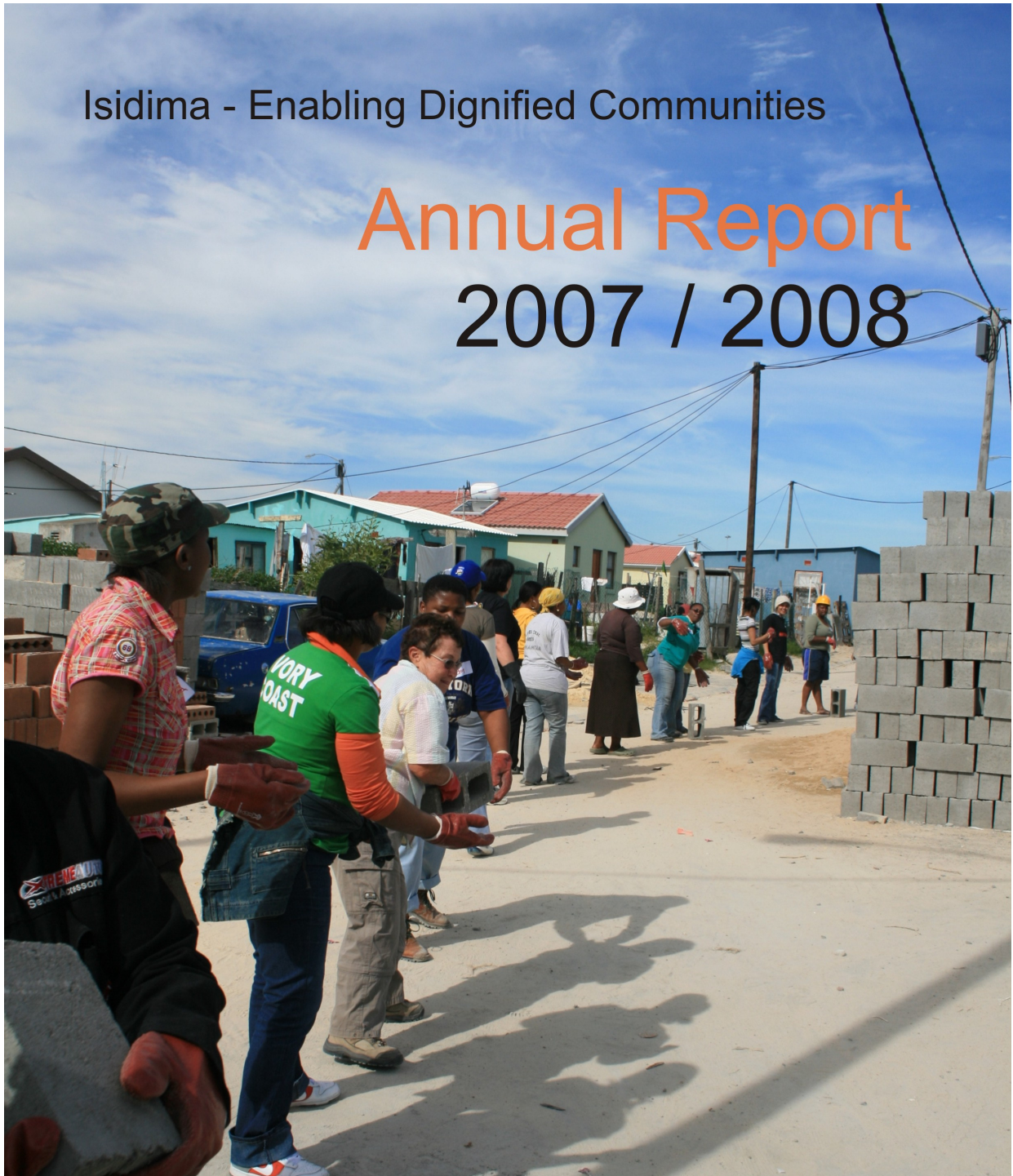


Isidima - Enabling Dignified Communities

Annual Report 2007 / 2008



Western Cape
Housing Development Fund

Western Cape Housing Development Fund

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This report will also be made available in Xhosa and Afrikaans on request.

