Human Settlements Development Fund
Annual Report 2010/2011



DEPARTMENT of
HUMAN SETTLEMENTS

Provincial Government of the Western Cape

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Western Cape Housing Development Fund

The Western Cape Housing Development Fund (WCHDF) is a statutory body established under the Western Cape Housing Development Fund Act 1999 (Act 6 of 1999)

WCHDF is an unlisted Public Entity in terms of Section 47 (2) of the Public Finance Management Act No 1, of 1999 (PFMA).

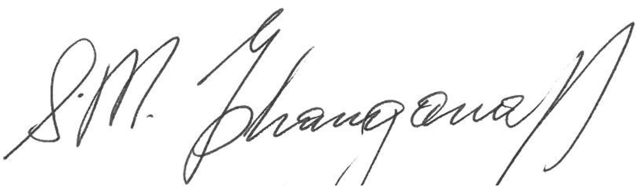
The mission of WCHDF is to manage the fund's primary property portfolio which is provided as a social service and which also generates cash inflows. The entity holds a large housing stock used to provide housing to low income families at below market rental.

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 2010/11 Annual report of the Western Cape Housing Development Fund (WCHDF) in terms of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999).



Accounting Officer
Date: 31 August 2011

1.2 Introduction by the Head of the Department/Accounting Officer

The National Housing Fund was created in terms of the Housing Act, No.4 of 1966 to fund housing projects in the form of soft loans to municipalities/local authorities and these loans were redeemable over a 30 year period.

With the introduction of the Tri-Cameral Parliamentary System in 1983, four additional Funds and Statutory bodies were established in addition to the National Housing Fund and necessitated the transfer of properties.

Prior to 1994, the Housing Arrangements Act, 1993 was promulgated which led to the creation of the South African Housing Fund and simultaneously abolished all the five former Funds and Statutory bodies.

With the promulgation of the Housing Act, 1997, No. 7 of 1997, the South African Housing Development Board was established and the continued existence of the Provincial Boards.

Although the Western Cape Housing Development Amendment Act, Act No. 2 of 2005 provide for the abolition of the Western Cape Housing Development Board (WCHDB), the Western Cape Housing Development Fund (WCHDF) continued to exist as an unlisted public entity in the Western Cape Provincial Department of Human Settlements.

Western Cape Housing Development Fund

Furthermore to the above, Minmec also made a decision to disestablishment of the South African Housing Fund (SAHF) and Provincial Housing Funds (PHF), but the legislative processes are still in progress which provide for the disestablishment of such Statutory bodies.

All these changes resulted in inconsistencies in the Asset Register and Debtors Book on the National Debtor System database, as well as the lack of supporting documentation which led to undesirable audit outcomes as stipulated hereunder:

- 2000/01 to 2001/02 financial years: Qualified Audit Opinion
- 2002/03 to 2006/07 financial years: Disclaimer
- 2007/08 financial year: Qualified Audit Opinion
- 2008/09 financial year: Disclaimer
- 2009/10 financial year: Unqualified
- 2010/11 financial year: Disclaimer

Since the 2005/06 financial year the annual Financial Statements of the Western Cape Housing Development Fund (WCHDF) were prepared in accordance the Entity-specific basis of accounting, although the Western Cape Housing Development Act, 1999, compelled us to prepare financial statements in accordance the Generally Accepted Accounting Practice (GAAP) accounting framework. Furthermore to the above, the Office of the Accountant-General: National Treasury gave approval that the Fund be exempted to prepare GRAP Compliant financial statements for the 2009/10 financial year, on condition that the Fund will prepare its financial statements for the 2010/11 financial year in accordance the GRAP reporting framework as the Entity-specific basis of accounting is in contravention with Legislation and auditing standards. Although the Fund was compelled to prepare GRAP financial statements as mentioned, another request was once again forward to National Treasury to exempt the Fund to prepare GRAP financial statements for the 2010/11 financial year, but the application was unsuccessful. Furthermore to the above a letter was also written by the Audit Committee in May 2011 to National Treasury to obtain approval for the Fund to continue on the Entity-Specific basis of accounting, but the request was not approved.

Immediately the Fund was under immense pressure and was faced with huge challenges to prepare GRAP compliant financial statements. Therefore an Accounting Consultancy Service Provider was appointed to prepare the GRAP compliant financial statements for the Fund. The Fund was also challenged to convert from Entity-Specific financial statements to Generally Acceptance Accounting Practice (GAAP) compliant financial statements in a very short space of time.

The uncertainty regarding the framework whether we would continue with GRAP or deviate seemingly compounded things and it created delays as well as down time that also impacted us.

Western Cape Housing Development Fund

Very important to take cognizance of the fact that the emphasis as required by National Treasury that the mandatory conversion process of accounting for assets from the current accounting framework to GRAP accounting framework is an onerous, technical exercise which can very easily taken a minimum duration of between three to four years as indicated by the Accounting Consultants, the Fund embarked on this complicated exercise with the minimal timeframe to convert from cash basis of accounting to accrual basis of accounting to prepare GRAP compliant financial statements.

The fact also remained that the Fund do not have the staff with the adequate skill and required experience to prepare GRAP compliant financial statements and also do not understand the applicable accounting framework (GRAP).

In conclusion the Auditor-General of South Africa could not express an opinion on the financial statements, because of the significant of the matters described in the basis for disclaimer and also have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Although the financial statements were submitted on 31 May 2011 as required, it was however retracted based on numerous shortcomings pointed out through a high level overview performed by the Auditor-General of South Africa on the financial statements. This emanating from the difficulties experienced in conforming the statements to the minimum compliance requirements in respect of the GRAP reporting framework, also taken the first time adoption in consideration. Subsequently the financial statements were re-submitted on 30 June 2011.

The Fund could also not implemented adequate processes timeously for the first time adoption of the GRAP reporting framework and could not comply to the following major subsequent measurement requirements which need to be accounted for:

- GRAP 17 – PROPERTY, PLANT , EQUIPMENT
- IAS 39 – FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENTS

Our Accounting System, the National Debtor System, are not compatible to ensure that the minimum information as required by the Standards of GRAP regarding as assets and their components can be included on the face of the financial statements, in the accounting policies and the notes to the financial statements.

Considering our systems and processes and also the quantity of properties and debtors we are not able to adhere to the subsequent measurement requirements in accordance with the standards of GRAP.

Western Cape Housing Development Fund

Also considering the sanitization process and the phasing out programme and the close down of the National Debtor System database, whereby properties will be devolved to municipalities/local authorities and transferred to the rightful owners and to promote ownership, it is not financial feasible to fully convert to GRAP, because it will have huge financial implications to enhance the database and also the fact that all 8617 properties to be individually valued as required by GRAP.

The Owner and Administrator of the National Debtor System, the National Department of Human Settlements already indicated that they not going to spend money to enhance/upgrade the system.

The number of anomalies within the Asset Register necessitated a completed new approach than anticipated. These errors initiated an expansion exercise that would require a detail review of assets and related revaluation reserve movements for each class of assets.

