



**Western Cape
Government**

Human Settlements



Annual Report 2014/15
Western Cape Housing Development Fund

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

INDEX

Contents	Page
Part 1: General Information.....	4
Part 2: Governance.....	6
Part 3: Index of Annual Financial Statements.....	17
Report of the Auditor-General.....	18
Report of the Accounting Authority.....	22
Statement of Financial Position	28
Statement of Financial Performance.....	29
Statement of Changes in Net Assets	30
Cash Flow Statement	31
Accounting Policies.....	32
Notes to the Financial Statements	57

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

The Western Cape Housing Development Fund (WCHDF) is a statutory body established under the Western Cape Housing Development Act, 1999, (Act No. 6 of 1999).

The Western Cape Housing Development Fund (WCHDF) is an unlisted Public Entity in terms of Section 47 (2) of the Public Finance Management Act, 1999, (Act No. 1 of 1999) and is a subsidiary of the Western Cape Provincial Government Department of Human Settlements.

The mission of the Western Cape Housing Development Fund (WCHDF) is to manage the Fund's primary property portfolio which is provided as a social service. The Fund holds housing stock used to provide housing to the poor.

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 2014/15 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).



A handwritten signature in black ink, appearing to be 'T. Mguli'.

ACCOUNTING AUTHORITY
THANDO MGULI
DATE: 02/10/15

1.2 Introduction by the Accounting Authority

The National Housing Fund was established 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, (Act 107 of 1997), the South African Housing Development Board was established.

Although the Western Cape Housing Development Amendment Act, 2005, (Act 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

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

entity being administered by the Western Cape Provincial Department of Human Settlements.

Further to the above, Minmec also made a decision in 2002 to disestablish 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. According to the National Department of Human Settlements, the process of amending the Housing Act is being prolonged by the formulation of a white paper on Human Settlements that will inform the major content of the amendment bill.

The WCHDF prepared its financial statements for the 2014/15 financial year in accordance with the GRAP reporting framework.

In conclusion, the Auditor-General of South Africa has issued a qualified opinion on the financial statements of the WCHDF for the 2014/15 financial year.

The financial statements are materially misstated as a result of inappropriate valuation and recognition of properties in contravention of the requirements of GRAP 17: Property, plant and equipment. The effect on the financial statements was an overstatement of R776 949 279 on property, plant and equipment. This was due to the Department relying on information of the Deeds web and the Municipal Valuation Roll that were incorrect.

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 strives to finalise the devolution of the Properties and the clearing of the debtors by March 2019, at which stage, subject to envisaged amendments to the housing legislation, the Fund will be disestablished 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 reported upon in the annual report of the Department of Human Settlements. The achievements of the Fund are highlighted in the Accounting Officer's report on pages 22 to 27.

PART 2: GOVERNANCE

1. INTRODUCTION

The leadership team of the Department of Human Settlements which include Western Cape Housing Development Fund (WCHDF) is committed to maintain the highest standards of governance and therefore strives to conform to the governance principles highlighted in the King Code of Governance for South Africa released in 2009. In terms of these principles, the following make up the department's governance structures which include the WCHDF:

- An Executive Committee which determines the strategy and leads the Department towards realising this strategy;
- An Enterprise Risk Management Committee (which is dealt with in more detail in paragraph 2);
- An Audit Committee providing independent oversight over governance, risk management and control processes of the Department;
- An independent Internal Audit function providing independent assurance, that controls are in place to manage and mitigate risks and that they are adequate and functioning effectively;
- A number of committees that assist the Accounting Officer and Executive Committee in governing the business of the department in a fair, responsible, and transparent manner.

2 RISK MANAGEMENT

The Accounting Officer (AO) for the Department of Human Settlements which include the WCHDF takes responsibility for implementing Enterprise Risk Management (ERM) in accordance with the National Treasury Public Sector Risk Management Framework (PSRMF) and the Directorate Enterprise Risk Management (D:ERM) in the Department of the Premier (DotP) provides a centralised strategic support service to the Department.

In compliance with the National Treasury Public Sector Risk Management Framework (PSRMF) and to further embed risk management within the Department, the Western Cape Government (WCG) has adopted an ERM Policy which sets out the WCG's overall intention with regard to ERM. The Department adopted an ERM Strategy, approved by the Accounting Officer on 31 July 2014, and an ERM Implementation Plan, approved by the Accounting Officer on 15 May 2014. This enables the Department that include the WCHDF to deliver on its Departmental goals, objectives and key performance indicators, enhance risk informed decision making and optimise compliance with applicable legislation.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

The Department assessed significant risks that could have an impact on the achievement of its objectives, both strategic and programme risks, on a quarterly basis. Risks were prioritised based on their likelihood and impact (inherently and residually) and additional mitigations were agreed upon to reduce risks to acceptable levels. New/emerging risks were identified during the quarterly review processes.

The Audit Committee provided the independent oversight of the Department's system of risk management. The Audit Committee was furnished with Quarterly ERM progress reports and departmental risk profiles and registers to execute their independent oversight role. The Audit Committee's evaluation of the risk management process is in relation to the progress of implementation of the Departments Annual ERM Implementation Plan and strategic risks faced by the Department and their relevant risk response/treatment strategies.

Enterprise Risk Management Committee

The Department of Human Settlements has established an Enterprise Risk Management Committee to assist the Accounting Officer in executing his respective responsibilities concerned with risk management. The committee operates under a terms of reference approved by the Accounting Officer on 31 July 2014. ERMCO ratified the strategic and programme risk registers and recommended further action where relevant. The committee comprises of select members of the Department's Senior Management team. As per its Terms of Reference the committee should meet four times a year. The attendance of committee meetings are listed in the table below:

Member	Position	Scheduled Meetings	Attended
Mr. T Mguli	HOD	4	4
Mr. F De Wet	CFO	4	4
Mr R Rughubar	CD : Human Settlement Implementation	4	4
Ms J Samson	CD: Human Settlement Planning	4	4

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Risk management process

During the period under review the Department of Human Settlements assessed its risks relative to its strategic and annual performance plan. Risk assessments are conducted on a strategic level on an annual basis and updated quarterly. At a programme level the risk assessments are conducted on a quarterly basis in order to review and update the existing risks and to identify emerging risks. Significant risks relevant to objectives were assessed in terms of its likelihood and impact. Risk treatment plans are developed and managed by allocated risk owners and all Programme risk registers are approved by the relative respective programme managers.

The Enterprise Risk Management Committee ratifies, prioritises and further recommends to the Accounting Officer the significant risks that should be mitigated with an appropriate risk response/treatment in order to meet the departmental strategic objectives. This process is conducted on a quarterly basis and feeds into the evaluation of the performance environment of the department.

Impact on institutional performance

The department received the necessary guidance and assistance from Enterprise Risk Management (ERM) to be in line with the Audit Committee's compliance requirements on a quarterly basis. However, the department lacks the skill to perform the operational risk duties and DOTP on the other hand does not have the capacity to provide this service. The lack of this capacity within the department is addressed with the allocation of four additional posts at the Sub Directorate: Internal Control. The filling of these four posts was however not possible during the financial year under review (2014/15) but are envisaged to be filled in the next financial year (2015/16).

3 FRAUD AND CORRUPTION

The Western Cape Government adopted an Anti-Corruption Strategy which confirms the Province's zero tolerance stance towards fraud and corruption. The Department has an approved Fraud Prevention Plan and a Fraud Prevention Implementation plan giving effect to the Fraud Prevention Plan.

