

# WESTERNSCAPEHOUSINGDEVELOPMENTBOARD



**ANNUALREPORT2002/2003**

ISBN0-621-33649-17

**[PR27/2003]**

*To obtain additional copies of this document, please contact:*

Western Cape Housing Development Board  
Private Bag X9083  
27 Wale Street  
Cape Town  
8000  
Tel: 021-4834197  
Fax: 021-4835433  
E-mail: [Jaustin@pawc.wcape.gov.za](mailto:Jaustin@pawc.wcape.gov.za)

Omnogafskrifte van hierdie dokument te bekom, tree asseblief in verbinding met:

Wes-Kaapse Behuisingsontwikkelingsraad  
Privaatsak X9083  
Waalstraat 27  
Kapaastad  
8000  
Tel: 021-4834197  
Faks: 021-4835433  
E-pos: [Jaustin@pawc.wcape.gov.za](mailto:Jaustin@pawc.wcape.gov.za)

Ukuba funa iikopie zongezelelweyo zoluxwebhu, qhagamshelana:

Iphondo LeNtshona Koloni: Ibodi Ye Western Cape Housing Development Board  
Western Cape Housing Development Board  
Private Bag X9083  
27 Wale Street  
Cape Town  
8000  
Umnxeba 021-4834197  
Ifekisi 021-4835433  
I-E-mail: [Jaustin@pawc.wcape.gov.za](mailto:Jaustin@pawc.wcape.gov.za)

## ANNUALREPORT2002/2003

### INDEX

	<u>Page</u>
ForewordbytheChairperson	3-4
Part1:      GeneralInformation	5-7
Part2:      HumanResourceManagement	8-9
Part3:      PerformanceoftheBoard	10-14
Part4      AnnualFinancialStatements	15-40

## FOREWORD BY THE CHAIRPERSON

It gives me pleasure to submit this report to the Provincial Minister: Housing, Ms Nomatyalanga.

The report covers the period 1 April 2002 to 31 March 2003 and incorporates the annual financial statements for the Western Cape Housing Development Fund.

I wish to emphasize once again that the Western Cape Housing Development Board does not have an infrastructure of its own and it does not control a budget. The Board works very closely with the Department of Housing as an independent arbiter to ensure the integrity of the housing delivery process within the Western Cape. The Board's main function is the evaluation and approval of housing development project proposals to ensure that they conform to the principles laid down in the Constitution, the Housing Act, 1997 [Act No 107 of 1997] the Western Cape Housing Development Act, 1999, the Housing Code and other legislation and policy prescriptions pertaining to housing. The Board also attempts to ensure that funds provided to improve the quality of life of the poorest of the poor are fully and properly spent. It was therefore very difficult for the Board to accept the fact that for the first time during the past five years, the Board under-spent the conditional grant by approximately 8%.

This under-expenditure can be attributed to the fact that 1 April 2002 saw the introduction of significant housing policy changes which have definitely impeded housing delivery.

- 1 The introduction of the National Home Builders Registration Council [N.H.B.R.C.] requiring a "homebuilder" [Contractor] to enroll the project with the N.H.B.R.C. and pay the necessary enrolment fees in order to obtain a five year warranty against building defects, is fully supported by the Board in that it places a responsibility upon the homebuilder to ensure that the house will be properly constructed.

The Board also supports the vision of a qualitative rather than quantitative approach to housing. However, to date, the N.H.B.R.C. has failed to define its minimum building standards for low-income housing within the Southern Coastal Condensation Area and not one project-linked [non-credit] subsidy application project incorporating N.H.B.R.C. enrolment with a five year warranty against building defects has been approved during the 2002/2003 financial year.

- 2 The requirement that beneficiaries who do not participate in a People's Housing Process project must make a minimum up-front contribution of R2479,00 towards the cost of their house is also fully supported as it ensures that beneficiaries do not sell their homes for a song as was the case prior to the introduction of the pre-emptive right clauses set out in Section 10[A]1 of the Housing Amendment Act 2001 [Act 4 of 2001]. By making a financial contribution toward the cost of their house, beneficiaries become proud homeowners and value what they receive. However there is still uncertainty as to whom should collect the contribution of R2 479,00—the municipality or the housing department? The timing as to when the payment is to be made is also contentious.

There can be little doubt that the factors set out in the fore-going paragraphs are blocking housing delivery and one asks "What is the way forward."

There has been a significant shift to assisted People's Housing Process projects where the community association is assisted by a secondary housing support organisation. Several such projects are currently under way and they must be carefully monitored to:

❖ determine whether the process is a reasonable one; and to

❖ ensure that the assisted People's Housing Process complies with all the relevant policy prescriptions, particularly the correct procurement procedures.

A better solution may well be to try and resolve the problems currently bugging contractor-built projects i.e. N.H.B.R.C. involvement and the R2479,00 payment by beneficiaries.

I am also pleased to record that the Board has taken a decision that no asbestos roof sheets shall be used on any new housing project approved after 1 January 2003. This will ensure that no workers will be subjected to the inhalation of asbestos fibres which can cause serious diseases of the lungs and other organs, the symptoms of which may only appear years after exposure occurred.

The Board, in conjunction with the Department, is also looking at introducing social housing to the Western Cape.

In conclusion I wish to thank Board Members, given their various fields of expertise, for their valuable inputs at Board meetings when dealing with project approvals, policy decisions as well as the many thorny issues relating to asset management. We also wish to thank senior officials and all the departmental staff for their co-operation and dedication in resolving housing problems.



**J.W.COETZEE**  
CHAIRPERSON

## **PART ONE: GENERAL INFORMATION**

### **1.1 Introduction by the Accounting Officer of the Western Cape Housing Development Fund**

Housing delivery in the Western Cape has been governed by three separate but interrelated entities since 1994, namely, the Western Cape Housing Development Board (Board), the Department of Housing (Department) and the Western Cape Housing Development Fund (Fund)

The Board was established in terms of section 5 of the Western Cape Housing Development Act 1999 (Act 6 of 1999) and is a provincial public entity in terms of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA).

The Board consists of only members as appointed by the Provincial Minister of Housing. It has no infrastructure, no budget and is not responsible for any expenditure. The administrative functions of the Board are performed by officials of the Department as stipulated in section 8(12) of the Housing Act, 1997 (Act 107 of 1997) and section 7(3) of Act 6 of 1999.

Though the Board is a juristic person and owner of assets, it must manage said assets in accordance with policies determined by the Provincial Minister and dispose of assets at market value, or, if not possible, at a price determined by the Provincial Minister. The Board is not at liberty to acquire properties – the acquisition of property can only be done at the request of the Provincial Minister.

The Fund was established in terms of section 13 of Act 6 of 1999. The Fund finances all projects and the subsidies approved by the Board.

In terms of section 12(2)(b) of the Housing Act and section 13(5) of Act 6, the Head of the Department is the Accounting Officer for the Fund.