Furthermore the Fund's accounting system is maintained on a cash basis (using the Basic Accounting System (BAS) of the Department), while the financial statements are prepared on an accrual basis of accounting. The Fund's controls and processes were not adequate during the year under review to ensure accurate and complete financial reporting when converting the information from cash to an accrual basis of accounting for financial reporting purposes.

The recommendation made by the Auditor-General of South Africa during their audit, to develop or acquire an new accounting package to support the preparation of GRAP compliant financial statements, is in this point in time not an option due to the facts that the Fund is currently busy with the phasing out programme, and also that the information on the current database to be transferred to the new accounting system which will be very time consuming and approval to be obtained from National Treasury to implement a new accounting system.

The implementation of GRAP by any public entity would normally require a change in the process and process mapping with the system of internal control within the entity. The legacy system BAS, LOGIS, PERSAL and the DEBTOR SYSTEM are extremely old and facilitates a more compliance driven process and hence the future need to review the process mapping making information needed for GRAP reporting purposes much easier and simpler.

Considering all the factors mentioned and also taken the financial implications and timeframes into account, it seems evidently that the Fund will not be in a position to comply with the GRAP reporting framework. The Accounting Standard Board (ASB) will be approach to exempt the Fund from certain GRAP requirements or revert back to the Entity-Specific accounting framework until such time that the Fund wind up.

Western Cape Housing Development Fund

The specialisation of GRAP and its evolvement over the past few years have created the necessity for more embedded knowledge within the Fund going forward.

The greatest challenge for the Fund would be to determine future values of assets based on the latest GRAP changes.

The Fund is also in the process to implement an action plan in respect of the GRAP compliant requirements.

The Fund still strive to finalise the sanitization of the Property Register and the Debtors Book by March 2014, at which stage, subjected to expected amendments to the housing legislation, the Fund will be closed and the remaining assets of the Fund will be transferred to the books of the Department of Human Settlements.

The Fund has not reported against predetermined objectives as it is currently dormant and all objectives are reported in the annual report of the Department of Human Settlements.

PART 2: REPORT OF THE AUDIT COMMITTEE

PROVINCIAL GOVERNMENT WESTERN CAPE

WESTERN CAPE HOUSING DEVELOPMENT FUND

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2011.

Audit Committee Members and Attendance

In terms of Cabinet Resolution 55/2007, the Western Cape Housing Development Fund is served by the Social Cluster Audit Committee. The Audit Committee consists of the members listed below and should meet at least 4 times per annum as per its approved terms of reference. During the current year six meetings were held.

Name of Member	Number of Meetings Attended
Mr R Kingwill (Chairperson)	6
Mr Z Hoosain	6
Ms A Jones	6
Adv M Mdludlu	6
Mr L van der Merwe	6

A quorum of members was present at all meetings.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from **section 51(1) (a) of the PFMA** and **Treasury Regulation 27.1.**

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter approved by Cabinet on 9th February 2011, and has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and Management with assurance that the internal controls are adequate and effective. This is achieved by a risk-based Internal Audit Plan, Internal Audit assessing the adequacy of controls mitigating the risks and the Audit Committee monitoring implementation of corrective action.

The Fund is however a dormant entity and aspects of control relating to the Fund are evaluated in the activities of the parent department, the Department of Human Settlements. Therefore, no Internal Audit reports on aspects specific to the Fund were tabled.

From the review of the management report of the Auditor-General, various instances of deficiencies in the system of internal control were noted and discussed with the Department. Those that we believe require special mention are highlighted below:

- **Legal and Regulatory Compliance**

  We have noted the non-compliance with laws and regulations as it pertains to supply chain management. Notwithstanding the differences in legal interpretation of the status of Practice Notes, the committee has encouraged management to implement the Practice Note.

- **Accounting Policies**

  As a result of the migration from entity-specific basis of accounting to Generally Recognised Accounting Practices (GRAP), the Auditor-General reported that adequate processes had not been implemented by management for the first time adoption of the GRAP reporting framework. This includes an adoption of inappropriate accounting policies and/or inconsistent application thereof to deal with the various classes of assets and other interpretative accounting issues.

  Furthermore, the IT system utilised by the Fund is based on a cash system of reporting and therefore does not support appropriate audit evidence for the reported information.

Going forward, the Audit Committee recommends that the Fund obtain written technical advice on matters requiring judgement, as well as written legal opinion on technical aspects related to the timing of transfer of property title deeds and other related matters.

- **The quality of In-Year Management and Quarterly Performance Reports submitted in terms of the PFMA and the Division of Revenue Act**

  The Fund does not prepare in-year management reports as the fund is a dormant entity and therefore reports on its activity via the parent department.

- **Enterprise Risk Management**

  Enterprise Risk Management for the entity continues to be driven by the parent department.

Evaluation of Financial Statements

The 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 Report and management’s response thereto;
- reviewed changes to accounting policies and practices as reported in the Annual Financial Statements;
- reviewed the entity’s processes for compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

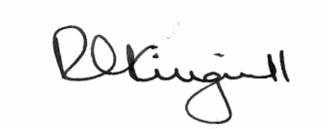
The Audit Committee concurs and accepts the Auditor-General’s disclaimer of opinion regarding the Annual Financial Statements; and wishes to note that the qualifications that led to the disclaimer was based on the conversion to the GRAP requirements.

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues that emanated from the regulatory audit. Corrective actions on the detailed findings emanating from the current regulatory audit will be monitored by the Audit Committee on a quarterly basis.

Appreciation

The Audit Committee wishes to express its appreciation to the Officials of the entity, the Auditor-General of South Africa and the Internal Audit Unit for the co-operation and information they have provided to enable us to compile this report.



Mr R Kingwill
Chairperson of the Social Cluster Audit Committee
Date: 23 September 2011

PART 3: ANNUAL FINANCIAL STATEMENTS

WESTERN CAPE HOUSING DEVELOPMENT FUND

ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

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REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT ON THE WESTERN CAPE HOUSING DEVELOPMENT FUND

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Western Cape Housing Development Fund, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year ended, a summary of significant accounting policies and other explanatory information, as set out on pages 24 to 54.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the Basis for disclaimer opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. Included in note 8 to the financial statements is Property, plant and equipment to the value of R 2, 6 billion (2010:R2, 3 billion). The following was noted during the audit of property, plant and equipment as result of GRAP implementation:

   - Properties were transferred to the legal owners, but the properties were included in the financial statements and consequently the existence of these properties could not be confirmed.
   - Properties where the fund has a vested right i.e. the property has been registered in the name of Western Cape Housing Development Fund, have not been included in the financial statements and the completeness and the rights to the properties could not be confirmed.
   - At least 5800 immovable properties were recorded in the financial statements at a zero value for initial recognition of the property; consequently the valuation of properties could not be confirmed.

Report of the Auditor-General (continued)

- Insufficient and inappropriate evidence was presented to substantiate disposals, revaluation and impairment of property, consequently completeness of disposals, revaluation and impairment of property could not be confirmed.

5. The Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment, paragraph 17.38* requires that subsequent to initial recognition at cost, an item of property, plant and equipment should be carried at cost less accumulated depreciation and accumulated impairment losses. As indicated in note 8 to the financial statements, property, plant and equipment was not depreciated during the current or preceding financial years. In addition paragraph 17.61 requires the entity to review the residual values and useful lives of buildings at each reporting date. The disclosure requirements of paragraph 17.82 were not complied with as well.

