Western Cape Government

Human Settlements

Annual Report 2013/14

Western Cape Housing Development Fund

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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 2013/14 Annual report of the Western Cape Housing Development Fund (WCHDF) in terms of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999).

ACCOUNTING AUTHORITY
THANDO MGULI
DATE: 31 JULY 2014

1.2 Introduction by the Accounting Authority

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

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

Prior to 1994, the Housing Arrangements Act, 1993 was promulgated which led to the creation of the South African Housing Fund and simultaneously abolished all the five former Funds and statutory bodies. With the promulgation of the Housing Act, 1997, (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 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 2013/14 financial year in accordance with the GRAP reporting framework.

In conclusion, the Auditor-General of South Africa has issued an unqualified opinion on the financial statements of the WCHDF for the 2013/14 financial year.

The Department appointed a consultant with extensive experience on the GRAP standards to do high level review of the financial statements.

The owner and administrator of the National Debtor System, the National Department of Human Settlements already indicated that no funding will be made available to enhance/upgrade the system.

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 standardisation of the Property Register and the Debtors Book by March 2018, at which stage, subjected to expect amendments to the housing legislation, the Fund will be closed and the remaining assets of the Fund will be transferred to the books of the Department of Human Settlements.

The Fund has not reported against predetermined objectives as it is reported upon in the annual report of the Department of Human Settlements.

PART 2: GOVERNANCE

1. INTRODUCTION

The leadership team of the 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 Fund's governance structures:

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

2 RISK MANAGEMENT

The Accounting Authority (AA) for the Western Cape Housing Development Fund (WCHDF) takes responsibility for implementing Enterprise Risk Management (ERM) in accordance with the National Treasury Public Sector Risk Management Framework (NTPSRMF) and the Directorate Enterprise Risk Management (D:ERM) in the Department of the Premier (DoTP) provides a centralised strategic support service to the Western Cape Housing Development Fund.

In compliance with the National Treasury Public Sector Risk Management Framework (NTPSRMF) and to further embed risk management within the Western Cape Housing Development Fund, the Western Cape Government (WCG) has adopted an ERM Policy which sets out the WCG's overall intention with regard to ERM.

An Annual ERM Implementation Strategy has been developed in order to give effect to the WCG ERM policy and to attain the Annual Enterprise Risk Management Implementation Plan and the risk management priorities of the Western Cape Housing Development Fund. This enables the Western Cape Housing Development Fund to deliver on its goals, objectives and key performance indicators, enhance risk informed decision making and optimise compliance with applicable legislation. It further outlines the roles and responsibilities of managers and staff in embedding risk management in the Western Cape Housing Development Fund and defines the enabling legislation, standards, mechanisms, tools and resources to be used to realise the ERM plan.

The Enterprise Risk Management Committee provides governance oversight over the entire system of risk management of the Western Cape Housing Development Fund and furnishes the Accounting Authority with the requisite reports in respect of performance of risk management. The Audit Committee provides the independent oversight of the Western Cape Housing Development Fund's system of risk management.

The Audit Committee is 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 Department's Annual ERM Implementation Plan and significant/strategic risks faced by the Western Cape Housing Development Fund and their relevant risk response/treatment strategies.

Enterprise Risk Management Committee (ERMCO)

The Department of Human Settlements including the Western Cape Housing Development Fund has established an Enterprise Risk Management Committee to assist the Accounting Authority in executing his respective responsibilities concerned with risk management. The committee operates under a terms of reference approved by the Accounting Authority. 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 committee meetings during the financial year under review were attended as follows:

Member	Position	Scheduled Meetings	Attended
Mr T Mguli	HOD	4	3
Mr F de Wet	CFO	4	4
Mr R Rughubar	CD : Human Settlement Implementation	4	4
Ms J Samson	CD: Human Settlement Planning	4	2

Risk management process

During the period under review, the Department of Human Settlements including the Western Cape Housing Development Fund 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 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. Programme risk registers are approved by the respective programme manager.

The Enterprise Risk Management Committee ratifies, prioritises and further recommends to the Accounting Authority, which significant risks are 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 that includes the Western Cape Housing Development Fund.

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 including the Western Cape Housing Development Fund has an approved Fraud Prevention Plan and a Fraud Prevention Implementation plan which gives 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 or investigation referred to the Forensic Investigation Unit is recorded in a Case Management System. This Case Management System is used as a management tool to report on progress made with cases relating to the department and also generating statistics for the Province and Department. The FIU protects employees who blow the whistle on suspicions of fraud, corruption and theft if the disclosure is a protected disclosure (i.e. not malicious). The FIU ensures that the opportunity to remain anonymous is afforded to any person who would like to report acts of fraud, theft and corruption. Should they do so in person, the FIU guarantees that their identities are kept confidential.

