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ANNUAL REPORT 2004/2005

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FOREWORD BY THE CHAIRPERSON

It is with a sense of pleasure and pride that I submit the Annual Report of the Western Cape Housing Development Board for the year ending 31 March 2005, to the Provincial Minister of Housing.

During July 2004 we bade farewell to our previous Chairman, Mr. Billy Coetzee. He had served on various Housing and Development Boards since 1986 and was Chairman of this Board from November 1999 to the time of his final retirement. During this time we all learned to respect his knowledge and expertise. We will always endeavour to follow his footsteps. We salute him.

I was immediately appointed as acting Chairperson, and then accepted the post as Chairperson from September 2004. This is therefore my first foreword.

The pattern of funds expenditure has been very pleasing this year. Here the devoted staff of this Department must be congratulated in the manner in which they managed and planned the expenditure.

The total allocated funds available this year was **R 446 million**, to which was added the rollover from last year of some **R141 million**. Total expenditure was **R 511 million**, which amounts to 115 % of the allocated funds or 87 % of the total available funds.

During the period from 1 April 2004 to 31 March 2005, the full Board met 8 times and Excom a further 4 times. This entailed the consideration of 338 submissions and the approval of 91 projects of which 46 were P.H.P. In addition **12 411** beneficiaries were approved together with their subsidies amounting to **R 320 976 545**.

The trend towards Peoples Housing Process (P.H.P.) projects has increased. In some cases, the larger companies have now started assisting in the P.H.P. projects with favourable results both regarding speed of construction and quality.

The effect of the National Home Builders Registration Council (NHBRC) involvement is now being felt in that there is a clear improvement in the quality of houses, which comply with their requirements. The downside, however, is the extra time necessary in the assessment and approval process of projects, which require NHBRC approval.

As from 1 April 2005, projects must comply with the Expanded Public Works Programme (EPWP) requirements whereby extra work opportunities are created in the construction phase. We look forward to the results of this new venture by Government.

The future of this Board is somewhat limited as it is due to be dissolved with the promulgation of the new Act. At that time an Advisory Panel will be created. We look forward to this new development and wish the members of the panel 'sterkte' with their daunting task.

In conclusion I wish to thank not only my fellow Board Members but also departmental staff for not only their hard work and total dedication, but also their support and assistance to me personally.

ELIZE SPRAGUE

CHAIRPERSON

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 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 is a provincial public entity in terms of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA).

The Board consists only of members as appointed by the Provincial Minister of Housing. It has no infrastructure, no separate budget and is not responsible for any expenditure. The administrative functions of the Board are 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 is a juristic person and owner of assets, it must 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 is 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 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 on before the matter can be submitted to Cabinet.

Draft amendments to the Western Cape Housing Development Act, 1999 abolishing the Board and establishing an Advisory Panel have been published and will come into operation during the 2005/2006 financial year. However, the Department could not incorporate the necessary amendments calling for the dissolution of the Western Cape Housing Development Fund until such time as the National Housing Act had been duly amended. It is envisaged that the necessary amendments to the national legislation will be finalised in the 2005/2006 financial year.

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.

The Board has no financial statements. The financial statements presented with this report are those of the Fund and incorporate the assets of the Board.

1.2 MISSION STATEMENT

The Western Cape Housing Development Board subscribes to the aim of the 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 are 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, are 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 may –

- 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 Department of 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 does not have personnel within its employ. The administrative functions of the Board are performed by the Department of Housing.

2.2 PERSONNEL COSTS AND RELATED INFORMATION

MEMBERS OF THE BOARD

The following are 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

(*) The members of the Executive Committee are Ms E Sprague, Mr S Patel and Ms P Matolengwe and Mr. NC Van Breda.

The members of the Western Cape Housing Development Board changed during the reporting period as follow:

Mr. JW Coetzee resigned as Chairperson at the end of June 2004. Ms E Sprague, Vice-Chairperson at that time took over as Acting Chairperson until the end of August 2004, when Minister Marius Fransman appointed her as Chairperson of the Western Cape Housing Development Board.