Various channels for reporting allegations of fraud and corruption exist and these are described in detail in the Provincial Anti-Corruption Strategy and the Departmental Fraud Prevention Plan. Each allegation received by the Provincial Forensic Services (PFS) is recorded in a Case Management System which is used as a management tool to report on progress made with cases relating to the department and generating statistics for the Province and Department. The PFS protect employees who blow the whistle on suspicions of fraud, corruption, and theft if the disclosure is a protected disclosure (i.e. meets statutory requirements e.g. was made in good faith). The PFS ensures the anonymity of an individual reporting acts of fraud, theft, and corruption should they do so in person.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Once fraud or corruption is confirmed, after completion of an investigation, the relevant employees who were implicated in these acts are subjected to a disciplinary hearing. In all such instances, the WCG representative initiating the disciplinary proceedings is required to recommend dismissal of the employee concerned. Where *prima facie* evidence of criminal conduct is detected, a criminal matter is reported at the South African Police Services.

4 MINIMISING CONFLICT OF INTEREST

During the year under review the Department received Persal reports on a quarterly basis, verified against the Western Cape Suppliers' Database (WCSD) aimed at identifying Western Cape Government (WCG) officials who have financial interest in companies on the approved suppliers' database. If any departmental officials have business interests with suppliers on the WCSD, the Department is obligated to investigate the matter.

The Department also requires that all members of the Senior Management Services (SMS) complete a financial disclosure declaration. In this regard, the Department fully complied with all the legislative prescripts, for the 2014/15 financial year with no negative outcomes. The Department also ensures that all Supply Chain Management officials submit a declaration of interest on an annual basis. However, two (2) cases were identified during the 2014/15 audit where officials appointed on contract did not disclose their declaration of interest. The Department however address this concern by requesting all officials that might have financial interest in any business to disclose it accordingly. The members of the Departmental Bid Evaluation Committee (BEC) and the Bid Adjudication Committee (BAC) are required to sign a declaration of interest before each meeting to evaluate and adjudicate the bids received. Should a conflict of interest arises member/s are expected to recuse themselves in this regard.

5 CODE OF CONDUCT

The Department distributed the Explanatory Manual on the Code of Conduct for the Public Service to all employees during 2012 as a basis of awareness. The manual is also dealt with and handed to all new appointees as part of the induction process. The dissemination of the Code of Conduct addresses employee behaviour in the workplace and contributes to the department's drive to maintain the highest levels of ethics, the eradication of incidents of corruption and the promotion of good governance.

It is noted that the primary purpose of the Code of Conduct is a positive one, namely to promote exemplary conduct. Notwithstanding this, an employee shall be guilty of misconduct and may be subjected to disciplinary action if he or she contravenes any provision of the Code of Conduct.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

6 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

During the year under review the department achieved the following:

- The prescribed contingency plans for the department which includes staff working for the WCHDF were consulted with the Occupational Health and Safety Act Committee (OHASA)) and the Department of Community Safety. The Head of Department approved the contingency plans for 27 Wale Street, York Park building as well as the Goodwood office. These contingency plans were implemented during the period under review.

- Drafted monthly reports relating to OHASA complaints and incidents and submitted to management with the relevant recommendations to rectify shortcomings after compliance audits in the buildings were conducted. Quarterly reports were submitted to the Head of Department (HOD).

- OHASA training (First Aid, Floor Marshal, and Fire Marshal) were provided to all volunteers to ensure compliance, 13 officials were trained at the Department.

- During the period under review OHASA induction training was provided to 16 staff members of Human Settlements.

- Two (2) prescribed evacuation exercises were conducted (1x announced and 1x un-announced).

- Quarterly Occupational Health and Safety (OHS) reports were presented to Enterprise Risk Management committee (ERMCO) relating to OHS in the Department.

- Employee Health and Wellness (EHW) and Safety, Health, Environment, Risk, and Quality assessments were conducted. The Department received full marks for the implementation thereof.

- EHW operational plan 2014/2015 was approved by HOD and implemented.

- OHS Terms of reference (TOR) drafted and will be submitted for approval to Occupational Health and Safety) committee (OHS).

- Carbon Dioxide fire extinguishers were serviced at all buildings.

- A new Gym policy was drafted for the Department and approved by the HoD. After which the policy was accepted by the for department which was approved by Head of Department and accepted by Institutional Management and Labour Caucus (IMLC) in line with Employee Health and Wellness policy of Western Cape Government.

7 PORTFOLIO COMMITTEES

One standing committee meeting were held during the financial year under review. Meetings are held per quarter or at the discretion of the standing committee.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

The table below provides a breakdown dates on which the meetings were held;

Standing Committee	Date
Standing Committee on Human Settlements	01 October 2014

8 SCOPA RESOLUTIONS

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2013/14 financial years, having obtained an unqualified audit opinion with other matters. This audit opinion is an improvement from the 2012/13 financial year where the Entity obtained a qualified audit opinion with findings on compliance with laws and regulations, material corrections to the financial statements, including the late submission of financial statements.

The Entity is encouraged to concentrate on improving its drivers internal controls which relates to ensuring effective oversight responsibility, actions and IT governance (leadership), proper record keeping, processing and reconciling controls, reporting, compliance and IT systems controls (financial and performance management).

Resolution No.	Subject	Details	Response by the Department	Resolved (Yes/No)
	<p>Pages: 18- 29 of the Annual Report</p> <p>Heading: "Part 3: Annual Financial Statements"</p> <p>Description:</p> <p>The Committee notes that a national decision was taken to de-establish the Provincial Housing Funds. However, the legislative changes to the National Housing Act, (Act 107 of 1997) have not yet been enacted to allow for the de-establishment of the Fund.</p> <p>The functions of the</p>	<p>The Entity brief the Committee on its overall function/ mandate, and the de-establishment process of the Entity from the Department of Human Settlements.</p>	<p>Presented to the Committee on 27 May 2015</p>	Yes

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Resolution No.	Subject	Details	Response by the Department	Resolved (Yes/No)
	<p>Western Cape Housing Development Fund will therefore be transferred to the Department of Human Settlements in March 2014. Refer to note 26, for the detailed disclosure regarding the going concern of the Provincial Housing Fund, as detailed on page 69 of the Annual Report.</p>			
	<p>Management developed a plan to transfer ownership of the properties to municipalities and housing debtors. In order to achieve the aims of this plan, management should prioritise follow ups on debtors' files and negotiations with municipalities to ensure that the objectives of the Province and the Department of Human Settlements are achieved.</p>			

9 PRIOR MODIFICATIONS TO AUDIT REPORTS

The WCHDF received a qualified Audit Report for 2014/15 financial year. The basis for the qualification was due to a lack of adequate accounting systems to support financial reporting.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

INTERNAL CONTROL UNIT

During the year under review the sub directorate: Internal Control once again played a valuable role in respect of the linkage between the auditors (external and internal) and the Department which include the WCHDF during the audit processes. In respect of the external audit process all the requested documentation (i.e. Request for Information, Communication of Audit Findings, departmental responses and related matters, etc.) were co-ordinated and quality assured by this unit in a timely manner. Within the sub directorate Internal Control a panel has been established headed by the Director: Financial Management with the aim to address/review and discuss all audit related matters and risks during the audit process on a regular basis. These initiatives contributed to a smooth and almost problem free audit process with the aim of a positive audit outcome.