INDEX

<u>Contents</u>	<u>Page</u>
Part 1: General Information	4 - 5
Part 2: Report of the Audit Committee	6 - 7
Part 3: Index	8
Report of the Auditor-General	9 - 12
Report of the Accounting Officer	13 - 14
Annual financial statements	15 - 22

Western Cape Housing Development Fund

PART 1: GENERAL INFORMATION

1. General Information

1.1 Submission of the Annual Report to the Executive Authority

I have the honour of submitting the 2007/2008 Annual Report of the Western Cape Housing Development Fund in terms of the Public Finance Management Act, 1999.



(Ms) Shanaaz Majiet
Accounting Officer
Date: 25 July 2008

1.2 Introduction by the Head of Department

The Western Cape Housing Development Fund was established in terms of Section 13 of the Western Cape Housing Development Act 6 of 1999 and currently consists of the assets that previously belonged to the Western Cape Housing Development Board.

The National Department of Housing published the Housing Amendment Bill 2006 on 20 December 2006 for information and comments before February 2007. The Draft Bill provides, amongst others for the disestablishment of the South Africa Housing Fund and the Provincial Housing Funds. Currently the comments and information received on the Draft Bill are being processed by the National Department of Housing.

The assets, i.e. debtors and properties, that are reflected in the annual financial statements of the Western Cape Housing Development Fund, devolved from previous organs of state and statutory bodies such as the Administrator of the Cape of Good Hope, and the Development and Housing Boards of the erstwhile Own Affairs administrations. This devolvement did not happen in a single event, but occurred subsequent to various amendments in housing legislation since 1993. This led to a myriad of problems relating to, inter alia, the amalgamation of asset management- and filing systems, policies, physical availability of files and supporting documentation, etc.

These problems were highlighted during previous audits, and manifested in symptoms such as the non-availability of files and supporting documentation, the misalignment between the Department's Basic Accounting System and the National Debtors System, the understatement of values of properties in the financial statements, etc., which were also included in the 2006 SCOPA recommendations. In order to address these problems holistically the Department embarked on a

Western Cape Housing Development Fund

drive to sanitize its debtors and property records, and to implement a comprehensive file management system.

Proper and regular reconciliation's were performed to minimise system misalignments and the Department was successful in negotiating a higher materiality threshold in line with the Fund's asset base. Due to all these efforts, the Department was rewarded in that the Fund had a qualified audit opinion in 2007/08, which is a marked improvement if one considers the disclaimers of the previous years.

A very important role player in the correcting and updating of the property- and debtor records is the national Department of Housing, who is the owner and system controller of the National Debtors System on which the data is stored and managed. The Department is working closely with the national Department to ensure that the actions of the respective Departments are aligned and that problems are resolved timeously. As the current state of affairs, i.e. another department being the controller and manager of this department's data, is not an ideal situation, the Department is considering to acquire its own system on which the data, once it has been sanitized and updated, could be transferred and managed.

The sanitization of the debtors and the updating of the property register form part of the Department's strategy of eventually winding up and closing the Housing Fund.

Western Cape Housing Development Fund

PART 2: REPORT OF THE AUDIT COMMITTEE

PROVINCIAL GOVERNMENT WESTERN CAPE: WESTERN CAPE HOUSING DEVELOPMENT FUND, AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

We are pleased to present our report for the above-mentioned financial year.

Appointment of the Audit Committee

Commencing 1 January 2008 the Western Cape Housing Development Fund is served by the Governance and Administration Cluster Audit Committee, under Cabinet Resolution 55/2007.

Audit Committee Members and Attendance

No formal meetings for the Governance and Administration Cluster Audit Committee were held for the period 1 January 2008 to 31 March 2008.

Audit Committee Responsibility

The Governance and Administration Cluster Audit Committee commenced discharging its responsibilities arising from section 38(1) (a) of the PFMA and Treasury Regulation 3.1.13 and 27(1) (10) with effect 1 January 2008, which was the effective date of the Committee's appointment. The Governance and Administration Audit Committee has also regulated its affairs and discharged its responsibilities in terms of the Audit Committee Charter.

Effectiveness of Internal Control

Internal Audit Function

Internal Audit activities for the Western Cape Housing Development Fund commenced in January 2008.