6. As a result of the findings noted with the property register as stated above and the inability to separate the cost of the land from the buildings, I was unable to confirm, or verify by alternative means, the value of the misstatement as a result of the entity not complying with GRAP 17.

7. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and right of ownership of the land and buildings of R2, 6 billion, as disclosed in note 8 of the financial statements.

Profit on disposals of properties

8. Included in the Statement of Financial Performance is an amount of R2 997 000 (2010: R3 454 000) relating to profit on disposals of properties. There was no system of control over the recording of profit on disposal of properties which I could rely on. The entity's records did not permit alternative audit procedures. Consequently, I was unable to verify the occurrence and completeness of the profit on disposal of properties.

Loss on disposal of properties

9. Included in the Statement of Financial Performance is an amount of R7 880 000 (2010: R257 111 000) relating to loss on disposals of properties. There was no system of control over the recording of loss on disposal of properties which I could rely on. The entity's records did not permit alternative audit procedures. Consequently, I was unable to verify the occurrence and completeness of the loss on disposal of properties.

Accounts Receivable

10. Included in receivable and prepayment, as disclosed in note 9 to the financial statements is an amount of R384 953 000 (2010: R407 909 000) relating to provision for doubtful debts, An impairment loss has not been recognised in accordance with SA Standards of GRAP, IAS 39 (AC 133), *Financial instruments: Recognition and measurement* based on the past payment history of the specific debtors. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the valuation of the provision for doubtful debts. The entity's records did not permit alternative audit procedures.

Report of the Auditor-General (continued)

11. The accounting policy of the Western Cape Housing Development Fund on arrangements that met the requirements for finance leases were not in line with GRAP 13 *Leases* (measurement and presentation requirements). Consequently I could not obtain sufficient audit evidence necessary to satisfy myself as to the valuation of suspensive sale debtors amounting to R385 000 000 (2010: R408 000 000) as disclosed in note 9 of the financial statements.

Cash flow statement

12. Presentation of the cash flow statement, summarising the entity's operating, investing and financing activities, is required by Standard of Generally Recognised Accounting Practice, GRAP 2, *Cash flow statements*. The net cash flow from operating activities in Note 15 is not disclosed in the cash flow statement (net cash flows from operating activities) for the amount of R43 432 000 (2010: R44 713 000).

Accounts payable

13. Included in trade and other payable, as disclosed in note 11 to the financial statements is an amount of R3 971 000 (2010: R7 894 000) relating to advance payments received from debtors. Sufficient appropriate audit evidence could not be obtained to satisfy myself as to the existence, obligation and valuation of the payments received in advance as disclosed in the financial statements.

Revaluation Reserve

14. Included in revaluation reserve is a reversal amounting to R 2, billion as disclosed in Note 13 of the financial statements. Sufficient appropriate audit evidence could not be provided for the reversal. Consequently, I was unable to verify the valuation and completeness of revaluation reserve. The entity's records did not permit alternative audit procedures.

Disclaimer of opinion

15. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matters

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

Restatement of corresponding figures

17. As disclosed in note 12 to the financial statements, the corresponding figures for 31 March 2010 have been restated as a result of the first time implementation of GRAP during the current financial year.

Report of the Auditor-General (continued)

Going concern

18. As disclosed in note 24 a national decision was taken to de-establish the housing funds in the provinces. However, the legislative changes to the National Housing Act, 1997 (Act no. 107 of 1997) have not yet been enacted to allow de-establishment of the funds. The Fund aims to finalise the sanitization of the properties and the phasing out of debtors book by promoting ownership by March 2014.

Material losses/ Impairments

19. As disclosed in note 9 to the financial statements, provision for doubtful debts amounting to R384 953 000 was recognised as a result of the non-payments of debtors in the prior year.

Additional matter

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

Financial reporting framework

21. The entity's basis of accounting changed from entity specific in the prior year to SA Standards of GRAP in the current year.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

22. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010,* I include below my findings on material non-compliance with laws and regulations applicable to the public entity.

Compliance with laws and regulations

Late submission of financial statements

23. The annual financial statements were not submitted within two months after the end of the financial year as required by section 55(1)(c) of the PFMA.

Financial statements

24. The financial statements submitted for audit did not comply with section 55(1) (a) to (b) of the PFMA as material misstatements were identified during the audit and could not be corrected by management.

Procurement and contract management

25. Awards were made to suppliers who did not submit a declaration of past supply chain practices such as fraud, abuse and non-performance as per the requirements of Treasury regulation 16A9.1(a) and Practice Note 4 of 2006.

Report of the Auditor-General (continued)

INTERNAL CONTROL

26. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010,* I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, and the findings on compliance with laws and regulations included in this report.

Leadership

27. The accounting authority did not adequately exercise oversight responsibility throughout the financial year to ensure accurate and complete financial information and financial statements. This is evident by the extent of sufficient appropriate evidence that could not be timeously presented for audit purposes and the material misstatements included in the financial statements.

Financial and performance management

28. Pertinent information was not identified and captured in a form and timeframe to support financial reporting. Adequate processes were not implemented by management for the first time adoption of the GRAP reporting framework. Furthermore the Fund financial records were maintained using BAS (which supports the cash basis of accounting) which resulted in material misstatements.

Auditor General

Cape Town

31 August 2011

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of 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 the Western Cape Housing Development Act, 1999, the Head of the Provincial Department of Human Settlements is the Accounting Officer of the Fund. In terms of section 55(1) (b) of the Public Finance Management Act, 1999, (Act 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.

In accordance with schedule 3 of the PFMA, the Western Cape Housing Development Fund never existed as a public Fund, 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 Fund.

The mission of the Western Cape Housing Development Fund is to manage the Fund's primary property portfolio which is provided as a social service and which also generates cash inflows. The Fund holds a large housing stock used to provide housing to low income families at below market rental.

DESCRIPTION OF THE NATURE OF THE OPERATIONS AND PRINCIPAL ACTIVITIES RELATING TO THE ASSETS OF THE FUND

The fund is dormant as far as operations and activities are concerned. It does not engage entirely in its own operations, as some functions are performed by officials of the Department of Human Settlements and disclosed in the books of the Department.

The assets that are reflected in the fund consist of debtors and properties, and the nature of the operations and activities in respect thereof are consistent with the management of these assets, i.e. maintenance, rental management, sales, loan management and the release of land for Department of Human Settlements.

Maintenance

This activity is performed to enhance the lifespan of the properties. It entails the reactive performance of day to day repairs as well as the periodical pro-active upgrading of properties.

Rental Management

The Department is the owner of a number of rental units, which it leases to qualifying tenants. Activities include the allocation of units and the management of the lease agreements.

Report of the Accounting Officer (continued)

Sales

The Department sells identified rental units to qualifying tenants, as well as saleable residential properties to promote socio-economic upliftment through homeownership. In this regard the Department implements the Enhanced Extended Discount Benefit Scheme, a discount scheme that totally or partially liquidates the outstanding debt of qualifying beneficiaries.

Non-residential erven like church erven are sold to underpin sustainable human settlements.