On the compliance side this unit performed a 100% post checking on all payments made by the department included property payments relating to the WCHDF to avoid non-compliance and to ensure correctness and value for money. Internal Control also ensures that these payments are being paid within the prescribed 30 days by co-ordinating the flow of invoices from suppliers to the department (different directorates) up to the processing thereof on a monthly basis. The unit is also responsible for reporting on 30 days compliance in terms of NTR's 8.2.3 on a monthly basis to Provincial Treasury.

During the year under review this unit was also responsible for co-ordinating and reporting on the CGRO-GAP in respect the WCHDF to PT and the Audit Committee that ensured that all previous AG findings were addressed and subsequently prevented the re-occurrence thereof. A physical verification (walkthrough) was conducted to ensure that control measures as contained in the GAP in respect of the prior year's audit findings were confirmed as implemented.

Internal Control was also responsible for co-ordinating the SCOPA resolutions and presentations to SCOPA during the year under review. Reporting on all the above issues were done timeously to the different stake holders/role player's (i.e. MEC, EXCO, SCOPA, Audit Committee, PT, PSC and PFS).

10 INTERNAL AUDIT AND AUDIT COMMITTEES

Internal Audit provides management with independent, objective assurance and consulting services designed to add value and to continuously improve the operations of the Department which include the WCHDF. It assists the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Governance, Risk Management and Control processes. The following key activities are performed in this regard:

- Assess and make appropriate recommendations for improving the governance processes in achieving the department's objectives;
- Evaluate the adequacy and effectiveness and contribute to the improvement of the risk management process; and

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

- Assist the Accounting Officer in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement.

The Audit Committee is established as oversight bodies, providing independent oversight over governance, risk management and control processes in the Department, which include oversight and responsibilities relating to:

- Internal Audit function;
- External Audit function (Auditor General of South Africa - AGSA);
- Departmental Accounting and reporting;
- Departmental Accounting Policies;
- Review of AGSA management and audit report;
- Review of Departmental In year Monitoring;
- Departmental Risk Management;
- Internal Control;
- Pre-determined objectives; and
- Ethics and Forensic Investigations.

The table below discloses relevant information on the audit committee members:

Name	Qualifications	Internal or external	If internal, position in the Department	Date appointed	Date Resigned	No. of Meetings attended
Mr Ronnie Kingwill	CA(SA); CTA; BCom	External	N/a	1 January 2013	N/a	8
Mr Mervyn Burton	CA(SA); CFP	External	N/a	1 January 2012	N/a	8
Ms Judy Gunther	CIA; AGA; Masters in Cost Accounting; BCompt	External	N/a	1 January 2013	N/a	8
Mr Louw van der Merwe	CA(SA); ACMA; CIA; CISA; CRMA	External	N/a	1 January 2013	N/a	8
Mr Francois Barnard	MComm (Tax); CA(SA); Postgrad Diploma in Auditing; CTA BCompt	External	N/a	1 January 2013	N/a	5

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Name	Qualifications	Internal or external	If internal, position in the Department	Date appointed	Date Resigned	No. of Meetings attended
	(Honours); BProc					

12. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2015

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1) (a) of the Public Finance Management Act and Treasury Regulation 27. The Audit Committee has adopted appropriate formal Terms of Reference, has regulated its affairs in compliance with these Terms and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

The fund is serviced by the Department of Human Settlements and any internal control deficiencies were reported at the Departmental level.

In-Year Management and Quarterly Performance Reports

The Fund has reported monthly and quarterly to the Provincial Treasury as is required by the PFMA.

The Audit Committee is satisfied with the content and quality of the quarterly financial and performance reports prepared and issued by the Accounting Officer of the Fund during the year under review.

Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed the audited annual financial statements as presented in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General's management report and management's responses thereto;
- considered changes to the accounting policies and practices and where applicable, that these are reported in the annual financial statements;
- reviewed the Fund's processes to ensure compliance with legal and regulatory provisions;
- reviewed material adjustments resulting from the audit of the Fund;

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

- reviewed the interim financial statements as presented by the Fund for the six months ending 30 September 2014.

Internal Audit

The Audit Committee remains concerned about the adequacy of internal audit resources to ensure complete coverage of high risk areas.

The combined assurance approach will continue to be applied to effectively focus limited internal audit resources on the most relevant risk areas.

Risk Management

The Fund has taken responsibility and ownership for the implementation of the Enterprise-wide Risk Management (ERM) methodology and function and the process is reviewed on a quarterly basis by the Audit Committee.

Auditor-General of South Africa's Report

- The Audit Committee notes with concern the Auditor-General's findings reported in their audit report regarding the Annual Financial Statements.
- The Audit Committee has met with the Auditor-General and the Fund to agree an appropriate action plan to address the underlying cause of the material misstatements and will follow these up on a quarterly basis.
- The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Appreciation

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



Mr Ronnie Kingwill

Chairperson of the Social Cluster Audit Committee

Western Cape Housing Development Fund

Date: 14 September 2015

PART 3: ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2015

INDEX

<u>Content</u>	<u>Page</u>
Report by the Auditor-General	18
Report of the Accounting Authority	22
Statement of Financial Position	28
Statement of Financial Performance	29
Statement of Changes in Net Assets	30
Cash Flow Statement	31
Accounting Policies	32
Notes to the Financial Statements	57

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

**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 have audited the financial statements of the Western Cape Housing Development Fund set out on pages 28 to 76, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Western Cape Housing Development Act, 1999 (Act No. 6 of 1999) (WCHDA) and the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is 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. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International the Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Basis for qualified opinion

Property, plant and equipment

6. The financial statements are materially misstated as a result of inappropriate valuation and recognition of properties in contravention of the requirements of GRAP 17: Property, plant and equipment. The effect on the financial statements was an overstatement of R776 949 279 on property, plant and equipment. This was due to lack of adequate management systems to manage the recording and reporting of properties in the custody of the entity.

Qualified opinion

7. In my opinion, except for the possible effects of the matters described in the basis for the qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Western Cape Housing Development Fund as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the GRAP and the requirements of the WCHDA and PFMA.

Emphasis of matter

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

Restatement of corresponding figures

9. As disclosed in note 22 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of errors discovered during the 2015 financial year in the financial statements of the Western Cape Housing Development Fund at, and for the year ended, 31 March 2014.

Going concern

10. As disclosed in note 26 to the financial statements, 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 Western Cape Housing Development Fund. Once these legislative amendments are made, the Western Cape Housing Development Fund will be closed and assets of the entity will be transferred to the Western Cape Department of Human Settlements or devolved to municipalities or local authorities.

Material losses or impairments

11. As disclosed in note 16 to the financial statements, material losses to the amount of R38,8 million were reported by the Western Cape Housing Development Fund as a result of a write-off of irrecoverable debt.
12. As disclosed in notes 4 and 5 to the financial statements, material impairments of R78,4 million were incurred as a result of provision for doubtful debts.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Report on other legal and regulatory requirements

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

14. I did not audit performance against predetermined objectives as the fund is not required to prepare a report on its performance against predetermined objectives. The fund does not fall within the ambit of the PFMA and the entity-specific legislation does not require reporting on performance against predetermined objectives.

Compliance with legislation

15. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters.

Internal control

16. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. My material findings on compliance with specific matters in key legislation as set out in the general notice issued in terms of the PAA are as follows:

Annual financial statements

17. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 14(1)(g) and) (h) of the Western Cape Housing and Development Act, 1999 (Act No. 6 of 1999) read with the paragraph 36 of the Audit Directive (General Notice 125 of 2015).