Once fraud or corruption is confirmed after completion of an investigation, the relevant employee who participated in these acts is 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 including the Western Cape Housing Development Fund obtained on a quarterly basis a Persal report, verified against the WCSD (Western Cape Suppliers Database) to identify WCG (Western Cape Government) officials who are shareholders of the approved supplier's database in respect of maintenance and repairs payments. The purpose of this exercise was to identify if any departmental officials have business interests with suppliers on the WC supplier's database and if any to investigate the concern and address it.

The Department including the officials linked to the Western Cape Housing Development Fund also requires on an annually basis that all the SMS members complete a financial disclosure and that all Supply Chain Management officials submit a declaration of interest. The members of the Bid Evaluation Committees (BEC) and the members of the Bid Adjudication Committee (BAC) sign a Declaration of Interest before each meeting to evaluate bids received. If there is a conflict of interest then it is expected of the member to excuse him/herself from the meeting when the bid is being evaluated or adjudicated.

5. CODE OF CONDUCT

The department including the Western Cape Housing Development Fund 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.

6. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

During the year under review the department achieved the following:

- The Prescribed Contingency plan for the department was consulted with the OCCUPATIONAL HEALTH & SAFETY ACT (OHASA) committee and the Department of Community Safety. The HOD approved the contingency plan and it was implemented.

- 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.

- Three (3) prescribed evacuation exercises were conducted (1x announced and 2x un-announced).

- Four (4) prescribed Occupational Health and Safety meetings were held.

- OHASA training (FIRST AID, FLOOR MARSHAL, FIRE MARSHAL) were provided to all volunteers to ensure compliance, 23 officials were trained at the department.

- Occupational Health and Safety policy was approved by Head of Department and implemented.

7. PORTFOLIO COMMITTEES

A total of four standing committee meetings were held during the financial year under review. Meetings are held per quarter or at the discretion of the standing committee. No issues were raised in respect of the Western Cape Housing Development Fund

8 SCOPA RESOLUTIONS

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements, being financially qualified with findings relating primarily to property, plant and equipment, and that this represented a regression from the 2011/12 unqualified audit opinion with findings.

The Committee noted the Fund's commitment of achieving an unqualified audit in 2014 and beyond. To achieve this commitment and to avoid a regression in the audit outcome, the Fund should urgently and sustainably address all matters raised by the Auditor-General, the Audit Committee and this Committee.

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Resolution No.	Subject	Details	Response by the Department	Resolved (Yes/No)
Page: 12 of the Annual Report Heading: "Basis for qualified opinion"	The Entity should brief the Committee on the mechanism introduced to ensure the proper application of the valuation policy to measure property, plant and equipment at the fair value of expected service potential derived from these assets as required in accordance with Standards of Generally Recognised Accounting Practice, (GRAP 17).	The Committee noted with concern that the Fund did not apply their valuation policy to measure property, plant and equipment at the fair value of expected service potential derived from these assets as required in accordance with Standards of Generally Recognised Accounting Practice, (GRAP 17), property, plant and equipment. Properties identified as open spaces and road remainders, not having service potential were valued incorrectly. Consequently, property, plant and equipment and the revaluation reserve are overstated by R279 759 797.	The Department will brief SCOPA on the mechanisms introduced to ensure the proper application of the valuation policy on a date that will be determined by SCOPA.	No

List of Information Required:

The Western Cape Housing Development Fund should provide the Committee with:

List of Information Required	Comment
A detailed report on the material losses to the amount of R10 215 000 as indicated in paragraph 9 on page 13 of the Annual Report 2012/13 of the Western Cape Housing Development Fund.	Information provided to the committee on 18 December 2013
All minutes and other documents reflecting the agreement reached between the Department and Auditor-General is highlighted confirming that the concerns raised between the two bodies have been agreed upon as discussed while perusing page 23 as indicated in the Annual Report 2011/12 of the Western Cape Housing Development Fund.	Information provided to the committee on 18 December 2013

9 PRIOR MODIFICATIONS TO AUDIT REPORTS

The matters that have given rise to a qualification, and matters of non-compliance for the Fund have been addressed by the Fund.

10 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 Fund during the audit processes. In respect of the external audit process all the requested documentation (i.e. Request for Information, Communication of audit findings, Fund's responses and related matters, etc.) were co-ordinated and quality assured by this unit in a timely manner. This contributed to a smooth and almost problem free audit process.

In respect of the internal audit process the unit provides assistance with the follow up of issues arising from the audits. Internal Control is responsible for providing all relevant documentation requested by the internal auditors. The unit also forms part of departmental audit steering committee that meets on a monthly basis.