EXPENDITURE

Expenditure in respect of the remuneration of Board members for the 2004/2005 financial year is: **R 139, 439.40**

Attendance at Board meetings:

Board Members	Meetings Attended		
	Full Board	Exco	Special
Mr JW Coetzee	3	-	-
Ms E Sprague	7	2	2
Mr S Patel	5	2	2
Ms P. Matolengwe	6	1	2
Ms S Samaai	5	-	-
Mr NC van Breda	7	2	-
Ms N Walker	5	-	-
Mr A Essop	6	-	-

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

A total of 12 meetings were held with 338 items being tabled before the Board.

3.2.1 Development of Board Properties

The Board has put theory into practice by accepting proposals to develop its property in the Belhar CBD along the principles of integrated, sustainable human settlements. A proposal call, with very clear guidelines regarding the process and end product that is envisaged, was made in respect of the approximately 28-hectare site in Belhar, and the Board accepted a preferred bidder in February 2005.

The site is located in an established community, next to the campus of the University of the Western Cape, and very accessible as far as rail and road transport is concerned. It also lends itself to a mixed development that can sustainably cater for residential (approximately 1400 medium density units), commercial and social facilities, and will complement the neighbouring university in many ways.

The project is a first of its kind where land belonging to the Board is involved and will serve to inform other projects that are in the pipeline.

3.2.2 Disposal of Board properties

The Board transferred 124 properties to individuals and other institutions. Approval was, inter alia, given to transfer 18 properties, measuring approximately 10 000 hectares, to the Western Cape Provincial Government (Department of Transport and Public Works). This property was initially acquired by the erstwhile Community Development Board to develop Atlantis and now falls within the proclaimed West Coast Biosphere. Portions of it will also be used to settle a number of emerging farmers in terms of a land reform project.

The Board also assisted the Commission on Restitution of Land Rights in achieving its objectives by granting approval for the transfer of three portions of land in Paternoster for a land reform project.

3.3 OUTPUTS AND SERVICE DELIVERY TRENDS

Analysis of items considered by the Board

The following tables reflect 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	Other	PHP	Other	Blocked
22/04/04	Full Board	8	17	4	2	-
25/05/04	Full Board	7	25	4	1	-
04/06/04	Full Board	7	19	4	2	4
11/08/04	Full Board	3	27	3	2	3
20/08/04	Exco.	-	22	8	2	1
28/09/04	Full Board	6	22	4	-	-
20/10/04	Exco.	1	19	1	2	4
09/11/04	Full Board	4	17	3	-	-
10/12/04	Full Board	6	31	2	5	2
09/02/04	Full Board	51	24	13	4	4
07/03/04	Exco.	10	5	-	5	-
14/03/04	Exco.	5	2	-	2	-
Total		108	230	46	27	18

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

3.4.1 The response to these challenges were systemic and cautious as the application of the pre-emptive right clause was unclear and the sporadic requests by the Local Authorities for land in terms of section 19 (2) of the Housing Act, Act 107 of 1997 were not strictly monitored to see whether they complied with the conditions of the Board's resolution.

In order to remedy the shortcoming as far as devolution is concerned, it was resolved that municipalities first present the Department with a concise business plan on the intended use of the property prior to devolution. In this manner, the Department can link this plan to the Provincial Spatial Development Framework and ensure that available land is used optimally for human settlement development.

With respect to the pre-emptive right, a procedural framework has been drawn up to augment the Amendment Act.

3.4 Application of the In Duplum Principle

Debtors' accounts were previously overstated due to the fact that interest has accrued to the extent that it exceeded the capital amount initially taken up. This situation also resulted in overstating the Department's books.

Based on a High Court ruling the national Department of Housing decided to formally apply the *in duplum* principle, which stipulates that the outstanding arrears on a debtor's account could only accrue to the extent of equal the capital amount outstanding.

These turns of events did not only assist the debtors to settle their accounts, where possible, but also resulted in an improvement in the payment of installments.

3.5 CAPITAL INVESTMENTS, MAINTENANCE AND ASSET MANAGEMENT PLAN

3.5.1 FIXED ASSETS

Value: R 246,214 million as at 31 March 2005.

3.5.2 MOVABLE ASSETS

Nil

3.5.3 ACQUISITIONS

Nil

3.5.4 DISPOSALS

Board properties sold - 26

Board properties devolved - 84

Board properties transferred - 124

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 2005

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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 23 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.

