

Western Cape Housing Development Board / Fund



2005 / 2006

Annual Report

2005 / 2006 Annual Report

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ANNUAL REPORT 2005/06

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FOREWORD BY THE FORMER CHAIRPERSON FOR THE PERIOD 1 APRIL 2005 TO 31 OCTOBER 2005

It is with mixed emotions that I submit this, the final Annual Report of the Western Cape Housing Development Board. Since the inception of the Housing Act of 1966 there has always been a Board of sorts overseeing housing delivery as well as partnering with the various role-players and state departments to ensure that the needs of communities are met. The promulgation of the Western Cape Housing Development Amendment Act in 2005 brought this era to an end.

I am extremely proud of the sterling work done in the period under review. Although it remained challenging to keep Board members motivated, given the imminent demise of the Board, there were those who continued to serve with the dedication and zeal that I had come to know over the years.

The introduction of two critical amendments to the national housing policy in early 2005 allowed for the significant acceleration of housing delivery and the move towards sustainable human settlements. The foremost was the removal of the prescription, which required that beneficiaries with a gross household income of R0 to R1 500 must make a R2 479 capital contribution. This allowed the smooth rollout of a number of projects that were being constrained by the inability of beneficiaries to make a financial contribution. The second amendment is the collapsing of the subsidy band that entitles all beneficiaries with household incomes of up to R3 500 per month access to a full subsidy. It is common knowledge that, in order to obtain a 30m² dwelling, beneficiaries in the income categories of R1 500 to R2 500 and R2 500 to R3 500 were required to pay in the shortfalls of the full subsidy, which varied between R10 100 and R17 200.

During the period 1 April 2005 to 31 October 2005, four (4) Full Board meetings, two (2) Executive Committee meetings and three (3) special meetings were held. This allowed for the consideration of 145 items, the approval of 27 projects as well as the approval of 11 187 beneficiaries at a subsidy value of approximately R304 million. These achievements were the result of a committed effort from the Board members as well as the relevant officials to ensure that there was no outstanding work on the date that the Board was officially disbanded. It cannot be denied that the last few months brought out the best in everybody who was involved in the process. A large number of items were dealt with at these meetings and I am confident that everybody was able to look back and feel that it was a job well done. I can therefore step down with pride and without regrets hand over the responsibilities of the approval of projects to the officials that the delegations will vest in.

The task that lies ahead is a daunting one. We are all aware of the fact that the housing need in the Province is growing and that the funding available to address this need is not increasing in the same proportion as the backlog. The Department would therefore have to ensure that the funds are invested in a sensible and sustainable fashion. The creation of integrated and sustainable human settlements has been our goal for the past few years. With the advent of the "Breaking New Ground" strategy, an enabling environment for the realisation of this vision has been created. New programmes such as the Social Housing Programme and the UISP will provide a more diverse product that will cater for a wider range of beneficiary circumstances and ensure that more choices and tenure options are available for those in need of housing. The N2 Gateway project has also brought a number of challenges to the fore and will be a test for officials and politicians alike. It is however the one project in the Western Cape that has the potential of being a groundbreaking initiative. If properly managed it could wipe out the informal settlements on the N2 and pave the way for more integrated and diverse projects in the rest of the Province.

To conclude I wish to thank all the members of the Board for their relentless support and co-operation. Their commitment to the task that they were called to was always non negotiable. Special thanks also to all the officials in the Department that made it possible for us to perform our task. Their dedication to solve the housing need and address the problems that impede the process has been an inspiration to us all. Last but not the least my sincere thanks to the members of the Secretariat who always went above and beyond the call of duty to make the Board meetings possible, to ensure that it was well organised, to process all the necessary documentation diligently and to support us as Board members to enable us to fulfill our duties.

We leave the function of providing housing for the needy in the Province in capable hands and with the assurance that we will remain dedicated and passionate to the housing delivery process wherever we might find ourselves tomorrow.

A handwritten signature in black ink, appearing to be 'E Sprague', written in a cursive style with a long horizontal stroke extending to the right.