Internal control

18. I considered internal control relevant to my audit of the financial statements and compliance with legislation. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in findings on compliance with legislation included in this report.

Leadership

19. The leadership did not ensure that the action plan was adequately monitored to prevent similar findings that were reported in the previous years and this resulted in material misstatements in the financial statements.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Financial and performance management

20. Management did not implement adequate monthly processes and review of financial information to prevent or detect material misstatements in the financial statements. The entity's records were not adequately maintained due to the accounting systems that are not adequate to support financial reporting.

Financial and performance management

21. The strategic risk was not assessed appropriately enough to identify potential misstatement in the financial statements as a due to in adequate accounting and management systems to support financial management.

Auditor-General

Cape Town

14 August 2015



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Report of the Accounting Officer

1. INTRODUCTION

Report by the Accounting Officer to the Executive Authority and the Provincial Parliament of the Western Cape.

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

In accordance with section 14(1)(h)(i) of the Western Cape Housing Development Act, 1999, (Act 6 of 1999) and section 55(1)(b) of The Public Finance Management Act, 1999, (Act 1 of 1999) (as amended by Act No. 29 of 1999), the WCHDF is compelled to compile GRAP financial statements.

The Provincial Cabinet has given its in-principle approval for the preparation of legislation to amend the Western Cape Housing Development Act, 1999, (Act 6 of 1999). Therefore the Department in collaboration with the Provincial Legal Services, in the process of amending the Housing Development Act. Legal Services has advised the Department that it will take approximately eighteen months to finalise the process. The amended Act will highlight the process of dealing with any properties and debtors (assets and liabilities) still in the books of the Fund. Furthermore to the above the National Department of Human Settlements is also in the process of amending the National Housing Development Act.

Legal Services of the National Department of Human Settlements informed the Provincial Human Settlement Departments that a draft Housing Amendment Bill has been finalised and consulted upon with all stakeholders, including provinces. One of the objects of the Bill is to align the Housing Act, 1997, No. 7 of 1997 with the new mandate of the National Department of Human Settlements following the transition from Housing to Human Settlements. The National Department of Human Settlements

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

is unable to proceed with the tabling of the Bill before the finalisation of the White Paper on Human Settlements that will in turn inform the contents of the Bill. 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 Sections 51 and 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.

The assets, i.e. debtors and immovable 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.

These assets have subsequently been restated and reflected at their related market values.

The Department made further progress with the promoting of ownership through the implementation of the Enhanced Extended Discount Benefit Scheme (EEDBS) programme, as well as writing off irrecoverable debt in terms of the Public Finance Management Act. These interventions made it possible for qualifying debtors to take ownership and responsibility for their assets, which would otherwise not have been possible. Furthermore to the above the Department obtained approval for a policy framework to write off the outstanding balances on the sale and loan accounts of the Fund as irrecoverable debt and clear these accounts in terms of the PFMA and Treasury Regulations subject to certain conditions to redress the imbalances in the subsidy housing market.

In addition to the debtors, a number of adjustments were made to the immovable property register to reflect properties where the risks and rewards of ownership rest with the Fund. These adjustments resulted in properties that do not belong to the Fund, being removed from the property register. Properties that do belong to the Fund have been added to the Immovable Asset Register. The Fund has made significant progress during the financial year under review. Some of the corrections include the following:

- Depreciation was accounted for and restated for the prior years;
- all properties now possess an erf number and a corresponding title deed number; and
- the amended Immovable Property Valuation Policy is currently in line with the accounting policy.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

The main strategy of the Department with regard to the management of its properties is to devolve its surplus vacant land to municipalities to be used for human settlement purposes. In addition to this, the ownership of properties that already legally vest in the local authorities by virtue of its use, e.g. public places and roads will be regularized when transferred into the name of the City of Cape Town. The said devolution gives effect to Section 19 of the Western Cape Housing Development Act, Act 6 of 1999. The Devolution Action Plan, which has been approved during December 2012, is vigorously being implemented and all of the qualifying properties outside the metro has been devolved or are in an advance stage of devolution to the municipalities. In terms of the agreement entered into with the non-metro Municipalities, occupation has already been taken with full cost and benefit. The Department is in the process of entering into a Memorandum of Understanding with the City of Cape Town regarding the bulk devolution of remaining qualifying Provincial Housing Fund Properties. However, multiple properties have already been devolved to the City of Cape Town on an ad hoc basis. The latter supports the creation of further human settlement opportunities, and reduces the Department's commitment in respect of the holding cost of the Provincial Housing Fund property portfolio.

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

	CASES	AMOUNT
SALES CAMPAIGN REBATE	942	(R 13,138,114.45)
Rebate: Sales	132	(R 2,101,636.61)
Rebate: Loans	810	(R 11,036,477.84)

WRITE OFF	1075	(R 38,767,930.86)
Write off: Loans	866	(R 33,698,497.34)
Write off: Rentals	50	(R 906,325.69)
Write off: Sales	159	(R 4,163,107.83)

PROPERTIES	1243	(R 329,496,390.59)
Devolved properties	1243	(329,496,390.59)

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.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

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 Housing Fund is currently conducting door to door visits for all the debtors as means of verifying valid debtors and also identifies debtors that qualify for the Enhanced Extended Discount Benefit scheme (EEDBS).

APP TARGETS FOR 2015 - 2019				
INDICATOR	2015/16	2016/17	2017/18	2018/19
Number of departmental pre 1994 housing units transferred to qualifying beneficiaries by 31 March 2016	400	600	700	-
Number of loans, sales and rentals housing debtors whose outstanding balances have been reduced to nil, in terms of the EEDBS and/or the PFMA, by 31 March 2016	710	650	650	600
Number of these title deeds transferred to qualifying beneficiaries who occupied departmental housing units pre 1994 by 31 March 2016	340	340	340	340

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

The reconciliation process for the 2014/15 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 2014/15 financial year was completed successfully.

The Fund is working closely with the National Department to ensure that the actions of the respective Departments are aligned and that problems are resolved timeously. The Department envisages closing the Western Cape Housing Development Fund by 31 March 2019; therefore the Department is in the process of transferring properties and reducing the debtors in terms of the EEDBS Programme and the Debt Reduction plan. Thus, it is envisioned that there will be no debtors in the Fund by 31 March 2019,

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

at which stage, subject to the expected amendments to the housing legislation, the Western Cape Housing Development Fund (WCHDF) will be closed and the remaining assets of the Fund will be transferred to the books of the Department or devolved to municipalities.

The Department places a very high emphasis on good governance and is striving towards a clean audit. The Department has a good partner relationship with Internal Audit and the Audit Committee to ensure that all the shortcomings identified by the AGSA are addressed and resolved. Regular financial, non-financial and governance reports are submitted to the MEC, Standing Committees, management and the Audit Committee. The quarterly meetings between the AGSA, management and the MEC also ensure that the Executive Authority is alerted to any key control shortcomings that might lead to audit risks.

The Fund embarked on the following processes to address the 2014/15 financial year audit findings:

- To determine the root causes of the audit findings with the assistance by Internal Audit from the Department of the Premier;
- Compiled action plans in accordance with the Governance Action Plan;
- Regular monitoring and updating of the Governance Action Plan, which included ongoing reporting to the Accounting Officer and the Provincial Minister;
- Quarterly reporting to Provincial Treasury and the Audit Committee; and
- Quality review of Annual Financial Statements by consultants.

The WCHDF is an unlisted entity 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 and debtors was accounted as departmental revenue and subsequently 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.