L. PLATZKY (Dr.)
(Acting) HEAD OF DEPARTMENT/ACCOUNTING OFFICER
DATE: 29 July 2005

WESTERN CAPE HOUSING DEVELOPMENT FUND (WCHDF)

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 2005

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REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL PARLIAMENT OF THE WESTERN CAPE HOUSING DEVELOPMENT FUND (WCHDF) FOR THE YEAR ENDED 31 MARCH 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 23 to 29, for the year ended 31 March 2005, 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, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. 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, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

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

3. ACCOUNTING STATUS OF THE WCHDF

With reference to page 20, paragraph 3 of the 2003/04 annual report it was indicated that only certain transactions flowed through the Fund due to the fact that a decision was made to abolish the Fund. Due to the fact that the process to abolish the Fund had not yet been finalised, certain transactions in respect of properties and receivables were still processed in the Fund's financial books and records.

4. QUALIFICATION

4.1 Non-current assets, Property [R246 214 000]

[Note 2 to the financial statements: page28]

4.1.1 A title deed search performed on a sample of properties included in the property listing, indicated that eighteen properties with a total value of approximately R17 million were not registered in the name of the Western Cape Housing Development Board. Due to the inaccuracies of the property listing, the property balance is overstated by approximately R17 million.

4.1.2 In terms of the accounting policy utilised at the Western Cape Housing Development Fund, properties are carried at historical cost or municipal valuation indicating that all properties should have recorded values. However, during the audit it was found that a total of 2 804 properties included on the property listing were reflected at nil value. The effect of the understatement on the property balance has not been quantified.

4.2 Current assets, Gross trade and other receivables [R552 122 000]

[Note 3 to the financial statements: page 28]

4.2.1 Included in the balance of accounts receivable were credit balances amounting to R21 076 439. An amount of approximately R18 million of the credit balance relates to various unallocated receipts for which the necessary information and explanations to verify the existence and accuracy of the credit could not be obtained during the audit. The records maintained by the department in respect of the Western Cape Housing Development Fund did not permit for the performance of alternative audit procedures. As a result of the limitation of scope, the accuracy, existence and completeness of the credit balances amounting to approximately R21 million could not be verified.

4.2.2 Information and explanations that are necessary to verify the existence and accuracy of loan debtors of approximately R13 million, sales debtors of approximately R7 million and rental debtors of approximately R16 million (credit) could not be submitted for audit purposes.

4.2.3 Included in the debtor listing, debtor accounts amounting to R6 137 341 (debit balance) and R680 952 (credit balance) were identified that did not belong to the Western Cape Housing Development Fund, resulting in the overstatement of receivables with R5 456 389.

4.2.4 Supporting documentation in respect of a suspense account amounting to R4 955 481 could not be submitted for audit purposes. As a result, the completeness, existence and accuracy of the suspense account debtor could not be confirmed.

4.2.5 During the audit it was found that 727 debtors amounting to R4 805 222 were not timeously removed from the system resulting in the misstatement of receivables with the above amount.

4.2.6 One rental debtor with a credit balance of R1 200 505 was included in the debtor listing. Audit procedures performed in respect of this debtor as well as other debtors amounting to R101 757 (debit) revealed non-existing addresses and/or identity numbers. As a result, the net credit balance of R1 098 505 could not be confirmed for existence and accuracy.

4.3 Revaluation reserves

[Financial statements: page 23]

A revaluation reserve amounting to R11 942 000 was disclosed on the financial statements. The information and explanations considered necessary to verify the completeness, existence and accuracy of the list detailing the properties could not be submitted for audit purposes.

5. DISCLAIMER OF AUDIT OPINION

Because of the significance of the matters referred to in paragraph 4, I do not express an opinion on the financial statements of the Western Cape Housing Development Fund at 31 March 2005.

6. EMPHASIS OF MATTER

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

6.1 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, *inter alia*, the following

- Collection of debtors and adequate follow-up thereof was not properly performed.
- Inspection of certain debtors' revealed that rentals that were charged to certain debtors in respect of properties occupied by them and owned by the Western Cape Housing Development Board were not market related.
- Checklists to ensure the completeness of debtor files were not in all instances completed and signed by the relevant officials.
- Adequate documentation supporting the validity and existence of the debtors could not in all instances be located on debtor files.

6.2 Internal audit

No internal audit work had been performed at the Fund during the financial year under review upon which reliance could be placed.

7. APPRECIATION

The assistance rendered by the staff of the Western Cape Housing Development Fund during the audit is sincerely appreciated.