The sub directorate also plays a valuable role in co-ordinating all investigations by the Forensic Investigative Unit (FIU). All documentation that was required iro investigations was timeously provided to the FIU as requested. The unit is responsible to ensure the implementation of all recommendations made by the FIU and the follow up of all outstanding responses in this regard.

On the compliance side this unit performed a 100% post checking on all payments made by the Fund in respect of maintenance, repairs and municipal payments to ensure correctness and value for money. This unit 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 on behalf of the Fund up to processing on a monthly basis.

Based on the qualification of the Western Cape Housing Development Fund for the 2012/13 financial year where the asset register did not agree with the Deeds web, physical verification of the 100 highest valued properties were performed during the period under review.

During the year under review this unit was also responsible for co-ordinating and reporting on the CGRO-GAP to ensure that all previous AG findings were addressed and 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 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 on a timeous manner to the different stake holders/role player's i.e. SCOPA, Audit Committee, PT, PSC & FIU.

11 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 including the Western Cape Housing Development Fund. It should assist the Department and the Fund 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 and the Fund's objectives;
- Evaluate the adequacy and effectiveness and contribute to the improvement of the risk management process; and
- Assist the Accounting Authority in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement.

No assurance engagements were approved in the 2013/14 Internal Audit Plan:

The Audit Committee is established as oversight bodies, providing independent oversight over governance, risk management and control processes in the Department including the Western Cape Housing Development Fund, 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 (Honours); BProc	External	N/a	1 January 2013	N/a	8

12 AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2014.

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 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference (approved on the 11 September 2013), as its Audit Committee 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 Western Cape Housing Development Fund (WCHDF) 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 Western Cape Housing Development Fund (WCHDF) 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 Authority 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 of South Africa and the Accounting Authority;
- reviewed the Auditor-General of South Africa's management report and management's responses thereto;
- considered changes to the accounting policies and practices and where applicable these are reported in the annual financial statements;
- reviewed the Funds processes to ensure compliance with legal and regulatory provisions;
- reviewed the information on predetermined objectives as reported in the annual report;

- reviewed material adjustments resulting from the audit of the Fund and
- reviewed and where appropriate recommended changes to the interim financial statements as presented by the Fund for the six months ending 30 September 2013.

Internal Audit

Vacancies within the internal audit structures are receiving on going attention and good progress is being made to fill funded vacancies. There were no unresolved internal audit findings.

Risk Management

The Entity has taken full responsibility and ownership for the implementation of the Enterprise Risk Management (ERM). The risk reports are reviewed and updated on a quarterly basis by management and overseen by the Audit Committee. The challenge remains to institutionalise ERM throughout the Entity. The Audit Committee noted the emerging risks and will be monitoring these on a regular basis.

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 and will continue to monitor on-going improvements thereof.
- The Audit Committee concurs and accepts the Auditor-General of South Africa's opinion regarding the annual financial statements, and proposes that the audited annual financial statements be accepted and read together with the report of the Auditor-General of South Africa
- The Audit Committee has met with the Auditor-General of South Africa and the Fund to ensure that there are no unresolved issues emanating from the regulatory audit.
- The Audit Committee recommended that the Annual Financial Statements be approved by the Accounting Authority on 7th August 2014.

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.

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Mr Ronnie Kingwill

Chairperson of the Social Cluster Audit Committee

Western Cape Housing Development Fund

Date: 14 August 2014

PART 3: ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2014

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REPORT OF THE AUDITOR-GENERAL TO 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 26 to 70 which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The Accounting Authority's responsibility for the financial statements

2. The Accounting Authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Western Cape Housing Development Act, 1999 (Act No.6 of 1999) (WCHDA), and for such internal control as the Accounting Authority 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 the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International 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 audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Western Cape Housing Development Fund as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the WCHDA.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 22 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of a errors discovered during 2014 in the financial statements of the Western Cape Housing Development Fund at, and for the year ended, 31 March 2013.

Going concern

9. As disclosed in note 26 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 Fund will be closed and the remaining assets of Fund will be transferred to Department of Human Settlements or devolved to municipalities or local authorities.

Material losses/Impairments

10. As disclosed in note 16 to the financial statements, material losses to the amount of R15 839 000 were reported by the Western Cape Housing Development Fund as a result of a write-off of irrecoverable debt.

11. As disclosed in note 4 and 5 of the financial statements, material impairments to the amount of R142 972 000 were incurred as a result of provision for doubtful debts.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, non-compliance with legislation and internal control. The objective of my test was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. I do not express an opinion or conclusion on these matters.

Predetermined objectives

13. 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

14. I performed procedures to obtain evidence that the fund has complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation as set out in the general notice issued in terms of the PAA are as follows:

15. 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 Development Act.

Internal control

16. 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

17. Leadership did not ensure that the action plan was adequately monitored to prevent similar findings that were reported in the prior year and this resulted in material corrections to the financial statements.