The WCHDF 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.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

The Annual Financial Statements as set out on pages 28 to 76 have been prepared in accordance with the Standards of Generally Accounting Practice (GRAP), as applicable to the WCHDF and the Rules of the Fund and are approved by the Head of Department of the Department of Human Settlements as the Accounting Authority and are certified to the best of my knowledge to be true and fair.



ACCOUNTING AUTHORITY

THANDO MGULI

DATE: 31 May 2015

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Statement of Financial Position (SPO) for the year ended 31 March 2015

	Notes	2015 R'000	2014 R'000
Assets			
Non-current Assets			
Property, plant and equipment	3	3 419 421	3 962 795
Loans receivable	4	-	11 808
		<u>3 419 421</u>	<u>3 974 603</u>
Current Assets			
Trade receivables from other exchange transactions	5	9 262	8 254
Other receivables	6	-	-
Loans receivables	4	1 457	4 361
		<u>10 719</u>	<u>12 615</u>
Total Assets		<u>3 430 140</u>	<u>3 987 218</u>
Liabilities			
Current Liabilities			
Trade and other payables from other exchange transactions	8	3 158	5 989
Total Liabilities		<u>3 158</u>	<u>5 989</u>
TOTAL NET ASSETS		<u>3 426 982</u>	<u>3 981 229</u>
Net Assets			
Reserves		3 620 599	4 429 548
Accumulated surplus		(193 617)	(448 319)
		<u>3 426 982</u>	<u>3 981 229</u>

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

**STATEMENT OF FINANCIAL PERFORMANCE (SPR)
for the year ended 31 March 2015**

Statement of Financial Performance for the year ended 31 March 2015

	Notes	2015 R'000	2014 R'000
Revenue			
Administration Fees received	10	61	66
Interest Received	10	270	4 607
Rental Income	10	4 952	4 664
Total Revenue		5 283	9 337
Provision for impairment	13	30 948	42 208
Revenue from Department of Human Settlements	14	61 689	68 548
Total Other Income		92 637	110 756
Total Income		97 920	120 093
Less expenditure			
Audit Fees	15	1 323	2 046
Bad Debt Written off	16	38 768	15 839
Employee Cost	17	21 021	20 193
Depreciation	3	155 391	121 846
Goods and Services	19	39 345	46 309
Loss on Disposal of properties	12	383 433	691 992
Rebates and Subsidies	20	12 918	14 000
Total Expenses		652 199	912 225
Surplus/(deficit) for the year		(554 279)	(792 132)

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Statement of Changes in Net Assets for the year ended 31 March 2015

	Note	Revaluation Reserve	Accumulated Surplus	Total Net Assets
		R'000	R'000	R'000
Balance at 01 April 2013 restated		<u>3 212 115</u>	<u>(445 032)</u>	<u>2 767 083</u>
As previously reported		3 490 393	(402 056)	3 088 338
Prior year error	22.5	(278 278)	(42 977)	(321 255)
Revaluation adjustment		2 006 188	-	2 006 188
Surplus/(deficit) for the year		-	(792 132)	(792 132)
Movement		-	90	90
Release of Reserve		(788 755)	788 755	
Other Receivables			-	-
Balance at 31 March 2014		<u>4 429 548</u>	<u>(448 319)</u>	<u>3 918 229</u>
Revaluation adjustment		-	-	-
Surplus/(deficit) for the year		-	(554 279)	(554 279)
Movement			112	112
Release of Reserve		(808 949)	808 949	-
Other Receivables			-	-
Correction of balances			(80)	(80)
Balance at 31 March 2015		<u>3 620 599</u>	<u>(193 617)</u>	<u>3 426 982</u>

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Cash Flow Statement for the year ended 31 March 2015

	Notes	2015	2014
		R'000	R'000
CASH FLOW FROM OPERATING ACTIVITIES			
<i>Receipts</i>			
Revenue		(9 351)	(22 866)
Other Receipts		61 689	68 548
		52 338	45 682
<i>Payments</i>			
Employee Costs		(21 021)	(20 193)
Suppliers		(43 499)	(54 109)
Other Payments		(12 918)	(14 000)
		(77 438)	(88 302)
NET CASH FLOW FROM OPERATING ACTIVITIES	21	(25 100)	(42 620)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		4 549	6 386
Increase(Decrease) in Loans Receivable		20 517	36 144
Increase (Decrease) in Accumulated Surplus		34	90
Net CASH FLOW FROM INVESTING ACTIVITIES		25 100	42 620
CASH FLOW FROM FINANCING ACTIVITIES			
NET CASH FLOW FROM FINANCING ACTIVITIES		-	-
Net Increase/(Decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at the end of year		-	-

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

These annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

Presentation currency

These annual financial statements are presented in South African Rand.

1.1 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 been enacted to allow for the de-establishment of the Fund.

1.2 Significant judgments and sources of estimation uncertainty

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

Trade and other receivables

The Fund assesses its trade and other receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the Fund makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Impairment testing

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonable possible that the assumption may change which may then impact our estimates and may then require a material adjustment to the carrying value of tangible assets.

The Fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Useful lives of property, plant and equipment and intangible assets

The Fund's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.

Allowance for impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 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: Investment property; such property is not considered an investment property nor inventories and would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Initial recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

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

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 the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located, where the Fund is obligated to incur such expenditure.

Where an item of property, plant and equipment is acquired at no cost, or for nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired non-monetary asset's fair value is not determinable, it's deemed cost is the carrying amount of the asset given up.

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. Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Subsequent measurement – Revaluation model

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Management considers the latest municipal values as a reliable basis as compared to fair value.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus when the asset is derecognised.

Depreciation

Subsequent to initial measurement property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

	Years
Land	indefinite
Buildings	30 - 70
Office equipment	3 - 7
Furniture and fittings	7 - 10

The residual value, the useful live and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the Fund to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

De-recognition

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in surplus or deficit when the item is derecognised.

Assets which the Fund holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one Fund and a financial liability or a residual interest of another Fund.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets

A financial asset:

- Cash;
- a residual interest of another Fund; or
- a contractual right to:
 - ❖ receive cash or another financial asset from another entity; or
 - ❖ exchange financial assets or financial liabilities with another Fund under conditions that are potentially favourable to the Fund.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument.

Financial liabilities

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another Fund; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Fund.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Classification

The Fund has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans and receivables	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The Fund has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Initial recognition

The Fund recognises a financial asset or a financial liability in its statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

The Fund recognises financial assets using trade date accounting.

Initial measurement

The Fund measures a financial asset and financial liability at amortised cost initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

The Fund measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at fair value.
- Financial instrument at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Fund establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Fund uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on Fund-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a Fund calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The Fund assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the Fund, significant financial difficulties of the debtor and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been, had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Derecognition

Financial Assets

The Fund derecognises financial assets using trade date accounting.

The Fund derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The Fund transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The Fund, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restriction on the transfer. In this case, the Fund:
 - ❖ Derecognise the asset; and
 - ❖ Recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a financial liability, or servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Financial liabilities

The Fund removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished, that is when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or a part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another Fund by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Fund currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases – lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as an income and the contractual payments are recognised as an operating lease asset or liability.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leases asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

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

Any contingent rent is recognised separately as revenue in the period in which they are received.

Income for leases is disclosed under revenue in the statement of financial performance.

Finance leases – lessor

The Fund recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the Fund's net investment in the finance lease.

1.6 Impairment of cash-generating assets

Cash-generating assets are those assets held by the Fund with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated Fund, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Identification

The Fund assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the Fund estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the Fund also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the Fund estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the Fund applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss.