The Board has no financial statements. The financial statements presented with this report are those of the Fund and incorporate the assets of the Board.

The Western Cape Housing Development Fund received a qualified report for the 2001/2002 financial year, one of the main reasons is the fact that the opening balances could not be verified and confirmed.

These balances can only be verified once the Financial Statements of the South African Housing Fund for the 1994/1998 and 1998/2000 financial years have been signed off by the Office of the Auditor-General and submitted to the National Assembly. The national Department of Housing up till now, after various correspondence, has not replied to matters of concern, such as the opening balances, the basis and the format in compiling the financial statements.

For above mentioned reasons the Department attempted to use the Financial Management System opening balances to compile the Annual Financial Statements for 2002/2003 financial year, with the approval, in principle, of the Auditor-General.

Though the Auditor-General did not have a problem in principle with this method in determining the opening balances, it was agreed after the submission of the Annual Financial Statements on 31 May 2003 between the Department and the Auditor-General that the opening balances of the Annual Financial Statements will be aligned with adjusted closing balances of the Annual Financial Statements of the previous year, and the comparative figures be restated.

The Department, because of the workload involved with the restatement, however, decided to rather redo the financial statements as per the previous format, in other words the opening balances as that of the closing balances of the previous year. This was done with the approval of the Office of the Auditor-General. For mentioned reasons the Annual Financial Statements for the Western Cape Housing Development Fund was resubmitted on 9 July 2003 as agreed upon with the Office of the Auditor-General.

## 1.2 **Mission Statement**

The Western Cape Housing Development Board subscribes to the aim of the Department of Housing, which is to promote and facilitate the provision of affordable and acceptable housing and related infrastructure.

## 1.3 **Legislative Mandate**

The following legislation and case law provide fundamental principles and guidelines upon which the decisions of the Board are based:-

□ The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996).

□ The Housing Act, 1997 (Act 107 of 1997).

□ The Housing Amendment Act, 2001 (Act 4 of 2001)

□ The Western Cape Housing Development Act, 1999  
(Act 6 of 1999)

□ Court Judgements – Government of the Republic of South Africa v Grootboom and others (2000ii] BLCR 1169 [CC])

Peter Ndlovu and Mpika Lawrence Ngcobo  
(Supreme Court Appeal Case No. 240/2001)

### **The functions of the Board, in terms of Act 6 of 1999, are to:**

Assist and support the Provincial Minister and the Department with the provision of housing and the promotion and facilitation of the integration of housing with other facets of development, within the framework of the national and provincial housing policy;

Consider and approve the financing of any project or programme which is in accordance with any national or provincial housing programme, with money paid into the Provincial Housing Development Fund in accordance with the multi-term programme approved by the Provincial Minister;

Investigate housing-related issues at the request of the Provincial Minister or the Head of the Department in order to advise the Provincial Minister;

Interpret and evaluate national and provincial policy with a view to applying it;

Advise the Provincial Minister on the granting of approval to municipalities for accreditation in terms of section 16(2) of the Western Cape Housing Development Act, 1999;

Subject to the policy determined by the Provincial Minister and in accordance with section 19 of the Western Cape Housing Development Act, 1999, manage the assets which pass to it in terms of section 6(2) and other assets acquired in terms of paragraph (g) or subsection (2), and dispose of the assets in a manner consistent with sections 14 and 15 of the Housing Act, 1997 (Act 107 of 1997); and

If requested by the Provincial Minister to do so, acquire immovable property.

### **The Board may –**

In conjunction with the Head of the Department and subject to section 7(2)(a) of the Western Cape Housing Development Act, 1999 and to procurement legislation, policy and practice that apply in the Province, contract in services that may reasonably be required by the Board to enable it to execute its duties effectively, and the cost of such services must be met by the Head of the Department out of money from the Fund;

Subject to the provisions in any law, and with the approval of the Provincial Minister responsible for financial matters, raise funds by borrowing from any source in or outside of the Republic by agreement or issuing debentures, bills and stocks, and funds so raised must accrue to the Fund;

In conjunction with the Head of Department, acquire immovable property

### **Accountability arrangements between the Head of the Department, the Board and the Fund**

The Head of the Department of Housing is the Accounting Officer for the Western Cape Housing Development Fund. Since the Head of the Department is the Accounting Officer of the Fund, the responsibility for all financial matters, such as



the allocation of funds to developers and municipalities and the recovery of revenue, vests with the Department.

## **PART TWO: HUMAN RESOURCE MANAGEMENT**

### **2.1 Personnel arrangements**

The Board does not have personnel within its employ. The administrative functions of the Board are performed by the Department of Housing.

### **2.2 Personnel costs and related information**

#### **MEMBERS OF THE BOARD**

In accordance with the Housing Amendment Act, 2001 (No. 4 of 2001) all provincial housing development boards were abolished as from 1 February 2002 and to be substituted by an Advisory Panel. As the Western Cape Housing Development Board was established in terms of the Western Cape Housing Development Act, 1999 (Act 6 of 1999) the Provincial Minister of Housing, Ms N.E. Hangana, extended the term of the members of the Board until such time that the new Western Cape Housing Development Advisory Panel is instituted after the amendment of the provincial housing development act. It is envisaged that this will take place during the 2003/2004 year.

The following are the members of the Board:

<b><u>Name</u></b>	<b><u>Capacity</u></b>
Mr J W Coetzee	Chairperson
Ms E Sprague	Vice Chairperson
Mr S Patel	Member
Ms P Motalengwe	Member

MsSSamaai	Member
MrNCvanBreda	Member
MsNWalker	Member
MrAEssop	Member

The members of the Board remained the same for the reporting period. The members of the Executive Committee are JW Coetzee, Ms E Sprague, Mr S Patel and Ms P Motalengwe.

### **Expenditure**

Expenditure in respect of the remuneration of Board members for the 2002/2003 financial year is: **R204,187.75**

### **Attendance at Board meetings:**

Board Members	Meetings Attended		
	Full Board	Exco	Special
Mr JW Coetzee	7	5	1
Ms E Sprague	7	5	1
Mr S Patel	8	5	1
Ms P. Motalengwe	5	4	1
Ms SSamaai	7		
Mr NCvanBreda	8		
Ms N Walker	7		
Mr A Essop	5		

## **PART THREE: PERFORMANCE OF THE BOARD**

### **3.1 Key Objectives**

**The key objectives of the Western Cape Housing Development Board for the period under review were as follows:**

- Facilitate the expenditure of the full conditional grant by considering and approving project proposals that comply in terms of national and provincial housing legislation and policy;
- The continuous implementation of a comprehensive asset management policy;
- The on-going updating and verifying of information regard Board property and the Debtor System;
- The on-going and accelerated transfer of Board properties to municipalities for purposes of housing development.
- The on-going management of Board assets with special reference to updating accounts and improving communication to debtors.
- The pro-active and re-active management of land invasion on Board properties.