E Sprague
Chairperson

Date: 30 November 2005

PART ONE: GENERAL INFORMATION

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

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

The Board was established in terms of section 5 of the Western Cape Housing Development Act 1999 (Act 6 of 1999) and was a provincial public entity in terms of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) until 31 October 2005.

The Board consisted only of members as appointed by the Provincial Minister of Local Government and Housing. It had no infrastructure, no separate budget and was not responsible for any expenditure. The administrative functions of the Board were performed by officials of the Department as stipulated in section 8(12) of the Housing Act, 1997 (Act 107 of 1997) and section 7(3) of Act 6 of 1999.

Though the Board was a juristic person and owner of assets, it had to manage said assets in accordance with policies determined by the Provincial Minister and dispose of assets at market value, unless the Provincial Minister or Provincial Treasury approves otherwise. The Board was not at liberty to acquire properties – the acquisition of property can only be done at the request of the Provincial Minister.

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

The Housing Act 1997, Act No. 107 of 1997, came into effect in 1998. In terms of this Act, every province must promote the adoption of the provincial legislation to ensure effective housing delivery. The Act provided for the continued existence of Provincial Housing Boards and, furthermore, prescribes that provinces establish provincial housing development funds in terms of provincial legislation. As a result, the Western Cape Housing Development Fund was established in terms of section 13 of the Western Cape Housing Development Act, Act No. 6 of 1999. However, the provisions of the Housing Act, 1997 calling for the establishment of Provincial Housing funds are not consistent with the PFMA.

National Department of Housing made further amendments to its legislation by way of the Housing Amendment Act, 2001, Act No. 4 of 2001 that provides for the abolition of the South African Housing Development Board as well as Provincial Housing Development Boards and the establishment of Advisory Panels but did not address anomalies with regard to Provincial Housing Funds.

Subsequently Housing: MINMEC approved that the process for the disestablishment of the Fund be commenced with and draft legislation is in the process of being approved to give effect to that decision. In this regard the National Department of Housing has forwarded a draft bill to the minister for consideration before the matter can be submitted to Cabinet.

In accordance with the Western Cape Housing Development Act, No. 6 of 1999 as amended by the Western Cape Housing Development Amendment Act, No. 2 of 2005, section 6 (1) the Western Cape Housing Development Board is abolished with effect from 1 November 2005 and no longer exist as a public entity.

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

No financial statements have been prepared in respect of the Board. The financial statements presented with this report are those of the Fund and incorporate the assets of the former Board.

1.2 MISSION STATEMENT

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

1.3 LEGISLATIVE MANDATE

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

- The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996).
- The Housing Act, 1997 (Act 107 of 1997).
- The Housing Amendment Act, 2001 (Act 4 of 2001)
- The Western Cape Housing Development Act, 1999 (Act 6 of 1999)
- Court Judgments – Government of the Republic of South Africa v Grootboom and others (2000 [ii] BLCR 1169 [CC])
Peter Ndlovu and Mpika Lawrence Ngcobo (Supreme Court Appeal Case No. 240/2001)

The functions of the Board, in terms of Act 6 of 1999, were to:

- Assist and support the Provincial Minister and the Department with the provision of housing and the promotion and facilitation of the integration of housing with other facets of development, within the framework of national and provincial housing policy;
- Consider and approve the financing of any project or programme which is in accordance with any national or provincial housing programme, with money paid into the Provincial Housing Development Fund in accordance with the multi-term programme approved by the Provincial Minister;
- Investigate housing-related issues at the request of the Provincial Minister or the Head of the Department in order to advise the Provincial Minister;
- Interpret and evaluate national and provincial policy with a view to applying it;
- Advise the Provincial Minister on the granting of approval to municipalities for accreditation in terms of section 16(2) of the Western Cape Housing Development Act, 1999;

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

The Board could have –

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

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

The Head of the Western Cape Department of Local Government and Housing is the Accounting Officer for the Western Cape Housing Development Fund. Since the Head of the Department is the Accounting Officer of the Fund, the responsibility for all financial matters, such as the allocation of funds to developers and municipalities and the recovery of revenue, vests with the Department.