Financial and Performance Management

18. Management did not implement adequate monthly processes and review of financial information to prevent or detect material misstatements identified in the financial statements. The Fund's records were not adequately maintained due to the accounting system primarily being a cash based system which requires significant effort by management at year end to convert transactions to the accrual basis of accounting.

Cape Town

30 July 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the Accounting Authority

Report by the Accounting Authority 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 Authority 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 Authority.

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.

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 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

Report of the Accounting Authority (continued)

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.

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.

The main strategy of the Department with regard to the management of its properties is to devolve its properties to municipalities to be used for human settlement purposes. The Devolution Action Plan, which has been approved during December 2012, is vigorously being implemented and almost all of the properties outside the metro has been devolved or are in an advance stage of devolution to the municipalities. The Department is also continuing with its efforts to ensure that its data and financial records of the WCHDF are GRAP compliant. In this regard an operational plan has been drafted and approved by the Executive Committee of the Department. These two plans are being implemented by dedicated teams and overseen by the Executive Committee to ensure that the plans are duly executed and that the objectives are achieved.

Report of the Accounting Authority (continued)

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

	CASES	AMOUNT
SALES CAMPAIGN REBATE	**520**	**(R 13,679,308.46)**
Rebate: Sales	101	(R 1,941,296.63)
Rebate: Loans	419	(R 11,738,011.83)

WRITE OFF	**1005**	**(R 18,327,226.78)**
Write off: Loans	786	(R 15,839,005.20)
Write off: Rentals	121	(R 1,258,050.86)
Write off: Sales	98	(R 1,230,170.72)

PROPERTIES	**1 964**	**(R 671,375,715.60)**
Devolved properties	1 964	(R 671,375,715.60)

Notes:

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

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

3. The 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).

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 2013/14 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 2013/14 financial year was completed successfully.

Report of the Accounting Authority (continued)

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 Fund aims to finalise the devolvement of the properties and to reduce the debtor's book considerably' by March 2018, 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 2012/13 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 Authority and the Provincial Minister;
- Quarterly reporting to Provincial Treasury and the Audit Committee;
- 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.

Report of the Accounting Authority (continued)

The Annual Financial Statements as set out on pages 26 to 70 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: 29 JULY 2014

Statement of Financial Position (SPO) for the year ended 31 March 2014

	Notes	2014 R'000	2013 R'000
Assets			
Non-current Assets			
Property, plant and equipment	**3**	4 281 440	3 074 860
Loans receivable	**4**	11 871	-
		4 293 311	**3 074 860**
Current Assets			
Trade receivables from other exchange transactions	**5**	8 169	7 109
Other receivables	**6**	17 167	13 264
Loans receivables	**4**	4 361	4 848
		29 697	**25 221**
Total Assets		**4 323 008**	**3 100 081**
Liabilities			
Current Liabilities			
Trade and other payables from other exchange transactions	**8**	5 989	11 743
Total Liabilities		**5 989**	**11 743**
TOTAL NET ASSETS		**4 317 019**	**3 088 338**
Net Assets			
Reserves		4 774 626	3 490 393
Accumulated surplus		(457 607)	(402 055)
		4 317 019	**3 088 338**

Statement of Financial Performance (SPR) for the year ended 31 March 2014

	Notes	2014	2013
		R'000	R'000
Revenue			
Administration Fees received	**10**	66	96
Interest Received	**10**	4 607	5 116
Rental Income	**10**	4 581	3 391
Total Revenue		**9 254**	**8 603**
Provision for impairment	**13**	38 852	25 683
Revenue from Department of Human Settlements	**14**	68 549	63 044
Total Other Income		**107 401**	**88 727**
Total Income		**116 655**	**97 330**
Less expenditure			
Audit Fees	**15**	2 046	1 957
Bad Debt Written off	**16**	15 839	10 215
Employee Cost	**17**	20 193	18 902
Depreciation	**3**	128 233	143 573
Goods and Services	**19**	46 310	42 185
Loss on Disposal of properties	**12**	664 989	289 613
Rebates and Subsidies	**20**	14 000	14 201
Recoverable Expenditure		-	2
Total Expenses		**891 610**	**520 648**
Surplus/(deficit) for the year		**(774 955)**	**(423 318)**