### **3.2 Achievements**

A total of 14 meetings were held with 291 items being tabled before the Board.

### 3.3 Highlights

#### Funds allocated to Municipalities

Funds were reallocated to 27 municipalities and private developers to finance housing development within the province.

#### Housing Subsidies Administered

A total of 261 82 housing subsidies were approved for the period under review.

#### Houses built and under construction

A total of 20 500 houses were built or were under construction at the end of the period under review.

#### People's Housing Process Projects

The year under review saw an increase in the People's Housing Process as a housing delivery mechanism with an additional 42 housing projects being approved under this programme.

#### Effective Communication

Five workshops were held through the province on various policy matters. These were attended by 274 municipal officials and other stakeholders in housing.

#### Needs analysis of Municipal Officials

In addition to the aforementioned courses, an audit was undertaken at all municipalities to gauge the capacity of municipalities to administer housing related functions and to draw up a needs analysis and skills development plan for municipal officials.

#### Expenditure of the Conditional Grant for Housing

Funds in the amount of R342,963,629.35 were spent during the past year.

A consultant was appointed to investigate blockages to housing delivery and to formulate a strategy for accelerated housing delivery in the Province.

#### Development of Western Cape Housing Development Board Properties

A total of 150 Board properties were transferred to municipalities in terms of national and provincial housing legislation for housing development, including the Parow Park rental complex consisting of 521 flats.

A further process of transferring a total of 2247 properties to various municipalities

and other institutions was initiated.

Land (erven 5514 and 5515, in extent 1926 m<sup>2</sup> and 2563 m<sup>2</sup> respectively) was transferred at nominal cost to an institution, The Catholic Welfare and Development Organisation, for the provision of facilities for a village for assisted living at Weltevreden Valley.

Land [portion 8 of Farm 572, also known as Farmhoek van die Berg, in extent ±40 hectares] was allocated to historically disadvantaged businesses in Hawston for the social and economic upliftment of the previously disadvantaged communities.

#### Indigency Policy

A process of compiling an indigency policy, as part of the existing compendium of assets management policies, was started in accordance with the requirements of the national Department of Housing in terms of the Phasing Out Programme and relating to a similar policy of the City of Cape Town.

#### Sale of residential property

A policy was drafted and adopted for the sale of residential properties of the Board to beneficiaries in desperate need of housing.

#### Wallacedene re-development

The process of dedensification and upgrading of the Wallacedene Township, which is situated on Board property, was started. Investigation into the rehabilitation of existing services was completed.

Adjacent land [Blue Ridge Farm and Dr. Hassiem's property] has been acquired for this purpose, and the construction of some bulk services was started. A process to transfer the Board properties in Wallacedene to the City of Cape Town was initiated.

#### Handbook for the Upgrading of Informal Settlements

Informal communities occupy many of the Board's properties. The compilation of a practical, user-friendly handbook for the upgrading of informal settlements was completed and officially launched by the Minister on 25 February 2003. The handbook will assist municipalities to upgrade all existing informal settlements, not only those on Board properties, to acceptable standards. The contents of the handbook were workshopped across the Province with role players and interest parties and a presentation was made to the national Portfolio Committee on Housing.

#### Unlawful Occupation of Land

Pro-active operational actions prevented the establishment of new settlements on Board properties and prohibited the unlawful erection of at least 120 structures on it.

With reference to the Prevention of Illegal Eviction from and Unlawful Occupation of Land Act 19 of 1988 [PIE Act] and other related legislation, a document comprising of general notes and comments on orderly settlement management and land invasions was compiled and distributed to all municipalities and other role players. The purpose of the document is to provide a general guide on how to deal pro-actively and re-actively with the unlawful occupation of land. The document is available in electronic format and on the Department website.

### 3.4 Utilisation of funds

The aforementioned amount was utilised for the creation of housing opportunities. The funds were paid over developers and municipalities on the basis of certified performance on the ground and in line with predetermined milestones as stipulated in the respective contracts. The amounts disbursed for housing programmes are reflected in the financial statements.

### 3.5 Outputs and service delivery trends

#### Analysis of items considered by the Board

The following tables reflect meeting dates, the number of items considered, number of projects approved at the meeting and the subsidy value of the beneficiaries.

Date of Meeting	Items considered		Items Projects approved	Beneficiaries Approved	Subsidy Value of Beneficiaries
	AdHoc	Normal			
16/04/02	1	11	1	1161	R17095375.00
28/05/02	7	22	1	4128	R68712750.00
30/05/02	0	0	0	0	0
19/06/02	3	16	8	0	0
24/06/02	0	1	0	0	0
09/07/02	3	9	4	2347	R39681809.58
30/07/02	2	14	0	2218	R38687725.00
20/08/02	13	17	8	5087	R89034605.40
10/09/02	1	20	4	752	R13382550.00
15/10/02	3	26	5	2572	R42069325.30

05/11/02	4	38	13	2144	R34538980.50
26/11/02	3	26	7	1321	R21715652.00
18/02/03	8	10	5	2855	R46971641.90
19/03/03	5	28	6	1597	R24653190.50
<b>Total</b>	<b>53</b>	<b>238</b>	<b>62</b>	<b>26182</b>	<b>R436,543,605.10</b>

### **3.6 Capital Investments, maintenance and asset management plan**

#### **3.6.1 Fixed Assets**

Value: R404,4 million as at 31 March 2003 .

#### **3.6.2 Movable Assets**

Nil

#### **3.6.3 Acquisitions**

Nil

#### **3.6.4 Disposals**

A total of 150 Board properties were transferred to municipalities. The Parow Park rental complex was transferred to the City of Cape Town.

A total of 124 Board properties were transferred to individuals.

#### **3.6.4 Rehabilitation**

Nil

#### **3.6.5 Maintenance and Rates of properties**

A total of R10,240,637.46 was spent on municipal charges and maintenance costs of Board properties during the reporting period.





# **PARTFOUR:FINANCIALSTATEMENTS**

## **WESTERNCAPEHOUSING DEVELOPMENTFUND**

### **WESTERNCAPEHOUSING DEVELOPMENTBOARD**

**ANNUALFINANCIALSTATEMENTS  
Fortheyearended31March2003**

#### **INDEX**

## **CONTENTS**

## **PAGE/S**

APPROVAL	17
REPORT OF THE AUDITOR-GENERAL	18-31
ACCOUNTING POLICIES	32
BALANCE SHEET	33
INCOME STATEMENTS	34
STATEMENT OF CHANGES IN EQUITY	35
CASH FLOW STATEMENT	36
NOTES TO THE FINANCIAL STATEMENTS	37-38
DETAILED INCOME STATEMENTS	39-40

## **WESTERN CAPE HOUSING DEVELOPMENT BOARD**

### **APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

In terms of Section 55(1)(b) of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the preparation of the Annual Financial Statements of the Western Cape Housing Development Fund and all other information presented in this report are the responsibility of the Head of the Department/Accounting Officer.