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Recognition and measurement (cash-generating unit)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Fund determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the carrying of:

- Its fair value less costs to sell (if determinable);
- Its value in use (if determinable); and
- Zero

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Reversal of impairment loss

The Fund assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Fund estimates the recoverable amount of that asset.

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- Its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

1.7 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

The Fund assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Fund estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the Fund also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approaches:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. The cost is depreciated to reflect the asset in its used condition. Any asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the Fund would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the assets provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The Fund assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Fund estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Provisions

Provisions are recognised when:

- the Fund has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating.

1.9 Contingencies

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 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 a 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.

Contingent liabilities are not recognised.

1.10 Revenue from exchange transactions

Exchange transactions are transactions in which one Fund receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another Fund in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Interest, royalties and dividends

Revenue arising from the use by others or Fund assets yielding interest, royalties and dividends are recognised when:

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Sale of goods

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

- the Fund has transferred to the purchaser 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 cost incurred or to be incurred in respect of the transaction can be measured reliably.

1.11 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an Fund either receives value from another Fund without directly giving approximately equal value in exchange, or gives value to another Fund without directly receiving approximately equal value in exchange.

Included in the conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Included in the restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting fund.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Fund satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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 obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Fund. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates

When, as a result of a non-exchange transaction, the Fund recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Gifts and donations, including goods and services in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Fund and the fair value of the assets can be measured reliably.

Services in-kind are not recognized.

Revenue from the Department of Human Settlements

Revenue from the 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.

Transfers

Apart from services in kind, which are not recognised, the Fund recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

1.12 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.13 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure incurred in contravention of, or that is not in accordance with:

- a requirement of the PFMA (Act No. 29 of 1999); or
- a requirement of the State Tender Board Act (Act No. 86 of 1986), or any regulations made in terms of the Act; or
- a requirement in any provincial legislation providing for procurement procedures in that provincial government.

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Related parties

The Fund operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the Fund, including those charged with the governance of the Fund in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Fund.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.16 Budget Information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by the National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of Comparison Budget and Actual amounts.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 01 April 2014 to 31 March 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts; and
- the actual amounts and the final budget amounts.

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statement of Comparison of Budget and Actual amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012.) has been made.

2. New Standards and interpretations

Standards and interpretations effective and adopted in the current year

In the current year, the Fund has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretations	Effective date: Years beginning on or after
GRAP 25: Employee benefits	1 April 2014

Standards and Interpretations early adopted

The Fund has chosen not to early adopt any standards and/or interpretations:

Standards and interpretations issued, but not effective

The Fund has not applied the following standards and interpretations, which have been published and are mandatory for the Fund's accounting periods beginning on or after 01 April 2015 or later periods:

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

Notes to the Financial Statements for the year ended 31 March 2015

Statement of Accounting Policies (continued)

Standard/Interpretations	Effective date: Years beginning on or after
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015
GRAP 7 (as revised 2010): Investments in Associates	01 April 2015
GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015
GRAP 18: Segment Reporting	01 April 2015
GRAP 20: Related Parties	01 April 2016
GRAP 32: Service Concession Arrangements: Grantor	01 April 2016
GRAP 105: Transfers of functions between entities under Common control	01 April 2015
GRAP 106: Transfers of functions between entities not under Common control	01 April 2015
GRAP 107: Mergers	01 April 2015
GRAP 108: Statutory Receivables	01 April 2016
DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016

Standards and interpretations issued, not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Fund's accounting periods beginning on or after 01 April 2015 or later periods but are not relevant to its operations:

Standard/Interpretations	Effective date: Years beginning on or after
GRAP 18: SEGMENT REPORTING	01 April 2015
IGRAP 11: Consolidation – Special purpose entities	01 April 2015
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015
IGRAP 17: Service Concession Arrangements where a Grantor Control a Significant Residual Interest in an Asset	01 April 2016

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

3. Property, plant and equipment

	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
	R'000	R'000	R'000
2015			
Land	2 816 878		2 816 878
Buildings	757 935	(155 391)	602 544
	3 574 813	(155 391)	3 419 422
2014			
Land	3 158 036	-	3 158 036
Buildings	926 605	(121 846)	804 759
	4 084 641	(121 846)	3 962 795
Reconciliation of property, plant and equipment			
2015	Restated Opening Balance	Additions	Disposals
Land	3 158 036	-	(341 159)
Buildings	804 759	-	(46 824)
	3 962 795	-	(387 983)
Reconciliation of property, plant and equipment			
2015	Revaluations	Depreciation	Total
Land	-	-	2 816 878
Buildings	-	(155 391)	602 544
	-	(155 391)	3 419 422
Reconciliation of property, plant and equipment			
2014	Restated Opening Balance	Additions	Disposals
Land	2 636 073	-	(658,376)
Buildings	419,118	-	(40,083)
	3,055,191	-	(698,459)
Reconciliation of property, plant and equipment			
2014	Revaluations	Depreciation	Total
Land	1 180 340	-	3,158 036
Buildings	547 570	(121 846)	804 759
	1 727 910	(121 846)	3 962 795

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
Assets subject to finance lease (Net carrying amount)		

None of the property, plant and equipment has been pledged as security for liabilities or contingent liabilities.

Revaluations

The effective date of the revaluations was 31 March 2014. Land and buildings are revalued at Municipal and Accounting Officer's values.

Land and buildings are re-valued every three years with reference to the municipal valuation roll values. The next revaluation is due 31 March 2017.

4. Loans receivable

Gross investment	72 853	131 869
Impairment	(71 396)	(115 700)
	1 457	16 169
Non-current assets	-	11 808
Current assets	1 457	4 361
	1 457	16 169

None of the trade and other receivables has been pledged as security for liabilities or contingent liabilities.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
Credit quality of Loans receivables		
The credit quality of Loans receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:		
Fair value of Loans receivables		
Loans receivables	9 135	15 987
Sales	(7 678)	182
	1 457	16 169

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus advances, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Loans receivables past due but not impaired

Loans receivables which are less than four months past due are not considered to be impaired. At 31 March 2015 no Loans receivables were past due but not impaired.

The ageing of amounts past due but not impaired cannot reliably be determined.

Loans receivables impaired

As of 31 March 2015, Loans receivables of R 72,852,582.44 (2014: R 131,868,350.68) were impaired and provided for.

The amount of the provision was R 71, 395, 746, 73 (2014: R 115,699,870.19).

Default on payment is considered in determining if a receivable is impaired.

The ageing of amounts impaired cannot reliably be determined.

Reconciliation of provision for impairment

Opening balance	115 700	174 461
Provision for impairments	(44,304)	(58 761)
Closing balance	71 396	115 700

Credit risk exposure

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The Fund does not hold any collateral as security over Loans receivables.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
5. Trade receivables from exchange transactions		
Rentals	15 870	15 003
Impairment	(6 608)	(6 749)
Closing balance	9 262	8 254
<i>Age analysis</i>		
Current (0-30 days)		8 254
31 – 60 days		-
61 – 90 days		-
91 – 120 days		-
≥ 121 days		6 749
		15 003

The Fund does not hold any collateral as security.

None of the trade and other receivables has been pledged as security for liabilities or contingent liabilities.

Credit quality of trade and other receivables

The credit quality of Loans receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than four months past due are not considered to be impaired. At no accounts were past due but not impaired.