Internal Control

The evaluation of internal control comprises an evaluation of:

- The adequacy of the design of the control environment;
- The extent of compliance to established policies, procedures and applicable legislation; and
- The efficiency and effectiveness of controls implemented by management to achieve the overall departmental objectives.

In line with the ad-hoc request from the Western Cape Housing Development Fund the internal audit effort was focused on assessing design and compliance for the following processes:

1 Trade Debtors and Property Management

Based on the results of the above audits, the system of internal control is adequate; however in some instances it was not operating as intended for the year under review, as compliance with certain prescribed policies, procedures and systems was lacking. This includes the National Debtors System.

Internal Audit received commitment from Management to implement corrective action on weaknesses identified.

Enterprise Risk Management

Enterprise Risk Management is driven by the parent department and is at an early stage of implementation. The Governance and Administration Cluster Audit Committee is monitoring the progress of implementation on a quarterly basis.

Evaluation of Financial Statements

The Governance & Administration Cluster Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the Auditor-General and the Accounting Officer;
- Reviewed the Auditor-General's management letter and management's response thereto; and
- Reviewed significant adjustments resulting from the audit.

The Governance & Administration Cluster Audit Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements read together with the report of the Auditor-General be accepted.

Appreciation

The Audit Committee wish to express their appreciation to the Provincial Treasury, Officials of the Department, the Auditor General and the Internal Audit Unit for the information they have provided for us to compile this report.



Mr. P.C. Jones
Chairperson of the Governance and Administration Cluster Audit Committee
Date: 6 August 2008

PART 3: ANNUAL FINANCIAL STATEMENTS

WESTERN CAPE HOUSING DEVELOPMENT FUND

ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

INDEX

<u>Contents</u>	<u>Page</u>
Report by the Auditor-General	9 - 12
Report by the Accounting Officer	13 - 14
Statement of Financial Position	15
Statement of Changes in Net Assets	16
Accounting Policies	17 - 19
Notes to the Financial Statements	20 - 22

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE WESTERN CAPE HOUSING DEVELOPMENT FUND FOR THE YEAR ENDED 31 MARCH 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

- 1 I have audited the accompanying financial statements of the Western Cape Housing Development Fund which comprise the statement of financial position as at 31 March 2008, statement of changes in net assets, and a summary of significant accounting policies and other explanatory notes as set out on pages 15 to 22.

Responsibility of the accounting officer for the financial statements

- 2 The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in note 1 to the financial statements, and in the manner required by Auditor-General Audit Circular 1 of 2007 and in terms of section 14(1) of the Western Cape Housing Development Act, 1999 (Act No. 6 of 1999). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

- 3 As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 13(7) of the Western Cape Housing Development Act, 1999, my responsibility is to express an opinion on these financial statements based on my audit.
- 4 I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
- 5 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- 6 An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
- 7 I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

- 8 The unlisted entity's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in note 1 to the financial statements.

Basis for qualified opinion

Property

- 9 Included in note 2 are properties with a projected value of R51 million which are registered in names other than that of the entity and to which the entity does not have right and ownership. The closing balance of property is thus misstated by an equivalent amount.
- 10 Projected errors between valuation certificates for properties and their value/cost on the property register amounted to R10,5 million. The closing carrying value of property is consequently understated by an equivalent amount.

Qualified opinion

11. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements of the Western Cape Housing Development Fund as at 31 March 2008 have been prepared, in all material respects, in accordance with the basis of accounting as set out in note 1 to the financial statements and in the manner required by the section 14(2) of the entity's enabling legislation.

OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Internal controls

- 12 The accounting officer should, as best practice, ensure that the unlisted entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Property	■			■	■

Control environment: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

Control activities: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.

Information and communication: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allow people to carry out their financial reporting duties.