The annual financial statements as set out on pages 32 to 40 have been prepared in accordance with generally accepted accounting practice, as applicable to the Housing

Fund and the rules of the Fund and are approved by the Head of the Department/Accounting Officer of the Department of Housing and are certified to the best of my knowledge to be true and fair.



**JWAFRICA**  
**HEAD OF DEPARTMENT/ACCOUNTING OFFICER**  
**DATE: 9 July 2003**

**WESTERN CAPE HOUSING DEVELOPMENT FUND (WCHDF)**

**REPORT OF THE AUDITOR-GENERAL TO THE EXECUTIVE AUTHORITY  
ON THE FINANCIAL STATEMENTS OF THE WESTERN CAPE HOUSING**

# DEVELOPMENT FUND (WCHDF) FOR THE YEAR ENDED 31 MARCH 2003

## TABLE OF CONTENTS

	<b>Page</b>
1. <b>AUDIT ASSIGNMENT</b>	20
2. <b>NATURE AND SCOPE</b>	20
3. <b>QUALIFICATION</b>	21
3.1 Trade and other receivables - Total outstanding debtors, R773,3 million: Note 2.1 to the financial statements	21
3.1.1 Differences in balances	21
3.1.2 Suspense Accounts	22
3.1.3 Credit Balances	22
3.1.4 Interest on debtors	23
3.1.5 Invalid Debtor	23
3.2. Property, plant and equipment, R404,4 million: Note 1 to the financial statements	24
3.3 Annual financial statements	24
3.3.1 Treasury reserves, R2,407 million as disclosed in the balance sheet	24
3.3.2 Cash flow statement	24
3.3.3 Change in accounting policy, R190000: note 4 to the financial statements	25
4 <b>DISCLAIMER OF AUDIT OPINION</b>	25
5 <b>EMPHASIS OF MATTER</b>	25
5.1 <b>Matter affecting the financial statements</b>	25
5.1.1 Provision for doubtful debt, R595,4 million: Note 2.1 to the financial statements	25
5.1.2 Trust accounts	26
5.1.3 Disposal of properties	26

# **WESTERNCAPEHOUSINGDEVELOPMENTFUND(WCHDF)**

## **REPORTOF THEAUDITOR-GENERALTOTHEEXECUTIVEAUTHORITY ONTHEFINANCIALSTATEMENTSOFTHEWESTERNCAPEHOUSING DEVELOPMENTFUND(WCHDF)FORTHEYEARENDED31MARCH2003**

### **TABLEOFCONTENTS(continued)**

<b>5.2</b>	<b>Mattersnotaffectingthefinancialstatements</b>	<b>27</b>
5.2.1	Procurement:Tenderawardedforhomeownersinsurance	27
5.2.2	Projects	28
5.2.3	NationalHomeBuildersRegistrationCouncil(NHBRC)enrolment	28
5.2.4	Financialmanagement	29
5.2.5	Latesubmissionoffinancialstatements	30
5.2.6	Internalcheckingandcontrol	30
5.2.7	Outstandingmattersarisingfromprioryear'saudit	30
<b>6.</b>	<b>APPRECIATION</b>	<b>31</b>



AUDITOR - GENERAL

# REPORT OF THE AUDITOR-GENERAL TO THE EXECUTIVE AUTHORITY ON THE FINANCIAL STATEMENTS OF THE WESTERN CAPE HOUSING DEVELOPMENT FUND (WCHDF) FOR THE YEAR ENDED 31 MARCH 2003

## 1 AUDIT ASSIGNMENT

The financial statements set out on pages 32 to 40 for the year ended 31 March 2003, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 13(7) of the Western Cape Housing Development Act, 1999 (Act No. 6 of 1999). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

## 2 NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

### 3. QUALIFICATION

#### Trade and other receivables - Total outstanding debtors, R773,3 million: Note 2.1 to the financial statements

##### 3.1.1 Differences in balances

(a) The following differences were noted in respect of debtors:

Debtors system	Financial Management System (FMS)	Difference
R735127745	R578812954	R156314791

In the above note total outstanding debtors was disclosed as R773,3 million, which resulted in material differences of R38,2 million compared to the balance as per the debtors system and R194,5 million compared to the balance as per the FMS. *(This matter was also reported on page 49, paragraph 5.1.1(a) of the previous year's annual report.)*

The accounting officer indicated that the difference in balances in respect of the Debtor System and Financial Management System would only be rectified if the 1994/1998 and 1998/2000 Annual Financial Statements are finalised by National Housing. A letter in this regard has been sent to the National Department of Housing. It was also resolved that the balances should be rectified on FMS to be aligned with the Debtor System and these balances would be used to compile the Annual Financial Statements for 2003/04. A meeting has been planned to clarify the matter of closing balances for 1998/2000.

(b) A complete list of debtors to support the disclosed amount of R773,3 million could not be submitted during the audit. The records maintained by the department in respect of the WCHDF did not permit for alternative audit procedures to be performed in order to test the accuracy of the debtor balance. Consequently, the information and explanations considered necessary to test the existence of trade and other receivables, which is comprised of debtors, could not be obtained.

The accounting officer indicated that a complete list of debtors would be submitted to the auditors after the necessary adjustments have been made to the balances.

(c) Differences of approximately R29 million occurred between the movement in debtors as per the debtors system movement report and the movements as per the FMS during the period under review.

The accounting officer indicated that the department is still in the process of investigating this transaction where upon it will be rectified.

### 3.1.2 Suspense accounts

- (a) Included in the total outstanding debtors are the following suspense accounts, which were not cleared at year-end:

Description of suspense account	Balance as at 31 March 2003 R
Loans Individuals Receipt Suspense	1882925
Inter-department transfer Receipt Suspense	503708
Inter-department transfer out Receipt Suspense	222
Post Office Receipt Suspense	3743467
Receipt Suspense Miscellaneous	16086289
<b>Total</b>	<b>22216611</b>

In reply to a management letter the accounting officer replied as follows:

• Loan Individuals Receipt Suspense Account: The account had a balance of R28 494 447 on 1 April 2002. The movement during the period under review amounted to R30 377 372, which included R25 315 557 that was allocated to a rental account and R5 061 815 that was allocated to the individual loan/sale/rental accounts. Discussions held with the provincial treasury regarding the unallocated receipts concluded that the money would be transferred to the Provincial Revenue Account but that this process would only be finalised during March 2004.

• Inter-department transfer Receipt Suspense: In an effort to clear this account, letters with supporting documentation indicating the amount owed to or payable by the WCHDF were issued to the relevant departments. However, feedback was not received from all the departments.

• Receipt Suspense Miscellaneous: No information could be found to clear this account as this balance was also brought forward from Department 70 on 1 April 2001.

The accounting officer furthermore indicated that the department is investigating the balances on the suspense accounts and that approval would be requested to allocate the monies to the General Account of the WCHDF.