The ageing of amounts past due but not impaired cannot reliably be determined.

Trade and other receivables impaired

As of 31 March 2015, trade and other receivables of R 15,869,170.15 (2014: R 15,002,068.52) were impaired and provided for.

The amount of the provision was R 6,607,789.26 (2014: R 6,749,490.72) as of 31 March 2015.

Default on payment is considered in determining if a receivable is impaired.

The ageing of amounts impaired cannot reliably be determined.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	6 749	7 363
Provision for impairments	(141)	(614)
Closing balance	6 608	6 749

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
6. Other receivables		
The Department of Human Settlements	(81)	52
Amounts refundable to trade receivables post 1990	81	(52)
Closing balance	-	-

Reconciliation of Department of Human Settlements

Opening balance	-	13 288
Current year movement	760	(6 231)
Installments received from receivables	12 738	10 110
Provision for impairment	(13 498)	(17 167)
Closing balance	-	-

The nature of the other receivables relates to amounts that are due from the Department of Human Settlements for rentals and other income collected on behalf of the Fund as the Fund does not have its own bank account.

7. Financial assets by category

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

	Financial instruments at amortised cost	Total
2015		
Loans receivable	1 457	1 457
Trade receivables from exchange transactions	9 262	9 262
Closing balance	10 719	10 719
2014		
Loans receivable	16 169	16 169
Trade receivables from exchange transactions	8 254	8 254
Closing balance	24 423	24 423

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
8. Trade and other payables from exchange transactions		
Accruals	1 781	5 041
Amounts refundable to trade receivables	1 377	947
Closing balance	3 158	5 989
	Financial instruments at amortised cost	Total
9. Financial liabilities by category		
2015		
Trade and other payables from exchange transactions	3 158	3 158
Closing balance	3 158	3 158
2014		
Trade and other payables from exchange transactions	5 989	5 989
Closing balance	5 989	5 989
10. Revenue		
Administration fees received	61	66
Interest received	270	4 607
Rental income	4 952	4 664
Closing balance	5 283	9 337

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
The amount included in revenue arising from exchange transactions are as follows:		
Administration fees received	61	66
Interest received	270	4 607
Rental income	4 952	4 664
Closing balance	5 283	9 337

Rental received relate to low income tenant rentals through the housing scheme as set out in the Housing Act.

Interest received relate to interest accrued from the Loans receivable.

11. Other income

Provision for impairment	30 948	42 208
Revenue from Department of Human Settlements	61 689	68 548
Closing balance	92 637	110 756

The amount included in other arising from exchange transactions are as follows:

Provision for impairment	30 948	42 208
Closing balance	30 948	42 208

The amount included in other arising from non-exchange transactions are as follows:

Revenue from Department of Human Settlements	61 689	68 548
Closing balance:	61 689	68 548

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
12. Disposal of properties		
<i>Disposal of properties consist out of:</i>		
(Profit)/Loss on disposal of properties	2 184	(2 528)
Loss on properties devolved	381 249	694 520
Closing balance	383 433	691 992
13. Provision for impairment		
Loans receivable	44304	58 761
Other receivables	(13 498)	(17 167)
Trade receivables from exchange transactions	142	614
Closing balance	30 948	42,208
14. Revenue from Department of Human Settlements	61 689	68 548
Audit Fees	1 323	2 046
Services in kind	21 021	20 193
Goods and Services	39 345	46 309
Income recognised in lieu of the expenditure incurred by the Department on behalf of the Fund.		
15. Audit fees		
Auditors remuneration	1 323	2 046
Closing balance:	1 323	2 046
16. Bad debts written off		
Receivables	38 768	15 839
Closing balance	38 768	15 839

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

17. Administrative Costs

Work is performed by employees from the Western Cape Department of Human Settlements (hereinafter the Department) on the Fund's activities. The work done by the Department is services in-kind in terms of GRAP 23. Services in-kind are services provided by individuals to entities in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential is expected to flow to the entity. These services are however immediately consumed and transaction of equal value is recognised to reflect the consumption of these services in-kind.

	2015 R'000	2014 R'000
Administrative Costs	21 021	20 193
<i>Salaries and wages</i>	18 572	17 842
Basic salary	14 717	13 721
Basic salary: Learner ship program/interns	-	54
Compensative/Circumstantial other	76	260
Employee Secondary Benefits	115	55
Housing allowance	473	477
Non pensionable allowance other	901	931
Overtime	795	1 046
Performance Award - Other	-	-
Performance bonus	475	379
Service Based Other	34	7
Service Bonus	986	912
<i>Employer Contributions</i>	2 449	2 351
Bargaining Council	4	4
Medical	876	862
Pension	1 569	1 485
Closing balance	21 021	20 193

18. Bad debts written off

Bad debt written off transactions are processed when all necessary steps have been are finalized.

An approval to write off the debt signed by the senior management is further followed by investigation of the correct amount.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
19. Goods and services		
Business & Advisory Services: Financial Management	60	81
C/P: Bus & Advisory Services: Valuer	45	132
C/P: Information & Planning: Geo Information Service	5	2
C/P: : Information & Planning: Land & Quantity Survey	80	26
C/P: L/Private Firm: Legal Advice	922	1,031
C/P: L/State Attorney: Legal Advice	95	173
C/P: L/State Attorney: Conveyancing	790	763
Out Property Payments: Contract Maintenance	-	2,952
Contractors: Tracing Agents & Debt Collections	63	69
Property Payments: Deeds	742	672
Municipal Accounts	25 874	33 827
Municipal Charges	3 789	3 852
Contractors: Maintenance. & Rep Other Assets	5 121	-
Outs Contractors: Maint & Repairs – N-Inf Ass	-	4
Outs Property Payments: Contract Maintenance	-	244
Property Payments: Management Fee	208	-
A & S/O/S: Security Services	1 551	2 481
Closing balance	39 345	46 309
20. Rebates and subsidies		
Discount benefit scheme	13 138	13 680
Phasing out programme	(220)	320
Closing balance	12 918	14 000

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
21. Cash generated from operations		
Surplus/(deficit) for the year	(554 279)	(792 132)
<i>Adjust for:</i>		
Interest received	(270)	(4 607)
Provision for impairment	(30 948)	(42 208)
Bad debts written off	38 768	15 839
Depreciation	155 391	121 846
Loss on disposal of properties	383 433	691 991
<i>Changes in working capital:</i>		
Trade receivables from exchange transactions	(866)	(531)
Other receivables	(13 491)	(27 605)
Trade and other payables from exchange transactions	(2 831)	(5 754)
Net cash flow from operating activities	(25 100)	42 621
 22. Prior period errors		
<i>Summary of prior period errors</i>		
Adjustment affecting the statement of changes in net assets		
Adjustment against opening accumulated surplus at 31 March 2013		42 977
Adjustment against revaluation reserve at 31 March 2013		278 278
 Adjustments affecting the statement of financial position		
Property, plant and equipment		(318 645)
Loans receivables		(63)
Trade and other receivables from exchange transactions		(83)
Other receivables		(17 167)
Trade and other payables from exchange transactions		

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
<i>Adjustments affecting the statement of financial performance</i>		
Administration fees received		-
Interest received		-
Rental income		83
Profit on disposal of properties		-
Provision for impairment		3 356
Revenue from Department of Human Settlements		-
Audit fees		-
Bad debts written off		-
Compensation of employees		-
Depreciation		(6 387)
Goods and services		-
Loss on disposal of properties		27 003
Rebates and subsidies		-
Amount due by the Department		-
Miscellaneous expenditure		-

