Bank	Current account	4.2	7,351	2,221
First National Bank	Corporate cheque account	4.2	2,833	4,193
First National Bank	Commercial Nstd Call	4.5	82,357	69,407
First National Bank	Commercial Money Market	5.4	425,044	137,606
Standard Bank	Current account	3.5	56,027	54,543
Nedbank	Current account	0	152,790	800
Nedbank	Money trader	5.1	184,051	162,559
Stanlib	Extra Income ABIL Retention Fund	1	14	13
Petty cash	Cash	0	57	33
			1,237,307	638,393

Financial assets by category

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

Receivables and sundry receivables	8,422	8,626
Bursaries paid	2,035	1,598
	10,457	10,224

Financial liabilities by category

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

Payables and other payables	103,374	23,468
Designated income received in advance	671,149	667,374
	774,523	690,842

43. GOING CONCERN

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.

There is no known or reported intention by Parliament to repeal the HDA Act that may cast any real material uncertainty onto the Agency's continued existence.

44. RE-INSTATEMENT

Restatement have been made to the prior year financial statements to enhance comparability with the current year’s financial statements. As a result certain 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 restated as follows;

Statement of financial position

	Previously reported	After restatement	Restated
Payables from exchange transactions	(25,917)	(23,468)	(2,449)
Project obligations	(666,745)	(667,374)	620

Statement of financial positions

Other income	(3,641)	(3,620)	(21)
Operating expenses	77,897	77,814	83
Technical and project services	14,404	12,633	1,771
Employee costs	190,767	190,771	(4)
	(413,244)	(413,244)	-



DETAILED STATEMENT OF FINANCIAL PERFORMANCE

Figures in R `000

2021

Restated 2020

Revenue

Grants received	340,794	332,144
Operational grant - Free State	11,776	12,888
Operational grant - Gauteng	15,841	16,146
Operational grant - Kwazulu Natal	19,377	16,887
Operational grant - Limpopo	24,218	14,969
Operational grant - North West	8,386	7,951
Operational grant - Northern Cape	4,790	6,835
Operational grant - Western Cape	22,802	27,157
Operational grant received from the National Department of Human Settlements	233,604	229,311
Project management fees	13,529	13,042
Gross revenue	354,323	345,186

Other Income

Investment income	1,560	3,539
Other income	3,844	3,620
	5,404	7,159

	359,727	352,345
Expenditure		
Accounting other services	954	2,117
Advertising and marketing	2,944	1,209
Agency Support- Outsourcing	1,443	1,878
Amortisation - Intangible assets	387	1,779
Assets under R5 000	235	165
Auditors remuneration	2,658	1,557
Bad debts	-	58,771
Bank charges	108	203
Board costs(fees and travel)	465	1,146
Catering	1,589	1,351
Communications	827	847
Computer expenses	6,908	3,884
Consultants	3,851	981
Consultants - technical	38,873	12,633
Contractors- Operational	7,639	8,796
Deficit on disposal of property, plant and equipment	(19)	30
Depreciation - property, plant and equipment	2,803	2,719
Finance costs	143	61
Insurance	1,119	873
Land & related costs	11,912	12,047
Leasing charges	1,706	1,060
Legal fees	12,710	22,052
Membership fees	-	18
Office rentals	12,726	12,200
Other office expenses	1,457	481
Penalty	8	42
Printing, publications and stationery	694	1,020
Repairs and maintenance	486	287
Repairs refurbishment - offices	37	14
Salaries	164,649	190,771
Staff recruitment	3,444	809
Staff welfare	1,335	289
Temporary staff	1,810	2,734
Training and staff development	979	1,202
Travel and accommodation	7,398	6,101
	294,278	352,127
Surplus from grant funding	65,449	218
Refund from Ekurhuleni	44,270	-
Surplus for the year	109,719	218





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ISBN: 970-0-621-49047-3

Title of Population: The HDA Annual Report 2020/2021