### 3.1.3 Credit balances

Included in the total outstanding debtors referred to, are debtor accounts with credit balances. A credit amount of approximately R4,9 million, which was included in the debtors list, was identified during the audit but due to the large number of debtor accounts, the total rand value of debtors with credit balances could not be quantified and this resulted in the understatement of the amount disclosed as trade and receivables as well as payables by an unknown amount. *(This matter was also*



*reported on page 50, paragraph 5.1.1(c) of the previous year's annual report.)*

The accounting officer indicated that following the previous audit, the department has embarked on a proper data clean-up to address this problem. In the process many of the relevant cases were resolved and the necessary adjustments were made. Furthermore, he indicated that renewed efforts would be made to finalise this matter.

### **3.1.4 Interest on debtors**

#### **(a) Interest raised**

Interest raised during the period under review was calculated on the debtor balances as per the debtors system although significant differences existed between the balance as per the debtors system and the FMS. The accuracy of the interest raised could therefore not be verified. At the time of compiling this report a reply to a management letter was still awaited.

#### **(b) Interest raised in duplum**

The in-duplum rule states that the total interest raised on debt may not exceed the original capital balance. From a sample of 35 debtors tested, 27 cases were found where the in-duplum rule was not applied. As a result, interest of approximately R355660 was incorrectly raised.

The accounting officer indicated that the department is aware of this problem, which has already been taken up with the National Department of Housing. Furthermore, he indicated that this is a transversal matter affecting all the provinces and a specific "in duplum rule" function must still be provided for on the National Debtor System.

### **3.1.5 Invalid debtor**

An amount of approximately R201 658 was included in the debtor list at year-end on which rental and municipal charges were raised during the period under review. This debtor is, however, not a valid debtor of the WCHDF as it should be included in the debtors of another department.

The accounting officer indicated that the debtor previously formed part of the Own Affairs Administration's portfolio and the administration of these properties was done by way of the National Debtor System. The administration of these properties has subsequently been taken over by the department responsible for Property Management and the records on the National Debtor System should have been cancelled. Furthermore, he indicated that although steps have been taken to identify similar cases by way of discussions with the Property Management Department of the Province, the transfer of the records has not yet taken place.

### **3.2 Property, plant and equipment, R404,4 million: Note 1 to the financial statements**

The balance as per the property, plant and equipment audit report as per the debtor system amounted to approximately R413,3 million, resulting in a difference of approximately R8,9 million compared to the amount disclosed in the financial statements. A complete list of properties to support the amount of R404,4 million could not be submitted during the audit. The records maintained by the department in respect of the WCHDF did not permit for alternative audit procedures to be performed in order to test the accuracy of the property, plant and equipment balance. Consequently, the information and explanations considered necessary to test the existence of property, plant and equipment could not be obtained. *(This matter was also reported on page 49, paragraph 3.1.1(c) of the previous year's annual report.)*

The accounting officer indicated that the difference in balances in respect of the Debtor System and Financial Management System would only be rectified if the 1994/1998 and 1998/2000 Annual Financial Statements are finalised by National Housing. A letter in this regard has been sent to the National Department of Housing. It was also resolved that the balances should be rectified on FMS to be aligned with the Debtor System and these balances would be used to compile the Annual Financial Statements for 2003/04. A meeting has been planned to clarify the matter of closing balances for 1998/2000.

### **3.3 Annual financial statements**

Significant and material balances reflected in the financial statements could not be agreed to a trial balance as certain formulae, using both the FMS and Debtor system, were used to compute these values. This resulted in balancing figures and figures reflected as prior period adjustments, which is unexplained and could not be substantiated. The following serve as examples:

#### **3.3.1 Treasury reserves, R2 407 million as disclosed in the balance sheet**

Adjustments relating to changes in accounting policy have been made to treasury reserves. No explanation of what these adjustments represent could be obtained, and accordingly it could not be verified.

#### **3.3.2 Cash flow statement**

The cash flow statement has been compiled incorrectly as indicated by the following:

- The cash flow statement reflects prior period adjustments of approximately R424,3millionwhichisunexplainedandcouldnotbeverified.
- The conditional grant of R378,8 million is not reflected in the cash flow statement.

### **3.3.3 Change in accounting policy, R190 000: Note 4 to the financial statements**

There has been no change in accounting policy during the financial year, yet there is disclosure of such a change. The change in accounting policy could thus not be verified.

In respect of paragraph 3.3.1 to 3.3.3, the accounting officer indicated that the method used to compile the financial statements was the same method used to compile the previous annual financial statements since 1994. Furthermore, he indicated that the department embarked on an attempt to change the basis of compiling the annual financial statements, and submitted these financial statements on 30 May 2003. However, due to the change in the basis of preparing the financial statements, the department had to restate the previous years' figures accordingly. Due to the limited time available to perform this task, the department decided to revert back to the old method of preparing the financial statements. The department would, however, compile the annual financial statements for the 2003/04 financial year without using the formulae.

## **4. DISCLAIMER OF AUDIT OPINION**

Because of the significance of the matters referred to in paragraph 3, I do not express an opinion on the financial statements.

## **5. EMPHASIS OF MATTER**

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

### **5.1 Matters affecting the financial statements**

#### **5.1.1 Provision for doubtful debt, R595,4 million: Note 2.1 to the financial statements**

The provision for doubtful debt at year-end amounted to approximately R595,4 million in respect of total outstanding debtors of approximately R773,3 million. Therefore, 77% of total debtors is considered to be irrecoverable and is a source of serious concern.

The accounting officer indicated that it is common knowledge that the debtors are poor, unemployed and not in a position to pay debts. It is further a proven fact that the more pressure is put on payment of arrears the more the current commitments

are neglected. He furthermore stated that improvement of debt collection plans on its own would probably not have a significant improvement in the recovery rate due to the fact that the problem is one of huge socio-economic proportion. Nevertheless, there is a Debt Management Policy as well as debt recovery plans and actions are constantly under review to improve the situation. The short-term results appear to be positive but sustainability of regular payments in the present climate is, however, seriously doubted.

### 5.1.2 Trust accounts

(a) Eleven cases were tested and the following was identified:

- Bank reconciliation were not submitted on a regular basis. *(This matter was also reported on page 51, paragraph 5.2.1(c) of the previous year's annual report.)*
- In two cases the closing balance per the list of trust balances could not be confirmed with the conveyancers whom administer the trusts.
- In one case the funds were held in trust for a period longer than three months, resulting in non-compliance with the prescriptions of the National Housing Code.

The accounting officer indicated that due to personnel constraints, reconciliation of trust accounts were not done as prescribed by the National Housing Code. He indicated that an official has since been appointed to establish all the shortcomings in respect of the trust accounts and to update all relevant files with the required reconciliation and stated that it is an ongoing process and progress made is monitored on a monthly basis. Furthermore, he indicated that the department is currently negotiating with the conveyancer to verify their bank statements.