PART TWO: HUMAN RESOURCE MANAGEMENT

2.1 PERSONNEL ARRANGEMENTS

The Board/Fund does not have personnel within its employ. The administrative functions of the Board/Fund are performed by the Department of Local Government and Housing.

2.2 PERSONNEL COSTS AND RELATED INFORMATION

MEMBERS OF THE BOARD

The following were the members of the Board:

<u>Name</u>	<u>Capacity</u>
Ms E Sprague	Chairperson
Mr S Patel	Vice Chairperson
Ms P Matolengwe	Member
Ms S Samaai	Member
Mr NC van Breda	Member
Ms N Walker	Member
Mr A Essop	Member

EXPENDITURE

Expenditure in respect of the remuneration of Board members for the period 1 April to 31 October 2005 is: **R 131, 061.59**

Attendance at Board meetings:

Board Members	Meetings Attended		
	Full Board	Exco	Special
Ms E Sprague	4	2	3
Mr S Patel	4	1	1
Ms P. Matolengwe	4	2	2
Ms S Samaai	3	2	0
Mr NC van Breda	3	2	3
Ms N Walker	0	0	0
Mr A Essop	1	0	0

PART THREE: PERFORMANCE OF THE BOARD

3.1 KEY OBJECTIVES

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

- To restore the dignity of people who live in undignified conditions by ensuring the promotion of integrated planning and development of human settlements;
- To accelerate housing delivery by the timeous approval of project proposals;
- The sound management of Board assets; and
- To promote the release well-located and suitable land for housing
- Continued updating and verifying of information regarding Board property and the Debtor System;
- The continued transfer of Board properties to municipalities for purposes of housing development.
- The continued management of Board assets with special reference to updating accounts and improving communication to debtors.
- The pro-active and re-active management of land invasions on Board properties.

3.2 ACHIEVEMENTS

For the period 1 April 2005 till 31 October 2005 a total of 9 meetings were held with 226 items being tabled before the Board.

3.2.1 Development of Board Properties

The Board approved the transfer of:

93 erven in Ocean View to the City of Cape Town to enable the beneficiaries in the dwelling units to take transfer of units they are occupying.

42 units in Klapmuts to enable the Stellenbosch Municipality to upgrade the toilet facilities and pass individual transfer of the units to the beneficiaries.

3.2.2 Disposal of Board properties

The Board transferred 420 properties to individuals and other institutions.

The Board also assisted the Commission on Restitution of Land Rights in achieving its objectives by granting approval for the transfer of property in Woodstock to the Perth Street School Trust.

3.3 OUTPUTS AND SERVICE DELIVERY TRENDS

Analysis of items considered by the Board

The following tables reflects meeting dates, the number of items considered and number of projects approved at the meetings.

Date of Meeting	Full Board or Exco.	No. of submissions		Projects Approved		
		Ad hoc	Normal	PHP	Other	Blocked
04 May '05	Full Board	13	19	2	1	-
01 June '05	Special Exco.	-	5	1	3	-
15 June '05	Full Board	11	27	4	3	1
13 July '05	Exco.	5	13	-	-	-
28 July '05	Special Exco.	-	20	1	2	-
31 Aug. '05	Full Board	14	14	1	1	-
07 Sept. '05	Full Board	-	21	3	2	-
14 Sept. '05	Full Board	9	8	1	1	-
20 Sept. '05	Special Exco.	-	18	-	1	1
Total		52	145	13	14	2

3.4 TRANSFER OF WESTERN CAPE HOUSING DEVELOPMENT BOARD PROPERTIES TO MUNICIPALITIES AND IMPLEMENTATION OF THE PRE-EMPTIVE PROVISIONS IN THE HOUSING AMENDMENT ACT

The Department continued to be more circumspect in the transfer of property to Municipalities, in terms of section 19 (2) of the Housing Act (Act 107 of 1997), ensuring that properties intended for development are strictly monitored to see whether it conforms to the more comprehensive Provincial Spatial Development Framework and ensure that available land is used optimally for human settlement development.