Loan management

The Department manages a number of mortgage loans that were concluded in terms of previous programmes. The Enhanced Extended Discount Benefit Scheme is also implemented in this instance too offset debt fully or partially, depending on the qualifying criteria the debtor is able to meet.

Land release

The Department releases land that is suitable for human settlement development to municipalities and developers.

In accordance with section 14 (1) (h) (i) of the Western Cape Housing Development Act, 1999, (Act No. 6 of 1999) and section 55 (1) (b) of The Public Finance Management Act, 1999, (Act No. 1 of 1999) (as amended by Act No. 29 of 1999), the Western Cape Housing Development Fund is compelled to compile GRAP financial statements. The Fund requested to be exempted from the applicable framework, but the request was denied by National treasury.

On 20 December 2006 the National Department of Human Settlements 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 Human Settlements has considered the comments received on the Bill and submitted the final draft to the Minister of Human Settlements for consideration during May 2008. Currently the Bill is with the Office of the Chief State Law Advisers for a pre-certification legal opinion and the content of the Bill might therefore still be subject to changes. Any new developments will be reported to the Standing Committee on Public Accounts (SCOPA).

For the financial year under review the Audit Committee and the Internal Audit function were in operation throughout the financial year and substantially fulfilled its responsibilities as set out in Section 77 of the Public Finance Management Act, 1999, (Act 1 of 1999) (as amended by Act No. 29 of 1999) (PFMA) and the Treasury Regulation 27.1.8 and 27.2 respectively.

Report of the Accounting Officer (continued)

The assets, i.e. debtors and properties that are reflected in the annual financial statements of the Fund were inherited over the years from various government authorities in terms of the Housing Act. This acquisition 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 past financial year saw significant inroads in rectifying the accounts of the Fund as well as promoting homeownership. The Department continued with the implementation of the Enhanced Extended Discount Benefit Scheme (EEDBS) programme. The programme made it possible, subject to certain qualifying criteria, for outstanding debt to be defrayed by a subsidy as well as any additional outstanding balance to be written off. This enables many debtors to take transfer of the units, which was not possible before.

In addition to the debtors, a number of adjustments were made to the property register. This relates to actions relating to having properties in the name of the Fund correctly reflected on the National Debtor System and held at applicable correct values. In previous Book years these processes of large scale rectifying of the property data on the National Debtor System have been completed, and was the work done in 2010/11 focused on control and evaluation action plans. As a result of this process and the previously mentioned transfer and developments effected in the Book year. 840 properties amounting to R 46,380,884 has been deleted from the property register.

Properties Not Counting to the Property Portfolio Value carried at a nominal value of R1

These are properties that are in the statuses, Not in Use (NOTU) and Letting (LET) which should not count to the Property Portfolio Value on account of their statuses and which has been allocated a nominal value of R 1, where under:

- Properties incorrectly certified in the name of the Department of Human Settlements and not yet certified correctly;
- Rural Areas (Act 9 of 1987) properties incorrectly in the name of the Department of Human Settlements and not yet certified correctly;
- Properties that must still be vested with municipalities in terms of the Abolishment of Development Bodies Act 75 of 1986 properties;
- Public Open Spaces and Street Remainders not yet certified in the name of the applicable Local Authorities;
- Individual erven of Land Availability Agreements which do not carry a value by itself;
- Properties with LET status (for example in cases where there are more than one LET to a property), which should have a nominal value; and
- Properties with LET status, plus an extra Sectional Title entry – where the latter carries the value – then the LET will have the nominal value.

Property Status

The properties are carried on the National Debtor System (NDS) under different Property Registration Statuses. The Property Registration Statuses **Not in Use (NOTU), Suspense (SUSP) and Letting (LET)** count to the Property Portfolio Value [although by Year end there were no properties anymore in the Property Registration Status, **Suspense**, and only **Notu** and **Let** properties]. Subject to certain exceptions, only properties registered in the Deeds Registry are captured onto the National Debtor System (NDS).

Report of the Accounting Officer (continued)

Not in Use (NOTU) properties are properties that do not have a debtor relation attached to it, but it does not necessarily give an indication of whether it is vacant or built up, available for selling or not, etc.

Suspense (SUSP) is an interim Property Registration Status indicating property that is still in process of being placed in the correct applicable Property Registration Status.

Letting (LET) means properties that are leased out, which can include single residential houses, flats, rooms, Sectional Title Units, etc.

The following data reflects the actions taken with respect to the rectification process and the sales campaign:

	Cases	**Total cases**	**Amount**
Sales campaign rebate	**1046**		**(R 36,782,688)**
REBATE: SALES	282		(R 7,121,077)
REBATE: LOANS	764		(R 29,661,611)
Write offs	**826**		**(R 8,301,301)**
WRITE OFF: LOANS	423		(R 5,347,613)
WRITE OFF: RENTALS	196		(R 568,801)
WRITE OFF: SALES	207		(R 2,384,887)
Properties	**888**		**(R 50,675,647)**
PROPERTIES TRANSFERRED BEFORE 01 APRIL 1990 (TPCP)	45		(R 5,906,022)
DELETED PROPERTIES	840		(R 46,380,884)
DEVOLVED PROPERTIES	3		R 1,611,259

Report of the Accounting Officer (continued)

Notes:

1. The total sales campaign figure includes the Enhanced Extended Discount Benefit Scheme (EEDBS) and the accompanying write-off in terms of the policy.

2. The total write-off figure includes write-off cases that can be ascribed to the implementation of the action plan to sanitise the Fund's debtors' books. The momentum achieved in the previous year through this action plan was maintained in the financial year under review thus permitting the achievement of targets set for the reduction of the debt.

3. The credit balances have been reduced significantly from R 7.9 million to R 3.9 million. The credit consists mainly of unallocated receipts and erroneous negative balances on accounts inherited from the period prior to 2004.

The National Department of Human Settlements has now confirmed that all programme errors have been rectified and the reports used for the reconciliation process can therefore be considered as reliable.

The reconciliation process for the 2010/11 financial year was performed on a monthly basis. Due to the programme changes and a new reconciliation report that was created by the programmers, discrepancies were easily identified and resolved. The reconciliation for the 2010/11 financial year was completed successfully. The only differences to the amount of R 17,823 in respect of current assets will be cleared in the 2011/12 financial year, as the rectification will be done programmatically. The difference amounted to R 1. 1 million in respect of non-current assets in the prior year (2009/10) has been cleared.

The Department is working closely with the National Department of Human Settlements, who is the owner and administrator of the National Debtor System, to ensure that the actions of the respective Departments are aligned and that problems are resolved timeously. The Department aims to finalize the sanitization of the property register and the debtors' books by March 2014, at which stage, subject to the expected amendments to the housing legislation, the process to close the Western Cape Housing Development Fund and to transfer the remaining assets of the Fund to the books of the Department or devolved to municipalities, can begin.

The total revaluation for the financial year under review amounted to R 238,136 million.

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.

The Western Cape Housing Development Fund is an unlisted Fund within the Department and as such all expenditure related to assets is expensed under programme 4: Housing Asset/Property Management of the Department of Human Settlements. The income that is derived from the assets (loans, sales and rentals) is paid over to the Provincial Revenue Fund and is appropriated in the budget of Vote 8: Human Settlements, partly funding the management of the assets.