(b) The balance of all the trust accounts, which were included in the debtor balance of the previous financial year, was not included in the debtor balance of the current year. Due to various reasons, as mentioned above, the rand value of the funds held in trust could not be quantified and resulted in the understatement of trade and receivables by an unknown amount.

The accounting officer agreed that the balance of trust accounts was not included in the financial statements. He indicated that the reconciliation of all trust accounts is currently being investigated and only when completed, will the amount of money held in trust accounts be known. Furthermore, he stated that the total amount paid to conveyancers and administrators are reflected as expenditure in the income statement.

### 5.1.3 Disposal of properties

In ten of the cases tested, the deeds of sale, amounting to a total of R771 357, could not be obtained from the files. The accounting officer acknowledged the finding but indicated that the actual transaction took place as far back as 10 to 13 years ago but indicated that the department will, however, endeavour to rectify the

omissions on the files.

## **5.2 Matters not affecting the financial statements**

### **5.2.1 Procurement: Tender awarded for home owners insurance**

The following discrepancies were identified in respect of a tender awarded in respect of home owners comprehensive insurance:

- (a) An advertisement of the tender was, in addition to being placed in the Tender Bulletin, placed in only one newspaper.
- (b) The terms of reference of the specific tender could not be submitted for audit purposes.
- (c) A valid tax certificate relating to the successful tenderer could not be submitted during the audit.
- (d) The commission payable to the underwriter was not indicated in the tender document and could not be submitted during the audit.
- (e) The premium amount as per the approved tender amounted to R905 618. However, an amount of R1 256 389 was paid to the broker, resulting in a difference of R350 771.
- (f) Payment of the premium was made to the broker in his personal capacity and not to the institution to which the tender was awarded.
- (g) The payment was done with a manual cheque and the requisition for the manual cheque was recommended and approved by the same official.
- (h) The policy document could not be submitted during the audit and only a policy schedule could be obtained.

The accounting officer replied as follows to a management letter:

- (a) According to the tender regulations tenders must be advertised in the Government Tender Bulletin and advertisements in other media are left to the discretion of the department.
- (b) The original tender was approved by the Assets Committee during 1997 and was approved by the Western Cape Housing Development Board for extension for one year. When new tenders had to be requested, the tender conditions were extracted from historical data and used as a framework within which to advertise and assess tenders. Formal terms of reference will be framed for the renewal of the tender for the period 1 October 2003 to 30 September 2004.
- (c) The application for Tax Clearance Certificate was completed and the tendered was granted the opportunity to submit a original Tax Clearance

- Certificate within a 14 day period after closing of the tender.
- (d) The successful tenderer has been instructed to submit proof of the amount paid over to the underwriter.
  - (e) The difference between the schedule amount and the amount generated from the Debtor System could not be explained.
  - (f) The payment made to the broker in his personal capacity could not be explained.
  - (g) The system could not generate a cheque before the start date of the contract and therefore a handwritten cheque was issued. The department takes cognisance of the weakness in respect of the recommendation and approval by the same official and procedures are put in place to prevent repeat.
  - (h) The department inherited the practice of the successful tenderers submitting a pro forma policy document with the tender. This document becomes binding on the acceptance of the successful tenderer.

## 5.2.2 Projects

The following discrepancies were identified in respect of projects selected for testing:

- (a) No proof could be obtained that payments amounting to R6 299 376, which in terms of value added tax (VAT) legislation should be zero-rated, were subject to the payment of VAT or not.
- (b) Individual application forms totalling R777 800 (55 files from a sample of 70 files) could not be submitted during the audit.
- (c) The signed addendum, which indicates the approval of reducing a project originally approved for approximately R24,9 million (1 354 units) to approximately R7,3 million (399 units), could not be submitted during the audit.

The accounting officer replied as follows to a management letter:

- (a) The subsidy is zero-rated and the department is currently trying to locate the supporting documentation (invoices) in respect of the payments made.
- (b) The department is in the process of re-sorting the files and is currently trying to locate the required forms.
- (c) The department is still awaiting the signed addendum from the municipality and a reminder has already been sent in this regard.

At the time of compiling this report the outstanding documentation as indicated in (a) and (b) above, has not yet been received for audit purposes.

## 5.2.3 National Home Builders Registration Council (NHBRC) enrolment

In terms of the Housing Consumer Protection Measures Act, 1998 (Act No. 95 of 1998) all subsidised housing projects must be covered by the warranty scheme of the NHBRC as from 1 April 2002. Due to a delay in the finalisation of the agreement with the NHBRC, fifteen of the projects that were approved between October 2002 and April 2003, have not yet commenced at the time of the audit. The agreement with the NHBRC has subsequently been signed on 6 May 2003.

The accounting officer agreed with the finding and indicated that the signing of the agreement was a lengthy process of negotiation that involved legal representation.

He furthermore stated that the department is attempting to expedite approvals by the NHBRC by way of regular monitoring meetings.

## 5.2.4 Financial management

### (a) Internal audit

According to section 51(1)(a)(ii) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), all public entities to which these regulations apply, should have an internal audit function. During the year under review, internal audit did not perform any audits at the WCHDF. The Department of Housing is responsible for all administrative and financial functions of the WCHDF.

A query in this regard was addressed to the accounting officer of Vote 1 – Premier, Director-General and Corporate Services, the department within which internal audit is a component. In response it was indicated that, although the component was fully funded, the internal audit directorate could not perform audits at the Department of Housing due to a lack of capacity. Vacant posts were advertised during March 2002, but due to restructuring, a moratorium was imposed by cabinet on the filling of vacant posts. As a result, internal audit's efforts were focussed mainly on the departments of Social Services and Poverty Alleviation, Education and Health, being the three high-risk departments. This decision was based on a financial risk assessment, which indicated that 80% of the provincial budget for the 2002-03 financial year was allocated to the aforementioned departments. All available personnel resources were therefore allocated to the internal audits of those departments to provide maximum coverage.

It was further indicated that, with effect from 1 August 2003, the internal audit component would be transferred to the Provincial Treasury and that steps were underway to ensure that a functional internal audit service will be rendered during the course of the 2003-04 financial year.

### (b) Audit committee

- (i) On 4 May 2000, the provincial Minister of Finance, in accordance with the powers assigned to him in terms of sections 17(2) and 77(c) of the PFMA established a centralised audit committee for the Western Cape Province for a period of two years. The audit committee charter required that the audit committee meet not less than four times per calendar year to address internal audit issues. However, with

effect from September 2001, the audit committee has not been operational due to an inability to appoint qualified members.

- (ii) At a cabinet meeting held on 30 April 2003, a shared audit committee consisting of five members, was appointed for the period from 1 April 2003 to 31 March 2005. The shared audit committee would also perform all its assigned functions in terms of the national treasury regulations for all departments retrospectively from 1 April 2002 to 31 March 2003. Thereafter the departments of Social Services and Poverty Alleviation, Education and Health would each have to appoint their own audit committee as previously resolved by cabinet. The shared audit committee's functions would continue for the remainder of the departments of the Western Cape Province.