Statement of Changes in Net Assets for the year ended 31 March 2014

	Note	Revaluation Reserve	Accumulated Surplus	Total Net Assets
		R'000	R'000	R'000
Balance at 01 April 2012 as restated		**3 781 362**	**(262 516)**	**3 518 846**
As previously reported		4 064 894	(306 578)	3 758 316
Prior year error	**22**	(283 532)	(44 062)	(239 470)
Revaluation adjustment		-	-	-
Surplus/(deficit) for the year		-	(423 318)	(423 318)
Movement			633	633
Release of Reserve		(290 969)	290 969	-
Other Receivables			(7 823)	(7 823)
Balance at 01 April 2013		**3 490 393**	**(402 055)**	**3 088 338**
Balance at 01 April 2013 restated		**3 490 393**	**(402 055)**	**3 088 338**
Revaluation adjustment		2 006 187	-	2 006 187
Surplus/(deficit) for the year		-	(774 956)	(774 956)
Movement		-	90	90
Release of Reserve		(721 954)	721 954	
Other Receivables			(2 640)	(2 640)
Balance at 31 March 2013		**4 774 626**	**(457 607)**	**4 317 019**

Cash Flow Statement for the year ended 31 March 2014

	Notes	2014	2013
		R'000	R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Revenue		26 599	10 484
Other Receipts		64 647	64 634
		91 246	**75 118**
Payments			
Employee Costs		(20 193)	(18 902)
Suppliers		(52 530)	(33 445)
Other Payments		(16 046)	(16 160)
		(88 769)	**(68 507)**
NET CASH FLOW FROM OPERATING ACTIVITIES	**21**	**2 477**	**6 611**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		6 386	(90)
Increase(Decrease) in Loans Receivable		(6 689)	1 300
Increase(Decrease) in Reserve		11 091	-
Increase(Decrease) in Accumulated Surplus		(13 265)	(7 821)
Net CASH FLOW FROM INVESTING ACTIVITIES		**(2 477)**	**(6 611)**
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		**-**	**-**

Notes to the Financial Statements for the year ended 31 March 2014

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.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand.

1.2 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.

1.3 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.

Notes to the Financial Statements for the year ended 31 March 2014

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.

1.4 **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 the 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.

Notes to the Financial Statements for the year ended 31 March 2014

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.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other cost attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Fund. Trade discounts and rebates are deducted in arriving at cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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.

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.

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

	Years
Land	0
Buildings	30 - 70
Office equipment	3 – 7
Furniture and fittings	7 - 10

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

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.

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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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.

1.5 **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.

Financial assets

A financial asset:

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

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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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:

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

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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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

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.

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 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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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.

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

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

- 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.

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.

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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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.

1.6 **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.

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.

The aggregate cost of incentives is recognised as a reduction of rental revenue 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.

1.7 **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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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.

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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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.

An impairment loss is recognised immediately in surplus or deficit.

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.

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.

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

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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.

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.

1.8 **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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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 replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. 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.

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.

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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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 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.

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.

1.9 **Employee benefits**

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

When an employee has rendered service to the Fund during a reporting period, the Fund recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Fund recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Fund measures the expected cost of accumulating compensated absences as the additional amount

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

that the Fund expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Fund recognises the expected cost of bonus, incentive and performance related payments when the Fund has a present legal or constructive obligation to make such payment as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the Fund has no realistic alternative but to make the payments.

1.10 **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.

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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

1.11 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.

1.12 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.

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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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.

1.13 **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.

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.

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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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.

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.

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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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.

1.14 **Comparative figures**

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

1.15 **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.

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.

1.16 **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.

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

1.17 **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.

1.18 **Budget Information**

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 April 2013 to 31 March 2014.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the Statement of comparison of budget and actual amounts.

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 23: Revenue from Non-Exchange Transactions	1 April 2012
GRAP 24: Presentation of Budget Information in the Financial Statements	1 April 2012

Notes to the Financial Statements for the year ended 31 March 2014

Statement of Accounting Policies (continued)

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 2013 or later periods:

Standard/Interpretations	Effective date: Years beginning on or after
GRAP 1 (as revised 2012): Presentation of Financial Statements	1 April 2013
GRAP 3 (as revised 2012): Accounting policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 13 (as revised 2012): Leases	1 April 2013
GRAP 16 (as revised 2012): Investment Property	1 April 2013
GRAP 17 (as revised 2012): Property, Plant and Equipment	1 April 2013
GRAP 20: Related Parties	1 April 2013
GRAP 25: Employee benefits	1 April 2013
GRAP 105: Transfers of functions between entities under Common control	1 April 2014
GRAP 106: Transfers of functions between entities not under Common control	1 April 2014
GRAP 107: Mergers	1 April 2014
IGRAP 1: as revised 2012): Applying the probability test on initial recognition of revenue	1 April 2013

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 2013 or later periods but are not relevant to its operations:

Standard/Interpretations	Effective date: Years beginning on or after
GRAP 18: SEGMENT REPORTING	No effective date

Notes to the Financial Statements for the year ended 31 March 2014

3. Property, plant and equipment

	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
2014	**R'000**	**R'000**	**R'000**
Land	3 416 245	-	3 416 245
Buildings	865 195	-	865 195
	4 281 440	**-**	**4 281 440**
2013			
Land	2 636 831	-	2 636 831
Buildings	962 515	(524 486)	438 029
	3 599 346	**(524 486)**	**3 074 860**