Monitoring: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

Matters of governance

13 Fundamental to financial and risk management and internal control, is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
The unlisted entity had an audit committee in operation throughout the financial year.		■
The audit committee operates in accordance with approved, written terms of reference.		■
The audit committee substantially fulfilled its responsibilities for the year, as set out in its charter		
Internal audit		
The unlisted entity had an internal audit function in operation throughout the financial year.		■
The internal audit function operates in terms of an approved internal audit plan.		■
The internal audit function substantially fulfilled its responsibilities for the year, as set out in its charter.		■
Other matters of governance		
The annual financial statements were submitted for audit within the deadlines set out in Audit circular 1 of 2007.	■	
The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		■
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information.		■
The prior year's external audit recommendations have been substantially implemented.	■	

OTHER REPORTING RESPONSIBILITIES REPORT ON PERFORMANCE INFORMATION

14 I was engaged to review the performance information.

Responsibility of the accounting officer for the performance information

15 The accounting officer has additional responsibilities as required by section 14(2)(b) of the PAA and Auditor-General Audit Circular 1 of 2007 to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the entity.

Responsibility of the Auditor-General

16 I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

17 In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

18 I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

19 The entity has not reported performance against predetermined objects as it is currently dormant and all objectives are reported in the annual report of the Western Cape Department of Local Government and Housing.

APPRECIATION

20 The assistance rendered by the staff of the Western Cape Department of Local Government and Housing during the audit is sincerely appreciated.

Auditor - General

Cape Town

31 July 2008



A U D I T O R - G E N E R A L

Western Cape Housing Development Fund

Report by the Accounting Officer

The Western Cape Housing Development Fund was established in terms of section 13 of the Western Cape Housing Development Act, 1999, (Act No. 6 of 1999) and in accordance with section 14 (1) (f and g) of the Act, the Fund is compelled to compile and submit financial statements. In terms of section 12 (2) (b) of the Housing Act, 1997, (Act No. 107 of 1997) and section 13 (5) of Western Cape Housing Development Act, 1999, the Head of the Provincial Department of Local Government and Housing is the Accounting Officer of the Fund. In terms of section 55(1) (b) of the Public Finance Management Act, 1999, (Act No. 1 of 1999) (as amended by Act No. 29 of 1999) (PFMA), 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. As of 17 March 2008, the Accounting Officer is assisted by a dedicated Chief Financial Officer for the Fund.

In accordance with schedule 3 of the PFMA, the Western Cape Housing Development Fund never existed as a public entity, however the Western Cape Housing Development Fund existed in terms of section 13 of the Western Cape Housing Development Act, 1999 and therefore in accordance with section 12 (2) (d) of the Housing Act, 1997 is compelled to compile financial statements. In light of the aforementioned, Treasury was notified in terms of section 47 (2) of the PFMA that the Western Cape Housing Development Fund is an unlisted public entity.

On 20 December 2006 the National Department of Housing published the Housing Amendment Bill 2006 for information and comments before February 2007. The Draft Bill provides, amongst others for the disestablishment of the South Africa Housing Fund and the Provincial Housing Funds. The National Department of Housing has considered the comments received on the Bill and submitted the final draft to the Minister of Housing for consideration during May 2008. If approved by the Minister of Housing the Bill will be submitted to Cabinet.

The assets, i.e. debtors and properties that are reflected in the annual financial statements of the fund devolved from previous organs of state and statutory bodies such as the Administrator of the Cape of Good Hope, and the Development and Housing Boards of the erstwhile Own Affairs administrations. This devolvement did not happen in a single event, but occurred subsequent to various amendments in housing legislation since 1993. This led to a myriad of problems relating to, inter alia, the amalgamation of asset management and filing systems, policies, physical availability of files and supporting documentation, etc.

The Department undertook a number of initiatives to address the identified shortcomings, and has since made significant progress in correcting the wrongs and updating the records. An example of this is the updating of the Department's property register and market values on the National Debtor System. During the 2007/08 financial year the Department embarked on updating the property register to reflect the true value (municipal valuation) of the properties. This resulted in the Fund's property value increasing from R 231 million in the 2006/07 financial year to R 3,617 billion in the 2007/08 financial year. Refer to note 2 in the Annual Financial Statements.

A very important role player in the correcting and updating of the property- and debtor records is the national Department of Housing, who is the owner and system controller of the National Debtors System on which the data is stored and managed. The Department is working closely with the national Department to ensure that the actions of the respective Departments are aligned and that problems are resolved timeously. After several meetings with the National Department of Housing, it was indicated that it would be more prudent to upgrade the existing National Debtor System as the Fund is in the process of being phased out.