### **5.2.5 Late submission of financial statements**

The approved financial statements were submitted for audit purposes on 30 May 2003. The basis of preparation of the financial statements was changed from the previous year due to the fact that the department endeavoured to bring the figures on the financial statements in line with the FMS. However, due to the fact that the basis of preparation was changed from the previous year without restating the prior year figures, the financial statements were referred back to the department. During an audit steering committee meeting held on 24 June 2003 it was agreed that these financial statements would be amended and resubmitted. The amended financial statements were prepared on the basis of the previous year and the amended financial statements were submitted on 9 July 2003. Therefore, this is considered to be a late submission and a non-compliance with the requirements of the PFMA.

### **5.2.6 Internal checking and control**

Various control weaknesses and deficiencies were brought to the attention of the accounting officer by way of informal queries and a management letter. In reply to the management letter the accounting officer indicated corrective measures to be implemented which will be reviewed during the next audit.

### **5.2.7 Outstanding matters arising from prior year's audit**

- (a) Project-linked development

On page 53, paragraph 5.2.4 of the previous year's audit report, it was reported that an overpayment of approximately R1 million occurred in respect of the development of a housing project due to a contractor not complying with the provisions of a contract. During November 2000, the Housing Board resolved that the overpayments should be recovered from the local authority.

It was subsequently found that the amount had not yet been recovered from the local authority. The accounting officer indicated that the matter has been taken up



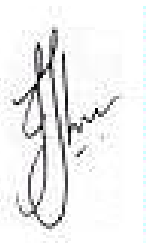
with the local authority and it has yet again undertaken to ensure that the funds are repaid.

(b) Individual subsidies

On page 51, paragraph 5.2.2 of the previous year's audit report, it was reported that the department suspended payments in respect of a project due to unsatisfactory service delivery by the contractor. The matter was referred to the State Attorney's Office and the accounting officer indicated that the department obtained a legal opinion in this regard, which was still being deliberated at the time of compiling this report.

## 6. APPRECIATION

The assistance rendered by the staff of the department during the audit is sincerely appreciated.



[Redacted box]

**ITHERON**  
*for Auditor-General*

## **WESTERNCAPEHOUSINGDEVELOPMENTFUND**

### **STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended 31 March 2003**

The financial statements have been, unless otherwise indicated, prepared in accordance with the following policies, which have been applied consistently in all material aspects. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) and the Treasury Regulations for Public Entities.

#### **1. BASIS OF PREPARATION**

The financial statements have been prepared in accordance with the Public Finance Management Act (1 of 1999, as amended by Act 29 of 1999). The accounting policies do not fully comply with the Statements of Generally Accepted Accounting Practice, however the statements have been prepared in accordance with generally accepted accounting practice insofar as the necessary information was available.

The financial statements have been prepared on the cash basis of accounting except where stated otherwise.

## 2. PROPERTY

Property, plant and equipment are stated at historical cost or at municipal valuation where no historical costs were available. Properties can be disposed of, by sale or transfer to the municipalities in accordance with the Housing Act, 1997 (Act No. 107 of 1997). Information gathered from the Audit File Report to determine the values has been extracted from the Debtors System Database.

## 3. TRADE RECEIVABLES

Trade receivable is carried at the anticipated realisable value in respect of rental debtors, outstanding loans to individuals and outstanding balances in respect of installment sale debtors. A provision for doubtful debts is created based on a review of all outstanding amounts at the end of the financial year. Information has been extracted from the Financial Management System.

## 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and calculated balances as per books maintained by the Western Cape Housing Development Fund. The balances cannot be verified as a result of the fund sharing a bank account with the Department of Housing.

## 5. RECOGNITION

Government grants from the national Department of Housing are recognized upon receipt thereof.

### WESTERN CAPE HOUSING DEVELOPMENT FUND

#### BALANCE SHEET AT 31 MARCH 2003 - OLD AND NEW BUSINESS

	<u>Notes</u>	<u>1 April 2002 to 31 March 2003</u>	<u>1 April 2001 to 31 March 2002</u>
		R'000	R'000
<b><u>ASSETS</u></b>			
<b><u>Noncurrent assets</u></b>		<b>404,445</b>	<b>412,968</b>
Property, plant and equipment	1	404,445	412,968
<b><u>Current assets</u></b>		<b>230,021</b>	<b>255,234</b>
Trade and other receivables	2	177,861	236,409
Cash and cash equivalents	3	52,160	18,825
<b><u>Total assets</u></b>		<b>634,466</b>	<b>668,202</b>
<b><u>EQUITY AND LIABILITIES</u></b>			

<b><u>Capitalandreserves</u></b>	<b>634,466</b>	<b>668,202</b>
Treasuryreserves	2,406,923	2,407,113
Accumulatedprofits/(losses)	(1,772,457)	(1,738,911)
<b><u>Totalequityandliabilities</u></b>	<b>634,466</b>	<b>668,202</b>

**WESTERNSCAPEHOUSINGDEVELOPMENTFUND**

**INCOMESTATEMENTFORTHEYEARENDED31March2003-NEWBUSINESS**

<u>Notes</u>	<u>1April2002to 31March2003</u>	<u>1April2001to 31March2002</u>
	<u>R'000</u>	<u>R'000</u>
FundsreceivedfromNationaldepartmentofhousing	378,860	325,861
Otheroperatingincome	3,929	-
Otheroperatingexpenses	(332,830)	(279,909)
<b>Netprofit/(loss)fortheperiod</b>	<b>49,959</b>	<b>45,952</b>

**WESTERNCAPHOUSINGDEVELOPMENTFUND**

**INCOMESTATEMENTFORTHEYEARENDED31March2002-OLDBUSINESS**

<u>Notes</u>	<u>1April2002to 31March2003</u>	<u>1April2001to 31March2002</u>
	R'000	R'000
Income	96,245	71,888
Administrativeexpenses	(178,441)	(69,170)
Otheroperatingexpenses	(1,309)	(18,551)
<b>Netprofit/(loss)fortheperiod</b>	<b>(83,505)</b>	<b>(15,833)</b>

**WESTERNCAPHOUSINGDEVELOPMENTFUND**

**STATEMENTOFCHANGESINEQUITYFORTHEYEARENDED31March2003  
OLDANDNEWBUSINESS**

	TreasuryReserves R'000	RetainedEarnings R'000	Total R'000
Balanceat31March2002	2,407,113	(1,738,911)	668,202
ChangesinAccountingpolicy (Note4)	(190)	-	(190)
Restated Balances	2,406,923	(1,738,911)	668,012
NetProfit/(Loss)fortheperiod	-	(33,546)	(33,546)
Balanceat31March2003	2,406,923	(1,772,457)	634,466