Reconciliation of property, plant and equipment 2014	Restated Opening Balance	Additions	Disposals
Land	2 636 831	-	(631 392)
Buildings	438 029	-	(39 982)
	3 074 860	**-**	**(671 374)**

Reconciliation of property, plant and equipment 2013	Revaluations	Depreciation	Total
Land	1410 806	-	3 416 245
Buildings	595 381	(128 233)	865 195
	2 006 187	**(128 233)**	**4 281 440**

Reconciliation of property, plant and equipment 2013	Restated Opening Balance	Additions	Disposals
Land	2 850 817	-	(213 986)
Buildings	656 430	-	(74 828)
	3 507 247	**-**	**(288 814)**

Reconciliation of property, plant and equipment 2013	Revaluations	Depreciation	Total
Land	-	-	2 636 831
Buildings	-	(143 573)	438 029
	-	**(143 573)**	**3 074 860**

Notes to the Financial Statements for the year ended 31 March 2014

	2014	2013
	R'000	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 Authority's values.

Land and buildings are re-valued every three years with reference to the municipal valuation roll values. The next revaluation is due 01 April 2014.

Deemed cost

As a result of applying Directive 7 in the previous financial year, all properties in the asset register was valued using deemed cost.

Deemed cost was determined using fair value.

4. Loans receivable

	2014	2013
Gross investment	152 456	179 309
Impairment	(136 224)	(174 461)
	16 232	**4 848**
Non-current assets	11 871	-
Current assets	4 361	4 848
	16 232	**4 848**

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

Notes to the Financial Statements for the year ended 31 March 2014

	2014	2013
	R'000	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	16 050	4 233
Sales	182	615
	16 232	**4 848**

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 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 2014, Loans receivables of R 152 455 575.43 (2013: R 179 308 472.06) were impaired and provided for.

The amount of the provision was R 136 224 056.02 (2013: R 174 460 604.92).

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	174 461	200 144
Provision for impairments	(38 237)	(25 683)
Closing balance	**136 224**	**174 461**

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.

Notes to the Financial Statements for the year ended 31 March 2014

	2014 R'000	2013 R'000
5. Trade receivables from exchange transactions		
Rentals	14 918	14 473
Impairment	(6 749)	(7 364)
Closing balance	**8 169**	**7 109**

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 2014, trade and other receivables of R14 918 580.67
(2013: R14 472 711.36) were impaired and provided for.

The amount of the provision was R6 749 490.72 (2013: R7 363 953.00) as of 31 March 2014**.**

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

The ageing of amounts impaired cannot reliably be determined.

	2014 R'000	2013 R'000
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	7 364	8 316
Provision for impairments	(615)	(952)
Closing balance	**6 749**	**7 364**

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

Notes to the Financial Statements for the year ended 31 March 2014

	2014 R'000	2013 R'000
6. Other receivables		
The Department of Human Settlements	17 219	13 288
Amounts refundable to trade receivables post 1990	(52)	(24)
Closing balance	**17 167**	**13 264**

	2014 R'000	2013 R'000
Reconciliation of Department of Human Settlements		
Opening balance	13 288	7 765
Current year movement	(6 231)	252
Installments received from receivables	10 110	5 271
Closing balance	**17 167**	**13 288**

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
2014		
Trade receivables from exchange transactions	8 169	8 169
Other receivables	17 167	17 167
Loans receivable	16 232	16 232
Closing balance	**41 568**	**41 568**
2013		
Trade receivables from exchange transactions	7 109	7 109
Other receivables	13 264	13 264
Loans receivable	4 848	4 848
Closing balance	**25 221**	**25 221**

Notes to the Financial Statements for the year ended 31 March 2014

	2014 R'000	2013 R'000
8. Trade and other payables from exchange transactions		
Accruals: Goods and Services	5 041	10 625
Amounts refundable to trade receivables	948	1 118
Amounts refundable to trade receivables post 1990	-	-
Closing balance	**5 989**	**11 743**

	Financial instruments at amortised cost	Total
9. Financial liabilities by category		
2014		
Trade and other payables from exchange transactions	5 989	5 989
Closing balance	**5 989**	**5 989**
2013		
Trade and other payables from exchange transactions	11 743	11 743
Closing balance	**11 743**	**11 743**

	2014 R'000	2013 R'000
10. Revenue		
Administration fees received	66	96
Interest received	4 607	5 116
Rental income	4 581	3 391
Closing balance	**9 254**	**8 603**

Notes to the Financial Statements for the year ended 31 March 2014

	2014	2013
	R'000	R'000
The amount included in revenue arising from exchange transactions are as follows:		
Administration fees received	66	96
Interest received	4 607	5 116
Rental income	4 581	3 391
Closing balance	**9 254**	**8 603**