It is very important to note that the Western Cape Housing Development Fund's financial status was reflected within the disestablished Western Cape Housing Development Board's annual report and the Fund's financial transactions formed an integral part of the financial records of the Department, therefore certain transactions were extracted to compile financial statements for the Fund.

Western Cape Housing Development Fund

For the past five financial years (2003/04, 2004/05, 2005/06 and 2006/07 and 2007/08) the Western Cape Housing Development Fund was dormant, and as such all expenditure related to assets was expensed under programme 2: Housing of the Department of Local Government and Housing. The income that derived from the assets (loans, sales and rentals) was paid over to the Provincial Revenue Fund and was appropriated in the budget of Vote 8: Local Government and Housing to manage the assets.

The Western Cape Housing Development Fund's transactions in respect of assets and income (loans, sales and rentals) were processed via the National Debtor System Database, which interface into the Department's Basic Accounting System (BAS).

The employees of the Directorates: Asset Management and Financial Management within the Department of Local Government and Housing administer the Fund. The Debtor System is a sub-system that captures all transactions related to debtors and properties that interface into BAS.

The annual financial statements as set out on pages 15 to 22 have been prepared in accordance with the entity-specific basis of accounting, as applicable to the Western Cape Housing Development Fund and the Rules of the Fund and are approved by the Head of Department of the Department of Local Government and Housing as the Accounting Officer and are certified to the best of my knowledge to be true and fair.



S Majiet

HEAD OF DEPARTMENT / ACCOUNTING OFFICER

25 July 2008

Western Cape Housing Development Fund

Statement of Financial Position (SPO) as at 31 March 2008

	Notes	2008 R'000	2007 R'000
Assets			
Non Current Assets			
Property	2	3,617,446	230,888
Trade and other receivables	3	178,976	209,388
Amount receivable	5	48,924	49,736
		<u>227,900</u>	<u>259,124</u>
Total Assets		<u>3,845,346</u>	<u>490,012</u>
Equity and Liabilities			
Equity			
Accumulated reserve		403,713	457,764
Revaluation reserve	6	3,424,177	12,046
		<u>3,827,890</u>	<u>469,810</u>
Current Liabilities			
Trade and other payables	4	17,456	20,202
Total Equity and Liabilities		<u>3,845,346</u>	<u>490,012</u>

Western Cape Housing Development Fund

Statement of Changes in Net Assets as at 31 March 2008

		Revaluation Reserve	Accumulated Reserve	Total equity
	Note	R'000	R'000	R'000
Balance at 01 April 2006		12,046	588,744	600,790
Prior period adjustment to align system balances		-	16,422	16,422
Prior period adjustment to amend erroneous recording		-	(17,507)	(17,507)
Restated balance at 01 April 2006		12,046	587,659	599,705
Movement in Accumulated Funds	7	-	(55,213)	(55,213)
Movement in Contra Accounts	7	-	(74,682)	(74,682)
Balance at 31 March 2007		12,046	457,764	469,810
Movement in Accumulated Funds	7	-	(43,120)	(43,120)
Movement in Contra Accounts	7	-	3,401,200	3,401,200
Revaluation for the year		3,412,131	(3,412,131)	-
Balance at 31 March 2008		3,424,177	403,713	3,827,890

Western Cape Housing Development Fund

Notes to the Financial Statements for the year ended 31 March 2008

Accounting policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the following policies on the entity specific accounting basis, as determined by the Auditor-General Audit Circular 1 of 2007 and the requirements of the Public Finance Management Act, 1999 (Act No.1 of 1999 (as amended by Act 29 of 1999)(PFMA). The following are the principal accounting policies which are consistent in all material aspects with those applied in the previous financial year except as stated otherwise.

Although the Fund exists in terms of section 13 of the Western Cape Housing Development Act, 1999 (Act No. 6 of 1999), according to the PFMA it never existed as a public entity, however in accordance with section 47 (2) of the PFMA the Accounting Authority gave notification to National Treasury that the Western Cape Housing Development Fund is an unlisted public entity.

1.1 Basis of Preparation

The financial statements are prepared on the going concern basis using the accrual basis of accounting, except as stated otherwise. Under the accrual basis of accounting, transactions and other events are recognised when incurred and not when cash is received or paid.