Report of the Accounting Officer (continued)

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 interfaces into the Department's Basic Accounting System (BAS).

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

SCOPA Resolutions 2009/10

No recommendations have been made by the Committee.

The annual financial statements as set out on pages 24 to 54 have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), 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 Human Settlements as the Accounting Officer and are certified to the best of my knowledge to be true and fair.

Mbulelo Tshangana
HEAD OF DEPARTMENT/ACCOUNTING OFFICER
DATE: 30 June 2011

Western Cape Housing Development Fund

Statement of Financial Position as at 31 March 2011

	Notes	2011	2010
		R'000	R'000
Assets			
Non-current Assets			
Property, plant and Equipment	**8**	2,593,662	2,334,277
Receivables and prepayments	**9**	13,464	15,905
Other Trade receivables	**10**	39,163	42,355
Current Assets		**52,627**	**58,260**
Total Assets		**2,646,289**	**2,392,537**
Liabilities			
Current Liabilities			
Trade and other payables	**11**	6,338	8,991
Total Liabilities		**6,338**	**8,991**
TOTAL NET ASSETS		**2,639,951**	**2,383,546**
Net assets are presented by:			
Reserves		2,497,475	2,259,339
Accumulated Surplus		142,476	124,207
		2,639,951	**2,383,546**

Western Cape Housing Development Fund

Statement of Financial Performance for the year ended 31 March 2011

	Notes	2011 R'000	2010 R'000
Revenue			
Transfers received			
Revenue from Human Settlements	**3**	**108,689**	**80,457**
Other Revenue:		**41,380**	**36,720**
Interest Received		13,347	17,997
Rental Income	**2**	1,780	798
Administration Fees received		300	265
Profit on disposal of properties		2,997	3,454
Provision for doubtful debt		22,956	14,206
Total Revenue		**150,069**	**117,177**
Less: Expenses		**108,689**	**80,457**
Compensation of employees	**4**	14,242	13,321
Audit fees	**5**	593	313
Goods and services	**6**	57,277	32,597
Rebates and Subsidies	**7**	36,577	34,226
Other expenditure:		**11,043**	**271,490**
Bad debt written off		3,163	14,379
Rental adjustment		-	-
Loss on disposal of properties		7,880	257,111
Total Expenses		**119,732**	**351,947**
Surplus/(deficit) for the year		**30,337**	**(234,770)**
Interest Paid		-	(1)
Surplus/(deficit) for the year		**30,337**	**(234,771)**
Net Surplus for the year		**30,337**	**(234,771)**

Western Cape Housing Development Fund

Statement of Changes in Net Assets for the year ended 31 March 2011

	Note	Accumulated Funds	Revaluation Reserve	Accumulated Surpluses/ (Deficit)	Total Net Assets and Reserves
			R'000	R'000	R'000
NET ASSETS AND RESERVES					
Balance at 01 April 2009		**(454,966)**	**3,424,177**		**2,969,211**
Change in Accounting Policy–GRAP 3	**12**	**454,966**		**(454,966)**	**-**
Prior year error – GRA P 3	**12**			**(11,279)**	**(11,279)**
Restated Balance at 01 April 2009	**14**	-	**3,424,177**	**(466,245)**	**2,957,932**
Revaluation for the year		**-**	860,241	**-**	860,241
Movement in Accumulated deficit/surplus Account		**-**	-	(1,444,809)	(1,444,809)
Change in Accounting Policy	**12**	**-**	-	246,050	246,050
Net Deficit for the year		**-**	-	(234,771)	(234,771)
Prior year error	**13**	**-**	(2,025,079)	2,023,982	(1,097)
Restated Balance at 31 March 2010			**2,259,339**	**124,207**	**2,383,546**
Restated Balance at 01 April 2010			**2,259,339**	**124,207**	**2,383,546**
			238,136	**18,269**	**256,405**
Surplus for the year			-	30,337	30,337
Movement in Accumulated Surplus Account			-	(12,068)	(12,068)
Revaluation for the year			238,136	-	238,136
Balance at 31 March 2011			**2,497,475**	**142,476**	**2,639,951**

Western Cape Housing Development Fund

Cash Flow Statement for the year ended 31 March 2011

	Notes	2011 R'000	2010 R'000
Cash Flows from operating activities			
Cash receipts from customers		**108,689**	**80,457**
Government grants		108,689	80,457
Other Revenue		-	-
Interest Fees received		-	-
Cash paid to suppliers and employees		**(108,689)**	**(80,457)**
Employees Costs		(14,242)	(13,321)
Suppliers		(94,447)	(67,136)
Net cash outflows from operating activities	**15**	**-**	**-**
Cash Flows from investing activities			
Acquisition of property, plant and equipment	**8**	-	-
Proceeds from sale of property, plant and equipment	**8**	-	-
Net Cash Flows from investing activities			
Cash flow from financing activities			
Proceeds from borrowings			
Repayments of borrowings			
Net cash flow from financing activities		**-**	**-**
Net Decrease in cash and cash equivalents		**-**	**-**
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year	**10**	**-**	**-**
Bank as at 31 March 2011		**-**	**-**

Statement of Accounting Policies

The principal accounting policies applied in the preparation of the annual financial statements are set out below and are consistent with those applied in the previous financial year unless otherwise stated.

1. Basis of preparation

The annual financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) and approved by the Minister of Finance as effective.

The effective standards, in accordance with Directive 5 of the Accounting Standards Board, are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC144)	Financial Instruments: Disclosure

IAS 12 (AC102)	Income Taxes
IAS 19 (AC116)	Employee Benefits
IAS 32 (AC125)	Financial Instruments: Presentation
IAS 39 (AC133)	Financial Instruments: Recognition and Measurement
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Fund or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 17 (AC 450)	Distributions of Non-cash Assets to Owners
IFRIC 18 (AC451)	Transfer of assets from customers

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP. The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2. Presentation Currency

These financial statements are presented in South African Rand.

1.3. Going concern assumption

These annual financial statements are prepared on the basis that the Fund will remain a going concern for the foreseeable future, although a national decision was made to de-establish the Provincial Housing Funds, however the legislative changes to the National Housing Act, 1997 (Act no. 107 of 1997) have not yet been enacted to allow for the de-establishment of the Fund.

1.4. Comparative Information

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Statement of Accounting Policies (continued)

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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

1.5. Standards, Amendments to Standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Fund:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

The adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

Standards of GRAP that may be used to interpret the requirements of other Standards of GRAP:

GRAP 24	Presentation of Budget Information in Financial Statements

1.6. Financial Instruments

The Fund has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

1.6.1 Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The Fund has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

Long-term Receivables

- Trade and Other Receivables from Exchange Transactions
- Current portion of Long-term Receivables

Statement of Accounting Policies (continued)

The Financial Assets of the Fund are presently classified as follows into three categories:

Type of Financial Asset	Classification in terms of IAS 39.09
Long-term Receivables	Loans and receivables
Trade and Other Receivables from Exchange Transactions	Loans and receivables
Current portion of Long-term Receivables	Loans and receivables
Bank Balances and Cash	Loans and receivables

1.6.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another Fund. The Fund has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

Long-term Liabilities
Trade and Other Payables
Current Portion of Long-term Liabilities
Consumer Deposits

There are two main categories of Financial Liabilities, based on how they are measured. Financial Liabilities may be measured at:

- Fair value through profit or loss; or
- Not at fair value through profit or loss ("other financial liabilities").