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

	2014	2013
Provision for impairment	38 852	25 683
Revenue from Department of Human Settlements	68 549	63 044
Closing balance	**107 401**	**88 727**

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

	2014	2013
Provision for impairment	38 852	25 683
Closing balance	**38 852**	**25 683**

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

	2014	2013
Revenue from Department of Human Settlements	68 549	63 044
Closing balance:	**68 549**	**63 044**

Notes to the Financial Statements for the year ended 31 March 2014

		2014 R'000	2013 R'000
12.	**Disposal of properties**		
	Disposal of properties consist out of:		
	(Profit)/Loss on disposal of properties	(2 528)	153 095
	Loss on properties devolved	667 517	136 518
	Closing balance	**664 989**	**289 613**
13.	**Provision for impairment**		
	Loans receivable	38 237	25 683
	Trade receivables from exchange transactions	615	952
	Closing balance	**38 852**	**26 635**
14.	**Revenue from Department of Human Settlements**	**68 549**	**63 044**
	Audit Fees	2 046	1 957
	Compensation of employees	20 193	18 902
	Goods and Services	46 310	42 185

Income recognised in lieu of the expenditure incurred by the Department on behalf of the Fund.

		2014 R'000	2013 R'000
15.	**Audit fees**		
	Auditors remuneration	2 046	1 957
	Closing balance:	**2 046**	**1 957**
16.	**Bad debts written off**		
	Receivables	15 839	10 215
	Closing balance	**15 839**	**10 215**

Notes to the Financial Statements for the year ended 31 March 2014

	2014 R'000	2013 R'000
17. Employee Cost		
Salaries and wages	**17 842**	**16 609**
Basic salary	13 721	12 973
Basic salary: Learner ship program/interns	54	-
Compensative/Circumstantial other	260	207
Employee Secondary Benefits	55	25
Housing allowance	477	495
Non pensionable allowance other	931	910
Overtime	1 046	920
Performance Award - Other	-	46
Performance bonus	379	153
Service Based Other	7	15
Service Bonus	912	865
Employer Contributions	**2 351**	**2 293**
Bargaining Council	4	4
Medical	862	882
Pension	1 485	1 407
Closing balance	**20 193**	**18 902**

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.

Notes to the Financial Statements for the year ended 31 March 2014

		2014 R'000	2013 R'000
19.	**Goods and services**		
	Business & Advisory Services: Financial Management	81	237
	C/P: Bus & Adv Ser: Valuer	132	134
	C/P: Information &Planning: Geo Information Service	2	10
	C/P: : Information &Planning: Land & Quantity Survey	26	4
	C/P: L/Private Firm: Legal Advice	1 031	509
	C/P: L/State Attorney: Legal Advice	173	290
	C/P: L/State Attorney: Conveyancing	763	710
	Out Property Payments: Contract Maintenance	2 952	22
	Contractors: Tracing Agents & Debt Collections	69	65
	Property Payments: Deeds	672	737
	Municipal Accounts	33 827	29 829
	Municipal Charges	3 852	4 259
	Maintenance & Repairs: Land Developed	-	(83)
	Outs Contractors: Maint & Repairs – N-Inf Ass	4	-
	Outs Property Payments: Contract Maintenance	245	4 685
	Property Payments: Management Fee	-	4
	A & S/O/S: Security Services	2 481	773
	Closing balance	**46 310**	**42 185**
20.	**Rebates and subsidies**		
	Discount benefit scheme	13 680	13 988
	Phasing out programme	320	213
	Closing balance	**14 000**	**14 201**

Notes to the Financial Statements for the year ended 31 March 2014

		2014 R'000	2013 R'000
21.	**Cash generated from operations**		
	Surplus/(deficit) for the year	(774 955)	(423 318)
	Adjust for:		
	Interest received	(4 607)	(5 116)
	Provision for impairment	(38 852)	(25 683)
	Bad debts written off	15 839	10 215
	Depreciation	128 233	143 573
	Loss on disposal of properties	664 989	289 613
	Changes in working capital:		
	Trade receivables from exchange transactions	21 953	13 972
	Other receivables	(3 903)	(5 385)
	Trade and other payables from exchange transactions	(6 220)	8 740
	Net cash flow from operating activities	**2 477**	**6 611**

		2014 R'000	2013 R'000
22.	**Prior period errors**		
	Summary of prior period errors		
	Adjustment affecting the statement of changes in net assets		
	Adjustment against opening accumulated surplus at 31 March 2012		(44 062)
	Adjustment against revaluation reserve at 31 March 2012		(294 623)
	Adjustments affecting the statement of financial position		
	Property, plant and equipment		(215 742)
	Loans receivables		-
	Trade and other receivables from exchange transactions		59
	Other receivables		56
	Trade and other payables from exchange transactions		-