The Fund is currently not acquiring additional properties neither is it granting loans. It is essentially dormant.

1.2 Significant judgments

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant judgments include allowance for doubtful debt.

1.3 Property

Property consists of land and buildings.

Initial recognition

There are two ways in which the Fund can acquire property:

- 1) Properties were acquired initially when the Provincial Housing Development Board of the Western Cape was abolished on 1 November 2005 in terms of section 6(2) of the Western Cape Housing Development Amendment Act, 2005 (Act No. 2 of 2005).
- 2) Properties were acquired when the National Government transfers property to the Provincial Government in terms of section 14 of the Housing Act, 1997 (Act No.107 of 1997).

In the accounting records of the Fund properties of the former Board was recorded on promulgation of the Western Cape Housing Development Act, 1999 (Act No.6 of 1999).

Subsequent measurement

In the prior period, properties were held at either the historical cost or the basic cost. As from the 2007/08 financial year the properties owned by the Fund are either held at its municipal value or at its basic cost, if the municipal value of the properties could not be ascertained. Basic cost may include acquisition cost, historical cost and any improvement cost, where applicable.

Western Cape Housing Development Fund

Notes to the Financial Statements for the year ended 31 March 2008 Accounting policies

Properties held at the municipal value and at the basic cost is reconciled as follows:

	Units	Value R'000
Number of properties held at municipal value	16,145	3,574,000
Number of properties held at basic cost	<u>1,726</u>	<u>43,000</u>
Total properties	<u>17,871</u>	<u>3,617,000</u>

Depreciation

The Fund does not depreciate property.

Impairment

The Fund does not make separate assessments for impairment; however any decreases in the valuation are regarded as impairments. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.4 Trade and other receivables

The receivables of the Fund, which include accrued interest, originate from the three main sources as listed below.

1. Housing loans
2. Sale of property
3. Rentals

Housing loans

Historical debtor balances represent outstanding amounts not allocated to a specific debtor account. (Debtors in the suspense account). The Fund stopped issuing new housing loans in 2001.

Sale of property

Sale debtors are similar in principle to housing loans. The main difference is that housing loans were issued for building purposes. A sale is recorded on signature of the deed of sale. The selling price is usually the municipal value but for certain specifically identified areas, the selling price is a discounted price determined by the MEC.

On initial recognition trade and other receivables are measured at the selling price (municipal value or discounted price), and are subsequently measured at recoverable amount. Recoverable amount being the amount initially recorded less any amounts that have been outstanding for more than 120 days.

Loans are derecognized when payment is received as settlement or when they are written off.

Rentals

On finalization of the lease agreement, a debtor account is created and every month a journal is raised to accrue for rentals as per the rental agreement. Subsequently rental debtors are measured at recoverable amount. Recoverable amount being the amount initially recorded in terms of the lease agreement less any amounts that have been outstanding for more than 120 days.

Rental debtors are derecognised when payment is received or when they are written off.

Western Cape Housing Development Fund

Notes to the Financial Statements for the year ended 31 March 2008 Accounting policies

Interest receivable

The “Induplum Rule” is applied and therefore interest is levied up to the point where the total interest levied equals the capital amount of the loan.

1.5 Allowance for doubtful debts

The allowance for doubtful debts is determined based on overdue debtor amounts older than 120 days as extracted from an age analysis report for the financial year under review. Furthermore to the allowance, where individual debtors have been identified as irrecoverable, an allowance has been raised. This estimate of irrecoverable amounts is recognised directly in accumulated reserves.

Debts are written off in accordance with the Department’s Write-off policies.

1.6 Trade and other payables

Trade payables consist of debtors with credit balances that have been reclassified.

Western Cape Housing Development Fund

Notes to the financial statements for the year ended 31 March 2008

	Notes	2008	2007
		R'000	R'000
2. Property			
Opening net carrying amount		230,888	229,269
Deletions*		(25,029)	-
Disposals		(14,110)	(11,619)
Devolution		-	(7,397)
Revaluation		3,412,131	-
Sales Reversed		13,566	20,635
Closing carrying amount		<u>3,617,446</u>	<u>230,888</u>

A register containing information on the property owned by the Fund is available for inspection at the registered address.