Trade and Other Payables
Trade and Other payables are stated at their settlement value.

Accrued Leave pay
Liability for annual leave is recognised as it accrues to the employee. This accrual is based on the total accrued leaved days at year end.

1.6.3 Measurement

Financial Assets
Held-to-maturity investments and loans-and-receivables are initially measured at fair value and subsequently measured at amortised cost. Financial assets are measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities
Financial liabilities are measured at amortised cost using the effective interest rate method where applicable.

Statement of Accounting Policies (continued)

1.6.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value.

After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

1.6.5 De-recognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - the Fund has transferred substantially all the risks and rewards of the asset, or
  - the fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the fund's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the fund could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Fund's continuing involvement is the amount of the transferred asset that the Fund may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the fund's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Statement of Accounting Policies (continued…)

1.6.6 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.6.7 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.7 Leases

1.7.1 Lessor Accounting

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Fund's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Fund's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction cost) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Fund has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

Statement of Accounting Policies (continued…)

1.9 Provisions

A provision is recognised when the Fund has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and reliable estimate can be made of the amount of the obligation.

The Fund has discounted provisions to their present value when the effect of the time value of money is material. The national interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Position. Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

1.10 Contingent Assets and Liabilities

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

A contingent liability is defined as a possible obligation that arises from the past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund; or present obligation that arises from past events but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

1.11 Trade Payables (Creditors)

Trade payables and other receivables are originally carried at fair value and subsequently are amortised cost using the effective interest method.

1.12 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Statement of Accounting Policies (continued…)

1.13 Property, Plant and Equipment

The Fund's primary property portfolio is held to provide a social service and which also generates cash inflows. The Fund holds a large housing stock used to provide housing to low income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held.

As per guidance provided in GRAP 16 on Investment property such property is not considered an "investment property" nor inventories and would be accounted for in accordance with the *Standards of GRAP on Property, Plant and Equipment.*

1.13.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Fund. Trade discounts and rebates are deducted in arriving at cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated Property, Plant and Equipment is recognised at its fair value. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Where an asset is acquired by the Fund for no or nominal consideration (i.e. non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date required.

Where an item of property, plant and equipment is acquired in exchange for non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. Major spare parts and service equipment qualify as property, plant and equipment when the Fund expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Statement of Accounting Policies (continued…)

1.13.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. On an annual basis land is revalued using the latest municipal values which management considers reliable as a basis as compared to fair value. The surplus is carried to the revaluation reserve where applicable. As part of the valuation exercise management would consider factors that may result in impairments being made and adjusted as a reversal to the reserve and excess to the statement of financial performance.

Land is not depreciated as it is deemed to have an indefinite useful life. Where the Fund replaces parts of an asset, it derecognizes the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.13.3 Depreciation and Impairment

The property portfolio held by the Fund is purely residential by nature and is not depreciated but is evaluated on an annual basis to determine any impairment that should be recognised. Where applicable, depreciation on all other assets is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The annual depreciation rates are based on the following estimated useful lives.

	Years
Land & Buildings (Residential)	0
Buildings (administration)	30
Office equipment	3-7
Furniture and fittings	7-10

1.13.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or services potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Statement of Accounting Policies (continued…)

1.14 Impairment of Assets

At each Statement of Financial Position date the Fund reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of individual assets, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subjected to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying of that asset is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a Revaluation Reserve increase.

1.15 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible, it is written off in terms of the Fund's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

Statement of Accounting Policies (continued…)

1.16 Revenue Recognition

Rentals are recognised on a straight-line basis over the term on the lease agreement. Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance.

Interest earned on utilised conditional grants is allocated directly to the utilised conditional grant creditor, if the grant conditions indicate that the interest is payable to the funder.

Revenue from the sale of good is recognised when all the following conditions have been satisfied:

- the Fund has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Fund retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use.

Where public contributions have been received but the Fund has not met the condition, a liability is recognised.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act and is recognised when recovery thereof from the responsible management or official is virtually certain.

1.16.1 Revenue from the Department of Human Settlements

Revenue from Department is assistance by the Department in the form of transfer of resources in return for compliance with conditions relating to operating activities. Revenue is recognised on a systematic basis over periods necessary to match them with the related costs.

Statement of Accounting Policies (continued…)

1.16.2 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Fund has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or an obligation has been met a liability is recognised.

1.17 Related Parties

Individual as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significance over the other party in making financial and/or operating decision.

Key management personnel are defined as the Head of the Department, Chief Financial Officer and all other managers reporting directly to the Head of the Department or as designated by Head of the Department.

1.18 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management and the Treasury regulations or is in contravention of the Fund's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Compensation of employees

The cost of short-term employee benefits is recognized as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset in the financial year during which the employee has rendered the related service. The entity recognizes the expected cost of bonus payments and profit sharing payments when the entity has a present legal or constructive obligation to make such payments as a result of past events; and a reliable estimate of the obligation can be made.

1.20 Goods and services

Payments made under operating leases are recognised on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Statement of Accounting Policies (continued…)

1.21 Interest and rent on land

Borrowing costs are capitalized to the extent that they relate to the acquisition, construction or production of a qualifying asset, all other borrowing costs are expensed in the period in which it is incurred.

1.22 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

		31 March 2011	31 March 2010
		R'000	R'000
2.	**Rental Income**		
	Rent received	1,780	798
		1,780	**798**
	Rentals received relate to low income tenant rentals through the housing scheme as set out in the Housing Act.		
3	**Revenue from the Department of Human Settlements**		
	Revenue received	108,689	80,457
		108,689	**80,457**
	Revenue recognised in lieu of the expenditure incurred by the Department on behalf of the Fund		
4	**Compensation of employees**		
	Salary and wages	**12,467**	**11,696**
	Basic Salary	9,328	8,928
	Performance Bonus	230	170
	Leave Discounting	8	16
	Overtime	930	556
	Compensative/Circumstantial other	25	17
	Periodic Payments	260	175
	Performance Award – Other	-	33
	Service Based Other	7	43
	Housing Allowance	315	224
	Non Pensionable Allowance - other	735	775
	Service Bonus	629	614
	Employee Secondary Benefits	-	145

	31 March 2011 R'000	31 March 2010 R'000
Employer Contributions	1,775	1,624
Bargaining Council	3	2
Medical	677	592
Pension	1,095	1,030
Salaries and wages	**14,242**	**13,321**