The procedural framework for the implementation of the pre-emptive right, established in the prior financial year (2004/05), was very effective as the process allowed the Board to consider applications (to waive the clause in the title deed) more thoroughly.

3.5 CAPITAL INVESTMENTS, MAINTENANCE AND ASSET MANAGEMENT PLAN

3.5.1 FIXED ASSETS

Value: R 230,4 million as at 31 March 2006.

3.5.2 MOVABLE ASSETS

Nil

3.5.3 ACQUISITIONS

Nil

3.5.4 DISPOSALS

Board properties sold	- 35
Board properties devolved	- 330
Board properties transferred	- 420

3.5.5 REHABILITATION

Nil

**PART FOUR: FINANCIAL
STATEMENTS**

**WESTERN CAPE HOUSING
DEVELOPMENT FUND**

WESTERN CAPE HOUSING DEVELOPMENT FUND

ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2006

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WESTERN CAPE HOUSING DEVELOPMENT FUND

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

The annual financial statements as set out on pages 24 to 29 have been prepared in accordance with generally accepted accounting practice, as applicable to the Housing Fund and the rules of the Fund and are approved by the Head of the Department/Accounting Officer of the Department of Housing and are certified to the best of my knowledge to be true and fair.



S. Majiet
HEAD OF DEPARTMENT/ACCOUNTING OFFICER
DATE: 31 May 2006

**REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL
PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE
WESTERN CAPE HOUSING DEVELOPMENT FUND (WCHDF) FOR
THE YEAR ENDED 31 MARCH 2006**

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**REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL PARLIAMENT
ON THE FINANCIAL STATEMENTS OF THE
WESTERN CAPE HOUSING DEVELOPMENT FUND
FOR THE YEAR ENDED 31 MARCH 2006**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 24 to 29, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 13(7) of the Western Cape Housing Development Act, 1999 (Act No. 6 of 1999). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing, read with *General Notice* 544 of 2006, issued in *Government Gazette* no. 28723 of 10 April 2006 and *General Notice* 808 of 2006, issued in *Government Gazette* no. 28952 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

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

3. BASIS OF ACCOUNTING

The entity's policy is to prepare the financial statements on the entity-specific basis of accounting as described in note 1 and 1.1 to the financial statements.

4. ACCOUNTING STATUS OF THE FUND

In the general note on page 27 of the financial statements of the Western Cape Housing Development Fund (WCHDF) for the year ended 31 March 2006, it is indicated that the Western Cape Housing Development Board was abolished with effect from 1 November 2005 and the entity was therefore no longer regarded as a schedule 3 public entity. Since the Fund was dormant during the 2005-06 financial year, all expenditure relating to assets was expensed under programme 2: Housing in the books of the Department of Local Government and Housing. The income derived from the former Board's assets and debtors was paid into the Provincial Revenue Fund. Given that the process to abolish the WCHDF had not yet been finalised, certain transactions in respect of property and receivables were still processed in the WCHDF's financial books and records.

5. QUALIFICATION

5.1 Non-current assets: Property [R230 353 000 – Note 2]

- 5.1.1 The National Debtors System (NDS) reflected an amount of R250,2 million in respect of property whilst the annual financial statements and the Basic Accounting System (BAS) reflect an amount of R230,4 million. Approximately R15 million of the difference of R19,8 million relates to a programming error in respect of profit on sales for the 2004/05 and 2005/06 financial years that did not interface between the NDS and BAS. The financial statements are therefore understated by the above-mentioned amount of R19,8 million.
- 5.1.2 A title deed search performed on a sample of properties included in the property listing revealed that 13 properties with a total value of R23,6 million were not registered in the name of the Provincial Government Western Cape (Department of Local Government and Housing). Consequently, the properties' balance is overstated by approximately R24 million.
- 5.1.3 In terms of the accounting policy relating to properties utilised by the WCHDF, properties are stated at historical cost or at municipal valuation. During the audit, 2 825 properties included on the properties listing were listed at a nil value. The effect of the understatement on property could not be quantified.
- 5.1.4 The property disposal listing obtained from the NDS reflected an amount of R10,6 million in respect of the cost of property sold, whilst the cost of disposals per the trial balance and annual financial statements reflects an amount of R15,9 million, resulting in an unreconciled difference of R5,3 million. Adequate explanations relating to the above-mentioned difference could not be furnished for audit purposes.
- 5.1.5 No supporting documentation could be provided to establish the validity and accuracy of properties to a net value of R43 million included on the properties listing.