*An update of the property listing included in the National Debtors System (NDS) was performed after a thorough investigation was conducted during the 2007/2008 financial year. This update required that certain properties be deleted for the following reasons:

- Properties that are no longer in the name of the Fund
- Properties that have been duplicated in the listing
- Properties that does not exist (consolidated into a single erf)

The total value of the properties deleted has been removed from the property listing as indicated above.

Properties per the property register are classified per the use status of the property. Three main status categories are indicated below:

	Units	Value
Property Status		R'000
Let	2,055	440,087
Departmental use	6	14,808
Not in use	15,810	3,162,551
Total properties	<u>17,871</u>	<u>3,617,446</u>

Let – this category consists of properties from which rental income is derived by supplying these properties to rental debtors.

Departmental use – this category consists of properties owned by the Fund, which are utilised by the department.

Not in use – this category consist of vacant properties.

Western Cape Housing Development Fund

Notes to the financial statements for the year ended 31 March 2008

3. Trade and other receivables	2008	2007
	R'000	R'000
Housing loans debtors	391,904	373,875
Sale debtors	74,358	77,390
Rental debtors	30,516	32,853
Other historical debtor balances	78	30
	<u>496,856</u>	<u>484,148</u>
Less: Allowance for doubtful debts	(317,880)	(274,760)
	<u>178,976</u>	<u>209,388</u>

The non-current assets include trade and other receivables payable over a period of 1 to 30 years. However, included in this balance are current debtors amounting to R 55 million (2007/2008) and R 42 million (2006/2007) payable within 12 months.

4 Trade and other payables

Debtor with credit balances	<u>17,456</u>	<u>20,202</u>
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Trade payables consist of debtors with credit balances that have been reclassified.

5. Amount receivable	<u>48,924</u>	<u>49,736</u>
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This represents the amount due by the Western Cape Department of Local Government and Housing for cash held in the Department's bank account.

6. Revaluation Reserve	<u>3,424,177</u>	<u>12,046</u>
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The revaluation reserve is as a result of the basic cost of the properties held by the Fund being adjusted to the most recent municipal values as determined by the relative municipality. A significant exercise was performed in the current financial period in order to provide a more accurate value of the properties owned by the Fund.

It is to be noted that in certain instances, the municipal value could not be determined and it is the policy of the Fund to carry these properties at its basic cost until the respective municipal values have been accurately determined. The total value of properties held at its basic cost amounts to R43, 088m.

Western Cape Housing Development Fund

Notes to the Financial Statements for the year ended 31 March 2008

7. Movement in Accumulated Funds and Contra Accounts

The movement in Accumulated Funds and Contra Accounts is reflected in the Statement of Changes in Net Assets because of the following reasons:

- Since the approval of the dissolution of the Provincial Housing Development Fund on 1 April 2003, the Conditional Grant, expenditure relating to the Fund and receipt of income are reflected in the Department's annual financial statements. The grant is still used to "extinguish" debtors raised in the books of the Fund therefore the Contra Account is used to complete the double entry.
- The Fund and the Department use different basis of accounting. The Fund uses the accrual basis and the Department uses modified cash basis. The Fund accrues for debtors, (sale debtors, rentals and housing loans) which are reversed when the Department receipts the cash and recognises the income in its own records. The Contra Account is used to complete the double entry by the Fund when raising accruals (since the Fund does not have an income statement). Therefore at year-end, included in the Contra Account will be amounts raised as debtors where payment has not yet been received.
- The Contra Account is also used to facilitate the double entry principle for profits/ losses on sale of property, the revaluations of properties, and interest received and accrued as the fund does not have an income statement. Including in this movement are profit and losses on the sale of properties amounting to net profits of R 17,2 million (2007/2008) and R 17,4 million (2006/2007).
- The Accumulated Funds is used to facilitate the double entry for the movement in the allowance for doubtful debts.

8. Cash-flow statement

No cash flow statement has been prepared, as the Fund does not have a bank account.

9. Statement of Financial Performance

No statement of financial performance has been prepared because all expenditure and income that is generated from the Fund's assets accrues to the Department.

10. Taxation

In accordance with the Taxation Act, the Fund is exempt from tax.