5 Audit Fees

Auditors' Remuneration	**593**	**313**

6. Goods and Services

Information & Planning Service: Land & Quantity Survey	-	52
Business & Advisory Service: Financial Management	159	122
Business & Advisory Service: Valuator	801	68
Legal Advice: Private Firm	183	247
Legal Advice: State Attorney	180	15
State Attorney: Conveyancing	933	996
State Attorney: Messenger of Court	4	3
Contractors: Maintenance & Repairs Other Assets	20	1,474
Contractors: Tracing Agents & Debt Collection	21	85
Property Deeds	827	291
Maintenance & Repairs: Land Developed	3,760	3,497
Maintenance & Repairs: Land Undeveloped	95	-
Municipal Charges	15,801	5,234
Municipal Accounts: Rates & Taxes	34,493	20,513
Closing	**57,277**	**32,597**

7. Rebates and subsidies

Rebates and subsidies	**36,577**	**34,226**

8. Property, plant and equipment

	Land and Buildings	Computer equipment and peripherals	Furniture and fittings	Total
	R'000	R'000	R'000	R'000
For the year ended 31 March 2011				
Opening carrying value	2,334,277	-	-	2,334,277
Revaluation (deficit)/surplus	238,136	-	-	238,136
Additions	-	-	-	-
Depreciation	-	-	-	-
Impairment/Reversal of assets	43,908	-	-	43,908
Disposal at net book value	(22,659)	-	-	(22,659)
	2,593,662	**-**	**-**	**2,593,662**
For the year ended 31 March 2011				
Cost or evaluation	2,593,662	-	-	2,593,662
Accumulated depreciation	-	-	-	-
Carrying value at the end of year	**2,593,662**	**-**	**-**	**2,593,662**
For the year ended 31 March 2010				
Opening carrying value	2,920,636	-	-	2,920,636
Revaluation surplus	860,241	-	-	860,241
Additions	-	-	-	-
Depreciation	-	-	-	-
Impairment/Reversal of assets	13,920	-	-	13,920
Disposal at net book value	(1,460,520)	-	-	(1,460,520)
Disposal at net book value	-	-	-	-
Carrying value at the end of year	**2,334,277**	**-**	**-**	**2,334,277**
For the year ended 31 March 2010				
Cost or evaluation	2,334,277	-	-	2,334,277
Accumulated depreciation	-	-	-	-
Carrying value at the end of year	**2,334,277**	**-**	**-**	**2,334,277**

At 31 March 2011, the property which consists of land and buildings was revalued at Municipal and Accounting Officer's Values. Valuations were made on the basis of market value. The revaluation surplus was credited to net assets.

	31 March 2011	31 March 2010
	R' 000	R' 000

9. Receivables and prepayments

Trade and other receivables	398 417	423 814
Smooth lining of lease rentals	0	0
	398 417	423 814
Provision for doubtful debts		
- Trade and other receivables	(384 953)	(407 909)
	13 464	**15 905**
Housing Installments		
Current (0 -30 days)	**0**	0
31 - 60 Days	0	0
61 - 90 Days	0	0
91 - 120 Days	0	0
121- 365 Days	13 464	15 905
Total	**13 464**	**15 905**

10. Other trade receivables

The Department of Human Settlements	**39 163**	**42 355**

The nature of the other trade receivables relates to amounts that is due from the department of Human Settlements for rentals and other income collected on behalf of the Fund.

11. Trade and other payables

Amount refundable to debtors	3, 641	7, 727
Amount refundable to debtors post 1990	329	166
Accruals	2,368	1,098
	6, 338	**8, 991**

	31 March 2011 R'000	31 March 2010 R'000
12. Change in accounting policy in terms of GRAP 3 – Implementation of GRAP		
12.1) Balance previously reported as at 31 March 2009		
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit)		(96,919)
		(454,966)
Deficit for the year – 2009		1,444,809
Net movement in Accumulated Surplus/Deficit - after implementation of GRAP		(1,899,775)
Separated disclosure of Surplus/Deficit for the year as required by GRAP		96,919
Rental received recorded in the incorrect financial year		(11,279)
Restated Accumulated surplus as at 31 March 2009	**-**	**(466,245)**

12.2 Previously, no Statement of Financial Performance was prepared as all the expenditure and income were recognised directly in to equity through the accumulated surplus account. Due to the implementation of GRAP in the current year, a Statement of Financial Performance was prepared.

Comparative figures were restated and the effect was as follows:

Items in the Statement of Financial Performance	
Transfers	80,457
Other	22,513
Provision for doubtful debts/impairments of debtors	14,206
Compensation of employees	(13,321)
Loss on disposal of assets	(257,111)
Bad Debts written off	(14,379)
Rental adjustment	(11,279)
Other Goods and services	(67,136)
	(246,050)
Less: prior year error – GRAP 3	11,279
Total prior year adjustment	(234,771)
Items in the Statement of Financial Position	
Adjustment to Accumulated Funds as at 01 April 2010	234,771
Increase/Decrease in tax payable	-
Increase/Decrease in tax payable	-

13. Prior Period Error

During the current financial year the Fund establish through an interrogation of the revaluation surplus account. The correction in respect of revaluation reserve adjustment was due to the devolution and deletion of properties which was incorrectly included in the accumulated funds account resulting in the overstatement of the revaluation reserve account.

The comparative amounts have been appropriate adjusted.

The effect of the correction of this error on the revaluation surplus is as follows:

	2010
Opening balance per the 2010 financial statements	4,284,418
Decrease in the Revaluation reserve account	(2,025,079)
Corrected closing balance as at 31 March 2010	**2,259,339**

The effect of the correction of this error on the accumulated surplus is as follows:

Opening balance per the 2010 financial statements	(1,899,775)
Increase in the Accumulated surplus account	2,025,079
Accruals	(1,097)
Corrected closing balance as at 31 March 2010	124,207

The above error has no effect on the Statement of Financial Performance.

14. Change in accounting policy in terms of GRAP 3 – Implementation of GRAP

14.1) Balance previously reported as at 31 March 2010	**(466,245)**
Net movement in accumulated surplus/deficit	(1,444,809)
Change in accounting policy – GRAP 3	246,050
Separate disclosure of deficit/surplus for the year as required by GRAP	(234,771)
Prior year error – GRAP 3 revaluation reserve adjustment	2,025,079
Restated accumulated surplus – 31 March 2010	**125,304**

	31 March 2011	31 March 2010
	R'000	R'000

15 Cash Flow Statement

(a) Cash and Cash equivalents

The Fund does not manage any bank accounts as all income and expenditure is managed by the Department of Human Settlements. The disclosure of cash and cash equivalents as required by GRAP 1 would normally consist of cash in hand and balances with banks and investments in money market instruments.

	31 March 2011 R'000	31 March 2010 R'000
Cash in hand and balances with banks	-	-
Short-term investments	-	-
	-	**-**

(b) Net Cash from operating activities

	31 March 2011 R'000	31 March 2010 R'000
Net surplus for the year	**32,948**	**(234,771)**
Non-cash movements		
Bad Debts written off	3,164	14,379
Loss on sale of fixed assets	5,268	257,112
Other non-cash items	(929)	7,300
Increase/(Decrease) in trade and other payables	(2,653)	7,838
Increase/(Decrease) in receivables and prepayments	5,633	(7,143)
Net Cash from operating activities	**43,432**	**44,713**
Balance as per the Department of Human Settlements	**39,163**	**42,355**

16. Taxation

No provision has been made for SA Income taxation, as the Agency is exempt from income taxation in terms of S 10 (1) (CA) (l) of the Income Tax Act, 1962.