I Theron for Auditor-General

Cape Town

29 July 2005



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

WESTERN CAPE HOUSING DEVELOPMENT FUND**BALANCE SHEET AT 31 MARCH 2005**

	<u>Notes</u>	<u>1 April 2004 to 31 March 2005</u>	<u>1 April 2003 to 31 March 2004</u>
		R'000	R'000
<u>ASSETS</u>			
<u>Non current assets</u>		246,214	406,635
Property	2	246,214	406,635
<u>Current assets</u>		312,634	173,202
Trade and other receivables	3	256,662	121,086
Amount due by the Western Cape Department of Housing	4	55,972	52,116
<u>Total assets</u>		558,848	579,837
<u>EQUITY AND LIABILITIES</u>			
<u>Capital and reserves</u>		558,848	579,837
Accumulated reserves		546,906	568,076
Revaluation reserves		11,942	11,761
<u>Total equity and liabilities</u>		558,848	579,837

WESTERN CAPE HOUSING DEVELOPMENT FUND

INCOME STATEMENT FOR THE YEAR ENDED 31 March 2005

	<u>Notes</u>	<u>1 April 2004 to 31 March 2005</u>	<u>1 April 2003 to 31 March 2004</u>
		R'000	R'000
Other operating expenses	5	-	(90,704)
Net loss/profit for the year		-	(90,704)

**WESTERN CAPE HOUSING
DEVELOPMENT FUND**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 March 2005

	Notes	Accumulated reserves R'000	Revaluation reserves R'000	Total reserves R'000
Balance at 1 April 2003		593,843	11,732	605,575
Net loss for the year		(90,704)	-	(90,704)
Restructuring Allocation Account		64,937	-	64,937
Revaluation for the year		-	29	29
Balance at 31 March 2004		568,076	11,761	579,837
Restructuring Allocation Account	6	(21,170)	-	(21,170)
Revaluation for the year		-	181	181
Balance at 31 March 2005		546,906	11,942	558,848

WESTERN CAPE HOUSING DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 MARCH 2005**

GENERAL

The Western Cape Housing Development Board is 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).

The Western Cape Housing Development Board as a provincial public entity is a related party to the Department of Housing.

The Western Cape Housing Development Board 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 Fund (WCHDF) was dormant during the 2004/2005 financial year. All expenditure relating to assets was expensed under programme 5: Housing asset management in the Department of Housing books. The income derived from the Western Cape Housing Development Board assets and debtors was 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 Board.

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 zero value based on the devolution of properties due the change of ownership from the National Department of Housing to the Provincial Department of Housing with the eventual devolution to the municipalities at zero value (Article 15 (1) (a) of the Housing Act, 1997 (Act No. 107 of 1997).

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 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 2005 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 financial delegations when identified as irrecoverable.

1.5.1 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.

1.5.2 CHANGE IN THE PROVISION FOR DOUBTFUL DEBT

In the prior financial year provision for doubtful debt was determined based on a review of all monies received against trade receivables, however, due to the concern of the external auditors 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 2004 to 31 March 2005</u>	<u>1 April 2003 to 31 March 2004</u>
	R'000	R'000
2. <u>PROPERTY</u>		
Opening net carrying amount	406,635	416,354
Disposals	(10,602)	(9,748)
Revaluation	181	29
Devolution	(150,000)	-
Closing carrying amount	246,214	406,635
3. <u>TRADE AND OTHER RECEIVABLES</u>		
Loans to debtors *	441,537	642,103
Sale debtors *	89,280	127,971
Rental debtors	16,376	14,718
Historical debtor balances	4,929	22,446
Gross trade and other receivables	552,122	807,238
Less provision for doubtful debt	(295,460)	(686,152)
	256,662	121,086
4. <u>AMOUNT DUE BY THE WESTERN CAPE DEPARTMENT OF HOUSING</u>	55,972	52,116
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		
5. <u>OPERATING EXPENSES</u>		
Provision for doubtful debt	-	90,704

* The application of the induplum rule on debtor balances led to the adjustment of R 323, 646 million

WESTERN CAPE HOUSING DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2006
(Continued)

	<u>1 April 2005 to</u> <u>31 March 2006</u>	<u>1 April 2004 to</u> <u>31 March 2005</u>
	R'000	R'000
6. <u>RESTRUCTURING ALLOCATION ACCOUNT</u>	(21,170)	(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>		
7. <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>		