5.2 Current assets: Gross trade and other receivables [R543 625 000 – Note 3]

- 5.2.1 The NDS reflected an amount of R472 million after taking into account the “in duplum” rule in respect of debtors, whilst the annual financial statements reflected an amount of R543,6 million. Approximately R61 million of the difference of R71,6 million relates to an “induplum” charge that had not interfaced with BAS during the prior financial year. The gross trade and other receivables in note 3 to the financial statements are therefore overstated by the above-mentioned amount of R71,6 million.
- 5.2.2 Supporting documentation to verify the existence and accuracy of debtors amounting to R29,2 million was not submitted for audit purposes.
- 5.2.3 Included in the debtors listing are rental debtors amounting to R3,36 million that were identified as not belonging to the WCHDF. Consequently, debtors are overstated by the aforementioned amount.
- 5.2.4 Supporting documentation in respect of a suspense account amounting to R4,46 million could not be submitted for audit purposes. As a result, the existence and accuracy of this suspense account debtor could not be confirmed.
- 5.2.5 Included in accounts receivable are credit balances amounting to R19,2 million. The existence, accuracy and completeness of these credit balances could not be verified.
- 5.2.6 Contrary to the conceptual framework of South African Statements of Generally Accepted Accounting Practice (SA GAAP), land development agreements amounting to R15,6 million entered into with developers were recognised in the accounting records as a debtor based on the amount per the agreement, whilst the agreement indicates that the developer is only liable to pay amounts due as units are allocated to beneficiaries.

One agreement amounting to R10,2 million between the WCHDF and the developer was cancelled and consequently the Fund needs to write off the difference of R9,4 million between the amount recognised as a debtor and the services rendered.

- 5.2.7 The age categories on the ageing report used to compute the provision for doubtful debts did not cast and the reports used to calculate the provision were regarded as unreliable. The provision for doubtful debt is understated, as the arrears amounting to R212,8 million were not taken into account with the calculation of the provision. Furthermore, the provision was not in compliance with SA GAAP, which requires that it be based on specific risks known to management.
- 5.2.8 A search by identity number within the rental, loan and sales debtor listing revealed 197 duplicates within rental debtors, 448 duplicates within loan debtors and 632 duplicates within sales debtors. The effect of the duplication on the financial statements has not been quantified.

5.3 Revaluation reserve [R12 046 000]

A revaluation reserve amounting to R12 million is disclosed on the balance sheet. The information and explanations considered necessary to verify the validity, accuracy and completeness of the properties detailing this reserve could not be provided timeously for audit purposes.

5.4 Restructuring allocation account [R41 837 000 – Note 5]

An amount of R41,8 million is disclosed in the statement of changes in equity as a restructuring allocation. No supporting documentation in respect of this account could be provided and alternative audit procedures to establish the validity, accuracy and completeness of this amount could not be established.

5.5 Accounting framework

The annual financial statements as received on 31 May 2006 made reference to generally accepted accounting practice as required in terms of section 14(1)(h)(i) of the Western Cape Housing Development Act, 1999 (Act No. 6 of 1999) and not SA GAAP. No reference was made to the applicable accounting statements in terms of SA GAAP and the effect of the non-compliance has not been quantified and disclosed in the financial statements.

6 DISCLAIMER OF AUDIT OPINION

Because of the significance of the matters referred to in paragraph 5, I do not express an opinion on the financial statements of the Western Cape Housing Development Fund at 31 March 2006.