Notes to the Financial Statements for the year ended 31 March 2014

	2014	2013
	R'000	R'000
Adjustments affecting the statement of financial performance		
Administration fees received		-
Interest received		-
Rental income		-
Profit on disposal of properties		-
Provision for impairment		6 975
Revenue from Department of Human Settlements		-
Audit fees		-
Bad debts written off		-
Compensation of employees		-
Depreciation		(26 589)
Goods and services		-
Loss on disposal of properties		9 722
Rebates and subsidies		-
Amount due by the Department		-
Miscellaneous expenditure		-

22.1 Interest accrued

Interest accrued for 2013 included interest raisings and Induplum interest relating to prior years. An adjustment of R 6,975 million was processed to accumulated surplus as the opening balance adjustment:

	2014	2013
Adjustments affecting the statement of changes in net assets:		
Opening accumulated surplus at 31 March 2012		**6 975**
Adjustments affecting the statement of financial position:		-
Loans and Sales Receivables		**6 975**

Notes to the Financial Statements for the year ended 31 March 2014

	2014	2013
	R'000	R'000

22.2 Recoverable Expenses

Correction of recoverable expenses capitalised incorrectly levied against the receivable accounts.

Correct recoverable expenses such as rates and taxes that were incorrectly levied against the receivable accounts. The comparative statements for 2011/12 have been restated. The effect of the restatement is summarized below:

	2014 R'000	2013 R'000
Adjustments affecting the statement of changes in net assets:		
Adjustment against opening Accumulated surplus at 31 March 2012		-
Movement in Accumulated Surplus for 2011/12		71
		71
Adjustments affecting the statement of financial position:		
Increase in Loan Receivables		-
		-
Adjustments affecting the statement of financial performance		
Decrease in Miscellaneous expenditure		(71)
		-

Notes to the Financial Statements for the year ended 31 March 2014

	2014	2013
	R'000	R'000

22.3 Property, Plant and Equipment

Revaluation Reserve

This was a correction of property, plant and equipment due to reclassification of properties that resulted to a decrease in the revaluation amount. The opening balance of property, plant and equipment of 2012 was restated by R 294 623

	2014	2013
Revaluation reserve		294 623
		294 623

Adjustments affecting the statement of financial position:

	2014	2013
Property, plant and equipment		294 623
		294 623

Adjustments affecting the statement of changes in net assets:

	2014	2013
Revaluation Reserve		294 623
		294 623

22.4 Accumulated Depreciation

Adjustments affecting the statement of changes in net assets:

	2014	2013
Accumulated Depreciation		(26 589)
		(26 589)

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. The devolution portion of this is reflected on a separate line item as a portion of R 26,589 million.

Notes to the Financial Statements for the year ended 31 March 2014

	2014 R'000	2013 R'000
Adjustments affecting the statement of changes in net assets:		
Accumulated surplus		26 589
		26 589

22.5 Other receivables

	2014 R'000	2013 R'000
Adjustments affecting the statement of changes in net assets:		
Release to Retained Earnings		(115)
An amount of R 115,221 million was corrected for rental income that was processed in 2013/14 financial year, but relates 2012/13 year of assessment.		**(115)**
Adjustments affecting the cash flow statement:		
Cash flow from investing activities		115
		-

Notes to the Financial Statements for the year ended 31 March 2014

	2014	2013
	R'000	R'000

23. Related party

Department of Human Settlements

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

	2014 R'000	2013 R'000
Transactions:		
Revenue from Department of Human Settlements - Refer to note 11:	**68 549**	**63 044**
The Department of Human Settlements - Refer to note 6:	**17 167**	**13 288**
Balances*:*		
The Department of Human Settlements - Receivables:	**35 596**	**36 306**

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.

Notes to the Financial Statements for the year ended 31 March 2014

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

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:

	2014 R'000	2013 R'000
Trade receivables from exchange transactions	14 918	14 473
Other receivables	17 167	13 264
Loans receivable	152 456	179 309
Closing balance	**184 541**	**207 046**

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.

Notes to the Financial Statements for the year ended 31 March 2014

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.

	R'000	R'000	R'000
	Less than 1 year	**Between 1 and 2 years**	**Total**
2014			
Trade and other payables:	**5 989**	**-**	**5 989**
2013			
Trade and other payables	**11 743**	**-**	**11 743**

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 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 March 2014, at which stage, subjected to the expected amendments to the housing legislation, the Fund will be closed and the remaining assets of the Fund will be transferred to the books of the Department or devolved to municipalities/local authorities.

Notes to the Financial Statements for the year ended 31 March 2014

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 2014 and 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.

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