17. Events after the reporting period

The executive management is not aware of any other matter or circumstance since the financial year ended 31 March 2011 and the date of this report, or otherwise dealt with in the financial statements, which significantly affects the financial position of the Fund and the results of its operations.

18. Financial Risk Management

18.1 Overview

The Fund has exposure to the following risk from the use of financial instruments:

a. credit risk

b. liquidity risk

c. Interest Rate Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for the measuring and managing risk, and the Fund's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Accounting Authority has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund’s risk management policies are established to identify and analyse the risk faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities. The Fund, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Fund's Audit Committee overseas how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Fund. The Fund’s Audit committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit committee.

a Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers.

Trade and other receivables

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The demographics of the Fund's customer base have less of an influence on credit risk. Geographically there is no concentration of risk.

The Fund establishes an allowance for implement that represents its estimate of incurred losses in respect of trade and other receivables. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011
	R'000
Trade receivables	398,417
Impairment of Trade receivables	(384,953)
	13,464

The movement in the allowance for impairment in respect of trade receivables over the year was:

Balance at the beginning of the year	407,909
Increase in impairment provision	(22,956)
Balance at the end of the year	**(384,953)**

b. *Liquidity risk*

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The table below analyses the Fund's financial liabilities into relevant maturity grouping based on the remaining period at the financial year end to the contract maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

	R' 000	R' 000	R' 000
31 March 2011	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**
Receivables and prepayments	6,337	-	-
	6,337	**-**	**-**

	R' 000	R' 000	R' 000
31 March 2010	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**
Receivables and prepayments	8,991	-	-
	8,991	**-**	**-**

Management has assessed all payables to be due and payable in less than 12 months

c. Interest Rate Risk

The Fund's interest rate risk arises from trade receivables. Credit issued at variable rates expose the Fund to cash flow interest rate risk.

Credit issued at fixed rates expose the Fund to fair value interest rate risk.

At 31 March 2011,if interest rate on Rand-denominated credits had been 1% higher/lower with all other variables held constant, surplus for the year would have been R 1,112.26 (2010: R 1,499.61) higher/lower mainly as a result of higher/lower expense on floating rate credit.

19 Financial Assets by category

31 March 2011	Loans and Receivables	Fair Value through profit and loss – Held for trading	Fair Value through profit and loss – Designated	Held to maturity investments	Total
Trade and other receivables	398,417	-	-	-	398,417
	398,417	**-**	**-**	**-**	**398,417**

31 March 2010	Loans and Receivables	Fair Value through profit and loss – Held for trading	Fair Value through profit and loss – Designated	Held to maturity investments	Total
Trade and other receivables	423,814	-	-	-	423,814
	423,814	**-**	**-**	**-**	**423,814**

20. Financial Liabilities by category

31 March 2011	Financial Liabilities at amortised cost	Fair Value through profit and loss – Held for trading	Fair Value through profit and loss – Designated	Total
Trade and other payables	6,337	-	-	6,337
	6,337	**-**	**-**	**6,337**

31 March 2010	Financial Liabilities at amortised cost	Fair Value through profit and loss – Held for trading	Fair Value through profit and loss – Designated	Total
Trade and other payables	8,991	-	-	8,991
	8,991	**-**	**-**	**8,991**

21. Fair Value Estimation

The face value of cash, trade receivables and trade payables less any estimated credit adjustments, are the approximate fair values on 31 March 2011, as a result of the short-term maturity of these assets and liabilities.

22. Reconciliation of budget surplus with the surplus in the Statement of Financial Performance

Net (Deficit)/surplus per the Statement of Financial Performance	32,948
Adjusted for:	
Impairments recognized	3,164
Loss on disposal of fixed assets	5,268
Increase in other revenue transactions	(41,381)
Net surplus/deficit per approved budget	**-**

	31 March	31 March

	2011	2010
	R'000	R'000

23. Related party transactions

The following related parties were identified

23.1 The Department of Human Settlements

The Department of Human Settlements is the controlling department of the Fund. The following are transactions with department:

Housing fund income - in lieu of expenditure	108 689	80, 457
	108 689	80, 457

23.2 The Fund is a related party with the Western Cape Department of Human Settlements with whom significant transactions are conducted due to the fact that the Fund does not operate its own bank account. The Fund is dormant as far as operations and activities are concerned. The Fund's financial transactions form an integral part of the financial records of the Western Cape Department of Human Settlements therefore certain transactions were extracted to compile the financial statements of the Fund. The employees of the Directorates: Asset and Financial Management o within the Western Cape Department of Human Settlements administer the Fund.

24. Going Concern

The annual financial statements are prepared on the basis that the Fund will remain a going concern for the foreseeable future, although a national decision was made to de-establish the Provincial Housing Funds, however the legislative changes to the National Housing Act, 1997 (Act no. 107 of 1997) have not yet been enacted to allow for the de-establishment of the Fund.

The Fund is dormant as far as its operations and activities are concerned and it does not engage in its own operations.

The fund aims to finalise the sanitization of the properties meaning to transfer, delete, and devolve the properties and the phasing out of debtor book by promoting ownership by March 2014, at which stage, subjected to the expected amendments to the housing legislation, the Fund will be closed and the remaining assets of the Fund will be transferred to the books of the Department or devolved to municipalities/local authorities.

Furthermore there are no factors that are contrary to our evaluation. There is no intention for the Fund to be liquidated or to cease operating.

There is no significant doubt that the Fund will continue to exist at this stage. The Statement of Financial Performance continues to reflect a positive net asset current ratio and the Property Portfolio of the Fund amounting to R 2.5 billion.

There is no legislation that the Fund will not continue for the foreseeable future.

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To obtain additional copies of this document, please contact:

Western Cape Provincial Department of Human Settlements

Western Cape Housing Development Fund

Private Bag X9083

27 Wale Street

Cape Town

8000

Telephone Number: 021 483 4505

Facsimile Number: 021 483 5023

E-mail: Donald.Lockett@pgwc.gov.za

Website: www.capegateway.gov.za

Om nog afskrifte van hierdie dokument te bekom, tree asseblief in verbinding met:

Wes Kaapse Provinsiale Department van Menslike Nedersettings

Wes Kaapse Behuisingsontwikkelingsfonds

Privaatsak X9083

Waalstraat 27

Kaapstad

8000

Telefoon nommer: 021 483 4505

Faksimilee nommer: 021 483 5023

E-pos: Donald.Lockett@pgwc.gov.za

Webblad: www.capegateway.gov.za

Ukuba ufuna iikopi ezongezelelweyo zolu xwebhu, qhagamshela:

Isebe loKuhlaliswa koLuntu

Ingxowa-mali yezoPhuhliso yeSebe lezokuHlaliswa koLuntu

Private Bag X9083

27 Wale Street

Cape Town

8000

Umnxeba: 021 483 4505

Ifekisi: 021 483 5023

I-email: Donald.Lockett@pgwc.gov.za

Website: www.capegateway.gov.za

DEPARTMENT of HUMAN SETTLEMENTS

Provincial Government of the Western Cape