TreasuryReserves R'000	RetainedEarnings R'000	Total R'000
---------------------------	---------------------------	----------------

Balance at 31 March 2001	2,443,149	(1,769,030)	674,119
Changes in Accounting policy (Note 4)	(36,036)	-	(36,036)
Restated Balances	2,407,113	(1,769,030)	638,083
Net Profit/(Loss) for the period	-	30,119	30,119
Balance at 31 March 2002	2,407,113	(1,738,911)	668,202

**WESTERN CAPE HOUSING DEVELOPMENT FUND**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2003**  
**OLD AND NEW BUSINESS**

	<u>Notes</u>	<u>1 April 2002 to</u> <u>31 March 2003</u>	<u>1 April 2001 to</u> <u>31 March 2002</u>
		R'000	R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		96,132	79,519
Cash paid to suppliers		164,761	81,536
Cash generated from/(utilised in) operations		260,893	161,055
Interest received		1,561	1,468
<b>Net cash inflow/(outflows) from operating activities</b>	<b>5</b>	<b>262,454</b>	<b>162,523</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from disposal of property		8,523	4,235

<b>Net cash outflow from investing activities</b>		<b>8,523</b>	<b>4,235</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net proceeds from treasury reserves		186,610	71,075
<b>Net cash inflow/(outflow) from financing activities</b>		<b>186,610</b>	<b>71,075</b>
<b>Prior period adjustments</b>		<b>(424,252)</b>	<b>(205,794)</b>
<b>Net increase in cash and cash equivalents</b>		<b>33,335</b>	<b>32,039</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>18,825</b>	<b>(13,214)</b>
<b>Cash and cash equivalents at end of period</b>	<b>3</b>	<b>52,160</b>	<b>18,825</b>

**WESTERN CAPE HOUSING DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2003**  
**OLD & NEW BUSINESS**

	<u>Notes 1 April 2002 to</u> <u>31 March 2003</u>	<u>1 April 2001 to</u> <u>31 March 2002</u>
	R'000	R'000
<b>1. Property, Plant and equipment</b>		
Gross carrying amount (cost)/municipality values	412,968	417,203
Additions	2,232	1,341
Disposals	(10,755)	(5,576)
Gross carrying amount at end of year	<b>404,445</b>	<b>412,968</b>
<b>2. TRADE AND OTHER RECEIVABLES</b>		
Loans to individuals	177,861	235,595

Instalmentsale debtors		-	814
	2.1	<b>177,861</b>	<b>236,409</b>
<b>2.1 DEBTORS</b>			
Value of total outstanding debtors		773,308	655,244
Less provision for doubtful debt		595,447	418,835
Net value of trade and other receivables		<b>177,861</b>	<b>236,409</b>
<b>3. CASH AND CASH EQUIVALENTS</b>			
Cash on hand and bank balances		52,160	18,825
		<b>52,160</b>	<b>18,825</b>

**WESTERN CAPE HOUSING DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2003**  
**OLD BUSINESS & NEW BUSINESS**

	<u>1 April 2002 to</u> <u>31 March 2003</u>	<u>1 April 2001 to</u> <u>31 March 2002</u>
	R'000	R'000

**4. CHANGE IN ACCOUNTING POLICY**

The notes will differ between the different provinces

The causes for the change in accounting policies is as follows

1. Changes in statutes
2. Change in accounting standards
3. Change is required to more appropriate presentation of transactions

Disclosure



The effect of the change is an increase or decrease in net profit	(190)	(36,036)
	<b>(190)</b>	<b>(36,036)</b>

##### 5. RECONCILIATION OF NET PROFIT TO CASH GENERATED FROM OPERATIONS

###### **OLDBUSINESS**

Net profit/(loss)	(83,505)	(15,833)
Adjustments for:		
Provision for doubtful debts	176,612	68,793
Loss on disposal of property	1,323	2,112
Operating profit before working capital changes	<b>94,430</b>	<b>55,072</b>
Changes in working capital:		
(Increase)/decrease in accounts receivables	118,065	61,499
<b>Cash generated from operations</b>	<b>212,495</b>	<b>116,571</b>

###### **NEWBUSINESS**

Net profit/(loss)	49,959	45,952
<b>Cash generated from operations</b>	<b>49,959</b>	<b>45,952</b>

#### WESTERNCAPEHOUSINGDEVELOPMENTFUND

##### DETAILED INCOME STATEMENT FOR THE YEAR ENDED 31 March 2003 - OLDBUSINESS

	<u>1 April 2002 to</u> <u>31 March 2003</u>	<u>1 April 2001 to</u> <u>31 March 2002</u>
	R'000	R'000
<b>INCOME</b>	<b>96,245</b>	<b>71,888</b>
Rental	96,132	79,519
Interest	1,561	1,468
Redemption of Loans	639	838
Subsidy Raised	(4,083)	(10,357)
Royalties	423	-
Sundry income	1,573	420
<b>LESS: EXPENSES</b>	<b>(179,750)</b>	<b>(87,721)</b>
<i>Administration fees:</i>	<i>(178,441)</i>	<i>(69,170)</i>
Administrative fees	1,829	294
Thefts and losses	-	83

Provisionfordoubtfuldebts	176,612	68,793
<i>Otheroperatingexpenditure:</i>	<i>(1,309)</i>	<i>(18,551)</i>
Municipalcharges	4,557	6,551
Repairsandmaintenance	2,912	10,052
Rebates	-	96
Sundries	-	1
CapitalAdjustments	(8,319)	(1,781)
Subsidies	836	1,520
Lossondisposalofproperty	1,323	2,112
<b>NETPROFIT/(LOSS)FORTHEPERIOD</b>	<b>(83,505)</b>	<b>(15,833)</b>

This scheduledoesnotformpartoftheAnnualFinancialStatements

**WESTERNCAPEHOUSINGDEVELOPMENTFUND**

**DETAILEDINCOMESTATEMENTFORTHEYEARENDED31MARCH2003-NEWBUSINESS**

	<u>1April2002to</u> <u>31March2003</u>	<u>1April2001to</u> <u>31March2002</u>
	R'000	R'000
<b>INCOME</b>	<b>382,789</b>	<b>325,861</b>
GrantreceivedfromNationalDepartmentofHousing	378,860	325,861
OtherOperatingIncome:PreviousExpenditure	3,929	-
<b>LESS:EXPENSES</b>	<b>(332,830)</b>	<b>(279,909)</b>
Project-linkeddevelopment	191,414	253,266
TransferCosts	381	1,547
DepartmentalProjects	761	5,813
DisasterRelief	156	2,842
Individualsubsidies	3718	3,904
ReturnedSubsidies	-	(1,084)
InstitutionalSubsidies	109	603
HousingAid	42 2,908	1,737

Upgrading of Hostels	6,571	2,711
Special Programmes: Islp	126,812	8,570
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>	<b>49,959</b>	<b>45,952</b>

This schedule does not form part of the Annual Financial Statements