22.1 Interest accrued

Interest accrued for 2014 included interest raisings and Induplum interest relating to prior years. An adjustment of R 20,524 million was processed to accumulated surplus as the opening balance adjustment:

Adjustments affecting the statement of changes in net assets:

Opening accumulated surplus at 31 March 2013	20 524
----------------------------------------------	---------------

Adjustments affecting the statement of financial performance:

Other income – provision for impairment	20 524
-----------------------------------------	---------------

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
22.2 Loans Receivable		
<i>Correction of prior year error of loans receivable that were duplicated. An adjustment of R63,039 million was processed to accumulated surplus and loans receivable as the opening balance adjustment.</i>		
Adjustments affecting the statement of changes in net assets:		
Opening Accumulated surplus at 31 March 2013		63
Adjustments affecting the statement of financial position:		
Loans and Sales Receivables		(63)
22.3 Trade receivables from exchange transactions		
<i>Correction of prior year rental income incorrectly recognised in the current period. An adjustment of R83, 488 million was processed to rental income and trade receivables from exchange transactions as the adjustment in the prior period.</i>		
Adjustments affecting the statement of financial position:		
Rental Income		83
Adjustments affecting the statement of financial performance		
Loans and Sales receivables		(83)

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
22.4 Other receivables		
<i>Correction of prior year provision for impairment on other receivables incorrectly recognised in the prior period. An adjustment of R17,167 million was processed to the provision for impairment and other receivables in the prior period.</i>		
Adjustments affecting the statement of financial performance:		
Provision for impairment		17 167
Adjustments affecting the statement of financial position:		
Other receivables		17 167
22.5 Property, Plant and Equipment		
Revaluation Reserve		
<i>This was a correction of property, plant and equipment due to reclassification of properties that resulted to a decrease in the revaluation amount. Correction of prior year error of properties that were supposed to have been sold in the prior year and reflected as sold in the current year,</i>		
Adjustments affecting the statement of changes in net assets:		
Adjustments against opening Accumulated surplus at 31 March 2013		42 977
Revaluation reserve		278 278
		321 255
Adjustments affecting the statement of financial position:		
Property, plant and equipment		(318 645)
		(318 645)

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015	2014
	R'000	R'000
<i>Adjustments affecting the statement of financial performance:</i>		
Loss on disposal of properties		27 003
Depreciation		(6 387)
		20 616

23. Related party

Department of Human Settlements

The Department of Human Settlements is the controlling department of the Fund.

Transactions:

Revenue from Department of Human Settlements
- Refer to note 11:

	61 689	68 548
--	---------------	---------------

24. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

25. Risk management

25.1 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity 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 regular 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 oversees 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

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit committee.

25.2 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 receivables and Loans 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 impairment that represents its estimate of incurred losses in respect of trade receivables and Loans 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:

	2015	2014
	R'000	R'000
Trade receivables from exchange transactions	15 870	15 003
Other receivables	-	-
Loans receivable	72 853	131 869
Closing balance	88 723	146 872

25.3 Interest rate risk

The Fund's interest rate risk arises from trade receivables and Loans 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.

25.4 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 groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	R'000	R'000	R'000
	Less than 1 year	Between 1 and 2 years	Total
2015			
Trade and other payables:	3 158	-	3 158
	<hr/>		
2014			
Trade and other payables	5 988	-	5 988
	<hr/>		

26. 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 operations.

The Fund aims to finalise the sanitisation of the properties meaning to transfer, delete and devolve the properties and phasing out of the debtor book by promoting ownership by June 2018, 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 cease operations.

There is no significant doubt that the Fund will continue to exist at this stage. The Statement of Financial Position continues to reflect a positive net asset current ratio and the Property Portfolio of the Fund amount to R2.5 billion (2013: R2.5 billion).

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

27. Events after reporting period

The executive management is not aware of any other matter or circumstance since the financial year ended 31 March 2015 the date of this report, or legislated, or otherwise dealt with in the financial statements, which significantly affects the financial position of the Fund and the results of its operations.

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2015

	2015 R'000	2014 R'000
28. Reconciliation between budget and statement of financial performance		
Net (deficit) for the year	(554 279)	(792 279)
Adjusted for:		
Bad debts written off	38 768	15 839
Loss on disposal of properties	383 433	691 991
Revenue	(270)	(4 607)
Profit on sale of properties	-	-
Provision for impairment	(30 948)	(42 208)
Net surplus per approved budget	(163 296)	(131 116)

29 KEY MANAGEMENT PERSONNEL

The key management has been allocated a certain percentage of the total package to the Housing Fund. The percentage is disclosed on each management's performance contract. The percentage is reviewed every financial year end.

Head of Department – T. Mguli	188	
Chief Financial Officer – J.F. De Wet	110	
	298	

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the year ended 31 March 2015**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 31 MARCH 2015**

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R'000 (Actual)	2015 R'000 (Final Budget)	2015 R'000 (Variance)
ASSETS			
Current assets			
Cash	-	-	-
Call investment deposits	-	-	-
Consumer debtors	-	-	-
Other receivables	17 166	17 166	-
Current portion of long-term receivables	1 457	1 457	-
Inventory	-	-	-
Total current assets	18 623	18 623	
Non-current assets			
Long term receivables	-	-	-
Property, plant and equipment	3 507 052	3 507 052	-
Total non-current assets	3 507 052	3 507 052	-
TOTAL ASSETS	3 525 675	3 525 675	-
LIABILITIES			
Current liabilities			
Trade and other payables	3 158	3 158	-
Provisions and Employee Benefits	-	-	-
Total current liabilities	3 158	3 158	
Borrowing	-	-	-
Provisions and Employee Benefits	-	-	-
Total non-current liabilities	-	-	-
TOTAL LIABILITIES	3 158	3 158	
NET ASSETS	3 522 517	3 522 517	
COMMUNITY WEALTH			
Accumulated Surplus/(Deficit)	(193 617)	(193 617)	-
TOTAL COMMUNITY WEALTH/EQUITY	(193 617)	(193 617)	-

**WESTERN CAPE PROVINCE
WESTERN CAPE HOUSING DEVELOPMENT FUND**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 31 MARCH 2015**

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R'000 (Actual)	2015 R'000 (Final Budget)	2015 R'000 (Variance)
REVENUE BY SOURCE			
Interest earned – Outstanding Debtors	270	270	-
Other Revenue	97 650	97 650	-
Total Operating Revenue	97 920	97 920	-
EXPENDITURE BY TYPE			
Administration Costs	21 021	21 021	-
Debt Impairment	38 768	38 768	-
Depreciation and Asset Management	155 391	155 391	-
Finance charges	-	-	-
Bulk Charges	-	-	-
Grant and Subsidies paid	12 918	12 918	-
Other Expenditure	40 666	40 668	-
Loss on Disposal of PPE	383 433	383 433	-
Total Operating Expenditure	652 199	652 199	-
Operating Deficit for the year	(554 279)	(554 279)	-
Government Grants and Subsidies - Capital	-	-	-
Net Deficit for the year	(554 279)	(554 279)	-

Western Cape Department of Human Settlements
Directorate: Financial Management
Private Bag X9083
27 Wale Street
Cape Town
8000
tel: +27 21 483 4505 **fax:** +27 21 483 5023
www.westerncape.gov.za

Afrikaans and isiXhosa versions of this publication are available on request.

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



**Western Cape
Government**
Human Settlements

PR233/2015
ISBN: 978-0-621-43842-0