7 EMPHASIS OF MATTER

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

7.1 Internal checking and control

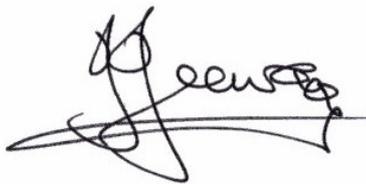
Various control weaknesses and deficiencies were brought to the attention of the accounting authority by way of informal queries and a management letter, which included, the following:

- A total of 3 751 debtors were identified with no or unusual identity numbers.
- Documentation supporting the validity, accuracy and completeness of balances on the financial statements, referred to in paragraph 5 above, could not be provided.
- Contrary to the Treasury Regulations, market-related rentals were not charged and no documentation from Treasury approving this deviation could be provided.

- Revaluations that were effected on the NDS did not interface with BAS and as a result it was not possible to ascertain how the revaluation amount of R104 000 arose during the 2005/06 financial year.
- Debtors were found to be long outstanding without timeous follow-up.
- No supporting documentation in respect of properties that were disposed of during the year could be provided for audit purposes. The sales amounts were for a positive R1,49 million and negative sales amounts of R1,52 million. No explanation could be provided for the negative sales amounts.

8 APPRECIATION

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



I Jeewa for Auditor-General

Cape Town

28 July 2006



AUDITOR - GENERAL

**WESTERN CAPE HOUSING DEVELOPMENT
FUND**

BALANCE SHEET AT 31 MARCH 2006

	<u>Notes</u>	<u>1 April 2005 to 31 March 2006</u>	<u>1 April 2004 to 31 March 2005</u>
		R'000	R'000
<u>ASSETS</u>			
<u>Non current assets</u>		230,353	246,214
Property	2	230,353	246,214
<u>Current assets</u>		370,436	312,634
Trade and other receivables	3	318,902	256,662
Amount due by the Western Cape Department of Local Government and Housing	4	51,534	55,972
<u>Total assets</u>		600,789	558,848
<u>EQUITY AND LIABILITIES</u>			
<u>Capital and reserves</u>		600,789	558,848
Accumulated reserves		588,743	546,906
Revaluation reserves		12,046	11,942
<u>Total equity and liabilities</u>		600,789	558,848

WESTERN CAPE HOUSING DEVELOPMENT FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2006

	Notes	Accumulated reserves R'000	Revaluation reserves R'000	Total reserves R'000
Balance at 1 April 2004		568,076	11,761	579,837
Restructuring Allocation Account		(21,170)	-	(21,170)
Revaluation for the year		-	181	181
Balance at 31 March 2005		546,906	11,942	558,848
Restructuring Allocation Account	5	41,837	-	41,837
Revaluation for the year		-	104	104
Balance at 31 March 2006		588,743	12,046	600,789

WESTERN CAPE HOUSING DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 MARCH 2006**

GENERAL

The Western Cape Housing Development Board was a provincial public entity as listed in terms of Schedule 3 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (as amended) and was established in terms of the Western Cape Housing Development Act, 1999 (Act No. 6 of 1999). The duties and functions of the Board are stipulated in Section 7 of the said Act.

The Western Cape Housing Development Board as a provincial public entity is a related party to the Department of Local Government and Housing, however in accordance with the Western Cape Housing Development Act No. 6 of 1999, as amended by the Western Cape Housing Development Amended Act 2 of 2005, section 6 (1) the Western Cape Housing Development Board was abolished with effect from 1 November 2005 and no longer exist as a public entity.

The Western Cape Housing Development Fund (WCHDF) was dormant during the 2005/2006 financial year. All expenditure relating to assets was expensed under programme 2: Housing in the Department of Local Government and Housing's books. The income derived from the Western Cape Housing Development Board assets and debtors was paid into the Provincial Revenue Fund.

The accounting authority is the head of the Department responsible for the housing in the Province and the chief financial officer of the Department is also the chief financial officer of the Fund.

1 ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with the following policies and generally accepted accounting practice and the requirements of the Public Finance Management Act. The following are the principal accounting policies which are consistent in all material aspects with those applied in the previous financial year except as stated otherwise.

1.1 BASIS OF PREPARATION

The financial statements are prepared on the accrual basis of accounting, except as stated otherwise. Under the accrual basis of accounting transactions and other events are recognized when incurred and when cash is received or paid.

1.2 PROPERTY

Property is stated at historical cost or at municipal valuation.

Properties are disposed by the selling to the public in general or the transferring thereof to Local Government in accordance with the Housing Act.

No provision was made for depreciation.

1.3 REVENUE

Revenue comprises the amounts raised on debtor accounts in respect of loans, sales, and the rental of properties, interest raised on debtor accounts and royalties received in terms of relevant agreements. Revenue for the current financial year is reflected in the annual financial statements of the Western Cape Department of Local Government and Housing ("Department") due to the new program structure that was adopted and implemented with effect from 1 April 2003.

1.4 TRADE AND OTHER RECEIVABLES

The Induplum Rule was applied for the financial year under review at 31 March 2006 and henceforth will be automatically applied by the Debtor System monthly. Trade receivables are carried at the anticipated realisable value in respect rental debtors, outstanding loans to individuals and outstanding balances in respect of sale debtors.

Debts are written off in accordance with the departmental write-off policies.

1.5. PROVISION FOR DOUBTFUL DEBT

Provision for doubtful debt was determined based on overdue debtor accounts older than 120 days extracted from an age analysis report for the financial year under review. For the financial year under review the ageing of the debtor balances was taken into account.

WESTERN CAPE HOUSING DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2006

	<u>1 April 2005</u> <u>to</u> <u>31 March</u> <u>2006</u> R'000	<u>1 April 2004</u> <u>to</u> <u>31 March</u> <u>2005</u> R'000		
2. <u>PROPERTY</u>				
Opening net carrying amount	246,214	406,635		
Disposals	(15,915)	(10,602)		
Revaluation	104	181		
Devolution	(50)	(150,000)		
Closing carrying amount	230,353	246,214		
3. <u>TRADE AND OTHER RECEIVABLES</u>				
Loans to debtors	418,627	441,537		
Sale debtors	95,862	89,280		
Rental debtors	24,673	16,376		
Historical debtor balances	4,463	4,928		
Gross trade and other receivables	543,625	552,122		
Less provision for doubtful debt	(224,723)	(295,460)		
	318,902	256,662		
4. <u>AMOUNT DUE BY THE WESTERN CAPE</u> <u>DEPARTMENT OF LOCAL GOVERNMENT AND</u> <u>HOUSING</u>	<table border="1"><tr><td style="width: 100px; height: 30px;"></td></tr></table>		<table border="1"><tr><td style="width: 100px; height: 30px;"></td></tr></table>	
This balance was previously reported as cash and cash equivalents, however the Fund does not operate its own bank account and transacts through the Department	51,534	55,972		

WESTERN CAPE HOUSING DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2006

(Continued)

	<u>1 April 2005</u> <u>to</u> <u>31 March</u> <u>2006</u>	<u>1 April 2004</u> <u>to</u> <u>31 March</u> <u>2005</u>
	R'000	R'000
5. <u>RESTRUCTURING ALLOCATION ACCOUNT</u>	41,837	(21,170)
<p>The Housing: MINMEC approved the dissolution of the Provincial Housing Development Fund, therefore with effect from 1 April 2003 the receipt of the Conditional Grant, expenditure relating to the Fund and receipt of income will be reflected in the Department's annual financial statements.</p> <p>The Fund and the Department use different bases of accounting, being accrual and cash respectively. The Fund accrues for interest and rental raisings, which are reversed when the Department receipts the cash and recognise the income in its own records. Accordingly the accrual has been raised within the restructuring allocation account to facilitate these transactions during the transitional phase prior to dissolution of the Fund.</p>		
6. <u>CASH FLOW STATEMENT</u>		
<p>No cash flow statement has been prepared due to the Fund sharing a bank account with the Department.</p>		
7. <u>INCOME STATEMENT</u>		
<p>No statement of the financial performance has been prepared and all expenditure and income relating to the Fund transacts through the Department</p>		

